



Dave Yost • Auditor of State



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To the residents, elected officials, management, and stakeholders of the Nordonia Hills Local School District,

At the request of the Board of Education, the Auditor of State's Ohio Performance Team conducted a performance audit of the District to provide an independent assessment of operations. Functional areas selected for operational review were identified with input from District management and were selected due to strategic and financial importance to the District. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall efficiency and effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management.

The District has been encouraged to use the management information and recommendations contained in the performance audit report. However, the District is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

SkinnyOhio.org: This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The Shared Services Idea Center is a searchable database that allows users to quickly sort through shared services examples across the State. The Local Government Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

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Executive Summary

Project History

In 2011, the Ohio Department of Education (ODE) requested the Auditor of State's (AOS) Ohio Performance Team (OPT) conduct a performance audit of Nordonia Hills City School District (NHCS D or the District) to improve the efficiency and effectiveness of operations, and address concerns that declining revenues would continue to create operating deficits throughout the five-year forecast. The October 2012 forecast shows an operating surplus for FY 2011-12 and a similar surplus projected for FY 2012-13. However, the District is still projected to reach operating deficits in FY 2013-14 and to continue to deplete cash reserves through the remainder of the forecast period.

Objectives

AOS conducted the performance audit of NHCS D in accordance with generally accepted government auditing standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

Through a review of the operations of the District, in cooperation with the District, AOS identified the following areas for detailed assessment:

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

AOS developed objectives to identify efficiencies that could be gained from the operational areas listed above. The following objectives were used to seek evidence and assess the operations of the District:

- What is the District's Financial History?
- Does the District develop a strategic plan and link to the budget and capital planning?
- Is the District's financial communication consistent with leading practices?
- Are the District's financial management policies consistent with leading practices?
- Is the District's staffing efficient compared to peers?
- Are the District's salaries comparable to peers?
- Are the District's health benefits comparable to leading practices?
- Are the District's collective bargaining agreements consistent with leading practices?

- Is the District's sick leave usage comparable to State averages?
- Is the District's custodial and maintenance staffing efficient compared to peers and other benchmarks?
- Does the District have up-to-date enrollment projections?
- Does the District operate appropriate number of school buildings based on its current and projected enrollment?
- Are the District's preventative maintenance and capital planning efforts consistent with leading practices?
- Does the transportation contract allow for efficient transportation services?
- Does the District use an efficient process for procuring fuel?
- What is the financial status of the food service fund?
- Are food service program staffing levels consistent with the peers?
- Does the District procure food service supplies and materials in an efficient manner?

Methodology and Benchmarks

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Data was drawn from FY 2008-09, 2009-10, and 2010-11. To complete this report, the auditors gathered a significant amount of data, conducted interviews with numerous individuals associated with the various departments, and reviewed and assessed available information. The performance audit involved significant information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings informed the District of key issues impacting selected areas, and proposed recommendations to improve operations. Throughout the audit, input from the District was solicited and considered when assessing the selected areas and framing recommendations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the District's comments.

The following Ohio school districts were selected as peers: Copley-Fairlawn City, Green Local, Jackson Local, North Royalton Local, Olmsted Falls City, Riverside Local, Stow-Munroe Falls City, and Twinsburg City. These peers were selected based upon demographic and operational data. Whenever possible, these peer districts were used for comparison. In addition, benchmark data and standards were chosen from other applicable organizations and sources such as the Ohio Department of Administrative Services (DAS), State Employment Relations Board (SERB), American School and University Magazine (AS&U), National Center for Education Statistics (NCES), and the U.S. Department of Energy (DOE).

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were 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 resources to pursue. The following presents an issue requiring further study:

Transportation Service Reimbursement: According to a representative from ODE’s Pupil Transportation Office, House Bill 153 included significant changes to the State funding formula for transportation purposes for FY 2011-12 and FY 2012-13. Changes in pupil service transportation levels will potentially have an impact on State funding calculated beginning in FY 2013-14, indicating that the District will want to consider how service levels impact that portion of State funding.

Financial Implications

The performance audit identifies potential cost savings of approximately \$878,300 annually, representing 2.2 percent of the proposed FY 2012-13 total expenditures forecasted by the District. Financial implications for the audit recommendations are summarized below.

Summary of Financial Implications

Recommendation	Financial Implication
R1 Eliminate 11.0 FTEs in District positions. ¹	\$240,300
R2 Restructure the elementary schools in order to close a building. ¹	\$295,700
R3 Eliminate pickup of administration pension contributions.	\$146,900
R4 Increase employee contributions to 15 percent of health care premiums.	\$117,600
R5 Eliminate 1.0 FTEs in custodial / groundskeeping staff. ¹	\$45,300
R6 Reduce excessive sick leave use.	\$40,900
R7 Centralize and reduce Food Service Fund supply costs.	\$36,000
R8 Reduce fuel costs using consortium purchasing and motor tax refund.	\$900
Cost Savings Adjustment ¹	(\$45,300)
Total Cost Savings ¹	\$878,300

¹ Implementation of **R2** includes elimination of a custodial position. However, this is also recommended in **R5** based on benchmarking criteria for estimated savings of \$45,300 for salaries and benefits. Total cost savings are therefore reduced by \$45,300 to reflect the cumulative effect of implementing both recommendations.

Management Implications

In addition to financial implications, the performance audit also includes management recommendations that may not have direct financial effect but could improve District management’s efficiency and effectiveness.

Financial Systems:

- Create a strategic plan that incorporates capital budgeting and is linked to the District budget.

Human Resources:

- Renegotiate costly provisions in District collective bargaining agreements (CBAs).

Transportation:

- Retain ownership of all school transportation buses.
- Monitor transportation contract and ensure performance measures are included in any future contracts.

Noteworthy Accomplishment

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes the noteworthy accomplishments identified during the course of this audit.

Financial Communication: The District uses a variety of approaches to communicate with its citizens that are consistent with leading practices. These approaches include using a citizen finance committee to review District finances and operations; publishing an annual newsletter that includes financial information, a calendar of events, updates from each of the District's schools, staff and student data, and athletic information; providing detailed financial information such as the five-year forecast and assumptions, links to the financial audits, investment information, and Board policies on its website; holding periodic community forums to discuss its financial situation and to promote District initiatives; and conducting surveys as a means to gauge citizen satisfaction.

Background

Financial Systems

In accordance with Ohio Revised Code (ORC) § 3316.031, the Ohio Department of Education (ODE) requested a performance audit of Nordonia Hills City School District (NHCS or the District). In the October 2011 five-year forecast, deficits were expected to be approximately \$4.4 million in FY 2011-12 and \$8.2 million in FY 2012-13. Cash reserves would be depleted in FY 2013-14. The District's operating deficits are primarily due to declining revenue. The last new levy was passed in 2011, for 6.0 mills; although five prior levies and one in 2012 were not approved by voters. During the course of the audit, the District was actively undertaking steps to reduce expenditures including staffing changes (reductions-in force, or RIF) and entering into negotiations to address costly collective bargaining agreement provisions (see **R10**). The October 2012 five-year forecast shows an operating surplus of \$1.5 million for FY 2011-12 and a similar surplus projected for FY 2012-13 in large part due to the proactive measures taken by the District. The District is still projected to reach an operating deficit of \$774,700 in FY 2013-14 and continue deficits through the remainder of the forecast period. By FY 2015-16, cash reserves will be completely depleted.

Table 1 below shows total General Fund revenues and expenditures for FY 2010-11 per pupil.

Table 1: FY 2010-11 Population, Revenue, and Expenditure Peer Comparison

	NHCSD	Peer Average	Difference	Percent Difference
Pupils	3,902	4,380	(479)	(10.9%)
Revenues				
Property & Income Tax	\$6,152	\$5,900	\$253	4.3%
Intergovernmental Revenues	\$2,974	\$2,997	(\$22)	(0.7%)
Other Revenues	\$165	\$238	(\$73)	(30.8%)
Total Revenues	\$9,291	\$9,134	\$157	1.7%
Expenditures				
Wages	\$5,980	\$5,543	\$437	7.9%
Fringe Benefits	\$2,391	\$2,104	\$287	13.6%
Purchased Service	\$1,097	\$1,006	\$91	9.0%
Supplies & Materials	\$319	\$285	\$35	12.3%
Capital Outlay	\$77	\$68	\$8	11.9%
Debt Service	\$0	\$110	(\$110)	(100.0%)
Other Expenditures	\$168	\$161	\$7	4.1%
Other Financing Uses	\$250	\$81	\$168	206.5%
Total Expenditures	\$10,282	\$9,359	\$923	9.9%
Revenues Over / (Under) Expenditures	(\$991)	(\$225)	(\$766)	341.1%

Source: NHCSD and peer district financial reports

Note: Totals may differ due to rounding.

Table 1 shows the revenues and expenditures on a per pupil basis for FY 2010-11. Expenditures for NHCSD exceed revenues by \$991 per pupil while the peer average shows a deficit, but a much smaller one of \$225 per pupil of income over expenses. The District's unreserved fund balance has been decreasing steadily for the past several years due to this deficit spending. While revenue may increase in the future, conservative projections of future revenue indicate that the District should continue to make additional expenditure reductions. Based on **Table 1**, NHCSD is higher in spending than the peer average on a per pupil basis in the areas of salaries, benefits, and other financing. The salary analysis, detailed later in this background, shows that salaries tend to be comparable or below peers. A staffing analysis indicated areas where the District was higher than the peer average (see **R1**) or than industry benchmarks (see **R5**). The difference in benefits is reviewed later in this report in areas of health care (see **R4**) and other costly collective bargaining agreement provisions (see **R10**). The category of other financing uses reflects the District's categorization of its debt payments.

Enrollment Projections

NHCSD estimates enrollment but does not use a formal process that reviews historical enrollment and creates a methodology for projecting future enrollment trends. The District also does not regularly compare enrollment estimates to capacity. According to the Business Manager the District's last utilization study was conducted prior to 2000.

Table 2 presents NHCS D’s ten-year enrollment history.

Table 2: Ten-Year Enrollment History

Fiscal Year	K-12 Students	Student Difference from Prior Year	Percent Difference from Prior Year
FY 2001-02	3,666	N/A	N/A
FY 2002-03	3,671	5	0.1%
FY 2003-04	3,814	143	3.9%
FY 2004-05	3,768	(46)	(1.2%)
FY 2005-06	3,895	127	3.4%
FY 2006-07	3,988	93	2.4%
FY 2007-08	3,975	(13)	(0.3%)
FY 2008-09	4,048	73	1.8%
FY 2009-10	4,013	(35)	(0.9%)
FY 2010-11	3,978	(35)	(0.9%)
Average	3,882	35	0.9%

Source: ODE historical enrollment data

As shown in **Tables 2**, NHCS D’s ten-year enrollment figures do not indicate a clear trend with respect to either an increase or decrease in student population. Enrollment fluctuated throughout the ten-year period, reaching its lowest level of 3,666 students in FY 2001-02, and its highest level of 4,048 students in FY 2008-09. Within the ten-year history, enrollment increased on four occasions between fiscal years, while it decreased five times. Though NHCS D experienced these fluctuations in enrollment, the actual differences in enrollment between years were typically insignificant, amounting to an average percent difference from the prior year’s enrollment of less than 1 percent. Further, both increases and decreases in enrollment were not sustained for more than two consecutive fiscal years.

Although a student cohort method is generally suggested as a traditional method for assessing enrollment, based on kindergarten enrollment and a pattern of past trends of students retained across the years, the variation in NHCS D’s historical data pose some problems with using this method without other considerations. To illustrate, **Table 3** presents a survival ratio of students between the grade levels.

Table 3: Cohort Survival Ratios

Year	K	1	2	3	4	5	6	7	8	9	10	11	12
FY 2006-07	1.09	1.10	1.03	1.05	1.06	1.02	1.04	1.02	1.02	1.17	0.98	0.98	1.01
FY 2007-08	0.90	1.01	0.98	1.03	1.06	1.01	1.02	1.01	1.07	1.15	0.91	0.96	1.01
FY 2008-09	1.08	1.09	1.03	1.03	1.01	1.06	1.06	1.05	1.05	1.21	0.94	0.99	0.98
FY 2009-10	0.84	1.01	1.01	1.04	1.03	1.04	1.02	1.06	1.01	1.19	0.97	0.98	0.97
FY 2010-11	1.14	1.04	0.98	1.00	1.00	1.00	1.00	1.05	1.04	1.14	0.97	0.95	1.01
Average	1.01	1.05	1.01	1.03	1.03	1.03	1.03	1.04	1.04	1.17	0.95	0.97	1.00

Source: ODE historical enrollment data

Note: For Kindergarten the prior year survival ratio is calculated. For all other grades the cohort survival ratio is calculated. Key for Survival Ratios: less than 1.0 is a declining cohort; more than 1.0 is an increasing cohort; equal to 1.0 is a static cohort.

As shown in **Table 3**, kindergarten attendance fluctuates significantly and does not present a consistent pattern in recent years. This will reduce the accuracy of the student cohort method. Further, Grade 9 attendance is significantly higher than prior grades, suggesting there is a trend occurring in this year regarding attendance. Based on the cohort projections, the District would be expected to continue with declining attendance, representing a 6 year projected decline of 3.0 percent. Although the trend analysis can be useful, the District should consider many localized factors that could impact actual enrollment such as: housing starts, planned annexations, open enrollment, charter schools, vouchers, and digital academies.

While the District has not routinely updated its enrollment projections, a verbal recommendation was shared with the District on updating enrollment projections to establish baseline expectations, identify trends, and prepare for future operational needs. Subsequently, the District is now annually updating its enrollment projections.

Human Resources

NHCS D does not have a separate department dedicated to human resource functions. The Superintendent and Treasurer are responsible for coordinating all human resource activities for the District. The District has collective bargaining agreements (CBA) with the Nordonia Hills Educators’ Association (certificated CBA) and with the Ohio Association of Public School Employees (classified CBA). The certificated CBA covers all certificated/licensed personnel employed by the Board, except the Superintendent, Treasurer, principals and other individuals receiving administrative contracts. The classified CBA covers all regular full-time and part-time classified positions, including monitors, attendants, food service, custodians, maintenance, and secretarial/clerical.

Staffing and Salaries

NHCS D's staffing levels are derived primarily from the Education Management Information System (EMIS) data and current payroll information. During the course of the audit, the District provided updated information for the staffing analyses. For more information on the staffing analysis see **R1**.

Table 4 shows a comparison of average salaries for certificated, classified, and administrative employees for both NHCS D and its peers.

Table 4: Salaries Comparison

	NHCS D	Peer Average	Difference	Percent Difference
Certificated	\$65,450	\$64,230	\$1,220	1.9%
Custodians	\$36,158	\$40,749	(\$4,591)	(11.3%)
Food Service	\$30,084	\$28,795	\$1,289	4.5%
Administration	\$90,499	\$83,430	\$7,069	8.5%
NHCS D Average	\$55,548	\$54,301	\$1,247	2.3%

Source: NHCS D and peer district salary schedules

Note: FY 2009-10 schedules were used for NHCS D to reflect a pay freeze; peer district data reflect the last salary schedule posted as current on the State Employment Relations Board (SERB) website.

Table 4 shows that NHCS D's average staff salary is approximately \$55,500, or 2.3 percent higher than the peer average of \$54,300. As an additional analysis, salary schedules for certificated staff, custodial and food service personnel were reviewed. A description of each analysis follows:

- **Administration:** NHCS D administrative salaries average \$90,499, while the peer average is \$83,430. Consequently, NHCS D administrative average salary is \$7,069 or 8.5 percent higher than peers. This comparison includes consideration of the employer contribution for retirement (see **R3** for a discussion and recommendation regarding this contribution).
- **Certificated Salaries:** NHCS D's certificated salaries are higher than the peer average in the first year, midpoint (15 years), last year (30 years), and over a 30-year career. Specifically, certificated wages are 1.4 percent higher than the peer average in the first year of employment, 1.4 percent higher at mid-career, and 1.6 percent higher at 30 years of employment. Overall, NHCS D's salaries are 1.9 percent higher than peers when including longevity.
- **Custodian Salaries:** NHCS D's custodial salaries are lower than the peer average in the first year, midpoint (15 years), last year (30th year), and over a 30 year career. Custodial wages are 1.8 percent lower than the peer average in the first year of employment, 12.1 percent lower at mid-career, and 5.9 percent lower at 30 years of employment. Overall, NHCS D's salaries are 11.3 percent lower than peers, taking into account longevity.
- **Food Service Salaries:** NHCS D's food service salaries are higher than the peer average in the first year, midpoint (15 years), and over a 30 year career, but lower in the last year (30th year). Specifically, food service wages are 13.1 percent higher than the peer average in the

first year of employment, 3.0 percent higher at mid-career, and 0.5 percent lower at 30 years of employment. Overall, NHCS D’s salaries are 4.5 percent higher than peers taking into account longevity.

Overall, NHCS D’s certificated and classified salary schedules are slightly above the peer average for teachers and food service employees, and below peers for custodians. The District’s administration salaries are addressed separately (see **R3**). Since the District has had a wage freeze in effect since FY 2009-10, the differences in wages for certificated salaries are not considered to be significant.

Health Care and Benefits

NHCS D is self-insured and provides health care benefits to employees based on insurance purchased through the District’s membership in the Stark County Schools Council of Governments (SCSCOG). **Table 5** compares NHCS D’s health, dental, vision, and life insurance premiums to the 2011 SERB survey State-wide averages.

Table 5: Health Care Premiums

	NHCS D	SERB Average
Health Insurance		
Single	\$561	\$474
Family	\$1,363	\$1,250
Dental Insurance		
Dental – Single	\$71.27	\$29.00
Dental – Family	\$175.72	\$82.22
Vision Insurance		
Vision – Single	\$14.95	\$8.59
Vision – Family	\$37.31	\$20.44
Life Insurance		
Life Insurance – All Employees	\$0.133 per thousand	\$0.1892 per thousand

Source: NHCS D and 2011 SERB report

As shown in **Table 5**, NHCS D’s healthcare, dental, and vision insurance premiums are higher than the SERB averages for single and family plans. While the Stark County Schools Council of Governments (SCSCOG) occasionally allows members to skip monthly premium payments (known as a premium holiday), depending on the funding and claims status of all members combined. When the premium rates in **Table 5** are adjusted to reflect two premium holidays that were accounted for in FY 2010-11, the revised effective rates are still higher in all categories except for Health Insurance. The revised effective rates equal \$467.52 and \$1,135.63 for single and family healthcare coverage, respectively. The revised effective dental rates equal \$59.39 and \$146.43 for single and family coverage, respectively. The revised effective vision rates equal \$12.46 and \$31.09 for single and family coverage, respectively.

The certificated and classified CBAs were reviewed and compared to industry benchmarks and peer provisions. See **R10** for details on provisions that were considered costly.

Facilities

NHCS D’s facility configuration includes 4 elementary buildings, 1 middle school building, and 1 high school building. The District property includes approximately 580,967 square feet and 116.5 acres. Expenditures in the maintenance and operations (M&O) of these facilities are shown in **Table 6**.

Table 6: M&O Expenditures Per Square Foot (FY 2010-11)

	NHCS D	Peer Average	Percent Difference
Salaries	\$2.56	\$2.45	4.5%
Benefits	\$1.39	\$1.16	20.1%
Purchased Services (Excluding Utilities)	\$0.66	\$0.73	(9.6%)
Utilities	\$1.31	\$1.32	(0.6%)
Supplies and Materials	\$0.39	\$0.40	(2.4%)
Capital Outlay	\$0.01	\$0.21	(97.0%)
Other	\$0.05	\$0.01	542.5%
Total General Fund	\$6.37	\$6.27	1.5%

Source: NHCS D and peer district financial reports

Note: Totals may differ due to rounding.

As shown in **Table 6**, NHCS D spends approximately \$0.10 more per square foot on M&O costs than the peer average. While this is not a significant difference, it indicates an opportunity for some savings. Specifically, spending is higher in the areas of salaries, benefits, and other expenditures. Salaries are compared and analyzed in comparison to industry benchmarks (see **human resources**). Benefits are assessed as a part of the overall District package (see **R10**). The difference in the other expenditures category is not significant relative to total M&O expenditures. Overtime and substitute costs were also reviewed separately and NHCS D was consistent with peer averages in these areas, indicating this is not a significant source of additional salary costs.

Capacity and Utilization of Buildings

District capacity was assessed using standard methodology for calculating building capacity that is often employed by education planners. **Table 7** presents the capacity and respective utilization rate for each building.

Table 7: Building Capacity and Utilization Rates

Building	Building Capacity	2012 Head Count	Over/(Under) Capacity	Building Utilization Rate
Ledgeview	650	473	(177)	72.8%
Lee Eaton	859	585	(274)	68.1%
Northfield	575	430	(145)	74.8%
Rushwood	509	395	(114)	77.6%
Elementary Total	2,593	1,883	(710)	72.6%
Middle School Total	934	581	(353)	62.2%
High School Total	1,793	1,382	(411)	77.1%
District Total	5,320	3,846	(1,474)	72.3%

Source: NHCS floor plans and facility tours

As shown in **Table 7**, NHCS has a District-wide capacity of approximately 5,300 students, which means the buildings are only 72.3 percent utilized in comparison to FY 2011-12 enrollment. This indicates the District has significant underutilized capacity. Since enrollment is not expected to increase significantly based on interviews and projections, the District has excess capacity that could be reduced to eliminate unnecessary expenditures (see **R2**).

Transportation

NHCS has traditionally provided yellow bus transportation using Board-owned and operated buses to transport regular, special needs, and non-public school students. Starting FY 2010-11, the District was using 42 active and 8 spare buses and provided transportation to all students in grades K through 12. In November 2010, the District reduced transportation service levels to State minimum requirements, transporting students in grades K through 8 and those who live beyond two miles from the school building. The District entered into a contract with a private transportation management company (Petermann Northeast LLC or the contractor) for transportation services effective August 1, 2011 until July 31, 2014.¹ The contract may be renewed by the District after three years for two additional one-year periods, each commencing on August 1 and concluding on the following July 31. According to the District, the Business Director is responsible for overseeing the contract while the Operations Manager is the day-to-day contact person. The District is responsible for providing the contractor with the current active and spare school bus fleet used in transporting the students, providing appropriate facilities to house and maintain the school buses, and purchasing fuel.

¹ The Business Director indicated that the Ohio Association of Public School Employees (OAPSE) has filed an unfair labor practice grievance against the District because of the decision to outsource transportation and personnel. This was still pending at the time of this audit.

Operating Statistics

Table 8 compares the District's transportation operational data to the peer average as reported on the FY 2010-11 transportation reports to the Ohio Department of Education.

Table 8: Key Statistics and Operating Ratios

	NHCSD	Peer Average	Difference	Percent Difference
Square Miles	28.0	30.1	(2.1)	(7.1%)
ODE Enrollment	4,053.0	4,622.8	(569.8)	(12.3%)
Total Students Transported (All Types)	3,082.0	3,208.0	(126.0)	(3.9%)
Yellow Bus Riders				
Public	2,436.0	2,814.3	(378.3)	(13.4%)
Non-Public	513.0	241.6	271.4	112.3%
Community School	0.0	2.3	(2.3)	(100.0%)
Special Needs	51.0	61.6	(10.6)	(17.2%)
Total Yellow Bus Riders	3,000.0	3,119.8	(119.8)	(3.8%)
Yellow Bus Riders as Percent of Enrollment	74%	68%	8%	n/a
Buses				
Active Buses	42.0	46.8	(4.8)	(10.2%)
Spare Buses	8.0	11.6	(3.6)	(31.2%)
Miles				
Annual Routine Miles	497,700	522,585.0	(24,885)	(4.8%)
Annual Non-routine Miles	4,460	51,509.9	(47,050)	(91.3%)
Total Miles	502,160	574,095	(71,935)	(12.5%)
Operating Ratios				
Enrollment per Sq. Mile	144.8	174.3	(29.6)	(17.0%)
Daily Miles per Yellow Bus Rider	0.9	0.9	0.0	1.8%
Riders per Square Mile	107.1	116.3	(9.1)	(7.9%)
Yellow Bus Riders per Active Bus	71.4	71.1	0.3	0.4%
Routine Miles per Active Bus	11,850	11,277	572.7	5.1%
Non-routine Miles % of Total Miles	0.9%	9.8%	(8.9%)	N/A
Non-routine Miles per Enrollment	1.1	11.2	(10.08)	(90%)
Spare Bus Ratio	16.0%	19.6%	(3.6%)	N/A
Percent Public Riders	81.2%	90.4%	(9.2%)	N/A
Percent Special Need Riders	1.7%	2.0%	(0.3%)	N/A
Percent Non-public & Community School Riders	17.1%	7.6%	9.5%	N/A
Public Riders % of Total Enrollment	60.1%	61.5%	(1.4%)	N/A
ODE Efficiency Measure	0.99	0.99	0.0	0.0%

Source: ODE transportation reports.

Table 8 illustrates the District had a lower enrollment per square mile than the peer average (145 vs. 174). However, the District provided yellow bus transportation to 74 percent of its enrollment while the peer average was 68 percent. While the District had lower enrollment per square mile as compared to the peer average, the District transported 9 percent more active bus riders. **Table 8** also shows that the District achieved a score of 0.99 from ODE's efficiency measurement system, which was equivalent to the peer average of 0.99. The abovementioned comparisons

demonstrate that the District maintained a relatively efficient transportation program in FY 2010-11.

Table 9 compares the District's transportation cost data to the peer average as reported on the Ohio Department of Education FY 2010-11 transportation expenditure report.

Table 9: Transportation Cost Ratio Comparison

	NHCSD	Peer Average	Difference
Salaries	\$1,007,503	\$1,201,968	(16.2%)
Per Yellow Bus Rider	\$335.83	\$378.76	(11.3%)
Per Active Bus	\$23,988	\$26,306.7	(8.8%)
Per Routine Mile	\$2.02	\$2.40	(15.6%)
Benefits	\$456,204	\$608,664	(25.0%)
Per Yellow Bus Rider	\$152.07	\$187.24	(18.8%)
Per Active Bus	\$10,862	\$12,767	(14.9%)
Per Routine Mile	\$0.92	\$1.16	(20.7%)
Maintenance & Repairs ¹	\$390,351	\$369,062	5.8%
Per Yellow Bus Rider	\$130.12	\$119.86	8.6%
Per Active Bus	\$9,294	\$8,529.67	9.0%
Per Routine Mile	\$0.78	\$0.77	1.2%
Fuel	\$194,822	\$249,102	(21.8%)
Per Yellow Bus Rider	\$64.94	\$77.61	(16.3%)
Per Active Bus	\$4,639	\$5,381.01	(13.8%)
Per Routine Mile	\$0.39	\$0.47	(16.1%)
Bus Insurance	\$25,981	\$31,530	(17.6%)
Per Yellow Bus Rider	\$8.66	\$9.87	(12.2%)
Per Active Bus	\$619	\$669.61	(7.6%)
Per Routine Mile	\$0.05	\$0.06	(16.9%)
All Other Costs	\$44,019	\$42,951	2.5%
Per Yellow Bus Rider	\$14.67	\$14.71	(0.3%)
Per Active Bus	\$1,048	\$1,075.4	(2.5%)
Per Routine Mile	\$0.09	\$0.10	(14.6%)
Total Expenditures	\$2,118,880	\$2,503,276	(15.4%)
Per Yellow Bus Rider	\$706.29	\$788.04	(10.4%)
Per Active Bus	\$50,450	\$54,729.33	(7.8%)
Per Routine Mile	\$4.26	\$4.96	(14.2%)

Source: ODE transportation reports

Note: Totals may differ due to rounding and the averaging of peer ratios.

¹ Mechanic salaries are included in maintenance and repair costs.

As shown in **Table 9**, NHCSD's total expenditures were significantly lower than the peer average on a per yellow bus rider, per active bus, and per routine mile basis. However, the bus maintenance and repair costs per yellow bus rider, per active bus, and per routine mile were higher than the peer average. Currently, the District's transportation management contractor has assumed responsibility for providing maintenance and repair functions as part of the purchased services.

Food Service

The District offers breakfast and lunch food services through on-site kitchens located in each of the District's school buildings. The District's participation rate as reported on the 2011 ODE Benchmark Report was 48.2 percent, which is higher than the peer average participation rate of 40.7 percent. According to the District's financial reports, in FY 2010-11, the Food Service Fund generated revenues of \$1,307,938 and expenditures of \$1,339,037 for an operating deficit of approximately \$31,100, due to rounding.² As an enterprise operation, the District can control deficits by increasing revenues or reducing expenditures (see **R7**).

² This was not including advances-in and advances-out that netted \$14,600. Plus, all operating expenses are not allocated to the food service fund, so, the actual full deficit of the fund cannot be determined and is higher than reported costs. Additional costs would include utilities, cleaning supplies, and custodial salaries and benefits.

Recommendations

R1 Eliminate 11.0 FTEs in District positions.

Financial Implication: By eliminating 11.0 FTEs, NHCS D would save approximately \$240,300 in salaries and benefit costs. The estimated savings are based on the lowest salaries for each group and the ratio of District-wide benefits to salaries for FY 2010-11.

NHCS D staffing levels compared to peer averages are shown in **Table 10**. These numbers reflect adjustments for staffing cuts implemented through the RIF plan for FY 2011-12.

Table 10: Staffing Comparison Summary

	NHCS D		Peer Average	Difference / 1,000 Students
	Total FTEs	FTEs / 1,000 Students	FTEs / 1,000 Students	
Administrative ¹	19.00	4.89	4.85	0.04
Office/Clerical ²	25.98	6.66	7.40	(0.74)
General Education Teachers ³	152.80	39.16	42.53	(3.37)
All Other Teachers ⁴	28.00	7.17	10.35	(3.18)
Education Service Personnel (ESP) ⁵	27.27	6.98	7.44	(0.46)
Educational Support ⁶	9.46	2.42	3.06	(0.64)
Other Certificated ⁷	0.00	0.00	1.44	(1.44)
Non-Certificated Classroom Support ⁸	45.18	11.58	8.72	2.86
Operations	109.54	28.08	31.15	(3.07)
All Other Staff ⁹	20.86	5.35	4.57	0.78
Total Staff	438.09	112.29	121.51	(9.22)

Source: NHCS D and peer FY 2010-11 EMIS data

¹Administrative includes central office and building level administrators, directors and coordinators, as well as personnel responsible for the planning, management, evaluation, and operation of the District.

²Office/Clerical includes all 500 position codes except 505 Teacher Aides plus Administrative Assistants (101) and Attendance Officers (901).

³Teachers include General Education teaching assignment. It does not include ESP Teachers.

⁴All other teachers includes, Career-Technical Programs/Pathways, Gifted and Talented, Limited English Proficiency (LEP) teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, Preschool Handicapped Itinerant.

⁵Education Service Personnel include K-8 Art, Music, and P.E. Teachers, Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers per ORC § 3317.023(A)(2).

⁶Educational Support includes Remedial Specialists and Tutors/Small Group Instructors.

⁷Other Certificated includes Curriculum Specialists, Audio-Visual Staff, Permanent Substitutes, Teacher Mentor/Evaluator, and Other Education Professionals.

⁸Non-Certificated Classroom Support includes Teaching Aides, Paraprofessional Instructors, and Attendants.

⁹All other staff category includes Psychologists, Therapists, Speech and Language Therapists, Practical Nurses, Library Aides, Computer Support Staff, and all other professional and technical staff.

As shown in **Table 10**, after staffing cuts were considered, in overall positions NHCS D had 9.2 fewer FTEs per 1,000 students compared to the peer average. Due to the expected FY 2016-17 deficit forecasts, the District should consider conforming FTE levels to peer averages in the area

of Non-Certificated Classroom Support. The District should eliminate 11.0 FTEs (2.86 FTEs per 1,000 students) to better align with peer averages. Eliminating 11.0 non-certificated classroom support FTEs would save the District approximately \$240,300 based on an average salary of \$16,053 and benefits of 36.1 percent.

In addition to the actions suggested above, the District is also exceeding the staff State minimum requirements in terms of General Education Teachers and Education Service Personnel (ESP). The recommended threshold for General Education staffing has historically been at a level 20 percent above the State minimum requirement for teachers. Based on the current forecasted deficit, the District will need to consider aggressive action to eliminate that potential deficit. NHCS D should thus consider the potential reductions that could be enacted by taking General Education Teacher staffing to the State minimum standards. Using this baseline, the District could reduce up to an additional 21.0 FTE General Education Teachers and still meet State teacher staffing requirements. Similarly, NHCS D could take the ESP staff, such as art and music teachers, counselors, nurses, and librarians, to the minimum standard requirements. NHCS D could eliminate 9.0 FTEs and still meet state minimum requirements. Based on salaries and benefits, eliminating 8.0 FTE General Education Teachers would save approximately \$630,100 and eliminating 9.0 FTEs in ESP employees would save approximately \$864,400. However, while these changes can be quantified, the District should consider the effects of such reductions on its educational programs. Based on these issues, the further reduction of General Education Teachers and ESP to State minimum levels should only be considered if the District has continuing issues of financial insolvency. Further, the District should consult with ODE to determine whether the provisions in the new funding formula will correspond to new staffing requirements and ensure all proposed reductions will permit compliance with any new requirements.

Employing more staff than needed can be costly to a district. By reducing staffing levels to align with peer averages, NHCS D can reduce salary and benefit costs and improve operational costs.

R2 Restructure the elementary schools in order to close a building.

Financial Implication: Based on a conservative estimate of cost savings associated only with administrators, custodial staff, and estimated facility maintenance costs, closing a building would generate approximately \$295,700 in annual savings.³

³ In implementing **R5**, the District would have eliminated a District custodian. Thus, the effect of implementing both recommendations would need to be reduced by the respective costs of **R5**, or \$45,300, to reflect the overlap. See Financial Implications Table in the **Executive Summary**.

Based on the District’s utilization rate of 72 percent, the District has underused building capacity. This suggests that a building closure could reduce expenditures for excess capacity. **Table 11** shows the potential utilization impact based on closing the smallest elementary, Rushwood Elementary.

Table 11: Example Option for Building Closure

Building	Building Capacity	2012 Head Count	New Over/(Under) Capacity	New Building Utilization Rate
Ledgeview	650	605	(45)	93.0%
Lee Eaton	859	717	(142)	83.4%
Northfield	575	562	(13)	97.7%
Elementary Total	2,084	1,883	(201)	90.4%
Middle School Total	934	581	(353)	62.2%
High School Total	1,793	1,382	(411)	77.1%
District Total	4,811	3,846	(965)	79.9%

Source: AOS Capacity and Utilization Analyses

Note: This table reflects the new building utilization rate for closing the smallest building, Rushwood Elementary. Since it is the smallest building, and should be the least costly to operate, this represents the most conservative estimate.

As shown in **Table 11**, even closing the smallest building will result in higher total District utilization. Based on *Defining Capacity* (DeJong, 1999), a utilization rate of 85 percent is considered the target capacity for maximizing utilization. For NHCS D, closure of the smallest building would create a higher utilization rate, closer to the 85 percent target capacity. **Table 12** presents an example of some of the cost savings from this building closure.

Table 12: Potential Building Closure Savings

	Cost per Square Foot	Savings Amount
Salaries ¹	N/A	\$167,012
Benefits ¹	N/A	\$50,103
Purchased Services (Excluding Utilities) ²	\$0.46	\$22,173
Utilities ³	\$0.79	\$37,723
Supplies and Materials ⁴	\$0.39	\$18,717
Total Savings		\$295,728

Source: NHCS D expenditure reports and *Closing a School Building: A Systematic Approach* (2010) National Clearinghouse for Educational Facilities (NCEF).

Note: Costs savings are estimated based on the smallest building, Rushwood Elementary. Since it is the smallest building, and should be the least costly to operate, this represents the most conservative estimate.

¹ Salaries and benefits were calculated based on eliminating only administrator and custodial positions. Some teaching and support positions may be needed and integrated into other schools.

² Purchased services exclude utilities and are calculated at 70 percent of average square foot costs.

³ Utilities are calculated at 60 percent of average square foot costs.

⁴ Supplies and materials are calculated at 100 percent of average square foot costs.

As shown in **Table 12**, the estimated cost savings from salaries were based on administrators and custodians. Cost savings from any consolidation for any teaching or other support staff are not included. Reducing unnecessary spending for excess capacity can allow the District to focus spending on the educational mission. Although Rushwood Elementary was used in this example

to illustrate the impact on the utilization rate and the potential cost savings, the District will want to consider many factors, including the age and benefits of each facility, classroom size and student teacher ratios, geographical locations, accessibility of transportation, and long term strategic plans of the District. Considering these factors will assist the District in determining the appropriate facility to close.

R3 Eliminate pickup of administration pension contributions.

Financial Implication: If NHCS D eliminated the pick-up of administration pension contribution, the District would see a cost savings of \$146,900.

In addition to the required 14 percent employer contribution, NHCS D also pays the full 10 percent of administrative employees' share of pension costs. When this pick-up of pension contributions is factored into the salary analysis, NHCS D administrative salaries are 8.5 percent higher than the peer average. The Superintendent indicated that the District's administration has had no base salary increase since August 1, 2009, and will be frozen for FY 2012-13. Steps have been frozen as well. However, in the fall of 2011, 8 administrators received a one-time increase. The salary analysis for administrators indicated that NHCS D was already 8.5 percent higher than the peer average prior to factoring in the pension contribution. When the salary analysis was adjusted to reflect the additional pension benefit, NHCS D's average administrative salaries increased by 10 percent to \$99,549, which is 19.3 percent higher than the average peer administrative salary. The District spent \$146,931 on pension benefits for administrators January through December of 2011. To further reduce costs NHCS D should eliminate the pick-up of administration pension contributions.

School districts in Ohio are required to administer payments into two retirement plans and Ohio law mandates the contribution percentages to be made by employers and employees. Employers are required to contribute 14 percent of each employee's annual salary to the appropriate retirement fund. Employees are responsible for contributing 10 percent. Paying the employee share of retirement contributions allows some districts to control administrative salary costs and attract administrative personnel by offering this fringe benefit in lieu of a higher salary. However, offering this benefit to employees can be costly as it is rarely factored into total compensation calculations. To implement this recommendation, the District will need to renegotiate administrative contracts or implement this as attrition occurs.

R4 Increase employee contributions to 15 percent of health care premiums.

Financial Implication: If NHCS D renegotiated the CBAs, and required all employees to contribute 15 percent of health care costs, it would realize annual cost savings of \$117,600.⁴

NHCS D contracts with the Stark County Schools Council of Governments (SCSCOG) for health care. In FY 2010-11, NHCS D certificated employees were required to contribute 5 percent of the monthly premium for single coverage and 9 percent for family coverage. Similarly, classified

⁴ This would include a 10 percent reduction in savings to conservatively offset the anticipated effect of the Patient Protection and Affordable Care Act (PPACA).

employees were required to contribute 6 percent of the monthly premium for single coverage and 12 percent for family coverage. During the course of this audit, the District negotiated new CBAs with the certificated and classified staff. The new CBAs state the certificated employee contributions increased to 6 percent of premium costs for single coverage and 12 percent for family coverage. Classified staff contributions remained the same. By comparison, the 2011 State Employee Relations Board (SERB) survey reports that the average government employee contribution in Ohio toward single plan premium costs is 11.0 percent and toward family plans is 12.0 percent. Further, the 2011 Kaiser survey reports that nationally, the average single and family plan contribution rates for governments offering a similar plan are 18.0 percent and 28.0 percent, respectively.

Despite the positive impact from the premium holidays, the District also exceeds other comparable insurance plans in the following areas:

- **Participation Threshold:** NHCS D's certificated CBA stipulates that an employee only needs to work 25 hours per week in order to receive full healthcare benefits. In contrast, Jackson LSD requires certificated staff to work a minimum of 30 hours per week to receive full healthcare benefits. Likewise, NHCS D's classified CBA stipulates that an employee only needs to work 30 hours per week in order to receive full healthcare benefits. In contrast, Riverside LSD requires classified staff to work a minimum of 35 hours per week to receive full healthcare benefits.
- **Benefit Coverage:** In some cases, NHCS D's healthcare plans provide generous coverage levels. Specifically, NHCS D's annual deductibles for both plans are \$100 and \$200 for single and family coverage, respectively. By comparison, SERB reports that 58 percent of employers have annual deductibles of \$100 or higher for single coverage and 59 percent have annual deductibles of \$200 or higher for family coverage. Similarly, NHCS D's out-of-pocket maximums for both plans are \$500 for single coverage and \$1,000 for family coverage. SERB reports that the Statewide median out-of-pocket maximum is \$1,000 for single coverage and \$2,000 for family coverage.
- **Prescription Plan:** Both of NHCS D's healthcare plans provide 80 percent prescription coverage until the annual out-of-pocket maximum is met. Once the maximum is met, the prescription coverage improves to 100 percent with no employee co-payments. Furthermore, the healthcare plan is structured to encourage the use of less costly options, such as tiered prescriptions and/or mail-order programs. In contrast, SERB reports that 61 percent of employers offer a three-tiered prescription plan, with employee co-payments ranging from \$10.00 to \$38.00 depending on prescription type (generic, formulary, and / or non-formulary). SERB also reports that 77 percent of employers offer a mail-order program, with employee co-payments ranging from \$20.00 to \$70.00 depending on prescription type.
- **Dental Plan:** NHCS D provides generous dental coverage. For example, NHCS D has established the annual maximum dental benefit at \$2,500 per person. Although the District has annual deductibles of \$25.00 for single coverage and \$75.00 for family coverage, these are waived for preventive and diagnostic care and for orthodontic services. Furthermore, the

District does not require single coverage employees to contribute towards the monthly dental plan premium costs. SERB reports that 71 percent of employers have annual dental maximums of \$1,500 or less, and that the median employee contributions represent approximately 15 percent of the premium costs. SERB did not report data on deductibles for dental plans.

- **Vision Plan:** NHCS D provides vision coverage that allows employees one regular eye exam and one pair of lenses in a 12 month period. The plan also includes an allowance for medically necessary contact lenses. NHCS D single coverage employees contribute 6 percent of premium costs and 5 percent for family coverage. By comparison, SERB reports that the average single employee contribution is 23 percent and the average family employee contribution is 26 percent. Moreover, NHCS D single coverage premium is \$14.95 while family coverage premiums are \$37.31. By comparison, the SERB survey reports a single premium as \$8.59 and a family premium as \$20.44.

Although the Patient Protection and Affordable Care Act (PPACA) was signed into Federal law in March 2010, local governments with collective bargaining agreements such as NHCS D can maintain prior agreement plans by not making significant changes to reduce benefits or increase costs to consumers. The U.S. Department of Health and Human Services (www.healthcare.gov) indicates that the new plan will require provisions such as preventive care coverage with no cost sharing under any new agreement. According to a survey conducted by Mercer Consulting in July 2010, 63 percent of respondents indicated that it would be more cost effective to make changes and lose grandfathered status. In addition, organizations that employ fewer than 500 employees predict that costs will increase by 3.0 percent in 2011 because of PPACA provisions. One of the nation's leading insurance brokers estimates that providing full coverage for preventive care represents a cost increase of up to approximately 2.0 percent for employers. Reviewing the PPACA legislation before enacting significant changes to its healthcare program will ensure that NHCS D achieves intended results.

NHCS D's contributions toward its employee premiums for health care are in excess of those paid by other levels of government. Establishing consistent premiums for all employees can assist the District in providing reasonable but cost-effective health care benefits.

R5 Eliminate 1.0 FTEs in custodial/groundskeeping staff.

Financial Implication: Aligning custodial/groundskeeping staff with industry standards will eliminate 1.0 FTE and save approximately \$45,300 annually in salaries and benefits.

Table 13 presents the District’s custodial staffing in comparison to industry benchmarks based on square footage and acreage.

Table 13: M&O Staffing and Workload

District Staffing	
Maintenance FTEs ¹	4.4
Custodian FTEs	21.6
Groundskeeping FTEs	1.7
Total FTEs ¹	27.7
Statistics	
Buildings ²	8
Square Feet Maintained	580,967
Square Feet Cleaned ³	522,870
District Acreage	116.5
Benchmarks	
AS&U Five-Year Avg. Sq. Ft. per FTE Maintenance ⁴	95,000
Calculated FTE Maintenance Need	6.1
NCES Level 3 Cleaning Median Square Footage per FTE ⁵	29,500
Calculated FTE Custodian Need	17.7
AS&U Five-Year Avg. Acres per FTE Groundskeeper ³	40.2
Calculated FTE Groundskeeping Need	2.9
Workloads	
Total Square Feet Maintained per FTE	131,739
Total Square Feet Cleaned per FTE	24,246
Total Acreage Maintained per FTE	67.0
Total FTE Staffing	27.7
Total Calculated Department Staffing Need	26.7
Difference	1.0

Source: NHCS D

Note: Totals and ratios may differ to rounding.

¹ Non-supervisory FTEs.

² NHCS D has six educational buildings, one of which houses the administration building. In addition, the District maintains one transportation building and one maintenance building.

³ An estimate of 90 percent of square feet maintained was used as a traditional evaluation of the allotment for mechanical room space not requiring extensive daily cleaning.

⁴ The *Maintenance & Operations Cost Study* (AS&U, 2004-2009) is based on an average of the national survey that is released in April each year. The national medians used as benchmarks are for school districts.

⁵ According to *Planning Guide for Maintaining School Facilities* (NCES, 2003), 28,000 to 31,000 square feet per FTE custodian is the norm for most school facilities. Therefore, a benchmark of 29,500 square feet per FTE custodian was applied in the analysis. This benchmark is acceptable to most stakeholders and does not pose any health issues.

As shown in **Table 13**, based on the combined standards for cleaning, maintenance, and groundskeeping, the District needs 26.7 FTEs. The District has 27.7 FTEs, resulting in a difference of 1.0 FTE in excess of the industry standards.

The District is incurring unnecessary personnel costs as a result of its high staffing levels. Bringing custodial staffing levels in line with industry standards should make additional funds available for allocation to other needs across the District.

R6 Reduce excessive sick leave use.

Financial Implication: If NHCS D had aligned FY 2010-11 annual certificated sick leave use with the Statewide average (71.5 hours – 59.0 hours per employee), the District would have eliminated 1.6 days per teacher annually (12.5 hours / 7.5 hours per day). Based on the number of certificated employees (269) and an estimated \$95 substitute rate, the District could save approximately \$40,900 by eliminating costs for replacement teachers.

According to both the certificated and classified CBAs, NHCS D employees accrue sick leave in the amount of 1.25 days per month to a maximum of 15 days per year. The classified CBA states, “Absence of more than five consecutive work days for personal illness or injury may require a certificate from a doctor stating that the employee is physically and/or mentally able to return to work.” The CBA further states that after one written warning, employees who fail to notify their supervisor of an impending absence prior to the start of the work day, shall forfeit wages. **Table 14** shows the District’s sick leave usage compared to the DAS sick leave report.

Table 14: NHCS D Sick Leave Comparison

	Employee Headcount	Sick Leave Days	Hours / Employee	DAS Statewide Average Hours	Percent Difference	Difference
FY 2009-10	532	5,107	72.0	50.5	42.5%	21.5
FY 2010-11	529	5,354	75.9	59.0	28.6%	16.9
FY 2011-12	407	4,295	79.2	55.4	42.9%	23.7

Source: NHCS D sick leave records and DAS average sick leave use

Note: This leave analysis includes family and medical care such as maternity / paternity leave.

As shown in **Table 14**, NHCS D has typically exceeded the DAS Statewide average hours of sick leave. Over the three year period, NHCS D's employees used an average of 75.7 sick leave hours per employee, 38.0 percent higher than DAS on average.

Absence Management: Strategies for Curbing Absenteeism in the Workplace (International Public Management Association, 2003) suggests that while discipline is necessary in many cases of excessive absenteeism, non-punitive steps can be taken to help improve attendance management. The following are recommendations aimed at limiting and reducing employee absenteeism:

- Employers should establish a policy that clearly states that employees are expected to report to work as scheduled and on time. The policy should define what the organization considers to be an acceptable standard of attendance and outline consequences for noncompliance.
- Document employees’ absences, late arrivals, and early leave times, either manually or through computerized recordkeeping. Records can show if there is a pattern or practice of absenteeism among specific individual employees or whether absenteeism is a chronic problem throughout the organization.
- Try to pinpoint areas within the organization where absenteeism is excessive.
- Hold supervisors accountable for good attendance. Managers should be aware of each employee’s attendance patterns and be instructed to look for performance problems.

Supervisors should document chronic absenteeism, and speak privately with repeatedly absent employees as soon as possible after their absence, giving them a written copy of the organization's policy on absenteeism to ensure that they understand the consequences.

- Conduct attitude surveys to determine how employees feel about their jobs, and then use the results to design motivational programs that will increase satisfaction and improve morale and attendance.
- Pay attention to absences and progressively discipline employees who fail to meet attendance standards. Administer appropriate discipline fairly and consistently, and document any actions taken.

The CBA between the Ohio Civil Service Employees Association (OCSEA) and the State of Ohio contains provisions for disciplining employees for sick leave abuse and provisions for pattern abuse, defined as consistent periods of sick leave use. The agreement provides 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 of the week;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism

The District does not have policies that define what constitutes a pattern of abuse.

The District's employees are using significantly more sick leave than the DAS statewide average resulting in higher costs to the District, and reduced productivity. A review of sick leave use in FY 2010-11 indicates that the District incurred as much as \$207,000 in lost productivity through the excessive sick leave. In addition, the District can experience a direct cost through substitute costs. Classified employees may have to double-up work or use temporary staff to complete all the necessary functions while employees are sick. Certificated staff absences typically require the use of substitute employees hired at set hourly rates. Both create costs to the District in higher salaries and reduced productivity. Developing formal policies that communicate specific leave expectations with employees as well as procedures for officials or department heads to use in monitoring sick leave use may allow the District to reduce cumulative leave usage. Defining patterns that are considered abuse and communicating possible disciplinary actions with employees will assist in this endeavor. Policies should be communicated across all departments.

R7 Centralize and reduce Food Service Fund supply costs.

Financial Implication: Reducing supply costs in the Food Service Fund to be more closely aligned with peer averages (by \$0.10 per meal) would save the District approximately \$36,000.

Table 15 presents some operating expenditures and meal prices for NHCSD in comparison to peer averages.

Table 15: Food Service Comparison (Per Meal Served)

	NHCSD	Peer Average	Difference	Percent Difference
Meals Served	359,620	356,672	2,948	0.8%
Receipts	\$3.64	\$3.51	\$0.13	3.6%
Salaries	\$1.46	\$1.39	\$0.07	5.3%
Benefits	\$0.61	\$0.65	(\$0.04)	(6.5%)
Purchased Services	\$0.03	\$0.08	(\$0.05)	(65.0%)
Supplies	\$1.61	\$1.40	\$0.20	14.4%
Capital	\$0.01	\$0.00	\$0.01	213.2%
Other	\$0.01	\$0.02	(\$0.01)	(48.7%)
Total Expenditures	\$3.72	\$3.54	\$0.18	5.1%
Operations Surplus / (Deficit)	(\$0.09)	(\$0.03)	(\$0.05)	171.7%
Meal Prices				
Lunch Prices¹	\$3.00	\$2.79	\$0.21	7.7%

Source: ODE food service reports, FY 2010-11

Note: Totals and percentages may differ due to rounding.

¹ The District's and peer districts' high school lunch prices were used because grades in the other buildings vary between districts.

As shown in **Table 15**, expenditure per meal served was higher than the peers, but operating receipts and meal prices are also higher. Since raising revenue through increased prices would push meal prices even higher than peers, and might reduce participation, a more efficient way to reduce deficits would be to address expenditures. Although the District is utilizing consortiums and government commodities, the District's FY 2010-11 supply costs, were 14 percent higher than the peer average on a per meal basis. Specifically, the District's FY 2010-11 supply cost per meal served was \$1.61 while the peer average was \$1.40. According to the Food Service Supervisor, purchasing is based on each respective school's inventory and menu. Centralizing the purchasing function, the District could provide better oversight and cost efficiencies to its decentralized purchasing operations. According to the FY 2010-11 ODE Benchmark Reports, four of the peer districts had food service operations that were self-supporting.

The National Food Service Management Institute's *Financial Management: A Course for School Food Service Directors* (NFSMI, 2010) suggests that ways to lower food costs in school nutrition programs include the following activities:

- Monitor meal costs;
- Use standardized recipes and cycle menus;
- Control portions to ensure accurate serving sizes;
- Avoid overproduction by careful forecasting;
- Track cooking mistakes and analyze mis-orders;
- Keep specialized purchases to a minimum;
- Maintain inventory control;
- Decrease food costs through the use of USDA foods, and

- Implement security measures to prevent theft.

Reducing just half the difference in supply purchasing costs on a per meal basis would cover the FY 2010-11 operating deficit in the Food Service Fund, allowing the District to cover currently allocated costs without General Fund assistance.

R8 Reduce fuel costs using consortium purchasing and motor tax refund.

Financial Implication: If NHCS D had purchased FY 2010-11 fuel from the Ohio Schools Council (OSC), it would have saved approximately \$400 in fuel costs. In addition, the Ohio Department of Taxation's motor fuel tax reimbursement rate of \$0.06 per gallon would provide the District a reimbursement of about \$500 in State fuel tax credit for fuel purchases. The District would therefore receive a total savings of \$900.

NHCS D purchases fuel through only one vendor and has not traditionally requested fuel price quotes from other vendors. Since the District is already a member of the OSC and the Ohio Department of Administrative Services (DAS), it should competitively bid prices to ensure prices are at or below consortium prices. Further, the District has not requested the Ohio Motor Tax Fuel Refund for reimbursement of State tax on fuel purchases. During the course of the audit, the District had applied for a permit to receive this reimbursement. Once the application is approved, the Business Director will be responsible for completing and submitting the reimbursement as necessary.

Price comparisons will allow the District to ensure it is receiving the most effective pricing for its operations. Further, ensuring the District applies for its motor tax reimbursement means the District is not leaving any potential revenue unclaimed.

R9 Create a strategic plan; incorporate capital budgeting; link to the District budget.

NHCS D has not routinely developed and maintained a strategic plan that defines its long-term goals and objectives, or that helps prioritize resource allocation decisions. During the course of the audit, the District was implementing strategic planning, culminating in a December 2012 plan.

Recommended Practices on the Establishment of Strategic Plans (GFOA, 2005) indicates that all governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan establishes logical links between spending amounts and goals. Steps in the strategic planning process include:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Identify and assess environmental factors and critical issues;
- Agree on a small number of goals and develop strategies and action plans to achieve them;
- Develop measurable objectives and incorporate performance measures;
- Approve, implement and monitor the plan; and

- Reassess the strategic plan annually.

Further, *Best Practices in Public Budgeting* (GFOA, 2000) indicates that a government should have a process in place for evaluating proposed capital projects and financing options, and developing a long-range capital improvement plan that integrates projects, timeframes, and financing mechanisms. The capital plan should project at least five years into the future and should be fully integrated into the government's overall financial plan. The process for developing the plan should allow ample opportunity for stakeholder involvement in prioritizing projects and review. When developed, the GFOA further recommends that governments have the capital plan approved by the governing body.

By not developing a strategic plan that links to the budget with a formal capital improvement plan, the District is less able to anticipate and schedule needed facility and equipment projects and repairs. Although implementation of a strategic plan cannot be directly linked to passage of levies, developing a plan with the participation of the community will create a shared understanding of the relevant constraints and challenges facing the District. The process will initiate a common plan for addressing those issues and for continuing the mission of providing efficient and effective educational services.

R10 Renegotiate costly provisions in District collective bargaining agreements (CBAs).

In an analysis of NHCS D's classified and certificated CBAs, key provisions for sick leave severance payout and minimum hours were identified as more generous than the peers. The four peer districts are Jackson Local School District, Olmsted Falls City School District, Riverside Local School District, and Stow-Munroe Falls City School District.

- **Sick Leave Severance Payout:** The District's certificated and classified CBAs permit employees who are eligible for retirement to receive payment for unused sick leave up to maximums of 76.75 days for certificated and 60 days for classified staff. Although peers average similar maximum thresholds, ORC 124.39 requires only that employees with 10 or more years of service be paid the value of unused sick leave up to 30 days. NHCS D offers more severance for unused sick leave, although the exact amount paid annually by the District varies with the number of retirements and subsequent amounts of unused leave.
- **Minimum Hours (Bus Drivers):** The District's classified agreement states "each bargaining unit driver is guaranteed at least five and one-quarter hours per day." In contrast, Stow-Munroe Falls CSD's contract states that all drivers shall be paid two hours minimum for each assigned run. Similarly, Jackson LSD's contract grants classified employees one hour minimum on contracted and non-contracted routes/runs. Although NHCS D outsourced management of bussing in FY 2011-12, as long as the District continues negotiated agreements with the bus drivers, it should negotiate to remove the minimum hour guarantee for bus drivers in order to reduce costs.⁵

⁵ NHCS D outsourced bussing in FY 2011-12, but the State Employee Relations Board (SERB) is considering a grievance on whether the District may have to reinstate bussing based on the OAPSE contract.

The District's certificated and classified agreements contain provisions that are costly to the District. The District should work to eliminate the minimum hour guarantee for bus drivers, and eliminate the duty period for teachers. NHCS D should also work to renegotiate the sick leave payout at retirement for classified and certificated employees. By negotiating to eliminate or reduce these costly provisions, NHCS D could achieve cost savings and help to ensure a continued focus on educational operations.

R11 Retain ownership of all buses.

NHCS D outsourced its transportation program in FY 2011-12, but the contract provides an option for the District to continue to use its own yellow buses for transportation. In the future, as buses require replacement, the District may purchase its own buses or may pay a fee to use replacement vehicles which will be purchased and owned by the contractor.

In FY 2011-12, the District owned 42 buses; however, the contractor is currently utilizing 29 buses for State-minimum transportation service levels. The remaining 13 unused buses are stored in the transportation garage. According to Provision 4 and Provision 13 of the District's transportation contract, the contractor maintains and repairs all District-owned school buses. The cost for maintaining and repairing District-owned school buses is included in the contract's daily rate per route. The cost of the transportation contract is \$274.25 per route per day, or \$324.25 per route per day if the contractor owns the bus. Assuming the District is still utilizing 29 buses for State-minimum transportation service levels, it would cost the District \$261,000 more annually to allow the contractor to own the bus fleet ($\$50 \text{ difference} * 180 \text{ days} * 29 \text{ buses} = \$261,000$). However, if the District retained ownership of the buses, the District could use these funds for replacement of the vehicles. Estimating replacement conservatively at approximately \$90,000 per bus, the District could replace 2 buses per year ($\$261,000 / \$90,000 = 2.9 \text{ buses annually}$), or all active buses every 10 years, for the same cost. Although the contract provides the District the ability to forestall immediate capital funding for replacement buses, the cost for the use of buses is significant and similar to actual replacement costs but without ownership of the asset.

R12 Monitor transportation contract; include performance measures in future contracts.

The District's transportation contract with a private transportation management company lacks performance measurements and criteria for which the company will be held accountable. There are no positive or negative incentives in the contract for efficiency. Although the contractor is responsible for maintenance, the District is also not currently reviewing preventative maintenance and repair reports to ensure the fleet is properly maintained. The Business Director stated that the only evaluation occurs informally by reviewing the number of complaints from parents and employees.

The National State Auditors Association's *Best Practices, Contracting for Services* (NSAA 2003), states that the agency should develop performance requirements to hold vendors accountable for the delivery of quality services. The performance requirements should:

- Clearly state the services expected;

- Clearly define performance standards and measurable outcomes;
- Identify how vendor performance will be evaluated;
- Include positive or negative performance incentives;
- Identify staff that will be responsible for monitoring vendor performance. Ensure that sufficient staff resources are available to handle vendor/contract management properly; and
- Clearly define the procedures to be followed if, unanticipated work arises that requires modifications to the contract.

Furthermore, NSAA states that contract monitoring is an essential part of the contracting process. Monitoring should ensure that contractors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved. Without a sound monitoring process, the contracting agency does not have adequate assurance it receives what it contracts for. To properly monitor a contract, the organization should assign a contract manager such as the Business Director with the authority, resources, and time to monitor the project; track budgets and compare to invoices and charges to contract terms and conditions; and evaluates the contractor's performance on the contract against a set of pre-established, standard criteria.

Establishing performance standards and actively monitoring performance will ensure that costs are minimized and that the District is receiving the most efficient and effective services.

Client Response

The letter that follows is the District's official response to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When the District disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.



April 15, 2013

David Yost
Auditor of State
88 East Broad Street, 5th Floor
Columbus, OH 43215

Dear Auditor Yost,

In September 2011, the Nordonia Hills City Schools voluntarily requested the Auditor's Office conduct a Performance Audit. Four previous levy attempts had failed; the district had conducted massive layoffs, outsourced transportation services, and was on the brink of falling into state receivership.

Auditor's Office staff told us we could expect the audit to be released by March, 2012. Unfortunately, due in part to the massive staff turnover in the Auditor's Office, the Performance Audit is being released more than a year after the expected date.

We greatly appreciate the entire Performance Audit team's time and effort in preparing the report. Our concern with the delay in the release, however, is that many of the recommendations are no longer relevant. For example, the Performance Audit recommends reducing one FTE administrative position based on the 2011-12 EMIS data; the district has already reduced two FTE administrative positions (a public relations officer and an assistant superintendent). The Performance Audit recommends the creation of a district Strategic Plan, which was completed in December, 2012.

We have had much district leadership turnover, have restructured our district level leadership team, and implemented many cost reduction initiatives. However, the Nordonia Hills City Schools will continue to analyze the information gained through the audit process for the continued improvement of our district.

We thank you for your time and efforts on our behalf.

Sincerely,

Dr. Joe Clark
Superintendent

Karen Obratil
Treasurer



Dave Yost • Auditor of State

NORDONIA HILLS CITY SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 23, 2013**