

OHIO AUDITOR OF STATE
KEITH FABER



Perrysburg Exempted Village
School District

Performance Audit

October 3, 2019

OHIO AUDITOR OF STATE
KEITH FABER

An outline map of the state of Ohio, positioned to the right of the text 'OHIO AUDITOR OF STATE' and partially overlapping the name 'KEITH FABER'.

88 E. Broad St.
Columbus, Ohio 43215
Phone: (614) 466-4514
Toll Free: (800) 282-0370
www.ohioauditor.gov

Audit Highlights



» The District is facing a \$28 million deficit in the current five year forecast. Assuming no new revenue streams, current spending levels will need to be reduced to address future deficits.

Recommendations

- Freeze new teacher hiring that is currently planned;
- Reduce administrative, teaching, and custodial staff to peer and/or benchmark levels;
- Renegotiate costly collective bargaining provisions; and
- Decrease the District's cost for medical insurance.

Impact Average annual savings of \$4 million, addressing a portion of the projected deficit.

Note Due to growing enrollment within the District, reductions in staff to the peer levels may lead to staffing levels below peer levels in future years.



» In order to address the remaining average annual deficit of \$3.8 million and the current year deficit of \$2.5 million, the District will need to consider additional cost savings measures.

Recommendations

- Eliminate the entire General Fund subsidy of extracurricular activities;
- Negotiate a base and step freeze on all salaries for the remainder of the forecast; and
- Reduce staffing by 14% this year after all other staffing cuts are implemented in order to address the current deficit.

Impact Average annual savings of \$3.8 million.

Note Some staff may be able to be rehired after the current fiscal year if other recommendations are implemented.

OHIO AUDITOR OF STATE
KEITH FABER



To the Perrysburg Exempted Village School District community,

The Auditor of State's Office recently completed a performance audit for the Perrysburg Exempted Village School District (the District). The District was selected for a performance audit based on its projected financial condition. This review was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. The performance audit has been provided at no cost to the District through state funds set aside to provide analyses for districts that meet certain criteria, including conditions that would lead to fiscal distress.

This performance audit report contains recommendations, supported by detailed analysis, 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 recommendations contained in the report and to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report.

This data-driven analysis of operations will assist in providing the District a path to fiscal sustainability. Additional resources related to performance audits are available on the Ohio Auditor of State's website.

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

Sincerely,

A handwritten signature in cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
October 3, 2019

Table of Contents

Citizens Summary	1
Purpose of the Audit	1
Noteworthy Accomplishments	7
Summary of Recommendations	8
Human Resources	10
R.1: Do not hire additional 24.0 FTE teachers as planned in forecast	10
R.2: Eliminate 10.0 FTE administrative or administrative support positions	11
R.3: Eliminate 19.0 FTE Direct education or student support positions	15
R.4 Renegotiate collective bargaining agreement provisions	20
R.5 Decrease employer cost of medical insurance	24
Facilities	25
R.6: Eliminate 10.0 FTE custodial positions	25
Transportation	26
R.7 Complete T-1 forms as prescribed by ODE	26
Additional Recommendations	27
R.8: Make additional reductions to address the deficit	27
Appendix A: Purpose, Methodology Scope and Objectives	30
Performance Audit Purpose and Overview	30
Audit Methodology	32
Appendix B: Audit Analysis and Calculations	34
Human Resources	34
Facilities	43

Citizens Summary

Purpose of the Audit

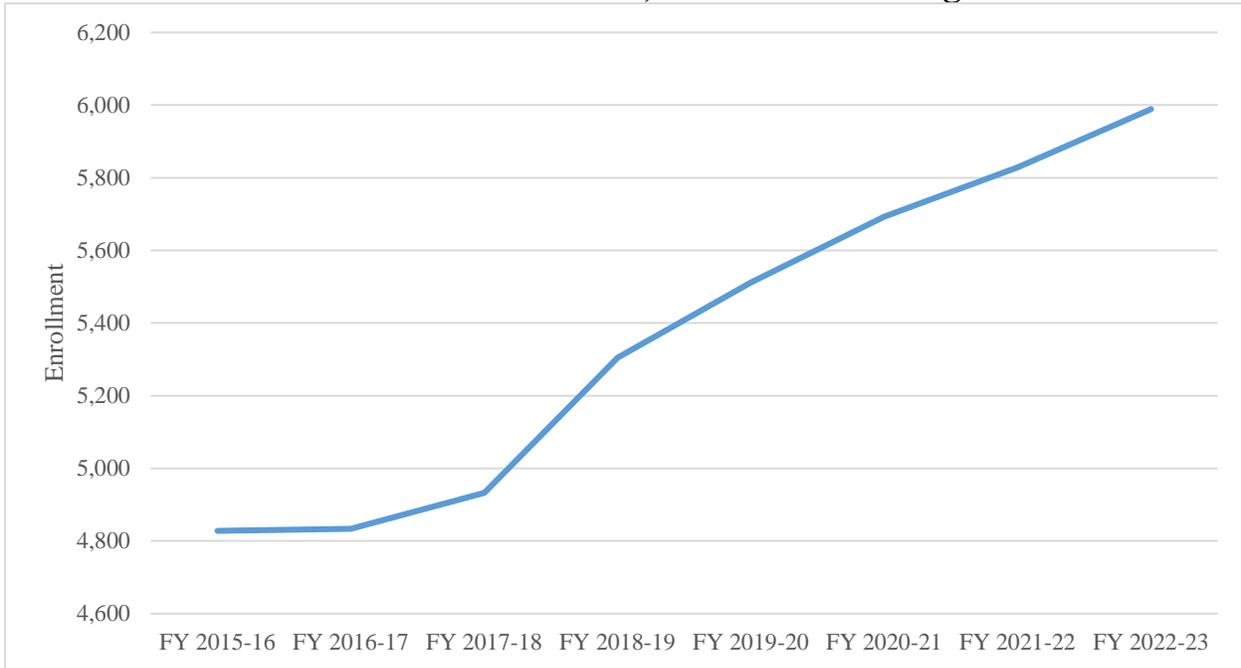
The Ohio Auditor of State (AOS), with input from the Ohio Department of Education (ODE or the Department) has the authority to conduct performance audits for school districts which exhibit signs of fiscal distress. As a result of the October 2018 five-year forecast, AOS determined that Perrysburg Exempted Village School District (PEVSD or the District) would benefit from a performance audit. The purpose of the audit is to improve the financial condition of PEVSD through an objective assessment of economy, efficiency, and transparency of the District's operations and management.

Background

PEVSD is located in Wood County and serves the city of Perrysburg and parts of Perrysburg Township and Middleton Township. The District is 28 square miles and has a median income of \$52,461. In FY 2018-19, the District had 5,391 students enrolled; 10.1 percent were students with disabilities and 11.0 percent of all students were considered economically disadvantaged. The District has experienced an increasing student population. **Chart 1** shows the projected growth during the forecasted period.¹

¹ Enrollment projections were completed by Plante Moran Cresa, LLC, a third party hired by PEVSD.

Chart 1: PEVSD Enrollment Trend, FY 2015-16 through FY 2022-23



Source: PEVSD

Table 1 shows PEVSD’s total revenues, total expenditures, and ending fund balance as projected in the District’s October 2018 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 1: PEVSD Financial Condition Overview (October 2018)

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Total Revenue	\$55,074,831	\$56,767,732	\$58,530,854	\$60,364,134	\$62,275,291
Total Expenditures	\$59,587,419	\$62,278,490	\$64,448,324	\$66,808,196	\$69,276,846
Results of Operations	(\$4,512,588)	(\$5,510,758)	(\$5,917,470)	(\$6,444,062)	(\$7,001,555)
Beginning Cash Balance	\$7,301,074	\$2,788,486	(\$2,722,272)	(\$8,639,742)	(\$15,083,804)
Ending Cash Balance	\$2,788,486	(\$2,722,272)	(\$8,639,742)	(\$15,083,804)	(\$22,085,359)
Encumbrances	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Ending Fund Balance	\$2,588,486	(\$2,922,272)	(\$8,839,742)	(\$15,283,804)	(\$22,285,359)

Source: ODE

As shown in **Table 1**, beginning in FY 2019-2020, the District projects a deficit balance. This deficit condition is a direct result of projected expenditures continuing to outpace revenues and deplete cash balances over the forecast period. Left unaddressed, these conditions are projected to result in a cumulative deficit of more than \$22.2 million by FY 2022-23.

In July 2019, the District’s Board of Education approved an updated financial forecast. **Table 2** summarizes this forecast, showing total revenues, total expenditures, and ending fund balance as projected in the District’s July 2019 five-year forecast.

Table 2: PEVSD Financial Condition Overview (July 2019)

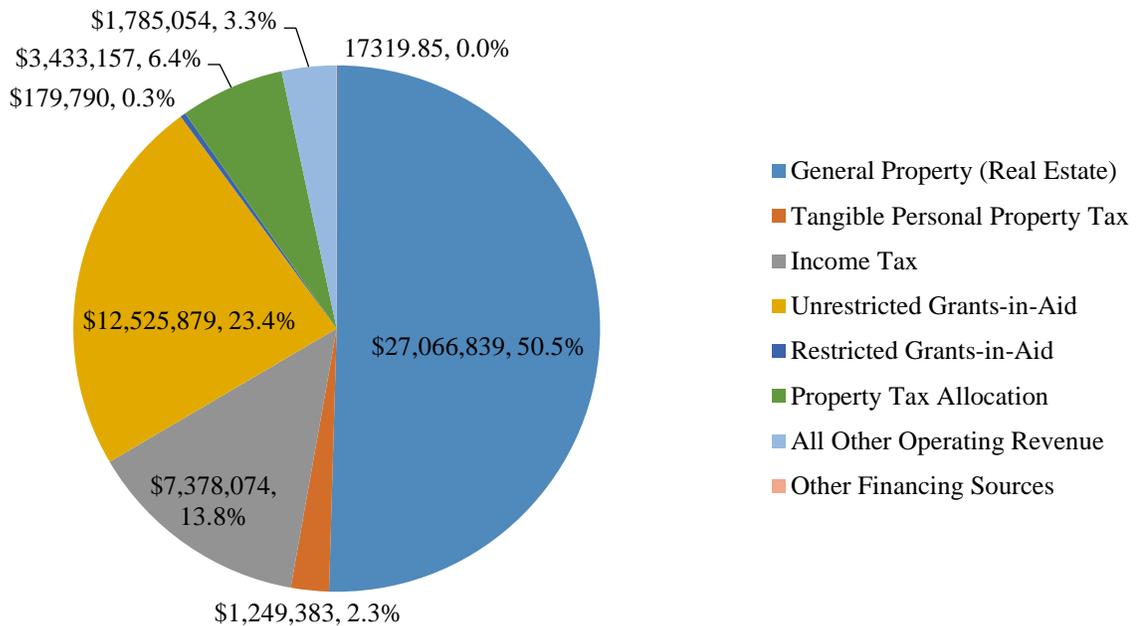
	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Total Revenue	\$53,635,496	\$55,202,861	\$56,616,339	\$57,590,825	\$59,283,581
Total Expenditures	\$58,495,575	\$60,010,240	\$62,949,556	\$66,265,843	\$69,773,256
Results of Operations	(\$4,860,079)	(\$4,807,379)	(\$6,333,217)	(\$8,675,018)	(\$10,489,675)
Beginning Cash Balance	\$7,301,074	\$2,440,995	(\$2,366,384)	(\$8,699,601)	(\$17,374,619)
Ending Cash Balance	\$2,440,995	(\$2,366,384)	(\$8,699,601)	(\$17,374,619)	(\$27,864,294)
Encumbrances	\$527,774	\$200,000	\$200,000	\$200,000	\$200,000
Ending Fund Balance	\$1,913,221	(\$2,566,384)	(\$8,899,601)	(\$17,574,619)	(\$28,064,294)

Source: PEVSD

As shown in **Table 2**, the District’s projected results of operations and ending fund balance deficits in FY 2020-21 through FY 2022-23 increased from the October 2018 five-year forecast. Left unaddressed, these conditions are projected to result in a cumulative deficit of more than \$28.0 million by FY 2022-23.

The District receives funding from multiple sources including State and Federal grants, income tax, and real estate taxes. **Chart 2** provides more information regarding the types and amounts of funding PEVSD received in FY 2018-19.

Chart 2: FY 2018-19 Revenue Composition



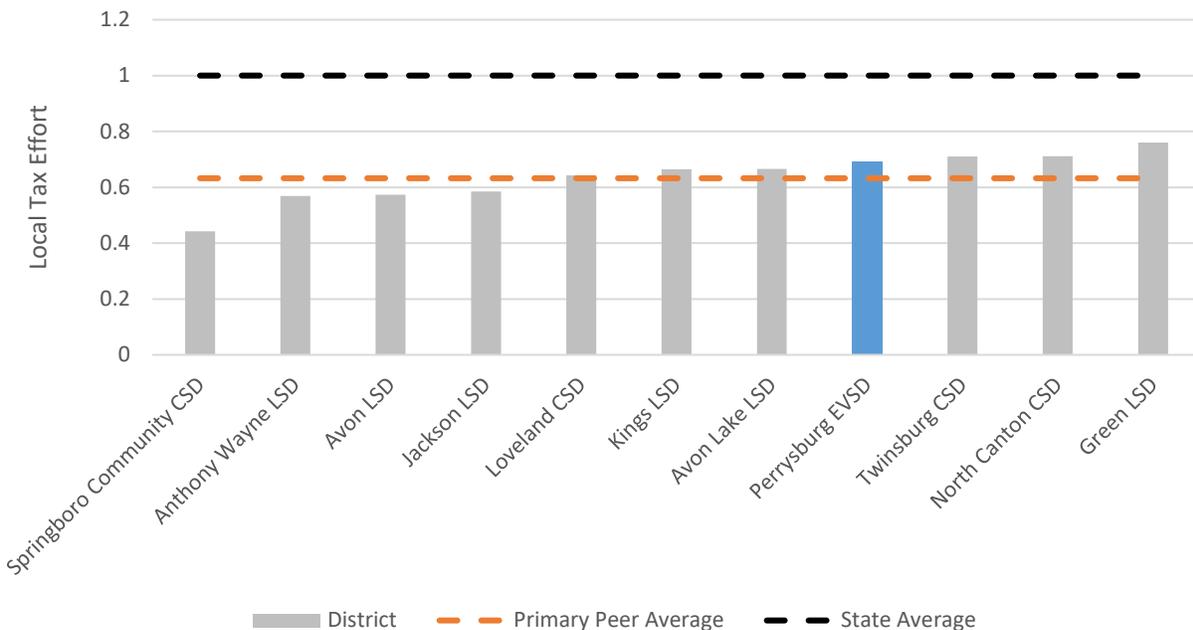
Source: PEVSD

As shown in **Chart 2**, PEVSD’s top three revenue sources are General Property taxes, Income Taxes, and Unrestricted Grants-in-Aid (primarily State foundation funding).

It is important to note that the amount of funding a district can receive from the State is based on a variety of formulas and laws. The formula which determines the amount granted takes into account student enrollment and the property wealth of the district. However, while the formula determines a potential amount to grant districts, these awards are subject to cap restrictions.² In FY 2018-19, \$15,111,466 of PEVSD’s calculated state funding was subject to cap restrictions and PEVSD was funded at \$11,566,986.

In order to compare taxpayer support between school districts in Ohio, ODE uses the Local Tax Effort Index. This is a means-adjusted index which provides a normalized basis for comparison. A local tax effort of 1.0 represents the State-wide average of all school districts. **Chart 3** and **Chart 4** show the District’s local tax effort in comparison to the primary peers and local peers, respectively. This is important for demonstrating the degree to which PEVSD’s operation is supported by local revenue relative to similar districts.

Chart 3: Local Tax Effort Comparison to Primary Peers

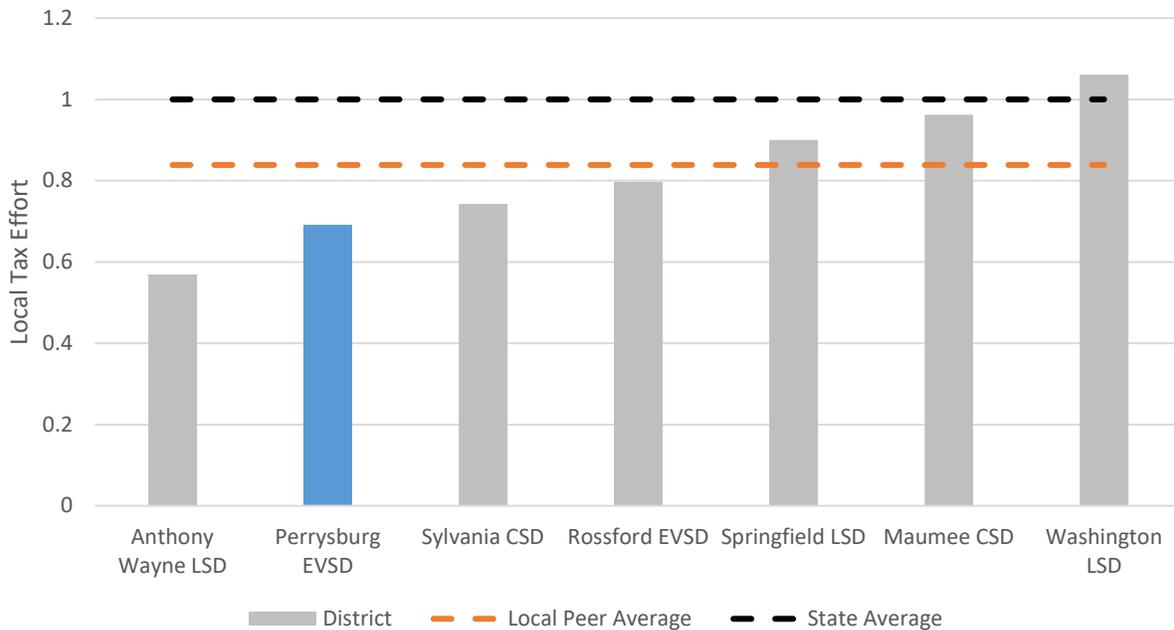


Source: ODE

As shown in **Chart 3**, the District’s FY 2017-18 local tax effort was slightly above the primary peer average, signifying that it receives slightly more means-adjusted local taxpayer support than the primary peers.

² Provisions of Section 265.220 of Am. Sub. H. B. 49 provide for limiting the foundation funding that is generated through the foundation formula to a limitation base above which the district cannot be paid. The legislation provides that some of the funding components of the foundation formula in FY19 be subject to the limitation while other components are kept outside of the cap.

Chart 4: Local Tax Effort Comparison to Local Peers



Source: ODE

As shown in **Chart 4**, the District’s FY 2017-18 local tax effort was below the local peer average, signifying that it receives less mean-adjusted local taxpayer support than the local peers.

Audit Objectives and Methodology

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

Industry benchmarks, best practices, and peer analysis was used by OPT staff to provide data driven recommendations to PEVSD. Three sets of peer districts were selected for comparisons contained in this report:

- **Primary Peers:** Demographically similar districts with relatively lower per pupil spending and similar academic performance;
- **Local Peers:** Districts which share a local labor market; and
- **Transportation Peers:** Districts of a similar size in square miles and population density.

Table A-1 in **Appendix A** identifies the Ohio school districts included in these peer groups and provides additional information regarding how peer districts were chosen and used in the audit analyses.

Information regarding the current state of the District was gathered by OPT staff through interviews with PEVSD officials, physical observation of District resources, and the review of state maintained databases. This data was analyzed and compared to appropriate standards to determine areas that the District could reduce expenses in order to address the projected General Fund deficits.

Noteworthy Accomplishments

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

- **Strategic Planning:** The District has begun the process of aligning its budgetary resources with the formal goals and objectives contained in the strategic plan. As a part of its capital planning efforts, the District has formalized its spending goals for its Permanent Improvement Fund, including bus replacement intervals. Additionally, the District is developing a comprehensive facilities master plan that will guide future capital developments.
- **Financial Communication:** The District actively disseminates financial information through its website, including current and prior year five-year forecasts, audited financial statements, levy and bond information, a facilities master plan, collective bargaining agreements, and Ohio school finance information, including cost per pupil comparisons. In addition to the information provided on the website, the Treasurer also has offered a school finance class to help educate the public on how school funding works in Ohio and holds open finance meetings.

Summary of Recommendations

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

Table 3: Summary of Recommendations

Recommendations		Savings
R.1	Do not hire additional 24.0 FTE teachers as planned in forecast	\$1,299,100
R.2	Eliminate a combined total of 10.0 FTEs from the administrative and administrative support position categories: <ul style="list-style-type: none"> Eliminate 4.0 FTE computer programming positions; Eliminate 3.5 FTE central office support positions; Eliminate 2.0 FTE building administrator positions; and Eliminate 0.5 FTE building office support positions. 	\$595,000
R.3	Eliminate a combined total of 19.0 FTEs from the direct education and student support position categories: <ul style="list-style-type: none"> Eliminate 5.0 FTE general education teacher positions; Eliminate 1.5 FTE gifted and talented teacher positions; Eliminate 1.5 FTE K-8 art teacher positions; Eliminate 2.0 FTE K-8 music teacher positions; Eliminate 4.0 FTE remedial specialist positions; Eliminate 2.0 FTE tutor/small group instructor positions; and Eliminate 3.0 FTE psychologist positions. 	\$1,155,900
R.4	Renegotiate collective bargaining agreement provisions	\$298,900
R.5	Decrease employer cost of medical insurance	\$273,700
R.6	Eliminate 10.0 FTE custodial positions	\$420,200
R.7	Complete T-1 Forms as prescribed by ODE	N/A
R.8	Make additional reductions to address the deficit <ul style="list-style-type: none"> Eliminate the General Fund subsidy of extracurricular activities; Freeze salaries and steps for FY 2020-21 to FY 2022-23; and Implement an additional 14.0 percent across the board staff reduction (59.5 FTEs) in FY 2019-20 and maintain a 5.5 percent across the board reduction (22.5 FTEs) for the remainder of the forecast period (FY 2020-21 to FY 2022-23).¹ 	\$3,879,400
Cost Savings Adjustments^{1 & 2}		(\$906,700)
Total Cost Savings from Performance Audit Recommendations		\$7,015,500

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 The District would be able to hire back 8.5 percent in FY 2020-21, or 37.0 FTEs.

² Implementation of **R.2**, **R.3**, and **R.6** would reduce the savings achievable in **R.5**.

³ Implementation of **R.1**, **R.4**, and **R.5** are not able to be implemented for FY 2019-20 which reduces the achievable savings.

Table 4 shows the District’s ending fund balances as projected in the July 2019 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 4: Financial Forecast with Performance Audit Recommendations

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Original Ending Fund Balance	(\$2,566,384)	(\$8,899,601)	(\$17,574,619)	(\$28,064,294)
Cumulative Balance of Performance Audit Recommendations	\$2,764,417	\$9,373,860	\$17,753,491	\$28,066,281
Revised Ending Fund Balance	\$198,033	\$474,259	\$178,872	\$1,987

Source: PEVSD and performance audit recommendations

The recommendations identified in this performance audit, if fully implemented as shown in **Table 4** would address the projected fund deficit in the July 2019 five-year forecast. This audit report provides the District’s leadership with researched, data-driven options to consider when addressing budget concerns.

Human Resources

The appropriateness of staffing levels is significant to both the operational and financial conditions within school districts. Specifically, personnel costs (i.e., salaries and benefits) accounted for 82.4 percent of PEVSD's General Fund expenditures in FY 2018-19, a significant impact on the District's budget and financial condition. OPT reviewed PEVSD's staffing levels compared to primary peer districts and ORC requirements to determine areas where the District could save money through reductions.

The District is expected to gain students each year during the forecasted period. Because of this, recommendations which reduce staffing to current primary peer averages may result in staffing levels that fall below these benchmarks by the end of the forecast period. Despite the District's projected enrollment growth, significant reductions in staffing will need to occur in order to erase the District's forecasted deficit of \$28 million in FY 2022-23 (see **Table 2**). If the District is unsuccessful in acquiring new revenue to reinstate the FTEs needed to operate at the peer average benchmark in FY 2020-21 through FY 2022-23, where applicable, it will be up to District management to determine the appropriate levels of staffing across all areas within the District while continuing to operate within its financial constraints.

R.1: Do not hire additional 24.0 FTE teachers as planned in forecast

Financial Implication: By not hiring 24.0 FTE new teachers during the forecasted period, the District can save an average of \$1,299,100 annually during the forecasted period.

Methodology and Analysis

The District's forecast indicates that it plans to hire eight teachers per year during the forecasted period. There are three fiscal years remaining in the forecast period (FY 2020-21 through FY 2022-23), which means that PEVSD plans to hire 24.0 FTE new teachers. The District's most recent five-year forecast predicted an ending fund balance deficit for the current fiscal year (see FY 2019-20 in **Table 2**); hiring additional teachers contributes to the deficit balances.

Conclusion

By choosing to not hire additional teaching staff, the District can save an average of \$1,299,100 annually over the course of the forecasted period. These savings were identified by removing the cost of additional certificated salaries from the forecasted budget.

R.2: Eliminate a combined total of 10.0 FTEs from the administrative and administrative support position categories

Financial Implication: By reducing administrative and administrative support staff to primary peer current levels, the District could save an average of \$595,000 annually over the forecasted period.

Methodology and Analysis

Staffing levels for the District were identified and compared to primary peer averages. In order to make data-driven decisions, the data was normalized on a per 1,000 student level.³ Areas where PEVSD could reduce administrative or administrative support staffing include:

- Eliminate 4.0 FTE computer programming positions;
- Eliminate 3.5 FTE central office support positions;
- Eliminate 2.0 FTE building administrator positions; and
- Eliminate 0.5 FTE building office support positions.

Because comparisons are made on a per student basis, the ratio can change if student populations rise or fall. As previously discussed, the District's student enrollment is growing and has projected continued growth. Reductions in staffing would bring the District in line with primary peer averages based on FY 2019-20 data. However, because of projected growth in enrollment, such reductions in staffing would lead to PEVSD to be below primary peer averages for each position category by the end of the forecast period.

Computer Programming Positions

By eliminating 4.0 FTE computer programming positions the District could save an average of \$208,700 in each year of implementation over the forecasted period.⁴ Computer programming staff act as computer support technicians and assist with IT related issues.

Eliminating 4.0 FTE computer programming positions in FY 2019-20 would bring the District's baseline staffing ratio to a level consistent with the primary peer average. However, due to projected increases in student population, PEVSD would drop below the primary peer average beginning in FY 2021-22.

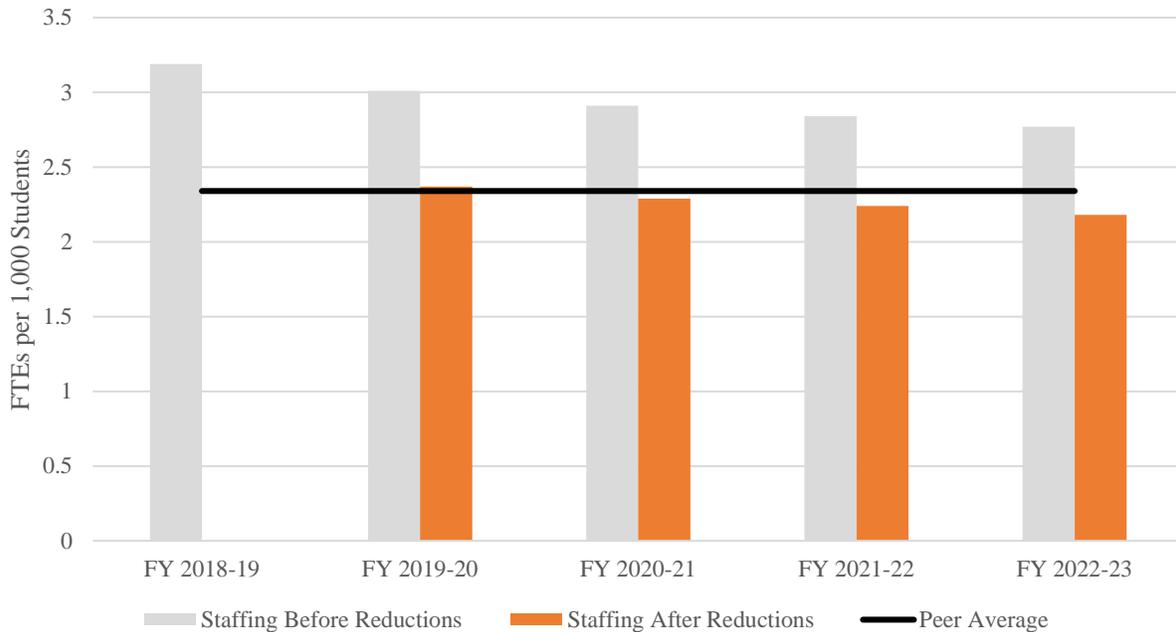
³ See **Appendix B, Human Resources** for more information on the staffing analysis used for this recommendation.

⁴ The value of the savings from this recommendation was projected to increase by an average of 3.2 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

Central Office Support Positions

By eliminating 3.5 FTE central office support positions the District could save an average of \$228,500 in each year of implementation over the forecasted period.⁵ Central office support includes bookkeeping, records management, and clerical staff. **Chart 5** shows the relative impact of the staffing reduction in relation to the growing student population.

Chart 5: Relative Impact of Central Office Support Staff Reductions



Source: PEVSD and primary peers

As shown in **Chart 5**, eliminating 3.5 FTE central office support positions in FY 2019-20 would bring the District’s baseline staffing ratio to a level consistent with the primary peer average. However, due to projected increases in student population, PEVSD would drop below the primary peer average beginning in FY 2020-21.

Building Administrator Positions

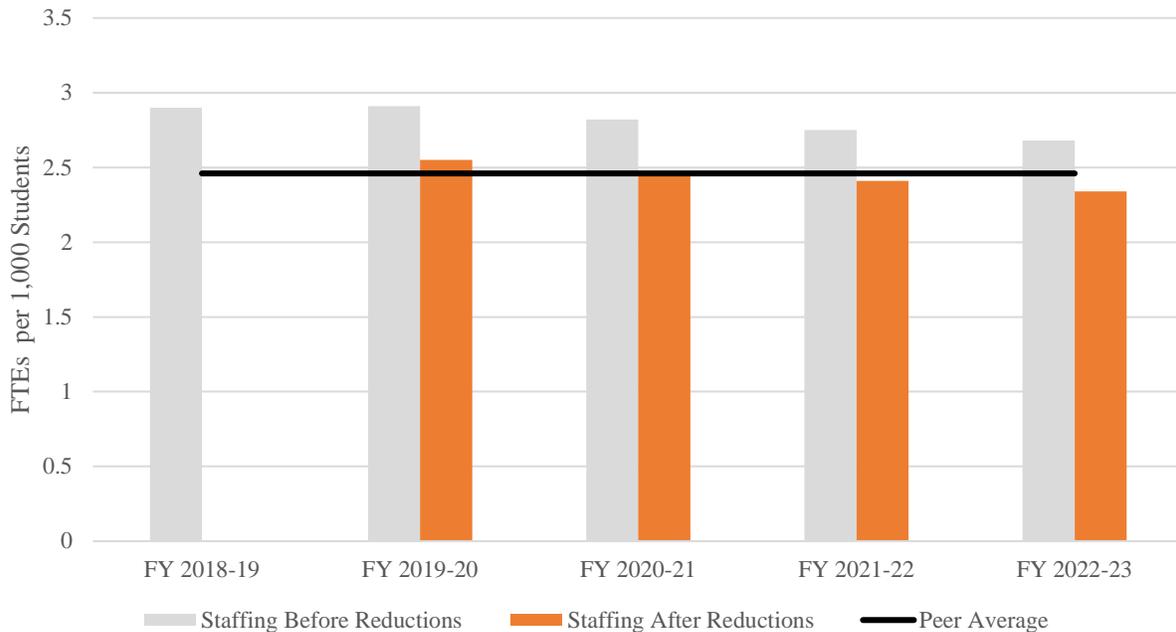
By eliminating 2.0 FTE building administrator positions the District could save an average of \$143,000 in each year of implementation over the forecasted period.⁶ Building administrators are Principals, Assistant Principals, and Deans of Students. While OAC requires that every

⁵ The value of the savings from this recommendation was projected to increase by an average of 3.2 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

⁶ The value of the savings from this recommendation was projected to increase by an average of 3.2 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

school be provided the services of a Principal, additional staffing is at the discretion of the District. **Chart 6** shows the relative impact of the staffing reduction in relation to the growing student population.

Chart 6: Relative Impact of Building Administrator Staff Reductions



Source: PEVSD and primary peers

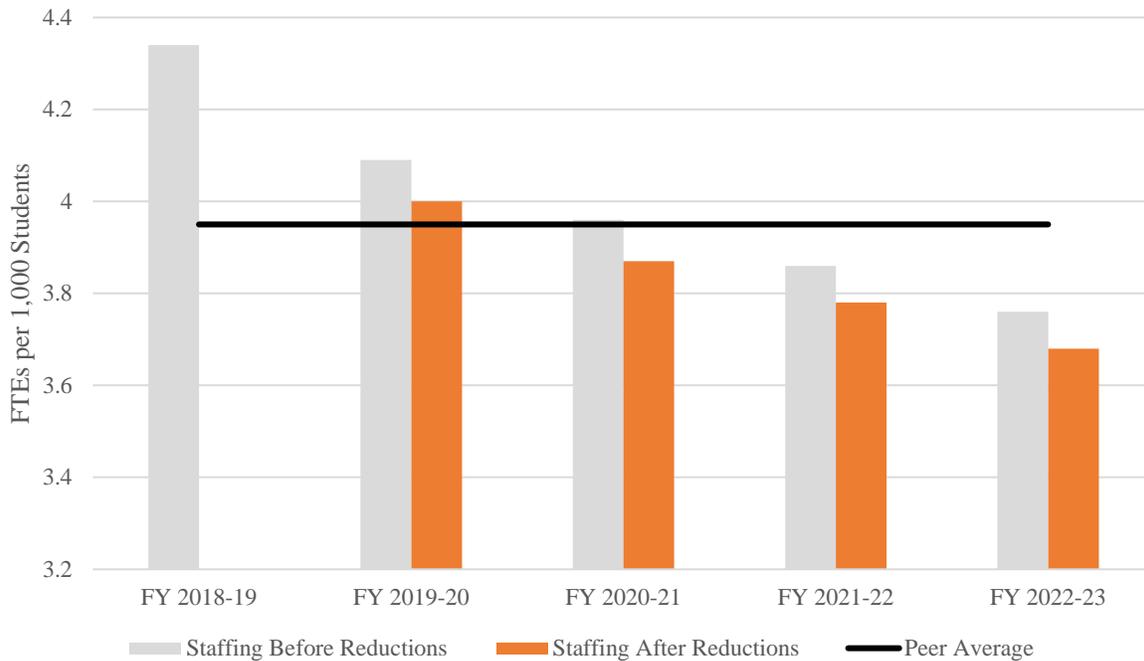
As shown in **Chart 6**, eliminating 2.0 FTE building administrator positions in FY 2019-20 would bring the District’s baseline staffing ratio to a level consistent with the primary peer average. However, due to projected increases in student population, PEVSD would drop below the primary peer average beginning in FY 2021-22.

Building Office Support Staff

By eliminating 0.5 FTE building office support position the District could save an average of \$14,800 in each year of implementation over the forecasted period.⁷ Building office support staff are clerical employees who provide assistance to school building staff. **Chart 7** shows the relative impact of the staffing reduction in relation to the growing student population.

⁷ The value of the savings from this recommendation was projected to increase by an average of 3.1 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

Chart 7: Relative Impact of Building Office Support Staff Reductions



Source: PEVSD and primary peers

As shown in **Chart 7**, eliminating 0.5 FTE building office support positions in FY 2019-20 would bring the District’s baseline staffing ratio to a level consistent with the primary peer average. However, due to projected increases in student population, PEVSD would drop below the primary peer average beginning in FY 2020-21.

Conclusion

By eliminating a combined total of 10.0 FTEs from the administrative and administrative support position categories the District could save an average of \$595,000 annually during the forecasted period. Such reductions would result in PEVSD maintaining staffing below the primary peer average by the end of the forecast period due to a growing student population. The value of each FTE was calculated using actual salaries and benefits of the least tenured staff members. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

R.3: Eliminate a combined total of 19.0 FTEs from the direct education and student support position categories

Financial Implication: By reducing direct education and student support staff to primary peer current levels, the District could save an average of \$1,155,900 annually over the forecasted period.

Methodology and Analysis

Staffing levels for the District were identified and compared to primary peer averages. In order to make data-driven decisions, the data was normalized on a per 1,000 student level.⁸ Areas where PEVSD could reduce direct education and student support staffing include:

- Eliminate 5.0 FTE general education teacher positions;
- Eliminate 1.5 FTE gifted and talented teacher positions;
- Eliminate 1.5 FTE K-8 art teacher positions;
- Eliminate 2.0 FTE K-8 music teacher positions;
- Eliminate 4.0 FTE remedial specialist positions;
- Eliminate 2.0 FTE tutor/small group instructor positions; and
- Eliminate 3.0 FTE psychologist positions.

Because comparisons are made on a per student basis, the ratio can change if student populations rise or fall. As previously discussed, the District's student enrollment is growing and has projected continued growth. Reductions in staffing would bring the District in line with primary peer averages based on FY 2019-20 data. However, because of projected growth in enrollment, such reductions in staffing could lead to PEVSD to be below primary peer averages in some areas by the end of the forecast period.

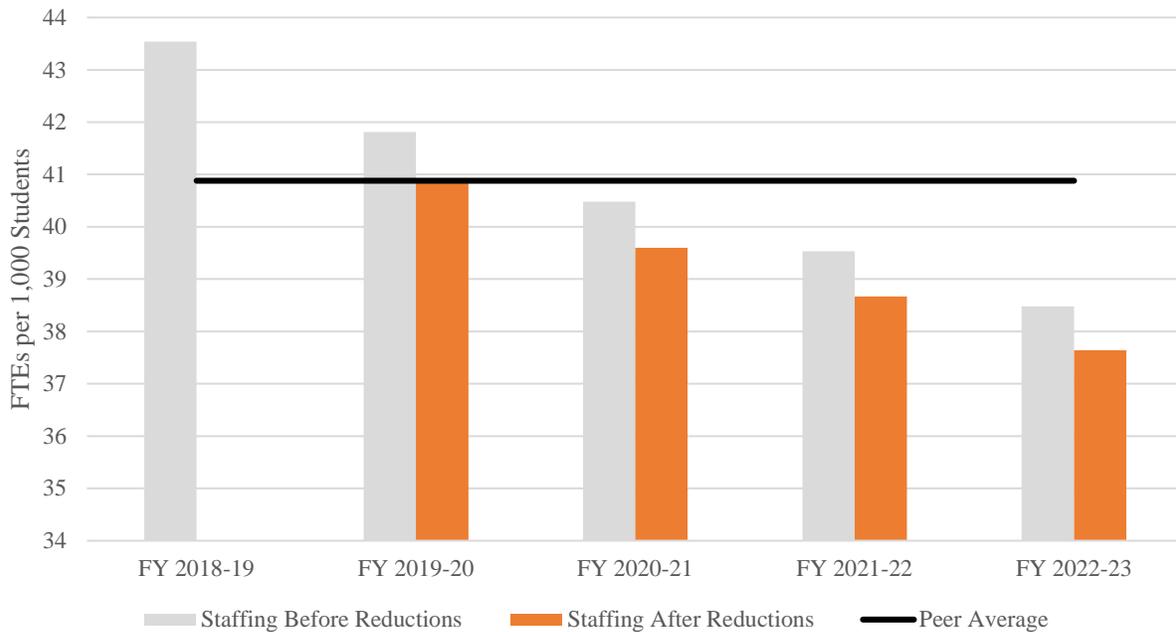
General Education Staff

By eliminating 5.0 FTE general education positions the District could save an average of \$279,000 in each year of implementation over the forecasted period.⁹ General education teachers provide instruction to students in a regular classroom setting. If the District eliminates 5.0 FTE general education positions it would match the peer average while still remaining above state minimum requirements. Due to increasing enrollment, the student to teacher ratio will change over time. **Chart 8** shows the relative impact of the staffing reduction in relation to the growing student population.

⁸ See **Appendix B, Human Resources** for more information on the staffing analysis used for this recommendation.

⁹ The value of the savings from this recommendation was projected to increase by an average of 3.2 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

Chart 8: Relative Impact of General Education Teacher Staff Reductions



Source: PEVSD and primary peers

As shown in **Chart 8**, eliminating 5.0 FTE general education teacher positions in FY 2019-20 would bring the District’s baseline staffing ratio to a level consistent with the primary peer average. However, PEVSD would drop below the primary peer average beginning in FY 2020-21.

Gifted and Talented Teacher Positions

By eliminating 1.5 FTE gifted and talented teacher positions the District could save an average of \$141,000 in each year of implementation over the forecasted period.¹⁰ Gifted and talented teachers provide instruction to gifted students at the preschool, elementary, and secondary levels. If the District eliminates 1.5 FTE gifted and talented teacher positions it would match the peer average. Due to increasing enrollment, the student to teacher ratio will change over time.

Eliminating 1.50 FTE gifted and talented teacher positions in FY 2019-20 would bring the District’s baseline staffing ratio to a level consistent with the primary peer average. However, due to projected increases in student population, PEVSD would drop below the primary peer average beginning in FY 2021-22.

¹⁰ The value of the savings from this recommendation was projected to increase by an average of 3.2 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

K-8 Art Education Teachers

By eliminating 1.5 FTE K-8 art education teacher positions the District could save an average of \$117,700 in each year of implementation over the forecasted period.¹¹ Art education teachers provide instruction to elementary students. If the District eliminates 1.5 FTE K-8 art education teacher positions it would match the peer average. Due to increasing enrollment, the student to teacher ratio will change over time.

Eliminating 1.5 FTE K-8 art education teacher positions in FY 2019-20 would bring the District's baseline staffing ratio to a level consistent with the primary peer average. However, due to projected increases in student population, PEVSD would drop below the primary peer average beginning in FY 2022-23.

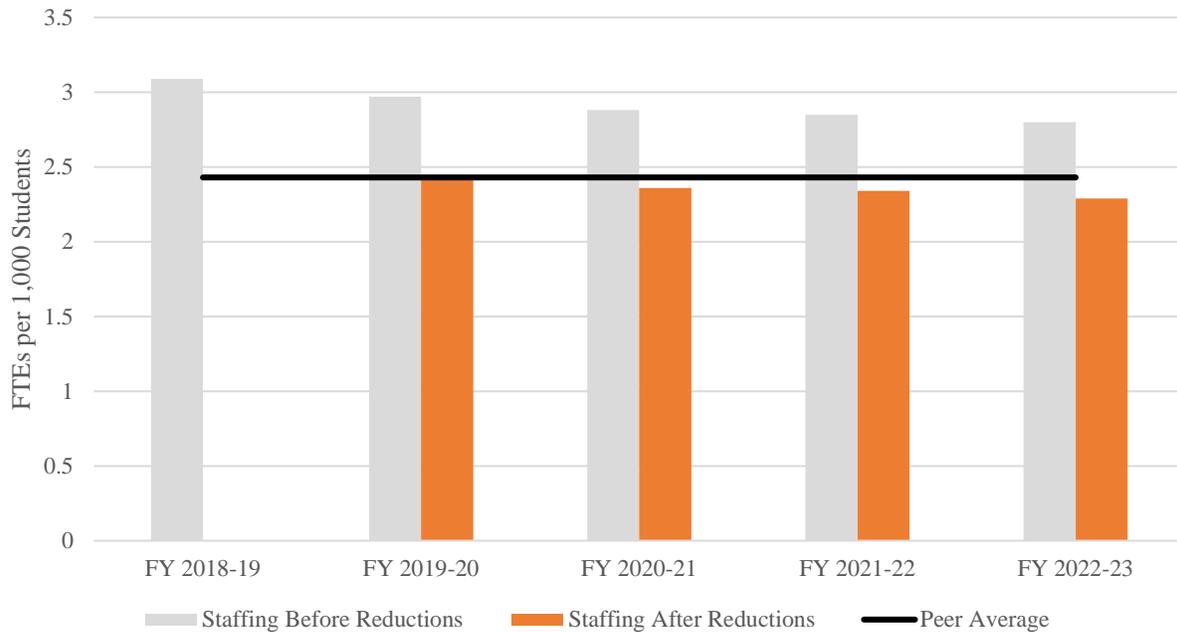
K-8 Music Education Teachers

By eliminating 1.5 FTE K-8 music education teacher positions the District could save an average of \$105,100 in each year of implementation over the forecasted period.¹² Music education teachers provide instruction to elementary students. If the District eliminates 1.5 FTE K-8 music education teacher positions it would match the peer average. Due to increasing enrollment, the student to teacher ratio will change over time. **Chart 9** shows the relative impact of the staffing reduction in relation to the growing student population.

¹¹ The value of the savings from this recommendation was projected to increase by an average of 3.2 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

¹² The value of the savings from this recommendation was projected to increase by an average of 3.1 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

Chart 9: Relative Impact of K-8 Music Education Teacher Staff Reductions



Source: PEVSD and primary peers

As shown in **Chart 9**, eliminating 2.0 FTE K-8 music teacher positions in FY 2019-20 would bring the District’s baseline staffing ratio to a level consistent with the primary peer average. However, due to projected increases in student population, PEVSD would drop below the primary peer average beginning in FY 2020-21.

Remedial Specialist Positions

By eliminating 4.0 FTE remedial specialist positions the District could save an average of \$257,000 in each year of implementation over the forecasted period.¹³ Remedial specialists assist students in correcting deficiencies which are not due to impairment of mental or physical ability. If the District eliminates 4.0 FTE remedial specialist positions it would match the peer average. Due to increasing enrollment, the staffing ratio will change over time.

Eliminating 4.0 FTE remedial specialist positions in FY 2019-20 would bring the District’s baseline staffing ratio to a level consistent with the primary peer average. However, due to projected increases in student population, PEVSD would drop below the primary peer average beginning in FY 2021-22.

¹³ The value of the savings from this recommendation was projected to increase by an average of 3.2 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

Tutor/Small Group Instructor Positions

By eliminating 2.0 FTE tutor/small group instructor positions the District could save an average of \$41,500 in each year of implementation over the forecasted period.¹⁴ If the District eliminates 2.0 FTE tutor/small group instructor positions it would match the peer average. Due to increasing enrollment, the staffing ratio will change over time.

Psychologist Positions

By eliminating 3.0 FTE psychologist positions the District could save an average of \$214,600 in each year of implementation over the forecasted period.¹⁵ If the District eliminates 3.0 FTE psychologist positions it would match the peer average. Due to increasing enrollment, staffing ratio will change over time.

Conclusion

By eliminating a combined total of 19.0 FTEs from the direct education and student support position categories the District could save an average of \$1,155,900 annually during the forecasted period. Such reductions would result in PEVSD maintaining staffing below the primary peer average by the end of the forecast period in some areas due to a growing student population. The value of each FTE was calculated using actual salaries and benefits of the least tenured staff members. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

¹⁴ The value of the savings from this recommendation was projected to increase by an average of 3.1 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

¹⁵ The value of the savings from this recommendation was projected to increase by an average of 3.1 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

R.4 Renegotiate collective bargaining agreement provisions

Financial Implication: Renegotiating CBA agreement provisions can lead to cost savings in several areas:

- Perrysburg Compensation and Performance Plan (P-CAPP) Bonuses: Average annual savings of \$200,000 beginning in FY 2020-21;
- Tuition Reimbursement: Average annual savings of \$36,600 beginning in FY 2021-22;
- Professional Development: Average annual savings of \$47,600 beginning in FY 2021-22;
- Local Professional Development Committee (LPDC): Average annual savings of \$5,000 beginning in FY 2021-22; and
- Attendance Incentive: Average annual savings of \$59,100 beginning in FY 2021-22

Methodology and Analysis

The District maintains two CBAs, the Perrysburg Education Association and the Ohio Association of Public Schools Employees Local 242. Both agreements were reviewed and compared to ORC requirements and local peer agreements. PEVSD had provisions more generous than local peers or ORC requirements in several areas including:

- Vacation Accrual;
- Paid Holidays;
- Emergency Leave;
- Sick Leave Accumulation and Severance Payout;
- P-CAPP Bonuses;
- Tuition Reimbursement;
- Professional Development;
- LPDC Pay; and
- Attendance Incentive.

Provisions with Long-Term Impact

Vacation Accrual: Under the classified CBA, 12-month employees are entitled to annual vacation accrual whereby they can earn up to 495 vacation days over a 30-year career. While this is lower than the local peer average of 523 days, it is higher than the ORC §3319.084 State minimum of 460 days. Although savings could not be quantified, providing those additional days could potentially increase the amount paid for overtime and substitute costs. Reducing the amount of vacation leave hours could increase available work hours at no additional cost to the District.

Paid Holidays: Under the classified CBA, 12-month employees are entitled to 11 paid holidays per year, while less than 12-month employees are eligible for eight paid holidays per year. This matches the local peer average for 12-month employees and less generous for less than 12-month

employees. However, it exceeds the ORC § 3319.087 minimum of seven paid holidays for 12-month employees and six paid holidays for less than 12-month employees. Although direct savings could not be quantified, reducing the number of paid holidays available would serve to increase the number of available work hours at no additional cost to the District.

Emergency Leave: Under the classified and certificated CBAs, after an employee has used their three personal leave days, up to two additional days per year may be taken by an employee for emergency absences if approved by the Superintendent/designee. This leave is not required by the ORC and is more generous than the local peers. Although savings could not be quantified, providing those additional days could potentially increase the amount paid for overtime and substitute costs. Reducing the amount of emergency leave days could increase available work hours at no additional cost to the District.

Sick Leave Accumulation and Severance Payout: Certificated employees are entitled to accumulate up to 210 days of sick leave and classified employees are entitled to accumulate up to 220 days of sick leave. In comparison, the local peer average for certificated employees is 300 days and for classified employees is 318 days. ORC §3319.141 specifies that unused sick leave shall be cumulative to a minimum of 120 days. Although the local peers also provide sick leave accumulation over the State minimum level, exceeding this level results in the potential for increased liability when sick leave is paid out to retiring employees.

In addition, the District's CBAs entitle certificated and classified employees to be paid for accumulated, but unused sick leave upon retirement. Specifically, certificated employees are entitled to a maximum of 79 days and classified employees are entitled to a maximum of 72 days. In comparison, the average sick leave payout maximum for local peers is 81 days for certificated employees and 129 days for classified employees. While the District's sick leave payout maximums are lower than the respective local peer averages, ORC § 124.39 requires employees to be paid for 25 percent of unused sick leave up to a maximum of 30 days upon retirement. Allowing employees to receive payouts in excess of State minimum requirements becomes costly at employee retirement.

Provisions with Immediate Impact

P-CAPP Bonuses: Under this compensation plan, certificated employees may earn annual and career bonuses by earning Perrysburg Professional Points (PPPs). PPPs may be earned for professional growth, organizational citizenship, collaboration, attendance, and for student growth. These points are used for annual bonuses of up to \$1,000 as well as long term career incentive awards.

The P-CAPP annual bonuses were suspended during FY2019-20 during CBA negotiations. The Treasurer forecasted a \$200,000 savings in the forecast for FY 2019-20, but forecasted the continuation of bonuses in subsequent years. Eliminating annual and career bonuses could save the District \$200,000 per year for FY 2020-21 through FY 2022-23.

Tuition Reimbursement: Under the certificated CBA, PEVSD is required to allocate \$45,000 per year towards tuition reimbursement. In comparison, the local peer average allocated to tuition reimbursement is \$63,750. While the District allocates less than the peer average, including language in the CBA limits management decisions. The District spent an average of \$36,621 in FY 2016-17 and FY 2017-18.¹⁶ Tuition reimbursement is not required by the ORC. Eliminating the tuition reimbursement could save an average of \$36,600 annually beginning in FY 2021-22

Professional Development: Under the certificated CBA, PEVSD is required to allocate \$75,000 for professional development reimbursements. The District spent an average of \$47,666 annually in FY 2016-17 through FY 2018-19. There is no requirement to reimburse professional development, and such language in a CBA limits management decisions. Eliminating the professional development reimbursement could save an average of \$47,600 annually beginning in FY 2021-22.

Local Professional Development Committee (LPDC): LPDCs are groups sanctioned by the State to review coursework and professional development activities proposed and completed by educators to determine if State certification and licensure requirements have been met. The District has six members who are compensated at the following rates¹⁷:

- Four Certificated committee members receive 8.0 percent of the District's supplemental base salary (\$652.24 in FY 2019-20);
- One Certificated committee chair member receives 12.0 percent of the District's supplemental base salary (\$978.26 in FY 2019-20);
- One non-union committee member is paid \$587.02;
- One non-union committee chair is paid \$880.52

The local peer average for LPDC stipends is \$1,559 for members and \$3681 for chair members. While the District's LPDC pay is less than the local peers, ORC § 3319.22, which includes the standards and requirements for LPDCs, does not require compensation. In total, LPDC costs \$5055 per year. The District could save approximately \$5,000 per year beginning FY 2021-22 by eliminating this stipend.

Attendance Incentive: The District offers a \$250 stipend to certificated employees and a \$500 stipend to classified employees for attendance incentives. The District spent an average of \$59,151 in FY 2016-17 through FY 2018-19. The ORC does not require attendance incentive pay and it is not provided by all local peer districts. PEVSD could save an average of \$59,100 beginning in FY 2021-22 by eliminating this bonus.

¹⁶ FY 2018-19 data was not available as employees were still in their submission window.

¹⁷ Rates for both union and non-union members of LPDC set by Perrysburg Education Association CBA.

Conclusion

The District can achieve immediate and long term savings by renegotiating several provisions in both the classified and certificated bargaining agreements. The provisions with immediate financial impact include:

- Perrysburg Compensation and Performance Plan (P-CAPP) Bonuses: Average annual savings of \$200,000 beginning in FY 2020-21;
- Tuition Reimbursement: Average annual savings of \$36,600 beginning in FY 2021-22;
- Professional Development: Average annual savings of \$47,600 beginning in FY 2021-22;
- LPDC Pay: Average annual savings of \$5,000 beginning in FY 2021-22; and
- Attendance Incentive: Average annual savings of \$59,100 beginning in FY 2021-22.

R.5 Decrease employer cost of medical insurance

Financial Implication: Reducing the District's cost for medical premiums to a level comparable to the Wood County schools average could save an average of \$273,700 in each year of implementation over the forecasted period, beginning in FY 2020-21.

Methodology and Analysis

PEVSD is self-insured and uses a third party administrator to process claims. The District offers a Preferred Provider Organization (PPO) plan and employees can select either single or family coverage. In FY 2019-20, 463 employees enrolled in these plans, 132 in the single plan and 331 in the family plan. While the single and family medical plans offered are the same, the premium contributions rates vary among employees. Certificated employees hired before August 1, 2005 and Classified employees hired before August 29, 1994 contribute to 10% of the premium. Employees hired after these dates contribute to 15% of the premium. Employees who work less than full-time have prorated employee contributions. Those employees are not included in this analysis.¹⁸

Ohio's State Employment Relations Board (SERB) surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually in *The Cost of Health Insurance in Ohio's Public Sector* (SERB, 2018). In order to compare PEVSD's FY 2019-20 premiums, the SERB 2018 information was inflated using the weighted average of historical premium increase of 4.0 percent for calendar year (CY) 2014 through CY 2018.

PEVSD's employer costs for medical insurance were higher than the Wood County self-insured schools average for both single and family PPO plans. Bringing its employer cost for medical insurance in line with the Wood County self-insured schools average could save the District an average of \$119,900 for single coverage and \$153,800 for family coverage. This could be achieved by increasing employee contributions and/or selecting a less costly plan. Any changes to the employer/employee cost share, however, are subject to negotiation and savings would not be realized until FY 2020-21.

Conclusion

Bringing the employer cost of medical insurance in line with the Wood County average for self-insured schools could save the District an average of \$273,700 in each year of implementation over the forecasted period. Some aspects of the plan are subject to CBA agreements, but the District may open negotiations for salaries and benefits in regards to FY 2020-21. Therefore, the District can implement this recommendation beginning in FY 2020-21.

¹⁸ See **Appendix B, Human Resources** for more information regarding the analysis for this recommendation.

Facilities

R.6: Eliminate 10.0 FTE custodial positions

Financial Implication: Eliminating 10.0 FTE custodial positions could save an average of \$420,200 in each year of implementation over the forecasted period.¹⁹

Methodology and Analysis

Staffing for custodial, grounds keeping, and building maintenance were compared to industry standards. These benchmarks are based on the amount of space that a single employee can efficiently care for. The District currently has 3.0 FTE maintenance employees, 4.0 FTE grounds employees, and 39.9 FTE custodians.

PEVSD's total building and grounds staffing level is 4.2 FTEs above the benchmark. This is driven by the custodial staffing level which is 11.1 FTE above the benchmark. In comparison to the National Center for Education Statistics (NCES) benchmark, custodial personnel clean 8,177.3, or 27.7 percent, fewer square feet per FTE.²⁰

In order to achieve a staffing level that is consistent with this benchmark, the District would need to reduce 11.0 custodial FTEs. However, PEVSD is staffed below the American School & University Magazine (AS&U) benchmark for grounds personnel by 0.9 FTEs, and the District could reallocate custodial staff to the grounds function. It is important to note that, while the District's maintenance staffing level is 6.0 FTE below the AS&U benchmark, reallocation of custodial personnel to the maintenance function may not be feasible due to the differences in required skill sets and/or certifications.

Conclusion

Eliminating 10.0 FTE custodial positions and reallocating 1.0 FTE to grounds staff would achieve a staffing ratio in line with the NCES and AS&U benchmarks and save the District an average of \$420,200 in each year of implementation over the forecasted period.

¹⁹ The value of the savings from this recommendation was projected to increase by an average of 3.2 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

²⁰ See **Appendix B, Facilities** for more information regarding this analysis.

Transportation

R.7 Complete T-1 forms as prescribed by ODE

Methodology and Analysis

School districts in Ohio are required to submit annual T-1 and T-2 forms to ODE as required by ORC § 3327.012 and OAC 3301-83-01.

A review of the District's T-1 Form for FY 2018-19 shows that it was not completed accurately and in accordance with ODE reporting instructions. In several cases, The District reported ridership based on the highest ridership day instead of reporting the five-day average per ODE instructions. The District also had multiple cases where ridership and mileage data was missing on various days of the week. In these instances, the district either removed the missing data from the calculation for the T-1 report, or reported numbers based on assumption, which is a deviation from instructions.

Conclusion

The District should develop formal internal policies and procedures for acquiring and compiling T-Form data. Developing and implementing formal procedures would help ensure accuracy when compiling and submitting rider count sheets for the T-1 Form and associated costs on the T-2 Form. The type of errors identified above indicate that there are deficiencies in the data collection and review process used by the District. Failure to accurately report this information could result in incorrect calculations of State pupil transportation payments to the District.²¹

²¹ ODE's Office of Pupil Transportation is responsible for oversight of all transportation data reporting. Given that the reporting error identified in this performance audit could potentially impact the District's transportation funding this matter has been sent to ODE for additional review should the Department determine that it is necessary.

Additional Recommendations

The preceding recommendations do not fully address the projected deficit fund balances. Unless the District is able to identify and obtain additional funding more severe reductions in expenditures would need to be considered in order to achieve fiscal solvency.

R.8: Make additional reductions to address the deficit

Financial Implication: The following recommendations were identified in order to address the remaining projected deficit fund balances:

- Eliminating the General Fund subsidy of extracurricular activities could save the District an average of \$694,900 in each year of implementation over the forecasted period;
- Implementing a salary base and step freeze for FY 2020-21 through FY 2022-23 could save the District an average of \$1,749,300 in each year of implementation over the forecasted period; and
- Implementing an initial 14.0 percent across-the-board staffing reduction in FY 2019-20 and maintaining a 5.5 percent across the board reduction for the remainder of the forecast period (FY 2020-21 to FY 2022-23) could save the District an average of \$1,435,200 in each year of implementation over the forecasted period.²²

Methodology and Analysis

Even after implementing all preceding recommendations, the District's updated July 2019 five-year forecast would still project a cumulative deficit of approximately \$15,515,900, or an annual average of approximately \$3,879,000. 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.

²² The District would be able to hire back 8.5 percent in FY 2020-21, or 37.0 FTEs.

Eliminate the entire General Fund subsidy of extracurricular activities: In FY 2018-19, the General Fund net cost per pupil for PEVSD was \$172 which totaled \$926,571²³. PEVSD could offset this subsidy through the following measures:

- Increasing pay to participate fees;
- Increasing admissions and sales;
- Increasing booster club spending;
- Reducing the supplemental salary schedule; and/or
- Eliminating programs.

This action could save the District approximately \$694,900 annually over the forecast period.²⁴

Implement a base and step freeze on all salaries for the remainder of the forecast: Table 5 shows the impact of implementing a base and step increase freeze for FY 2020-21 through FY 2022-23, after taking into account staff reductions previously identified. This analysis provides an indication of the impact of a wage freeze relative to the number of years it is in effect.

Table 5: Impact of Base and Salary Freeze

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Salaries and Benefits w/ Base Increase and Steps	\$0	\$39,745,940	\$40,236,723	\$40,887,824
Salaries and Benefits w/ Base and Step Freeze	\$0	\$38,414,949	\$37,989,376	\$37,468,887
Difference	\$0	\$1,330,991	\$2,247,347	\$3,418,937
Cumulative Savings				\$6,997,275
Average Annual Savings				\$1,749,318

Source: PEVSD

Note: Salaries are linked to the CBAs and cannot be changed for FY 2019-20.

Implement an initial 14.0 percent across-the-board staff reduction (59.5 FTEs): While **R.2** and **R.3** address PEVSD's staffing relative to the primary peer average and **R.6** addresses staffing relative to industry benchmarks, the District could make an additional 14.0 percent across-the-board staffing reduction, in conjunction with the previous two escalation measures, to generate sufficient savings to offset the remaining deficit. **Table 6** shows the nature and savings of this staffing reduction for each staffing category. This provides the District with information necessary to evaluate staffing reductions and the potential savings associated with each.

²³ For FY 2018-19, the local peers net cost per pupil subsidization of extracurricular activities was \$196.

²⁴ This amount assumes no savings in FY 2019-20, thereby reducing the annual average savings amount across the forecast period.

Table 6: Additional Staffing Reductions

Category	Revised Total FTEs	FTEs after 14.0% Reduction	Rounded FTE Reduction	Avg. Annual Savings
Administrators ¹	29.0	24.9	4.0	\$396,700
Office Support	36.0	31.0	5.0	\$196,700
Educational ²	279.9	240.7	39.0	\$2,391,600
Operational ³	55.0	47.3	7.5	\$223,900
Support	31.0	26.7	4.0	\$121,900
Total	430.9	370.6	59.5	\$3,330,800

Source: PEVSD

¹ Administrators excludes the superintendent, treasurer, and special education supervisor.

² PEVSD will need to ensure that it meets ORC minimum staffing requirements for general education teachers.

³ Transportation is excluded as staffing level needs were determined based on actual ridership and capacity relative to industry benchmarks. Further, food service staffing is excluded as these employees are paid out of the Food Service Fund and not the General Fund, therefore further reductions in staff would not impact the five-year forecast.

As shown in **Table 6**, an across-the-board staffing reduction of 14.0 percent would result in the elimination of an additional 59.5 FTEs. Eliminating these FTEs could save the District an average of approximately \$3,330,800 in salaries and benefits annually over the forecast period.²⁵ This was calculated using salaries and benefits of the least tenured employees remaining after position reductions identified in **R.2**, **R.3**, and **R.6**. Estimated savings could increase if the reductions occur through retirement or voluntary separation of higher salaried staff.

However, the 14% reduction is only necessary to maintain a positive fund balance in FY 2019-20 due to the limitation of half year savings in FY 2019-20. As such, carrying the 14% reduction throughout the forecast without hiring staff back would result in significant fund balance surpluses. Therefore, the district would be able to hire back 8.5 percent, or 37.0 FTEs in FY 2020-21. The District would need to maintain a reduction of 5.5 percent for the remainder of the forecast period (FY 2020-21 through FY 2022-23). This would reduce the total average annual savings to \$1,435,200. If the District were unable to negotiate for the salary freeze during the forecast period, it would need to maintain the initial 14.0 percent reduction through the whole forecast period to make up the difference in savings.

Conclusion

After implementing **R.1** through **R.7**, the District would still face an average annual deficit of more than \$3.8 million. In order to fully address the remaining deficit, PEVSD would need to implement escalatory measures. This recommendation identifies options for the District to consider. Although these options would eliminate the deficit in each year of the forecast, it could drastically change service levels within the District.

²⁵ The value of the savings from this recommendation was projected to increase by an average of 2.8 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

Appendix A: Purpose, Methodology Scope and Objectives

Performance Audit Purpose and 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 Ohio Performance Team initiated this audit pursuant to Ohio Revised Code § 3316.042.

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.

We conducted this performance audit in accordance with GAGAS. Those standards require that we 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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. This performance audit did identify internal control deficiencies specific to transportation reporting. These deficiencies were communicated to both the District and ODE.

Audit Objectives

In order to provide the District with appropriate, data driven, recommendations, the following questions were assessed within each of the agreed upon scope areas. While not all questions resulted in a recommendation, all areas were reviewed by OPT staff:

Financial Management

- Are the District's forecasting practices consistent with leading practices and is the five-year forecast reasonable and supported?
- Are the District's strategic planning practices consistent with leading practices?
- Are the District's financial communication practices consistent with leading practices?
- Is the District's General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District's financial condition?
- Are the District's purchasing practices consistent with leading practices and appropriate based on the District's financial condition?

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?
- Are the District's salaries and wages appropriate in comparison to local peers and the District's financial condition?
- Are the District's collective bargaining agreement provisions appropriate in comparison to local peers, minimums requirements, and the District's financial condition?
- Are the District's insurance costs appropriate in comparison to other governmental entities within the local market and the District's financial condition?

Facilities

- Are the District's facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District's financial condition?
- Are the District's facilities non-regular labor expenditures appropriate in comparison to peers, leading practices, industry standards, and the District's financial condition?
- Are the District's facilities preventive maintenance practices consistent with leading practices and industry standards?

Transportation

- Is the District's fleet sized appropriately and routed efficiently in comparison to leading practices, industry standards, and the District's financial condition?
- Is the District's fleet maintained efficiently and appropriately in comparison to transportation peers, leading practices, industry standards, and the District's financial condition?
- Are the District's fuel procurement practices cost effective in comparison to DAS benchmarks and consistent with leading practices and industry standards?
- Are the District's transportation security practices consistent with leading practices and industry standards and appropriate based on the District's financial condition?

Food Services

- Is the District's food service program operated in a manner that is consistent with leading practices and industry standards and appropriate based on the District's financial condition?

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 similar 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 A-1** shows the Ohio school districts included in these peer groups.

Table A-1: Peer Group Districts

Primary Peers
<ul style="list-style-type: none"> • Anthony Wayne Local School District (Lucas County) • Avon Local School District (Lorain County) • Avon Lake City School District (Lorain County) • Green Local School District (Summit County) • Jackson Local School District (Stark County) • Kings Local School District (Warren County) • Loveland City School District (Hamilton County) • North Canton City School District (Stark County) • Springboro Community City School District (Warren County) • Twinsburg City School District (Summit County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Anthony Wayne LSD (Lucas County) • Maumee City School District (Lucas County) • Rossford Exempted Village School District (Wood County) • Springfield Local School District (Lucas County) • Sylvania City School District (Lucas County) • Washington Local School District (Lucas County)
Transportation Peers
<ul style="list-style-type: none"> • New Albany-Plain Local School District (Franklin County) • North Royalton City School District (Cuyahoga County) • Plain Local School District (Stark County) • Solon City School District (Cuyahoga County) • Twinsburg City School District (Summit County)

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. 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.

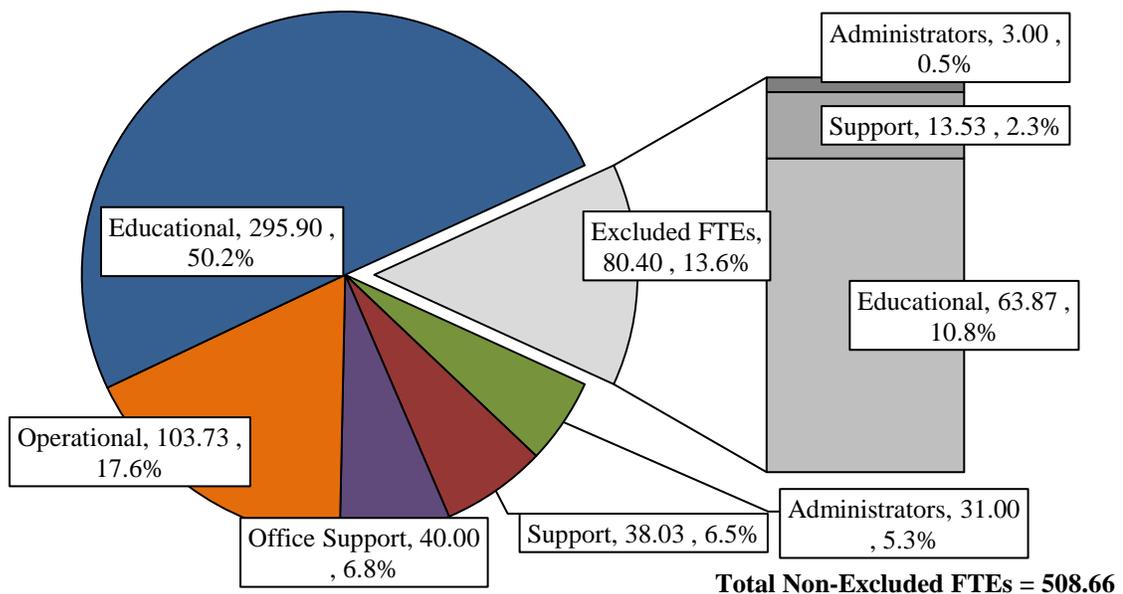
AOS and OPT express their appreciation to the elected officials, management, and employees of the Perrysburg Exempted Village School District for their cooperation and assistance throughout this audit.

Appendix B: Audit Analysis and Calculations

Human Resources

Chart B-1 shows PEVSD’s FY 2019-20 full-time equivalent (FTE) staffing levels by category and breaks down staffing by categories that are included in this performance audit and those that are excluded from the scope of this performance audit due to association with special education or Title I funding.

Chart B-1: FTEs by Category with Excluded FTEs Breakout



Source: PEVSD

As shown in **Chart B-1**, PEVSD employed a total of 589.06 FTEs in FY 2019-20. Of this total, 80.40 FTEs, or 13.6 percent, were specifically dedicated to special education services or Title I funded.

Staffing levels for peer district analysis is normalized on a per 1,000 student basis. The District’s staffing level is compared to an average of the peer districts staffing based on job function and cost category. A series of calculations is used in order to determine potential staffing reductions:

- **Full Time Equivalent per 1,000 Students**
 - $$\frac{\text{FTE Value by Position Code}}{\left(\frac{\text{Student Enrolment}}{1,000}\right)}$$
- **Difference Per 1,000 Students**
 - *Client FTE per 1,000 Students – Peer FTE per 1,000 Students*
- **Actual FTE Variance**
 - *Difference Per 1,000 Students * $\left(\frac{\text{Student Enrollment}}{1,000}\right)$*

Tables B-1 through B-11 are staffing analyses conducted by OPT staff which resulted in R.2 and R.3:

Table B-1: Technical Staff Comparison¹

Students	PEVSD		Primary Peer Avg.	Difference	
Students Educated ¹	5,499		3,995	1,504	
Students Educated (thousands)	5.499		3.995	1.504	
Position	PEVSD		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 Programming	6.00	1.09	0.35	0.74	4.07

Source: PEVSD and primary peers

¹ Primary peer average only includes districts that provide computer programmer positions in-house.

² Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District.

³ 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.

Table B-2: Central Office Support Staff Comparison

Students	PEVSD		Primary Peer Avg.	Difference	
Students Educated ¹	5,499		4,484	1,015	
Students Educated (thousands)	5.499		4.484	1.015	
Buildings	7		6	1	
Position	PEVSD		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	0.04	(0.04)	(0.22)
Accounting	0.00	0.00	0.07	(0.07)	(0.38)
Bookkeeping	6.93	1.26	0.49	0.77	4.23
Central Office Clerical	5.60	1.02	1.55	(0.53)	(2.91)
Records Managing	1.00	0.18	0.02	0.16	0.88
Other Office Clerical	3.00	0.55	0.17	0.38	2.09
Total	16.53	3.01	2.34	0.67	3.68

Source: PEVSD 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.

Table B-3: Building Administrator Staff Comparison

Students	PEVSD		Primary Peer Avg.	Difference	
Students Educated ¹	5,499		4,484	1,015	
Students Educated (thousands)	5.499		4.484	1.015	
Position	PEVSD		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	5.00	0.91	1.14	(0.23)	(1.26)
Principal	7.00	1.27	1.32	(0.05)	(0.27)
Dean of Students	4.00	0.73	0.00	0.73	4.01
Total	16.00	2.91	2.46	0.45	2.47

Source: PEVSD 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.

Table B-4: Building Office Support Staff Comparison

Students	PEVSD		Primary Peer Avg.	Difference	
Students Educated ¹	5,499		4,484	1,015	
Students Educated (thousands)	5.499		4.484	1.015	
Buildings	7		6	1	
Position	PEVSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
School Building Clerical	21.47	3.90	3.37	0.53	2.91
Records Managing	0.00	0.00	0.02	(0.02)	(0.11)
Other Office/Clerical	1.00	0.18	0.56	(0.38)	(2.09)
Total	22.47	4.08	3.95	0.13	0.71

Source: PEVSD 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.

Table B-5: General Education Teacher Staff Comparison

Students	PEVSD		Primary Peer Avg.	Difference	
Students Educated ¹	5,499		4,484	1,015	
Students Educated (thousands)	5.499		4.484	1.015	
Position	PEVSD		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	229.90	41.81	40.88	0.93	5.11

Source: PEVSD 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.

Table B-6: Gifted and Talented Teacher Staff Comparison

Students	PEVSD		Primary Peer Avg.	Difference	
Students Educated ¹	5,499		4,484	1,015	
Students Educated (thousands)	5.499		4.484	1.015	
Position	PEVSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Gifted and Talented	5.00	0.91	0.61	0.30	1.65

Source: PEVSD 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.

Table B-7: K-8 Art Education Teacher Staff Comparison

Students	PEVSD		Primary Peer Avg.	Difference	
Students Educated ¹	3,700		3,018	682	
Students Educated (thousands)	3.700		3.018	0.682	
Position	PEVSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Art Education K-8	8.00	2.16	1.69	0.47	1.74

Source: PEVSD 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.

Table B-8: K-8 Music Education Teaching Staff Comparison

Students	PEVSD		Primary Peer Avg.	Difference	
Students Educated ¹	3,700		3,018	682	
Students Educated (thousands)	3.700		3.018	0.682	
Position	PEVSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Music Education K-8	11.00	2.97	2.43	0.54	2.00

Source: PEVSD 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.

Table B-9: Remedial Specialist Staff Comparison

Students	PEVSD		Primary Peer Avg.	Difference	
Students Educated ¹	5,499		4,484	1,015	
Students Educated (thousands)	5.499		4.484	1.015	
Position	PEVSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Remedial Specialist	9.00	1.64	0.89	0.75	4.12

Source: PEVSD 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.

Table B-10: Tutor/Small Group Instructor Staff Comparison

Students	PEVSD	Primary Peer Avg.	Difference		
Students Educated ¹	5,499	4,484	1,015		
Students Educated (thousands)	5.499	4.484	1.015		
Position	PEVSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) ²
Tutor/Small Group Instructor	4.00	0.73	0.28	0.45	2.47

Source: PEVSD 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.

Table B-11: Psychologist Staff Comparison¹

Students	PEVSD	Primary Peer Avg.	Difference		
Students Educated ¹	5,499	4,403	1,096		
Students Educated (thousands)	5.499	4.403	1.096		
Position	PEVSD		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	6.00	1.09	0.49	0.60	3.30

Source: PEVSD and primary peers

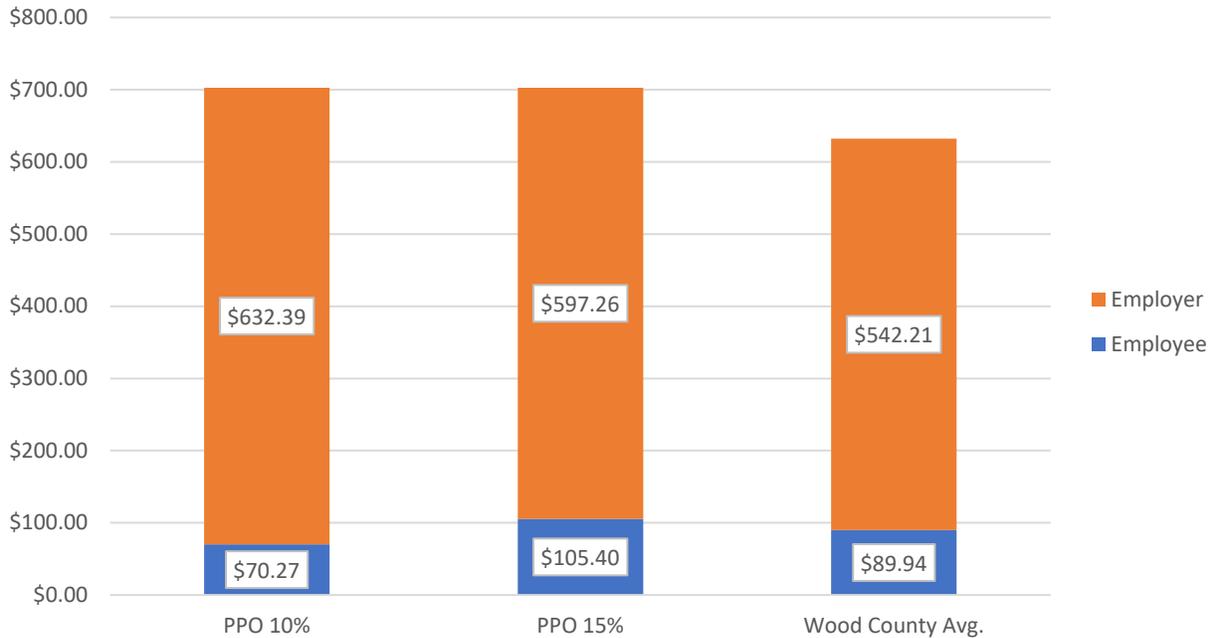
¹ Primary peer average only includes districts that provide psychologist positions in-house.

² Reflects students receiving educational services from the District and excludes the percent of time students that are receiving educational services outside of the District

³ 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.

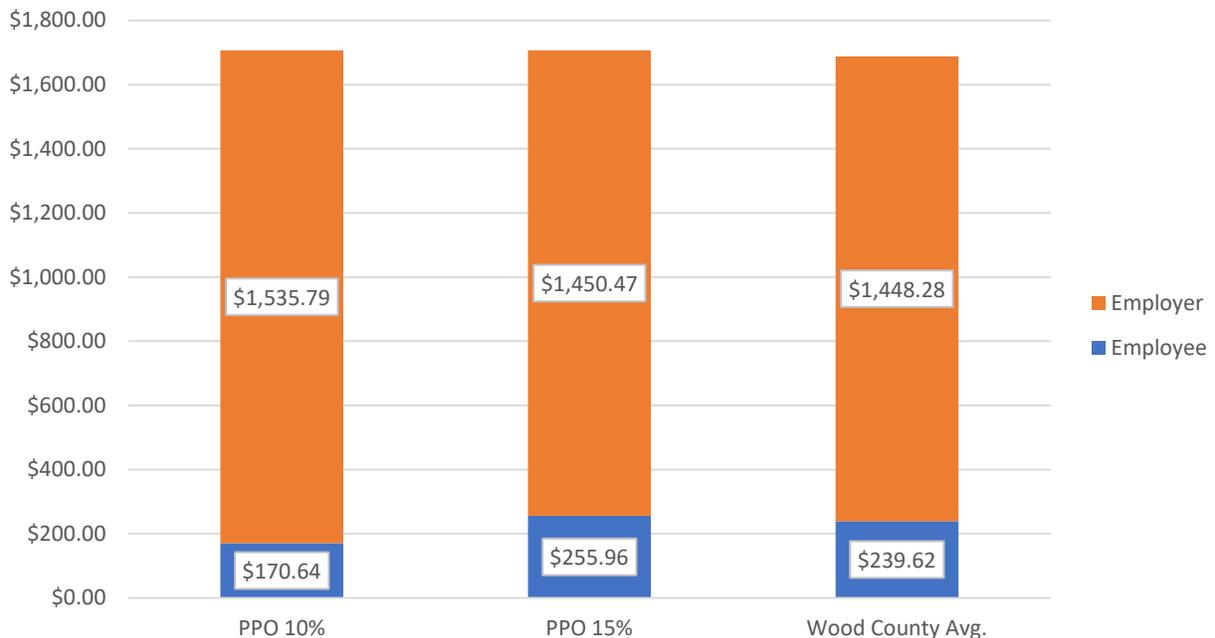
Charts B-2 and B-3 show the average cost of health insurance premiums for PEVSD compared to the Wood County average.

Chart B-2: Single Medical Insurance Premium Comparison



Source: PEVSD and SERB

Chart B-3: Family Medical Insurance Premium Comparison



Source: PEVSD and SERB

Table B-12 and **B-13** provide context regarding **R.5** and the District’s expenses for medical insurance.

Table B-12: FY 2019-20 Single Medical Insurance Employer Cost

PEVSD Employees Enrolled by Plan Type		
PPO 10%		25
PPO 15%		107
Annual Cost		
	PEVSD Annual Employer Cost	Wood County Average Annual Employer Cost
PPO 10%	\$7,588.68	\$6,506.57
PPO 15%	\$7,167.12	\$6,506.57
Annual Difference per Employee		
PPO 10%		\$1,082.11
PPO 15%		\$660.55
Total Annual Cost Savings per Type		
PPO 10%		\$27,052.75
PPO 15%		\$70,678.85
Total Annual Savings for Single Plans¹		\$97,731.60

Source: PEVSD and SERB

¹ PEVSD's five-year forecast projects a 7.0 percent annual increase in insurance costs, therefore the average annual savings achievable in the forecast period is approximately \$119,900.

Table B-13: FY 2019-20 Family Medical Insurance Employer Cost

PEVSD Employees Enrolled by Plan Type		
PPO 10%		114
PPO 15%		217
Annual Cost		
	PEVSD Annual Employer Cost	Wood County Average Annual Employer Cost
PPO 10%	\$18,429.48	\$17,379.40
PPO 15%	\$17,405.64	\$17,379.40
Annual Difference per Employee		
PPO 10%		\$1,050.08
PPO 15%		\$26.24
Total Annual Cost Savings per Type		
PPO 10%		\$119,709.12
PPO 15%		\$5,694.08
Total Annual Savings for Single Plans¹		\$125,403.20

Source: PEVSD and SERB

¹ PEVSD's five-year forecast projects a 7.0 percent annual increase in insurance costs, therefore the average annual savings achievable in the forecast period is approximately \$153,800.

Facilities

Table B-14 provides more information for R.6 relating to the facilities staffing for the District.

Table B-14: Buildings & Grounds Staffing Comparison

Grounds Staffing	
Grounds FTEs	4.0
Acreage Maintained	195.5
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	4.9
Grounds FTEs Above/(Below) Benchmark	(0.9)
Custodial Staffing	
Custodial FTEs	39.9
Square Footage Cleaned	850,776
NCES Level 3 Cleaning Benchmark ¹ - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	28.8
Custodial FTEs Above/(Below) Benchmark	11.1
Maintenance Staffing	
Maintenance FTEs	3.0
Square Footage Maintained	850,776
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	9.0
Maintenance FTEs Above/(Below) Benchmark	(6.0)
Total Buildings & Grounds Staffing	
Total FTEs Employed	46.9
Total Benchmarked Staffing Need	42.7
Total FTEs Above/(Below) Benchmark	4.2

Source: PEVSD, AS&U, NCES, and The Collaborative

¹ According to NCES, Level 3 cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues.



Board of Education
Administrative Offices
140 East Indiana Avenue
Perrysburg, Ohio 43551
419-874-9131

October 3, 2019

Dear Auditor Faber,

Perrysburg Schools is at a crossroads. Our State Report Card Performance Index Score places us in the top 5% of school districts statewide. Perrysburg High School was named one of the Best High Schools by *U.S. News*. Hull Prairie Intermediate School is an Ohio Department of Education STEM-Designated School. Our most recent graduating class was offered over \$14 million in scholarship awards. Our overall expenditure per pupil as well as our administrative expenditure per pupil are below the state average. We are proud of the work that our employees do every day to ensure all students achieve their greatest potential. We are proud of our amazing and talented student body. We appreciate the longstanding support of our community, without which these accomplishments would not have been possible.

Since 2008, our student population has grown by 21%, or 976 students. This is larger than the current population at our junior high school. Because of this explosive growth, Perrysburg Schools is in need of additional revenue to maintain our current level of services to this rapidly growing student population. The Board of Education voted unanimously to place an operational levy on the November 5, 2019 ballot for this reason.

The same reason the Board placed this levy on the ballot also triggered your office, in consultation with the Ohio Department of Education, to conduct a performance audit of Perrysburg Schools. The report has now been released, and it paints a stark picture of how our school district would look without additional operating revenue, in other words, if the November 5 levy does not pass. Steps the auditors have outlined would result in an immediate \$7,015,500 reduction annually to the budget, including the elimination of 98.5 jobs. To put this in perspective, this is more employees than we currently have at Ft. Meigs and Frank Elementary Schools combined.

The recommendations include:

- Eliminate 49 teachers
- Eliminate 10 custodians
- Eliminate 9 student support staff members
- Eliminate 9 support staff members
- Eliminate 8 technology and administrative support employees
- Eliminate 7.5 operational employees
- Eliminate 6 administrators
- Eliminate 24 new general and special education teacher positions budgeted due to projected growth over the next four years
- Eliminate the General Fund subsidy of extracurricular activities, including athletics and performing arts
- Implement a salary base and step freeze for FY 2020-21 through FY 2022-23
- Renegotiate collective bargaining agreement provisions beginning in FY 2021-22
- Decrease employer cost of medical insurance

TOTALS
• Elimination of 98.5 jobs
• Reduction of Current AND Planned Additional Positions Combined: 122.5
• Average Annual Reduction: \$7,015,500

The audit report states: "Although these options would eliminate the deficit in each year of the forecast, it could drastically change service levels within the District." While painful to read, we are thankful to you for making such an impactful statement.

No matter how you feel about school funding, this is the reality for Perrysburg Schools. Your recommendations to be implemented in the event that there are no additional operating funds would create a school district unrecognizable to the community. Every student in the school district would be impacted by the required cuts, and the school district would have trouble attracting and retaining quality employees.

We take the management of taxpayer dollars seriously. We share information regularly with the community and are very responsive when citizens have questions. The financial issues we are facing are not due to our stewardship, but rather how the state funding model and our growth have created the perfect storm. In fact, in this same report, you identified “significant accomplishments” and “exemplary practices” found in Perrysburg School District, specifically in the areas of Strategic Planning and Financial Communication. We appreciate this recognition.

The report details the challenge with the state funding formula for Perrysburg Schools, where over \$3.5 million annually is not sent to the school district by the state in part because of our rapid growth and the property wealth of the school district.

Even with the significant reductions outlined in the report, at the end of four years—if there is no additional revenue—the school district would still only have \$1,987 in its cash reserve. The school district would be placed on Fiscal Watch or Caution by the Ohio Department of Education based on the lack of cash reserves, even having implemented these drastic reductions. Ohio school districts have little choice in the matter of funding as we are quite limited in how we are able to fund our operations.

Perrysburg Schools leaders are reviewing the audit report and incorporating some of the recommendations into our own reduction plan that would be implemented if the levy were to fail in November. While there may be slightly different components between the plans, the end result of cutting \$7,015,500 annually is the final destination that must be reached if no additional operational funds become available this year. Regardless of the outcome of the levy, the information in this report will be examined as we continue to grow and evaluate our services.

We appreciate the work of your team—Godwin Echikunwoke, Justin M. Hopfer, Amanda Kempf, Cody E. Koch and Alisha Zura—and value their professionalism and the insight that their work has provided. The team that worked directly with Perrysburg Schools strove to understand while maintaining their independence. As a school district, we continue to look for ways to improve our performance. We welcome taking a hard look at our operations. This is The Jacket Way.

Sincerely,



Thomas L. Hosler
Superintendent
Perrysburg Schools
419-874-9131
thosler@perrysburgschools.net

OHIO AUDITOR OF STATE
KEITH FABER



PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 3, 2019**