



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

To the residents, elected officials, management, and stakeholders of the St. Marys City School District,

The Auditor of State's Office selected the St. Marys City School District (SMCSD or the District) for a performance audit based on its projected financial condition. This performance audit was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the District's overall economy, efficiency, and/or 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,

Dave Yost
Auditor of State
October 9, 2018

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Executive Summary

Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) determined that it was appropriate to conduct a performance audit of the St. Marys City School District (SMCSD or the District) pursuant to Ohio Revised Code (ORC) § 3316.042. The purpose of this performance audit was to improve SMCSD's financial condition through an objective assessment of economy, efficiency, and/or effectiveness of the District's operations and management. See **Background** for a full explanation of the District's financial condition.

In consultation with the District, the Ohio Performance Team (OPT) selected the following scope areas for detailed review and analysis: Financial Management, Human Resources, Facilities, and Transportation. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

Performance audits provide objective analysis to assist management and those charged with governance and oversight 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.

The United States Government Accountability Office develops and promulgates Government Auditing Standards that establish a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as Generally Accepted Government Auditing Standards (GAGAS).

OPT conducted this performance audit in accordance with GAGAS. Those standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the areas of District operations included in the audit scope, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources, including:

- Peer districts;
- Industry standards;
- Leading practices;

- Statutes; and
- Policies and procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general, District-wide comparisons. This peer set was selected from a pool of demographically similar districts with relatively lower per pupil spending and higher academic performance. A “Local Peers” set was selected for a comparison of compensation, benefits, and collective bargaining agreements, where applicable. This peer set was selected specifically to provide context for local labor market conditions. Finally, a “Transportation Peers” set was selected for transportation operating and spending comparisons. This peer set was selected specifically for transportation operational comparability and included only those districts with a similar size in square miles and population density; two significant factors that impact transportation efficiency. **Table 1** shows the Ohio school districts included in these peer groups.

Table 1: Peer Group Definitions

Primary Peers
<ul style="list-style-type: none"> • Bloom-Carroll Local School District (Fairfield County) • Buckeye Valley Local School District (Delaware County) • Girard City School District (Trumbull County) • Jonathan Alder Local School District (Madison County) • Lexington Local School District (Richland County) • Northwest Local School District (Stark County) • Poland Local School District (Mahoning County) • Shawnee Local School District (Allen County) • Steubenville City School District (Jefferson County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Celina City School District (Mercer County) • New Bremen Local School District (Auglaize County) • New Knoxville Local School District (Auglaize County) • Parkway Local School District (Mercer County) • Spencerville Local School District (Allen County) • Wapakoneta City School District (Auglaize County)
Transportation Peers
<ul style="list-style-type: none"> • Buckeye Local School District (Ashtabula County) • Cambridge City School District (Guernsey County) • Crestwood Local School District (Portage County) • Lakewood Local School District (Licking County) • Marlinton Local School District (Stark County)

¹ Northwest LSD was excluded from the primary peer staffing analysis due to its staffing data being unavailable.

² New Knoxville LSD was excluded from local peer financial comparisons due to its financial data being unavailable.

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas, industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the American Public Works Association (APWA), American School and University Magazine (AS&U), the U.S. Environmental Protection Agency (EPA), the Government Finance Officers Association (GFOA), the National Center for Education Statistics (NCES), the National Institute for

Governmental Purchasing (NGIP), the Ohio Department of Administrative Services (DAS), the Ohio Department of Education (ODE), and the Ohio State Employment Relations Board (SERB). District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed.

The performance audit involved information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues impacting selected areas, and shared proposed recommendations to improve operations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the St. Marys City School District for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

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

- **Financial Communication:** The District actively disseminates financial information through its website, including SMCS D Board of Education (the Board) minutes, annual audited financial statements, monthly financial reports, the most recent five-year forecast and its assumptions, and pie charts showing year-to-date breakdowns of General Fund revenues and expenditures. In addition, the District has an active business advisory council that provides support through fundraising, administering the Junior Achievement program, organizing the STEM (science, technology, engineering, mathematics) camp, and providing speakers to classes.
- **College Credit Plus:** Starting in FY 2015-16, ORC § 3365.02 requires all Ohio public school districts and colleges to participate in the College Credit Plus program (CCP), whereby high school students may enroll in a college and receive high school and college credit upon course completion. Associated fees and textbooks are paid for by the student's resident school district, with an additional cost per credit hour for each course taken also paid by the resident school district. The per credit hour rate has a ceiling¹ which is paid if students are attending college courses at a college campus. If the student takes college courses at their home school but taught by a college professor, the public school pays half the credit hour ceiling and a quarter of the ceiling for students taking college courses taught by high school faculty. SMCS D has four high school faculty members who are credentialed to teach CCP. In FY 2017-18, the personnel and credit

¹ In FY 2017-18, the credit hour ceiling was \$166.28 per credit hour for semester based courses, calculated by taking the foundation payment per pupil payment (\$6,010 in FY 2017-18) multiplied by 0.83, then divided by 30. A course delivered off campus by a college instructor was paid at 50.0 percent of the ceiling; \$83.14 per credit hour. A course delivered off campus by a non-college instructor was paid at 25.0 percent of the ceiling; \$41.57 per credit hour.

hour cost associated with providing this service in-house totaled \$121,691.² If the same courses were taken at a college campus SMCS D would have paid \$160,623, due to paying the credit hour ceiling rate, a difference of \$38,932.

² Personnel costs include salary and benefits, including health insurance, worker's compensation, Medicare, and retirement. The personnel costs are prorated based on the CCP course load for each teacher as a percentage of total teacher course load.

Summary of Recommendations

The following table summarizes performance audit recommendations and financial implications, where applicable.

The Board and administration are in the best position to determine what services are required to meet the community's needs. The recommendations contained in this performance audit report are a menu of options for the District to consider when determining how best to meet the community's needs while also upholding the responsibility to operate in a financially sustainable manner. Ultimately, the decision to implement these recommendations, or to look for additional opportunities to achieve and sustain long-term financial health, is the prerogative of the Board and administration.

Table 2: Summary of Recommendations

	Recommendations	Savings ¹
R.1	Develop long-term strategic, capital, and financial plans linked to the budget	N/A
R.2	Develop a purchasing process for custodial supplies	\$7,500
R.3	Eliminate 1.0 FTE central office administrator position	\$83,300
R.4	Eliminate 5.5 FTE general education teacher positions	\$406,200
R.5	Eliminate 1.0 FTE K-8 music education teacher position	\$74,500
R.6	Eliminate 0.5 FTE social work position	\$34,300
R.7	Eliminate 0.5 FTE nursing position	\$21,800
R.8	Renegotiate collective bargaining agreement provisions	N/A
R.9	Reduce employer insurance costs with plan and employee contribution changes	\$216,000
R.10	Decrease employer cost of dental and vision insurance	\$60,700
R.11	Implement an energy management plan	\$63,600
R.12	Develop a formal facilities preventative maintenance program	N/A
R.13	Leverage the Permanent Improvement Fund to develop a multi-year capital plan	\$48,100
R.14	Make additional reductions to address the deficit	\$580,900
Cost Savings Adjustments ¹		(\$16,200)
Total Cost Savings from Performance Audit Recommendations		\$1,580,700

Note 1: Each recommendation's savings is calculated based on the average annual cost savings for each year of implementation during the forecast period.

Note 2: Estimated savings from eliminated positions are based on the least tenured personnel and could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff. Estimated savings would be reduced if the District is temporarily obligated to pay unemployment compensation.

¹ Implementation of **R.3**, **R.4**, **R.5**, **R.6**, and **R.7** would reduce the cost savings achievable in **R.9** and **R.10**.

Table 3 shows the District's ending fund balances as projected in the May 2018 five-year forecast. Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

Table 3: Financial Forecast with Performance Audit Recommendations

	FY 2018-19 ¹	FY 2019-20	FY 2020-21	FY 2021-22
Original Ending Fund Balance	\$1,195,303	(\$713,346)	(\$3,308,004)	(\$6,369,512)
Cumulative Balance of Performance Audit Recommendations ¹	\$141,000	\$1,614,800	\$3,282,400	\$5,001,900
Cumulative Balance of District Cost Saving Actions ²	\$336,635	\$676,673	\$1,020,298	\$1,367,708
Revised Ending Fund Balance	\$1,672,938	\$1,578,127	\$994,694	\$96

Source: SMCSO, ODE, and performance audit recommendations

¹ For FY 2018-19, only 50 percent of the stated savings identified in **R.2, R.3, R.6, R.7, R.11, and R.13** are applied to assume mid-year implementation of these recommendations. Also, savings identified in **R.9** and **R.10** are not applied until midway through FY 2019-20 (50 percent of identified savings) as the earliest implementation of these recommendations is January 2020.

² Represents District cost reduction measures taken outside of the performance audit recommendations that are not included in the May 2018 five-year forecast. This includes savings from eliminating 1.0 FTE general education teacher position, eliminating 1.0 FTE custodian position, and a base and step salary freeze for FY 2018-19.

As shown in **Table 3**, implementing the recommendations contained in this performance audit, coupled with the District's cost saving actions, would allow it to avoid forecasted conditions throughout the five-year forecast.

It is possible that in pursuing the options necessary to balance the budget and achieve fiscal stability, the District could face the unintended consequence of reductions in future federal aid and/or the need to repay federal funds previously received, due to inability to meet federal maintenance of effort (MOE) requirements. Federal funding is designed to supplement local operations within specific program areas such as Title I, Title II, and IDEA Part B. Because this funding is meant to be supplemental, MOE requirements are put into place to ensure that all schools maintain an acceptable level of local spending rather than shifting to an over-reliance on federal funding, also referred to as supplanting.

Federal funds are supplemental to District operations and pursuit of these supplemental funds does not alleviate the obligation to maintain a balanced budget. In exercising the responsibility to maintain a balanced budget, the District will need to critically evaluate the potential impact of planned changes on program expenditures and/or census/enrollment (i.e., the two major inputs used to calculate MOE).

ODE is charged with monitoring school districts' compliance with MOE requirements and is also in a position of working with districts to facilitate seeking a waiver from the US Department of Education, where available within the grant guidelines, when certain conditions are evident.³

Two such conditions specific to Title I include:

- An exceptional or uncontrollable circumstance such as natural disaster; and
- A precipitous decline in financial resources (e.g., due to enrollment or loss of tax revenue).

³ IDEA Part B does not have a MOE waiver option.

The District should pursue necessary steps to balance, achieve, and maintain long-term fiscal stability, while working with ODE to minimize any unnecessary, unforeseen consequences, including seeking a waiver of MOE requirements, if available.

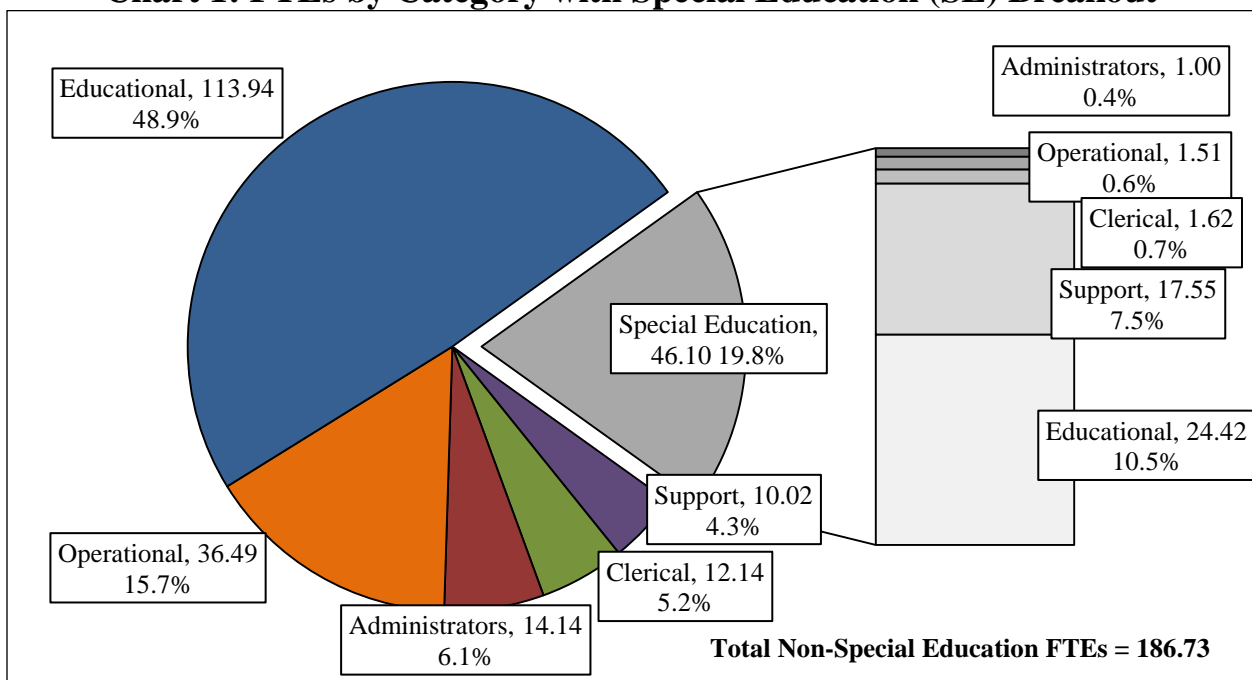
It is important to note that the provision of special education services may have a significant impact on the SMCSD's overall operating cost and staffing levels. However, the appropriateness of the District's special education cost and staffing were not evaluated as a part of this performance audit. Where applicable, special education staffing information is included for informational purposes only. All conclusions regarding the relative appropriateness of staffing are based solely on non-special education staff for both the District and the primary peers.

District Staffing Overview

The appropriateness of staffing levels is significant to both the operational and financial conditions within school districts. Operational decisions such as classroom sizes, class offerings, and other non-educational service levels collectively drive the need for overall staffing total. Specifically, personnel costs (i.e., salaries and benefits) accounted for 76.1 percent of SMCSDD’s General Fund expenditures in FY 2017-18, a significant impact on the District’s budget and financial condition.

Chart 1 and **Chart 2** show SMCSDD’s FY 2018-19 full-time equivalent (FTE) staffing levels by category⁴ with special education staffing broken out for informational purposes only.

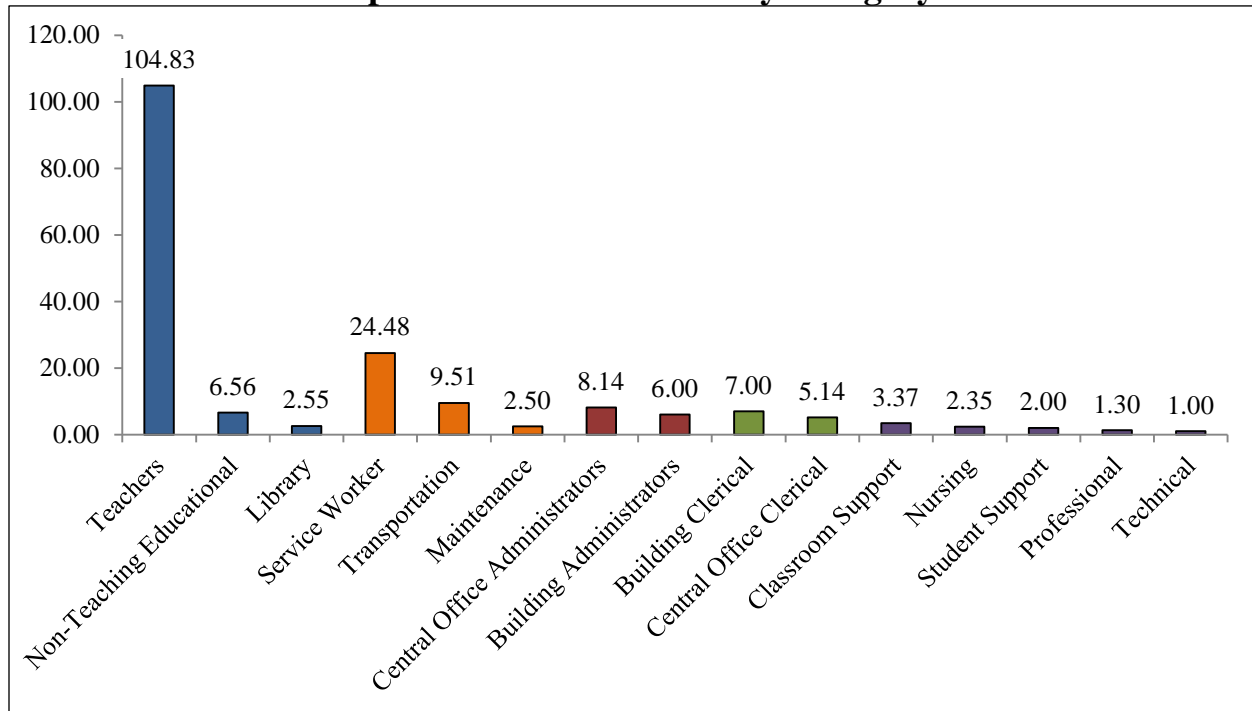
Chart 1: FTEs by Category with Special Education (SE) Breakout



Source: SMCSDD
 Note: Educational includes Tri-Star Career Compact FTEs.

⁴ The individual positions within each staffing category are explained in detail within section 3.9 of the *EMIS Reporting Manual* (ODE, 2017).

Chart 2: Non-Special Education FTEs by Category and Position



Source: SMCS D

Note: Teachers includes Tri-Star Career Compact FTEs.

As shown in **Chart 1** and **Chart 2**, SMCS D employed a total of 232.83 FTEs in FY 2018-19. Of this total, 46.10 FTEs, or 19.8 percent, were specifically dedicated to special education services. The remaining 186.73 non-special education FTEs were evaluated in each of the 15 staffing categories shown in **Chart 2**.

Categories where staffing levels were compared to the primary peer average included administrators (see **R.3** and **Table B-2**), teachers (see **R.4**, **R.5**, and **Table B-3**), non-teaching educational (see **Table B-4**), professional (see **R.6** and **Table B-5**), technical (see **Table B-6**), clerical (see **Table B-7** and **Table B-8**), nursing (see **R.7**), library (see **Table B-9**), classroom support (see **Table B-10**), and student support (see **Table B-11**). Categories where the District’s staffing level per 1,000 students were higher than the primary peers include administrators, educational, professional, and nursing. Facilities (see **Table B-16**) and transportation, workers were assessed using workload measures and benchmarks, as these positions operate in areas that have industrywide developed gauges of efficiency and effectiveness.

Career Technical Compact

As shown in **Chart 2**, the District employed 104.83 FTE teacher positions in FY 2018-19. Teachers in the career-technical programs/career pathways position are included in this total, and the District employed 8.00 FTE career-technical programs/career pathways positions in FY 2018-19.

ORC § 3313.90 requires that students have access to career technical program offerings, but the decision on how to best deliver that service is left to local decision-making. Often this is a mix of internal and external programming that may vary depending on the nature of the course offering. For example, most school districts offer business and vocational agricultural education in-house, while more highly specialized courses such as culinary arts, automotive mechanic, and industrial education are offered through external partnerships.

For more highly specialized career technical programming three common models of service provision are as follows:

- **Joint Vocational School (JVS) District**– A JVS district is a separate educational entity with its own board of education, administration, and personnel; typically providing facilities at a stand-alone campus. Under this model, a district may join as a member of, or contract with, a JVS which typically provides services to multiple school districts in the surrounding area. Property owners in a JVS district pay an additional property tax (a minimum levy of two mills) to support the JVS district program.
- **Stand-Alone Career Technical Education Program** - In accordance with ORC § 3313.90(A)(3), if a school district decides to establish and maintain its own career technical education program, it must have a minimum enrollment of 2,250 students in grades seven through 12. Also, each district is required to provide an approved education plan with a current listing of career technical education workforce development programs. The programs are required to reflect the current and future needs of students, community, business and industry and meet criteria for secondary workforce development programs in accordance with OAC 3301-61-03.
- **Career Technical Compact** – A career technical compact is similar to a JVS district in that two or more school districts share in providing career technical education, however, it is not a separate educational entity. School districts within the compact host educational programs on their campuses that are open to any student within the compact. A student receives core educational programs, such as English and math, at their home schools for half a day and attends career-technical educational programs for half a day at the host school district. There is no required millage assessed to property owners in a compact, but the compact may assess a levy through a vote of the residents of each participating school district.

SMCSD is a member of Tri-Star Career Compact, a career technical compact established in 1983, with the District being a member since inception. The Tri-Star Career Compact also includes the following school districts:

- Celina CSD (Mercer County);⁵

⁵ Celina CSD is the fiscal agent of the compact, managing the funds for the participating school districts.

- Coldwater EVSD (Mercer County);
- Fort Recovery LSD (Mercer County);
- Marion LSD (Mercer County);
- Minster LSD (Mercer County);
- New Bremen LSD (Mercer County);
- New Knoxville LSD (Mercer County); and
- St. Henry Consolidated LSD (Mercer County).

As a member of the compact, the District's students are able to access career technical programming and course offerings at any of the other compact member districts. Accordingly, students at member districts have the same access to career technical programming and course offerings at SMCSD.

Each participating school district pays a service fee to the compact based on junior and senior high school enrollment. The fee is set at \$650 per student. Each participating school district is required to contribute a service fee of at least 10.0 percent of its junior and senior enrollment, with additional fees for each student enrolled in a Tri-Star Career Compact program beyond the 10.0 percent minimum. In FY 2017-18, SMCSD had 141 students enrolled in a Tri-Star Career Compact program, resulting in a service fee of \$91,650.

In addition to the service fee, each participating school district also contributes to a reserve capital fund that is used to reimburse host school districts for equipment purchases. Each participating school district contributes \$8.00 for every student reported in its district-wide average daily membership (ADM) for the previous school year. In FY 2017-18, SMCSD paid \$16,880 to Tri-Star Career Compact's reserve capital fund based on its reported ADM of 2,110 in FY 2016-17. In return, the District received reimbursement in FY 2017-18 for equipment purchased for its hosted Tri-Star Career Compact programs out of the reserve capital fund.

Host school districts receive State foundation payments for the percent of time for each student who attends career-technical education programs on their campus. This results in a revenue source that offsets the cost of hosting a program on the campus. In FY 2017-18, SMCSD received foundation payments of \$498,524 for non-resident students attending Tri-Star Career Compact programs housed at SMCSD. This is in addition to the \$137,952 SMCSD received in career-technical education State foundation payments for its resident students. Since SMCSD also sends students out to other schools for programming, its share of State foundation payments travels with its students who attend Tri-Star Career Compact programs at other school districts. In FY 2017-18, SMCSD sent \$109,459 in State foundation payments to other participating school districts as a result of students attending programs at other school districts.

Host school districts submit operating cost reports to Tri-Star Career Compact each fiscal year. These reports include salaries and benefits of SMCSD housed teachers, utilities, supplies and materials, custodial costs, and indirect costs associated with SMCSD housed administrators and support staff. In FY 2016-17, SMCSD spent \$763,877 as a result of hosting Tri-Star Career Compact programs at SMCSD.⁶ Host schools who have operating costs that are not recovered by

⁶ The FY 2017-18 operating costs report was not prepared at the time of the audit.

foundation payments receive payments from the other participating school districts through the service fees. In FY 2016-17, SMCS D did not receive any excess cost payments.

In August 2016, voters of the nine participating school districts voted to approve a bond levy to construct a centralized facility to house all Tri-Star Career Compact programs. The programs will be housed in the centralized location starting in FY 2019-20. Property owners of the participating school districts are paying 0.95 mills for a period of 15 years to fund the building project. Once the facility is operational, Celina CSD, as the fiscal agent of the compact, will assume all required State reporting for Tri-Star Career Compact staff and student enrollment.

In FY 2018-19, the District's 8.0 career-technical programs/career pathways FTE positions were allocated to the following courses:

- 0.5 FTE engineering tech;
- 1.0 FTE marketing and merchandising;
- 1.5 FTE medical prep;
- 1.0 FTE precision machinery;
- 1.0 FTE recreational technology;
- 1.0 FTE welding;
- 1.0 FTE career-based intervention; and
- 1.0 FTE agriculture education.

Not all of the District's career-technical programs/career pathways positions are dedicated to providing services to only District students. In addition, not all students attending the District are receiving a full day of educational services or receiving educational services in a manner that would impact District-wide staffing in other administrative, educational, and support positions.

In an effort to separate compact specific operations from the performance audit, 7.0 of the 8.0 FTE career-technical education teachers were excluded from the staffing analyses. These teachers were excluded because they only teach students that are enrolled in Tri-Star Career Compact specific career-technical education courses. The remaining 1.0 FTE career-technical education teacher remains in the analysis as they teach courses exclusively to SMCS D students. Furthermore, the percent time enrollment in Tri-Star Career Compact specific career-technical education courses were also removed from the staffing analyses associated with teaching, as those students are not receiving core courses from SMCS D non-career-technical education staff. In FY 2017-18, the total Tri-Star Career Compact enrollment at SMCS D totaled 100.54 FTEs. Staffing and enrollment adjustments are applied in **R.3**, **R.4**, **Table B-3**, and **Table B-10**.

Background

In October 2017, the District released its semi-annual five-year forecast which showed progressively declining year-end fund balances throughout the forecast period. These forecasted financial results served as the primary impetus of the performance audit. **Table 4** shows SMCS D's total revenues, total expenditures, results of operations, beginning and ending cash balances, encumbrances, cumulative balance of renewal levies and ending fund balance as projected in the District's October 2017 five-year forecast. This information is an important measure of the financial health of the District and serves as the basis for identification of fiscal distress conditions, possibly leading to formal designation by AOS and ODE.

Table 4: SMCS D Financial Condition Overview (October 2017)

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Total Revenue	\$20,531,912	\$20,576,228	\$19,801,583	\$19,104,873	\$19,676,041
Total Expenditure	\$21,721,396	\$22,310,879	\$22,893,332	\$23,498,045	\$24,126,083
Results of Operations	(\$1,189,484)	(\$1,734,651)	(\$3,091,749)	(\$4,393,172)	(\$4,450,042)
Beginning Cash Balance	\$4,026,668	\$2,837,184	\$1,102,533	(\$1,989,216)	(\$6,382,388)
Ending Cash Balance	\$2,837,184	\$1,102,533	(\$1,989,216)	(\$6,382,388)	(\$10,832,430)
Encumbrances	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000
Cumulative Balance of Renewal Levies	\$0	\$0	\$910,179	\$2,729,361	\$4,546,364
Ending Fund Balance	\$2,137,184	\$402,533	(\$1,779,037)	(\$4,353,027)	(\$6,986,066)

Source: SMCS D and ODE

As shown in **Table 4**, the District's October 2017 five-year forecast projects a deficit of approximately \$1,779,000 in FY 2019-20. The District expects revenues to decline due to expiration of levies and flat valuations and expenditures to increase due to negotiated salary increases while insurance and purchased service expenditures are expected to continue to grow due to inflation. Left unaddressed, these conditions are projected to result in a cumulative deficit of over \$6.9 million by FY 2021-22.

In May 2018, the District released an updated financial forecast. **Table 5** summarizes this forecast, showing total revenues, total expenditures, results of operations, beginning and ending cash balances, and year-ending fund balances.

Table 5: SMCS D Financial Condition Overview (May 2018)

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Total Revenue	\$20,719,780	\$20,539,351	\$19,666,740	\$18,801,695	\$19,087,679
Total Expenditure	\$21,728,915	\$21,790,741	\$22,486,132	\$23,216,956	\$23,968,214
Results of Operations	(\$1,009,135)	(\$1,251,390)	(\$2,819,392)	(\$4,415,261)	(\$4,880,535)
Beginning Cash Balance	\$4,026,668	\$3,017,533	\$1,766,143	(\$1,053,249)	(\$5,468,510)
Ending Cash Balance	\$3,017,533	\$1,766,143	(\$1,053,249)	(\$5,468,510)	(\$10,349,045)
Encumbrances	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000
Cumulative Balance of Renewal Levies	\$0	\$0	\$910,743	\$2,731,346	\$4,550,373
Ending Fund Balance	\$2,317,533	\$1,066,143	(\$842,506)	(\$3,437,164)	(\$6,498,672)

Source: SMCS D and ODE

As shown in **Table 5**, the District's projected deficit for FY 2019-20 was reduced from approximately \$1.7 million, as shown in the October 2017 five-year forecast (see **Table 4**), to a deficit of approximately \$842,500. This reduction is due to the District not replacing vacancies through retirement and resignations 3.0 FTE positions, moving pre-school programming and autism services in-house, eliminating General Fund support of athletic transportation expenditures, eliminating administrative office lease and associated utilities, and changing providers for the alternative and opportunity online school. These reductions totaled approximately \$589,000 and are reflected in **Table 5**. Following submission of the May 2018 five-year forecast, the District subsequently reduced 2.0 FTE positions, for additional average cost reductions of approximately \$158,800 over the course of the forecast. In addition, CBAs approved in September 2018 include a base and step salary freeze for FY 2018-19 which was not included in the May 2018 five-year forecast. These subsequent reductions are reflected in **Table 3**.

During the course of the audit, actual revenues and expenditures for FY 2017-18 became available. **Table 6** shows the May 2018 five-year forecast updated to include these actual revenues and expenditures for FY 2017-18 and the subsequent impact on the ending cash and fund balances. This is important as it uses actual revenues and expenditures for the first forecasted year to provide a more accurate financial picture.

Table 6: SMCS D Financial Condition Overview (May 2018 Update)

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Total Revenue	\$20,864,632	\$20,539,351	\$19,666,740	\$18,801,695	\$19,087,679
Total Expenditure	\$21,744,607	\$21,790,741	\$22,486,132	\$23,216,956	\$23,968,214
Results of Operations	(\$879,975)	(\$1,251,390)	(\$2,819,392)	(\$4,415,261)	(\$4,880,535)
Beginning Cash Balance	\$4,026,668	\$3,146,693	\$1,895,303	(\$924,089)	(\$5,339,350)
Ending Cash Balance	\$3,146,693	\$1,895,303	(\$924,089)	(\$5,339,350)	(\$10,219,885)
Encumbrances	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000
Cumulative Balance of Renewal Levies	\$0	\$0	\$910,743	\$2,731,346	\$4,550,373
Ending Fund Balance	\$2,446,693	\$1,195,303	(\$713,346)	(\$3,308,004)	(\$6,369,512)

Source: SMCS D and ODE

As shown in **Table 6**, the District's net position improved by approximately \$129,100 after updating the forecast to incorporate actual revenues and expenditures for FY 2017-18. Specifically, the District saw an increase of revenues of over \$144,800 while expenditures increased by only \$15,692. As a result, the District's ending fund balance improved slightly to a deficit of approximately \$6,369,500.

Recommendations

R.1 Develop long-term strategic, capital, and financial plans linked to the budget

The District's administration and Board often discusses operations, capital, and financial decisions at Board meetings. The District developed a strategic plan in 2014, which established goals such as community perceptions and involvement, parent involvement, meeting the individual need of all students, and handling the limited financial resources and capacity. This strategic plan was developed after an extensive process that included assistance from the Ohio School Boards Association and has largely been implemented. This plan was designed to be a five-year plan and the District stated it will be revisited and revised in FY 2018-19.

In addition to the strategic plan, the District does not have any formal long-term financial plans that are tied to the budget. Specifically, while it has a capital plan developed as part of its building project with the Ohio Facilities Construction Commission (OFCC), there is no capital plan for use of the Classroom Maintenance Fund⁷ or Permanent Improvement Fund (PI Fund). The Treasurer develops the annual budget based on the previous year's expenditures, but it is not linked to formal goals, objectives, or performance measures.

The Government Finance Officers Association (GFOA) provides guidance to governmental entities in the development and maintenance on effective long-term planning. *Establishment of Strategic Plans* (GFOA, 2005) defines strategic planning as a "comprehensive and systemic management tool designed to help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, and develop commitment to the organization's mission, and achieve consensus on strategies and objectives for achieving that mission." Key steps in the strategic planning process include:

- Initiating the strategic planning process;
- Preparing a mission statement;
- Assessing and identifying environmental factors and critical issues;
- Agreeing upon and developing strategies for a small number of broad goals;
- Creating an action plan, including measurable objectives and performance measures;
- Obtaining approval of the plan; and
- Implementing, monitoring, and reassessing the plan.

Long-Term Financial Planning (GFOA, 2008) specifies that long-term financial planning should encompass the following elements:

- Planning at least five to 10 years into the future;
- Considering all appropriated funds;

⁷ The Classroom Maintenance Fund is required for all building projects constructed under the OFCC and is funded through a 0.5 mil (generated as part of the continuous 2.5 mill Permanent Improvement Fund) levy and can only be used for maintenance of facilities constructed under the OFCC. The District constructed a new middle school/high school facility and remodeled two elementary schools as part of an OFCC project finished in 2010.

- Updating long-term planning activities as needed in order to provide direction to the budget process;
- Analyzing the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and a plan for monitoring mechanisms, such as a scorecard of key indicators of financial health, and;
- Informing the public and elected officials about the long-term financial prospects of the government and strategies for financial balance.

Finally, *Multi-Year Capital Planning* (GFOA, 2006) recommends that public entities create and implement a multi-year capital plan as a component of their comprehensive strategic plan. An adequate capital plan should:

- Identify and prioritize expected needs based on the entity's strategic plan;
- Establish project scopes and costs;
- Detail estimated amounts of funding from various sources; and
- Project future operating and maintenance costs.

The District should concurrently develop a strategic plan and a long-term financial plan. As part of its strategic plan, it should create a capital improvement plan for all capital assets. These plans should be linked to a formal budgeting process that involves key stakeholders. Without a goal and resource oriented strategic plan based on input from key financial, operation, and instructional participants, the District is at risk of not fully evaluating the relationship between its spending decisions and program outcomes. This, in turn, increases the risk of inefficiently and/or ineffectively addressing District needs.

R.2 Develop a purchasing process for custodial supplies

Table 7 shows the District's building operation and maintenance (O&M) supplies and materials per square foot compared to the primary peer average for FY 2017-18.⁸ Examining the cost of supplies and materials in relation to square footage normalizes the effects of district size in order to provide an accurate comparison.

Table 7: O&M Supplies and Materials Total Expenditures Comparison

	SMCSD	Primary Peer Avg.	Difference	% Difference
Total Square Footage	376,384	360,172	16,212	4.5%
Total Supplies and Materials Expenditures	\$170,335	\$163,449	\$6,886	4.2%
Expenditure per Square Foot	\$0.45	\$0.45	\$0.00	0.0%

Source: SMCS D and ODE

As shown in **Table 7**, SMCS D's the cost of supplies and materials per square foot was equal to the primary peer average. Despite having equal costs there is no formal process governing the purchase of custodial supplies. The District's practice is to use a single vendor to procure most custodial supplies and materials, but does not have a policy in place requiring routine price

⁸ Supplies and materials refer to common items associated with maintaining school facilities, such as custodial and maintenance supplies.

checking or competitive quotation gathering to ensure that the primary vendor is offering competitive prices.

Southwestern Ohio Educational Purchasing Council (EPC) is a service provider for educational institutions that manages a purchasing cooperative wherein extensive buying power is leveraged in order to enable its member school districts greater access to cost-effective supplies and services. SMCS D maintains a current membership in this cooperative, which it uses for bus purchasing and will receive insurance coverage through the cooperative starting in January 2019. Additionally, while the District lacks a formal purchasing manual, *Board Policy 6440 Cooperative Purchasing* “encourages the administration to seek advantages in savings that may accrue to this District through joint agreements for the purchase of supplies, equipment, or services with the governing body(ies) of other governmental units.” This provides the internal guidance to purchase the most cost-effective resources wherever possible.

Table 8 shows the total costs of four items commonly purchased by SMCS D in FY 2017-18 compared to pricing available through the EPC. This provides an indication as to whether the District’s purchasing practices for the same products through other currently available vendors were cost-effective.

Table 8: Supplies and Materials Component Expenditures Comparison

	SMCS D	EPC ¹	Difference	% Difference
Gloves	\$486	\$329	\$157	47.7%
Paper Towels	\$11,799	\$5,747	\$6,052	105.3%
Toilet Paper	\$8,390	\$7,411	\$979	13.2%
Trash Can Liners	\$4,313	\$2,831	\$1,482	52.3%
Total	\$24,988	\$16,318	\$8,670	53.1%

Source: SMCS D and EPC

¹ Actual cost the District would incur by buying the same volume of each product based on the best unit price available through the EPC

As shown in **Table 8**, purchasing four common products at the same volume through the EPC could save the District approximately \$8,600, or 5.1 percent, of its total FY 2017-18 O&M supplies and materials expenditures.

Overall, the District could reduce expenditures for supplies and materials by developing a formal purchasing process. An important step in establishing an effective purchasing process that outlines procurement practices is to create a purchasing manual. The National Institute for Governmental Purchasing (NIGP) has developed and published a series of “global best practices” on government purchasing that, “provide definitions, context, and guidance on relevant public procurement topics.” *Developing a Procurement Policy Manual* (NIGP, 2012) states that “organizations should develop a comprehensive policy manual that clearly defines authority, responsibility, and establishes guidelines for the organization and the procurement professional to follow when carrying out their responsibilities.” Procedure manuals should include the following elements:

- The overarching purpose of establishing a procurement policy;
- Definitions of any terms, titles, or criteria that may be unclear or specific to the organization;

- The basic organizational concepts which govern the authorities, roles, and/or responsibilities of those involved in the procurement process;
- Guidance regarding any product and/or service specifications deemed as critical to the continued mission of the organization;
- A code of conduct and ethics by which any and all employees involved in the procurement process should be guided;
- Outline the on-boarding process and any continuing education requirements for those involved in organizational procurement; and
- Guidance relating to any special programs, such as, minority-owned business, locally owned business, or cooperative purchasing.

SMCSD should develop a formal purchasing process to reduce the risk of overpaying for supplies and materials. As part of this process, it should ensure that commonly purchased items are obtained at the lowest possible price by checking prices through the EPC purchasing cooperative and/or other available vendors.

Financial Implication: Ensuring that custodial supplies and materials are purchased from the lowest cost vendor could save the District an average of **\$7,500** each year of implementation over the forecast period.

R.3 Eliminate 1.0 FTE central office administrator position

In addition to the Superintendent and Treasurer, SMCSD employs 6.14 FTE central office administrators. The titles and job duties of the central office administrator staff are as follows:

- **3.14 FTE supervisor/manager positions:** This includes a Transportation Supervisor (0.5 FTE), an Athletic Director (1.0 FTE), and a Custodial Supervisor (0.7 FTE). The District also employs a Food Service Manager (0.94 FTE); however this position is not paid from the General Fund and therefore is not included in the analysis.
- **2.00 FTE coordinator positions:** This includes a Network Coordinator (1.0 FTE) and a Technology Coordinator (1.0 FTE). The 2.0 FTE coordinator positions work with 1.0 FTE ‘other technical’ position (see **Table B-6**) to maintain the District’s technological infrastructure and provide technology support to students and staff District-wide.
- **1.00 FTE education administrative specialist:** This includes a Curriculum Administrator (1.0 FTE), who oversees the District’s curriculum, instruction, assessment, and staff development programs.

Table 9 shows SMCSD’s FY 2018-19 central office administrators per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 9: Central Office Administrator Staff Comparison

Students	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	2,016		2,092	(76)	
Students Educated (Thousands)	2.016		2.092	(0.076)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Administrative Assistant	0.00	0.00	0.06	(0.06)	(0.12)
Assistant, Deputy/Associate Superintendent	0.00	0.00	0.12	(0.12)	(0.24)
Supervisor/Manager	2.20	1.09	0.99	0.10	0.20
Coordinator	2.00	0.99	0.60	0.39	0.79
Education Administrative Specialist	1.00	0.50	0.00	0.50	1.00
Director	0.00	0.00	0.24	(0.24)	(0.48)
Other Official/Administrative	0.00	0.00	0.06	(0.06)	(0.12)
Total	5.20	2.58	2.07	0.51	1.03

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 9**, SMCSD’s central office administrator staffing is higher than the primary peer average by 1.03 FTEs.⁹ The District would need to eliminate 1.0 FTE central office administrator position in order to achieve a staffing ratio in line with the primary peer average on a per 1,000 student basis.

Financial Implication: Eliminating 1.0 FTE central office administrator position could save an average of **\$83,300** in salaries and benefits in each year of implementation over the forecasted period.¹⁰ The value of each FTE is calculated using actual salaries and benefits and projected increases of the least salaried central office administrator positions.¹¹

⁹ Although 2.0 FTEs within SMCSD’s central office administrator category are dedicated to technology functions, **Table B-6** shows that the District’s non-administrative technical staffing is in line with the primary peer average. Therefore, a change in coding from administrative to technical staff would still result in a recommendation for elimination.

¹⁰ The value of the savings from this recommendation was projected to increase by an average of 3.6 percent annually over the forecasted period to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

¹¹ In order to be conservative, the least salaried position is used due to administrator positions being dependent on position responsibilities.

R.4 Eliminate 5.5 FTE general education teacher positions

General education teachers instruct students in a regular classroom environment. OAC 3301-35-05 requires the District-wide ratio of general education teachers to students be at least 1.0 FTE classroom teacher for every 25 regular students.¹² The District employs 88.47 FTE general education teachers. This category excludes teaching staff in other areas such as gifted, special education, art, music, and physical education.

Table 10 shows SMCS D's FY 2018-19 general education teachers per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 10: General Education Teaching Staff Comparison

Students	SMCS D		Primary Peer Avg.	Difference	
Students Educated ¹	1,915		2,092	(177)	
Students Educated (thousands)	1.915		2.092	(0.177)	
Position	SMCS D		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs Per 1,000 Students	Total Above/ (Below) ²
General Education	88.47	46.20	43.25	2.95	5.65

Source: SMCS D and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District. SMCS D's students educated total was further adjusted to exclude the percent of time students are receiving educational services as part of the Tri-Star Career Compact programs at the District, as these students would not be receiving instruction from general education teachers (see **Career Technical Compact**).

² Represents the number of FTEs that, when added or subtracted, would bring the District's number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 10**, SMCS D's general education teacher staffing is higher than the primary peer average by 5.65 FTEs. The District would need to eliminate 5.5 FTE general education teaching positions to be in line with the primary peer average per 1,000 students.¹³

Financial Implication: Eliminating 5.5 FTE general education teacher positions could save an average of **\$406,200** in salaries and benefits in each year of implementation over the forecasted period.¹⁴ The value of each FTE is calculated using actual salaries and benefits and projected

¹² In FY 2017-18, SMCS D's regular student population was 1,749 with a total of 88.47 general education teacher FTEs. This resulted in a District-wide ratio of 19.77 students per general education teacher. If the District were to operate at the State minimum ratio of 25:1, it would need a total of 69.96 FTEs, 18.51 FTEs less than are currently employed.

¹³ The District should consider the class size ratio provision listed in **R.8** before implementing staffing reductions.

¹⁴ The value of the savings from this recommendation was projected to increase by an average of 4.7 percent annually over the forecasted period to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

increases of the least tenured general education teaching positions that are recommended for elimination within this performance audit.

R.5 Eliminate 1.0 FTE K-8 music education teacher position

The District employs 3.36 FTE K-8 music education teacher positions within its elementary and middle schools.¹⁵ This position historically has been included in the educational service personnel (ESP) category, which includes teaching positions such as K-8 art, music, and physical education teachers, as well as counselors, librarians and media specialists, school nurses, social workers, and visiting teachers.¹⁶

Table 11 shows the District’s FY 2018-19 K-8 music education teachers per 1,000 students compared to the FY 2017-18 primary peer average. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 11: K-8 Music Education Teacher Staff Comparison

Students	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,915		2,092	(177)	
Students Educated (thousands)	1.915		2.092	(0.177)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs Per 1,000 Students	Total Above/ (Below) ²
K-8 Music Education	3.36	1.75	1.07	0.68	1.30

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District. SMCSD’s students educated total was further adjusted to exclude the percent of time students are receiving educational services as part of the Tri-Star Career Compact programs at the District, as these students would not be receiving instruction from K-8 music education teachers (see **Career Technical Compact**).

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 11**, SMCSD’s K-8 music education teacher staffing is higher than the primary peer average by 1.30 FTEs . The District would need to eliminate 1.0 FTE K-8 music education teacher position in order to achieve a staffing ratio in line with the primary peer average per 1,000 students.

Financial Implication: Eliminating 1.0 FTE K-8 music education teacher position could save an average of **\$74,500** in salaries and benefits in each year of implementation over the forecasted

¹⁵ 1.0 FTE in St. Marys Primary School, 1.0 FTE in St. Marys Intermediate School, 1.1 FTE in St. Marys Middle School, and .26 FTE split between St. Marys Primary School and St. Marys Intermediate School for grades K-5.

¹⁶ Effective April 24, 2015, the Ohio Legislature revised OAC 3301-35-05 to state, "The local board of education shall be responsible for the scope and type of educational services in the district. The district shall employ educational service personnel to enhance the learning opportunities for all students." This revision effectively eliminated state-minimum staffing levels for ESP staffing.

period.¹⁷ The value of each FTE is calculated using actual salaries and benefits and projected increases of the least tenured K-8 music education teaching positions that are recommended for elimination within this performance audit.

R.6 Eliminate 0.5 FTE social work position

The District employs 1.0 FTE social work position. The position serves students district wide by providing counseling to students and assists in remediation through counseling, monitoring, coordination and linkage to support services through relationships with the family, school, and community.¹⁸ **Table 12** shows SMCS D’s FY 2018-19 social work staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 12: Social Work Staff Comparison

Students	SMCS D	Primary Peer Avg.	Difference		
Students Educated ¹	2,016	2,092	(76)		
Students Educated (thousands)	2.016	2.092	(0.076)		
Position	SMCS D		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Social Work	1.00	0.50	0.20	0.30	0.60

Source: SMCS D and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 12**, SMCS D’s social work staffing is higher than the primary peer average by 0.60 FTE. The District would need to eliminate 0.5 FTE social work position in order to achieve a staffing ratio in line with the primary peer average on a per 1,000 student basis.

Financial Implication: Eliminating 0.5 FTE social work position could save an average of **\$34,300** in salaries and benefits in each year of implementation over the forecasted period.¹⁹ The value of each FTE is calculated using actual salaries and benefits and projected increases of the social work position.

¹⁷ The value of the savings from this recommendation was projected to increase by an average of 3.5 percent annually over the forecasted period to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

¹⁸ The social work position also spends a portion of their time at a parochial school on an as needed basis.

¹⁹ The value of the savings from this recommendation was projected to increase by an average of 4.1 percent annually over the forecasted period to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

R.7 Eliminate 0.5 FTE nursing position

The District employs 2.35 FTE registered nursing positions which perform activities requiring substantial specialized judgment and skill in observation, care, and counsel of ill and injured persons, and in illness prevention.²⁰ **Table 13** shows SMCS D’s FY 2018-19 nursing staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing nursing staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table 13: Nursing Staff Comparison

Students	SMCS D	Primary Peer Avg.	Difference		
Students Educated ¹	2,016	2,092	(76)		
Students Educated (thousands)	2.016	2.092	(0.076)		
Position	SMCS D		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Registered Nursing	2.35	1.17	0.72	0.45	0.91
Practical Nursing	0.00	0.00	0.16	(0.16)	(0.32)
Total	2.35	1.17	0.88	0.29	0.58

Source: SMCS D and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table 13**, SMCS D’s nursing staffing is higher than the primary peer average by 0.58 FTE. The District would need to eliminate 0.5 FTE nursing position in order to achieve a staffing ratio in line with the primary peer average on a per 1,000 student basis.

Financial Implication: Eliminating 0.5 FTE nursing position could save an average of **\$21,800** in salaries and benefits in each year of implementation over the forecasted period.²¹ This value is calculated using actual salaries and benefits and projected increases of the least tenured nursing position.

²⁰ The staffing breakdown includes 0.53 FTE at St. Marys Primary School, 0.82 FTE at St. Marys Intermediate School, and 1.0 FTE serves students District-wide.

²¹ The value of the savings from this recommendation was projected to increase by an average of 4.4 percent annually over the forecasted period to account for projected increases in salaries and benefits. These increases are included in the Cumulative Balance Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

R.8 Renegotiate collective bargaining agreement provisions

The District has collective bargaining agreements (CBAs) with the St. Marys Education Association (SMEA), representing certificated employees and the Ohio Association of Public School Employees (OAPSE), representing bus and van drivers. In September 2018, the District and its bargaining units agreed on CBAs for FY 2018-19, with the SMEA contract expiring August 19, 2019 and the OAPSE contract expiring June 30, 2021. The OAPSE contract has an opener in 2019 to discuss wages and benefits for FY 2019-20 and FY 2020-21. Employees in other classified positions receive similar benefits as their unionized counterparts.²² An analysis of the most recent CBAs in effect identified certain provisions that exceeded State minimum standards, as set forth in the ORC, OAC, and/or provisions in the local peer district contracts.²³

Provisions with Long-Term Impact

- **Sick Leave Accumulation and Severance Payout:** SMCS D certificated and classified CBAs entitle employees to accumulate up to 200 sick days. ORC § 3319.141 details sick leave accumulation and specifies that unused sick leave shall be cumulative to 120 days. The local peer districts also allow accumulation over State minimum levels, with certificated employees entitled to an average of 221 days and classified employees entitled to an average of 215 days. While the District accumulates fewer sick days than the local peers, it accumulates 80 more days than the ORC minimums. Although the District's peers also provide sick day accumulation over State minimum levels, providing accumulation in excess of this level results in the potential for increased liability when sick leave is paid out to retiring employees.

The District's CBAs entitle certificated and classified employees to be paid for accumulated sick leave upon retirement. Specifically, certificated and classified employees are entitled to a payout of 28.5 percent of unused sick leave, for a maximum of 57 days upon retirement. ORC § 124.39 allows school employees, at retirement, to be paid for 25 percent of unused sick leave up to a maximum of 30 days. In comparison, the average sick leave payout for local peers is a maximum of 57 days for certificated employees and 66 days for classified employees.²⁴ While the District's certificated payout maximum is equal to that of the local peers and lower for classified employees, it pays out 27 more days than the ORC minimum levels. Allowing employees to receive payouts in excess of State minimum levels becomes costly at employee retirements. See **Appendix Table B-14** for estimated liability over the ORC maximum.

- **Retirement Incentive:** The certificated CBA has a provision stating that employees who retire at their first opportunity under the State Teachers Retirement System (STRS) are eligible for an additional 45 days of accumulated sick leave to be paid in addition to the

²² Where appropriate, Administrative Board policy is compared to the local peer classified contracts.

²³ While all the local peers have certificated contracts, only Celina CSD and Wapakoneta CSD had classified contracts for comparison. The other local peers do not have unionized classified employees. Celina CSD at the time of the audit did not have approved CBAs for the FY 2018-19 school year.

²⁴ Celina CSD is excluded from certificated severance payout peer average calculations due to unlimited sick leave payout at severance.

maximum 57 days paid upon retirement. Based on the maximum step for each certificated salary schedule in FY 2017-18, SMCS D could incur an additional liability of between \$14,306 and \$18,150 as a result of this provision.²⁵ In comparison, three of the local peers offer a retirement incentive in the form of lump sum payments, which averages \$10,833, or between \$3,472 and \$7,317 less than SMCS D's maximum total liability.²⁶ In the last three fiscal years, SMCS D had one employee take advantage of the incentive, receiving payout of \$17,089. The classified contract did not have a similar provision. There is no mandate in the ORC or OAC to offer a retirement incentive and offering this incentive could result in costly future liability to the District.

- **Vacation Accrual:** Pursuant to *Board policy 4433*, classified employees on 250 day contracts are entitled to annual vacation accrual whereby they earn 500 vacation days over the course of a 30 year career. This amount exceeds the local peer average by 23 days and exceeds the ORC § 3319.084 minimum of 460 days for full-time employees.²⁷ Providing employees with more vacation days than the ORC minimum could increase substitute and overtime costs. Direct savings from reducing the vacation schedule could not be quantified; however, changing the Board policy to a level closer to the State minimum requirement could increase the number of available work hours at no additional cost to the District.

Provisions with Immediate Impact

- **Class Size:** Under the certificated CBA, the District has established average student to teacher ratios per grade level as follows:
 - Kindergarten: 25:1
 - Grades 1-3: 27:1
 - Grades 4-6: 28:1
 - Grades 7-9: 28:1
 - Grades 10-12: 30:1

In addition to these ratios, the number of class sections taught at St. Marys Middle School is limited to five sections per teacher, unless the teacher agrees to additional sections. St. Marys Memorial High School teachers are assigned six teaching periods, one planning period, and one duty period. If class sizes in grades K-3 exceed 27 students, a teacher may request the help of an aide for up to one hour a day. In comparison, three local peers, New Bremen LSD, Parkway LSD, and Spencerville LSD do not stipulate class size

²⁵ In FY 2017-18, the maximum step for the BA salary schedule was \$57,858; the maximum step for the BA+150 schedule was \$64,728; the maximum step for the MA schedule was \$72,322; and the maximum step for the MA+15 schedule was \$73,407. The length of a teacher contract in FY 2017-18 was 182 days, resulting in maximum final daily rates of pays of \$318.00, \$356.00, \$397.00, and \$403.00 respectively for each certificated salary schedule.

²⁶ New Bremen LSD offers a lump sum payment of \$15,000; Parkway LSD offers a lump sum payment of \$7,500; and Wapakoneta CSD offers a lump sum payment of \$10,000.

²⁷ Celina CSD offers vacation to full-time employees on a 260 day contract and Wapakoneta CSD offers vacation to 12-month full-time employees.

maximums or ratios in their respective CBAs while two local peers have stipulations.²⁸ The certificated CBA of Wapakoneta CSD states that the District-wide student-teacher ratio will be one teacher per 25 pupils, per ORC § 3317.02 and ORC § 3317.023. While SMCS D's certificated CBA states that it will follow State and federal maximum class sizes, putting staffing ratios in the CBA limits the District's ability to adjust class sizes in order to efficiently operate based on the its financial position.

- **Educational Service Personnel Staffing:** The District's certificated CBA states "Consistent with sound educational practice, no class size shall violate the maximum class size established by state or federal law and the calculation of said class sizes shall establish the ratio of students to educational service personnel (librarians, guidance counselors, nurses, elementary music, physical education, and art teachers) at no higher than the district-wide ratio." No local peer has a similar provision in their respective CBA mandating a student-staff ratio for educational service personnel (ESP). OAC 3301-35-05 was revised effective April 24, 2015 by the Ohio Legislature to state "The local board of education shall be responsible for the scope and type of educational services in the district. The district shall employ educational service personnel to enhance the learning abilities for all students." This revision effectively eliminated state-minimum staffing levels for ESP staffing. Putting in staff ratios for ESP positions limits the District's ability to adjust staffing in order to efficiently operate based on the District's financial position.
- **Personal Leave Buy Back:** Under the certificated CBA, employees who have unused personal leave at the end of the school year may carry over a personal day to the following school year, with a maximum personal leave bank of four days, or receive payment for the unused days at the substitute rate of pay; currently \$95. Under the classified CBA, staff may receive payment for the unused days at \$50 a day. Non-unionized employees receive payment for unused days at the sub rate of pay for their classification based on their scheduled hours of work per day, up to \$95 per day. In comparison, all local peers except New Bremen LSD offer payment for unused personal days.²⁹ There is no mandate in the ORC or OAC for a school district to buy back unused personal leave at the end of the school year. SMCS D paid out \$16,092, \$20,283, and \$17,884 in FY 2015-16, FY 2016-17, and FY 2017-18, respectively, for an average of \$18,086, as a result of this provision. Eliminating this provision may result in cost savings for the District.

²⁸ Celina CSD establishes class size limits of 23 pupils for grades K-4; 26 pupils for grades 5-6; 27 pupils per class period for grades 7-12. New Knoxville LSD establishes class size limits of 25-1 for grades K-3; 30-1 for grades 4-6; and 175 students per year for grades 7-12.

²⁹ Celina CSD certificated employees may cash in two personal days at \$60 per day while classified employees receive payment for a maximum of three days at the substitute daily rate of pay for their respective position. New Knoxville LSD certificated employees may cash in four personal days at \$85 per day; Parkway LSD certificated employees may cash in five personal days at \$100 per day; Spencerville LSD may receive either 1.0 percent of the individual's base salary or \$250, whichever is greater, for not using personal leave during the school year; and Wapakoneta CSD certificated employees may cash in three personal days at \$150 per day while classified employees may cash in three personal days at 125.0 percent of the substitute daily rate of pay for their respective positions.

- **Bus Driver Paperwork Additional Hours:** Under the classified CBA, bus drivers are entitled to a maximum of four hours of pay at their daily rate of pay for the completion of paperwork at the end of the school year. In comparison, Celina CSD does not offer a similar provision in its classified contract and Wapakoneta CSD offers two hours of pay for completion of paperwork each school year. Reducing the hours to Wapakoneta CSD will provide cost savings to the District, while eliminating this provision will provide additional cost savings.

The District should consider negotiating the above provisions in order to increase management control over District operations and provide cost savings.

R.9 Reduce employer insurance costs with plan and employee contribution changes

During the course of the audit, the Mercer-Auglaize Benefits Trust (MABT) voted to eliminate the preferred provider organization (PPO) plan effective January 1, 2021, at which time, all SMCS D employees will be shifted to the high deductible health plan (HDHP). This change will be reflected in the District's October 2018 five-year forecast, which will be submitted to ODE following the release of the audit.

SMCS D offers its employees two types of health insurance plans; a preferred provider organization (PPO),³⁰ and a high deductible health plan (HDHP) with an attached health savings account (HSA).³¹ Within each plan type, the District offers both single and family coverage. As of May 2018, there were 177 employees in these plans; 48 in single plans and 129 in family plans.³²

As part of the CBAs, the District offers health insurance to all employees who work at least 19 hours per week, with employees working between 19-32 hours paying 50 percent of the premium cost (half benefits) and employees working 32.5 hours or more paying 15 percent of the premium cost (full benefits). As of May 2018, 172 employees pay 15 percent of the premium cost while five employees pay 50 percent of the premium cost.

Benefits are provided by the MABT, a council of government authorized to procure insurance benefits on behalf of participating public school districts and educational service centers in Auglaize and Mercer counties.³³ The trust is managed by a board consisting of the

³⁰ PPO's are one of the most popular types of plans within the single and family coverage market as they allow the plan participant to visit whatever in-network physician or healthcare provider they wish without first requiring a referral from a primary care physician.

³¹ HDHP's have higher deductibles than a traditional insurance plan. The monthly premium is usually lower, but the plan participant will pay more health care costs themselves before the insurance company starts to pay its share. A high deductible health plan can be combined with a health savings account, allowing the plan participant to accumulate funds, free from federal taxes, in an account to pay for certain medical expenses.

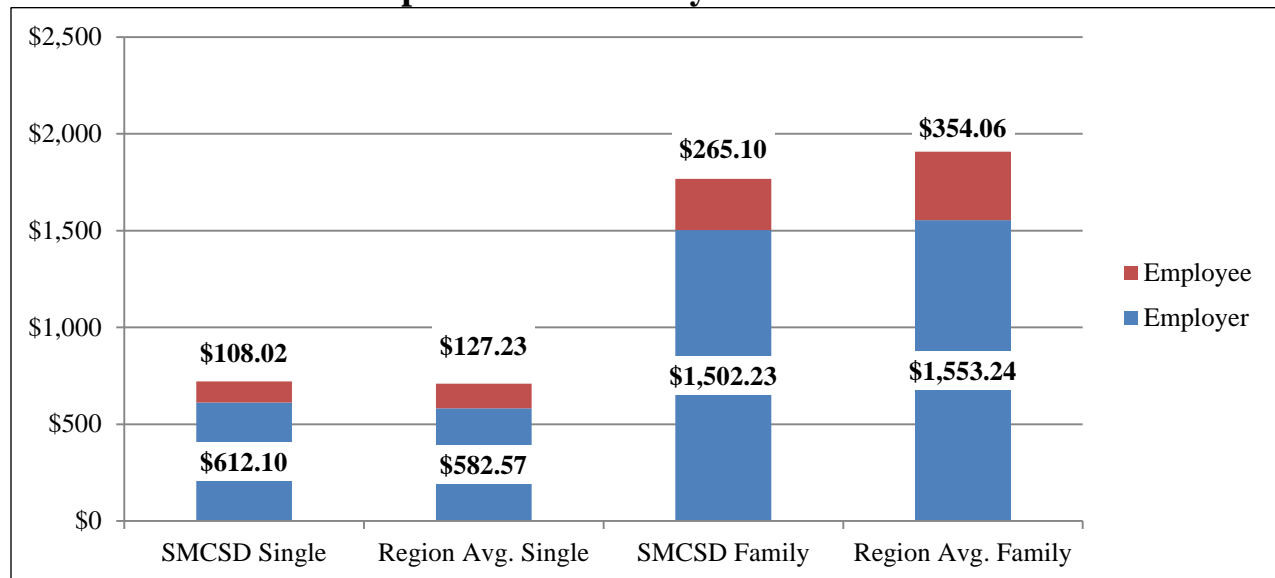
³² As of May 2018, full benefit plan enrollment was as follows: 32 employees enrolled in the PPO single plan; 114 employees enrolled in the PPO family plan; 14 employees enrolled in the HDHP single plan; and 12 employees enrolled in the HDHP family plan. Half benefit plan enrollment was two employees enrolled in the PPO single plan; and three employees enrolled in the PPO family plan.

³³ Participating entities in MABT in addition to SMCS D are the Auglaize County Educational Service Center (ESC), Celina CSD, Coldwater EVSD, Fort Recovery LSD, Marion LSD, Mercer County ESC, Minster LSD, New Bremen LSD, New Knoxville LSD, Parkway LSD, St. Henry Consolidated LSD, and Waynesfield-Goshen LSD.

superintendent of each public school district or their designee. Plan types, designs, and providers are decided on behalf of the member school districts by the MABT board, with member school districts having local control over the employer/employee cost share of the premiums. Starting in January 2019, the MABT will receive insurance benefits through the Southwestern Ohio Educational Purchasing Council (EPC), however, the certificated and classified CBAs state that the Board must offer insurance plans through the MABT.

The Ohio State Employment Relations Board (SERB) surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually in the *The Cost of Health Insurance in Ohio's Public Sector* (SERB, 2018). **Chart 3** shows SMCSD's CY 2018 monthly premium costs for single and family coverage under the PPO insurance plan³⁴ for employees receiving full benefits in comparison to the SERB regional average monthly premiums as reported to SERB as of January 1, 2018.³⁵ Insurance cost is recognized as sensitive to local conditions and, where possible, other regional data provide the most realistic benchmarks for relative price competitiveness.

Chart 3: Comparison of Monthly Premium Cost for PPO



Source: SMCSD and SERB

As shown in **Chart 3**, the District's employer cost for PPO single coverage of \$612.10 is higher than the SERB regional average by \$29.53, or 5.0 percent, while its employer cost for PPO family coverage of \$1,502.23 is lower than the SERB regional average by \$51.01, or 3.3 percent. As a result of higher enrollments in the family plan, overall employer costs for the PPO plan is lower than the SERB regional benchmark.

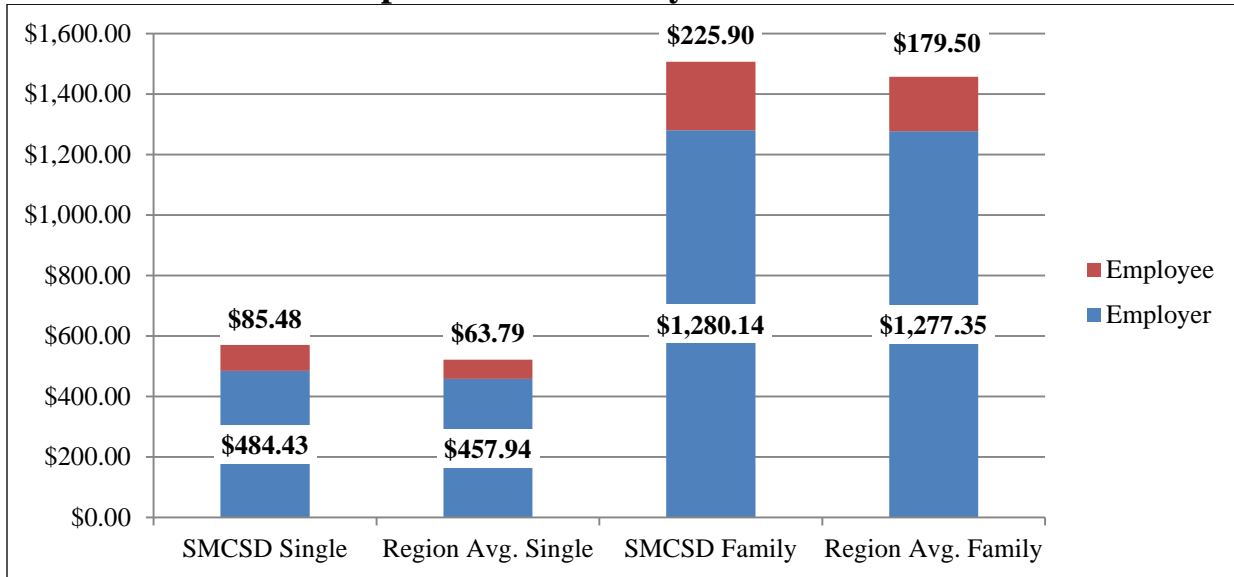
Chart 4 shows SMCSD's CY 2018 monthly premium costs for single and family coverage under the HDHP insurance plan for employees receiving full benefits in comparison to the SERB

³⁴ All SMCSD insurance costs presented in this audit are in effect from January 1, 2018 through December 31, 2018

³⁵ Region 5 consists of public entities from the following counties: Auglaize, Champaign, Clark, Darke, Greene, Logan, Mercer, Miami, Montgomery, Preble, and Shelby. SMCSD is located within Auglaize County.

regional average monthly premiums as reported to SERB as of January 1, 2018. Insurance cost is recognized as sensitive to local conditions and, where possible, other regional data provide the most realistic benchmarks for relative price competitiveness.

Chart 4: Comparison of Monthly Premium Cost for HDHP



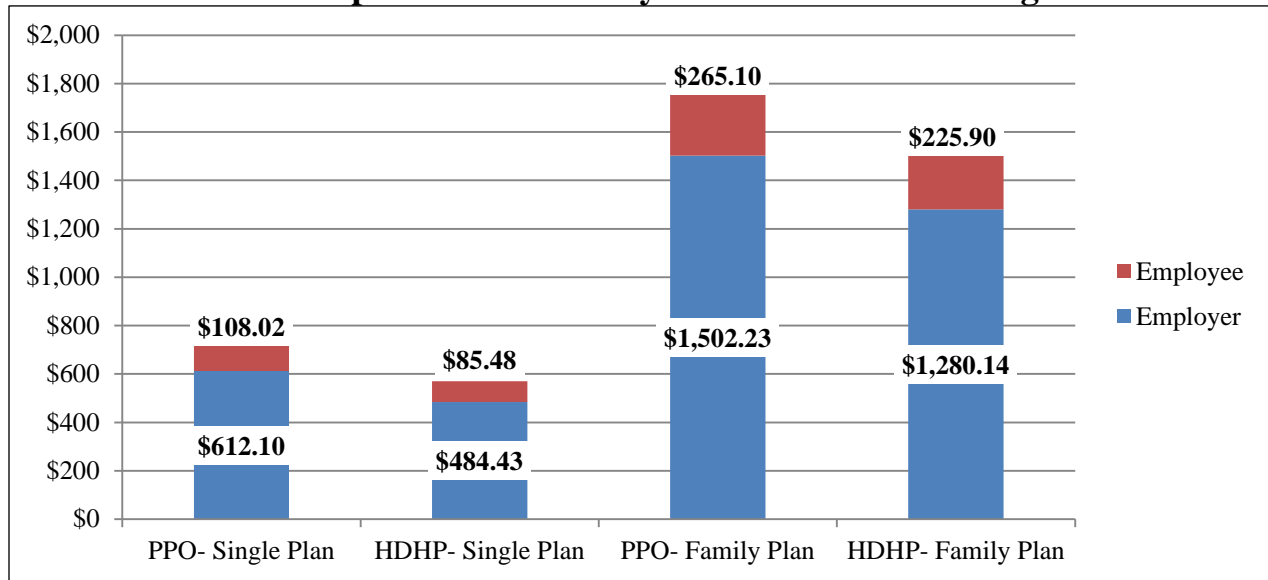
Source: SMCSD and SERB

Note: An additional one-time, annual amount of \$1,000 for single coverage and \$1,400 for family coverage is contributed to each employee’s attached HSA account (cost included in **Table 14**).

As shown in **Chart 4**, the employer cost for HDHP single coverage is higher than the SERB regional average by \$26.49, or 5.8 percent. Similarly, the employer cost for HDHP family coverage is higher than the SERB regional average by \$2.79, or 0.2 percent.

Chart 5 shows a comparison of the monthly premium cost for single and family coverage within the two types of health insurance plans currently offered by the District for employees receiving full benefits. It is important to note the difference in cost between the two plans to establish cost savings available to the District.

Chart 5: Comparison of Monthly Premium Costs Among Plans



Source: SMCS D

Note: An additional one-time, annual amount of \$1,000 for single coverage and \$1,400 for family coverage is contributed to each employee’s attached HSA account (cost included in **Table 14**).

As shown in **Chart 5**, the District’s current, employer portion of the PPO-single plan cost of \$612.10 exceeds the employer portion of the HDHP-single plan by \$127.67, or 26.4 percent. Similarly, the employer portion of the PPO-family plan cost of \$1,502.23 exceeds the employer portion of the HDHP-family plan by \$222.09, or 17.3 percent. This signifies that cost savings could be available to the District by shifting all employees to an HDHP.

Table 14 shows the current state costs associated with SMCS D’s health insurance options for employees.³⁶ These calculations are important to establish a baseline cost of health insurance to the District.

³⁶ Current state costs are based on May 2018 plan enrollment and premium data.

Table 14: Current State Cost of Health Insurance

PPO			
	Employees Enrolled	Monthly Premium Cost	Annual Premium Cost
Single	34	\$24,484	\$293,808
Family	117	\$206,778	\$2,481,336
HDHP			
	Employees Enrolled	Monthly Premium Cost	Annual Premium Cost
Single	14	\$7,979	\$95,748
Family	12	\$18,072	\$216,864
Total	177	\$257,313	\$3,087,756
Total			
	Employer Annual Cost	Employee Annual Cost	Total Annual Cost
Single	\$331,121	\$58,433	\$389,554
Family	\$2,293,471	\$404,730	\$2,698,201
H.S.A Employer Contribution-Single	\$14,000	\$0	\$14,000
H.S.A. Employer Contribution-Family	\$16,800	\$0	\$16,800
Total	\$2,655,392	\$463,163	\$3,118,555

Source: SMCS D

Note: In CY 2018 additional annual employer amount of \$1,000 for single coverage and \$1,400 for family coverage is contributed to each enrolled HDHP employee's attached HSA account. This cost is included in the table above.

As shown in **Table 14**, the current state total annual cost of SMCS D's health insurance is \$3,118,555, with the employer cost totaling \$2,655,392.

Table 15 shows the future state costs associated with offering only an HDHP and reducing the employer cost to the SERB regional average through increased employee contributions. This is important to show savings possible from aligning all employees under the more cost-effective plan.

Table 15: Future State Cost of Health Insurance

	Employees Enrolled CY 2018	Monthly Premium Cost	Annual Premium Cost
Single	48	\$25,043	\$300,516
Family	129	\$187,934	\$2,255,208
Total	177	\$212,977	\$2,555,724
	Employer Annual Cost CY 2018	Employee Annual Cost	Total Annual Cost
Single	\$255,439	\$45,077	\$300,516.48
Family	\$1,916,923	\$338,281	\$2,255,204
H.S.A Employer Contribution-Single	\$57,600	\$0	\$57,600
H.S.A. Employer Contribution-Family	\$219,300	\$0	\$219,300
Total	\$2,449,262	\$383,358	\$2,832,620
Current-State Total Annual Cost to Employer			\$2,655,392
Future-State Total Annual Cost to Employer			\$2,449,262
Savings			\$206,130

Source: SMCS and SERB

Note: Starting in CY 2019 an additional annual employer amount of \$1,200 for single coverage and \$1,700 for family coverage is contributed to each employee's attached HSA account. This cost is included in the table above.

As shown in **Table 15**, reducing the HDHP plan to the SERB regional average and offering only the HDHP would provide significant cost reduction potential. The District's health insurance coverage, including employer/employee cost share, is a benefit that is included in the CBAs. As such, any changes to the employer/employee cost share are subject to negotiation.

Financial Implication: Reducing insurance premiums and shifting all employees to the HDHP insurance plan could save the District an average of **\$216,000** each year of implementation over the forecasted period.³⁷

³⁷ HDHP premiums are increasing by 6.0 percent effective January 1, 2019. Thereafter, it is assumed insurance costs will increase by 8.0 percent in the May 2018 five-year forecast. As such, cost savings applied to the five-year forecast are also inflated by 6.0 percent in the first year of implementation and 8.0 percent annually for the remaining years of the forecast. First year cost savings are reduced by half, assuming mid-year implementation. These increases are included in the Cumulative Balance Performance Audit Recommendations shown in **Table 3**.

R.10 Decrease employer cost of dental and vision insurance

As part of the CBAs, the District offers dental and vision insurance to all employees who work at least 19 hours per week, with employees working between 19-32 hours paying 50 percent of the premium cost (half benefits) and employees working 32.5 hours or more paying 15 percent of the premium cost (full benefits).

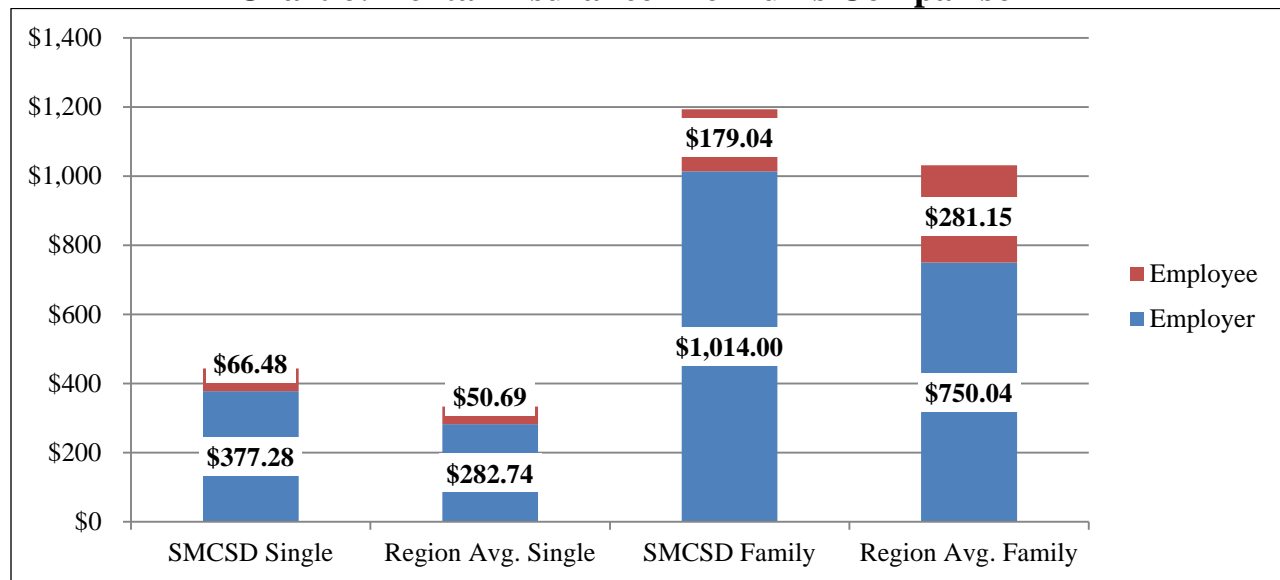
Benefits are provided by the MABT and plan types, designs, and providers are decided on behalf of the member school districts by the MABT board, with member school districts having local control over the employer/employee cost share of the premiums.

Dental Insurance

SMCSD offers one dental plan for its employees with single and family coverage. There are a total of 175 employees enrolled in CY 2018.³⁸

SERB surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually in the report *The Cost of Health Insurance in Ohio’s Public Sector* (SERB, 2018). **Chart 6** shows SMCSD’s CY 2018 annual dental premiums for single and family coverage in comparison to the SERB regional average. This provides regional context to the appropriateness of both the total premium as well as the employer/employee cost split.

Chart 6: Dental Insurance Premiums Comparison



Source: SMCSD and SERB

Note: A weighted average is used for the SERB regional average. This is due to SMCSD offering two different health plans (see R.9), resulting in two different benchmarks from SERB depending on the plan type. The weighted average was calculated by taking the SERB dental insurance benchmark for PPO health plans and HDHP health plans, divided by the number of plan participants at SMCSD.

³⁸ Thirty eight (38) employees receive single coverage and 137 employees receive family benefits. All employees receiving coverage are receiving them as full benefits. Enrollment levels are as of May 2018, which was the most up-to-date information available as of the completion of the analysis.

As shown in **Chart 6**, SMCS D’s total premium cost exceeds the regional average in each category type. Furthermore, SMCS D’s employer cost for dental insurance was higher than the regional average.

Table 16 shows the level of employee contribution that SMCS D would need in order to bring dental insurance employer costs in line with the regional average for each plan type. In addition, the cost savings of doing so is shown for each plan type. These comparisons provide context to as to the appropriateness of the overall cost as well as the potential financial impact associated with implementing this change.

Table 16: Dental Plan Cost Comparison

	Single	Family
SMCS D CY 2018 Plan Counts	38	137
SMCS D CY 2018 Employer Cost	\$377.28	\$1,014.00
SERB Regional Average Employer Cost (Weighted Average)	\$282.74	\$750.04
Difference per Plan	\$94.54	\$263.96
Savings by Plan Type	\$3,592.52	\$36,162.52
Total Savings by Reducing Employer Dental Cost to Regional Avg.		\$39,755.04

Source: SMCS D and SERB

As shown in **Table 16**, the District could generate savings of \$39,700 by bringing the employer cost of dental insurance in line with the SERB regional average. The District’s dental insurance coverage, including employer/employee cost share, is a benefit that is included in the CBAs. As such, any changes to the employer/employee cost share are subject to negotiation.

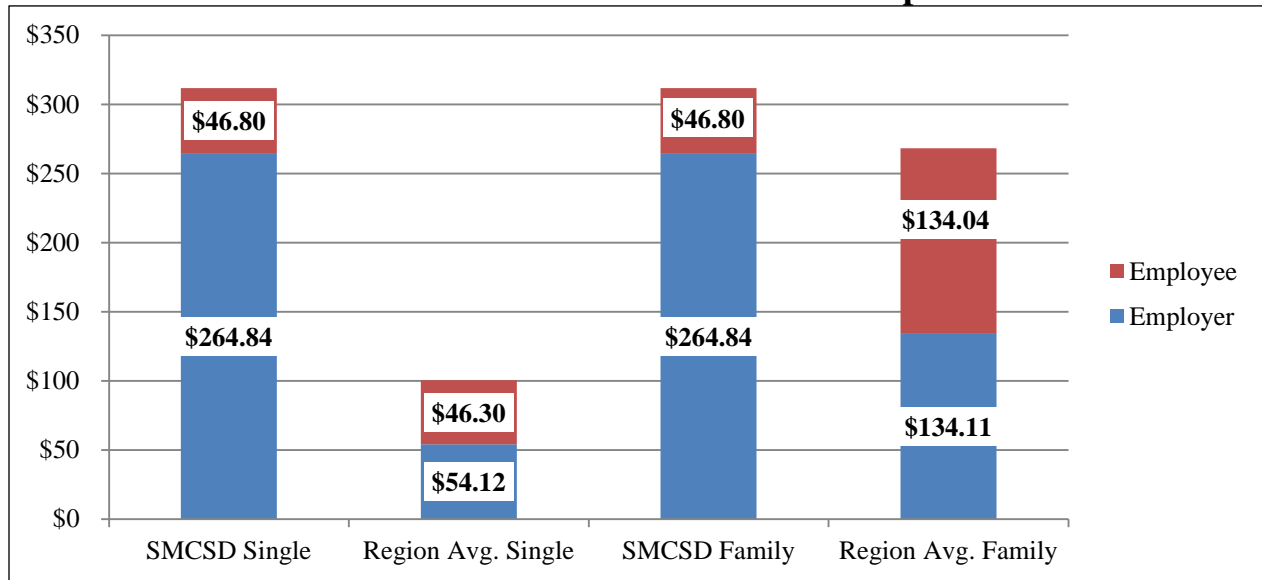
Vision Insurance

SMCS D offers one type of vision insurance plan, with no difference in premium cost between single and family coverage. There are a total of 174 employees enrolled in CY 2018.³⁹

Chart 7 shows SMCS D’s CY 2018 annual vision premiums for single and family coverage in comparison to the SERB regional average. This provides regional context to the appropriateness of both the total premium as well as the employer/employee cost split.

³⁹ Thirty two (32) employees receive single coverage and 142 employees receive family coverage. Enrollment levels are as of May 2018, which was the most up-to-date information available as of the completion of this analysis.

Chart 7: Vision Insurance Premium Comparison



Source: SMCS and SERB

Note: A weighted average is used for the SERB regional average. This is due to SMCS offering two different health plans (see R.9), resulting in two different benchmarks from SERB depending on the plan type. The weighted average was calculated by taking the SERB dental insurance benchmark for PPO health plans and HDHP health plans, divided by the number of plan participants at SMCS.

As shown in **Chart 7**, SMCS’s total premium exceeds the regional average in each category type and the District’s employer cost for vision insurance was higher than the regional average for all plan types. The District does not have different premiums for single or family coverage, which results in vision costs far exceeding the regional average for single coverage, while remaining closer to the regional average for family coverage.

Table 17 shows the level of employee contribution that SMCS would require in order to bring vision insurance employer premiums in line with the SERB regional average for each plan type. These comparisons provide context to as to the appropriateness of the overall cost as well as the potential financial impact associated with implementing this change.

Table 17: Vision Plan Cost Comparison

	Single	Family
SMCS CY 2018 Plan Counts	32	142
SMCS CY 2018 Employer Cost	\$264.84	\$264.84
SERB Regional Employer Cost (Weighted Average)	\$54.12	\$134.11
Difference per Plan	\$210.72	\$130.73
Savings by Plan Type	\$6,743.04	\$18,563.66
Total Annual Savings by Reducing Employer Vision Cost to Regional Avg.		\$25,306.70

Source: SMCS and SERB

As shown in **Table 17**, the District could generate vision insurance savings of approximately \$25,300 by bringing employer costs in line with the SERB regional average. As with dental

insurance, the District's vision insurance coverage, including employer/employee cost share, is a benefit that is included in the CBAs. As such, any changes to the employer/employee cost share are subject to negotiation.

Financial Implication: Bringing the employer cost of dental and vision insurance in line with the SERB regional average could save the District an average of **\$62,300** each year of implementation over the forecasted period.⁴⁰

R.11 Implement an energy management plan

SMCSD does not have an energy management policy, plan, or procedures manual, but has taken the following steps to control utility expenditures:

- Installing automated climate control;
- Installing automated lighting controls; and
- Retrofitting portions of its school buildings with LED lighting.

Additionally, the District's buildings were built new or substantially remodeled in 2010 which facilitated implementation of several of the aforementioned steps.⁴¹

The District receives electricity through the City of St. Marys and does not have access to any other suppliers. The District receives gas through private vendors and its St. Marys Middle School/Memorial High School facility is heated by geothermal energy and does not use gas. St. Marys Primary School and St. Marys Intermediate School uses a mix of electricity and gas for its energy needs.

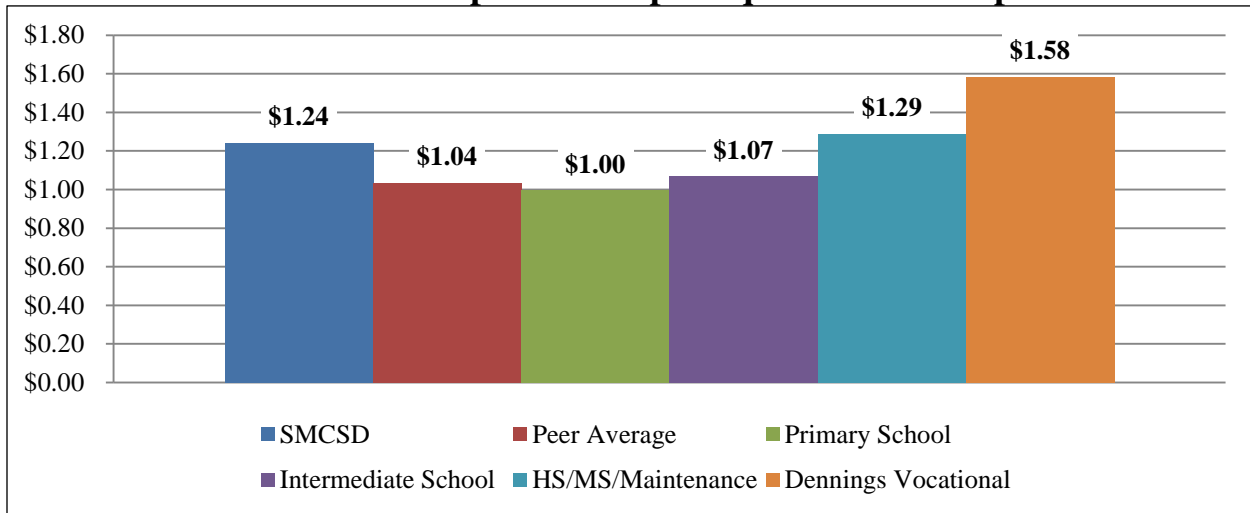
Chart 8 shows the District's FY 2017-18 electric expenditures per square foot in total and per educational building compared to the primary peers.⁴² Analyzing costs per square foot serves to provide an effective comparison as it normalizes size differences between school districts.

⁴⁰ The District's five-year forecast assumes dental insurance premiums increasing by 8.0 percent over the forecasted period, with the vision insurance premiums remaining constant, for an average percent change of 5.0 percent over the forecasted period for both insurance coverages. First year cost savings are reduced by half, assuming mid-year implementation. These increases are included in the Cumulative Balance Performance Audit Recommendations shown in **Table 3**.

⁴¹ St. Marys Primary School and St. Marys Intermediate School were remodeled while St. Marys Middle School and St. Marys Memorial High School was constructed on a new location.

⁴² In addition to educational buildings, the District also provides utilities to the District Service Center, Cook Gym, a locker room at the Turf Field, and rented administrative offices, which has since been vacated at the end of the 2017-18 school year.

Chart 8: Electric Expenditures per Square Foot Comparison



Source: SMCS D, primary peers, and ODE

Note: The maintenance building is a separate building on the SMMS/MHS campus that shares a meter with SMMS/MHS, and as such the expenditures associated with that building cannot be broken out.

As shown in **Chart 8**, SMCS D’s total electric expenditures per square foot were higher than the primary peer average. **Chart 8** also shows that all of the educational buildings except St. Marys Primary School had electrical expenditures that were higher than the primary peer average and are not consistent with each other. This is due in part to energy sources differing between buildings. According to the District, the Dennings Vocational building is higher due to machinery that requires more power than the other buildings in the district while also being the smallest educational building. Dennings Vocational is also closing at the end of the FY 2018-19 school year, as the programs housed there will be moved to a central location that will serve all the students attending career-technical programs through the Tri-Star Career Compact.

St. Marys Primary School serves as a logical benchmark due to being lower cost than the primary peer average. While the functions of the buildings are different, taking steps to reduce electric expenditures consistent with the most efficient building within the District will provide cost savings. Additionally, the analysis focuses on electric expenditures because the SMMS/MHS building is all electric. **Table 18** shows the FY 2017-18 electric expenditures per square foot for the educational buildings with St. Marys Primary School serving as a benchmark. Due to its closing at the end of FY 2018-19, the Dennings Vocational building is excluded from the analysis. Analyzing costs per square foot serves to provide an effective comparison as it normalizes size differences between school buildings.

Table 18: Educational Building Electricity Expenditure Reduction

Building	Electric Cost per Square Foot
St. Marys Primary School	\$1.00
St. Marys Intermediate School	\$1.07
SMMS/MHS/Maintenance ¹	\$1.29
Dennings Vocational	\$1.58
Savings from St. Marys Intermediate Reduction to St.Marys Primary School	
	\$4,135
Savings from SMMS/MHS/Maintenance Reduction to St. Marys Primary School	
	\$62,941
Savings	\$67,076

Source: SMCS D

¹ The maintenance building is a separate building on the SMMS/MHS campus that shares a meter with the SMMS/MHS campus, and as such the expenditures associated with that building cannot be broken out.

As shown in **Table 18**, SMCS D could have save approximately \$67,000 in FY 2017-18 by reducing electric expenditures at its educational facilities to levels consistent with St. Marys Primary School.

The Energy Star Guidelines for Energy Management (U.S. Environmental Protection Agency, 2016) outlines the following steps for an effective energy management plan:

- Make a commitment;
- Assess performance and set goals;
- Create an action plan;
- Implement the action plan;
- Evaluate progress; and
- Recognize achievement.

Implementing an energy management program would provide the District with an outline of how to control its energy consumption in order to realize potential savings.

Financial Implication: Reducing electric expenditures at St. Marys Intermediate School, and the St. Marys Middle School/Memorial High School complex could save an average of **\$63,600** over the forecast period based on a proportional reduction in energy usage.⁴³

⁴³ The value of the savings from this recommendation is projected to increase 3.0 percent for FY 2018-19 through FY 2021-22. The savings identified are included in each year of the Adjusted Cumulative Balance of Performance Audit Recommendations shown in **Table 3**.

R.12 Develop a formal facilities preventative maintenance program

The District does not utilize a formal preventive maintenance policy that encompasses all equipment. Instead, a majority of repairs are conducted in a reactionary manner under the direction of the Facilities Supervisor. The District has a preventative maintenance plan that was developed as part of an OFCC building project completed in 2010, however the plan has not been implemented due to staffing issues (see **Table B-16** in **Appendix B**). The District has acquired two software programs that can be used to generate preventative maintenance work orders, however it uses the software for reactive work order scheduling only.

According to the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES, 2003), a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities. Moreover, preventive maintenance is the cornerstone of any effective maintenance initiative. A good maintenance program is built on a foundation of preventive maintenance. After identifying items that should receive preventive maintenance, a district should then decide on the frequency and type of inspections and maintenance activities to be performed. Manufacturers' manuals are helpful when developing this schedule because they usually provide guidelines about the frequency of preventive services as well as a complete list of items that must be maintained. Ideally, a computerized maintenance management program schedules the preventive maintenance activities.

According to *Public Works Management Practices Manual* (American Public Works Association (APWA), 2014), a formal preventive maintenance program that includes scheduling, recording performance, and monitoring should be developed for all equipment. Planning preventive maintenance activities includes:

- Defining work to be performed;
- Diagnosing work to be performed prior to scheduling;
- Estimating labor hours, materials, shop space and time; and
- Documenting support maintenance action.

The District should develop a formal preventative maintenance program. The absence of such a plan limits the transparency of the maintenance necessary to keep the District's facilities operating efficiently and effectively. Developing and implementing an effective preventive maintenance plan would help to ensure that the District receives the maximum useful life of its assets and properly allocates resources for maintenance and replacement.

R.13 Leverage the Permanent Improvement Fund to develop a multi-year capital plan

The District has a Permanent Improvement (PI) Fund that is used for vehicle purchases and equipment with an expected useful life of five years or more. This fund is utilized for bus replacement; purchasing buses on a cycle that rotates between one and two bus purchases per year. The PI Fund is supported by a 2.5 mil continuous permanent improvement levy that generates approximately \$484,600 a year, with 0.5 mills earmarked for the Classroom Maintenance Fund that amounts to approximately \$173,500 a year.

In addition to the expenditures made out of the PI Fund, the District made an additional \$27,167 in expenditures out of its General Fund for capital outlay in FY 2017-18. Capital outlay expenditures are characterized by acquisitions of fixed assets, including land, buildings, improvements of grounds, building construction, building additions, building remodeling, initial and additional equipment, furnishings and vehicles. In FY 2017-18, the District's capital outlay expenditures were for technology, transportation equipment, furniture, and handicap equipment. The District is forecasting approximately \$55,000 in General Fund capital outlay expenditures in its May 2018 five-year forecast, however, the PI Fund has more flexibility to absorb these expenditures, assuming purchases are for items with a useful life of five years or more.

A portion of the General Fund capital outlay is offset through a technology fee of \$15 that is collected from each student and deposited into the General Fund. **Table 19** shows the offset of General Fund capital outlay by the use of this technology fee for FY 2015-16 through FY 2017-18 and the Permanent Improvement Fund capacity to absorb the remaining General Fund capital outlay expenditures. This provides an indication on whether the PI Fund could absorb some or all of the current General Fund capital outlay expenditures.

Table 19: PI Fund Capacity to Address General Fund Capital Outlay

Permanent Improvement Fund	FY 2015-16	FY 2016-17	FY 2017-18
Beginning Balance	\$374,919	\$204,204	\$279,317
Receipts	\$335,780	\$297,304	\$311,644
Expenditures	\$506,495	\$222,191	\$449,852
Results of Operations	(\$170,715)	\$75,113	(\$138,208)
Ending Balance	\$204,204	\$279,317	\$141,109
Encumbrances	\$68,654	\$114,634	\$65,197
Unreserved Ending Balance	\$135,550	\$164,683	\$75,912
Capital Outlay Paid from General Fund	\$93,465	\$99,630	\$27,167
Technology Fee Revenue	(\$19,153)	(\$18,400)	(\$19,359)
Remaining Capital Outlay Paid from General Fund	\$74,312	\$81,230	\$7,808
Revised PI Fund Unreserved Ending Balance	\$61,238	\$83,453	\$68,104

Source: SMCS D

As shown in **Table 19**, the District's Permanent Improvement Fund had the capacity to absorb the remaining General Fund capital outlay expenditures after applying the technology fee revenue in FY 2015-16 through FY 2017-18. By using proper planning, the remaining General Fund capital outlay could theoretically be shifted to the Permanent Improvement fund in the remaining years of the forecast. When developing the capital plan, the District should anticipate

using technology fees to provide an offset to planned capital expenditures, which the District forecast at \$55,000 for each year of the forecast. Doing so would help to ensure that capital assets are effectively planned for and prioritized based on a comprehensive view of District needs.

Financial Implication: Shifting all projected General Fund capital outlay expenditures to the PI Fund could free up an average of **\$48,100** each year of implementation over the forecast period based on the May 2018 Five-Year Forecast.⁴⁴

R.14 Make additional reductions to address the deficit

Even after implementing all preceding recommendations, the District's forecast would still project a cumulative deficit of approximately \$1,742,600, or an annual average of approximately \$580,900.⁴⁵ To address the remaining gap, the District would need to consider additional cost saving measures; including those that would bring staffing levels below primary peer averages. The exact nature of these additional cost savings measures are at the discretion of District leadership and elected officials, with stakeholder input, but should be reflective of the necessity to uphold fiduciary responsibilities.

The following four options represent some choices that the District could make to address the remaining \$1,742,600 deficit over the forecast period. The implementation of a combination of these options would be sufficient to eliminate the deficit by the end of the forecast period.

- **Eliminate an additional 8.0 FTE general education teacher positions:** General education teachers instruct students in a regular classroom environment. OAC 3301-35-05 requires the District-wide ratio of general education teachers to students to be at least 1.0 FTE classroom teacher for every 25 regular students.⁴⁶ **R.4** compared SMCS D's general education staffing level to the primary peer average per 1,000 students. **Table 20** shows SMCS D's general education teacher staffing level required to eliminate the remaining deficit based on FY 2018-19 students to teacher ratio following implementation of **R.4**. It is important to project the impact eliminating the remaining deficit will have on staffing levels.

⁴⁴ First year savings are reduced by half, assuming a mid-year implementation. This adjustment is included in the Cumulative Balance Performance Audit Recommendations shown in **Table 3**.

⁴⁵ Represents annual savings needed over the last three years of the forecast period.

⁴⁶ This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP).

Table 20: General Education Teacher Comparison

FY 2018-19 General Education FTEs	88.47		
Recommended General Education FTEs Reduction from R.4	5.50		
General Education FTEs Remaining	82.97		
Regular Student Population	1,749		
Staffing Ratio (Students:Teachers)	21.10		
	Staffing Ratio (Students:Teachers)	Proposed FTE Staffing	Proposed FTE Reduction
Address Remaining Deficit	23.40:1	74.78	8.19
State Minimum	25.00:1	69.96	13.00

Source: SCMSD and OAC

As shown in **Table 20**, after implementing staffing reductions contained in **R.4**, the District’s student to teacher ratio would be 21.10:1. Based on this ratio, the District would have 13.00 more general education FTEs than minimally required. Reducing general education teachers to a level closer to the State minimum requirement may be necessary to maintain financial solvency depending on the extent to which the District implements other recommendations in this performance audit. The selection of any of the options presented in **Table 20** is ultimately District management’s responsibility based on needs and desires of the stakeholders in the community and any staffing decisions must be balanced with the fiduciary responsibility to adapt to financial realities and maintain a solvent operation. Any option selected could be implemented in FY 2019-20.⁴⁷

Eliminating an additional 8.0 FTE general education teacher positions (in addition to those in **R.4**) could save the District an average of **\$585,000** annually over the forecast period,⁴⁸ and help reduce the remaining deficit. This financial implication is calculated using the actual salaries and benefits of the 8.0 FTE next least tenured teaching positions remaining after recommended elimination within this performance audit (see **R.4**). Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

- **Implement a 6.0 percent across-the-board staff reduction:** While **R.3, R.4, R.5, R.6,** and **R.7** addresses SMCS D’s staffing relative to the primary peer average, the District could make an additional 6.0 percent across-the-board staffing reduction to generate sufficient savings to offset the remaining deficit.

Table 21 shows the nature and savings of this staffing reduction for each staffing classification category. This provides the District with the information necessary to evaluate staffing reductions and the potential savings associated with each.

⁴⁷ The District should consider the class size ratio provision listed in **R.8** before implementing staffing reductions.

⁴⁸ The value of the savings from this recommendation was projected to increase by an average of 4.3 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

Table 21: Additional Staffing Reductions

Category	Revised Total FTEs	6.0% Reduction	Rounded FTE Reduction	Average Annual Implementable Savings
Administrators	10.20	9.59	0.50	\$39,782
Clerical	12.14	11.41	0.50	\$6,140
Educational	100.44	94.41	6.00	\$491,639
Operational ¹	12.39	11.65	0.50	\$17,750
Support	9.02	8.48	0.50	\$29,338
Total	144.19	135.54	8.00	\$584,649

Source: SMCS D

Note 1: Transportation staffing is excluded as levels are determined by industry benchmarks

Note 2: Administrators exclude the Superintendent, Treasurer, Food Service Director, and Special Education Director.

¹ Food service employees are excluded as they are paid out of the Food Service Fund and not the General Fund, and therefore, reductions in staff will not impact the five-year forecast.

As shown in **Table 21**, an across-the-board staffing reduction of 6.0 percent would result in the elimination of an additional 8.0 FTEs. Eliminating these FTEs could save the District an average of approximately **\$584,600** in salaries and benefits annually over the forecast period.⁴⁹ This was calculated using salaries and benefits of the least tenured employees remaining after position reductions identified in **R.3, R.4, R.5, R.6, and R.7**. Estimated savings could increase if the reductions occur through retirement or voluntary separation of higher salaried staff. This option could partially be implemented in FY 2018-19 and fully implemented in FY 2019-20.⁵⁰ Although this option would reduce the deficit, it could drastically change service levels within the District. Considering it with a combination of the options presented in this performance audit could enable the District to avoid operating deficits.

- **Implement a base and step freeze on all salaries for an additional two years:** The District and its unions agreed on new CBAs in September 2018 that included a base and step salary freeze for FY 2018-19. These savings are reflected in **Table 3**. However, due to its financial condition, it may need to extend this salary freeze for additional years. The District's May 2018 five-year forecast assumes a 1.0 percent base increase with steps for all eligible staff for FY 2018-19 through FY 2021-22. **Table 22** shows the impact of extending the base and step increase freeze for FY 2019-20 and FY 2020-21 before resuming the forecasted salary schedule in FY 2021-22, after taking into account staff cuts previously identified. This analysis provides an indication of the impact of a wage freeze relative to the number of years it's in effect.

⁴⁹ The value of the savings from this recommendation was projected to increase by an average of 3.5 percent annually in the each year of full implementation over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, vision, life insurance, Medicare, and retirement.

⁵⁰ Administrator, clerical, operational and support area cost savings can be implemented in FY 2018-19. Educational cost savings can be implemented in FY 2019-20. Savings for administrator, clerical, operational, and support areas was reduced by half due to earliest implementation being halfway through FY 2018-19.

Table 22: Impact of Base and Step Salary Freeze

	FY 2019-20	FY 2020-21	FY 2021-22
Salaries and Benefits with Base Increase and Steps	\$11,966,924	\$12,202,658	\$12,419,669
Salaries and Benefits with Base and Step Freeze	\$11,550,567	\$11,550,567	\$11,733,646
Difference	\$416,357	\$652,091	\$686,023
	Cumulative Savings		\$1,754,471
	Average Annual Savings		\$584,824

Source: SMCS D

As shown in **Table 22**, extending the salary freeze for FY 2019-20 and FY 2020-21 and resuming the forecasted salary schedule in FY 2021-22 could save the District an average of approximately **\$584,800** annually over the forecast period, which would eliminate the remaining deficit. This option could be implemented in FY 2019-20, if negotiated by the District.

- Eliminate the entire General Fund subsidy of extracurricular activities:** The District incurred a net cost for student extracurricular activities in FY 2017-18 of approximately \$457,200, which required subsidization from the General Fund. Steps to fully eliminate the General Fund subsidy of extracurricular activities includes implementing a pay to participate fee, increase admission and sales, increase booster club spending, reducing the supplemental salary schedule, and/or eliminate programs. This action could save the District **\$433,100** annually over the forecast period (see **Table B-1** for comparison to local peer average).

Financial Implication: Eliminating an additional 8.0 FTE general education teacher positions could save an average of **\$585,000** annually; making a 6.0 percent across-the-board staffing reduction could save an average of approximately **\$584,600** annually; extending the base and step freeze for FY 2019-20 and FY 2020-21 could save an average of approximately **\$584,800** annually; and fully eliminating the General Fund subsidy of extracurricular activities could save **\$433,100** annually. The District should evaluate these options and determine the appropriate combination of the various options in order to address the remaining savings needed of **\$580,900** annually.

Appendix A: Scope and Objectives

Generally accepted government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

In consultation with ODE and the District, OPT identified the following scope areas for detailed review: Financial Management, Human Resources, Facilities, and Transportation. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Six of the 17 objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Financial Management	
Are the District’s budgeting and forecasting practices consistent with leading practices and is the five-year forecast reasonable and supported?	R.1
Are the District’s strategic planning practices consistent with leading practices?	R.1
Are the District’s financial communication practices consistent with leading practices?	Noteworthy Accomplishment
Is the District’s General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District’s financial condition?	R.14
Are the District’s purchasing practices consistent with leading practices and appropriate based on the District’s financial condition?	R.2
Human Resources	
Are the District’s staffing levels appropriate in comparison to primary peers, state minimum standards, demand for services, and the District’s financial condition?	R.3, R.4, R.5, R.6, R.7, and R.14
Are the District’s salaries and wages appropriate in comparison to local peers and the District’s financial condition?	R.14
Are the District’s collective bargaining agreement provisions appropriate in comparison to local peers, minimums requirements, and the District’s financial condition?	R.8
Are the District’s insurance costs appropriate in comparison to other governmental entities within the local market and the District’s financial condition?	R.9 and R.10
Facilities	
Is the District’s buildings utilization appropriate in comparison to leading practices, industry standards, and the District’s financial condition?	N/A
Are the District’s facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District’s financial condition?	N/A
Are the District’s facilities expenditures appropriate in comparison to primary peers, leading practices, industry standards, and the District’s financial condition?	R.11
Are the District’s facilities preventive maintenance practices consistent with leading practices and industry standards?	R.12
Are the District’s capital planning practices consistent with leading practices and industry standards?	R.13
Transportation	
Is the District’s fleet sized appropriately and routed efficiently in comparison to leading practices, industry standards, and the District’s financial condition?	N/A

Is the District's fleet maintained efficiently and appropriately in comparison to transportation peers, leading practices, industry standards, and the District's financial condition?	N/A
Are the District's fuel procurement practices cost effective in comparison to DAS benchmarks and consistent with leading practices and industry standards?	N/A

Note: Although assessment of internal controls was not specifically an objective of this performance audit, internal controls were considered and evaluated when applicable to scope areas and objectives.

Appendix B: Additional Comparisons

Extracurricular Activities

Table B-1 shows the District's net cost for student extracurricular activities in FY 2017-18 compared to the local peer average. This analysis illustrates the net revenue or loss generated by student extracurricular activities.

Table B-1: Student Extracurricular Activity Net Cost Comparison

	SMCSD			Local Peer Avg. ¹
Students			2,089	1,698
Activity Type	Rev.	Exp.	Net Cost	
Academic Oriented	\$0	\$72,084	(\$72,084)	(\$80,317)
Occupation Oriented	\$0	\$107,122	(\$107,122)	(\$48,442)
Sport Oriented	\$0	\$562,736	(\$562,736)	(\$365,242)
School & Public Service Co-Curricular	\$0	\$56,467	(\$56,467)	(\$6,937)
Bookstore Sales	\$0	N/A	\$0	\$0
Other Extracurricular	\$65,275	N/A	\$65,275	\$41,844
Non-specified ²	\$275,868	N/A	\$275,868	\$120,669
Total	\$341,143	\$798,409	(\$457,266)	(\$338,425)
Total GRF Direct Revenue				
			\$0.00	\$0.00
Total GRF Direct Expenditures				
			\$433,166	\$398,130
Total GRF Transfers				
			\$0.00	\$0.00
Total GRF Subsidy of Extracurricular Activities			\$433,166	\$398,130
Total GRF Subsidy of Extracurricular Activities per Pupil				
			\$207.36	\$234.47
Total Difference in GRF Subsidy to Local Peer Average			(\$56,633)	
Remaining GRF Subsidy			\$433,166	

Source: SMCSD, local peers, and ODE

¹ New Knoxville LSD was excluded from local peer financial comparisons due to its financial data being unavailable.

² Non-specified represents revenue that was not coded to a specific activity type, but does reduce the net cost.

As shown in **Table B-1**, SMCSD's net cost for student extracurricular activities of (\$457,266) was higher than the local peer average of (\$338,425). However, the District's extracurricular net cost was lower than the local peer average when normalized on a per pupil basis.

Staffing

SMCSD's FY 2018-19 FTE staffing levels by category are shown in **Chart 1** and **Chart 2**.⁵¹ Analyses of staffing levels that resulted in recommendations include: eliminate 1.0 FTE central office administrator position (**R.3**), eliminate 5.5 FTE general education teacher positions (**R.4**), eliminate 1.0 FTE K-8 music education teacher position (**R.5**), eliminate 0.5 FTE social work position (**R.6**), and eliminate 0.5 FTE nursing position (**R.7**). Staffing comparisons where the analysis did not result in a recommendation are presented for informational purposes below. Staffing comparisons show total FTEs only when the evaluation of the category as a whole is relevant.

⁵¹ The individual positions within each staffing category in **Chart 2** are explained in detail within section 3.9 of the *EMIS Reporting Manual* (ODE, 2017).

Building Administrators

Table B-2 shows the District’s FY 2018-19 building administrators per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-2: Building Administrator Staff Comparison

Students and Buildings	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	2,016		2,092	(76)	
Students Educated (thousands)	2.016		2.092	(0.076)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Assistant Principal	2.00	0.99	0.96	0.03	0.06
Principal	4.00	1.98	2.03	(0.05)	(0.10)
Total	6.00	2.97	2.99	(0.02)	(0.04)

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

As shown in **Table B-2**, SMCSD employs 0.04 fewer FTE building administrator staff than the primary peer average.

Teaching Staff

Table B-3 shows the District’s FY 2018-19 teaching staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-3: Teaching Staff Comparison

Students	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,915		2,092	(177)	
Students Educated (thousands)	1.915		2.092	(0.177)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs Per 1,000 Students	Total Above/ (Below) ²
General Education	88.47	46.20	43.25	2.95	5.65
Preschool General Education	0.00	0.00	0.33	(0.33)	(0.63)
Gifted and Talented	0.00	0.00	0.23	(0.23)	(0.44)
Career-Technical Programs/Career Pathways	1.00	0.52	0.60	(0.08)	(0.15)
K-8 Art Education	2.00	1.04	1.31	(0.27)	(0.52)
K-8 Music Education	3.36	1.75	1.07	0.68	1.30
K-8 Physical Education	3.00	1.57	1.81	(0.24)	(0.46)

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District. SMCSD’s students educated total was further adjusted to exclude the percent of time students are receiving educational services as part of the Compact programs at the District, as these students would not be receiving instruction from the teachers shown above (see **Career Technical Compact**).

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-3**, SMCSD employs more FTE teaching staff than the primary peer average in general education and K-8 music education while employing fewer FTEs in all other categories.

Analyses of the teaching staff that resulted in a recommendation include the elimination of 5.5 FTE general education teacher positions (see **R.4**) and 1.0 FTE K-8 music education teacher positions (see **R.5**).

Non-Teaching Educational Staff

Table B-4 shows the District’s FY 2018-19 non-teaching educational staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-4: Non-Teaching Educational Staff Comparison

Students	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	2,016		2,092	(76)	
Students Educated (thousands)	2.016		2.092	(0.076)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Curriculum Specialist	0.00	0.00	0.30	(0.30)	(0.60)
Counseling	3.00	1.49	1.97	(0.48)	(0.97)
Remedial Specialist	2.76	1.37	1.14	0.23	0.46
Tutor/Small Group Instructor	0.00	0.00	1.55	(1.55)	(3.12)
Full-time (Permanent) Substitute Teacher	0.00	0.00	0.18	(0.18)	(0.36)
Teacher Mentor/Evaluator	0.00	0.00	0.33	(0.33)	(0.67)
Other Educational	0.80	0.40	0.21	0.19	0.38

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-4**, SMCSD employs fewer non-teaching education staff than the primary peer average in the curriculum specialist, counseling, tutor/small group instructor, full-time (permanent) substitute teacher, and teacher mentor/evaluator categories. Categories with higher non-teaching educational staff were the remedial specialist and other educational categories. These categories had a variance less than 0.5 FTE, therefore, no recommendation is warranted.

Professional Staff

Table B-5 shows the District’s FY 2018-19 professional staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-5: Professional Staff Comparison

Students	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	2,016		2,092	(76)	
Students Educated (thousands)	2.016		2.092	(0.076)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Psychologist	0.30	0.15	0.30	(0.15)	(0.30)
Social Work	1.00	0.50	0.20	0.30	0.60
Other Professional - Other	0.00	0.00	0.06	(0.06)	(0.12)

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-5**, the District employs fewer professional staff than the primary peer average in the psychologist and other professional positions while employing more social work FTEs than the primary peer average.

Analysis of the professional staff that resulted in a recommendation includes the elimination of 0.5 FTE social work positions (see **R.6**).

Technical Staff

Table B-6 shows the District’s FY 2018-19 technical staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-6: Technical Staff Comparison

Students	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	2,016		2,092	(76)	
Students Educated (thousands)	2.016		2.092	(0.076)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Computer Operating	0.00	0.00	0.12	(0.12)	(0.24)
Computer Programming	0.00	0.00	0.06	(0.06)	(0.12)
Other Technical	1.00	0.50	0.42	0.08	0.16

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-6**, the District employs 1.0 FTE other technical positions. This position is responsible for the day-to-day maintenance of the District’s technological infrastructure and responding to technology related maintenance requests. The computer operating and computer programming positions are performed by administrators included in **Table 9** (see **R.3**). Although the District employs more other technical positions than the primary peer average per 1,000 students, the variance is less than 0.5 FTE. Therefore, no recommendation is warranted.

Central Office Clerical Staff

Table B-7 shows the District’s FY 2018-19 central office clerical staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-7: Central Office Clerical Staff Comparison

Students	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	2,016		2,092	(76)	
Students Educated (thousands)	2.016		2.092	(0.076)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Clerical	3.20	1.59	1.61	(0.02)	(0.04)
Bookkeeping	1.94	0.96	0.87	0.09	0.18
Total	5.14	2.55	2.48	0.07	0.14

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-7**, SMCSD’s central office clerical staffing is higher than the primary peer average by 0.14 FTEs. Although the District employs more central office clerical positions than the primary peer average, the variance is less than 0.5 FTE. Therefore, no recommendation is warranted.

Building Clerical Staff

Table B-8 shows the District’s FY 2018-19 building clerical staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-8: Building Clerical Staff Comparison

Students and Buildings	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	2,016		2,092	(76)	
Students Educated (thousands)	2.016		2.092	(0.076)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Clerical	7.00	3.47	3.52	(0.05)	(0.10)
Bookkeeping	0.00	0.00	0.06	(0.06)	(0.12)
Records Managing	0.00	0.00	0.06	(0.06)	(0.12)
Other Office/Clerical	0.00	0.00	0.01	(0.01)	(0.02)
Total	7.00	3.47	3.65	(0.18)	(0.36)

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of clerical FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-8**, SMCSD’s building clerical staffing is 0.36 below the primary peer average.

Library Staff

Table B-9 shows the District’s FY 2018-19 library staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing library staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-9: Library Staff Comparison

Students	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	2,016		2,092	(76)	
Students Educated (thousands)	2.016		2.092	(0.076)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Librarian/Media	0.00	0.00	0.36	(0.36)	(0.73)
Library Aide	2.55	1.26	1.11	0.15	0.30
Total	2.55	1.26	1.47	(0.21)	(0.42)

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-9**, SMCSD’s library staffing is 0.42 below the primary peer average.

Classroom Support Staff

Table B-10 shows the District’s FY 2018-19 classroom support staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing classroom support staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-10: Classroom Support Staff Comparison

Students	SMCSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,915		2,092	(177)	
Students Educated (thousands)	1.915		2.092	(0.177)	
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Instructional Paraprofessional	1.82	0.95	0.93	0.02	0.04
Teaching Aide	1.55	0.81	2.42	(1.61)	(3.08)
Total	3.37	1.76	3.35	(1.59)	(3.04)

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District. SMCSD’s students educated total was further adjusted to exclude the percent of time students are receiving educational services as part of the Tri-Star Career Compact programs at the District, as these students would not be receiving instruction from classroom support staff (see **Career Technical Compact**).

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-10**, SMCSD’s classroom support staffing is 3.04 below the primary peer average.

Student Support Staff

Table B-11 shows the District’s FY 2018-19 student support staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing student support staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

Table B-11: Student Support Staff Comparison

Students	SMCSD	Primary Peer Avg.	Difference		
Students Educated ¹	2,016	2,092	(76)		
Students Educated (thousands)	2.016	2.092	(0.076)		
Position	SMCSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Attendance Officer	1.00	0.50	0.12	0.38	0.77
Monitoring	1.00	0.50	2.02	(1.52)	(3.06)

Source: SMCSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

² Represents the number of FTEs that, when added or subtracted, would bring the District’s number of FTEs per 1,000 students in line with the primary peer average.

As shown in **Table B-11**, SMCSD employs more attendance officers per 1,000 students than the primary peer average. ORC § 3321.19 states that schools are required to take action upon students that are truant. School districts have options when it comes to fulfilling this requirement, including contracting for the service through an Education Service Center (ESC). SMCSD employs its attendance officer at a cost lower than what is offered at the Auglaize County ESC and therefore no recommendation is warranted.

Salaries

Table B-12 shows the District’s salary schedules for certificated employees in comparison to the local peers, factoring in the 1.0 percent base increase assumed in the five-year forecast. Comparing compensation regionally is important, as it takes local factors affecting the labor market into consideration.

Table B-12: Certificated Career Compensation Comparison

Category	Client	Peer Average	\$ Difference	% Difference
Bachelors	\$1,525,184	\$1,582,026	(\$56,842)	(3.6%)
Bachelors + 150	\$1,693,152	\$1,686,085	\$7,067	0.4%
Masters	\$1,868,000	\$1,814,947	\$53,053	2.9%
Masters + 15hrs	\$1,901,202	\$1,862,508	\$38,694	2.1%

Source: SMCS D and local peers

Note: Celina CSD is excluded from all comparisons due to an expired CBA.

As shown in **Table B-12**, the District’s career compensation for certificated staff is in line or slightly higher than the peer average in every category. Due to the District’s financial condition, an option to extend the salary freeze in place for FY 2018-19 is presented in **R.14**.

Table B-13 shows the District’s salary schedules for classified employees in comparison to the local peers, factoring in the 1.0 percent increase assumed in the five-year forecast. Comparing compensation regionally is important, as it takes local factors affecting the labor market into consideration.

Table B-13: Classified Career Compensation Comparison

	SMCS D	Local Peer Average	Difference	% Difference
Secretary	\$774,424	\$796,468	(\$22,044)	(2.8%)
Maintenance	\$1,305,429	\$1,367,503	(\$62,074)	(4.5%)
Custodian	\$564,986	\$599,362	(\$34,376)	(5.7%)
Bus Driver (Plan A)	\$486,813	\$573,233	(\$86,420)	(15.1%)
Bus Driver (Plan C)	\$599,088	\$573,233	\$25,855	4.5%
Food Service Worker	\$370,493	\$365,339	\$5,154	1.4%
Paraprofessional	\$459,711	\$586,906	(\$127,195)	(21.7%)

Source: SMCS D and local peers

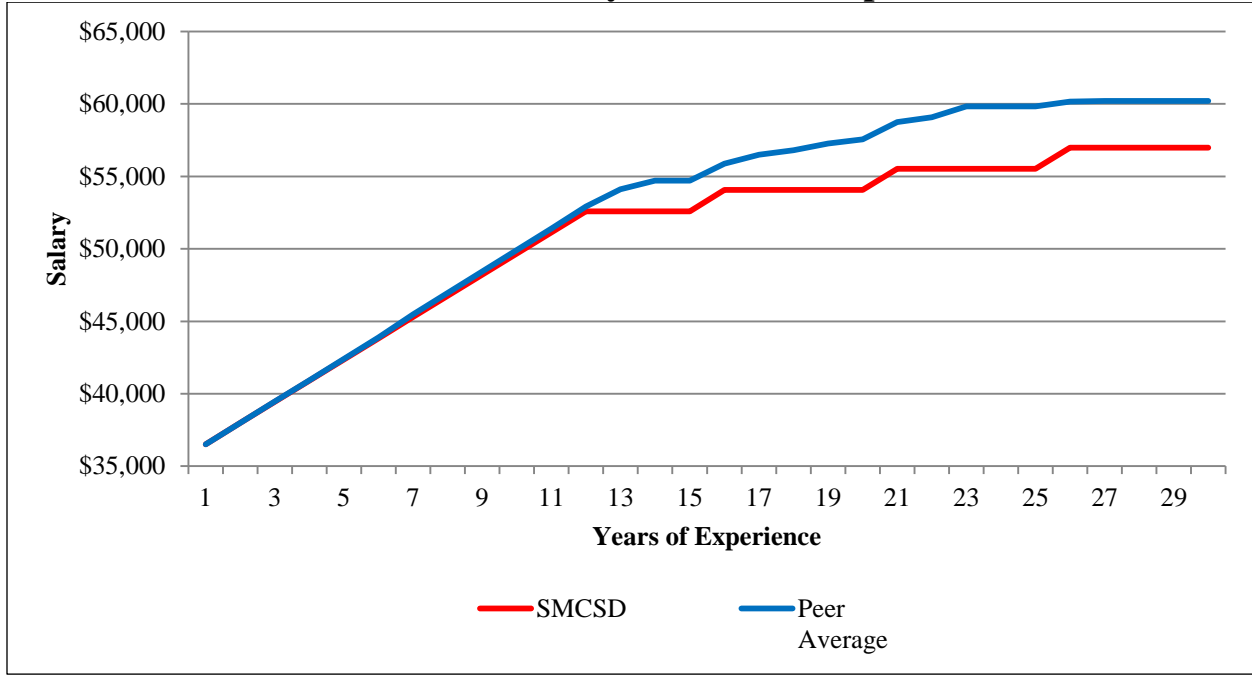
Note 1: Celina CSD is excluded from all comparisons due to an expired CBA.

Note 2: The peers do not offer separate salary schedules for bus drivers.

As shown in **Table B-13**, the District’s career compensation for classified staff is below the peer average in every category except for bus drivers on Plan C and food service workers. Plan C bus drivers do not receive health insurance benefits and is a unique classification amongst the local peer group. Food service workers are paid out of the Food Service Fund which is not reflected on the five-year forecast. As such no recommendation is warranted. Due to the District’s financial condition, an option to extend the salary freeze in place for FY 2018-19 is presented in **R.14**.

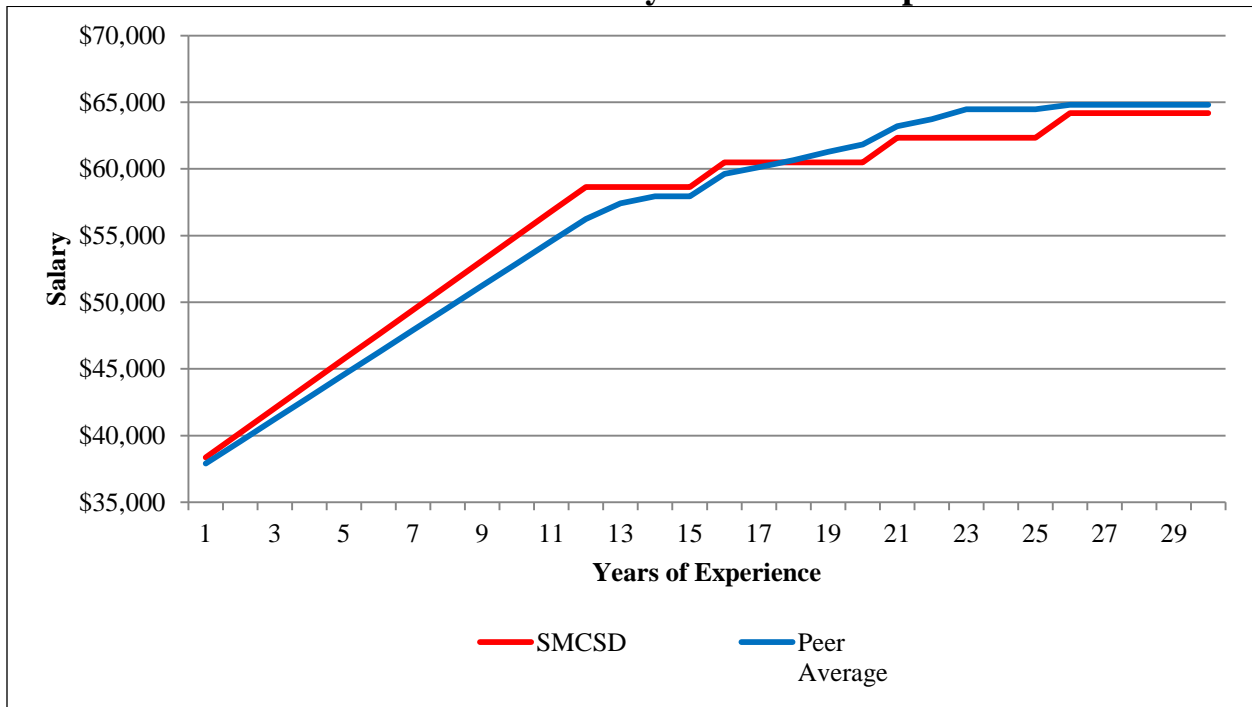
Charts B-1 through B-11 provide additional context to the analysis shown in Table B-12 and Table B-13, by showing comparisons of SMCSD’s certificated and classified salary schedules to the local peer averages for FY 2018-19.

Chart B-1: BA Salary Schedule Comparison



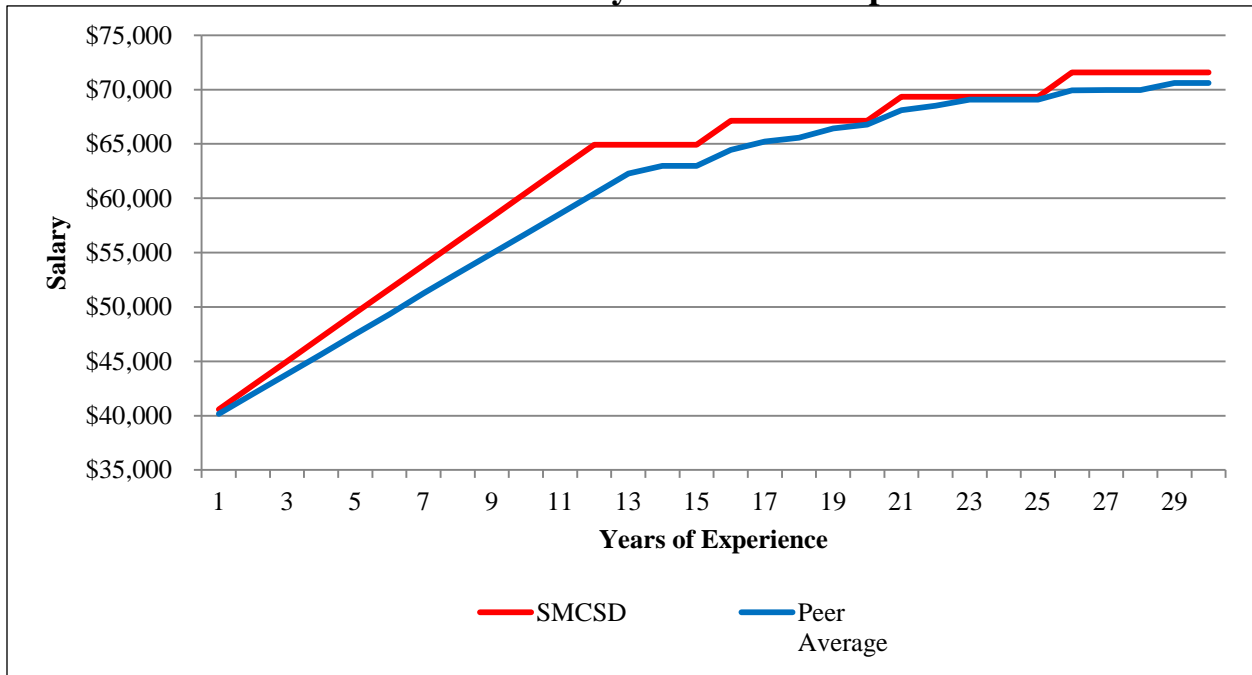
Source: SMCSD and local peers

Chart B-2: BA+150 Salary Schedule Comparison



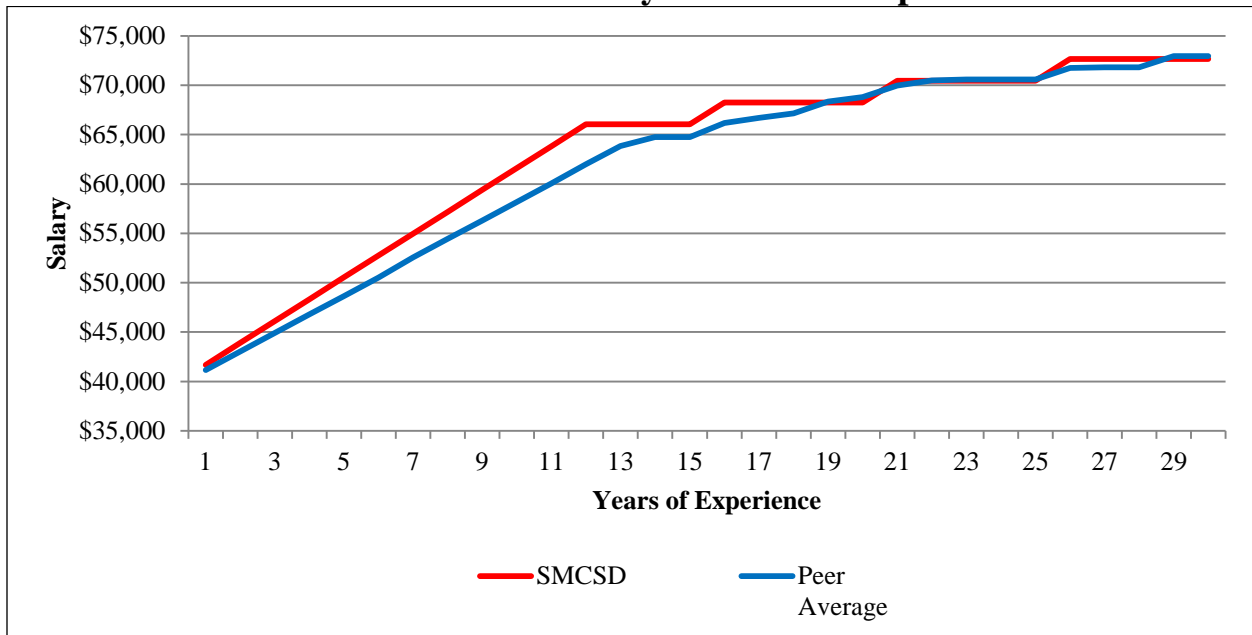
Source: SMCSD and local peers

Chart B-3: MA Salary Schedule Comparison



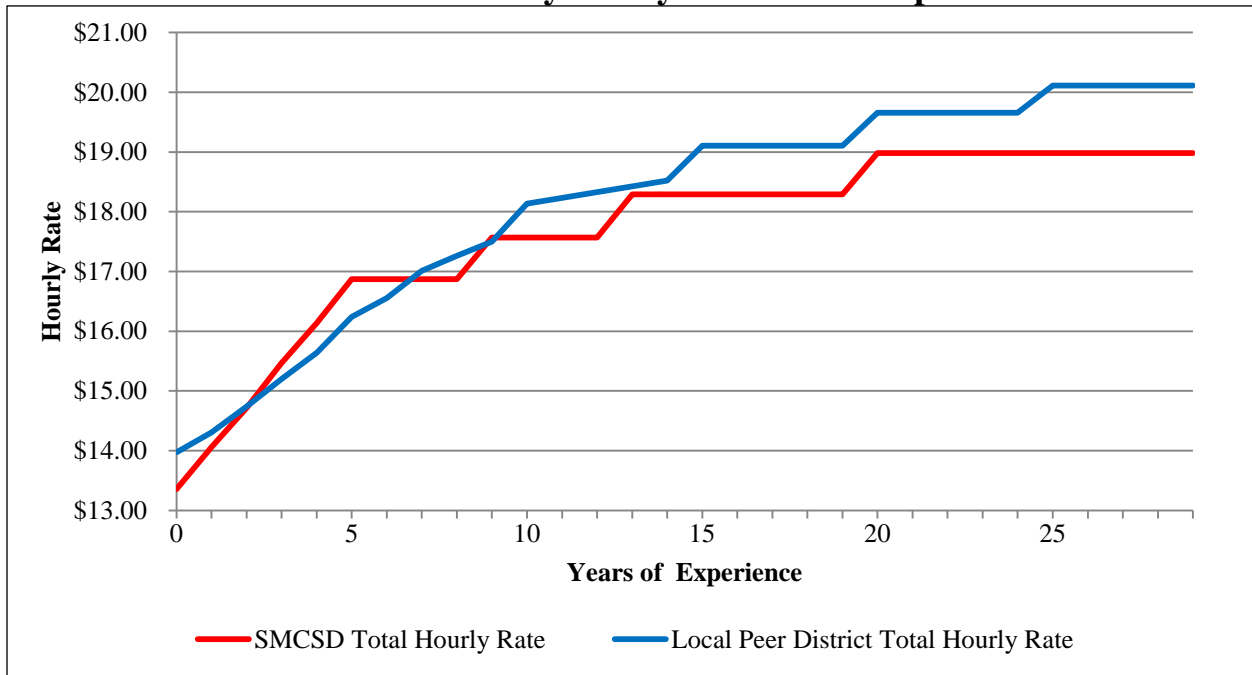
Source: SMCS and local peers

Chart B-4: MA+15 Salary Schedule Comparison



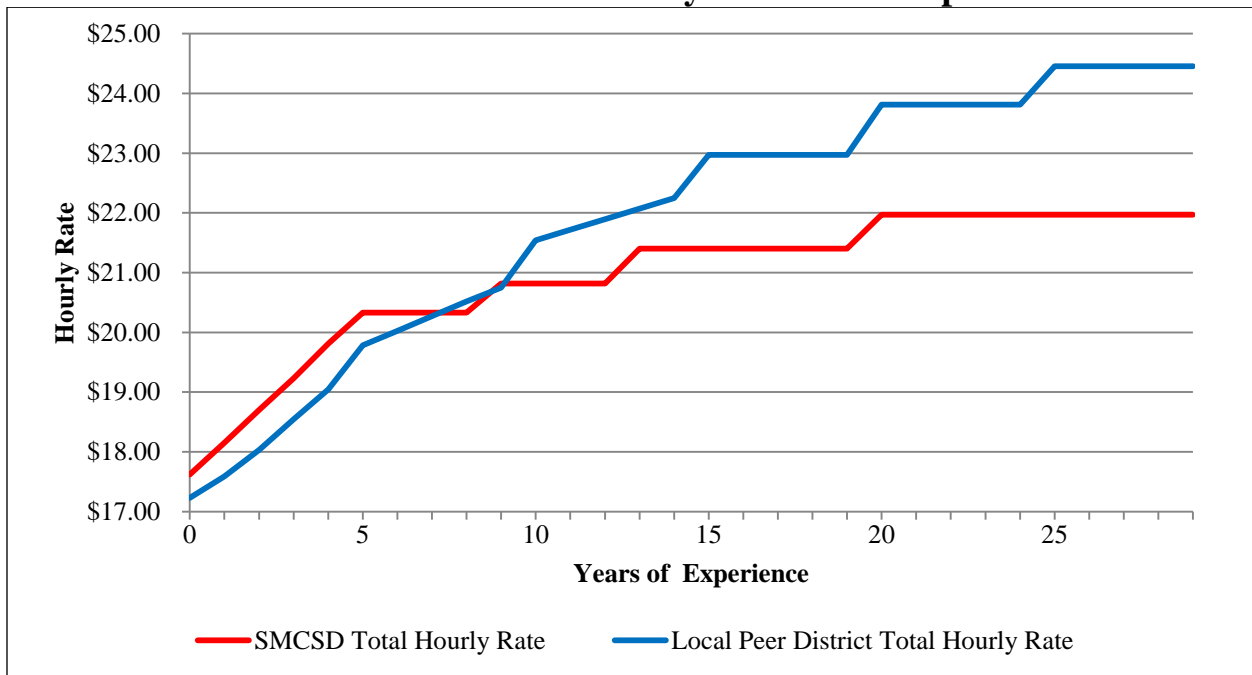
Source: SMCS and local peers

Chart B-5: Secretary Salary Schedule Comparison



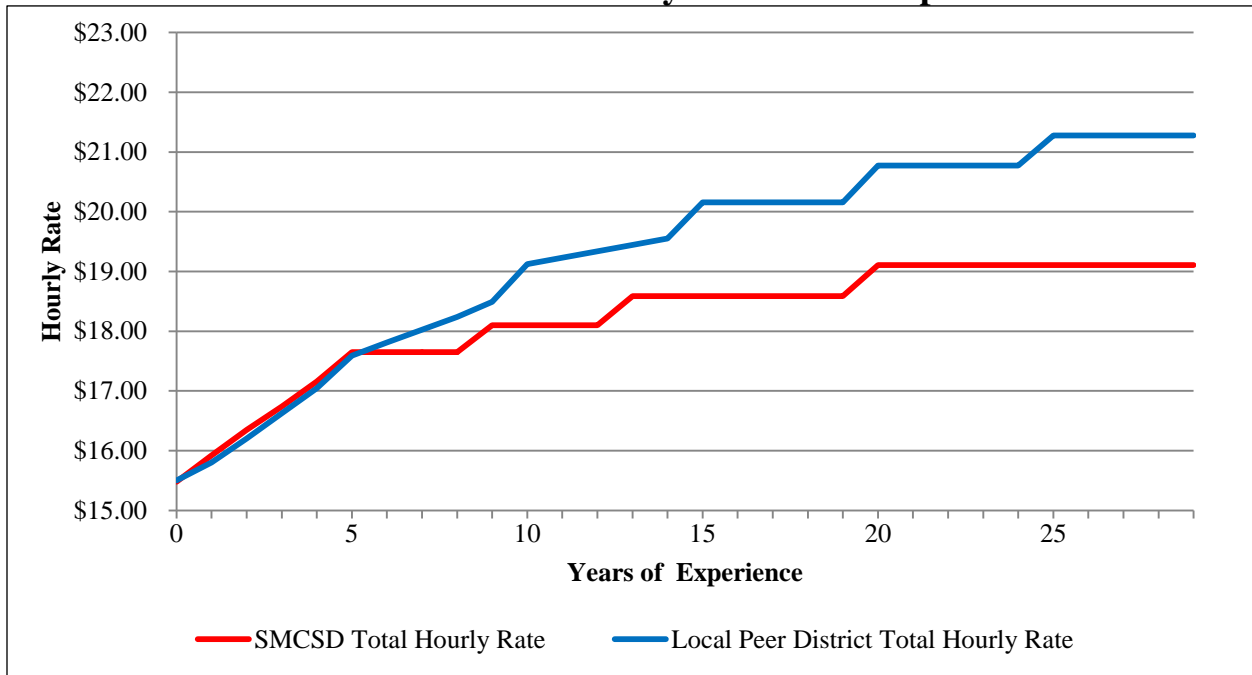
Source: SMCS and local peers

Chart B-6: Maintenance Salary Schedule Comparison



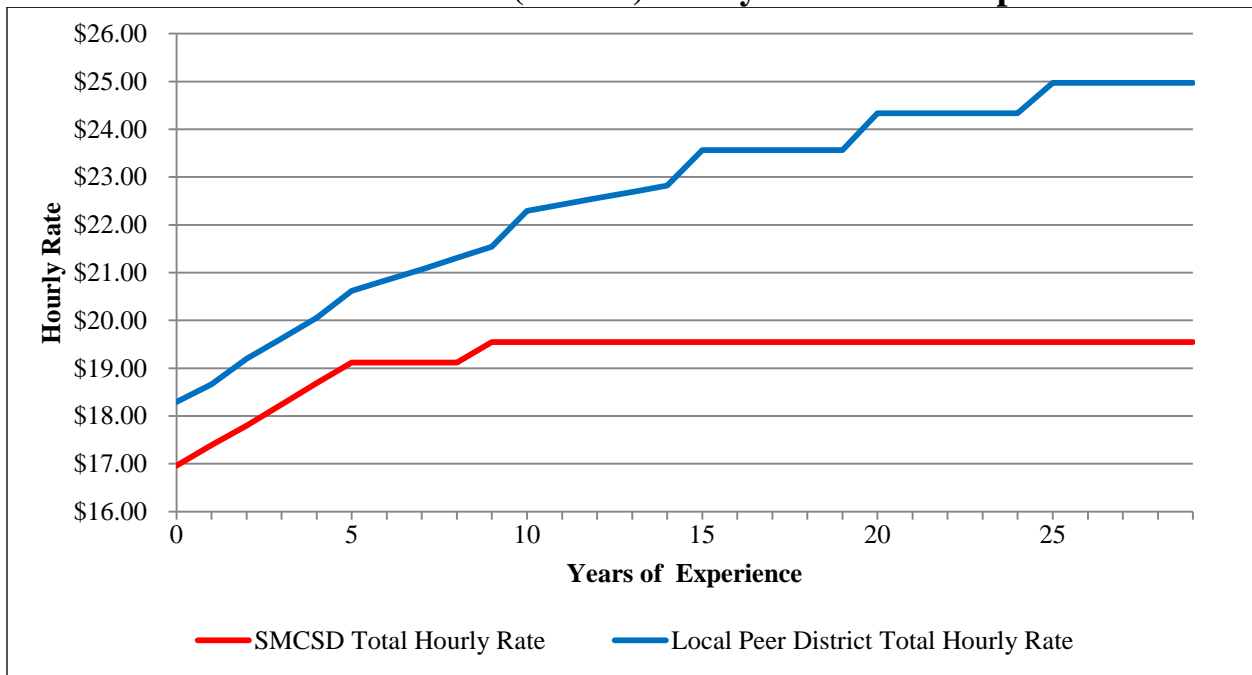
Source: SMCS and local peers

Chart B-7: Custodian Salary Schedule Comparison



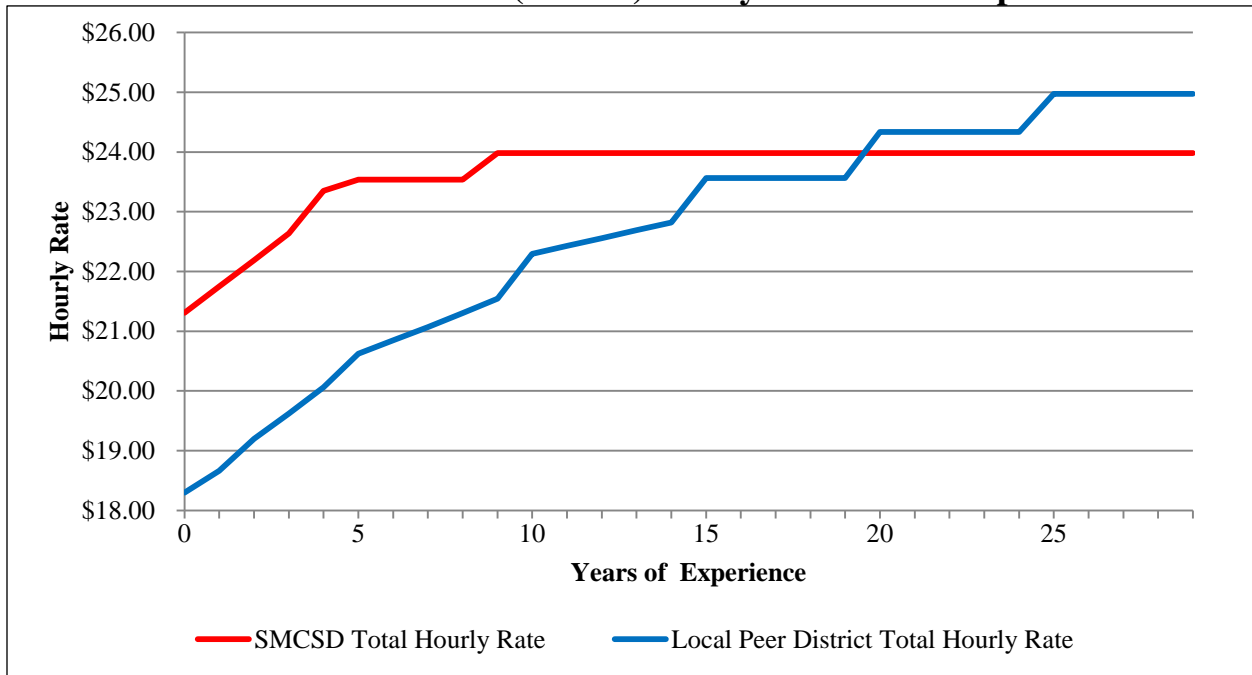
Source: SMCS D and local peers

Chart B-8: Bus Driver (Plan A) Salary Schedule Comparison



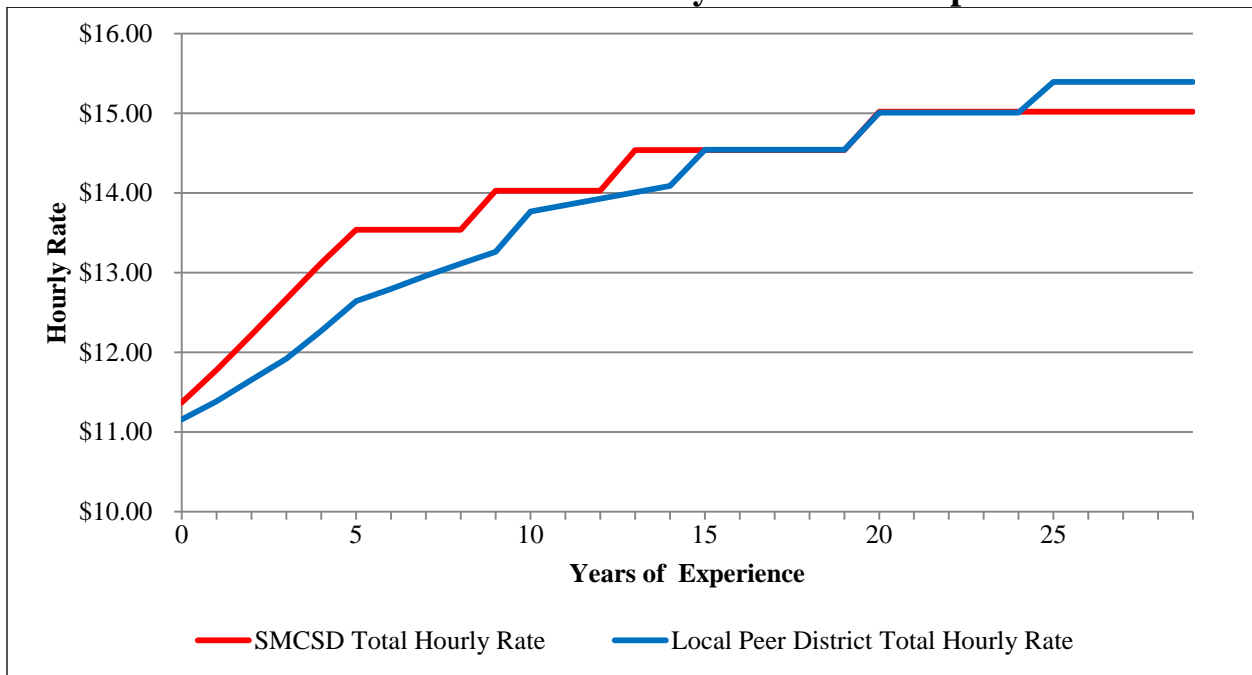
Source: SMCS D and local peers

Chart B-9: Bus Driver (Plan C) Salary Schedule Comparison



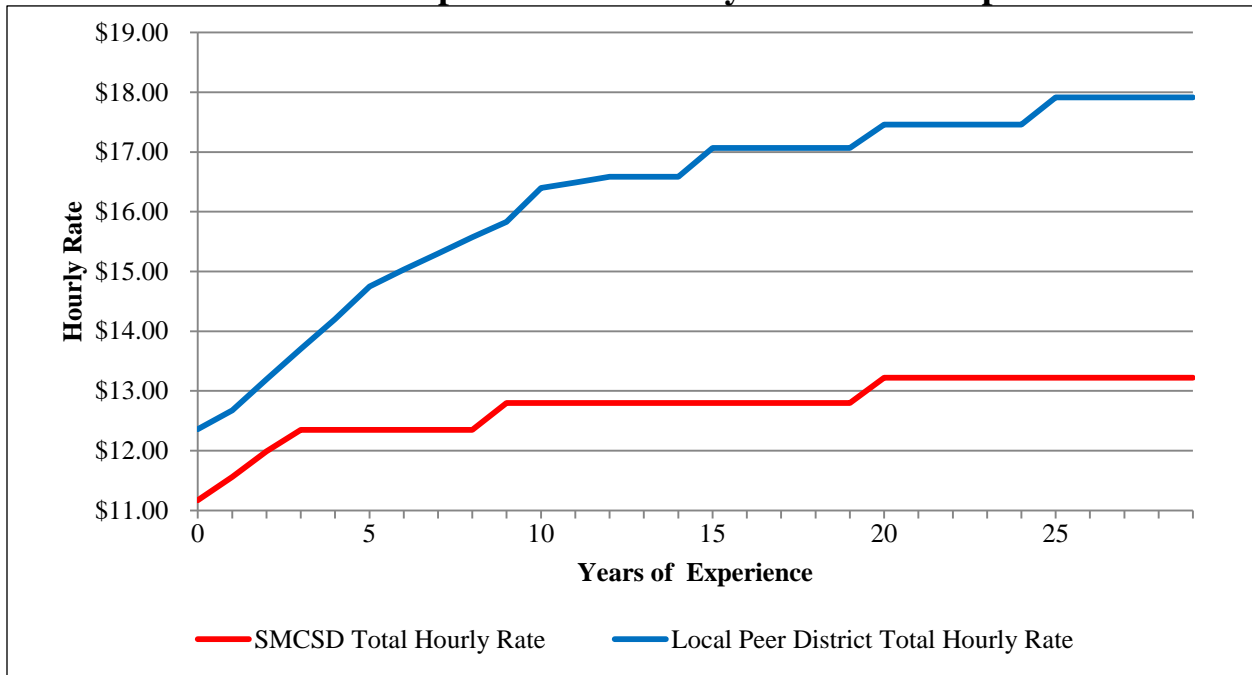
Source: SMCS D and local peers

Chart B-10: Food Service Salary Schedule Comparison



Source: SMCS D and local peers

Chart B-11: Paraprofessional Salary Schedule Comparison



Source: SMCS D and local peers

As shown in **Chart B-1** through **Chart B-11**, SMCS D’s certificated salary schedules for BA and BA+15 schedules are in-line with the local peer average before finishing under the local peer average while MA and MA+15 certificated salary schedules has a higher salary early in the schedule before ending in-line with the local peer average. Likewise, the classified salary schedules remain consistent or below the local peer average.

Sick Leave Severance

Table B-14 shows the District’s maximum financial liability for sick leave severance by position, in comparison to its projected liability resulting from bringing its CBA provisions for sick leave payouts in line with CBA minimums (see **R.8**). This analysis provides an indication of the District’s maximum sick leave severance exposure compared to the minimum levels required.

Table B-14: Difference between ORC and SCMSD for Severance Liability

Certificated Employees						
	Final Daily Rate of Pay	CBA Maximum	Maximum Payout	ORC Minimum	Payout at ORC	Difference
BA	\$321.08	57	\$18,302	30	\$9,632	\$8,670
BA+150	\$359.20	57	\$20,474	30	\$10,776	\$9,698
MA	\$401.35	57	\$22,877	30	\$12,041	\$10,836
MA+15	\$407.37	57	\$23,220	30	\$12,221	\$10,999
Average Certificated Difference						\$10,051
Classified Employees						
Paraprofessionals	\$69.57	57	\$3,965	30	\$2,087	\$1,878
Secretary	\$127.66	57	\$7,277	30	\$3,830	\$3,447
Administrative Assistant	\$153.92	57	\$8,773	30	\$4,618	\$4,155
Payroll Clerk	\$153.92	57	\$8,773	30	\$4,618	\$4,155
Custodian	\$152.87	57	\$8,714	30	\$4,586	\$4,128
Maintenance	\$175.74	57	\$10,017	30	\$5,272	\$4,745
Cook	\$68.91	57	\$3,928	30	\$2,067	\$1,861
Head Cook	\$109.25	57	\$6,227	30	\$3,278	\$2,949
Computer Technician	\$156.11	57	\$8,898	30	\$4,683	\$4,215
Bus Drivers (Plan A)	\$88.15	57	\$5,024	30	\$2,644	\$2,380
Bus Drivers (Plan C)	\$108.09	57	\$6,161	30	\$3,243	\$2,918
Average Classified Difference						\$3,348

Source: SMCS D and ORC

As shown in **Table B-14**, SMCS D employees are entitled to receive severance payouts for more days at retirement than the ORC minimum. Specifically, on average the District will pay out an additional \$10,000 for certificated employees and \$3,300 for classified employees. Adjusting payouts to the ORC minimum could decrease the District’s future severance liability.

Facilities

Table B-15 shows the District's FY 2017-18 facilities operating costs per square foot compared to the primary peer average. Comparing expenditures per square foot gives an indication of the cost effectiveness of the District's facility operations as it normalizes size variances between districts.

Table B-15: Facilities Expenditures per Square Foot Comparison

	SMCSD	Peer Average	Difference	% Difference
Salaries and Wages	\$1.52	\$1.99	(\$0.47)	(23.6%)
Employee Benefits	\$0.65	\$0.93	(\$0.28)	(30.1%)
Purchased Services (Excluding Utilities)	\$0.76	\$1.65	(\$0.89)	(53.9 %)
Utilities	\$1.42	\$1.39	\$0.03	2.2%
Water & Sewage	\$0.08	\$0.16	(\$0.08)	(50.0%)
Sub-Total Energy	\$1.35	\$1.23	\$0.12	9.8%
Electric	\$1.24	\$1.04	\$0.20	19.2%
Gas	\$0.11	\$0.18	(\$0.07)	(38.9%)
Other Energy Sources	\$0.00	\$0.01	(\$0.01)	(100.0%)
Supplies & Materials	\$0.45	\$0.45	(\$0.00)	(0.0%)
Capital Outlay	\$0.16	\$0.24	(\$0.08)	(33.3%)
Other Objects	\$0.00	\$0.01	(\$0.01)	(100.0%)
Total Expenditures per Square Foot	\$4.96	\$6.67	(\$1.71)	(25.6%)

Source: SMCSD, ODE, and primary peers

As shown in **Table B-15**, SMCSD spent \$1.71, or 25.6 percent, less than the primary peer average for the operations of its facilities. Also, all classifications were less than the primary peer average except for utilities, specifically electric energy expenditures (see **R.11**).

Table B-16 shows the District's FY 2018-19 buildings and grounds staffing compared to industry benchmarks established by the National Center for Education Statistics (NCES)⁵² and American School and University (AS&U).⁵³ It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

⁵² The NCES is the primary federal entity for collecting, analyzing, and reporting data related to education in the US and other nations and publishes a planning guide for maintaining school facilities.

⁵³ AS&U is a trade organization focused on school facility management which published school facility management related survey data collected during the period 2005-2009.

Table B-16: Buildings and Grounds Staffing Comparison

Grounds Staffing	
Grounds FTEs	1.9
Acreage Maintained	128.8
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	3.2
Grounds FTEs Above/(Below) Benchmark	(1.3)
Custodial Staffing	
Custodial FTEs	8.8
Square Footage Cleaned ¹	375,184
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	12.7
Custodial FTEs Above/(Below) Benchmark	(3.9)
Maintenance Staffing	
Maintenance FTEs	1.4
Square Footage Maintained	376,384
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	4.0
Maintenance FTEs Above/(Below) Benchmark	(2.6)
Total Buildings & Grounds Staffing	
Total FTEs Employed	12.1
Total Benchmarked Staffing Need	19.9
Total FTEs Above/(Below) Benchmark	(7.8)

Source: SMCS, AS&U, and NCE

¹ Custodial staff does not clean the bus garage portion of the District Service Center building. Therefore, total square footage was reduced by 1,200 square feet.

As shown in **Table B-16**, the District's grounds, custodial, and maintenance staffing levels are below established staffing benchmarks and lower in total by 7.8 FTEs.

Table B-17 shows ODE's student enrollment projection for SMCS using three years of historical enrollment by grade level (FY 2015-16 through FY 2017-18) to project enrollment for FY 2019-20 through FY 2022-23.⁵⁴ Enrollment trends are significant to building operations, as declining enrollments could signify the eventual need for fewer buildings.

⁵⁴ A trend analysis is used to project kindergarten enrollment. The cohort survival method, using linear regression, is used to project all other grades. There are many factors, however, that could impact actual enrollment such as housing starts; planned annexations; open enrollment; charter schools; vouchers; and digital academies.

Table B-17: Student Enrollment Projections

Grade	Historical Enrollment			Projected Enrollment				
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
K	165	130	142	138	136	133	131	128
1	137	146	122	134	130	128	126	124
2	154	145	144	120	132	128	126	124
3	131	153	143	140	117	128	125	123
4	144	134	152	145	142	119	130	127
5	170	151	141	157	149	146	123	134
6	167	171	152	142	158	150	147	124
7	139	173	171	154	144	160	152	149
8	161	141	171	169	152	142	158	150
9	159	159	151	175	173	156	146	162
10	183	157	150	147	171	169	152	142
11	221	245	214	203	199	232	229	206
12	200	205	231	199	189	185	216	213
Total:	2,131	2,110	2,084	2,023	1,992	1,976	1,961	1,906

Source: ODE

As shown in **Table B-17**, the District has experienced a decline in enrollment and projections show a continued decrease for FY 2018-19 through FY 2022-23.

Table B-18 shows the District's building capacity for its four school buildings in FY 2017-18. This is important for helping to determine the feasibility of a school building closure.

Table B-18: FY 2017-18 Building Capacity & Utilization

Building	Classrooms	Head Count	Capacity	Utilization
St. Marys Primary School	21	408	525	77.7%
St Marys Intermediate School	19	436	475	91.8%
St. Marys Middle School	20	494	500	98.8%
St Marys Memorial High School	39	647	829	78.0%
Total	99	1,985	2,329	85.2%

Source: SMCS and ODE

Note: SMMHS head count excludes non-SMCS Tri-Star Career Compact students. See **Career Technical Compact**.

As shown in **Table B-18**, the District had a total building utilization rate of 85.2 percent. Despite having less than full building utilization and a projected enrollment decline (see **Table B-17**), no building closure is feasible in the next five years without putting the District over capacity. Therefore, no recommendation is warranted.

Transportation

Table B-19 shows a comparison of the District’s total diesel fuel cost in FY 2017-18 compared to the price if the same purchases were made through the DAS Cooperative Purchasing Program (CPP). This is important as it highlights the financial significance of the District’s current fuel purchasing practice.

Table B-19: Annual Fuel Cost Comparison

	SMSCD	DAS CPP	Difference	% Difference
Fuel Expenditure	\$100,649	\$98,302	\$2,347	2.4%
CPP Membership Fee	N/A	\$100	N/A	N/A
Total Cost	\$100,649	\$98,402	\$2,247	2.3%
			Net Savings	\$2,247

Source: SMSCD and DAS

As shown in **Table B-19**, the District’s diesel fuel expenditure was generally consistent with what it would have spent by utilizing the CPP. Specifically, the District spent \$2,200, or 2.3 percent higher, in FY 2017-18 in comparison to the CPP offering.

Appendix C: Five-Year Forecasts

Chart C-1 shows SMCS D’s October 2017 five-year forecast and Chart C-2 shows the District’s May 2018 five-year forecast.

Chart C-1: SMCS D October 2017 Five-Year Forecast

Line	Actual			Forecasted				
	2015	2016	2017	2018	2019	2020	2021	2022
1.010 General Property (Real Estate)	6,271,068	6,482,587	6,403,586	6,501,511	6,584,383	5,973,347	5,352,093	5,435,120
1.020 Tangible Personal Property Tax	357,996	363,207	420,905	487,835	541,974	557,806	570,751	620,447
1.035 Unrestricted Grants-in-Aid	10,724,590	10,771,148	10,683,263	10,812,257	10,825,829	10,826,263	10,895,574	11,380,617
1.040 Restricted Grants-in-Aid	543,409	365,685	382,002	339,242	350,761	351,119	352,191	353,621
1.050 Property Tax Allocation	1,372,880	1,330,375	1,163,672	1,087,127	1,048,472	856,300	685,397	687,335
1.060 All Other Operating Revenue	993,746	1,094,944	1,194,838	1,248,957	1,218,809	1,230,748	1,242,866	1,192,901
1.070 Total Revenue	20,263,689	20,407,946	20,248,266	20,476,930	20,570,228	19,795,583	19,098,873	19,670,041
2.060 All Other Financial Sources	159,103	205,636	191,293	54,982	6,000	6,000	6,000	6,000
2.070 Total Other Financing Sources	159,103	205,636	191,293	54,982	6,000	6,000	6,000	6,000
2.080 Total Revenues and Other Financing Sources	20,422,792	20,613,582	20,439,559	20,531,912	20,576,228	19,801,583	19,104,873	19,676,041
3.010 Personnel Services	10,093,790	10,517,897	11,303,012	11,859,184	12,167,523	12,483,879	12,808,460	13,141,480
3.020 Employees' Retirement/Insurance Benefits	3,914,482	4,078,811	4,346,941	4,560,561	4,777,844	4,988,882	5,210,847	5,444,351
3.030 Purchased Services	4,086,119	3,989,876	4,364,851	4,266,687	4,307,449	4,339,434	4,372,378	4,406,311
3.040 Supplies and Materials	480,494	489,154	757,680	558,418	561,316	562,244	563,180	564,126
3.050 Capital Outlay	58,171	93,465	99,630	30,649	31,874	33,149	34,474	35,852
4.300 Other Objects	557,786	485,821	428,646	445,896	464,872	485,745	508,705	533,962
4.500 Total Expenditures	19,190,842	19,655,024	21,300,760	21,721,396	22,310,879	22,893,332	23,498,045	24,126,083
5.010 Operational Transfers - Out	13,106	31,488						
5.040 Total Other Financing Uses	13,106	31,488						
5.050 Total Expenditure and Other Financing Uses	19,203,948	19,686,512	21,300,760	21,721,396	22,310,879	22,893,332	23,498,045	24,126,083
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	1,218,844	927,070	-861,201	-1,189,484	-1,734,651	-3,091,749	-4,393,172	-4,450,042
7.010 Beginning Cash Balance	2,741,955	3,960,799	4,887,869	4,026,668	2,837,184	1,102,533	-1,989,216	-6,382,388
7.020 Ending Cash Balance	3,960,799	4,887,869	4,026,668	2,837,184	1,102,533	-1,989,216	-6,382,388	-10,832,430
8.010 Outstanding Encumbrances	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000
10.010 Fund Balance June 30 for Certification of Appropriations	3,260,799	4,187,869	3,326,668	2,137,184	402,533	-2,689,216	-7,082,388	-11,532,430
11.020 Property Tax - Renewal or Replacement						910,179	1,819,182	1,817,003
11.300 Cumulative Balance of Replacement/Renewal Levies						910,179	2,729,361	4,546,364
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	3,260,799	4,187,869	3,326,668	2,137,184	402,533	-1,779,037	-4,353,027	-6,986,066
15.010 Unreserved Fund Balance June 30	3,260,799	4,187,869	3,326,668	2,137,184	402,533	-1,779,037	-4,353,027	-6,986,066

Source: SMCS D and ODE

Chart C-2: SMCS D May 2018 Five-Year Forecast

Line	Actual			Forecasted				
	2015	2016	2017	2018	2019	2020	2021	2022
1.010 General Property (Real Estate)	6,271,068	6,482,587	6,403,586	6,520,285	6,518,284	5,850,875	5,164,769	5,185,881
1.020 Tangible Personal Property Tax	357,996	363,207	420,905	456,982	465,222	457,142	448,002	470,400
1.035 Unrestricted Grants-in-Aid	10,724,590	10,771,148	10,683,263	10,687,108	10,704,823	10,697,964	10,699,803	10,941,259
1.040 Restricted Grants-in-Aid	543,409	365,685	382,002	451,912	475,776	477,191	474,362	475,918
1.050 Property Tax Allocation	1,372,880	1,330,375	1,163,672	1,087,830	1,050,727	857,588	684,865	686,803
1.060 All Other Operating Revenue	993,746	1,094,944	1,194,838	1,368,913	1,318,519	1,319,980	1,323,894	1,321,418
1.070 Total Revenue	20,263,689	20,407,946	20,248,266	20,573,030	20,533,351	19,660,740	18,795,695	19,081,679
2.060 All Other Financial Sources	159,103	205,636	191,293	146,750	6,000	6,000	6,000	6,000
2.070 Total Other Financing Sources	159,103	205,636	191,293	146,750	6,000	6,000	6,000	6,000
2.080 Total Revenues and Other Financing Sources	20,422,792	20,613,582	20,439,559	20,719,780	20,539,351	19,666,740	18,801,695	19,087,679
3.010 Personnel Services	10,093,790	10,517,897	11,303,012	11,876,758	12,051,820	12,374,410	12,704,995	13,044,416
3.020 Employees' Retirement/Insurance Benefits	3,914,482	4,078,811	4,346,941	4,717,787	4,896,916	5,168,116	5,457,913	5,767,820
3.030 Purchased Services	4,086,119	3,989,876	4,364,851	4,047,838	3,717,193	3,777,711	3,844,020	3,898,499
3.040 Supplies and Materials	480,494	489,154	757,680	582,428	591,328	600,673	610,487	620,792
3.050 Capital Outlay	58,171	93,465	99,630	54,999	54,999	54,999	54,999	54,999
4.300 Other Objects	557,786	485,821	428,646	449,105	478,485	510,223	544,542	581,688
4.500 Total Expenditures	19,190,842	19,655,024	21,300,760	21,728,915	21,790,741	22,486,132	23,216,956	23,968,214
5.010 Operational Transfers - Out	13,106	31,488						
5.040 Total Other Financing Uses	13,106	31,488						
5.050 Total Expenditure and Other Financing Uses	19,203,948	19,686,512	21,300,760	21,728,915	21,790,741	22,486,132	23,216,956	23,968,214
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	1,218,844	927,070	-861,201	-1,009,135	-1,251,390	-2,819,392	-4,415,261	-4,880,535
7.010 Beginning Cash Balance	2,741,955	3,960,799	4,887,869	4,026,668	3,017,533	1,766,143	-1,053,249	-5,468,510
7.020 Ending Cash Balance	3,960,799	4,887,869	4,026,668	3,017,533	1,766,143	-1,053,249	-5,468,510	-10,349,045
8.010 Outstanding Encumbrances	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000
10.010 Fund Balance June 30 for Certification of Appropriations	3,260,799	4,187,869	3,326,668	2,317,533	1,066,143	-1,753,249	-6,168,510	-11,049,045
11.020 Property Tax - Renewal or Replacement						910,743	1,820,603	1,819,027
11.300 Cumulative Balance of Replacement/Renewal Levies						910,743	2,731,346	4,550,373
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	3,260,799	4,187,869	3,326,668	2,317,533	1,066,143	-842,506	-3,437,164	-6,498,672
15.010 Unreserved Fund Balance June 30	3,260,799	4,187,869	3,326,668	2,317,533	1,066,143	-842,506	-3,437,164	-6,498,672

Source: SMCS D and ODE

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.