



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

NORTHRIDGE LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

OCTOBER 12, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

To the Members of the Northridge Local School District Community:

The State Auditor's Office is pleased to provide the completed performance audit on the Northridge Local School District (NLSL). As a result of being placed in fiscal emergency on March 14, 2000, the Auditor of State conducted this performance audit to assist NLSL and the Financial Planning and Supervision Commission in their efforts to improve the financial condition of the district.

The performance audit focused on four core aspects of district operations including Financial Systems, Human Resources, Facilities, and Transportation. These areas are important components in district operations and support the district's mission of educating children. In addition, the performance audit contains a proposed financial recovery plan which the school board and Financial Planning and Supervision Commission should consider in developing and refining the plan to resolve those matters which caused the district to be in fiscal emergency. The State Auditor's Office conducted this independent assessment of the district's operations with the objective of providing recommendations to NLSL in areas where the district can either recognize financial benefits or achieve efficiency improvements in service delivery.

An executive summary has been prepared which includes the project history, the purpose and objectives of the performance audit, a district overview, and a summary of each of the four areas including background information, findings, commendations, recommendations and financial implications.

The performance audit has been provided to NLSL and its contents discussed with its staff, the school board and the Financial Planning and Supervision Commission. NLSL has been encouraged to utilize the results of the performance audit as a useful tool for improving its overall operations and as an important resource in the development of its required financial recovery plan.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized "X" mark.

JIM PETRO
Auditor of State

October 12, 2000

EXECUTIVE SUMMARY

Project History

Pursuant to Ohio Revised Code Section 3316.042, the Auditor of State's Office may conduct a performance audit of a school district in a state of fiscal watch or fiscal emergency, and review any programs or areas of operations in which the Auditor of State believes that greater operational efficiencies or enhanced program results can be achieved.

In accordance with Ohio Revised Code Section 3316.03, the Auditor of State can declare a school district to be in a state of fiscal watch if the district has an operating deficit which exceeds eight percent of the preceding year's general fund revenues, the district's unencumbered cash balance for the preceding fiscal year was less than eight percent of the general fund expenditures and a levy has not been passed which will raise sufficient revenues to eliminate these conditions. ORC section 3316.04 allows the Auditor of State to declare a school district to be in a state of fiscal emergency if the district's board of education fails to submit an acceptable financial recovery plan to the State Superintendent of Instruction within 120 days of being placed in fiscal watch.

In January 2000, the Auditor of State, Local Government Services Division (LGS) declared a projected \$628,000 deficit for Northridge Local School District (NLSD or the District) for fiscal year ending June 30, 2000, which met the criteria necessary to be placed in fiscal watch. However, because NLSD's Board of Education did not feel that the District would be able to meet its financial obligations for the remainder of FY 1999-00, the Board passed a resolution requesting the Auditor of State to bypass the fiscal watch process and place the District in fiscal emergency. On March 14, 2000, the Auditor of State formally declared NLSD to be in a state of fiscal emergency. School districts placed in fiscal emergency qualify to receive an interest free advance from the Ohio Solvency Assistance Fund administered by the Ohio Department of Education. NLSD received an advance of \$628,000 from the Ohio Solvency Assistance Fund on May 3, 2000 and is scheduled to repay the full amount over the next two fiscal years.

Pursuant to Ohio Revised Code Section 3316.041, the Auditor of State's Office initiated a performance audit of NLSD. Based upon a review of District information and discussions with the Superintendent and the Ohio Department of Education, the following four functional areas were selected for assessment in the performance audit:

- Financial Systems
- Human Resources
- Facilities
- Transportation

Planning for the performance audit began in late March 2000, and the actual performance audit was conducted primarily during the months of April 2000 through July 2000.

The goal of the performance audit process is to assist the District and the Financial Planning and Supervision Commission (the Commission) in making decisions with the objective of eliminating the conditions which brought about the declaration of fiscal emergency. The performance audit is designed to develop recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. Another objective of the performance audit is to perform an independent assessment of the District's financial situation, including the development of a framework for a financial recovery plan. The recommendations contained within the performance audit will provide one major resource to the District and Commission in developing a financial recovery plan. However, the District and Commission are encouraged to assess overall District operations and to develop other recommendations not contained within the performance audit.

Financial Planning and Supervision Commission

As a result of the Auditor of State declaring NLSD in a state of fiscal emergency, and in accordance with Ohio Revised Code Section 3316.05, a Financial Planning and Supervision Commission was created. This Commission, by law, has broad fiscal and management authority to deal with NLSD's financial problems. Commission membership includes the following:

- The Superintendent of Public Instruction or designee
- The Director of Budget and Management or designee
- An appointment of the County Auditor
- An appointment of the Governor
- An appointment of the Superintendent of Public Instruction who shall be a parent of a child attending a school in the district

Ohio Revised Code Section 3316.06 requires the Financial Planning and Supervision Commission to adopt a financial recovery plan within 120 days of its first meeting. The fiscal emergency legislation stipulates that the plan must contain the following provisions:

- Eliminate the fiscal emergency conditions that prompted the Auditor of State's declaration of fiscal emergency
- Satisfy judgements and any past due payables and/or payroll and fringe benefits
- Eliminate deficits in applicable funds
- Restore to special funds any amounts borrowed or improperly used
- Balance the budget
- Avoid future deficits

- Stay current in all accounts
- Avoid future fiscal emergency conditions
- Restore the school district's ability to market long-term obligations

The Commission has the following powers, duties and functions:

- Review or assume responsibility for the development of all tax budgets, tax levy and bond and note resolutions, appropriation measures, and certificates of estimated resources to ensure they are consistent with the financial recovery plan
- Inspect and secure pertinent documents
- Review, revise and approve determinations and certifications affecting the District made by the County Budget Commission or the County Auditor
- Bring civil actions to enforce fiscal emergency provisions
- Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State's rules
- Assume responsibility for all debt issues
- Make and enter into all contracts necessary or incidental to the performance of its duties
- Implement cost reductions and revenue increases to achieve balanced budgets and carry out the financial recovery plan

The Financial Planning and Supervision Commission is currently reviewing all monthly financial reports, and is monitoring the processes followed by NLSD for all expenditures. The Commission will continue in existence until the Auditor of State determines that the following conditions have been met:

- An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years
- All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred
- The objectives of the financial recovery plan are being met
- The NLSD Board of Education has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse"

District Overview

The Northridge Local School District (NLSD or the District) is located in Licking County. The District encompasses approximately 120 square miles and serves approximately 1,350 students on an annual basis. The District's average daily membership (ADM) for FY 1998-99 was 1,335 compared to the previous fiscal year's ADM of 1,343. In FY 1999-00, the ADM headcount was 1,347, an increase of 3.7 percent from FY 1998-99. The Ohio Department of Education projects enrollment to remain stable at approximately 1,347 through FY 2008-09.

NLSD's student attendance rate was 94.1 percent for FY 1998-99, which was approximately equal to the peer group average of 94.4 percent and greater than the statewide average of 92.6 percent. NLSD's ninth grade proficiency test passage rate was 75 percent for FY 1998-99, which was slightly lower than the peer group average of 77.8 percent and higher than the state average of 61 percent. NLSD met 12 of the 18 standards on the district report card issued in 1999 for the 1997-98 school year and met 19 of 27 standards on the 2000 report card issued recently for the 1998-99 school year. As a result, this level of attainment currently places the District in the Continuous Improvement category.

The District's current financial condition is due, in part, to a historical pattern of operating at deficits within the general and enterprise funds. Some of the factors contributing to these deficits include the transfers from the general fund to cover deficits in the enterprise fund, high plant operation and maintenance costs associated with maintaining a somewhat excessive amount of building capacity, high staffing levels in teaching and support services and a transportation contract with Laidlaw Transit, Inc. that is not closely monitored. In an attempt to improve the District's financial condition; a 1.0 percent District income tax was passed in November of 1997 for a three-year period beginning in January of 1998 and was renewed in March of 2000.

The Auditor of State, Local Government Services (LGS) office has certified a projected deficit of \$628,000 in FY 1999-00. The District borrowed that amount from the State Solvency Assistance Fund during the current fiscal year and will be required to repay one-half during FY 2000-01 and FY 2001-02. Assuming no additional sources of revenue and no significant changes in operations, the financial forecast provided in **Table 2-1** of the **Financial Systems** section of this report shows the District encountering a deficit of approximately \$ 1.7 million by FY 2003-04. While the results of this performance audit suggest that some opportunities exist to reduce expenditures, stable revenues are also required to maintain a balanced budget. Therefore, the District should consider establishing a more permanent source of revenue by attempting to renew the income tax levy when it expires in FY 2004-05. Currently, the income tax levy generates approximately \$1.4 million per year.

NLSD received revenues totaling \$5,503 per pupil in FY 1998-99, placing it above the peer district average of \$5,454 and below the state average of \$6,682. Per pupil expenditures in FY 1998-99 totaled \$6,101, which was the highest among the peers and approximately \$600 in excess of the

revenues per pupil. Per pupil expenditures exceeded per pupil revenues by approximately \$86 in FY 1995-96, \$353 in FY 1996-97 and \$298 in FY 1997-98. In comparison to the peers, NLSD receives the second highest amount of total revenues from local sources. NLSD has been the only district among the peers to experience a percentage decrease in local revenue equaling 6.5 percent from 1996-1999. However, NLSD has seen its revenue from the State increase by 7.3 percent from 1996-1999, while having the largest decrease (9.1 percent) in federal funds for the same time period. Also, NLSD's effective millage had the highest percentage decrease among the peers, declining at a rate of approximately 30 percent from 1996-1999. The 30 percent decrease in the effective millage can be attributed to the District letting a levy expire when it passed its income tax. In addition, NLSD's average property valuation was the highest among the peers for 1998, while having the second highest median income in the same year.

As a labor intensive organization, NLSD expends approximately 80 percent of its operating budget to fund payroll and fringe benefit costs. In FY 1998-99, NLSD's average teacher salary was \$33,799, which is the lowest among all the peer districts. An analysis of NLSD's average teacher salary for the past ten years indicates the District has historically had the lowest average teacher salary among the peer districts. In addition, for FY 1998-99, NLSD had the lowest amount paid for supplemental contracts when compared to the peer districts. An analysis of the average salaries for clerical, crafts/trades, custodial and food service employees indicates the District has somewhat lower average salaries in almost all employee classifications when compared to the peer districts. In addition, the District has the largest percentage of its salaries dedicated to the direct instruction of its student population. Since salaries and benefits account for the largest expenditure and the District has been able to maintain control of these items, NLSD needs to find ways to increase operational efficiencies in other areas to ensure that it is able to regain sound financial stability.

NLSD's annual benefit cost per employee for FY 1998-99 is the lowest among the peer districts at \$3,089, and is also lower than the average annual cost of health care of \$5,680 per covered employee in 1999 as reported by the State Employee Relations Board (SERB). The lower costs can be attributed, in part, to NLSD requiring its employees to contribute to the premium costs for both the single and family medical plans. Additionally, all increases in medical insurance costs are to be shared equally by the District and the employees as per the Northridge Education Association (NEA) contract.

For FY 1999-00, the District has approximately 140.5 employees consisting of 8 administrators, 94.5 teachers and 38 classified employees. These staffing levels represent an increase of approximately 5 full time equivalents (FTEs), or four percent, from the FY 1998-99 levels. During the past five years, the District's staffing levels have ranged from a low of 125 FTEs in FY 1997-98 to a high of 144 FTEs in FY 1995-96. For FY 1998-99, the staffing levels resulted in a 19.1:1 student teacher ratio in elementary schools and a combined 18.2:1 student teacher ratio at the secondary schools. Based on comparisons to peers and ORC standards, the District should consider reducing 2.0 FTE professional education positions at the high school level and 1.0 FTE custodial position through a

school closure. However, on May 15th, 2000, the NLSD Board of Education voted unanimously to approve a reduction in force (RIF) and an early retirement incentive (ERI) in order to reduce the District's overall expenditures. The District's RIF and ERI efforts have resulted in a net reduction of seven employees.

There are currently three elementary schools, one middle school, one high school, one stadium and one transportation facility. The average age of the seven school buildings is approximately 58 years and deferred maintenance has created significant capital needs. In 1990, the Ohio Public Facility Survey estimated it would cost approximately \$8.3 million to repair and upgrade NLSD's facilities to the minimum codes for health and safety. In July 1997, the Ohio Legislative Budget Office updated the figures from the 1990 survey and estimated the current cost to repair the District's facilities to be approximately \$14.7 million. The District is part of the Ohio School Facilities Commission (OSFC) Classroom Assistance Program (the program) which provided NLSD with approximately \$6.1 million for the construction of a high school, renovation of the existing high school into a middle school and general renovations of the three elementary schools. The program requires school districts to match a certain portion of the total cost of the construction. NLSD was required to pass a \$9.1 million bond levy for its portion of the facilities costs. In total, the District has spent \$15.2 million, on the repair and construction of schools, since 1997. The program also requires the District to set aside one-half mill for capital maintenance of the new facility.

The District does not prepare enrollment projections, which are critical to effective capital planning. Based on a capacity analysis using the enrollment projections prepared by the Ohio Department of Education (ODE), it appears that the District has excess building capacity and should consider closing one elementary school building. NLSD's enrollment is expected to be 1,347 by FY 2001-02 and is expected to remain at the same level through FY 2008-09. Therefore, the need for excess capacity at the elementary schools may not be justified. In order to appropriately address educational needs and space availability, the District should formally adopt methodologies for projecting enrollments and functional capacity utilization. Enrollment projections and capacity analyses should be updated on a regular basis and a detailed facilities assessment should be conducted to document current and future school needs. Finally, the District should consider the potential impact of a school closing on community support for the schools.

The average square footage maintained per custodian is 25,892 which is the highest among the peer districts as well as being approximately 1,031 square feet more than the AS&U Region 5 average. The maintenance supervisor at NLSD is responsible for 233,025 square feet, which is approximately 105 percent greater than the peer average and 211 percent greater than the AS&U Region 5 average. In comparison to the peers, NLSD's custodians were the second highest paid while the maintenance supervisor has the highest average base salary. Although the District's custodians and maintenance employees received a minimal amount of overtime, NLSD should closely monitor and limit overtime for custodians and the maintenance employees to emergency work and work which is reimbursed by outside groups.

In August 1996, NLSD contracted with Laidlaw Transit, Inc., to provide student transportation services. Currently, NLSD transports students in grades K-12 whose residence is more than one mile from their assigned school. However, the District also transports many students living less than one mile from their assigned school due to the rural nature of the District and local infrastructure. The existence of sidewalks and crosswalks is limited, and schools are located on state and local routes which would present a hazard to walking students. This transportation policy exceeds of the state's minimum standards which require transportation of students in grades K-8 who live more than two miles from their assigned school. For FY 1998-99, 1,329 students were provided transportation services on 23 buses, 8 of which were Board owned. Because NLSD is in fiscal emergency, the District needs to reduce its expenditures by thoroughly examining all of its operational costs, including the cost of providing transportation services in excess of state minimum standards.

For FY 1998-99, the District transported an average of 57.8 regular needs students per bus at an average cost of \$474, which is \$192 per student higher than the second highest peer district. To improve its operational efficiencies the District should require the transportation contractor to utilize a routing software. In FY 2000-01, NLSD will utilize a three-tier bell schedule. Due to the implementation of the three-tier bell schedule, NLSD expects to eliminate four buses from the necessary daily fleet, resulting in estimated savings of \$160,000. The District also transported 24 special needs students at an average cost of \$6,152, which was the second highest among the peers. The District is encouraged to investigate various alternatives in an effort to reduce the cost of providing transportation services to special needs students.

A review of the Laidlaw contract identified several provisions which may be costly to the District including the requirement that buses be replaced at 10 years or 120,000 miles, the requirement for the District to provide fuel and the requirement that the contract cost increase at an annual rate of 4 percent. Prior to renewing the contract with Laidlaw, the District is encouraged to solicit more responses to the request for proposal by increasing its advertising efforts, holding pre-bid meetings and conducting follow-up phone calls with prospective bidders. In addition, the District should reconsider providing the next contractor with a local hub for transportation while gaining no economic advantage.

In order to achieve and maintain financial stability, NLSD faces several difficult challenges including the reduction of staff, reducing transportation costs and meeting statutory requirements established by House Bill 412, while maintaining high standards for the education of its students. The District's negotiated agreements with the certificated bargaining unit expires on June 30, 2001 and prudent bargaining with the union will help to ensure future financial stability. In addition, staffing levels should be examined and continually modified to reflect changes in enrollment.

The performance audit provides a series of recommendations, many of which include associated cost reductions, redirected services or efficiency improvements. Management should carefully consider these recommendations when making the important decisions necessary to establish financial stability while improving on the educational standards NLSD is providing.

Summary Result

The summary result of the performance audit is contained within pages 1-10 through 1-20. The summary result is followed by overall performance audit information including a definition of performance audits, the objective and methodology of performance audits and peer district comparisons of key information.

The performance audit addresses four major areas of NLSD operations. The financial systems area is further separated into financial planning as well as revenues and expenditures. A summary of background information, major findings, major commendations, major recommendations and financial implications is provided for each area. However, a thorough analysis of each of the four areas, including detailed findings and recommendations, is contained within the corresponding section of the report. All interested parties are encouraged to read the entire report.

The results of this performance audit should not be construed as criticisms of NLSD management. The performance audit should be used as a management tool by the Commission, NLSD and the community to improve operations within the District thereby aiding in the preparation of the District's financial recovery plan.

A table representing a summary of the financial implications of the recommendations is presented on page 1-20 through 1-21. However, the performance audit also contains a number of recommendations which may not generate estimable cost savings but will result in enhanced service delivery within district operations. If implemented, these recommendations would improve the operational efficiency of the NLSD and its effectiveness in achieving its educational mission.

The performance audit is not a financial audit. Therefore, it was not within the scope of this work to conduct a comprehensive and detailed examination of NLSD's fiscal records and past financial transactions. However, copies of the financial audits are available through the Auditor of State's Office.

Financial Systems

This section focuses on the financial systems within NLSD. The objective is to analyze the current financial condition of the District, including an evaluation of the internal controls and to develop recommendations for improvements and efficiencies. Within this section, the District's financial forecast is assessed for reasonableness and an additional forecast is presented representing the Auditor of State's assessment of the District's financial condition.

Background: On March 14, 2000, after conducting an analysis of the District's financial forecast, the Local Government Services (LGS) Division within the Auditor of State's office declared a \$628,000 operating deficit for the fiscal year ending June 30, 2000. Also, the District ended FY 1998-99 with a deficit of \$25,000 and has not passed a levy that will eliminate these deficits. These conditions meet the statutory criteria necessary for the District to be placed in fiscal watch. Generally, a District declared in fiscal watch would attempt to develop a financial recovery plan for approval by the State Superintendent of Public Instruction. However, the NLSD Board of Education stated in a resolution that it would not be able to submit an acceptable plan within the 120 days allowed by state law. The District instead requested immediate placement into a state of fiscal emergency in order to qualify for an advance from the Ohio Solvency Assistance Fund to cover the entire projected operating deficit. NLSD received the interest free advance of \$628,000 from the Ohio Solvency Assistance Fund on May 3, 2000.

Forecast: A financial forecast was prepared by the District's treasurer to fulfill the requirements of H.B. 412. The treasurer's forecast lacks detailed assumptions to clearly indicate the manner in which the forecast was developed, how projected deficit situations will be addressed in future years and how state educational mandates regarding issues such as class size will be met in light of any expenditure reductions. Since the close of FY 1999-00, the treasurer has worked toward a revised forecast in conjunction with the Ohio Department of Education and the Auditor of State.

Table 2-1 presents a forecast for the District assuming no material changes in operating expenditures or revenues. This forecast projects an operating deficit of approximately \$ 1.7 million by FY 2003-04. A second forecast is presented in **Table 2-2** which incorporates performance audit recommendations, including savings and implementation costs, that could serve as a framework for the District's Financial Planning and Supervision Commission as it develops the financial recovery plan. **Table 2-2** also incorporates recent actions implemented by the District's Financial Planning and Supervision Commission that could have a material financial impact on the District.

Findings: An analysis of NLSD's per pupil expenditures indicates that the District had the second highest total expenditures among the peer districts. Furthermore, NLSD's support services expenditures (40.6 percent) were the highest among the individual peer districts and higher than the peer average of (36.4 percent). In addition, the District has high plant operation and maintenance costs and a transportation contract with Laidlaw Transit, Inc that provides the contractor with very

favorable terms. On the State of Ohio 2000 school District report card, the District met 19 of the 27 standards, earning a rating of “Continuous Improvement.” NLSD closely matched the academic performance of the peer districts, which, on average, met 18 of the 27 standards. All of the peer districts fell within the category of “Continuous Improvement.”

Approximately 45.8 percent of the District’s total revenues are derived from local sources. NLSD received the second highest percentage of its total revenue from local sources among the peer districts. However, the District’s local revenues were less than the state-wide average for all school districts which are approximately 51 percent. NLSD’s effective millage is 1.9 mills lower than the peer average, and 8.2 mills lower than the state-wide average for all school districts. The lower effective millage can be attributed to the District letting a levy expire when it passed its income tax. In addition, an examination of the District’s average valuation and median income shows NLSD has the second highest median income and highest property values when compared to the peer districts in 1998.

The District’s food service division has experienced operating deficits in the last two years. The division generated net losses in FY 1997-98 and FY 1998-99, in the amounts of \$68,105 and \$7,763, respectively. The net loss in FY 1998-99 would have been approximately \$47,000 higher had all benefit costs for food service employees been properly recorded in this enterprise fund, as opposed to being paid from the General fund. NLSD has the highest overall staffing level compared to the peer districts in its food service operations. In addition, NLSD has the highest total operational cost and is maintaining the second highest average salary cost per staff member.

NLSD does not prepare a formal long-range capital spending plan, nor has it created a comprehensive facilities master plan (FMP) for use in guiding its long-term spending decisions. The cost of repairing and upgrading the District’s current facilities to meet minimum standards for health and safety is estimated at approximately \$14.7 million. However, since 1997 the District has spent \$15.2 million which included \$9.6 million on the construction of the high school and \$5.6 million on the renovation of the remaining facilities.

Recommendations: The District should develop detailed five-year forecasts with accompanying assumptions and notes for major operating, capital and debt funds. NLSD should use the format of the financial forecast presented in **Table 2-1** and update the information and projections as financial issues change or materialize. The District should also consider making the forecast document available to the general public, as well as to parents, district employees and board members. By presenting more historical and projected financial information, and including detailed accompanying assumptions, explanatory comments, and the methodology used in deriving the financial estimates, the District will provide management, as well as the general public, a more comprehensive understanding of its anticipated financial condition.

The District should begin making effective use of its budgets by managing its expenditures to stay within the total revenues. The budget should be used as the District's spending plan to control expenditures and to help ensure goals and objectives are being met.

Other significant recommendations include the following:

- Examine the spending patterns and consider reallocating monies towards instructional programs which will have the greatest impact on improving the student's education and proficiency test results.
- Consider cost savings options in food service to eliminate the deficit. While the District has moved toward a central kitchen concept to reduce costs, total staffing for NLSD is still the highest among the peer districts. Also, all food service expenses should be properly recorded in this enterprise fund.
- Develop a comprehensive long-range capital plan which addresses the needs for ongoing capital repairs and maintenance.
- Develop and coordinate grant programs to include all teachers and administrators in the grant search and application process.
- Utilize the recommendations contained in this performance audit to assist in identifying revenues currently being spent on support services which could potentially be shifted to further support instructional activities.
- The District should focus on maintaining a stable flow of revenues to ensure future financial stability.

Financial Implication: It is estimated that implementation of the recommendations in this section of the report would result in approximately \$35,000 in annual savings.

Human Resources

Background: The District does not have a separate department dedicated to performing human resources functions. While the superintendent performs the majority of these functions with the assistance from the building principals, the county educational service center (ESC) helps recruit teachers and substitutes, and the treasurer is responsible for processing and distributing benefit information. The human resource functions carried out by the District include recruiting and selecting employees, placing substitutes, monitoring compliance with employment standards, facilitating employee performance evaluations, administering and monitoring grievance procedures, negotiating and administering union contracts, conducting disciplinary hearings and participating in new employee orientation.

Findings: The District has a higher ratio of teachers, teaching aides, clerical and food service staff per 1,000 students than any of the individual peers or the peer average; however, only the teacher staffing ratio appears to be significantly higher. The contract with the Northridge Education

Association (NEA) stipulates seven and one-half hours as the length of the teacher workday and provides all teachers with one “non-pupil contact” period per day and a duty-free lunch period of not less than 30 minutes. The average middle school and high school teacher provides direct academic instruction for six periods a day as the District currently utilizes an intervention/tutoring period for teachers to provide instruction to those students who require additional aid. A review of the high school’s FY 1999-00 master teaching schedule, excluding special education classes, revealed that approximately 46 percent of all class sections had 15 or fewer pupils, which may also contribute to the higher teacher staffing ratios per 1,000 students. The student/teacher ratio of traditional students to traditional teachers in grades K-2 is currently 21.4:1 and 17.4:1 in grades 3-5; the student/teacher ratio of all regular elementary students to traditional elementary teachers is currently 19.1:1. Regular student to traditional teacher class size ratios in the middle and high schools average 17.0:1 and 19.1:1 respectively. All of these ratios exceed the minimum state standards for elementary and secondary education, which provides for a 25:1 student/teacher ratio for all grade levels. The NLSD Board of Education voted unanimously to approve a reduction in force (RIF) in order to reduce the District’s expenditures. The District also currently offers an Early Retirement Incentive (ERI) in an effort to further reduce its costs.

The District has only one collective bargaining unit, the Northridge Education Association (NEA-teachers); classified staff do not have union representation. With the exception of the 7th and 8th grades at the middle school and the entire high school, the contractual stipulations regarding class size exceed state minimum standards of a 25:1 student/teacher ratio. The NEA contract allows vacancies and transfers to be filled by the most qualified candidate rather than the candidate with most seniority. The NEA contract also states that the grievance procedure begins informally and that a formal written grievance must be filed within 30 days from the date of the event or condition giving rise to the grievance. According to the NEA agreement, NLSD establishes an annual fund to provide reimbursement to teachers for continuing education; participants must obtain a grade of at least a “C” or “Pass” and must provide proof in order to qualify for reimbursement. First year teachers are required by the NEA agreement to be evaluated at least twice per semester and are also assigned a mentor for these first two years. Teachers in the last year of their limited contracts are required to be evaluated at least once per semester. While it is not specified in the contract, teachers in the middle of a limited contract (beyond the first two years) are evaluated at least once annually. The District does not currently have a probationary period to determine the fitness and adaptability of new employees. The District includes holidays, vacation, paid sick leave, personal days and any other time spent in active pay status when calculating the hours worked for overtime pay, beyond the requirements set forth by law. The District also provides all 11 and 12-month classified employees with 10 paid holidays and employees working less than 11 and 12-months with nine paid holidays, which is the highest among the peer districts. Currently, it is the District’s practice to compensate employees for actual time worked for all emergency call-in situations. NLSD provides calamity day compensation for all employees; classified staff required to work on a calamity day receive “double time,” or pay at straight time in addition to the calamity day compensation. According to the District, classified employees are only required to work on an “as needed” basis; as such, NLSD does not delineate who must work on calamity days.

The NEA agreement allows for the unlimited accrual of sick leave. Severance pay is calculated by multiplying the daily rate of the current contracts by one-fourth of the bargaining unit member's accumulated but unused sick leave at the time of retirement, and it is granted to all NLSD employees regardless of years of service to the District. NLSD had the lowest average number of sick days per employee taken by teaching staff, yet it experienced high rates of sick leave use by staff in the other categories.

Commendations: NLSD has the highest employee share for medical and dental benefits of any of the school districts audited to date. By implementing a higher employee share and by incorporating an "equal share" clause into the contract, the District has been able to contain costs in an area in which most school districts spend considerable amounts of revenue. The District's evaluation of teachers four times per year in their first two years and limited contract teachers nearing the end of their contracts at least twice per year provides the District with an effective assessment of a teacher's job performance. Furthermore, supplying a mentor to teachers in their first two years enables the District to give the necessary guidance and support to help its staff improve.

Other significant commendations include:

- Maintaining the largest percentage of salaries dedicated to direct instruction
- Using a fixed stipend in lieu of supplemental contracts to control costs
- Basing vacancy and teacher transfer decisions on qualifications and not just seniority
- Initiating a tuition reimbursement program for certificated staff
- Paying only for actual hours worked in emergency situations

Recommendations: The District should evaluate the effectiveness of providing high school teachers a full period of instruction for tutoring and should consider alternative methods of providing additional assistance to students rather than dedicating an instructional period for that purpose. In addition, the District should examine its class enrollment and the structure of its master teaching schedule to ensure that teaching staff is being fully utilized. Additionally, the District should further examine its class size contractual stipulations as specified in the NEA agreement.

The District should also reconsider the number of paid holidays provided to 11 and 12-month and less than 11-month classified employees. Furthermore, NLSD should consider renegotiating its severance policy when the contract ends in 2001 to standards identified by ORC § 124.39 in order to lessen the financial burden on the District. These recommendations should be considered in the context of the current equitable relationship and practices that exist with District employees.

The performance audit identified areas where staff could possibly be reduced. The following table summarizes areas where staffing levels should be reviewed when evaluating alternatives to deal with the current financial situation. Procedures should be developed to monitor and improve productivity to offset the operational impact of staff reductions. Furthermore, it is important to note that the

reductions in teaching staff do not reflect those positions already reduced by the District’s RIF or ERI.

Staff Reductions by Position				
Classification of Position	Basis	Section Number	Number Reduced	Estimated Annual Savings
Food Service	By reducing food service staff by 1.5 FTEs, the District will be able to establish a staffing level in line with the peer average.	2	1.5	\$35,000
Teaching	Eliminating the tutoring period in the high school could potentially allow for the reduction of two high school teaching staff.	3	2.0	\$87,978
		Totals	3.5	\$122,978

Other significant recommendations include:

- Requiring all grievances to be filed within five to ten days of the act or condition
- Establishing a probationary period policy
- Negotiating the overtime policy to be more in line with the guidelines set forth by law
- Establishing a policy that defines essential employees for calamity days

Financial Implications: It is estimated that the implementation of all the recommendations in this section of the report would result in an annual savings of approximately \$93,558 with a cost avoidance ranging from approximately \$273,000 to \$293,000.

Facilities

Background: The maintenance and custodial departments are responsible for maintaining NLSD’s facilities. The District consists of five school sites with a total area of 233,025 square feet. There is also an administrative building and a bus garage within the District; however, the custodial staff and maintenance supervisor spend very little time cleaning or maintaining these facilities. The department includes 10.0 full time employees and has an annual budget of approximately \$750,000. Facility surveys, conducted by the Ohio Department of Education in 1990 and the Ohio Legislative Budget Office (LBO) in 1997, estimated it would cost between \$8.3 million and \$14.7 million to repair and upgrade NLSD’s facilities to minimum health and safety code standards. A separate survey conducted by Fanning/Howey indicated it would cost approximately \$9.9 million to repair and upgrade NLSD’s facilities to minimum health and safety code standards. Since 1997, the District has spent \$15.2 million on facilities which included \$9.6 million on the construction of the high school and \$5.6 million on the renovation of the remaining facilities.

Findings: NLSD custodians maintain an average of 25,892 square feet per custodian, 21.1 percent more average square footage than the peer district average and 4.1 percent more than the AS&U Region 5 average. The maintenance supervisor is responsible for all 233,025 square feet which is 105 percent more than the peer district average and 211 percent higher than the AS&U Region 5 average. However, the high number of square feet which custodian and maintenance employees are responsible for is due, in part, to the excess capacity which is not being effectively utilized at the District.

The maintenance supervisor is responsible for completing the preventive maintenance in the District. NLSD does not have a written preventive maintenance schedule detailing when each task is to be performed or a log book to record when the preventive maintenance tasks are completed. Board policies state that performance evaluations are to be given to custodial and maintenance employees on an annual basis. However, custodial and maintenance employees do not receive their evaluations on a regular basis.

The District has not developed a comprehensive facilities master plan. The end result is the inability to plan for the current and future facilities needs of the District. In addition, analysis of the current facilities reveal that the District has a significant amount of excess capacity (33.1 percent) which is not being utilized. The Ohio Department of Education projects enrollment to remain stable at approximately 1,347 through FY 2008-09.

NLSD has taken advantage of both House Bill (H.B.) 264 funding and funding from the Ohio School Facilities Commission. The District has also participated in a program from the Metropolitan Education Council's Self-Help Gas Program which allows the District to purchase discounted gas.

Commendations: Participating in the Metropolitan Education Council's Self-Help Gas Program allows NLSD to purchase gas at a discounted price and increase funding available to support other educational or facilities related programs.

Recommendations: The District should implement a standard methodology to determine staffing levels within each of the school facilities. In addition, due to the current financial situation within the District and the square footage which is not being effectively utilized, NLSD should consider closing one elementary school. The savings generated by the school closure could increase funding levels for other educational or facilities related programs. In addition, NLSD should develop a methodology to determine proper allocation of custodial employees throughout the District.

The District should implement the use of a log for the maintenance supervisor to record daily activities in 30-minute increments. In addition, another log should be implemented to schedule preventive maintenance activities and the completion of these items. NLSD administrative officials should perform evaluations on custodial and maintenance staff in a timely and routine basis.

In addition, a comprehensive facilities master plan should be created to determine the current and future facility needs within the District. Furthermore, the comprehensive facilities master plan should be reviewed to address the changing needs in the community and can assist the District in making more effective decisions regarding the allocation of limited resources to achieve the District's goals and objectives.

Other significant recommendations include the following:

- Continue monitoring overtime costs for custodial and maintenance employees
- Implement a policy which defines essential employees on a calamity day including administrators, building custodians, 12-month exempt employees and other personnel necessary to prepare the District for re-opening the school.

Financial Implications: It is estimated that the recommendations in this section of the report would result in annual savings of approximately \$150,000.

Transportation

Background: NLSD has contracted with Laidlaw Transit, Inc. (Laidlaw) to provide student transportation services since August 1996 after receiving only one bid. Laidlaw performs all transportation-related functions, including the provision of employees and materials, utilizing garage and office space provided by the District as a terminal for all local operations. In FY 1998-99, Laidlaw provided transportation to 1,329 students using 12 Laidlaw-owned and 11 District-owned buses. The regular student transportation program traveled approximately 429,000 miles serving an estimated 1,275 public and 30 non-public students at a cost of \$678,134. The special needs transportation program traveled approximately 144,000 miles transporting 24 special needs students at a cost of \$153,372. Laidlaw's 28 transportation employees served 10 public and 9 non-public school sites within the 120 square mile District.

Findings: NLSD provides transportation to all students in grades Kindergarten through 12 who live more than one mile from their assigned school, which exceeds state minimum standard. The District began and ended classes on a two-tiered bell schedule in FY 1999-00, having since taken measures to change to a three-tiered schedule to reduce transportation costs. Most NLSD bus stops are made for one or two students in front of their homes. The District has transported an average of 57.8 students per bus, though this should rise to approximately 69.9 with the change to a three-tiered bell schedule.

NLSD does not have measures in place to ensure the accuracy of data on the District's T Forms which are used to determine state transportation reimbursements and to document actual transportation expenditures. This has resulted in errors being reported to the Ohio Department of Education (ODE), although the District's reimbursement has not been affected. The District receives

School Foundation Finance funds for transportation and also received a bus purchase allowance of approximately \$66,000 in FY 1999-00. For transportation services, the District pays Laidlaw \$195.24/day for District-owned buses and \$226.56/day for Laidlaw-owned buses, which includes a bus amortization charge. This translates to operational costs for the District of approximately \$474 per regular needs student and \$33,289 per bus, which are the highest among the peers. Operational costs of \$1.34 per mile and \$6,152 per special needs student were the lowest and second highest among the peers, respectively. NLSD does not make effective use of payment in lieu of transportation, parent/guardian contracts or other means of transportation. Plans are underway to include a transportation department employee in the development of individualized education plans (IEP) for special needs students, although this is not the current practice.

In providing transportation services to NLSD, Laidlaw replaces all buses at ten years of age, regardless of mileage or other factors. The District is responsible for providing fuel and is a member of the Metropolitan Education Council, through which it can purchase fuel at consortium-negotiated rates. NLSD's fuel tank is enclosed in a fence with a locking gate and can be activated or deactivated by a switch inside the transportation office. Laidlaw does not use routing optimization software in the development of bus routes at NLSD, and the V-Track software used for bus maintenance needs updating. Other major provisions of NLSD's transportation contract with Laidlaw include the following:

- Laidlaw will carry single limit liability of \$25,000,000 per bus for each accident and \$25,000,000 bodily injury and property damage per accident
- Extra-curricular trips will be billed at \$23.62 per hour (FY 1999-00 rate)
- All rates shall increase at four percent per year on the first day of August
- Compensation shall be for no less than 178 days
- The contract can be renewed for one additional three year term in August 2001

Commendations: NLSD has taken measures to establish a three-tiered bell schedule beginning in FY 2000-01. The use of a multiple-tiered bell schedule enhances bus fleet utilization by allowing buses to make multiple runs per route. The District expects to eliminate four buses from its necessary daily fleet, resulting in savings of approximately \$160,000.

Recommendations: NLSD should continually track and assess the implications of the Board policies which allow for the provision of transportation to students above state minimum standards. Increased route efficiency, including the use of route optimization software, could also decrease operational expenditures. The District needs to develop procedures to ensure that accurate reports are filed with ODE and should file corrected forms for FY 1998-99. Further promotion of alternate means of transportation, including payment in lieu of transportation and parent/guardian contracts, could help control both regular and special needs transportation costs. The District should follow through with plans to include an employee from the transportation department in the development of IEP's for special needs students.

NLSD should prepare a request for proposal (RFP) for transportation services when the current contract expires. The following should be included in the RFP specifications:

- Contractor should provide updated versions of all necessary transportation software
- Contractor should provide all necessary materials, including fuel
- Contractor should replace buses every 12 years or as determined by mileage
- Rates of increase for contractor fees should be tied to an independent index, such as the Consumer Price Index

The District should be cognizant of the goals and objectives it hopes to accomplish through contracting transportation, and should select a District official to monitor the contract to ensure that these goals and objectives are being met.

Financial Implications: It is estimated that the recommendations in this section of the report would result in approximately \$1,400 to \$2,200 in implementation costs and \$346,715 in annual savings.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which NLSD and the Financial Planning and Supervision Commission should consider. Certain of the recommendations are dependent on labor negotiations or community approval. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit report.

Estimated Revenue Enhancements, Cost Savings and Cost Avoidance				
Ref. No.	Recommendations From All Sections	Implementation Cost	Cost Savings	Cost Avoidance
	<i>Financial Systems</i>			
R2.4	Reduce Food Service Staff		\$35,000 (annual)	
	<i>Human Resources</i>			
R3.1	Reduce high school teaching staff by two teachers		\$87,978 (annual)	
R3.8	Eliminate three paid holidays for classified staff		\$5,580 (annual)	
R3.10	Achieve cost avoidance by implementing a reduced payout of sick leave for severance payments to certificated and classified staff			\$273,000 - \$293,000
	<i>Facilities</i>			
R4.11	Close one elementary school		\$150,000 (annual)	
	<i>Transportation</i>			
R5.1	Increase routing efficiency and district action to establish three-tiered bell schedule		\$80,655 \$160,000 (annual)	
R5.4	Special needs student transportation changes		\$87,000 (annual)	
R5.6	Payment in lieu of transportation		\$9,060 (annual)	
R5.7	Longer bus replacement schedule		\$10,000 (annual)	
R5.9	Installation of electronic key fuel protection system	\$1,400 - \$2,200 (one time)		
	Total	\$1,400 - \$2,200 (one-time)	\$625,273 (annual)	273,000 - \$293,000

The financial implications summarized above are presented on an individual basis for each recommendation. The magnitude of cost savings associated with some recommendations could be affected or offset by the implementation of other interrelated recommendations. Therefore, the actual cost savings, when compared to estimated cost savings, could vary depending on the implementation of the various recommendations.

Objectives and Scope

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, conclusions and recommendations. Performance audits are usually classified as either economy and efficiency audits or program audits.

Economy and efficiency audits consider whether an entity is using its resources efficiently and effectively. They attempt to determine if management is maximizing output for a given amount of input. If the entity is efficient, it is assumed that it will accomplish its goals with a minimum of resources and with the fewest negative consequences.

Program audits normally are designed to determine if the entity's activities or programs are effective, if they are reaching their goals and if the goals are proper, suitable or relevant. Program audits often focus on the relationship of the program goals with the actual program outputs or outcomes. Program audits attempt to determine if the actual outputs match, exceed or fall short of the intended outputs. This audit was primarily designed as an economy and efficiency audit.

The objectives of performance audits may vary. The Auditor of State's Office has designed this performance audit with the objective of reviewing systems, organizational structures, finances and operating procedures to develop recommendations for reducing operating costs, increasing revenues or improving efficiency. Specific objectives of this performance audit are the following:

- Identify opportunities for improving district effectiveness, responsiveness and quality of service delivery which is cost beneficial
- Identify opportunities for improving district procedures, work methods and capital asset utilization which should result in higher quality and/or reduced costs
- Determine if the current district organization is flexible and effectively structured to meet future demands
- Evaluate financial policies and procedures and provide recommendations for enhanced revenue flows, expenditure reduction ideas or alternative financing techniques
- Assure administrative activities are performed efficiently and effectively without unnecessary duplication
- Determine if support activities are sufficient to meet educational objectives
- Ensure education goals and objectives are supported by the administrative organization
- Ensure the administrative hierarchy does not diminish teacher effectiveness
- Perform an independent assessment of the district's financial situation including developing a framework of a financial recovery plan

The performance audit topics focus primarily on the system/business side of school district operations. By focusing on systems, the audit provides the districts with alternative recommendations intended to enable the district to operate more efficiently and economically. Enhancements to these systems will assist in improving the delivery of educational services to students.

The performance audit on NLSD covers the following areas of operations:

- Financial Systems
- Human Resources
- Facilities
- Transportation

These particular areas were selected pursuant to discussions with the district and the Department of Education. Within district operations, these areas are important to assess because they typically are major cost centers and have the potential to create a significant financial or operational risk.

Methodology

To complete the performance audit, the auditors gathered and assessed a significant amount of data pertaining to NLSD, conducted interviews with various groups associated with NLSD and conducted interviews and assessed information from the peer districts along with another nearby school district. The methodology is further explained below.

Studies, reports and other data sources

In assessing the various performance audit areas, NLSD was asked to provide any previous studies or analyses already prepared on the subject areas. In addition to assessing this information, the auditors spent a significant amount of time gathering and assessing other pertinent documents or information. Examples of the studies, reports and other data sources which were studied include the following:

- Financial forecasts
- NLSD financial and budgetary reports
- Board policy manual and board minutes, including appropriation resolutions and amendments
- Negotiated union contracts
- Organizational charts and position descriptions
- Various reports from the Education Management Information System (EMIS)
- Cost of Health Insurance in Ohio's Public Sector Report from the State Employee Relations Board (SERB)
- Data from the Bureau of Workers' Compensation
- Various Ohio Department of Education transportation forms

- American School and University's 2000 Annual Maintenance and Operating Cost Study
- Reports regarding the State Emergency Loan Program and State Solvency Assistance Fund
- Ohio Revised Code and Ohio Administrative Code

Interviews, Discussions and Surveys

Numerous interviews and discussions were held with many levels and groups of individuals involved internally and externally with NLSD. These interviews were invaluable in developing an overall understanding of district operations and in some cases, were useful sources in identifying concerns with NLSD's operations and in providing recommendations to address these concerns. Examples of the organizations and individuals that were interviewed include the following:

- Administrators, teachers, and support staff
- Union representatives
- The Ohio Department of Education
- The Ohio Schools Facilities Commission (OSFC)
- Representatives from the Licking County Auditor's Office

Benchmark Comparisons with Other Districts

Three school districts, Johnstown-Monroe Local, Liberty Union-Thurston Local and North Central Local, were selected to provide benchmark comparisons with NLSD. Additionally, for certain analyses, Elyria City School District was also used for benchmark comparison purposes. Performance indicators were established for the various performance audit areas to develop a mechanism for determining how effectively and efficiently NLSD is providing necessary functions. The information was gathered primarily through information contained within the Department of Education's Education Management Information System (EMIS) and information provided by the selected peer districts named above.

Certain other performance audits had information or suggested procedures which were used where applicable. These suggested procedures were selected to provide certain benchmark comparisons with NLSD regarding facilities operations.

Comparative Districts

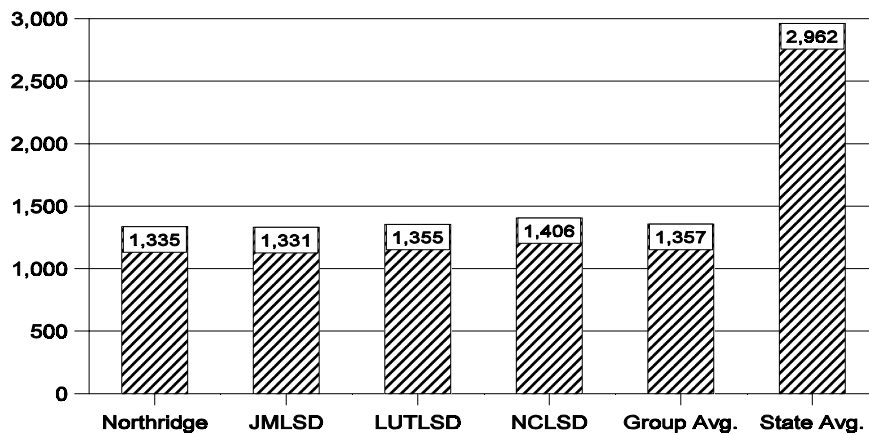
One important component of a performance audit is the selection of peer districts. The peer groups provide an ability to compare information and statistics while providing benchmarking data. The peer group selected for this performance audit includes Johnstown-Monroe Local, Liberty Union-Thurston Local and North Central Local. These districts were selected as peer districts because of similar demographic statistics. The peer average includes Northridge Local School District, unless otherwise noted. The statewide average includes all school districts located within the state of Ohio. Certain information contained within this executive summary may differ from the individual areas due to the timing of the data from the Department of Education.

Average daily membership (ADM) differs from standard enrollment in that it makes adjustments for kindergarten, special and vocational education students. From 1996 - 1999, Northridge's ADM has increased by 1.37 percent, which was the second highest increase over this four year period among the peer districts. The District's ADM was 1,335 in FY 1998-99. This was the second lowest among the peer districts and slightly below the group average for FY 1998-99. All four of the peer districts fall far below the state average ADM. North Central was the only district that experienced a decline in ADM over the four year trend period.

Average Daily Membership					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	1,317	1,324	1,343	1,335	1.37%
Johnstown-Monroe LSD	1,277	1,322	1,334	1,331	4.23%
Liberty Union-Thurston LSD	1,337	1,355	1,369	1,355	1.35%
North Central LSD	1,445	1,487	1,390	1,406	(2.70)%
Group Average	1,344	1,372	1,359	1,357	0.95%
State Average	2,966	2,974	2,953	2,962	(0.13)%

Source: Educational Management Information System (EMIS)

Average Daily Membership
Fiscal Year 1998-1999



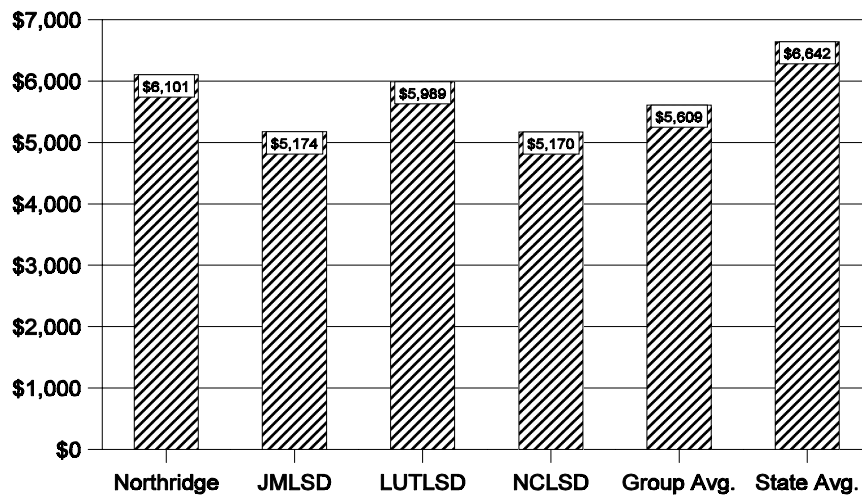
Northridge’s expenditures per pupil of \$6,101 for FY 1998-99 were the highest among the peer districts. The District’s percentage increase over the four year trend period was the second highest among the peer districts. However, for FY 1998-99, Northridge’s expenditures per pupil were lower than the state average. The District’s 19.18 percent increase from FY 1996-99 was 11 percent lower than the state average increase and 26 percent higher than the group average increase.

Expenditures Per Pupil					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	\$5,119	\$5,667	\$5,609	\$6,101	19.18%
Johnstown-Monroe LSD	\$4,511	\$4,639	\$4,527	\$5,174	14.70%
Liberty Union-Thurston LSD	\$4,949	\$5,315	\$5,636	\$5,989	21.01%
North Central LSD	\$4,884	\$5,034	\$5,252	\$5,170	5.86%
Group Average	\$4,866	\$5,164	\$5,256	\$5,609	15.26%
State Average	\$5,466	\$5,815	\$6,071	\$6,642	21.51%

Source: Educational Management Information System (EMIS)

Expenditures Per Pupil

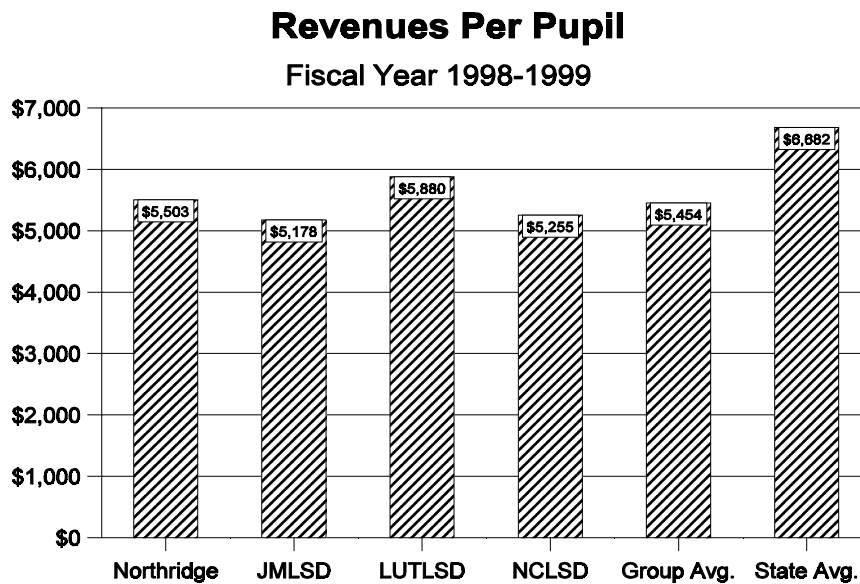
Fiscal Year 1998-1999



Northridge’s revenues per pupil were approximately \$600 less than its expenditures per pupil for FY 1998-99. The District had the second highest revenues per pupil among the peer districts in FY 1998-99 and the second lowest rate of increase over the four year trend period at 9.34 percent. The 9.34 percent increase was 20 percent lower than the group average and 51 percent lower than the state average over the four year trend period.

Revenues Per Pupil					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	\$5,033	\$5,314	\$5,311	\$5,503	9.34%
Johnstown-Monroe LSD	\$4,367	\$4,586	\$4,887	\$5,178	18.57%
Liberty Union-Thurston LSD	\$5,261	\$5,563	\$5,785	\$5,880	11.77%
North Central LSD	\$4,879	\$5,189	\$5,478	\$5,255	7.71%
Group Average	\$4,885	\$5,163	\$5,365	\$5,454	11.65%
State Average	\$5,612	\$5,995	\$6,419	\$6,682	19.07%

Source: Educational Management Information System (EMIS)

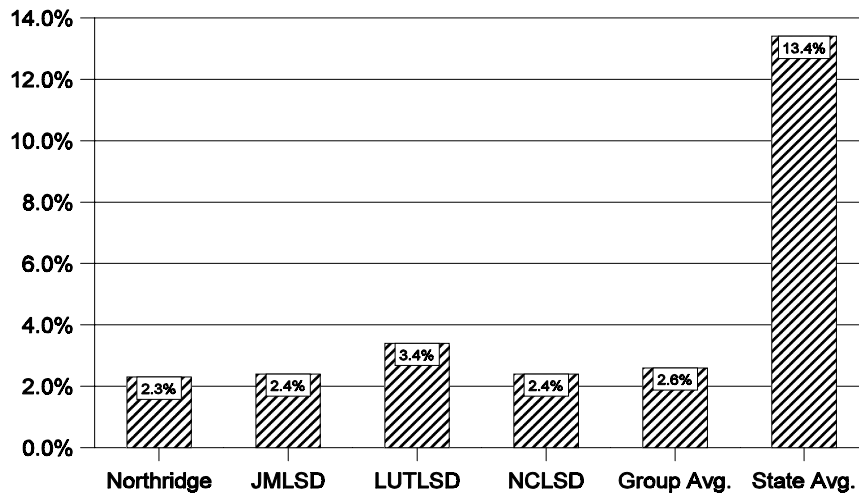


Northridge had the lowest percentage of students receiving Temporary Assistance for Needy Families (TANF) among the peer districts in FY 1998-99. The District's TANF rate of 2.3 percent of students was 11.5 percent lower than the group average and 83 percent lower than the state average for FY 1998-99. Over the four year trend period, Northridge's percentage of students receiving TANF declined at a rate slightly higher than the group average and significantly higher than the state average. All of the peer districts display a relatively low percentage of students receiving TANF throughout the past four years while also exhibiting sharp reductions of over 40 percent during the four year trend period.

Percentage of Students Receiving Temporary Assistance for Needy Families (TANF)						
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	Increase/Decrease 1996-99	% Change 1996-99
Northridge LSD	4.3%	3.9%	3.0%	2.3%	(2.0)%	(46.51)%
Johnstown-Monroe LSD	4.2%	3.8%	2.9%	2.4%	(1.8)%	(42.86)%
Liberty Union-Thurston LSD	6.0%	5.2%	4.5%	3.4%	(2.6)%	(43.33)%
North Central LSD	4.1%	3.7%	3.4%	2.4%	(1.7)%	(41.46)%
Group Average	4.7%	4.2%	3.5%	2.6%	(2.1)%	(43.55)%
State Average	16.6%	15.9%	15.1%	13.4%	(3.2)%	(19.28)%

Source: Educational Management Information System (EMIS)

Percentage of TANF Students Fiscal Year 1998-1999

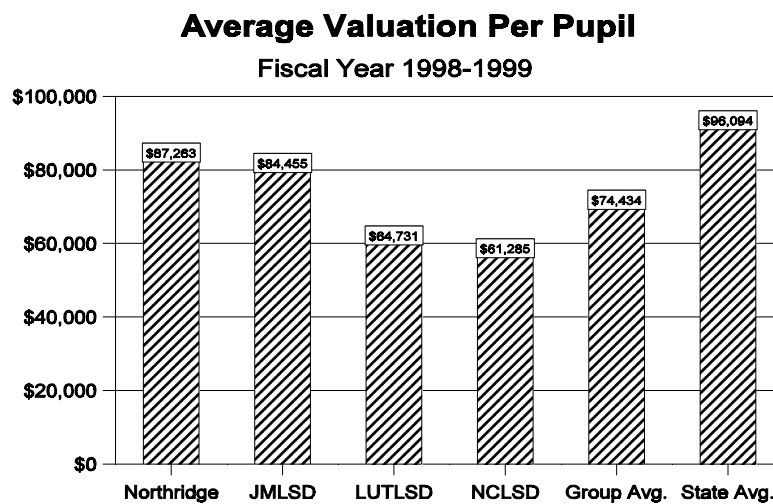


The assessed average property valuation per pupil is an important component in a school district’s funding. Average property valuation is a significant factor in determining the ability of the school district to remain financially viable. The higher the average property valuation, the greater the potential income source to the district due to the fact that school district funding in the state of Ohio is primarily local property tax driven. Therefore, a higher valuation per pupil has the potential to generate greater amounts of local property taxes, everything else being equal.

Northridge’s average property valuation per pupil was \$87,263 in FY 1998-99, the highest among the peer districts. However, this figure falls nine percent below the state average for the same year. Northridge’s average property valuation increase of 24.39 percent over the four year trend period was the lowest among the peer districts, but it was higher than the state average. In comparison to Liberty Union-Thurston and North Central, Northridge has a much greater potential to generate local property tax revenue.

Average Valuation Per Pupil					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	\$70,155	\$73,827	\$84,122	\$87,263	24.39%
Johnstown-Monroe LSD	\$67,817	\$69,429	\$81,660	\$84,455	24.53%
Liberty Union-Thurston LSD	\$49,194	\$61,525	\$62,906	\$64,731	31.58%
North Central LSD	\$48,613	\$48,236	\$58,498	\$61,285	26.07%
Group Average	\$58,945	\$63,254	\$71,797	\$74,434	26.28%
State Average	\$83,413	\$85,628	\$91,750	\$96,094	15.20%

Source: Educational Management Information System (EMIS)

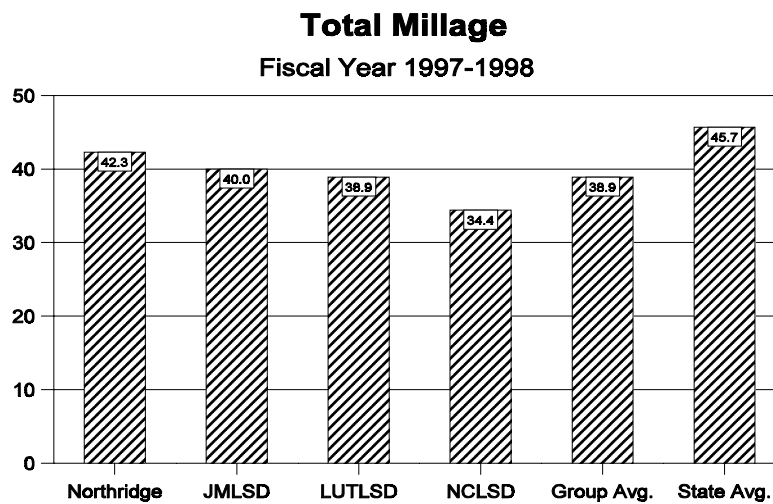


Effective millage and total millage are the measurement units of assessed local property taxes. A mill will raise \$1.00 of tax revenue for every \$1,000 of taxable property value it is levied against. Total millage is the voted rate assessed to the entire local tax base, while effective mills are the rates applied to real property in each school district after the application of the tax reduction factor.

Northridge had the highest total millage figure of the peer districts for FY 1997-98. The District’s total millage of 42.3 was 7.4 percent lower than the state average and close to nine percent higher than the group average for the same year. Northridge’s total millage remained flat over the four year trend period. The lack of change in Northridge’s total millage was consistent with the trend in the state and group averages over the same time period.

Total Millage					
	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	%Change 1995-98
Northridge LSD	42.3	42.3	42.3	42.3	0.00%
Johnstown-Monroe LSD	40.9	40.0	40.0	40.0	(2.20)%
Liberty Union-Thurston LSD	38.9	38.9	38.9	38.9	0.00%
North Central LSD	35.2	34.7	34.7	34.4	(2.27)%
Group Average	39.3	39.0	39.0	38.9	(1.08)%
State Average	45.9	44.5	45.0	45.7	(0.44)%

Source: Educational Management and Information System (EMIS)

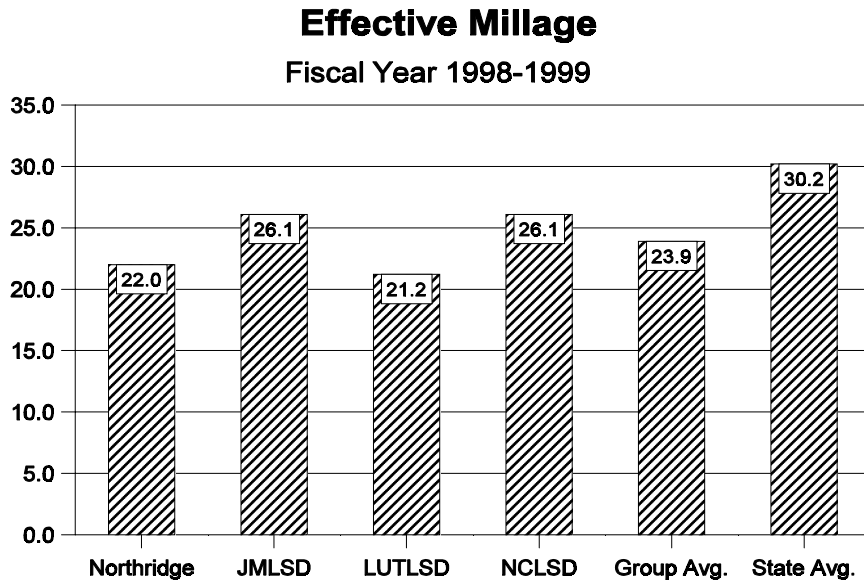


Because of the impact of H.B. 920, effective millage is a more accurate gauge in assessing the amount of revenues school districts generate from property taxes.

Northridge’s effective millage was 22.0 in FY 1998-99, the second lowest of the peer districts. The District’s effective millage was 27 percent lower than the state average for the same year. While the three peer districts experienced slight declines over the four year trend period, Northridge suffered a decline of over 29 percent in effective millage over the same time frame. This drastic decline could have the potential to negatively impact the amount of revenues generated from property taxes in Northridge.

Effective Millage					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	31.1	31.1	29.7	22.0	(29.26)%
Johnstown-Monroe LSD	26.7	26.7	23.7	26.1	(2.25)%
Liberty Union-Thurston LSD	21.7	21.2	21.2	21.2	(2.30)%
North Central LSD	26.8	26.8	26.1	26.1	(2.61)%
Group Average	26.6	26.5	25.2	23.9	(10.25)%
State Average	30.5	30.9	30.7	30.2	(0.98)%

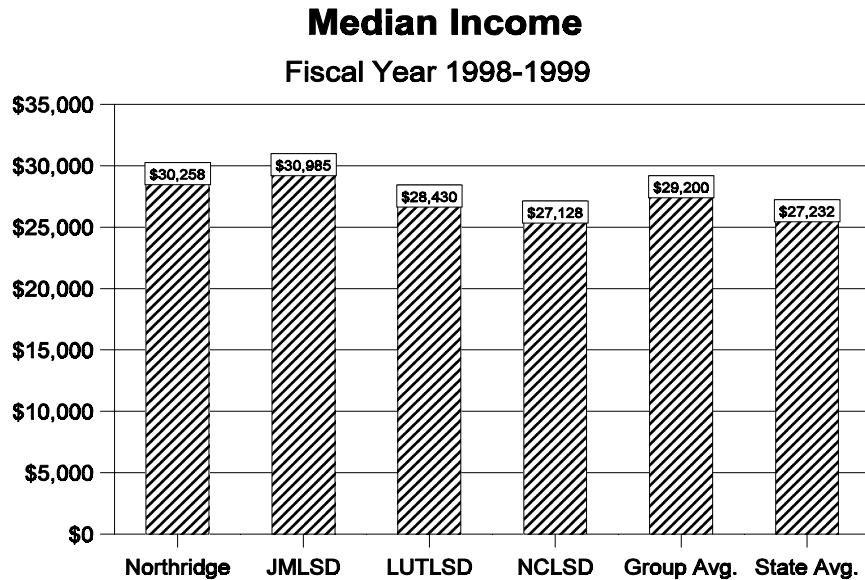
Source: Educational Management Information System (EMIS)



Northridge’s median income of \$30,258 in FY 1998-99 was the second highest of the peer districts. Over the four year trend period, Northridge’s median income increased at the second lowest rate among the peer districts. For FY 1998-99, the District’s median income was slightly greater than the group average and eleven percent higher than the state average. Northridge’s median income increase over the four year trend period was higher than the state average increase of 15.99 percent.

Median Income					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	\$26,003	\$27,299	\$28,604	\$30,258	16.36%
Johnstown-Monroe LSD	\$26,007	\$27,321	\$28,610	\$30,985	19.14%
Liberty Union-Thurston LSD	\$24,136	\$24,758	\$25,894	\$28,430	17.79%
North Central LSD	\$23,939	\$24,864	\$25,786	\$27,128	13.32%
Group Average	\$25,021	\$26,061	\$27,224	\$29,200	16.70%
State Average	\$23,478	\$24,588	\$25,239	\$27,232	15.99%

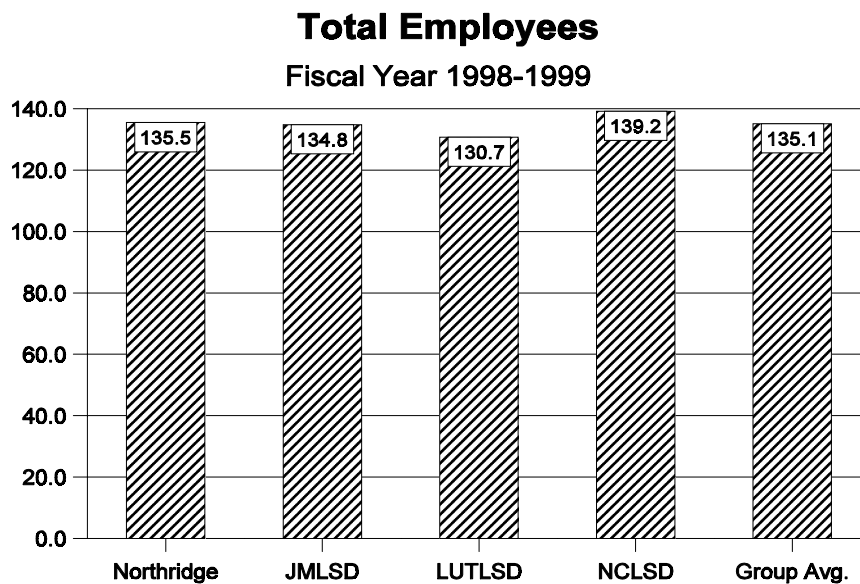
Source: Educational Management and Information System (EMIS)



In FY 1998-99, Northridge had 135.5 total employees, which was the second highest among the peer districts and almost identical to the group average. Even though data is unavailable for the state average for FY 1998-99, it is highly likely that the District would be well under the state average. Northridge was the only peer district that underwent a decline in total employees over the four year trend period.

Total Employees					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	143.7	128.7	125.2	135.5	(5.71)%
Johnstown-Monroe LSD	128.2	127.7	128.1	134.8	5.15%
Liberty Union-Thurston LSD	128.1	133.5	136.0	130.7	2.03%
North Central LSD	136.2	132.2	137.0	139.2	2.20%
Group Average	134.1	130.5	131.6	135.1	0.75%
State Average	306.6	310.8	319.6	N/A	N/A

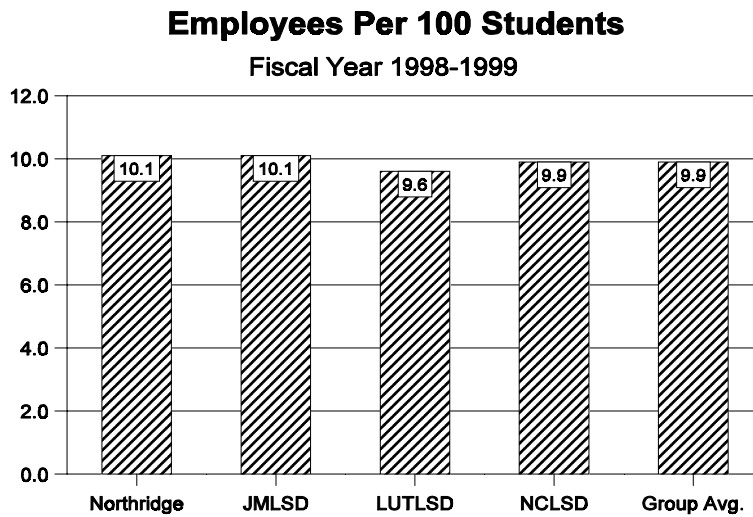
Source: Educational Management Information System (EMIS)



Northridge had 10.1 employees per 100 students in FY 1998-99. This figure was identical to Johnstown-Monroe and also the highest among the peer districts. If the trend with the state average continued for FY 1998-99, then Northridge’s ratio would fall below the state average. Once again, Northridge was the only peer district that had a decline in employees per 100 students among the peer districts over the four year trend period. This is attributable to the decline in total number of employees, considering the fact that ADM remained fairly constant during this time frame.

Employees per 100 Students					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	10.9	9.7	9.3	10.1	(7.34)%
Johnstown-Monroe LSD	10.0	9.7	9.6	10.1	1.00%
Liberty Union-Thurston LSD	9.6	9.9	9.9	9.6	0.00%
North Central LSD	9.4	8.9	9.9	9.9	5.32%
Group Average	10.0	9.6	9.7	9.9	(0.50)%
State Average	10.3	10.5	10.8	N/A	N/A

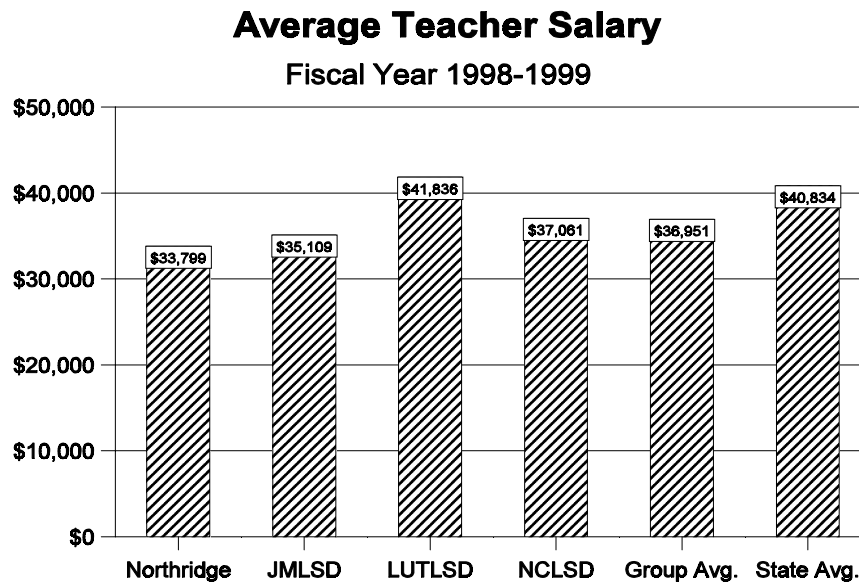
Source: Educational Management Information System (EMIS)



Northridge’s average teacher salary of \$33,799 in FY 1998-99 was the lowest among the peer districts. The District’s average teacher salary was also lower than the state average for FY 1998-99. However, over the four year trend period, Northridge had the highest increase in average teacher salary. The increase was similar to the state average increase and more than double the group average increase. A detailed analysis of teacher salaries is provided in the **Human Resources** section.

Average Teacher Salary					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	\$31,314	\$31,855	\$32,825	\$33,799	7.94%
Johnstown-Monroe LSD	\$33,108	\$33,531	\$34,381	\$35,109	6.04%
Liberty Union-Thurston LSD	\$42,797	\$41,831	\$40,958	\$41,836	(2.25)%
North Central LSD	\$36,172	\$37,104	\$36,811	\$37,061	2.46%
Group Average	\$35,848	\$36,080	\$36,244	\$36,951	3.08%
State Average	\$38,064	\$38,913	\$39,836	\$40,834	7.28%

Source: Educational Management Information System (EMIS)



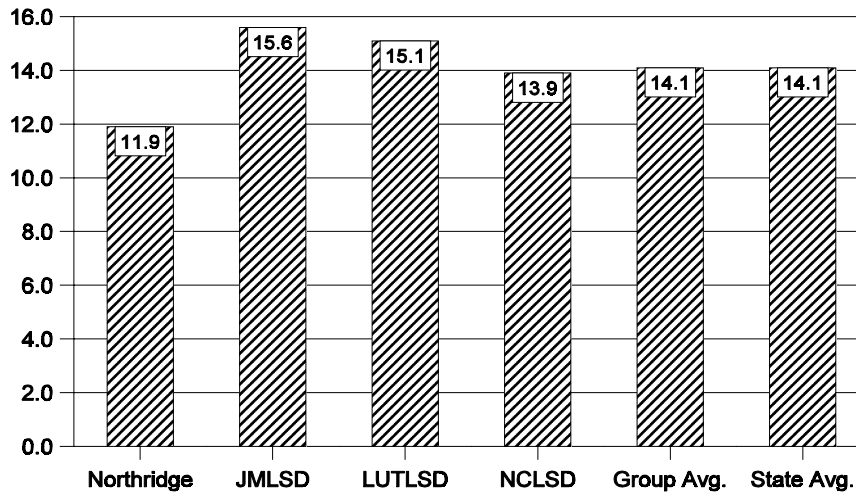
Average teacher experience normally correlates to average teacher salary. In general, the greater the number of years a teacher has taught in the District, the higher on the pay scale that teacher will be. Northridge’s average teacher experience was the lowest among the peer districts at 11.9 years for FY 1998-99. The 11.9 years was also lower than the group and state averages by 15 percent. The District experienced a sharp decline in average teacher experience from FY 1996-99. Over the four year trend period, Northridge also experienced the greatest decline in years of teacher experience. The decrease of 20.67 percent was significantly higher than group and state average decreases, which were 13.21 percent and 4.73 percent, respectively.

Average Teacher Experience (in years)					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	15.0	13.7	12.8	11.9	(20.67)%
Johnstown-Monroe LSD	15.7	15.6	15.9	15.6	(0.64)%
Liberty Union-Thurston LSD	17.1	15.3	16.5	15.1	(11.70)%
North Central LSD	17.3	16.9	15.2	13.9	(19.65)%
Group Average	16.3	15.4	15.1	14.1	(13.21)%
State Average	14.8	15.0	14.6	14.1	(4.73)%

Source: Educational Management Information System (EMIS)

Average Teacher Experience (in years)

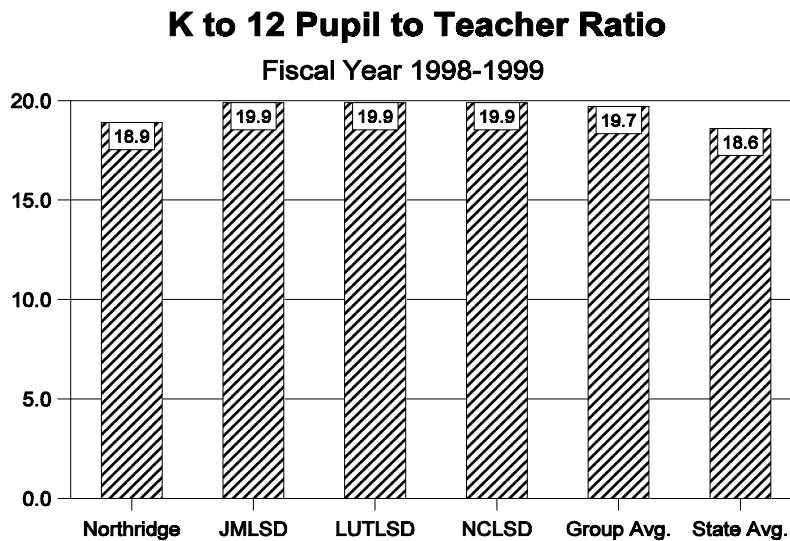
Fiscal Year 1998-1999



Northridge’s average pupil/teacher ratio (class size) was 18.9 for FY 1998-99, the lowest among the peer districts. The District’s average class size was very similar to the state average. Over the four year trend period, Northridge’s average class size has remained relatively stable compared to the declines experienced by Liberty Union-Thurston and North Central. The group and state averages over the four year trend period were almost identical.

K-12 Pupil/Teacher Ratio					
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	%Change 1996-99
Northridge LSD	19.6	20.5	21.5	18.9	(3.57)%
Johnstown-Monroe LSD	20.3	21.0	21.4	19.9	(1.97)%
Liberty Union-Thurston LSD	24.4	23.0	21.8	19.9	(18.44)%
North Central LSD	23.2	23.3	22.3	19.9	(14.22)%
Group Average	21.9	22.0	21.8	19.7	(10.17)%
State Average	20.8	20.7	20.4	18.6	(10.58)%

Source: Educational Management Information System (EMIS)



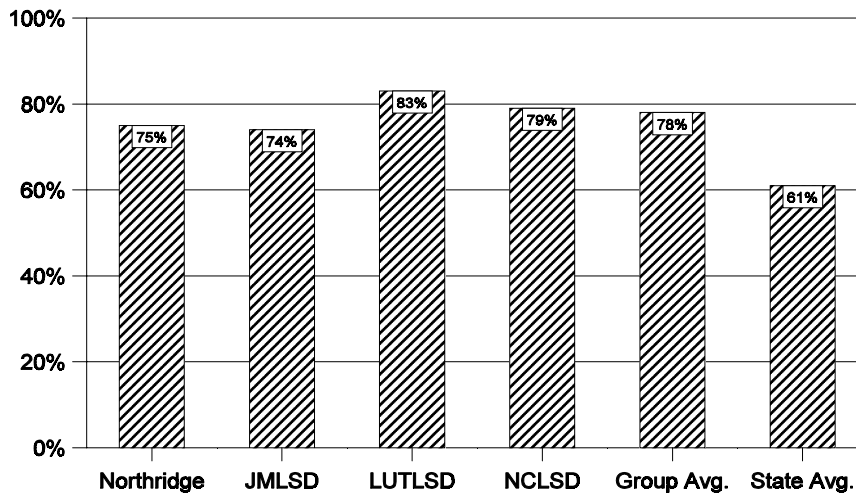
For FY 1998-99, Northridge’s ninth grade proficiency passage rate was the second lowest among the peer districts. Nevertheless, the passage rate of 75 percent was 14 percentage points higher than the state average for the same year. Over the four year trend period, the increase in Northridge’s passage rate was the second highest among the peer districts with North Central showing substantial improvement. The District’s percentage increase from FY 1996 - FY 1999 was approximately twice the state average increase.

Ninth Grade Proficiency Test Passage Rate (All Subjects)						
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	Increase/Decrease 1996-99	%Change 1996-99
Northridge LSD	62%	67%	69%	75%	13.0%	20.97%
Johnstown-Monroe LSD	63%	63%	63%	74%	9.0%	17.46%
Liberty Union-Thurston LSD	85%	81%	81%	83%	(2.0)%	(2.35)%
North Central LSD	55%	59%	64%	79%	24.0%	43.64%
Group Average	66.3%	67.5%	69.3%	77.8%	11.5%	17.36%
State Average	54.0%	55.0%	56.0%	61.0%	7.0%	12.96%

Source: Educational Management Information System (EMIS)

Ninth Grade Proficiency Test Pass Rate

Fiscal Year 1998-1999

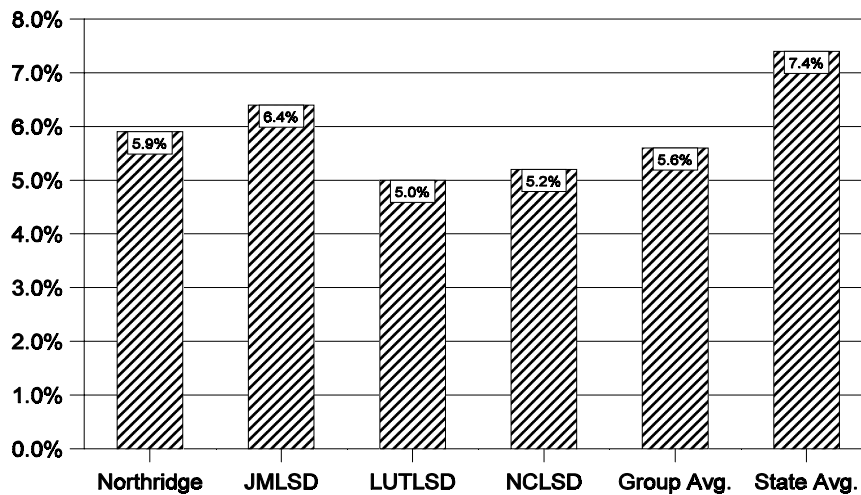


For FY 1998-99, Northridge’s student absentee rate was 5.9 percent, the second highest of the peer districts. The District’s student absentee rate was almost identical to the group average and 20 percent lower than the state average for the same year. The District did not experience a significant change in student absentee rate over the four year trend period. Liberty Union-Thurston was the only peer district that had a reduction in student absentee rate over the four year trend period. Northridge’s 1.72 percent increase was significantly lower than the state average increase of 7.25 percent during the four year trend period.

Student Absentee Rate						
	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	Increase/Decrease 1996-99	%Change 1996-99
Northridge LSD	5.8%	5.2%	5.3%	5.9%	0.1%	1.72%
Johnstown-Monroe LSD	5.8%	5.9%	5.6%	6.4%	0.6%	10.34%
Liberty Union-Thurston LSD	5.8%	5.0%	5.0%	5.0%	(0.8)%	(13.79)%
North Central LSD	5.2%	5.0%	4.6%	5.2%	0.0%	0.00%
Group Average	5.7%	5.3%	5.1%	5.6%	(0.1)%	(0.44)%
State Average	6.9%	6.6%	6.4%	7.4%	0.5%	7.25%

Source: Educational Management Information System (EMIS)

Student Absentee Rate Fiscal Year 1998-1999



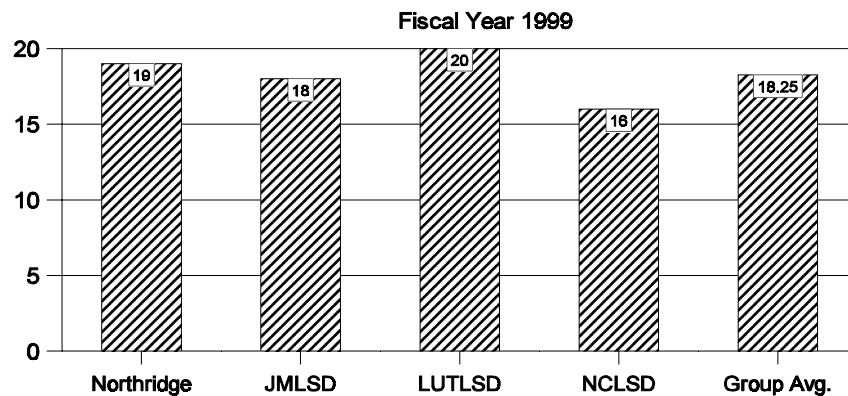
The Ohio Department of Education annually issues school district report cards which measure attainment of statewide performance standards. These report cards reflect data for the school year prior to the one in which the report card is issued (for example, the 2000 report cards reflect data for the 1998-99 school year). It is important to note that the number of standards increased from 18 in 1999 to 27 in 2000.

Northridge’s performance has been very similar to the peer districts and the attainment of standards has been above that of the group average for all three years shown below. The most recent data places Northridge, as well as the peers, in the continuous improvement category.

Report Card Standards Met			
District	1997-1998	1998-1999	1999-2000
Northridge LSD	10	12	19
Johnstown-Monroe LSD	9	11	18
Liberty Union-Thurston LSD	11	13	20
North Central LSD	9	11	16
Group Avg.	9.75	11.75	18.25
Total Standards Possible	18	18	27

Source: Educational Management Information Systems (EMIS), Ohio Department of Education.

Report Card Standards Met



Of the four peer districts, Northridge had the second highest percentage of revenues from local sources and the second lowest percentage of revenues from state and federal sources for FY 1998-99. Northridge’s percentage of revenue from local sources was higher than the group average while its percentages of revenue from state and federal sources was lower than the group average. The District’s percentage of revenue from federal and local sources were lower than the state average but the percentage of revenue from state sources was higher than the state average for FY 1998-99.

It is important to note that over the four year trend period, Northridge’s percentage of revenue from local sources decreased over six percent while its percentage of revenue from state resources increased over seven percent. The decline in effective millage of over 29 percent during the same four year trend period can be linked to the decline in revenue from local sources, considering the fact that effective millage plays a crucial role in determining the abundance of local resources available to a school district.

Percent of Revenue - Local					
	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Percent Change 1996-1999
Northridge LSD	49.0	48.8	44.0	45.8	(6.5)%
Johnstown-Monroe LSD	42.6	43.4	44.0	43.7	2.6%
Liberty Union-Thurston LSD	42.3	44.1	43.3	46.5	9.9%
North Central LSD	32.2	32.3	31.8	32.7	1.6%
Group Avg.	41.5	42.2	40.8	42.2	1.6%
State Avg.	50.2	51.2	51.4	51.0	1.6%

Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

Percent of Revenue - State					
	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Percent Change 1996-1999
Northridge LSD	47.7	48.0	53.3	51.2	7.3%
Johnstown-Monroe LSD	53.7	52.6	52.6	52.8	(1.7)%
Liberty Union-Thurston LSD	55.1	53.2	54.2	51.0	(7.4)%
North Central LSD	63.3	63.6	64.0	63.1	(0.3)%
Group Avg.	55.0	54.4	56.0	54.5	(0.8)%
State Avg.	43.3	42.3	42.9	43.4	0.2%

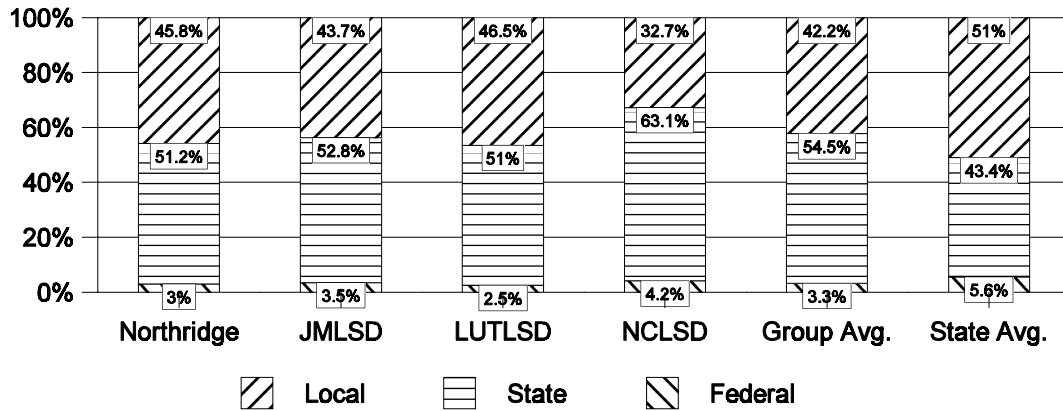
Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

Percent of Revenue - Federal					
	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Percent Change 1996-1999
Northridge LSD	3.3	3.1	2.7	3.0	(9.1)%
Johnstown-Monroe LSD	3.7	4.0	3.5	3.5	(5.4)%
Liberty Union-Thurston LSD	2.6	2.7	2.5	2.5	(3.8)%
North Central LSD	4.5	4.0	4.2	4.2	(6.7)%
Group Avg.	3.5	3.5	3.2	3.3	(6.4)%
State Avg.	6.1	6.0	5.7	5.6	(8.2)%

Source: Educational Management Information System (EMIS) data, 1999 Ohio Department of Education.

Percentage of Revenue by Source

Fiscal Year 1998-1999



Note: The top section represents local revenue, the middle section represents state revenue and the bottom section represents federal revenue. For example, Northridge has 45.8 percent from local sources, 51.2 percent from state sources, and 3 percent from federal sources.

Financial Systems

Introduction

This section focuses on the financial systems within Northridge Local School District (NLSD or the District). The objective is to analyze the current financial condition of the District, including an evaluation of the internal controls and develop recommendations for improvements and efficiencies. Findings and recommendations have been segregated into two subsections: (A) Financial Planning, which includes the assessment of the District’s financial condition and the potential impact on future revenues and expenditures resulting from the recommendations contained throughout this report; and (B) Revenues and Expenditures, which includes assessments of various factors affecting District finances. Cost saving and revenue enhancement recommendations presented herein are intended to aide the Financial Planning and Supervision Commission (the Commission) in fulfilling its duty to produce a financial recovery plan for the District.

This section focuses primarily on the general fund, which accounts for approximately 83 percent of the revenue collected in all funds. The general fund supports general District operations and is used to account for all financial resources except those required by law or contract to be accounted for in a separate fund. The general fund is available for any purpose, provided the expenditure or transfer is made according to the laws of Ohio.

A. Financial Planning

Background

In accordance with Ohio Revised Code (ORC) §3316.03, the Auditor of State is required to declare a school District to be in a state of fiscal watch if the following conditions are met:

- The District has an operating deficit which exceeds eight percent of the preceding year’s general fund revenues.
- The District’s unencumbered cash balance in the preceding year was less than eight percent of the general fund expenditures.
- A levy has not been passed which will raise sufficient revenues to eliminate these conditions.

ORC §3316.04 requires the Auditor of State to declare a school District to be in a state of fiscal emergency if the District's board of education fails to submit an acceptable financial recovery plan to the State Superintendent of Public Instruction within 120 days of being placed in fiscal watch. Furthermore, the failure to submit an acceptable update of that financial recovery plan to the State Superintendent of Public Instruction on an annual basis will also result in a declaration of fiscal emergency.

After conducting an analysis of the District's financial forecast, the Local Government Services (LGS) Division within the Auditor of State's office declared a \$628,000 operating deficit for fiscal year ending June 30, 2000, which met the criteria necessary to be placed in fiscal watch. However, because the Board of Education of the Northridge Local School District did not feel that the District could make sufficient reductions to eliminate the deficit, a resolution was passed requesting that the Auditor of State bypass the fiscal watch process and place the District in fiscal emergency. Consequently, on March 14, 2000, the Auditor of State formally declared NLSD to be in a state of fiscal emergency. The primary reason the District requested immediate placement into fiscal emergency was to secure an interest free advance of approximately \$628,000 from the Ohio Solvency Assistance Fund. This advance was received on May 3, 2000.

While in fiscal emergency, a commission has been formed and given broad oversight authority to balance the District budget and eliminate the conditions that caused the declaration of fiscal emergency. To accomplish this, the Commission will develop and adopt a formal fiscal recovery plan which details the expenditure reductions and operational changes necessary to eliminate the deficit. The Commission will consist of a designee of the director of the state office of budget and management, a designee of the state superintendent of public instruction, a District parent appointed by the state superintendent of public instruction, a District resident appointed by the governor and a District resident appointed by the Licking County Auditor. The Commission will continue in existence until the Auditor of State determines the following:

- An effective financial accounting and reporting system is in place
- All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred
- The objectives of the fiscal recovery plan are being met and
- The NLSD Board of Education has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "non-adverse."

Financial Forecast

The financial forecast presented in **Table 2-1** represents the Auditor of State’s projection of NLSD’s present and future financial condition in the absence of significant increases in revenues or reductions in expenditures. The projections, which incorporate the combined general and DPIA funds and that portion of the debt service fund relating to general fund obligations, are accompanied by four years of comparative historical results, general assumptions and explanatory comments.

Table 2-1: Five-Year Forecast with Three Year's Historical Data (Amounts in 000's)

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Actual 1999-00	Forecast 2000-01	Forecast 2001-02	Forecast 2002-03	Forecast 2003-04
Real Estate Property Tax	2,055	2,574	2,354	2,564	2,680	2,760	3,190	3,330
Tangible Personal Property Tax	56	14	47	48	49	49	50	51
Income Tax	0	73	825	1,398	1,357	1,397	1,439	1,483
State Foundation	2,658	3,013	3,259	3,342	3,489	3,526	3,459	3,563
Property Tax Allocation	278	314	282	304	321	334	383	399
Other Revenues	91	114	181	80	118	122	126	129
Total Operating Revenues	5,138	6,102	6,948	7,736	8,014	8,188	8,647	8,955
Salaries & Wages	3,623	3,734	4,035	4,365	4,622	4,837	5,076	5,324
Fringe Benefits	964	987	1,041	1,303	1,206	1,355	1,428	1,436
Purchased Services	1,209	1,362	1,349	1,593	1,617	1,676	1,740	1,805
Supplies, Materials & Textbooks	321	184	276	307	273	281	289	298
Capital Outlay	77	37	46	76	60	62	63	66
Other Expenditures	130	153	194	284	199	203	208	211
Interest on Loans	0	43	63	51	38	30	26	22
Total Operating Expenditures	6,324	6,500	7,004	7,978	8,015	8,444	8,830	9,162
Ohio Solvency Assistance Loan Proceeds	0	0	0	628	0	0	0	0
Ohio Solvency Assistance Loan Repayment	0	0	0	0	(314)	(314)	0	0
Proceeds from TAN Issuance	0	450	0	0	0	0	0	0
Two-Year TAN Repayment	0	0	0	(225)	(225)	0	0	0
H.B 264 Proceeds	747	0	0	0	0	0	0	0
H.B. 264 Payment	0	0	(57)	(55)	(60)	(65)	(70)	(75)
Net Transfers/ Advances - In/ (Out)	1	0	(30)	4	0	0	0	0
Other	1	1	0	0	0	0	0	0
Net Financing	749	451	(87)	352	(599)	(379)	(70)	(75)
Results of Operations (Net)	(437)	53	(143)	110	(600)	(635)	(253)	(282)
Beginning Cash Balance	628	191	244	101	211	(389)	(1,024)	(1,277)
Ending Cash Balance	191	244	101	211	(389)	(1,024)	(1,277)	(1,559)
Outstanding Encumbrances	95	26	18	37	44	44	44	44
"412" Textbook/Instruction Reserve	0	0	1	0	0	0	0	0
"412" Capital Improvement Reserve	0	0	49	187	0	0	0	0
"412" Budget Reserve	0	0	58	58	58	58	58	58
Ending Unencumbered Cash Balance	\$96	\$218	(\$25)	(\$71)	(\$491)	(\$1,126)	(\$1,379)	(\$1,661)

Source: LGS forecast, District records, performance audit projections and District estimates

Notes to Financial Forecast

I. Nature and Purpose of Presentation

This financial projection presents the expected revenues, expenditures and fund balances of the general fund of the Northridge Local School District for each of the fiscal years including June 30, 2001 through June 30, 2004, with historical (unaudited) information presented for the fiscal years ended June 30, 1997, 1998, 1999 and 2000. The general fund financial data also includes amounts recorded in those portions of the debt service fund which are considered to be general fund obligations.

The assumptions disclosed herein are based on information obtained from the District, the county auditor, the Ohio Department of Taxation, and the Ohio Department of Education. Because circumstances and conditions assumed in projections frequently do not occur as expected and are based on information existing at the time the projections are prepared there will usually be differences between projected and actual results.

These projections include the effects of legislation concerning school funding as outlined in H.B. 650, H.B. 412 and H.B. 282, as well as S.B. 55, which requires certain educational enhancements. The requirements under H.B. 412 for textbook and instructional materials are incorporated into this forecast through the textbooks and instructional materials account within the supplies and materials line item. The requirement under H.B. 412 for capital improvements and maintenance is satisfied through the property services account within the purchased services line item, the building repairs and materials account included in the materials, supplies and textbooks line item and through expenditures from the permanent improvement fund. For FYs 1998-99 and 1999-00, the District did not meet the spending requirements and therefore, established reserve accounts. The forecast assumes that the District will spend the required amounts in FY 2000-01 through FY 2003-04 and therefore, no reserve will be maintained.

II. Description of School District

Under normal circumstances, the District operates with a locally elected five member board form of government. Each member is elected to a four-year term. The District provides educational services as authorized by state statute and/or federal guidelines.

The District serves approximately 1,335 students who are enrolled in three elementary schools and one middle school/high school. The District operates an administrative office and maintains a bus garage which is used by the student transportation contractor.

A. Financial Planning and Supervision Commission

On March 14, 2000, the Auditor of State declared the District to be in a state of fiscal emergency as defined by ORC §3316.03(B), and accordingly, the District became subject to the oversight of the Financial Planning and Supervision Commission (the Commission).

In accordance with the legislation, the Commission must adopt a Financial Recovery Plan within 120 days of being declared in fiscal emergency. Such a plan, which is continuously amendable based on changes in facts and circumstances, requires a five-year financial projection delineating the District’s return to financial stability. The Commission first met on April 24, 2000.

B. Basis of Accounting

This financial projection has been prepared on the cash receipts and disbursements basis of accounting, which is the required basis (non-GAAP) of accounting used for budgetary purposes. Under this basis, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Under Ohio law, the District is also required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of funds.

C. Fund Accounting

The District maintains its accounts in accordance with the principles of “fund” accounting. Government entities, such as school Districts, use fund accounting to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. The transactions of each fund are reflected in a self-balancing group of accounts, which presents an accounting entity that stands separate from the activities reported in other funds.

The accompanying projections are presented only for the District’s general fund and those portions of the debt service fund relating to general fund obligations. The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is disbursed or transferred in accordance with Ohio law. The debt service fund is used to account for the accumulation of resources for, and the payment of, general long term debt and principal. Amounts shown in **Table 2-1** relating to debt service, are paid from the debt service fund through allocations and/or transfers of general fund revenues.

III General Assumptions

Summarized in the following pages are the significant assumptions underlying the financial forecast shown in **Table 2-1**. See sections **IV** through **VII** for further detail regarding the assumptions.

A. Average Daily Membership (ADM):

Table 2-1A summarizes the District’s actual funding ADM for FY 1996-97 through FY 1999-00. All EMIS projection data available shows no significant fluctuations in enrollment over the next ten years. Therefore, the FY 1999-00 figure is projected as remaining flat throughout the forecast period.

Table 2-1A: Total Funding ADM

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
ADM	1,253	1,285	1,257	1,269	1,269	1,269	1,269	1,269

Source: EMIS SF-12 reports for FY 1996-97 and FY 1997-98 and SF-3 reports for FY 1998-99 and 1999-00

Under the current state foundation funding standards, kindergarten students are only counted at 50 percent of a full time equivalent (FTE) student in determining average daily membership (ADM). The District offers all-day, every-other-day kindergarten.

B. Staffing

Table 2-1B summarizes the District’s historical full-time equivalent (FTE) staffing for FYs 1998-99 and 1999-00 as well as the cumulative proposed staffing changes and adjusted staffing levels for FY 2000-01 through FY 2003-04. With the exception of those staffing reductions identified in this performance audit and by the Commission, this forecast assumes that the District will continue to maintain staffing throughout the projection period at FY 1999-00 levels.

Table 2-1B: FTE Staffing

CATEGORY	Actual Staffing FY 1998-99	Actual Staffing Changes FY 1999-00	Adjusted Staffing FY 1999-00	Proposed Staffing Changes FY 2000-01	Adjusted Staffing FY 2000-01	Proposed Staffing Changes FY 2001-02	Adjusted Staffing FY 2001-02	Proposed Staffing Changes FY 2002-03	Adjusted Staffing FY 2002-03	Adjusted Staffing FY 2003-04
Administration	8.0	0.0	8.0	0.0	8.0	0.0	8.0	0.0	8.0	0.0
Certificated Staff	91.5	3.0	91.5	0.0	91.5	0.0	91.5	0.0	91.5	0.0
Classified Staff ¹	22.0	2.0	22.0	0.0	22.0	0.0	22.0	0.0	22.0	0.0
Total Staff	121.5	5.0	126.5	0.0	126.5	0.0	126.5	0.0	126.5	0.0

Source: EMIS Staff Profiles, Superintendent’s Office, Performance Audit Recommendations

¹ This figure does not include 8.5 FTEs for food service as food service is an enterprise fund designed to be self-sustaining. Also, the table excludes 20 FTEs for transportation as NLSD contracts for their transportation.

C. Inflation

Inflation is assumed to remain at a low level consistent with that of recent years which has ranged from two to three percent. Certain items were projected based on a combination of historical data and inflationary increases.

IV Revenues-Local, State and Federal

The District’s primary sources of revenue originate from the State of Ohio, through the State Foundation Program, and from the levying of property and income taxes. Property taxes are levied on real, public utility and tangible personal (used in business) property located within the District. The District income tax is generated on income earned by individuals residing within the District’s boundaries.

A. Local Sources

(1) Real Estate Taxes and Tangible Personal Property Taxes: Property taxes are levied and assessed on a calendar year basis against real, public utility and tangible personal property located in the District. Assessed values for real property taxes are established by state law at 35 percent of the appraised market value. All real property is required to be revalued every six years and updated mid-way through the six-year period.

The projection for real estate taxes (residential, agricultural and public utility tangible), tangible personal property taxes and rollback and homestead is based on the following factors:

- An annual growth rate of approximately 4.4 percent in real property values is projected for FY 2000-01, FY 2001-02 and FY 2003-04 based on historical trends.
- An increase of approximately 14.4 percent in real property values is projected in FY 2002-03 due to the update scheduled to take place. This percentage increase is consistent with historical trends.
- Based on an analysis of tangible personal property assessments, this source of revenue has experienced significant fluctuations in the past ten years. Therefore, a 1.7 percent increase in assessed tangible personal property is projected for FY 2001-02, 2002-03 and 2003-04, which is the ten-year average.
- Property tax allocations (Homestead/Rollback) include a ten percent property tax rollback for all real property tax owners. In 1979, an additional 2.5 percent rollback was enacted for owner-occupied homes. These tax credits are reimbursed to the District through the State and are calculated by applying the appropriate percentages to the residential and commercial properties. Also, included in this category is an exemption for businesses for the first \$10,000 in personal property tax valuation. This exemption is reimbursed by the state and is estimated based on historical trends.

The detailed valuation, millage and revenue projections are included in **Table 2-1C**:

Table 2-1C: Property Valuation and Millage

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Residential/Agricultural - Assessed Valuation	126,250,000	131,173,750	136,289,526	155,915,218	161,995,912
Commercial/Industrial - Assessed Valuation	4,300,000	4,674,100	5,080,747	6,051,169	6,557,621
Public Utility - Assessed Valuation	1,031,170	1,120,882	1,218,399	1,451,113	1,577,359
Personal Tangible - Assessed Valuation	1,350,000	1,372,950	1,396,290	1,420,027	1,444,168
Authorized Mills ¹					
Continuing	28.50	28.50	28.50	28.50	28.50
Inside Mills ²	4.10	4.10	4.10	4.10	4.10
Total Authorized Mills	32.60	32.60	32.60	32.60	32.60
Effective Mills to be Levied ³					
Continuing	15.87	15.84	14.64	14.62	14.60
Inside Mills	4.10	4.10	4.10	4.10	4.10
Total Effective Mills to be Levied ⁵	19.97	19.94	18.74	18.72	18.70
Total Projected Real Property Taxes ⁴	\$2.56 Million	\$2.68 Million	\$2.76 Million	\$3.19 Million	\$3.33 Million
Total Projected Personal/Tangible	\$48,000	\$49,000	\$49,000	\$50,000	\$51,000

Source: County Auditor, District records and performance audit analyses

¹ Authorized mills include all inside and voted mills approved

² Inside mills are levied without a vote of the people

³ Effective mills adjust for the inflationary factors associated with reappraisals or reassessments of properties. This prevents an increase in the tax bill as property values increase.

⁴ Presented net of Homestead and Rollback tax credits

⁵ State law protects districts with low millage, prohibiting tax reductions below 20 effective mills. Therefore, although NLSD's actual effective millage is below 20, the property tax revenues projected in **Table 2-1** are forecasted based on 20 effective mills.

- (2) **Income Tax:** A 1.0 percent District income tax was passed in November of 1997 for a three-year period beginning in January of 1998 and was renewed in March of 2000. The District income tax, unless renewed, would expire on December 31, 2005. The tax was approved for the purpose of funding general operations. The school district income tax is collected by the Ohio Department of Taxation from individuals residing within the District through payroll withholdings, estimated quarterly payments and annual tax filings. The District receives its remittance in the month following the end of the calendar quarter in which the taxes were collected.

The Ohio Department of Taxation provides taxing school districts with a worksheet to assist them in projecting revenue collections, and also provides an annual estimate of current taxes to be collected. NLSD began receiving income tax revenues in late FY 1997-98. For FY 2000-01 through FY 2003-04, the income tax revenue projections are based on inflationary factors as prescribed by the Ohio Department of Taxation.

The projected decrease in income tax revenue in FY 2000-01 is due to a predicted decrease of 10 to 12 percent in second quarter collections in 2000 as compared to the second quarter of 1999. According to sources within the Ohio Department of Taxation, a high delinquency rate occurs during the first year of implementation of a new school district income tax, as many employers are not made aware of their responsibility to begin withholding. As all local employers are notified, a backlog of income taxes due are realized in the second year after implementation of the income tax. The forecast conservatively projects a 12 percent decrease in second quarter 2000 income tax collections, which is reflected as revenue in FY 2000-01, with a three percent inflationary increase projected for all other quarterly collections thereafter through FY 2003-04.

B. State Sources

- (1) **Foundation Program:** Under the ORC, state foundation payments are calculated by ODE on the basis of pupil enrollment, classroom teacher ratios, plus other factors for transportation, special education units, extended service and other items of categorical funding. On March 24, 1997, the Ohio Supreme Court (the Supreme Court) rendered a decision declaring certain portions of the Ohio school funding plan, including the foundation program, unconstitutional. The Court stayed the effect of its ruling for one year to allow the State legislature to design a plan to remedy the perceived defects in the system.

Since the Supreme Court ruling, numerous pieces of legislation were passed by the State legislature in an attempt to address the issues identified by the Supreme Court.

The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they were not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The state appealed the decision made by the Court of Common Pleas to the Supreme Court and in a decision rendered on May 11, 2000, the Supreme Court again declared Ohio’s method of funding public schools as unconstitutional. The Supreme Court stayed the effect of its ruling for one year (until June 1, 2001) to allow the state legislature to design a plan to remedy the perceived defects in the system and, as such, in FY 2000-01, school Districts will operate under the laws that the Supreme Court declared unconstitutional. Because of the uncertainty as to how the state legislators will remedy the funding formula, this forecast projects state foundation revenue under the current laws and regulations in place.

The main components of Foundation Program revenues and the projection by component are presented in **Table 2-1D**.

Table 2-1D: State Foundation Revenues

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
State Foundation	2,622,000	2,936,000	3,199,000	3,276,000	3,419,000	3,454,000	3,385,000	3,487,000
Bus Purchase Allowance	37,000	53,000	55,000	66,000	70,000	72,000	74,000	76,000
Drivers Ed. Reimbursement	0	5,000	5,000	0	0	0	0	0
Text Subsidy	0	19,000	0	0	0	0	0	0
Total State Foundation Revenues	\$2,658,000	\$3,013,000	\$3,259,000	\$3,342,000	\$3,489,000	\$3,526,000	\$3,459,000	\$3,563,000

Source: EMIS SF-12 reports for FY 1996-97 and FY 1997-98, SF-3 reports for FY 1998-99 and FY 1999-00

State Foundation - State foundation aid projections for FY 1999-00 are based on actual information. For FY 2000-01 and beyond, these figures are based on ODE state foundation funding simulations and formula amounts outlined in H.B. 282 and the assumption that funding ADM will be held constant at 1,269. Periodic decreases in state foundation revenues are due to property re-appraisals and updates.

The per pupil amount established by H.B. 282 for FY 2000-01 is \$4,294. For periods after FY 2000-01, the per pupil funding amounts are tentatively scheduled to be \$4,414 in FY 2001-02, \$4,538 in FY 2002-03 and \$4,665 in FY 2003-04.

Bus Purchase Allowance - In accordance with the ORC, the current method of state funding provides subsidies for pupil transportation. According to the treasurer, the increase in funding in FY 1999-00 was due to a subsidy for rough roads, which is distributed by ODE to compensate districts for additional bus maintenance costs. The amount projected for FY 2000-01 is based on the ODE funding simulations. For the remaining years, it is assumed that the reimbursement will increase by an inflationary factor of three percent.

- (2) **Property Tax Allocations (Rollback and Homestead Exemptions):** State law grants tax relief in the form of a 10 percent reduction in real property tax bills. In addition, a basic 2.5 percent rollback is granted on residential property taxes and additional relief is granted to qualified elderly and disabled homeowners based on income. However, the state reimburses the District for the revenue lost due to these property tax exemptions. Rollback and Homestead exemption revenues are included within the assumptions of the real estate taxes and tangible personal property taxes.

C. Other Revenue Sources

The main components of other revenues and a detailed projection by component are as follows:

Table 2-1E: Other Revenues

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Tuition and Fees	2,000	10,000	23,000	8,000	11,000	11,000	12,000	12,000
Investment Earnings	37,000	10,000	3,000	17,000	17,000	18,000	18,000	19,000
General Fees and Sports	26,000	26,000	24,000	28,000	26,000	27,000	28,000	28,000
Miscellaneous	27,000	68,000	132,000	27,000	64,000	66,000	68,000	70,000
Total Other Revenues	\$92,000	\$114,000	\$182,000	\$80,000	\$118,000	\$122,000	\$126,000	\$129,000

Source: LGS forecast and interviews with District administrators.

- (1) **Tuition and Fees:** Tuition is collected for all students who attend summer school and fees are charged to students for various activities. Projections for FY 2000-01 are an average of the last four years of expenditures, with a three percent annual inflationary increase projected each year thereafter.
- (2) **Investment Earnings:** Investment earnings for FY 1999-00 are based on actual figures. Due to the fluctuation in this amount over the last four years, the four-year

average is used for FY 2000-01, with a three percent annual inflationary increase projected each year thereafter.

- (3) **General Fees and Sports:** This category of revenue is comprised primarily of student fee gate receipts for sporting events and other miscellaneous fees. The four-year average is used for FY 2000-01, with a three percent annual inflationary increase projected each year thereafter.
- (4) **Miscellaneous:** Miscellaneous revenue consists primarily of rentals, contributions and donations. Miscellaneous revenues for FY 1999-00 are based on actual figures. The four-year average is used for FY 2000-01, with a three percent annual inflationary increase projected each year thereafter.

II. Expenditures

A. Operating Expenditures

- (1) **Salaries and Wages:** The projected salaries and wages through June 30, 2000 are based on the terms of the existing union agreements and actual figures. The projections for the remaining years are based on annual increases of three percent for anticipated cost of living adjustments. Board member compensation is expected to remain fixed throughout the forecast period.

To project increases in salaries and wages from step increases, a spreadsheet was created modeling the amount each employee is scheduled to receive during the projection period. On average, each step increase was determined to be worth approximately \$1,090.

The wage and salary projections are presented in **Table 2-1F**. Staffing levels reflect those figures indicated in **Table 2-1B** and are assumed constant for FY 2000-01 and beyond.

Table 2-1F: Salaries and Wages

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Regular Salaries & Wages	3,451,000	3,526,000	3,785,000	4,140,000	4,381,000	4,594,000	4,815,000	5,045,000
Overtime & Substitutes	90,000	101,000	94,000	120,000	101,000	111,000	122,000	134,000
Supplementals	75,000	74,000	86,000	85,000	92,000	96,000	101,000	106,000
Severance	2,000	28,000	65,000	15,000	43,000	31,000	32,000	33,000
Board Member Compensation	5,000	5,000	5,000	5,000	5,000	5,000	6,000	6,000
Total	\$3,623,000	\$3,734,000	\$4,035,000	\$4,365,000	\$4,622,000	\$4,837,000	\$5,076,000	\$5,324,000

Source: Treasurer's office and Statement P from 4502 financial report

Overtime and Substitutes: The treasurer attributed the increase in overtime and substitute costs in FY 1999-00 to more maternity leaves being taken as compared to the previous year. In projecting the cost for FY 2000-01, the four year average is used. From FY 2001-02 through FY 2003-04, overtime and substitute costs are projected to increase 10 percent based on the average change during the four-year trend period.

Supplementals: This line item can fluctuate due to coaching positions left unfilled when an insufficient number of students are available to field a team. Also, a coaching change can result in a lower paid teacher taking a coaching position. According to the union contract, certain percentages of the base contract amount (undergraduate degree at the zero step) are used to establish the supplemental payments for various coaching positions. This base payment will increase five percent annually until a cap is reached at ten or more years of service. In addition, increases to the base salary amount which result from contract negotiations will result in increases beyond the five percent. Therefore, this forecast assumes the yearly supplemental costs will equal approximately 2.1 percent of the regular salaries and wages, which is consistent with the average for the four-year trend period.

Severance: Severance costs equaled \$15,000 in FY 1999-00, due to the separation of two employees. Based on discussions with the treasurer, it is estimated that severance costs will be approximately \$43,000 in FY 2000-01. The increase in

severance costs in FY 2000-01 is due to the expected retirement of four teachers through the early retirement incentive program. In projecting costs for the remainder of the forecast period, the five-year average is used for FY 2001-02, with a three percent inflationary factor used thereafter.

- (2) **Fringe Benefits:** The main components of fringe benefits and a detailed projection by component are as follows:

Table 2-1G: Fringe Benefits

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Retirement Contributions	649,000	640,000	566,000	716,000	797,000	836,000	878,000	921,000
Early Retirement Incentive	0	42,000	149,000	239,000	15,000	89,000	79,000	0
Medical Insurance	265,000	279,000	297,000	329,000	362,000	398,000	437,000	481,000
Workers Comp.	36,000	10,000	13,000	6,000	16,000	16,000	17,000	17,000
Unemployment	0	4,000	4,000	0	2,000	2,000	2,000	2,000
Tuition	14,000	12,000	12,000	12,000	13,000	13,000	14,000	14,000
Other	0	0	0	1,000	1,000	1,000	1,000	1,000
Total Benefits	\$964,000	\$987,000	\$1,041,000	\$1,303,000	\$1,206,000	\$1,355,000	\$1,428,000	\$1,436,000

Source: Treasurer’s Office, District 4502 reports

Retirement Contributions: The retirement contribution decreased significantly in FY 1998-99 due to the Laidlaw transportation contract which encompassed the payment of retirement costs for transportation employees. This expense was still incurred in FY 1998-99, but was reflected as part of the Laidlaw contract within the Purchased Services category of expenditures. The district is reimbursed by Laidlaw for this expense. In projecting expenditures for retirement contributions for the remainder of the forecast period, the average historical percentage of salaries and wages (17.3%) was used.

Early Retirement Incentive (ERI): To reduce operating costs by replacing more costly veteran teachers with new hires, the District has offered an early retirement plan during the last few years. Based on State Teachers’ Retirement System (STRS) actuarial determinations, the District uses various percentages to determine the ERI cost per employee. The total cost of all employees taking advantage of the ERI is then paid to STRS.

In the past, the District paid all of the ERI costs in the same year that the teachers utilized the program. Beginning in FY 2000-01 and going forward, this payment and related interest charges will be made over a two-year period to prevent cash flow problems for the District. The ERI plan is not part of the negotiated contract, which allows the District to use it only when financial conditions require such action. The District maintains an annual ERI cap of five employees and the plan buys out two years of service. ERI details for FY 2000-01 through FY 2003-04 are as follows:

- One teacher is projected to use the plan in FY 2000-01 at a total cost of \$14,598. However, the District does not intend to replace this position and could potentially realize salary and benefit savings of \$68,019, for a net effect to the District of \$53,421 in savings.
- Four teachers are projected to retire at the end of the 2000-01 school year. These teachers are projected to be replaced with new teachers at the base pay and zero step in FY 2001-02. The salaries and benefits savings of these replacements, minus the ERI payments to STRS, will allow the District to realize an estimated savings of \$47,451 in FY 2001-02. Based on discussions with the treasurer, the total ERI cost for these four teachers is estimated to be approximately \$89,000.
- In FY 2002-03, the last payment to STRS will be made for the four teachers who retired the previous year. Salaries and benefits savings are projected to increase by three percent. The net effect in FY 2002-03 is projected to be \$61,471.
- In FY 2003-04, no further payments to STRS will be owed. However, the salaries and benefits savings are projected to continue at a three percent rate of growth, for a total savings of \$144,810.

Medical Insurance: According to the treasurer, the average annual increase in medical insurance costs over the next four years is projected to be ten percent. This is consistent with the most recent price increase made known to the District (20 percent) which is split evenly between employees and the District. See the **Human Resources** section for more details on this subject.

Workers' Compensation: In general, claims filed with the Bureau of Workers' Compensation are classified as lost time or medical only. Lost-time claims are defined as the number of workers' compensation claims exceeding eight days. NLSD has not reported any of these types of claims during the historical period. This expense has fluctuated in recent years due to the severity of the medical claims filed. According

to the treasurer, this volatility should be smoothed by the District’s decision to join a plan which uses group ratings. See the **Human Resources** section of this report for an additional discussion on workers’ compensation costs. Amounts projected for FY 2000-01 are calculated based on the four-year average with an inflationary factor of three percent used thereafter.

Unemployment: The amount shown for FY 1999-00 is based on actual figures. The four-year average with a three percent annual inflationary factor is used thereafter. Despite the RIF in FY 1999-00, the treasurer does not expect unemployment compensation to be a significant expense. This is due to the likelihood of some employees affected by the RIF being called back to fill recent resignations. Also, some of these employees have been offered other employment opportunities, which disqualifies them for unemployment compensation.

Tuition and Other: The four-year average is used for FY 2000-01, with a three percent annual inflationary factor used thereafter.

- (3) **Purchased Services:** The main components of purchased services and a detailed projection by component are as follows:

Table 2-1H: Purchased Services

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Professional/ Technical	147,000	167,000	111,000	145,000	143,000	147,000	152,000	156,000
Property Services	871,000	919,000	983,000	1,152,000	1,198,000	1,246,000	1,296,000	1,348,000
Travel Mileage/ Meeting Expense	19,000	18,000	13,000	14,000	16,000	16,000	17,000	17,000
Communications	49,000	51,000	44,000	50,000	49,000	50,000	52,000	54,000
Utilities	120,000	202,000	184,000	216,000	201,000	207,000	213,000	220,000
Contracted Craft/ Trade Services	0	0	11,000	9,000	5,000	5,000	5,000	5,000
Tuition	2,000	1,000	1,000	3,000	2,000	2,000	2,000	2,000
Pupil Transp.	1,000	4,000	2,000	4,000	3,000	3,000	3,000	3,000
Total Purchased Services	\$1,209,000	\$1,362,000	\$1,349,000	\$1,593,000	\$1,617,000	\$1,676,000	\$1,740,000	\$1,805,000

Source: Treasurer’s Office, District 4502 reports.

Professional/Technical Services: This expense includes expenditures for legal fees, consultants, architectural fees and computer services. The four-year average is used for FY 2000-01, with a three percent annual inflationary factor used thereafter.

Property Services: The primary expense within the property services line-item is the contract with Laidlaw Transportation, Inc. Therefore, based on the annual contract increase negotiated by the District, this line-item is projected to increase four percent throughout the forecast period. See the **Transportation** section of this report for a discussion on the District's busing policies.

Travel/Meeting Expenses: The four-year average is used for FY 2000-01, with a three percent annual inflationary factor used thereafter. This expense is to cover such items as mileage reimbursement and business-related travel expenses.

Communications: The four-year average is used for FY 2000-01, with a three percent annual inflationary factor used thereafter. This pays for such items as phone bills.

Utilities: The three-year average is used for FY 2000-01, with a three percent annual inflationary factor used thereafter. The three-year average is used because utility costs have increased by an average of 24 percent over the last three fiscal years. This is due to higher than expected electricity costs associated with the opening of the new high school building.

Pupil Transportation: This item of expenditure represents costs for student field trips. The four-year average is used for FY 2000-01, with a three percent annual inflationary factor used thereafter.

- (4) **Materials, Supplies and Textbooks:** Qualifying expenditures under H.B. 412 in meeting the textbook and instructional supplies set-aside are expected to be made from the supplies and materials line item within the general fund. This account typically includes supply and material items used for both instructional purposes and support activities, such as maintenance, transportation, central office and administration.

The forecast assumes that only instructional-related expenditures qualify to meet set-aside requirements. Future expenditures for instructional materials and supplies are forecasted in amounts sufficient to meet the spending requirements. Expenditures for non-instructional supplies and materials are assumed to equal the four-year average in FY 2000-01, with a three percent inflationary increase annually thereafter. This approach was used due to the erratic nature of expenditure levels in recent years.

Also, interviews with the treasurer indicated that this category of expenditures could likely decline in light of the district’s financial difficulties. It is assumed that each year the set-aside requirement will be expended, and no unused balance will be carried forward to the succeeding year. The projected expenditures for supplies, materials and textbooks are presented in **Table 2-1I**.

Table 2-1I: Materials, Supplies and Textbooks

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
General Supplies	145,000	90,000	128,000	128,000	123,000	127,000	130,000	134,000
Textbooks	47,000	4,000	59,000	46,000	39,000	40,000	41,000	43,000
Library Books	4,000	2,000	2,000	1,000	2,000	2,000	2,000	2,000
Supplies and Materials for Operations	124,000	86,000	86,000	130,000	107,000	110,000	114,000	117,000
Other Supplies & Materials	1,000	2,000	1,000	2,000	2,000	2,000	2,000	2,000
Total Materials, Supplies & Textbooks	\$321,000	\$184,000	\$276,000	\$307,000	\$273,000	\$281,000	\$289,000	\$298,000

(5) **Capital Outlays:** The main components of capital outlay are as follows:

Table 2-1J: Capital Outlays

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Land	1,000	0	4,000	0	1,000	1,000	1,000	1,000
Buildings	0	0	27,000	5,000	8,000	8,000	8,000	9,000
Equipment	76,000	37,000	14,000	71,000	50,000	52,000	53,000	55,000
Building-Replacement	0	0	2,000	0	1,000	1,000	1,000	1,000
Total Capital Outlay	\$77,000	\$37,000	\$46,000	\$76,000	\$60,000	\$62,000	\$63,000	\$66,000

The four-year average is used for FY 2000-01, with a three percent annual inflationary factor used thereafter. According to the treasurer, the District has no intention to incur any major additional expenditures for land, buildings or building replacement for the duration of the forecast period. The equipment line item for FY 1999-00 increased due to the unanticipated one-time purchase of \$36,000 worth of transportation related equipment and tools. According to the treasurer, the District does not anticipate incurring such costs again within the time frames of this forecast. These additional costs were actually incurred by Laidlaw through a reduction in the amount they are reimbursed from the purchased services line-item. The treasurer indicated that this process allows for more accurate posting of costs.

- (6) **Other Expenditures:** Other expenditures and a detailed projection by component are as follows:

Table 2-1K: Other Expenditures

	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Dues & Fees	108,000	119,000	166,000	266,000	173,000	176,000	180,000	183,000
Insurance	22,000	32,000	28,000	18,000	25,000	26,000	27,000	27,000
Judgements	0	2,000	0	0	1,000	1,000	1,000	1,000
Total Other Expenditures	\$130,000	\$153,000	\$194,000	\$284,000	\$199,000	\$203,000	\$208,000	\$211,000

Dues and Fees: According to interviews with the treasurer, this figure increased significantly in FY 1999-00 due to administrative charges associated with the renewal of the income tax levy. The income tax levy is not scheduled to be renewed again until FY 2004-05. Therefore, for the duration of the forecast period, this item is projected to increase two percent annually using FY 1998-99 as a base. The two percent growth is consistent with the growth rate in income tax revenues.

Insurance and Judgements: The four-year average is used for FY 2000-01, with a three percent annual inflationary factor used thereafter.

VI. Debt Service

The District’s debt service requirements by fiscal year during the forecasted period are as follows:

Table 2-1L: Debt Service Requirements

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Two Year Tax Anticipation Note	225,000	225,000	0	0	0
H.B. 264	55,000	60,000	65,000	70,000	75,000
Ohio Solvency Assistance Loan ¹	0	314,000	314,000	0	0
Total Principal	\$280,000	\$599,000	\$379,000	\$70,000	\$75,000
Interest - Tax Anticipation Note	15,000	5,000	0	0	0
Interest - H.B. 264	36,000	33,000	30,000	26,000	22,000
Ohio Solvency Assistance Loan ¹	0	0	0	0	0
Total Interest	\$51,000	\$38,000	\$30,000	\$26,000	\$22,000
Total Debt Service	\$331,000	\$637,000	\$409,000	\$96,000	\$97,000

Source: Statement L from 4502 financial reports and District debt schedules.

¹ School District’s borrowing through the Ohio Solvency Assistance program receive the monies interest free.

The Two-Year Tax Anticipation Notes (TANs) allowed the District to maintain cash levels sufficient to continue normal operations until tax revenues were received. The TANs were in the amount of \$450,000 and were received in FY 1998-99.

The H.B. 264 energy conservation notes are authorized by legislation to be issued for the sole purpose of making capital improvements which result in energy efficiencies. Under this program, the District borrowed \$747,000 in FY 1996-97.

H.B. 412 eliminates the state emergency loan fund and replaces it with the Ohio Solvency Assistance Fund. After March 24, 1998, school Districts are no longer being approved for borrowing under the State Emergency Loan Fund and must borrow from the Ohio Solvency Assistance Fund. Under the new program, the District borrowed \$628,000 in FY 1999-00 and is scheduled to repay the amount over a two-year period.

VII. Other Sources and Uses of Funds

A. Transfers and Advances In/Out

As indicated in the forecast, the net effect of any transfers or advances is expected to be zero for the remainder of the forecast period.

B. Encumbrances

In accordance with ORC, the District is required to consistently use the encumbrance method of accounting for budget management and control. Under this method,

purchase orders, contracts, resolutions and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation for future payment.

Encumbrances outstanding at year-end represent planned expenditures which were budgeted in the fiscal year but which were not paid for as of year-end. The projection for FY 2000-01 through FY 2003-04 assumes \$44,000 worth of encumbrances, which is the four-year historical average.

C. Budget Reserve

H.B. 412 requires school districts to maintain a budget reserve when certain conditions are met. Whenever revenue received for current expenses for the preceding fiscal year is at least three percent greater than the revenue received for current expenses for the second preceding fiscal year, the district is required to set-aside as a budget reserve not less than one percent of the revenue received for current expenses for the preceding fiscal year. The minimum one percent set-aside continues each year until the accumulated budget reserve equals five percent of the revenue received for current expenses for the preceding fiscal year.

H.B. 770 also requires districts receiving a rebate from the Ohio Bureau of Workers Compensation (BWC) to apply the amount of the rebate toward the budget reserve requirement in the year the rebate is received. For rebates occurring in FY 1997-98 or FY 1998-99, the amount received was to be added to the budget reserve in addition to any applicable one percent set aside. In future years, however, the rebate would be used to offset any required contribution in the year the rebate was received.

School districts are not required to increase their budget reserve while they are in fiscal watch or fiscal emergency. However, amounts previously placed in the reserve may not be used to fund current operations without authorization from the State Superintendent of Public Instruction. This forecast assumes the District will maintain its current budget reserve balance of \$58,000 throughout the forecasted period.

Summary of Performance Audit Recommendations

Table 2-2 is being presented as a potential financial forecast for District management and the Commission. It is a management tool to be utilized to assess the impact that implementation of the various performance audit recommendations will have on the District's financial condition. The forecast presented contains the same financial projections as presented in **Table 2-1** with additional lines to include the financial implications associated with the performance audit recommendations, implementation costs for performance audit recommendations and any action taken to date by the Commission. Accompanying tables (**Table 2-2A** through **Table 2-2D**) summarize the financial implications associated with the recommendations contained within this report and provide background information regarding expenditure reductions already implemented by the Board. Some recommendations could be implemented immediately, while others will require further management action to realize the proposed savings. In addition, implementation costs and cost avoidances associated with the various recommendations are also summarized.

For the District to achieve financial stability, it will be necessary to make difficult management decisions. This performance audit provides a series of ideas and recommendations which the District and Commission should consider. However, this audit is not all-inclusive. Other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan of the District. The District and the Commission should update the financial recovery plan on an ongoing basis as critical financial issues are addressed.

Table 2-2: Proposed Financial Recovery Plan

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Actual 1999-00	Forecast 2000-01	Forecast 2001-02	Forecast 2002-03	Forecast 2003-04
Real Estate Property Tax	2,055	2,574	2,354	2,564	2,680	2,760	3,190	3,330
Tangible Personal Property Tax	56	14	47	48	49	49	50	51
Income Tax	0	73	825	1,398	1,357	1,397	1,439	1,483
State Foundation	2,658	3,013	3,259	3,342	3,489	3,526	3,459	3,563
Property Tax Allocation	278	314	282	304	321	334	383	399
Other Revenues	91	114	181	80	118	122	126	129
Total Operating Revenues	5,138	6,102	6,948	7,736	7,849	8,188	8,647	8,955
Salaries & Wages	3,623	3,734	4,035	4,365	4,622	4,837	5,076	5,324
Fringe Benefits	964	987	1,041	1,303	1,206	1,355	1,428	1,436
Purchased Services	1,209	1,362	1,349	1,593	1,617	1,676	1,740	1,805
Supplies, Materials & Textbooks	321	184	276	307	273	281	289	298
Capital Outlay	77	37	46	76	60	62	63	66
Other Expenditures	130	153	194	284	199	203	208	211
Interest on Loans	0	43	63	51	38	30	26	22
Performance Audit Rec (Table 2-2 A)	0	0	0	0	(364)	(514)	(514)	(514)
Commission Reductions (Table 2-2B)	0	0	0	0	(173)	(294)	(301)	(307)
Implementation Cost (Table 2-2 D)	0	0	0	0	1	0	0	0
Total Operating Expenditures	6,324	6,500	7,004	7,978	7,479	7,636	8,015	8,341
Ohio Solvency Assistance Loan Proceeds	0	0	0	628	0	0	0	0
Ohio Solvency Assistance Loan Repayment	0	0	0	0	(314)	(314)	0	0
Proceeds from TAN Issuance	0	450	0	0	0	0	0	0
Two-Year TAN Repayment	0	0	0	(225)	(225)	0	0	0
H.B 264 Proceeds	747	0	0	0	0	0	0	0
H.B. 264 Payment	0	0	(57)	(55)	(60)	(65)	(70)	(75)
Net Transfers/ Advances - In/ (Out)	1	0	(30)	4	0	0	0	0
Other	1	1	0	0	0	0	0	0
Net Financing	749	451	(87)	352	(599)	(379)	(70)	(75)
Results of Operations (Net)	(437)	53	(143)	110	(229)	173	562	539
Beginning Cash Balance	628	191	244	101	211	(18)	155	717
Ending Cash Balance	191	244	101	211	(18)	155	717	1,256
Outstanding Encumbrances	95	26	18	37	44	44	44	44
"412" Textbook/Instruction Reserve	0	0	1	0	0	0	0	0
"412" Capital Improvement Reserve	0	0	49	187	0	0	0	0
"412" Budget Reserve	0	0	58	58	58	58	58	58
Ending Unencumbered Cash Balance	\$96	\$218	(\$25)	(\$71)	(\$120)	\$53	\$615	\$1,154

Table 2-2A details those recommendations reflected in the forecast in **Table 2-2** and are further divided into categories requiring negotiation and those not requiring negotiation.

Table 2-2A: Summary of Performance Audit Recommendations

Recommendations	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Recommendations Included in Forecast (Table 2-2)				
R2.4 Reduce Food Service Staff ¹	\$34,856	\$34,856	\$34,856	\$34,856
R3.1 - Reduce high school teaching staff by two teachers ¹	\$87,978	\$87,978	\$87,978	\$87,978
R4.11 Closing one elementary school	0	\$150,000	\$150,000	\$150,000
R5.1 Increase routing efficiency and bus utilization District action to establish three-tiered bell schedule ²	\$241,000	\$241,000	\$241,000	\$241,000
Total Recommendations Included in Forecast:	\$363,834	\$513,834	\$513,834	\$513,834
RECOMMENDATIONS NOT INCLUDED IN FORECAST:				
Recommendations Subject to Negotiation:				
R3.8 - Eliminate three paid holidays for classified staff	\$5,580	\$5,580	\$5,580	\$5,580
Total Recommendations Subject to Negotiation	\$5,580	\$5,580	\$5,580	\$5,580
Recommendations Not Subject to Negotiation:				
R5.4 Special needs student transportation changes	\$87,000	\$87,000	\$87,000	\$87,000
R5.6 Increase use of payment in lieu of transportation	\$9,060	\$9,060	\$9,060	\$9,060
R5.7 Longer bus replacement schedule	0	\$10,000	\$10,000	\$10,000
Total Recommendations Not Subject to Negotiation:	\$96,060	106,060	106,060	106,060
Total Recommendations Not Included in Forecast	\$101,640	\$111,640	\$111,640	\$111,640

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

¹ The Commission has taken action to implement this recommendation for FY 2000-01 by reducing approximately 6.0 FTE certificated positions and 2.5 FTE classified positions

² The District has taken action to implement this recommendation by adopting a three-tiered bus schedule

Table 2-2B summarizes the reductions adopted by the commission which are in excess of those identified in this performance audit and are included in the financial forecast. In total, the commission reduced approximately seven FTEs which is estimated to yield an annual savings of approximately \$635,000. **Table 2-2B** includes approximately \$307,000 of commission reductions with the remaining \$328,000 being accounted for in the performance audit recommendations shown in **Table 2-2A**.

Table 2-2B: Commission Reductions

Action	Total Savings Projected FY 2000-01	Total Savings Projected FY 2001-02	Total Savings Projected FY 2002-03	Total Savings Projected FY 2003-04
Reduction of certificated positions beyond those identified in this performance audit	\$92,000	\$92,000	\$92,000	\$92,000
Reduction of classified positions beyond those identified in this performance audit	\$12,000	\$12,000	\$12,000	\$12,000
Reduction of administrative positions beyond those identified in this performance audit	\$11,000	\$11,000	\$11,000	\$11,000
Elimination of extended service contracts	\$19,000	\$19,000	\$19,000	\$19,000
Elimination of in-service contracts	\$39,000	\$39,000	\$39,000	\$39,000
Adopting a District wage freeze ¹	\$0	\$121,000	\$128,000	\$134,000
Total Projected Savings Included in Forecast	\$173,000	\$294,000	\$301,000	\$307,000

¹ Subject to successful negotiations

Table 2-2C summarizes the proposed staffing changes and adjusted staffing levels for FY 2000-01 through FY 2003-04 assuming the commission and performance audit recommendations are implemented.

Table 2-2C: Revised Staffing Levels

CATEGORY	Actual Staffing FY 1998-99	Actual Staffing Changes FY 1999-00	Adjusted Staffing FY 1999-00	Proposed Staffing Changes FY 2000-01	Adjusted Staffing FY 2000-01	Proposed Staffing Changes FY 2001-02	Adjusted Staffing FY 2001-02	Proposed Staffing Changes FY 2002-03	Adjusted Staffing FY 2002-03	Adjusted Staffing FY 2003-04
Administration	8.0	0.0	8.0	(0.5)	7.5	0.0	7.5	0.0	7.5	7.5
Certificated Staff	91.5	0.0	91.5	(4.0)	87.5	0.0	87.5	0.0	87.5	87.5
Classified Staff ¹	22.0	0.0	22.0	(2.5)	19.5	0.0	19.5	0.0	19.5	19.5
Total Staff	121.5	0.0	121.5	(7.0)	114.5	0.0	114.5	0.0	114.5	114.5

Table 2-2D summarizes the implementation costs associated with various recommendations contained within this performance audit. Each cost is dependent on the District’s decision to implement the associated recommendation and the timing of that implementation.

Table 2-2D: Implementation Costs

Recommendation Implementation Costs	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
R5.10 Installation of electronic key fuel protection system		\$1,400 - \$2,200 (one time)			
Total Recommendation Implementation Costs	\$0	\$1,400 - \$2,200 (one time)	\$0	\$0	\$0

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

VIII Commission Considerations

- A.** Under the state foundation program, the per pupil funding level has been established at \$4,294 for FY 2000-01. Future per pupil funding amounts are planned at \$4,414 for FY 2001-02 and \$4,538 for FY 2002-03. Only FY 2000-01 is guaranteed by current legislation. Additionally, according to the Supreme Court ruling rendered on May 11, 2000, the state legislators have until June 1, 2001 to remedy the perceived deficiencies in the current state funding formula. If the changes adopted by the state legislators effect the per pupil funding amounts or result in a modification from the current state funding formula, the state foundation funding projections contained in this forecast are likely to differ from what actually occurs.
- B.** State foundation payments under the Ohio Revised Code are calculated by the Ohio Department of Education on the basis of pupil enrollment and classroom teacher ratios, plus other factors for transportation, special education units, extended services and other items of categorical funding. For the purpose of the projections, student enrollment is projected as holding steady at 1,269 students through FY 2003-04. If the District experiences declining enrollment, State Foundation funding will potentially decrease from the projected levels.
- C.** The forecast does not include borrowing beyond a single State Solvency Assistance Fund loan in FY 1999-00 for \$628,000. Based on the negative ending balances shown in the current forecast, NLSD may need to accrue additional debt. If NLSD is required to borrow additional funds to meet current operating expenditures, repayment costs may delay the District's return to financial health.
- D.** The District's income tax will expire in 2005. Although this will occur beyond the time frames of this financial forecast, this issue should be considered as this revenue source will need to be renewed or replaced in such a manner as to maintain a sufficient and uninterrupted flow of revenue.
- E.** The current teachers' contract expires at the end of FY 2000-01. The financial recovery plan presented in **Table 2-2** assumes that upon the expiration of this contract, the District will grant annual cost of living adjustments of three percent. However, the District officials have indicated that they are currently attempting to extend the current contract one year in order to negotiate a wage freeze for FY 2001-02. The savings from the proposed wage freeze has been incorporated within the commission reductions line-item within the recovery plan presented in **Table 2-2**. If NLSD is unable to negotiate the wage freeze for FY 2001-02 or grants wage increases of more than three percent in future years, the District's financial situation could be significantly different than what was projected in **Table 2-2**.

B. Revenues and Expenditures

Background

NLSD's primary funding sources are local property and income taxes and state foundation support. A District can increase its local contribution through a property tax, a school District income tax or a joint city/school District income tax. Each of these tax options requires voter approval. Property taxes are levied on a calendar year basis against the assessed values of real estate, public utility property and tangible (business) personal property located within the District. In FY 1999-00, the total assessed value of real estate, public utility and tangible property was approximately \$133 million.

The Ohio General Assembly determines the level of State support for schools and distributes that support through the State Foundation Program. Allocations are based on a formula that guarantees each District will receive a specified amount per student which is deemed sufficient to support an adequate educational program at the state minimum level. The distribution formula, which incorporates Average Daily Membership (ADM) and millage minimums applied to the District's total assessed property valuation, has undergone significant change through new legislation which became effective in FY 1998-99.

Federal monies are awarded primarily through grant programs directed at helping economically disadvantaged students or those with special educational needs. Federal budget balancing is expected to negatively impact grant awards. See **Table 2-7** for percentage breakdowns of District funding by sources compared to the peer Districts and State averages.

The Board is required under the ORC to adopt an annual budget. Each year, two budgets are prepared by the District: a tax budget and an operating budget. The budgeting process identifies the adequacy of financial resources for the educational programs and provides a basis for accountability in fiscal management. The tax budget also serves as the legal basis for the establishment of tax rates.

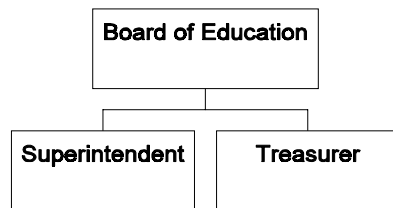
There is no separate department responsible for budgeting within NLSD. Under board policy, this function is centralized in the offices of the superintendent and the treasurer. The superintendent and the board establish the overall fiscal objectives for the District while the actual budget preparation, presentation and subsequent management reporting falls under the authority of the treasurer. The treasurer prepares the tax budget and the annual appropriation resolution; files required forms and reports with the county budget Commission and the ODE; monitors compliance with appropriation spending levels; initiates, reviews and processes budget adjustments and modifications; and prepares monthly budgetary internal control reports. She is responsible for establishing and overseeing a system of internal controls within the District to ensure the accuracy of financial information and to protect the District's assets.

Organizational Function

Under the current organizational structure, the Board’s role is to oversee the superintendent and the treasurer in the managing of the daily operations of the district and carrying out the fiscal recovery plan adopted by the commission. Decisions which have financial implications or that affect the District’s finances are required to be made by the Commission.

The District’s superintendent and the treasurer report independently to both the elected Board and the appointed Commission. Within this organizational structure, all departments except the treasurer’s department report to the superintendent. The organizational chart below shows the reporting relationships of the superintendent and treasurer’s department.

Chart 2-1: Financial Organizational Chart



Summary of Operations

As a result of the current financial difficulties, developing accurate financial forecasts has taken on added importance within the District. Accordingly, NLSD's treasurer prepares a yearly financial forecast. District management utilizes this forecast to monitor progress made in dealing with a current deficit and in restoring financial stability, to model the future ramifications of proposed changes to the current staffing levels, educational programs and collective bargaining agreements, and to identify future budgetary shortfalls and develop appropriate strategies.

The treasurer has been preparing a five-year financial forecast for the last three years. The most recent forecast was prepared in early July, 2000, shortly after the close of FY 1999-00. The financial forecast includes projections of estimated revenues and expenditures for the General and Debt Service funds, as well as the assumptions used to develop the projections. All other projections for this period were based on future needs, prior period performance, and historical trends.

The budgetary process begins with the preparation and adoption of the tax budget, showing estimated receipts and expenditures, and is submitted to the Budget Commission before January 20th in accordance with ORC and Board policy. In June, the District adopts a temporary appropriation measure to be used during the three- month period from July through September, during which time the permanent appropriation measure is prepared. According to the treasurer, each school building is given a certain budget based on a funding amount per student and must operate within the limits of that budget.

The treasurer's office is responsible for the preparation and issuance of various financial reports in accordance with State and Federal guidelines. These include an annual spending plan and quarterly updates submitted to the ODE. The spending plan allows the State Superintendent of Public Instruction to determine if the District has expenditures that may impair its ability to operate within its revenue sources. The cash-basis plan includes revenue projections by source, the nature and amount of expenditures to be incurred by the District, outstanding and unpaid expenses and the months in which the expenses are to be paid.

Performance Measures

- Assessment of financial planning processes
- Assessment of federal, state and local funding levels
- Assessment of District expenditures
- Review of allocation of resources for instruction, support and administrative costs
- Evaluation of relevance and timeliness of financial and management reports

Findings / Commendations / Recommendations

Financial Planning

F2.1 The treasurer’s forecast document appears to require more detailed information including notes which provide historical information. Also, while the forecast notes include mention of major staff expense reductions, there is little detailed support to accompany the large decrease in projected expenditures for this line item. For example, there is no explanation of how state requirements regarding class size will be met and how any potential staff reductions will be implemented.

C2.1 The treasurer has developed a forecast which outlines the District’s intentions to significantly reduce expenditures. This allows the Financial Planning and Supervision Commission to more quickly develop an understanding of critical financial issues facing the District.

R2.1 The financial forecast prepared by the District lacks detailed assumptions to clearly indicate the manner in which the forecast was developed. Given the significant financial issues facing NLSD, a properly developed, detailed financial forecast is essential in the District’s attempt to regain financial solvency. To this extent, NLSD should use the format of the financial forecast presented in **Table 2-1** and update the information and projections as financial issues change or materialize. Such a forecast ensures members of the District and the Commission are provided with sound and detailed information on which to base their decisions. Furthermore, the Board and the Commission should plan for a smooth transition of financial forecasting duties in anticipation of the current treasurer’s retirement in upcoming months.

The District should also consider making the forecast document available to the general public, as well as to parents, District employees and board members. By presenting more historical and projected financial information, as well as the inclusion of detailed accompanying assumptions, explanatory comments, and the methodology used in deriving the financial estimates, the District will provide management, as well as the general public, a more comprehensive understanding of its anticipated financial condition.

F2.2 Ohio Rev. Code § 3316.06 states that “(w)ithin 120 days after the first meeting of a school District’s Financial Planning and Supervision Commission, the Commission shall adopt a financial recovery plan regarding the school District for which the Commission was created. During the formulation of the plan, the Commission shall seek appropriate input from the school District and from the community.”

The Auditor of State declared NLSD in a state of fiscal emergency on March 14, 2000. As a result, a Financial Planning and Supervision Commission was established and given the authority to assume control of the District. The Commission had its first meeting on April 14, 2000, and has 120 days from its first meeting to adopt a financial recovery plan for the

District. An initial financial plan has not yet been adopted by the Commission. The forecast developed as of July, 2000 projects a negative year-end cash balance of approximately \$481,000 in FY 2003-04.

R2.2 **Table 2-2** is presented to provide the Commission with a proposed financial recovery plan in its effort to adopt a plan which will allow the District to regain financial stability. The Commission should use the financial recovery plan to evaluate the recommendations presented within this performance audit and to determine the impact of the related cost savings on the District's financial condition. The recommendations are broken down into those which can be enacted immediately by NLSD and those that will require further management actions, such as renegotiating certain items within the current union agreements.

F2.3 NLSD does not prepare a formal capital or long-range capital spending plan, nor has it created a comprehensive facilities master plan for use in guiding its long-term decisions. Although the District has built a new high school and renovated the other buildings where studies and designs were conducted, these studies and designs do not contain all components of a long-range capital spending plan nor a comprehensive facilities master plan. According to the Ohio Legislative Budget Office, the cost of repairing and upgrading the District's current facilities to meet minimum standards for health and safety is approximately \$14.7 million. Despite this significant cost, the treasurer indicated that the District has no plans to prepare a capital budget in the near future, nor has past spending for capital maintenance items been coordinated with the requirements of H.B. 412. The **Facilities Section** of this report presents a detailed discussion of the District's capital needs and funding sources.

R2.3 NLSD should create a comprehensive long-range capital plan which addresses the need for ongoing capital repairs and maintenance. The plan should incorporate the conditions of all facilities, the impact of building style and configuration on curriculum and educational programs, and the means of maximizing the utilization of classroom space and technological resources. The plan should be formally adopted by the board when first created, and annual segments should again be approved individually as they become current, allowing for modifications and adjustments to the original components as circumstances dictate. All elements of this comprehensive plan should be linked to the District's five-year financial forecasts and annual budgets. Such a plan would more accurately demonstrate to the public the District's total capital requirements and priorities, and help build support for future permanent improvement issues and levy campaigns.

NLSD should also consider establishing a Permanent Improvement Panel (PIP) to preside over all permanent improvement projects. The PIP should be comprised of a cross-section of District staff, community and parent representatives, and provide an ongoing review of the identified capital needs of the District.

Food Services

The primary purpose of the food service division is to coordinate, implement and monitor the food services provided to the District's students through the National School Breakfast and Lunch programs. The department is also responsible for compliance with all federal, state and board policies and regulations.

The food service division of NLSD is an enterprise fund that accounts for its operations in a manner similar to a private business enterprise, where the intent of the division is that the costs (expenses, including depreciation) of providing the service to the students are financed primarily through user charges. The operation is accounted separately from other fund activities and the desired outcome is a net income.

- F2.4 **Table 2-3** summarizes the District's food service revenues and expenditures on a cash basis (Non-GAAP Budgetary Basis) for FY 1997-98 and FY 1998-99. NLSD maintains its food service fund accounts on the cash basis during the year, which means they record revenues only when received in cash and they recognize expenditures and liabilities only when cash is paid. Thus, accruals and deferrals may be required to convert the cash basis data to the GAAP basis at year-end. Additionally, **Table 2-3** indicates the food service division has experienced a deficit in the last two years. However, the District has made significant operational changes which have led to reductions in operating losses from FY 1997-98 to FY 1998-99.

Table 2-3: Financial Summary (Cash Basis)

	FY 1997-98	FY 1998-99
Revenues		
Sales	\$161,634	\$177,639
Operating Grants and Other Revenues	84,219	99,111
Total Revenues	245,853	276,750
Expenses		
Salaries	126,716	133,913
Fringe Benefits	32,658	16,055
Purchased Services	4,710	4,724
Supplies and Materials	145,600	129,821
Capital Outlay - Replacement	4,274	0
Total Expenses	313,958	284,513
Operating Income (Loss)	\$ (68,105)	\$ (7,763)

Source: District’s 4502 reports, Statement E

According to the treasurer, various factors led to the significant reduction in net losses. Revenues increased by \$12,565 for state and federal grants. Also, approximately \$55,000 in vending machine revenues were realized. Total expenses dropped by \$29,445 or 9.4 percent, from FY 1997-98 to FY 1998-99. Some of this decrease can be attributed to the District moving to a single or central kitchen arrangement in FY 1998-99. Currently, the high school kitchen is used for food preparation and the food is shuttled to other sites. Prior to this, food was prepared in four separate kitchens.

F2.5 The expenditure reductions noted in **Table 2-3** are somewhat misleading because, with the exception of some early retirement incentive costs for an employee, the District paid the fringe benefits costs for food service employees from the General Fund in FY 1998-99. **Table 2-3 A** presents a revised financial summary assuming the fringe benefit costs had been properly recorded in the food service enterprise fund rather than the General Fund. As can be seen, had the fringe benefit costs been properly included within the food service fund, the District would have encountered a deficit of approximately \$55,000.

Table 2-3 A: Financial Summary (Cash Basis)

	FY 1997-98	FY 1998-99
Revenues		
Sales	\$161,634	\$177,639
Operating Grants and Other Revenues	84,219	99,111
Total Revenues	245,853	276,750
Expenses		
Salaries	126,716	133,913
Fringe Benefits	32,658	63,609
Purchased Services	4,710	4,724
Supplies and Materials	145,600	129,821
Capital Outlay - Replacement	4,274	0
Total Expenses	313,958	332,067
Operating Income (Loss)	\$ (68,105)	\$ (55,317)

Source: District's 4502 reports, Statement E

R2.4 The District should begin accounting for all food service related costs, including fringe benefits, within the enterprise fund. Without accurately capturing expenditure data, the true cost of the food service operations is not available for management purposes. Maintaining accurate and reliable financial information is an essential tool in an efficient and effective operation.

F2.6 **Table 2-4** summarizes key information for the food service division for NLSD, its peer districts and the peer average. Overall staffing is analyzed in full-time equivalents (FTEs).

Table 2-4: Comparison of Food Services Financial Data and Operational Ratios

	Northridge	North Central	Liberty Union	Johnstown Monroe	Peer Average ¹
General Information					
Average Daily Membership (ADM)	1,335	1,406	1,355	1,331	1,364
Overall Staffing (FTE) ²	8.5	7.0	7.5	6.5	7.00
Total Salaries	\$133,913	\$109,223	\$121,008	\$71,227	\$100,486
Total Benefits	\$63,609 ³	\$52,384	\$57,016	\$44,515	\$51,305
Total Cost of Operation	\$332,067	\$292,984	\$310,096	\$184,887	\$262,656
Operational Ratios					
# of Students per Staff Member	157	201	181	205	196
Avg. Salary per Staff Member	\$15,754	\$15,603	\$16,134	\$10,958	\$14,232
Avg. Benefits per Staff Member	\$7,483	\$7,483	\$7,602	\$6,849	\$7,311
Avg. Cost to serve a Student	\$249	\$208	\$229	\$139	\$192

Source: District's 4502 report FY 1998-99, Statement E and EMIS Vital Statistic report FY 1999

¹ Peer average does not include Northridge.

² Staffing levels are based on 8-hour per day employees

³ According to interviews with the treasurer, benefit costs for food service employees were in large part paid through the General Fund. Therefore, the peer average ratio of benefits to salaries was applied to the NLSD total salaries figure to derive total benefits. Only North Central and Liberty Union were used to develop this peer ratio as the Johnstown-Monroe ratio of benefits to salaries appeared to be irregularly high.

An analysis of **Table 2-4** indicates that NLSD has the highest overall staffing level compared to the peer districts and the peer average for their food service operations. Additionally, in comparison to the peers, NLSD has the highest total operational cost and is maintaining the second highest average salary cost per staff member. Furthermore, NLSD's average cost to serve a student is approximately \$57 higher than the peer average. The treasurer indicated that the overall staffing level should decrease slightly in FY 2000-01 due to a 6-hour employee being converted to 4 -hours per day.

R2.5 NLSD should implement procedures to make the food service enterprise fund self-supporting. The following options should be considered by the District to balance the food service enterprise fund.

- Option A. The District should evaluate its food service expenditures to determine where cost savings could be implemented without significantly sacrificing the quality of food. Based on comparisons to peers, it may possible for the District to reduce staffing levels by approximately 1.5 FTEs.
- Option B. Another option the District could consider would be to increase the price per meal. However, if this option is considered, it should be noted that there is a potential that any increase in price per meal could be offset by a decrease in demand.
- Option C. Another alternative the District should reconsider is contracting with an outside company for its food services. Although previously considered by NLSD and rejected as an option, food service management companies have broad-based marketing experience and knowledge which could help the District supplement its existing marketing strategies.

Financial Implication: A reduction of 1.5 FTEs within food service would allow the District to save approximately \$35,000 in salary and fringe benefit costs.

Revenue Assessment

F2.7 **Table 2-4** shows the distribution of revenue by funding source for all funds over the past three fiscal years, on a cash basis, for NLSD, its peer Districts, the peer average and the State average.

Table 2-4: Percent of Revenue by Funding Source

	Northridge	North Central	Liberty Union	Johnstown Monroe	Peer Average	State Average
FY 1996-97:						
Local	48.8%	32.3%	44.1%	43.4%	42.2%	51.2%
State	48.0%	63.6%	53.2%	52.6%	54.4%	42.3%
Federal	3.1%	4.0%	2.7%	4.0%	3.5%	6.0%
FY 1997-98:						
Local	44.0%	30.2%	43.5%	44.0%	40.4%	51.6%
State	53.3%	64.0%	54.9%	52.6%	56.1%	42.7%
Federal	2.7%	5.8%	2.6%	3.4%	3.5%	5.7%
FY 1998-99:						
Local	45.9%	32.7%	46.5%	43.7%	42.2%	51.0%
State	51.2%	63.1%	51.0%	52.8%	54.5%	43.4%
Federal	2.9%	4.2%	2.5%	3.5%	3.3%	5.6%

Source: EMIS District Profiles.

F2.8 **Table 2-4** indicates that, in FY 1998-99, NLSD received a higher percentage of their total revenue from local sources than two of the peer Districts and the peer average, although NLSD received less than the state-wide average for all school Districts. A school District's local revenue sources are primarily limited to property taxes and income taxes, if applicable. All school Districts receive real and personal property tax revenues. Only some Districts, like NLSD, collect income taxes, either through a school District or a joint city/school District income tax approved by the voters. The NLSD income tax is only for the school district. As detailed in **Table 2-1**, NLSD received \$825,000 in income taxes in FY 1998-99.

Under Ohio law, property values are adjusted every six years. According to **Table 2-1C**, the 1999 assessment of property values within the District totaled approximately \$133 million, which was reflected in taxes collected beginning in the 2000 calendar year. The next complete reappraisal will be conducted in calendar year 2005, which will affect tax collections beginning in calendar year 2006. Based on 1999 assessed valuation, one mill of property tax would generate approximately \$133,000 of additional revenue for NLSD.

F2.9 **Table 2-5** presents statistics which impact a District's ability to raise local revenue. NLSD is compared with its peer Districts and state averages.

Table 2-5: Local Statistics - Last Three Years

	Northridge	North Central	Liberty Union	Johnstown Monroe	Peer Average	State Average
FY 1996-97: Effective Millage ¹	31.1	26.8	21.2	26.7	26.5	30.9
Average Valuation ²	\$ 74,948	\$ 51,521	\$ 63,422	\$ 72,364	\$ 65,564	\$ 87,754
Area Median Income	\$ 27,299	\$ 24,864	\$ 24,758	\$ 27,321	\$ 26,061	\$ 24,588
FY 1997-98: Effective Millage ¹	29.7	26.1	21.2	23.7	25.2	30.7
Average Valuation ²	\$ 87,851	\$ 58,895	\$ 64,908	\$ 83,726	\$ 73,845	\$ 93,523
Area Median Income	\$ 27,299	\$ 24,864	\$ 24,758	\$ 27,321	\$ 26,061	\$ 24,431

Source: EMIS District Profiles.

¹ Could potentially include Joint Vocational School District operating and public library millage

² Average valuation per pupil will increase over a period of years, if the average daily membership (ADM) count declines.

Table 2-5 indicates that NLSD effective millage percentage has declined over the two-year period. Effective millage is the rate at which property is taxed in the District. Property values also affect how much revenue a District receives. Real property is reappraised for tax purposes every six years and updated every three years. Additionally, tax reform legislation was passed in 1976 (H.B. 920), which effectively eliminated inflationary effects upon property taxes.

An examination of the District's average valuation and median income shows NLSD has the second highest median income and the highest property values when compared to the peer Districts in FY 1997-98. In addition, NLSD has the highest effective millage which is 4.5 mills higher than the peer average but 1.0 mills lower than the state-wide average for all school Districts.

R2.6 In order to achieve and maintain long-term financial stability, NLSD will need to maintain a stabilized stream of revenue to fund operations in the future. While the results of this performance audit suggest that some opportunities exist to reduce expenditures, stable revenues are also required to maintain a balanced budget. Therefore, the District should consider establishing a more permanent source of revenue by attempting to renew the income tax levy when it expires in FY 2004-05. Currently, the income tax generates approximately \$1.4 million per year.

Prior to asking the community to renew the income tax in FY 2004-05, the District should demonstrate accountability by implementing the various recommendations identified in this performance audit, updating and implementing the cost reductions identified in its fiscal recovery plan and managing other costs in an effort to achieve and maintain financial stability.

F2.10 **Table 2-6** presents' NLSD's long term indebtedness as of June 30, 2000.

Table 2-6: Long Term Indebtedness as of 6/30/00

Description	Interest Rate	Issue Date	Maturity Date	Amount Borrowed	Amount Outstanding
Classroom Facilities General	4.9 % to 6.75%	11/1/95	12/1/18	\$9,112,344	\$8,430,000
Energy Conservation Bonds	5.479%	5/5/97	6/1/08	\$747,000	\$635,000
Ohio Solvency Assistance Loan	No Interest	5/3/00	6/30/02	\$628,000	\$628,000
Total Debt				\$10,487,344	\$9,693,000

Source: Treasurer's Office.

Table 2-6 indicates that approximately \$9.9 million or 94 percent of NLSD's long-term indebtedness consists of borrowing for the purpose of improving the District's facilities. Currently, the only operating debt NLSD has outstanding is the \$628,000 interest-free loan the District received from the Ohio Solvency Assistance Loan program in FY 1999-00.

In general, borrowing to fund operations results in increased interest charges and strict repayment schedules which can contribute to a district's financial hardships. However, during the past four years, the only interest bearing operating debt that NLSD has issued were tax anticipation notes for approximately \$450,000 in FY 1997-98.

F2.11 **Table 2-7** details the election results for the past ten years for various levies the District placed on the ballot.

Table 2-7: Ten Year Levy History

Year	Type of Levy	Millage	New/Renewal	Duration	Results
November 1990	Bond Issue	5.9 mills	New	23 years	Failed
November 1991	Income Tax	.75 %	New	Continuing	Failed
November 1992	Emergency Levy	7.7 mills	Renewal	2 years	Passed
May 1994	Emergency Levy	7.7 mills	Renewal	3 years	Passed
May 1995	Bond Issue	8.1 mills	New	23 years	Passed
November 1996	Income Tax	1.0 percent	New	Continuing	Failed
November 1997	Income Tax	1.0 percent	New	3 years	Passed
November 1999	Income Tax	1.0 percent	Renewal	5 years	Failed
March 2000	Income Tax	1.0 percent	Renewal	5 years	Passed

Source: District records

Table 2-7 indicates that in general, the District has been successful in gaining voter approval for relatively short-term emergency levies, bond issues and the income tax. Long-term or continuing levies are generally rejected. The District’s voters passed five of the nine levy requests in the past ten years.

F2.12 School districts typically obtain funding for the on-going systematic upgrading or replacement of basic capital items such as roofs, windows, boiler, electrical components, playgrounds and equipment, as well as complying with ever increasing environmental and social mandates, through voter-approved capital or permanent improvement levies. The monies raised through such levies and the associated expenditures are segregated in a separate capital or permanent improvement fund established for that purpose within the accounting system.

The capital needs identified in the ODE study associated with attaining minimum health and safety standards are expected to remain unmet until such time as additional sources of revenue, such as a levy or bond issue, is passed or until sufficient state or other third party assistance can be obtained. The **Facilities** section of this report presents a detailed discussion on the District’s capital needs and funding sources.

F2.13 **Table 2-8** provides the authorized millage amounts as well as the effective mills for levies the District received during FY 1998-99. Authorized millage includes the inside mills which are levied without the vote of the people and the outside mills are levies which are voted on by the people. **Table 2-8** indicates that the District has a total authorized millage of 32.60 mills.

However, as a result of H.B.920, when a reassessment or update of property values takes place and the value of real property increases due to inflation, a tax credit factor is applied to the voted mills. This prevents an increase in the tax bill of the property owner because inflation has increased the value of their property. Therefore, the effective millage is only 20.00 mills (the amount currently being assessed for NLSD). Additionally, the law protects school Districts with low millage, prohibiting tax reduction below 20 effective mills as a result of reappraisals and readjustments from triennial updates.

Table 2-8: Tax Millage Currently Being Assessed for General Fund

Year	Type of Levy	Duration	Authorized Millage	Effective Millage
Prior to 1976	Operating	Continuing	18.60 Mills	9.85 Mills
1978	Operating	Continuing	5.30 Mills	2.81 Mills
1989	Operating	Continuing	4.60 Mills	3.24 Mills
Inside Millage			4.10 Mills	4.10 Mills
Totals			32.60 Mills	20.00 Mills

Source: Schedule B provided by County Auditor

F2.14 NLSD can help maintain and improve student levels of learning and nutrition through applying for various State and Federal grants through programs such as Title I, Title VI-B and National School Lunch. The District pursues common Federal grants, such as Title I and Title VI-B, but does not have a coordinated program to seek smaller, specialized State and Federal grants. NLSD does not employ a grant coordinator. Rather, the District relies on the Licking County Educational Services Center for this service. According to the superintendent, upon determination that a grant may be available and beneficial to the District, a grant committee is established to develop a formal application. This is done in cooperation with the Educational Services Center and the superintendent maintains communication with the Board regarding the progress of the application. Compliance responsibilities ultimately lie with the treasurer, but most grants come with reporting requirements that force the District to report financial activities associated with the grant.

R2.7 The District should develop a coordinated grant program to include all teachers and administrators in the grant search and application process. All educators in the District should be provided with grant search materials and be trained in grant application methodologies. Increased grant revenues through a more concentrated grant search could provide the District with additional revenues.

District Expenditure Analysis

F2.15 **Table 2-9** depicts General Fund FY 1998-99 revenues by source and expenditures by object as a percent of total General Fund revenue and expenditures for NLSD and its peer Districts.

Table 2-9: Revenues by Source and Expenditures by Object

	Northridge	North Central	Liberty Union	Johnstown	Peer Avg. ¹
Property and Income Taxes	49.6%	25.7%	43.9%	43.6%	37.7%
Intergovernmental Revenues	49.4%	68.6%	51.8%	54.5%	58.3%
Other Revenues	1.0%	5.7%	4.3%	1.9%	4.0%
TOTAL REVENUES	\$ 6,728,554	\$ 6,481,181	\$ 7,425,637	\$ 6,350,478	\$ 6,752,432
Wages	58.1%	60.8%	63.5%	63.6%	62.6%
Fringe Benefits	15.0%	18.4%	17.6%	17.0%	17.7%
Purchased Services	19.4%	13.5%	10.0%	10.0%	11.2%
Supplies & Textbooks	3.7%	2.3%	3.9%	3.2%	3.1%
Capital Outlays	0.6%	0.4%	1.6%	1.8%	1.3%
Debt Service	<.1%	0.3%	0.2%	0.8%	0.4%
Miscellaneous	2.8%	1.9%	2.4%	3.2%	2.5%
Other Financing Uses	0.4%	2.4%	0.9%	0.4%	1.2%
TOTAL EXPENDITURES	\$ 6,950,011	\$ 6,088,739	\$ 7,372,905	\$ 5,887,486	\$ 6,449,710

Source: FY 1998-99 District Report 4502, Exhibit 2 and statement P.

¹ Peer average does not include Northridge

As indicated in **Table 2-9**, NLSD is highest among the peers in reliance on local sources of revenue. NLSD receives approximately 50 percent of their funding from local sources as opposed to the peer average of 38 percent.

A factor limiting administrators and staff in effectively controlling District allocations is the high percentage of expenditures that are negotiated by employment contracts and debt service payments. As shown in **Table 2-9**, wages and employee benefits account for approximately 73 percent of the total budgeted expenditures for the general fund. This is well below the peer average of approximately 80 percent due to NLSD's contracting of transportation services to Laidlaw Transit Incorporated (Laidlaw). Therefore, the 73 percent figure above does not include the salaries and fringes of approximately 20 FTEs providing transportation

services to the District. When an adjustment is made for the Laidlaw contract, salaries, wages and the Laidlaw contract accounted for approximately 80 percent of the total budgeted general fund expenditures, which is comparable to the peers. The rate of compensation for most NLSD employees is set by union contracts. Benefit payments such as retirement contributions, medicare, workers’ compensation and unemployment are determined by State and Federal regulations. See the **Human Resources** section of this report for an analysis of the District’s salaries and benefits. See the **Transportation** section of this report for an analysis of the Laidlaw contract.

F2.16 **Tables 2-10 and 2-11** show the amount of expenditures posted to the various USAS function codes for NLSD and the peer Districts. Function codes are designed to report expenditures by their nature or purpose. **Table 2-10** shows the operational expenditures per pupil and percentage of operational expenditures by functions for all funds which are classified as governmental fund types. Governmental funds are used to account for a District’s governmental-type activities.

Table 2-10: Governmental Funds Operational Expenditures By Function

USAS Function Classification	Northridge		North Central		Liberty Union		Johnstown-Monroe		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Instruction Expenditures	3,090	55.6%	3,121	63.2%	3,379	59.6%	2,968	60.8%	3,139	59.8%
Regular Instruction	2,550	45.9%	2,258	45.7%	2,659	46.9%	2,390	49.0%	2,464	46.9%
Special Instruction	372	6.7%	556	11.3%	510	9.0%	467	9.6%	476	9.1%
Vocational Instruction	127	2.3%	127	2.6%	210	3.7%	111	2.3%	144	2.7%
Adult/Continuing Inst.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other Instruction	42	0.8%	180	3.7%	0	0.0%	0	0.0%	55	1.1%
Support Services Exp.	2,260	40.6%	1,681	34.1%	2,043	36.1%	1,690	34.6%	1,919	36.4%
Pupil Support	139	2.5%	208	4.2%	210	3.7%	185	3.8%	185	3.6%
Instructional Support	169	3.0%	194	3.9%	225	4.0%	168	3.5%	189	3.6%
Board of Education	7	0.1%	8	0.2%	49	0.9%	16	0.3%	20	0.4%
Administration	530	9.5%	474	9.6%	542	9.6%	438	9.0%	496	9.4%
Fiscal Services	143	2.6%	136	2.8%	157	2.8%	153	3.1%	147	2.8%
Business Services	17	0.3%	0	0.0%	0	0.0%	0	0.0%	4	0.1%
Plant Operation/Maint.	538	9.7%	315	6.4%	592	10.4%	398	8.2%	461	8.7%
Pupil Transportation	623	11.2%	296	6.0%	269	4.8%	225	4.6%	353	6.6%
Central Support Services	94	1.7%	49	1.0%	0	0.0%	106	2.2%	62	1.2%
Non-Instructional Services Expenditures	38	0.7%	0	0.0%	0	0.0%	0	0.0%	10	0.2%
Extracurricular Activities Expenditures	173	3.1%	134	2.7%	246	4.3%	224	4.6%	194	3.7%
Total Governmental Fund Operational Expenditures	5,562	100%	4,935	100%	5,669	100%	4,881	100%	5,262	100%

Source: FY 1998-99 4502 reports

2.17 The allocation of resources between the various functions of a District is one of the most important aspects of the budgeting process. Given the limited resources available, functions must be evaluated and prioritized. Analyzing the spending pattern between the various functions should indicate where the priorities of the board and management are placed. **Table 2-10** details the District’s governmental funds’ operational expenditures for FY 1998-99 by function as captured and reported by the accounting system.

As **Table 2-10** indicates, NLSD’s per pupil expenditures were the second highest among the peer districts. Furthermore, the District’s percentage of governmental fund operational expenditures spent on instruction (55.6 percent) was the lowest among the peers. In contrast, NLSD’s support services expenditures (40.6 percent) was the highest among the individual peer Districts and higher than the peer average of 36.4 percent. The primary differences between NLSD and the peers in this regard are the high costs of plant operation and maintenance as well as pupil transportation. The high plant operation costs are affected by maintaining buildings with excess capacity at the elementary level. In the future, the facilities expenditures could be reduced by closing a school building. In FY 2000-01, the transportation costs should be reduced due to the District’s adoption of a three tiered bus schedule. See the **facilities** and **transportation** sections for further details.

F2.18 **Table 2-11** shows the total expenditures of the governmental funds, including facilities acquisition and construction, and debt service.

Table 2-11: Total Governmental Fund Expenditures By Function

USAS Function Classification	Northridge		North Central		Liberty-Thurston		Johnstown-Monroe		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
Total Governmental Funds Operational Expenditures	5,562	81.6%	4,935	94.5%	5,669	90.5%	4,881	91.1%	5,262	89.4%
Facilities Acquisition & Construction Expenditures	623	9.1%	65	1.2%	296	4.7%	193	3.6%	294	4.7%
Debt Service Expenditures	630	9.3%	223	4.3%	297	4.7%	282	5.3%	358	5.9%
Total Governmental Funds Operational Expenditures	6,815	100%	5,224	100%	6,262	100%	5,356	100%	5,914	100%

Source: FY 1998-99 4502 reports

Table 2-11 shows the per pupil operational expenditures, facilities’ acquisition and construction, and debt service for all governmental funds, as well as the percentage of these categories to total governmental fund expenditures. NLSD’s operational expenditure percentage of 81.6 percent is the lowest among the peer Districts. Additionally, the District’s dollar per pupil for operational expenditures was the second highest among the individual peer Districts. The debt service expenditures represent 9.3 percent of the District’s outlays, which is the highest among the peer Districts and well above the peer average of 5.9 percent. This large discrepancy can be attributed to the newly constructed high school building.

R2.8 NLSD should closely examine the spending patterns indicated in **Table 2-10** and **Table 2-11**, and consider reallocating the monies it is currently receiving towards those programs and priorities which will have the greatest impact on improving the student's education and proficiency test results. On the State of Ohio 2000 school District report card, the District met 19 of the 27 standards, earning a rating of "Continuous Improvement." Therefore, the District should utilize the recommendations contained in this performance audit to assist in identifying revenues currently being spent on support services which could potentially be shifted to further support instructional activities. NLSD closely matched the academic performance of the peer districts, which on average met 18 of the 27 standards. All of the peer districts fell within the category of "Continuous Improvement."

F2.19 **Table 2-12** shows selected discretionary expenditures by account from NLSD's FY 1998-99 general fund. The expenditures are then calculated as a percentage of total General Fund expenditures, and compared with similar spending by the peer Districts.

Table 2-12: Discretionary Expenditures

	Northridge	Northridge	North Cent	Liberty	Johnstown	Peer Avg
Prof. and Technical Services	\$110,993	1.6%	2.0%	2.2%	2.0%	1.9%
Property Services	\$983,486	14.2%	2.2%	3.1%	2.5%	5.5%
Mileage/Meeting Expense	\$13,432	0.2%	0.3%	0.3%	0.3%	0.2%
Communications	\$44,494	0.6%	0.5%	0.3%	0.6%	0.5%
Contract. Craft or Trade Svcs.	\$10,876	0.2%	<.1%	<.1%	0.0%	0.1%
Pupil Transportation Services	\$1,615	<.1%	0.2%	0.1%	<.1%	0.1%
Other Purchased Services	\$0	0.0%	0.0%	0.0%	0.0%	0.0%
General Supplies	\$107,452	1.6%	1.2%	1.6%	1.1%	1.4%
Textbooks/Reference Materials	\$60,962	0.9%	0.2%	0.2%	1.0%	0.6%
Supplies/Materials for Resale	\$0	0.0%	0.0%	0.5%	0.0%	0.1%
Food & Related Supplies/Materials	\$312	<.1	0.0%	0.0%	<.1%	<.1%
Plant Maintenance and Repair	\$40,301	0.6%	0.3%	1.2%	0.6%	0.7%
Fleet Maintenance and Repair	\$46,192	0.7%	0.5%	0.5%	0.5%	0.5%
Other Supplies and Materials	\$0	0.0%	0.0%	0.0%	0.0%	0.0%
Land, Buildings & Improvements	\$31,790	0.5%	0.0%	0.9%	0.0%	0.3%
Equipment	\$14,033	0.2%	0.4%	0.8%	2.6%	1.0%
Buses/Vehicles	\$0	0.0%	0.3%	<.1%	0.0%	0.1%
Dues and Fees ¹	\$165,937	2.4%	1.6%	1.5%	3.1%	2.1%
Insurance	\$27,929	0.4%	0.1%	<.1%	0.1%	0.2%
Awards and Prizes	\$0	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	\$0	0.0%	0.2%	0.0%	<.1%	<.1%
TOTAL OF THIS TABLE	\$1,659,804	23.9%	10.2%	13.1%	14.3%	15.3%

Source: FY 1998-99 4502 Reports, Statement P

¹ Excludes county auditor and treasurer fees.

Table 2-12 shows NLSD's percentage of discretionary spending exceeded its peers in eight of the twenty-one expenditure categories. NLSD was below the peer average in five categories and the same as the peers in the remaining eight categories. Total discretionary spending as a percentage of total general fund expenditures exceeded the peer average by a significant 8.6 percent.

This difference can be attributed in whole to NLSD's payment of transportation costs under the Property Services line item, within the Purchased Services category of expenditures. NLSD contracts with Laidlaw to provide transportation services for the District. See the **Transportation** section of this report for an analysis of the Laidlaw contract. **Table 2-13** shows FY 1998-99 purchased items by category within the general fund as compared with FY 1997-98.

Table 2-13: District Purchases

	FY 1997-98	FY 1998-99	Increase (Decrease)
PURCHASED SERVICES:			
Professional and Technical Services	\$ 167,227	\$ 110,993	(33.60)%
Property Services	919,144	983,486	7.00%
Mileage/Meeting Expense	17,542	13,432	(23.40)%
Communications	50,782	44,494	(12.40)%
Contract Craft or Trade Service	0	10,876	100.00%
Tuition	1,360	165	(87.90)%
Pupil Transportation Services	4,238	1,615	(61.90)%
Other Purchased Services	201,652	183,735	(8.90)%
Total Purchased Services	\$ 1,361,945	\$ 1,348,796	(0.97)%
MATERIALS AND SUPPLIES:			
General Supplies	\$ 74,053	\$ 107,452	45.10%
Textbooks	4,488	58,780	1209.70%
Library Books	2,310	1,999	(13.50)%
Periodicals and Films	0	183	100.00%
Food and Related	1,504	312	(79.30)%
Maintenance and Repair to Plant	33,713	40,301	19.50%
Maintenance and Repair to Fleet	52,018	46,192	(11.20)%
Other Supplies and Materials	0	0	0.00%
Total Materials and Supplies	\$ 168,086	\$ 255,219	51.80%

Source: FY 1997-98 and FY 1998-99 4502 Reports, Statement P.

The following is a highlight of the significant changes in expenditures for **Table 2-13**:

- Professional and technical services decreased approximately 34 percent. According to the District's treasurer, the decrease can be attributed to a decreased need for professional services associated with the new high school.
- General Supplies and Textbooks increased by 212 percent. According to the treasurer, this increase was due to increased spending to meet the H.B. 412 requirements.

C2.2 In an effort to alleviate the financial difficulties, the District was able to reduce its expenditures for purchased services by approximately \$12,000 from FY 1997-98 to FY 1998-99.

Financial Implications Summary

The following table represents a summary of annual costs savings. This table illustrates the savings that Northridge Local School District could potentially realize. For the purposes of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications for Financial Systems

Recommendations	Cost Savings Annual
R2.5 Reduce Food Service staff	\$35,000
Total	\$35,000

Conclusion Statement

In general, NLSD's current financial difficulties appear to be linked to a historical pattern of expenditures exceeding revenues which has led to the District incurring significant operating deficits. The District's support services expenditures are the highest among the peers and are the result of the high costs of plant operation and maintenance as well as pupil transportation. Furthermore, the District has experienced reduced revenues in recent years associated with delays in receiving the full revenue amounts due to the District from the recently implemented income tax.

While the District has implemented some cost reductions, the Auditor of State's financial projection indicates that these reductions by themselves will not be sufficient to allow for a balanced budget. Therefore, in order for NLSD to regain financial solvency, additional reductions need to take place. This performance audit provides a series of ideas and recommendations which the District and Commission should consider. However, this audit is not all-inclusive. Other cost savings and revenue enhancements should be explored and incorporated into the financial recovery plan of the District.

In its attempt to regain financial stability, NLSD must improve the financial planning and budgeting processes. The current level of financial planning has not allowed the Board or management to adequately assess the current financial condition of the District. Planned staffing additions or other increases in expenditures need to be evaluated against the District's financial condition. A viable capital budget or spending plan has not been created by the District. The current budgeting process does not ensure the District's goals and objectives are met while maintaining a level of financial responsibility. The District must develop budgets within its available resources in the future. The budget should then be used as the District's spending plan to control expenditures and help ensure goals and objectives are met. No deviations from the adopted budget should occur without prior consent of the Board and Commission.

NLSD needs to take immediate action to control and, where possible, reduce operating expenditures of the District. Developing and maintaining a balanced budget will require that important management decisions be made to ensure available resources are allocated and accounted for in a manner which supports educational goals and established objectives. The District and the Commission are encouraged to evaluate the recommendations contained within this performance audit, as well as other cost savings possibilities, as they formulate a financial recovery plan for the District.

This page intentionally left blank.

Human Resources

Background

Organization Function

The Northridge Local School District (NLSD or the District) does not have a separate department dedicated to performing human resources functions. The superintendent performs the majority of the human resources functions. The county educational service center (ESC) helps recruit teachers and substitutes. The treasurer is responsible for processing and distributing benefit information. Those performing human resources functions are responsible for coordinating the activities and programs for the recruitment and selection of employees, monitoring compliance with employment standards (criminal record background check and teacher certification), facilitating employee performance evaluations, administering and monitoring grievance policies and procedures, negotiating and administering union contracts, conducting disciplinary hearings and participating in new employee orientation.

Summary of Operations

All NLSD employees are categorized as either certificated or classified staff. Certificated staff includes the principals, teachers, counselors, nurses, and librarians. Classified staff includes instructional assistants, custodians, maintenance personnel, food service workers, secretaries, and certain supervisors and classified administrators.

In general, the primary human resource functions for both certificated personnel and classified staff are carried out by the superintendent. The superintendent and building principals are responsible for recruiting, interviewing and recommending the most qualified potential candidates to the Board for final approval. The superintendent also coordinates both the certificated personnel evaluation process and negotiates and administers the certificated collective bargaining agreement.

The superintendent and treasurer coordinate their efforts to recruit, interview, and recommend the most qualified candidates for classified positions to the Board for final approval. Principals occasionally have assisted with the interviews for educational aides; principals have also assisted with the recruitment of individuals for other classified positions as community members often approach them to express their initial interest in these posts. The superintendent also coordinates both the certificated staff and the classified personnel evaluation processes. For more information on classified personnel, see the **Financial Systems** section of this report for information pertaining to food service workers and the **Facilities** section for all other classified employees.

Currently, benefits administration for all employees is handled by the treasurer. In addition, the treasurer is also responsible for workers compensation as well as various other duties assigned by the board.

Performance Measures:

The following is a list of performance measures that were used to review NLSD's human resources coupled with the functionality typically performed by a human resources department (HRD):

- Appropriate allocation of resources in relation to workloads
- Assessment of staffing classifications and respective ratio to total full time equivalents
- Assessment of the allocation of the ratio of direct instructional personnel to district educational support personnel
- Appropriateness of staff levels and mix
- Analysis of teachers' work day as defined by the union contract versus actual work day worked
- Assessment of number of instructional minutes taught per teacher, class sizes and staffing ratios
- Assessment of total FTE employees in comparison of the ratio of total salaries per classification to total district salaries
- Assessment of utilization and compensation for supplemental pay and stipends
- Assessment of salary schedule and maximum step structure
- Assessment of W2 wages in correlation to salary schedules
- Utilization of paid leaves
- Assessment of employee benefit costs and administration including workers' compensation
- Assessment of contract administration (collective bargaining) and contractual issues

Findings/Commendations/Recommendations

Staffing/Compensation Analysis:

F3.1 **Table 3-1** presents the staffing levels of full-time equivalents (FTE's) per 1,000 students enrolled in FY 1998-99 for NLSD and the peer districts. While the District's staffing levels are higher than the individual peers in four of the broader categories, NLSD also has significantly larger staffing levels for several of the sub-categories.

Table 3-1: Peer District Staffing Patterns (FTE Staff per 1000 Students Enrolled)

Category	Northridge	North Central	Liberty Union-Thurston	Johnstown-Monroe	Peer District Average
ADM	1,335	1,406	1,355	1,331	1,357
Administrators: Sub-total	5.9	6.4	7.2	4.5	6.1
Central	2.2	1.4	1.5	1.5	1.7
Site Based	3.7	2.8	5.0	3.0	3.7
Other	0.0	2.2	0.7	0.0	0.7
Professional Education: Sub-total	67.0	56.9	59.4	59.4	60.6
Counselors	1.5	0.7	1.5	1.5	1.3
Librarian - Media	0.7	0.7	0.7	0.8	0.7
Remedial Specialists	1.5	2.9	1.8	2.3	2.1
Teachers - Elem and Sec	63.3	49.2	53.9	54.8	55.3
Others	0.0	3.4	1.5	0.0	1.2
Professional - Other	1.5	0.7	0.7	1.3	1.1
Office/Clerical: Sub-total	11.2	12.1	7.4	14.4	11.3
Clerical	5.2	3.6	3.7	2.3	3.7
Teaching Aides	6.0	5.0	1.5	5.3	4.4
Library/Media Aides	0.0	2.1	0.7	2.3	1.3
Others	0.0	1.4	1.5	4.5	1.9
Crafts/Trades/Maintenance	0.7	0.0	0.7	0.0	0.4
Transportation ¹	0.0	10.7	7.9	9.0	6.9
Custodial	4.5	4.3	5.2	5.3	4.8
Food Service	10.5	7.8	7.8	7.1	8.3
Service Work-Other	0.0	0.0	0.0	0.5	0.1
Total	101.3	98.9	96.3	101.5	99.6

Source: FY 1998-99 EMIS profile

¹ NLSD does provide transportation to students within the District. However, they contract with Laidlaw, and the individuals are employees of Laidlaw, not NLSD. The transportation employees for Laidlaw equate to 20.0 FTEs or 15.0 FTEs per 1,000. If these employees were included in the above calculation, total FTEs per 1,000 students enrolled would be 116.3.

The District has a significantly higher ratio of teachers, teaching aides, clerical staff, and food service staff per 1,000 students than any of the individual peers or the peer average. However, the number of aides per 1,000 students is not significantly higher than those found either at North Central or Johnstown-Monroe, and the difference in the clerical and food service staffing ratios could be attributed to the District having more buildings than any of the peer districts. Inclusion of the transportation staff, who are paid through the District's contract with Laidlaw and do not appear in EMIS data, would show that NLSD has the highest transportation staffing ratio of the peers or peer average. This inclusion of transportation staff would also raise the overall staffing per 1,000 students to the highest among the peer districts, exhibiting higher staffing levels for the District when compared with the peers.

Only the teacher staffing ratio appears to be significantly higher, which could be the result of a larger staffing level as the District has one of the smallest Average Daily Memberships (ADM) in relation not only to the peers but also the peer average. This issue is examined more thoroughly in **Table 3-6** through **Table 3-10**. See the **Financial Systems** section of this report for a discussion concerning the District's use of employees classified as food service, the **Facilities** section for a discussion concerning the use of employees classified as maintenance and custodial, and the **Transportation** section for a discussion concerning the use of employees under the Laidlaw contract.

- F3.2 **Table 3-2** presents an eight-year summary of enrollment and staffing levels for NLSD and illustrates the various staffing and enrollment fluctuations over time. The superintendent indicated that the decrease in enrollment from FY 1992-93 through FY 1994-95 can be attributed to a larger number of the District's high school students attending joint vocational school classes; the higher enrollment numbers in the years following FY 1994-95 represent more students remaining in the District to attend classes. The large staff decrease in FY 1996-97 was due to the District's decision to contract out its transportation services and represents the elimination of transportation staff. The smaller decrease in staff in FY 1997-98 was the result in a Reduction in Force (RIF) that had occurred due to the failure of the income tax levy in November of 1996 (See **Table 2-7** in the **Financial Systems** section of this report). While this RIF had reduced one administrator, five full-time teachers, one part-time teacher, and three educational aides, the teaching staff was reinstated in early 1998 and is reflected in **Table 3-2**. The larger increase in staff for FY 1998-99 was in response not only to the greater number of students remaining within the District to attend high school classes but also in anticipation of the increase in statewide graduation requirements from 18 to 21 units. These new requirements for graduation are contained in S.B. 55 and are effective September 2001, although the District implemented them during the 1996-97 academic year.

Table 3-2: FTE Staffing Summary - Eight Year History

	Fall Enrollment	Administrators	Certificated Staff	Classified Staff	Total Staff	Percentage Change
FY 1991-92	1,324	8.0	80.5	53.5	142.0	n/a ¹
FY 1992-93	1,290	11.0	81.0	47.5	139.5	(1.8%)
FY 1993-94	1,282	9.0	83.0	48.8	140.8	0.9%
FY 1994-95	1,275	10.0	81.0	51.2	142.2	1.0%
FY 1995-96	1,330	8.0	83.0	52.7	143.7	1.1%
FY 1996-97	1,335	8.0	83.5	37.2	128.7	(10.4%)
FY 1997-98	1,372	7.0	84.5	33.7	125.2	(2.7%)
FY 1998-99	1,335	8.0	91.5	36.0	135.5	8.2%
FY 1999-2000	1,347	8.0	94.5	38.0	140.5	3.7%

Source: EMIS Staff Profiles for FY 1991-92 through FY 1998-99. Enrollment figures developed from EMIS vital statistics summary.

¹ n/a = not applicable

F3.3 The District’s total FTEs were divided into five classifications of personnel as defined in **Table 3-3**. These classifications are used for further assessments in **F3.4** and **F3.5**.

Table 3-3: Personnel Classifications and Positions Descriptions

Classification	Position Descriptions
Administrative Employees	Superintendent, Admin Asst, Principal, Sup/Mgr/Dir, Treasurer, Coordinators, Curriculum Specialists
Teachers	Regular Teachers, Special Education Teachers, Vocational Teacher, Educational Service Personnel (ESP) Teachers, Remedial Specialists
Pupil Services Employees	Counselors, Librarian/Media, Psychologist, Speech and Language Therapists, Physical Therapist, Occupational Therapist, Registered Nurses
Support Services	Operative, Custodians, Food Service, General Maintenance
Other Classified Employees	Monitors, Clerical, Educational Aides, Library/Media Aides

Source: Office of the Auditor of State

F3.4 **Table 3-4** illustrates the ratio of personnel classifications to the District’s total number of FTEs and the percentage of total employees in each classification for each of the peer districts.

Table 3-4: Breakdown of Total FTE Employees and Percentage of Total Employees Classification

Classification	Northridge		North Central		Liberty Union-Thurston		Johnstown-Monroe		Peer Average
	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	% of Total Employees
Administrative	8.0	5.2%	9.1	6.5%	9.8	7.5%	6.0	4.4%	5.9%
Teachers	86.5	55.6%	73.3	52.7%	75.6	57.8%	75.9	56.3%	55.6%
Pupil Services	5.0	3.2%	7.8	5.6%	6.0	4.6%	4.7	3.5%	4.2%
Support Services	41.0	26.4%	32.0	23.0%	29.3	22.4%	29.1	21.6%	23.4%
Other Classified	15.0	9.6%	17.0	12.2%	10.0	7.7%	19.1	14.2%	10.9%
Total	155.5	100.0%	139.2	100.0%	130.7	100.0%	134.8	100.0%	100.0%

Source: FY 1998-99 EMIS Staff Profile

¹ Northridge contracts with Laidlaw for transportation services. However, the FTE for transportation employees are included in order to compare to the peer districts.

In comparison to the peer districts, NLSD has the highest percentage of FTEs categorized as support services and the second lowest percentages of FTE’s categorized as administrative and other classified. The District also has the lowest percentage of FTE’s classified as pupil services. NLSD’s percentage of FTEs categorized as teachers are comparable to the peer districts.

F3.5 **Table 3-5** presents employees categorized by instructional personnel as compared to educational support personnel. Included in the instructional personnel classification are teachers and pupil services employees. Educational support personnel consist of administrative, support services and other classified positions.

Table 3-5: Ratio of Direct Instructional Personnel to District Educational Support Personnel

Classification	Northridge		North Central		Liberty Union-Thurston		Johnstown-Monroe		Peer Average
	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	# of Emp.	% of Total Employees	% of Total Employees
Direct Instructional Personnel ¹	91.5	58.8%	81.1	58.3%	81.6	62.4%	80.6	59.8%	59.8%
District Educational Support Personnel ²	64.0	41.2%	58.1	41.7%	49.1	37.6%	54.2	40.2%	40.2%
Total	155.5	100.0%	139.2	100.0%	130.7	100.0%	134.8	100.0%	100.0%

Source: FY 1998-99 EMIS Staff Profile

¹ Includes Teachers and Pupil Services categories

² Includes the FTE’s associated with transportation, which are paid through the District’s contract with Laidlaw.

As illustrated in **Table 3-5**, 91.5 or 58.8 percent of NLSD's total FTEs make up the direct instructional personnel. When compared to the peer districts, NLSD has the third lowest percentage of direct instructional personnel. Additionally, **Table 3-5** illustrates that 41.2 percent of the district's total employees are categorized as educational support personnel which is one of the highest among the peer districts. It is important to note that the educational support personnel category includes the FTE's associated with transportation, which are paid through the District's contract with Laidlaw. See the **Transportation** section for more information regarding the costs and FTE's associated with the District's transportation.

- F3.6 **Table 3-6** illustrates a traditional teacher's actual day as defined by the average minutes being taught and other variables as defined below. The contract with the Northridge Education Association (NEA) stipulates seven and one-half hours as the length of the teacher workday and provides all teachers with one "non-pupil contact" period per day and a duty-free lunch period of not less than 30 minutes.

Table 3-6: Analysis of Teachers’ Work Day FY 1999-2000

Description of Activity	Middle School	High School
Length of Teachers’ Day From Contract Defined Reporting and Ending Times	450 minutes or 7 hours/30 minutes	450 minutes or 7 hours/30 minutes
Number of Full Periods in Day	9 periods including lunch/ Average of 41 minutes	9 periods including lunch/ Average of 40 minutes
Breakdown by Minute and/or Period:		
Time prior to start of classes	15 minutes	15 minutes
Home room	13 minutes	9 minutes
Planning/preparation/conference period	41minutes or 1 period	40 minutes or 1 period
Instructional Minutes	6 periods or approximately 246 minutes	6 periods or approximately 240 minutes
Study hall	n/a ¹	n/a ²
Duty-free lunch	41 minutes	40 minutes
Hall passing	27 minutes	36 minutes
Tutoring	41 minutes or 1 period	40 minutes or 1 period
Time after classes end	30 minutes	30 minutes
Total Actual Average Minutes	454 minutes	450 minutes
Balance of Periods not Accounted for	0 periods	0 periods
Average Length of Student Day	6 hours and 49 minutes or 409minutes	6 hours and 45 minutes or 405 minutes

Source: NEA contract, bell schedules and master teaching schedules

¹Northridge Middle School does not have study halls; listing in master teaching schedule is actually for office aide assignments.

²Northridge High School has 2 people who handle all study halls, one during 1st period, the other for 2nd through 9th periods.

Table 3-6 indicates that middle school and high school teachers are fulfilling their contractual obligations in terms of the teacher workday, with middle school teachers spending about an additional four minutes per day in the school. **Table 3-6** also indicates that out of a nine period day, both the average middle school and high school teacher have one intervention or tutoring period, one planning/conference period, and one duty-free lunch period. As a result, the average middle school and high school teacher provides direct academic classroom instruction for six periods a day.

F3.7 The District currently utilizes an intervention period in the middle school and a tutoring period in the high school for teachers to provide instruction to those students who require additional aid and/or who need additional help in passing the Ohio Proficiency Tests. While the intervention periods in the middle school have students directly assigned to them, the tutoring period in the high school is conducted on a voluntary basis. High school students are only required to attend if the parents request the District to require their children to do

so or if the student still needs to pass one or more sections of the Ohio Ninth Grade Proficiency Test, with attendance for the latter only required near the testing dates. By providing each middle school and high school teacher with this intervention or tutoring period, the District is required to employ a greater number of staff in order to teach the required number of minutes during the year.

F3.8 **Table 3-7** illustrates that 18 of the 20 FTE high school teachers who are assigned solely to that building currently teach six or fewer periods per day.

Table 3-7: High School Teachers per Instructional Minutes - FY 1999-2000 ¹

Number of Periods per Day	6	6.5 ²	7	Totals
Teaching Minutes Per Day	240	260	280	n/a
Number of Teachers	16	2	2	20
Total Minutes Taught	3,840	520	560	4,920

Source: Master teaching schedules

¹ The high school has teachers who teach in both the middle school and high school as well as traveling teachers who have responsibilities district wide. These teachers have not been included in this table. Special education teachers have also been omitted.

² The teachers in this category appear to have only half of a tutoring period according to the master teaching schedule.

F3.9 **Table 3-7** illustrates that 18 of the 20 high school teachers assigned solely to the high school teach six or fewer periods per day. Those high school teachers who teach six and one-half periods per day have only half of a tutoring period; the remainder is for instruction in an upper level class. Only two high school teachers have seven periods of direct instruction per day. **Table 3-7** also indicates that it currently requires 20 FTE high school teachers assigned solely to the building to teach approximately 4,920 minutes per day. If the high school adopted a seven period teaching schedule, the District would only need 18 teachers to provide the same 4,920 minutes of daily instruction.

F3.10 **Table 3-8** presents a review of the high school’s FY 1999-00 master teaching schedule, excluding special education classes, which revealed that approximately 46 percent of all class sections had 15 or less pupils. Examples of classes with 15 students or less include Art III/IV, Advanced Art, Accounting, Desktop Publishing, Word Processing, Mythology & Folklore, Creative Writing, French II, French III, French IV, Spanish III, Spanish IV, Pre-Algebra, Calculus, Science 9, Anatomy/Physiology, and Ecology. The District also had several sections of core classes such as American History, Chemistry, and English with an enrollment of 15 or less pupils. Additionally, **Table 3-10** indicates the District has an overall student/teacher ratio at the high school level of 15.9:1, which is lower than the state’s minimum standards of 25:1. See **F3.12** and **F3.13** for further discussion on student/teacher ratios.

Table 3-8: High School Teaching Periods ¹

Number of Students	5 or less	6	7	8	9	10	11	12	13	14	15	16+
Number of Sections	22	2	4	11	8	8	15	20	10	15	17	156
Percent	7.6%	0.7%	1.4%	3.8%	2.8%	2.8%	5.2%	6.9%	3.5%	5.2%	5.9%	54.2%

Source: Master teaching schedules

¹ Does not include special education courses

F3.11 According to the middle school master teaching schedule, the majority of intervention sections have fifteen or fewer students attending; attendance is not kept for the high school tutoring periods, but the District estimates attendance at 10 to 15 students per period. Furthermore, the 2000 School District Report required by S.B. 55 shows that over 75 percent of all ninth grade students passed each section of the Ohio Ninth Grade Proficiency Tests and that with the exception of the math section, all ninth grade students achieved above the 85 percent mark required of tenth grade students in order to meet state standards. Data from the Ohio Department of Education (ODE) further shows that in March of 1999, over 75 percent of all eighth grade students passed each section of the Ohio Ninth Grade Proficiency Tests and that with the exception of the math and citizenship sections, they also achieved higher than the 85th percentile required by state standards.

R3.1 The District should evaluate the effectiveness of providing high school teachers a full period of instruction towards tutoring. The District should take the attendance and proficiency test data noted in **F3.11** into account and should conduct an assessment in order to determine if these periods are the most effective use of teacher resources and whether they are being utilized as intended by District management. Furthermore, the District should consider alternative methods of providing additional assistance to students rather than dedicating an instructional period for that purpose. Possible solutions include, but are not limited to, offering stipends to teachers who choose to tutor students after school hours or allowing teachers to take on an additional tutoring assignment during part of one of their unassigned periods (i.e., lunch or conference periods).

In addition, the District should examine its class enrollment and the structure of its master teaching schedule to ensure that teaching staff is being fully maximized. Because of the District’s current financial difficulties, staff reductions may be needed in order to reduce operating costs. The elimination of elective courses with low student enrollment and the consolidation of some core class sections could enable the District to reduce additional staff in an effort to reduce its operating costs. Implementing this recommendation would increase the student/teacher ratios in affected classes. Some other options the District may want to consider in the future are:

- Further encouraging students to take advantage of the Post-Secondary Enrollment Option. NLSD has two institutions of higher education relatively close to the District that would allow its students to take courses in areas that currently experience low enrollment or in areas duplicated by the high school curriculum.
- Examining the possibility of taking advantage of Distance Learning opportunities available through School Net, including working with colleges and universities as well as the Board of Regents to identify and/or negotiate programs that are not cost prohibitive.
- Offering an integrated curriculum. For example, an integrated math course would incorporate several topics traditionally associated with individual courses.

Financial Implication: Because of the District’s current financial difficulties, reductions may be needed in order to reduce operating costs. One possible area NLSD could consider would be to reduce teachers at the high school level. Requiring high school teachers to teach students seven periods a day could possibly reduce two teaching positions. Assuming an average salary of \$33,799 and benefits equivalent to 30 percent of the salary, this reduction could create an annual savings of approximately \$87,978. It should be noted however, that this financial implication does not take into consideration issues concerning areas of teacher certifications and course offerings. This financial implication also does not take into consideration the District’s Reduction in Force (RIF) or Early Retirement Incentive (ERI) offering; however, the District should take this financial implication into consideration when determining hiring and/or reinstatement as there have been reductions in high school teaching staff through the RIF and possibly could be additional reductions following the ERI. On May 15th, 2000, the NLSD Board of Education voted unanimously to approve a RIF and an ERI in order to reduce the District’s overall expenditures. The District’s RIF and ERI efforts have resulted in a net reduction of seven employees. As such, the District has realized the staff reductions associated with this recommendation.

F3.12 Minimum standards for elementary and secondary education provide for a ratio of teachers to pupils on a district-wide basis of at least one full-time equivalent classroom teacher per 25 pupils in average daily membership. A building ratio less than 25 to one potentially increases the number of teaching positions.

Table 3-9: Elementary Staffing Levels ¹

Building	Average Daily Membership (ADM)	Non-Special Education Students	Regular Teachers	Student/Teacher Ratios
K-2, All Elementary Buildings	286	278	13	21.4:1
3-5, All Elementary Buildings	329	295	17	17.4:1
Total Elementary	615	573	30	19.1:1

Source: 1998-99 Certificated Staff Assignments, District Office, and EMIS Class database.

¹ Does not include physical education, music, or traveling teachers.

As **Table 3-9** illustrates, the student/teacher ratio of traditional students to traditional teachers in grades Kindergarten through 2nd is currently 21.4:1 and 17.4:1 in the 3rd through 5th grades; the student/teacher ratio of all traditional elementary students to traditional elementary teachers is currently 19.1:1. According to the contract between the District and the NEA, the maximum pupil to teacher ratio is 20:1 per session for Kindergarten through the 2nd grade and 23:1 for the 3rd through 5th grades. If these levels are exceeded, the contract stipulates that an aide shall be utilized; should the ratios exceed 26:1 for Kindergarten through 2nd grade and 27:1 for the 3rd through 5th grades, classes will be reduced to the maximum.

Currently, the District's student/teacher ratio for Kindergarten through 2nd grade is slightly higher than the contractual ratio; however, it should be noted that this ratio is an aggregate of all three elementary schools and that the class sizes in the individual buildings could be actually below the 21.4:1 ratio reflected by the District-wide data. Each elementary school also currently has at least a part-time education aide; as noted in the contract, aides would be hired should the student/teacher ratio go beyond the contractual class size limitations. The 21.4:1 ratio does exceed the minimum standards set by the state. The current student/teacher ratio of 17.4:1 for the 3rd through 5th grades currently in effect in the Northridge elementary schools exceed both the contractual standards as well as the minimum standards set by the state. Additionally, the District did not have to comply with the all-day kindergarten or "third grade guarantee" (class size of 15:1 in Kindergarten through 2nd grade) requirements of Am. Sub. H.B. 650 as it had a Disadvantaged Pupil Impact Aid (DPIA) index of less than 1.00. As of April 29, 2000, the District had a DPIA index of 0.18

Maintaining average class sizes less than minimum standards require more teaching positions for the same number of students. In order to maintain a student/teacher ratio in excess of current contractual minimum standards, the District must staff four additional 3rd through 5th grade teaching positions. Maintaining a student/teacher ratio in excess of state minimum standards results in one additional Kindergarten through 2nd grade teaching position as well as an additional five 3rd through 5th grade teaching positions. Continuing to maintain levels at the elementary school level which exceed minimum contractual standards will cost NLSD approximately \$175,756 in teachers' salaries and fringe benefits; exceeding minimum state standards will cost NLSD approximately \$263,634 in teachers' salaries and fringe benefits. It should be noted however, that these estimated costs do not take into consideration issues concerning areas of teacher certifications and course offerings, nor are these costs associated with those found in the financial implications associated with **R3.1**.

R3.2 The District should re-examine its staffing levels at the elementary school level. By maintaining average class sizes that are less than minimum contractual and state standards, the District is required to have more teaching positions for the same number of students, resulting in an increased financial burden on the District. Furthermore, NLSD should

consider renegotiating the class size provisions stated in the negotiated agreement with the Northridge Education Association (NEA) as stated in **R3.3**.

F3.13 **Table 3-10** illustrates the staffing levels at the middle and high school buildings for FY 1998-99. The student/teacher ratios represent the number of traditional students excluding special education students compared to the number of traditional teachers, excluding special education and traveling teachers.

Table 3-10: Middle School and High School Staffing Levels ¹

Building	Average Daily Membership (ADM)	Non-Special Education Students	Regular Teachers	Student/Teacher Ratios
Middle School	306	272	16	17.0:1
High School	410	382	20	19.1:1
Total Secondary	716	654	36	18.2:1

Source: 1998-99 Certificated Staff Assignments, District Office, and EMIS Class database.

¹ Some teachers are excluded in these figures as they teach at several buildings. These figures represent the number of regular teachers per building.

Traditional student to traditional teacher class size ratios in the middle and high schools average 17.0:1 and 19.1:1 respectively. Maintaining average class sizes less than minimum standards require more teaching positions for the same number of students. Maintaining a 17.0:1 student/teacher ratio at the middle school level results in six additional middle school teaching positions, while maintaining a 19.1:1 student/teacher ratio at the high school level results in an additional nine high school teaching positions. Continuing to maintain levels at the secondary level which exceed minimum standards will cost NLSD approximately \$395,451 in teachers’ salaries and fringe benefits. It should be noted however, that this estimated cost does not take into consideration issues concerning areas of teacher certifications and course offerings, nor are these costs associated with those found in the financial implications associated with **R3.1**.

F3.14 On May 15th, 2000, the Board of Education of the Northridge Local School District voted unanimously to approve a reduction in force (RIF) in order to reduce the District’s expenditures; however, since this meeting, retirements and resignations have allowed the District to reinstate some of the individuals originally affected. In addition to this RIF, the District also opted to not renew the contracts for one custodian, one aide, and the facilities/tech advisor and have decided to reduce an extended service contract and the school nurse’s time for additional savings.

The District is currently offering an Early Retirement Incentive (ERI) in an effort to further reduce their costs. According to the District, this ERI is to be capped at five percent of all State Teachers Retirement System staff or at five retirees. The District has identified five individuals (one elementary teacher, two middle school teachers, and two high school

teachers) eligible for the ERI; however, as of June 30, 2000, only one individual, a high school teacher, has opted to take advantage of the ERI. According to the **Financial Systems** section of this report, the cost savings for FY 2000-01 equates to approximately \$53,421 for the ERI. The net effect of the RIF, ERI, non-renewals, contract reductions and other cost savings identified by the District will result in savings of approximately \$635,000 and a reduction of approximately 7.0 FTEs.

F3.15 **Table 3-11** compares the average salary of each employee classification to the peer districts for FY 1998-99. NLSD has the lowest average salaries in two of the eight classifications as indicated by the bolded numbers.

Table 3-11: Average Salary by Classification

	Northridge		North Central		Liberty Union-Thurston		Johnstown-Monroe		Peer District Average	
	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary	# FTEs	Avg Salary
Official/Admin.	8.0	\$48,314	9.1	\$47,080	9.8	\$50,833	6.0	\$48,549	8.3	\$48,694
Prof/Education	89.5	34,147	80.1	36,287	80.6	42,169	78.9	35,288	82.3	36,973
Prof/Other	2.0	32,141	1.0	35,743	1.0	40,388	1.7	37,077	1.4	36,337
Office/Clerical	15.0	13,962	17.0	12,842	10.0	19,588	19.1	11,678	15.3	14,517
Crafts/Trades	1.0	24,898	0.0	n/a	1.0	26,100	0.0	n/a	0.5	25,499 ¹
Transportation	0.0	n/a	15.0	9,953	10.7	11,738	12.0	9,870	9.4	10,520 ²
Custodians	6.0	22,121	6.0	20,902	7.0	24,378	7.0	19,672	6.5	21,768
Food Service	14.0	8,323	11.0	9,030	10.6	10,199	9.5	7,384	11.3	8,734

Source: FY 1998-99 EMIS Profile

¹ Does not include North Central or Johnstown-Monroe data

² Does not include Northridge data

F3.16 **Table 3-12** illustrates the percentage of employee salaries in proportion to total district salaries and compares the respective employee classifications to the peer districts. The employee groups consist of the five classifications defined in **Table 3-3**. In comparison to the peers, NLSD has the highest percentage of salaries dedicated towards teachers and the lowest percentage towards support services and pupil services employees.

Table 3-12: Percentage of Total Employees and EMIS Salaries by Classification

Classification	Northridge		North Central		Liberty Union-Thurston		Johnstown-Monroe		Peer Average	
	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary	% of Total Emp.	% of Total Salary
Administrative	5.9%	9.7%	6.5%	10.8%	7.5%	10.9%	4.4%	7.9%	6.1%	9.8%
Teachers	63.8%	73.4%	52.7%	68.9%	57.8%	69.8%	56.3%	72.0%	57.5%	71.0%
Pupil Services	3.7%	4.8%	5.6%	5.3%	4.6%	5.6%	3.5%	5.1%	4.5%	5.2%
Support Services	15.5%	6.9%	23.0%	9.4%	22.4%	9.4%	21.6%	9.0%	20.6%	8.7%
Other Classified	11.1%	5.2%	12.2%	5.5%	7.7%	4.3%	14.2%	6.0%	11.3%	5.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: FY 1998-99 EMIS Profile

F3.17 **Table 3-13** indicates that NLS D’s average teachers’ salary of \$33,799 is the lowest among the peer districts. Average teachers’ salary among peer districts will be affected by the cost of doing business factor, experience, and educational attainment. **Table 3-13** adjusts the teachers’ salary for the cost-of-doing-business factor and provides information concerning educational attainment and total years of experience. Using the salaries adjusted by the applicable ODE cost-of-doing-business factor, the **Table 3-13** indicates that NLS D’s teachers are the lowest paid among the peers. This may be attributed to the fact that the District’s teachers have the lowest number of years of experience as well as the highest percentage of teachers with only a Bachelor’s degree.

C3.1 The District has the largest percentage of its salaries dedicated to the direct instruction of its students. Furthermore, this percentage is higher than any of the peers or the peer average. Salaries account for the largest expenditure for the District (74 percent; see the **Financial Systems** section of this report for additional information regarding salaries as a percent of the total budget). Given this high allocation of funds towards teacher salaries, the District has directed its limited resources towards its primary mission of providing an education to the students it serves.

Table 3-13: Average Teacher Salary

	Northridge	North Central	Liberty Union-Thurston	Johnstown-Monroe	Peer Average
Average Teaching Salary	\$33,799	\$37,061	\$41,836	\$35,109	\$36,951
Adjusted Salary ¹	\$32,443	\$35,479	\$40,293	\$33,700	n/a
Average years of experience	11.9	13.9	15.1	15.6	14.1
% Non-degree	0.0%	0.0%	0.0%	0.0%	0.0%
% Bachelors Degree	37.3%	22.6%	20.0%	18.2%	24.5%
% Bachelors Degree + 150 hours	39.0%	57.2%	19.1%	46.0%	40.3%
% Masters and above	23.7%	20.2%	60.9%	35.8%	35.2%

Source: FY 1998-99 EMIS Profiles

¹ Salary adjusted by the cost of doing business factor used by ODE

F3.18 **Table 3-14** compares NLSD’s teacher salary schedule to the peer districts and indicates that the District’s beginning and maximum salaries both prior to and after longevity payments are below the peer district average for each level shown. **Table 3-14** also shows that the average increase of longevity payments are equal to the average increases found in both North Central and Johnstown-Monroe, the only notable exception being that NLSD has a separate increase for its Master’s +15 schedule.

Table 3-14: Teachers Salary Schedule

	Northridge	North Central	Liberty Union-Thurston	Johnstown-Monroe	Peer Average
Bachelors Beginning Salary	\$22,514	\$24,650	\$24,257	\$22,369	\$23,448
Bachelors Maximum Salary Prior to Longevity Payments	\$32,497	\$34,510	\$38,810	\$32,435	\$34,563
Bachelor's+ 150 Beginning Salary	\$22,514	\$25,759	\$25,227	\$23,264	\$24,191
Bachelor's +150 Maximum Salary Prior to Longevity Payments	\$35,716	\$40,179	\$41,600	\$34,448	\$37,986
Master's Beginning Salary	\$23,789	\$27,115	\$26,682	\$24,606	\$25,548
Master's Maximum Salary Prior to Longevity Payments	\$40,319	\$43,137	\$44,875	\$36,909	\$41,310
Master's + 15 Beginning Salary ¹	\$24,870	\$28,347	\$31,776	\$25,724	\$27,679
Master's + 15 Maximum Salary Prior to Longevity Payments	\$44,230	\$44,370	\$53,607	\$38,027	\$45,059
# of Steps in Salary Schedule Prior to Longevity Payments	B.S.- 12 B.S. + 150 - 13 M.A. - 15 M.A. +15 - 16	13	15	10	13
# of Longevity Payments	B.S. - 3 payments at the 15 th , 20 th & 25 th steps B.S. + 150 - 6 payments at the 15 th , 18 th , 20 th , 22 nd , 25 th & 27 th steps M.A. and the M.A. + 15 - 5 steps at the 18 th , 20 th , 22 nd , 25 th & 27 th steps	4 payments at the 15 th , 18 th , 20 th & 25 th steps	2 payments at the 18 th & 25 th steps	7 payments at the 12 th , 14 th , 16 th , 18 th , 20 th , 22 nd & 24 th steps	n/a
Average Increase of Longevity Payments	B.S. \$ 907 B.S. + 150 1,099 M.A. \$1,206 M.A. + 15 \$1,314	B.S. \$ 907 B.S. + 150 \$1,099 M.A./+ 15 \$1,206	B.S. \$ 970 B.S. + 150 \$1,092 M.A. \$1,213 M.A. + 15 \$1,456	B.S. \$ 907 B.S. + 150 \$1,099 M.A./+ 15 \$1,206	n/a
Maximum Bachelors Salary After Longevity Payments	\$35,219	\$41,412	\$40,751	\$39,369	\$39,188
Maximum Masters Salary After Longevity Payments	\$46,347	\$48,067	\$47,300	\$45,521	\$46,809

Source: FY 1999-00 salary schedules

¹Masters + 20 for North Central, + 30 for Liberty Union-Thurston and Johnstown-Monroe

F3.19 **Table 3-15** compares the average teacher salary for the past 10 years for NLSD to the peer districts and the peer average. The table indicates that NLSD has had one of the highest average teaching salary increases when compared to the peer districts for the past 10 years; however, it is equal to the salary increases at Liberty Union-Thurston and is not much higher than the increases experienced at Johnstown-Monroe. **Table 3-15** also indicates that despite the 50 percent increase over the past ten years, teachers at NLSD still had the lowest average teaching salary in FY 1998, just as they did in FY1989.

Table 3-15: Ten Year History of Average Teaching Salaries

	Northridge	North Central	Liberty Union-Thurston	Johnstown-Monroe	Average
FY 1989	\$21,767	\$27,090	\$27,322	\$24,615	\$25,199
FY 1990	23,479	28,451	28,646	25,029	26,401
FY 1991	24,909	29,345	29,297	26,888	27,610
FY 1992	25,100	31,208	31,806	27,838	28,988
FY 1993	25,463	31,931	34,603	29,402	30,350
FY 1994	27,718	34,306	35,022	30,592	31,910
FY 1995	29,105	34,646	36,794	31,994	33,135
FY 1996	31,314	36,172	42,797	33,108	35,848
FY 1997	31,855	37,104	41,831	33,531	36,080
FY 1998	32,825	36,811	40,958	34,381	36,244
10-year % Increase	50.1%	35.9%	49.9%	39.7%	43.9%
Avg. Yearly Increase	5.0%	3.6%	5.0%	4.0%	4.4%

Source: EMIS Vital Statistics

F3.20 **Table 3-16** indicates gross earnings paid to full-time teachers ranged between \$22,658 to \$54,230 with an average W-2 salary of \$36,003. The average W-2 salary of \$36,003 is higher than the average teacher salary of \$33,799 reported in EMIS. The difference between the two average salaries can be attributed to supplemental contract payments because salaries reported to EMIS are base salaries and do not include earnings from supplemental contracts whereas W-2 salaries include all earnings.

Table 3-16: Range of Actual Teacher Gross Earnings for Calendar Year 1999

Salary Ranges Within Bachelors Beginning (\$22,514) and Masters Maximum (\$50,798)	# of Teachers per 1999 W-2 Report	Salary Ranges in Excess of Masters Maximum (\$50,798)	# of Teachers per 1999 W-2 Report
22,514-29,999	20	50,799-52,999	1
30,000-39,999	39	53,000-53,999	1
40,000-50,798	17	54,000+	1
Total Number of Teachers Whose Gross Salaries Fall Within the Bachelors Beginning and Masters Maximum Salaries	76 (96.2%)	Total Number of Teachers Whose Gross Salaries are in Excess of the Masters Maximum Salaries	3 (3.8%)

Source: Treasurer’s office - 1999 W-2 report

F3.21 **Table 3-17** identifies the total amount paid for supplemental contracts by NLSD in FY 1999-00 and the peer districts and indicates that NLSD’s total supplemental costs are lower than the peer districts. This can largely be attributed to the District’s lower base teaching salary, which is the basis of the District’s supplemental contract schedule (See **Table 3-19**). The total amount paid for supplemental contracts includes stipends paid by the District for certain extra-curricular activities. These stipends are for a fixed amount and are not influenced by cost of living increases. See **F3.22** for additional information regarding the District’s use of stipends.

Table 3-17: Total Payments for All Extra-Curricular and Supplemental Activities

District	Total Payments
Northridge ¹	\$105,093
North Central	\$122,042
Liberty Union-Thurston	\$120,000
Johnstown-Monroe	\$138,457
Peer Average	\$121,398

Source: Treasurer’s office

¹ Include stipends and supplemental contracts

F3.22 **Table 3-18** compares supplemental contract amounts among positions commonly requiring a supplemental contract between NLSD and the peers. Northridge appears to be paying less for most individual positions; however, supplemental contracts are based upon years of experience in the supplemental contract position and classifications and groupings for supplemental contract positions vary from district to district.

Table 3-18: Comparative Supplemental Contract Amounts

	Northridge	North Central	Liberty Union-Thurston ¹	Johnstown-Monroe
Number of supplemental contract positions	55	74	55	79
Head Basketball Coach (Boys)	\$4,228	\$4,337	\$2,873	\$4,200
Head Basketball Coach (Girls)	\$3,478	\$4,337	\$4,427	\$4,800
Head Football Coach	\$4,228	\$3,827	\$4,427	\$4,800
Head Baseball Coach	\$1,622	\$2,806	\$1,931	\$2,650
Head Softball Coach	\$2,174	\$3,572	\$2,449	\$2,650
High School Cheerleader Coach	\$2,253	\$2,806	\$1,366 ²	\$2,400 ²
High School Band Director	\$3,004	\$3,317	\$3,279	\$3,200
Yearbook Advisor	\$1,739	\$893	\$3,485	n/a
High School Senior Class Advisor	\$350 (Stipend)	\$893	\$589	\$2,500
High School Student Council Advisor	\$225 (Stipend)	\$383	\$259	\$700

Source: Teacher contracts, Treasurer’s office

¹ Data for Liberty Union-Thurston is based on 1998-1999 payments

² Two supplemental contracts, one for football and one for basketball

Northridge has fewer supplemental contracts compared to both North Central and Johnstown-Monroe due to its use of stipends for some positions. These stipend amounts also appear to be lower than the peer districts’ contractual payments for identical positions. Also, stipends are not subject to the 5 percent incremental increase for supplemental contracts specified in the teachers’ contract, nor are the stipends affected by increases in the base teaching salary upon which the supplemental contracts are based.

C3.2 The District’s use of a fixed stipend for some extra-curricular and supplemental activities in lieu of a supplemental contract has enabled it to control the costs associated with supplemental salary increases. By keeping the amount of compensation constant, the District is able to avoid cost of living increases as well as increases due to years of service. This allows the District to better plan for and control its expenditures.

F3.23 **Table 3-19** compares the supplemental salary schedules of NLSD and the peer districts and illustrates the groups, steps, and percentages associated with the calculation of supplemental contracts. Supplemental contract groups (abbreviated as **Gr.** in **Table 3-19**) vary from district to district; however, positions typically found in the higher groups (Group 1) include the head football coach and head basketball coaches whereas the lower groups typically involve supplemental contracts for student government advisors, prom advisors, etc. The District appears to be in line with the number of groups used for the classification of supplemental positions as well as the base and maximum percentages associated with each group.

Table 3-19: Comparison of Supplemental Salary Schedules

	Northridge ¹	North Central	Liberty Union-Thurston	Johnstown-Monroe ²
Supplemental Base	Base Teacher Salary	Base Teacher Salary	Base Teacher Salary	As Per Teacher Contract
# of Groups in Supplemental Schedule	6	7	9	5
Base Percent by Group	Gr. 1 - 12.0% Gr. 2 - 9.0% Gr. 3 - 7.5% Gr. 4 - 6.0% Gr. 5 - 5.0% Gr. 6 - 4.0%	Gr. 1 - 14.0% Gr. 2 - 11.0% Gr. 3 - 8.0% Gr. 4 - 5.5% Gr. 5 - 4.0% Gr. 6 - 2.0% Gr. 7 - 1.0%	Gr. 1 - 14.0% Gr. 1a - 10.0% Gr. 2 - 8.2% Gr. 3 - 6.0% Gr. 4 - 4.0% Gr. 5 - 3.3% Gr. 6 - 2.5% Gr. 7 - 1.6% Gr. 8 - 1.1%	Gr. 1 - 14.3% Gr. 2 - 9.8% Gr. 3 - 6.7% Gr. 4 - 4.5% Gr. 5 - 3.1%
Steps in Supplemental Schedule	10	4	5	9
Maximum Percent by Group	Gr. 1 - 19.5% Gr. 2 - 14.7% Gr. 3 - 12.2% Gr. 4 - 9.8% Gr. 5 - 8.1% Gr. 6 - 6.5%	Gr. 1 - 17.0% Gr. 2 - 14.0% Gr. 3 - 11.0% Gr. 4 - 7.0% Gr. 5 - 5.5% Gr. 6 - 3.5% Gr. 7 - 2.5%	Gr. 1 - 22.8% Gr. 1a - 18.8% Gr. 2 - 17.0% Gr. 3 - 11.6% Gr. 4 - 9.2% Gr. 5 - 7.3% Gr. 6 - 5.7% Gr. 7 - 4.0% Gr. 8 - 3.1%	Gr. 1 - 21.5% Gr. 2 - 15.2% Gr. 3 - 11.2% Gr. 4 - 8.0% Gr. 5 - 5.8%

Source: Teachers Contracts

¹ Northridge supplemental salaries are increased 5% incrementally on an annual basis up to a maximum of 10 years; maximum percentages reflect these incremental increases.

² Johnstown-Monroe contract does not set supplemental contracts by percent but as fixed dollar amounts; figures are calculated based on these amounts.

F3.24 NLSD’s salary structure and supplemental contract payment schedule appear to be reasonable based on the following points:

- The District has the lowest average teaching salary when compared to the peer districts (F3.17).
- The District’s overall supplemental payments are significantly less than any of the peers or the peer average (F3.21).
- The District supplemental salary schedule appears to be similar in scope to those utilized by the peer districts in terms of percentages by group (F3.23).

Special Education

F3.25 In general, children are placed in the special education program when they meet various conditions identified through a testing process conducted in accordance with state and federal regulations. Typically, students with severe handicaps and/or mental disorders are identified between the ages of 0-2 ½. Students with less severe disabilities are usually identified during the elementary years when they encounter difficulties in learning basic skills. Once a student

is identified as having a handicap, an Individual Education Planning team is formed consisting of, at a minimum, an administrator, a special education teacher, a regular education teacher and the parent. This team meets annually in the spring and develops an individualized education plan (IEP) identifying the goals for educating the child and specifying how those goals are going to be achieved. Like regular education students, special education students must meet the 21 unit requirement in order to graduate. However, special education students are given 22 years to achieve this requirement and the intensity of the education each student receives varies depending upon the IEP.

According to the director of special education, the District currently has 163 IEP’s for resident students between the ages of three and 22 which must be reviewed annually. However, under certain circumstances, NLSD is responsible for developing and maintaining a student’s IEP, but another district is responsible for educating the student. Examples of this would include when the IEP dictates that a student attend school in another district, a student resides in a foster home outside NLSD, a student receives home schooling or various other scenarios. As a result of these scenarios, the District is currently only educating 157 of the 163 students for which it maintains IEP’s.

F3.26 Using FY 1998-99 data supplied by the special education coordinators in each district, **Table 3-20** compares NLSD to the peers in terms of the ratio of handicapped students it is educating to FTEs devoted to special education. As illustrated in **Table 3-20**, NLSD maintains a handicapped student to special education FTE ratio of 15.4, which is slightly higher than the Licking County average and Liberty Union-Thurston’s ratio of 14.1 but slightly lower than the peer district average and Johnstown-Monroe’s ratio of 16.2.

Table 3-20: Comparison of Special Education Students per Special Education FTE

District	ADM 1998-99	Total Handicapped - 1998-99	Percent Handicapped	FTE Staff Dedicated to Special Education	# of Special Education Students per FTE
Northridge LSD	1,335	154	11.5%	10.0	15.4
North Central LSD	1,406	173	12.3%	7.3	23.7
Liberty Union-Thurston LSD	1,355	106	7.8%	7.5	14.1
Johnstown-Monroe LSD	1,331	141	10.6%	8.7	16.2
Licking County Average	2,376	245	10.3%	17.6	13.9
Peer Average	1,357	144	10.6%	8.4	17.1

Source: 1998-99 EMIS profiles, Special Education Coordinators

F3.27 ODE has published a comprehensive manual summarizing rules and regulations districts must comply with when educating handicapped children. Included within this manual are required student/teacher ratios which vary by handicap. However, a district is allowed to deviate from

the required ratios provided the district meets several requirements developed by ODE. In order to prove compliance with the requirements, a district must develop a district-wide special education plan that details how the district has addressed each requirement. One element of the plan that must be addressed is student services. The district must describe how special education services will be provided across the district including all variations to class size.

The District utilizes a Model IV program, which emphasizes inclusion. In a Model IV program, special educators serve students with and without disabilities as needed. Services may be provided in a regular classroom environment with the regular education teacher or in a special class/learning center. The role of the special educator is based on students’ needs. NLSD teaches students not by handicap but by subject area. For instance, if a child identified as learning disabled and a child identified as developmentally handicapped are struggling with math, both students will be given special instruction in mathematics by a single instructor rather than by an instructor for children with learning disabilities and an instructor for children that are developmentally handicapped.

F3.28 **Table 3-21** presents NLSD’s current special education student/teacher ratios for specific disability and handicap classifications and compares them to the required ODE ratios. As the table illustrates, the District is meeting the standards set by ODE in all buildings.

Table 3-21: Special Education Student/Teacher Ratios vs. ODE Standards ¹

School	Special Education Student Enrollment 1999-2000	# of Teachers	Average Special Education Student/Teacher Ratio ²	ODE Recommended Student/Teacher Ratios
Alexandria Elementary	14	1	14.0 students served per teacher	In the course of the day, one teacher shall serve 8 to 16 students. Maximum of 12 students per teacher, per instructional period (for students classified as Learning Disabled (LD) or Developmentally Handicapped (DH)).
Hartford Elementary	13	1	13.0 students served per teacher	
Homer Elementary	9	1	9.0 students served per teacher	
Middle School	33	3	11.0 students served per teacher	In the course of the day, one teacher shall serve 12 to 24 students. Maximum of 16 students per teacher, per instructional period (for students classified as LD or DH).
High School	28	3	9.3 students served per teacher	

Source: Special education coordinator

¹ Only includes students classified as Learning Disabled or Developmentally Handicapped.

² Student/teacher ratios at the middle school and high school levels are not be fully reflected.

Benefits Administration:

- F3.29 The administration of benefits for NLSD is handled by the treasurer. The treasurer is responsible for distributing and explaining benefit packets to new employees, processing enrollment changes, reconciling carrier coverage records and ensuring payroll deductions are processed properly. In addition, the treasurer is also responsible for the administration of health, dental and life insurance claims as well as processing workers' compensation claims.
- F3.30 A report on the *Cost of Health Insurance in Ohio's Public Sector* was completed by SERB. Based on the 1999 study, approximately 65 percent of the responding employers required their employees to pay a portion of the cost of a family premium. Fifty two percent required their employees to share the cost for the single plan. The average monthly employee contribution is \$22.17 for single and \$63.33 for family. These rates amount to 11.3 percent of the cost of a single plan and 12.6 percent of the monthly family premium. Other findings from the study include the following:
- Estimated cost of medical and other health care benefits will average \$5,680 per covered employee in 1999.
 - Monthly medical insurance premiums currently average \$195.22 for single coverage and \$491.39 for a family plan.
 - Average total monthly cost of employee health care benefits stands at \$238.17 and \$566.47 for single and family coverage, respectively.
 - Approximately 89 percent of public employers offer some level of dental coverage, 52 percent provide a vision plan and 93 percent offer life insurance.
 - Dental coverage costs an average of \$28.03 a month for single and \$49.30 a month for family. The cost of vision insurance averages \$7.84 for single and \$14.71 for family coverage.
 - Twenty-four percent of employers offer insurance coverage through an HMO. Thirty-eight percent contract at least some health services through a provider network.
- F3.31 **Table 3-22** compares certain features which should be considered when comparing benefits to costs when choosing a medical plan.

Table 3-22: Key Medical Plan Benefits

	<u>Northridge Anthem</u>	<u>North Central Medical Mutual</u>	<u>Liberty Union-Thurston Professional Risk Management</u>	<u>Johnstown-Monroe United HealthCare</u>
Office Visits	\$10 co-pay	100%	80% of bill	\$10 co-pay
Lifetime Maximum Benefit	\$2,000,000	\$1,000,000	\$2,000,000	None (In-Network only)
Employee Annual Deductible	\$100-Sing. \$200-Fam.	\$100-Sing. \$200-Fam.	\$200-Sing. \$400-Fam.	n/a
Prescription Plan Included?	Yes-\$5 co-pay for generic drugs. \$12 co-pay for brand name drugs	Yes-\$3 co-pay for generic drugs, \$5 co-pay for brand name drugs	No	Yes-\$7 co-pay for generic drugs, 25% for brand name drugs on the Preferred Drug List (\$10 min/\$30 max), and \$40 for brand name drugs not on the List
Need to Choose Primary Physician?	No	No	No	No
Maternity	100%	Data not available	Data not available	No co-pay after initial office visit
Child Preventive Care	\$10 co-pay per visit	100%	Reasonable & Customary (to age 6)	\$10 co-pay per visit
Inpatient Hospital Care	100%	100%	First \$2,000 after deductible per person-80% Excess over \$2,000 after deductible per person-100%	100%

Source: Schedule of benefits

An analysis of some key medical benefits indicates the insurance benefits and levels of coverage provided to NLSD employees are comparable to the benefits and coverage provided by the peer districts. Liberty Union-Thurston likely varies from the other districts in terms of coverage and benefits due to the fact that they are self-insured.

F3.32 An analysis of medical benefit costs in NLSD indicates that the District has been effective in controlling costs when compared to the peers. As a result, no specific recommendations for improvement are made in this area.

Workers' Compensation:

F3.33 Ohio employers who are substantially similar can apply for group coverage and potentially achieve lower premium rates than they could individually. NLSD has participated in a group experience rating plan and, based on its claims history, the District should be able to maintain its group status for the next several years. **Table 3-23** illustrates workers' compensation benefits for NLSD and the peer districts for 1998. The District had a premium cost per employee of \$177, which is the third lowest among the peers. Additionally, NLSD had an experience modifier equal to all of the peers and the lowest number of claims per employee along with the Johnstown-Monroe School District.

Table 3-23: Peer District Comparison of Workers' Compensation Benefits for FY 1998

District	Total Employees	# Medical Claims Allowed	# Lost Time Claims Allowed	Claims/Employee	Premium	Premium Cost/Employee	Experience Modifier Status	Retro Rating
Northridge	135.5	0	0	0.000	\$23,993	\$177	0.53	No
North Central	139.2	5	0	0.036	\$25,945	\$186	0.53	No
Liberty Union-Thurston	130.7	4	0	0.031	\$29,267	\$224	0.53	No
Johnstown-Monroe	134.8	0	0	0.000	\$22,807	\$169	0.53	No
Peer Average	135.1	2.3	0	0.017	\$25,503	\$189	0.53	n/a ¹

Source: Bureau of Workers' Compensation. Total employees provided by EMIS 1998-99 district profiles

F3.34 **Table 3-24** indicates that NLSD's medical claims and lost-time claims have been minimal in the past four years. Lost-time claims are defined as the number of workers' compensation claims exceeding eight days. Generally, these types of claims are the most taxing on the system and have a greater effect on the experience modifier (EM) and premium costs. The EM status is based upon factors such as the number of total claims in any previous time period, the severity of those claims and the extent to which lost time claims went into effect.

Table 3-24: Approximate Number of Claims

	# Medical Claims Allowed	# Lost Time Claims Allowed	Experience Premium Costs	Experience Modifier
1996	1	0	\$46,518	1.04
1997	1	0	\$43,245	1.03
1998	0	0	\$23,993	0.53
1999	3	0	Not Available	0.50

Source: Bureau of Workers' Compensation

Contractual Issues:

Certain contractual issues which have been assessed and compared to the peer districts are illustrated in the following pages. Because contractual issues directly affect the District’s operating budget, many of the contractual issues have also been addressed to show the financial implication to the District. The implementation of any of the following contractual recommendations would require union negotiations.

The District has only one collective bargaining unit, the Northridge Education Association (NEA-teachers); custodians, maintenance, aides, secretaries, cafeteria workers and monitors do not have union representation. The NEA’s negotiated agreement is set to expire on June 30, 2001.

NEA - Contractual Issues:

F3.35 **Table 3-25** compares some key NEA contractual issues between NLSD and the peer districts. Issues pertaining to sick leave accrual, severance payout, and sick and personal leave incentives are discussed in the *Severance Payout and Leave Policies* sub-section.

Table 3-25: NEA Contractual Issues

NEA Article	Description	Northridge	North Central	Liberty Union - Thurston	Johnstown-Monroe
Article VII	Length of Work Day	7 ½ hours	7 ½ hours	7 ½ hours	7 hours
Article VIII	Student/teacher ratio	K-2 - 20:1 Enrollment of 21-26 students will result in the addition of one aide. Grades 3-5 - 23:1 Enrollment of 24-27 will result in the addition of one aide. Grade 6 - 25:1 Enrollment of 26-28 will result in the addition of one aide. Grades 7-12 - 25:1	K-12 - 25:1	K-5 - 25:1 Enrollment of 26-28 students will result in the addition of one aide. Grades 6-12 - 28:1	Class size will comply with State minimum standards.
Article VII	# <u>Contract days</u> # of Instructional Days # of In-service Days # Parent-Teacher Conferences # of Professional Development Days	<u>184</u> 178 4 2 0	<u>183</u> 178.5 3 1.5 0	<u>184</u> 180 2 2 0	<u>183</u> 178 2 1 0
Article XVI	Maximum # of Sick Days Accrued	Unlimited	249 days	259 days	220 days
Article XVII	# of Personal Days, Notice required?	3 days, 2 days notice required	3 days, 3 days notice required	3 days, 2 days notice required	3 days, 2 days notice required

NEA Article	Description	Northridge	North Central	Liberty Union - Thurston	Johnstown-Monroe
Article XVI & XVII	Sick leave and/or personal leave incentives?	0 sick days used - \$100 1 sick day used - \$75 0 personal days used - \$165 1 personal day used - \$110	0 sick or personal days used - \$250 1 sick or personal day used - \$175 2 sick or personal days used - \$100	N*	0 sick days used - \$125 1 sick day used - \$100 2 sick days used - \$75 The same incentive applies to personal leave.
Article XXVI	Maximum # of sick days paid out at retirement/ % of payout. Eligibility for severance	No maximum - Teachers receive 25% of an unlimited number of sick days. Must meet eligibility requirements under STRS	25% of accumulated sick leave up to a maximum payout of 66 days. Must meet eligibility requirements under STRS	25% of a maximum of 248 days plus an additional 20 days for 25 years of service and an additional 20 days for retiring after 30 years. A potential maximum payout of 102 days. Must meet eligibility requirements under STRS	50% of a maximum of 120 days for a maximum payout of 60 days plus \$10 for every day above 120 days. Must meet eligibility requirements under STRS
Article XXIII	Amount of leave time for district union business # of association leave days for OEA meetings # of leave days for association member elected to OEA governing body	None 5 days 1 day	None 2 days Employee will be granted leave to attend meetings.	None 5 days N*	None 4 days N*
Article II	# of days to file grievance	30 days	30 days	21 days	25 days
Article XXIX	Cost of Living Allowance (COLA) per each year of contract	7/98 - 4.0% 7/99 - 4.0% 7/00 - 3.0%	7/97 - N* 7/98 - 3.6% 7/99 - 3.5%	7/99 - N* 7/00 - 3.0% 7/01 - 3.0%	7/99 - 7% 7/00 - 4% 7/01 - 4%

Source: Teacher contracts
N* - nothing stated in contract

F3.36 The NEA agreement specifies a total of 184 contract days. Of the 184 days, 178 are classified as instructional days, four are classified as in-service days and two days are classified as parent-teacher conference days. NLSD has about the same number of instructional days as most of the peers, but has more in-service days than any of the peer districts. North Central and Johnstown-Monroe have one fewer contractual day per year than Northridge; however, Liberty Union-Thurston, which has the same number of contractual days per year as Northridge, gives its staff only two in-service days per year and has two additional days of instruction.

F3.37 The NEA agreement delineates specific student/teacher ratios. The contract specifies that the District shall maintain the following:

- 20:1 student/teacher ratio for Kindergarten through 2nd Grade, with an enrollment of 21 to 26 students resulting in the addition of one hour daily aide time
- 23:1 student/teacher ratio for the 3rd through 5th Grades, with an enrollment of 24 to 27 students resulting in the addition of one hour daily aide time
- 25:1 student/teacher ratio for the middle school and high school, with an enrollment of 26 to 28 students in the 6th Grade resulting in the addition of one hour daily aide time

With the exception of the 7th and 8th Grades at the middle school and the entire high school, the contractual stipulations regarding class size exceed state minimum standards of a 25:1 student/teacher ratio. Both North Central and Johnstown-Monroe set their class size ratios to the state minimum standards, while Liberty Union-Thurston exceeds the standards for the 6th through 12th Grades with its contractual provisions.

R3.3 The District should re-examine its class size requirements specified in the NEA agreement, and it should further consider eliminating this article or replacing the ratios with the state’s minimum standards. The specification of staffing levels in the negotiated agreement limits management’s flexibility in the hiring and placement of staff. Furthermore, as noted in **F3.12** and **F3.13**, maintaining average class sizes that are less than minimum standards require additional teaching positions. **F3.12** and **F3.13** also illustrate the estimated costs that the District might incur with continuing to maintain current levels at both the elementary and secondary levels. It should be noted however, that these estimated costs do not take into consideration issues concerning areas of teacher certifications and course offerings, nor are they associated with those found in the financial implications associated with **R3.1**.

F3.38 The NEA contract indicates that in filling vacancies and administering the teacher transfer process, the Board of Education reserves the right to place the best possible candidate as recommended by the superintendent rather than basing decisions strictly on seniority.

C3.3 By not basing vacancy and teacher transfer decisions strictly on seniority, the District is attempting to place the most qualified candidates in positions in which not only will they succeed, but the students will also receive the maximum benefit.

F3.39 The NEA contract indicates that the grievance procedure begins with an informal step in which the member of the bargaining unit discusses the matter with the principal or immediate supervisor in an effort to resolve the problem. If the grievant is not satisfied with the results of the informal problem resolution efforts, then the grievant must file a formal written grievance within 30 days from the date the grievant knew, or reasonably should have known, of the event or condition giving rise to the grievance.

R3.4 In order to resolve grievance issues in a timely manner, the district should consider requiring all grievances to be filed within five to ten days of the act or condition which is the basis of the grievance. Establishing a maximum of five or ten days to file grievances precludes duplicate grievances from being filed as a result of an unresolved issue. Filing written grievances sooner should initiate prompt responses from all parties and should lead to more timely resolutions.

F3.40 According to the NEA agreement, NLSD establishes an annual fund of \$13,000 to provide reimbursement to teachers for the tuition costs of college courses and/or CEU courses. The reimbursement funding pool is divided evenly among those teachers who apply; however, teachers will not be reimbursed beyond the amount of tuition. Participants must obtain a grade of at least a “C” or “Pass” and must provide proof in the form of an official transcript, grade slip, or letter in order to qualify for reimbursement. They must agree to return for a minimum of one year to the District. The funds for those who do not meet the requirements for reimbursement, or those who apply for and do not use the funds, remain in the funding pool and are redistributed equally among the remaining teachers.

C3.4 The initiation of a tuition reimbursement program for certificated staff encourages continued growth and development of employees and benefits the district by pro-actively advancing educational goals and technological skills. In addition, establishing requirements such as the attainment of a specific grade level and a minimum commitment of continued service enhances employee accountability and focus toward the purpose of the tuition reimbursement program, which is educational growth.

F3.41 **Table 3-26** indicates contractual provisions pertaining to the evaluation process.

Table 3-26: Evaluation Process

<i>Frequency of evaluations for the following teachers</i>	
First two years of employment	Formally observed at least twice each semester and assigned a building mentor
Limited contract teacher in the middle of a multi-year contract	Formally observed at least once each year
Limited contract teacher in the last year of the contract	Formally observed at least once each semester
Tenured teacher	Annually
Is there a remediation process for poor performing teachers other than the steps required by the ORC as part of the non-renewal process?	No
Are unannounced observations permitted?	Yes
Can observations outside of the classroom be made a part of the evaluation?	Yes
Date of last update to evaluation form.	1999
Are evaluation forms included in the contract?	No
<i>Quality of evaluation form:</i>	
Number of criteria evaluated	21
Is the evaluation form aligned with job descriptions?	Yes
Rating system	Acceptable, Needs to Improve, Unacceptable
Is attendance a rated criteria?	No

Sources: Evaluation forms, union contracts and district interviews

F3.42 First year teachers are required by the NEA agreement to be evaluated at least twice per semester (or four times annually); these teachers are also assigned a mentor for these first two years. Teachers in the last year of their limited contracts are required to be evaluated at least once per semester (or twice annually). While it is not specified in the contract, teachers in the middle of a limited contract (beyond the first two years) are evaluated at least once annually, and have the opportunity to choose either the traditional method (details of which are described in **Table 3-26** or the goal-oriented method. This method, which is unavailable to teachers in their first two years of employment or to teachers in the last year of a limited term contract, enables the teacher to create a list of goals by which they will be evaluated. This is done in addition to the evaluation method prescribed in the Ohio Revised Code. The superintendent notes, however, that very few teachers select the goal-oriented method of evaluation.

C3.5 Evaluating teachers four times per year in their first two years and limited contract teachers nearing the end of their contracts at least twice per year provides the District with an effective

assessment of a teacher's job performance. Supplying a mentor to teachers in their first two years also enables the District to give the necessary guidance and support so that their staff, and the District as a whole, can improve. The District's recognition of the fact that a teacher's effectiveness, competency, and overall impact is not confined to the classroom and the inclusion of this recognition into the negotiated agreement is also to be commended. By allowing discussion items to include duties, responsibilities, policies, and procedures that relate to effective performance of both regular and supplemental duties, the District is able to more effectively evaluate the teacher's performance as a whole and not just as it relates to the classroom environment. An effective evaluation process can have a significant impact on academic performance by allowing administrators to monitor a teacher's success and progress and to provide clear feedback on areas in need of improvement.

- R3.5** The District should implement a mentoring program for teachers beyond their first two years of service. By aiding teachers in developing their skills and working with them to alleviate problems, the District would be able to improve its existing teaching staff rather than become embroiled in the non-renewal process and search for replacement teachers. Such a pro-active approach would allow for further professional development in necessary areas and would coincide with the new entry year program that will soon be implemented by the Ohio Department of Education. The District should also include attendance as a criterium for evaluation. This would enable management to monitor and address potential sick leave abuses.

Classified Staff

- F3.43 There is no contract in existence between NLSD and the classified employees; however, issues that would normally be found in a contract are addressed either through past practice or through the application of similar standards set forth in the NEA contract for certificated employees. **Table 3-27** compares some key District practices between NLSD and the peer districts as they relate to classified employees.

Table 3-27: Classified Employee Practices Compared to Peer District Contractual Issues

Description	Northridge	North Central	Liberty Union - Thurston	Johnstown-Monroe
Evaluations required?	Yes	Yes. First two years of employment - evaluated every year. Thereafter, every other year.	N*	Yes, by March
Minimum call in hours paid to employees for emergencies? (Custodians)	Actual time worked	1 hour	1 ½ hours	1 hour
Calamity day policy?	Employees required to work receive regular rate of pay plus straight time for actual hours worked.	Employees required to work receive regular rate of pay plus straight time for actual hours worked.	Employees required to work receive regular rate of pay plus straight time for actual hours worked.	Employees required to work .
Vacation for 11 & 12 month employees	1-8 years - 10 days 9-15 years - 15 days 16+ years - 20 days	1-6 years - 10 days 7-16 years - 15 days 17+ years - 20 days	0-10 years - 10 days 10-15 years - 15 days 15-20 years - 20 days 20-25 years - 25 days 25+ years - 30 days	1-10 years - 10 days 11-19 years - 15 days 20+ years - 20 days
Maximum # of sick days to accumulate	Unlimited	249 days	250 days	220 days
Max # of sick days paid out at retirement/ % of payout.	25% of Unlimited	25% of accumulated sick leave for a maximum payout of 66 days.	40% of 250 days for a maximum payout of 100 days	50% of accumulated sick leave for a maximum payout of 25 days
Eligibility for severance pay	Must meet eligibility requirements under SERS.	Must meet eligibility requirements under SERS.		
# of Personal Days, Notice required?	3 days, 3 days notice required	3 days, 3 days notice required	3 days. Nothing stated regarding notice.	3 days, 1 day notice
# of Holidays Paid-11 & 12 month employees	10 paid holidays	7 paid holidays. Custodians receive 8 paid holidays.	9 paid holidays	7 paid holidays
# of Holidays Paid- 9 & 10 month employees	9 paid holidays	6 paid holidays. Custodians receive 7 paid holidays.	7 paid holidays	6 paid holidays
# of days to file a grievance	30 days	30 days	30 days	N*
Employee probationary period?	N*	120 days	N*	N*
Labor-Management Committee	N*	N*	N*	N*
Cost of Living Increase per each year of contract	3 % annually	7/97 - 7/98 - 3.5% 7/99 - 3.5%	7/99 - 4% 7/00 - 3% 7/01 - 4%	N*

N* - nothing stated in contract or by district

F3.44 The District does not currently have a probationary period allowing the board to determine the fitness and adaptability of any new employee it may hire to complete the work required.

Having a probationary period in place would allow the District to determine the employee's suitability in that position. A probationary period would also allow an employee to gauge how well they can perform their duties, what the job entails, and if they want to remain a part of the organization in this particular capacity.

R3.6 NLSD should consider establishing a probationary period policy. The length of the probationary period should be sufficient to allow management to determine whether a newly hired employee conforms to the requirements of the position and the policy should permit the release of any employee who does not meet those requirements. For example, Middletown-Monroe City School District's probationary period is 180 days. Among NLSD's peer districts, North Central Local School District's policy is 120 days. Establishing a probationary period would provide additional time to assess the potential employee and enhance the ability of the board to employ qualified, dedicated and hard-working personnel.

F3.45 The Fair Labor Standards Act (FLSA) sets forth the minimum wage that must be paid to employees covered by the act. In addition, it requires a premium wage (overtime) to be paid for hours worked in excess of forty during a given work week. These requirements are also reflected in Ohio law. For non-teaching employees that are covered under the FLSA, the school district is only required to pay overtime for actual hours worked in excess of forty per week. In determining the total hours worked, the school district is not required to include personal leave, compensatory leave or vacation leave used. However, NLSD currently provides more types of leave than is required by the FLSA. Specifically, the District includes holidays, vacation, paid sick leave, personal days and any other time spent in active pay status when calculating the hours worked for overtime pay.

R3.7 The District should review its current overtime policy and consider negotiating it to be more in line with the guidelines set forth by the FLSA and Ohio law. Providing overtime provisions which are more generous than those outlined in FLSA and Ohio law is a costly practice for the District. The District should consider limiting leaves included in the active pay status category to include only vacation and holidays when calculating overtime payments. While the District paid \$7,716 in overtime in FY 1999-2000, it was unable to provide data showing what leave, if any, was used during pay periods in which overtime was accrued.

F3.46 As indicated in **Table 3-27**, the District provides all 11 and 12-month classified employees with ten paid holidays and employees working less than 11 and 12-months with nine paid holidays, which is the highest among the peer districts. Additional holidays provided by NLSD, but not by the majority of the peers, are Good Friday, the Friday after Thanksgiving, and Christmas Eve.

R3.8 The District should reconsider the number of paid holidays provided to 11 and 12-month and less than 11-month classified employees. More specifically, NLSD should consider

eliminating Good Friday, the Friday after Thanksgiving, and Christmas Eve. The elimination of these holidays would also give the District a total number of holidays that are similar to the majority of the peer districts. This recommendation should be considered in the context of the current equitable relationship and practices that exist with District employees.

Financial Implication: Based upon the average yearly salaries and FTE's reported on the FY 1998-99 EMIS Staff Profile Report, NLSD could achieve an annual cost savings of approximately \$5,580 by eliminating these three paid holidays.

F3.47 Currently, it is the District's practice to compensate employees for actual time worked for all emergency call-in situations. This is contrary to provisions implemented by the peer districts, which provide for an employee to be compensated for the full time stipulated in the agreement regardless if less time is actually worked.

C3.6 By paying only for actual hours worked, the District is able to better contain its costs for emergency situations. The peer districts included in this study all require that at least an hour to an hour and a half of compensation be paid to their classified employees, regardless of the actual time worked. This could lead to unnecessary payments to be made on the part of these districts.

F3.48 Ohio Revised Code Section 3317.01 allows the superintendent to declare up to five calamity days for teaching and non-essential employees. Calamity days are defined as days in which schools are closed due to severe weather conditions, mechanical emergencies or other acts or conditions beyond the control of the district. Any calamity days in excess of the five provided by the ORC must be made up by the district and teaching and non-essential employees are not provided with additional compensation. The ORC does not provide for calamity days for essential or 12 month employees. Currently, NLSD provides calamity day compensation for all employees. Classified staff required to work on a calamity day also receive "double time," or pay at straight time in addition to the calamity day compensation. According to the District, classified employees are only required to work on an "as needed" basis; as such, NLSD does not delineate who must work on calamity days.

R3.9 During FY 1998-99, NLSD experienced seven calamity days as a result of weather conditions. The District should establish a policy that defines essential employees, including administrators, building custodians, 12 month exempt employees and other personnel, necessary to prepare the district for re-opening following a calamity day. Additionally, the district should discontinue the practice of paying "double time" for classified employees required to work on calamity days. If an essential employee does not report to work on a calamity day, the employee should be required to use one of the following:

- A compensatory day
- A sick leave day, if ill
- A vacation day
- A personal leave day
- A day without pay

Severance Payout and Leave Policies

F3.49 The NEA agreement allows for the unlimited accrual of sick leave, while the peer districts have caps between 220 and 259 days. Classified employees are also able to accrue an unlimited amount of sick leave while the peer districts have caps similar to those found in their certificated contracts. By having an unlimited accrual policy in place, NLSD is unable to effectively contain or predict potential costs associated with the severance policy specified in **F3.50** of this report.

F3.50 According to the NEA agreement, severance pay is calculated by multiplying the daily rate of the current contracts by one-fourth of the bargaining unit member's accumulated but unused sick leave at the time of retirement (this formula is used for classified employees as well). As a result, it is difficult for the District to effectively anticipate its severance pay costs. In addition, severance pay is granted to all NLSD employees regardless of years of service to the District. This policy forces the District to grant severance packages to employees who have not served the District for an extended period of time.

F3.51 According to the superintendent, the District recognizes the liabilities associated with its current policies regarding unlimited sick leave accrual and severance payouts; however, the District contends that these policies enable it to keep substitute costs lower, especially substitute costs associated with teachers. According to the treasurer, the severance policy as it currently exists has been in place for the past six years. While the treasurer stated that the District conducted a costing study at the time, a more recent analysis of the policy has not been done. **Table 3-28** illustrates the substitute payments made by NLSD and the peer districts for FY 1998-99.

Table 3-28: Substitute Payments for FY 1998-99

Classification	Northridge		North Central		Liberty Union-Thurston		Johnstown-Monroe	
	Amount Paid	% of Total	Amount Paid	% of Total	Amount Paid	% of Total	Amount Paid	% of Total
Teachers	\$59,875	59.8%	\$76,958	69.3%	\$63,495	63.6%	\$51,854	68.3%
Educational Assistants	\$5,278	5.3%	\$4,602	4.1%	\$380	0.4%	\$3,860	5.1%
Clerical	\$6,203	6.2%	\$455	0.4%	\$7,304	7.3%	\$6,110	8.0%
Custodians	\$15,520	15.5%	\$15,271	13.8%	\$19,738	19.7%	\$10,478	13.8%
Bus Drivers	n/a	0.0%	\$9,710	8.7%	\$7,599	7.6%	\$3,617	4.8%
Food Service	\$13,270	13.2%	\$4,068	3.7%	\$1,364	1.4%	n/a	n/a
Total	\$100,146	100.0%	\$111,064	100.0%	\$99,880	100.0%	\$75,919	100.0%

Source: Treasurer's Office

As illustrated, teaching substitutes constituted approximately 60 percent of the total substitute costs for the year, which was the lowest among the peers. The District also had the third lowest substitute costs for teachers of the peer districts; however, it also had the second highest total amount paid for substitutes when compared with the peers. The reason for this higher total cost appears to be linked to the substitute payments made for educational aides and food service workers. In fact, food service substitutes constituted approximately 13 percent of the total substitute costs, which is the highest among the peers. The higher food service substitute costs may be attributed to the fact that NLSD's food service employees average approximately 6.2 sick days per year, which is the highest among the peers (See **Table 3-29**). For additional discussions concerning leave time among food service, see the **Financial Systems** section of this report.

F3.52 **Table 3-29** illustrates the number of sick days taken by staff for FY 1998-99. As the table illustrates, NLSD had the lowest average number of sick days per employee taken by teaching staff.

Table 3-29: Average Number of Sick Days Taken for FY 1998-99

	Northridge		North Central		Liberty Union-Thurston ¹		Johnstown-Monroe		Peer District Average
	# Sick Days Taken	Avg. Per Empl.	# Sick Days Taken	Avg. Per Empl.	# Sick Days Taken	Avg. Per Empl.	# Sick Days Taken	Avg. Per Empl.	
Regular Teaching Staff	348.5	3.5	418.0	5.8	531.0	6.8	485.5	5.8	5.5
Other Certificated Staff	37.0	5.3	66.0	3.9	44.0	4.9	45.5	7.6	5.4
Clerical/Office	30.5	3.4	13.3	1.3	56.0	5.1	17.5	1.9	2.9
Food Service	80.0 ⁹	6.2	67.3	5.6	29.8	2.3	27.0	2.7	4.2
Custodian/Maintenance	28.0	2.8	18.3	2.3	259.0 ²	23.5 ²	76.5	9.0	4.7 ⁴
Transportation	n/a	n/a	123.0	8.2	189.0 ³	13.5 ³	72.8	6.3	9.3 ⁵
Aides	65.5	7.3	77.3	9.7	0.0 ⁶	0.0 ⁶	65.3	5.4	7.5 ⁷
Other (Miscellaneous)	0.0	0.0	0.0	0.0	14.8	4.9	0.0	0.0	n/a ⁸
Totals	589.5	4.0	783.2	5.5	1,123.5	8.1	790.1	5.6	5.8

Source: Treasurer’s office

¹Several employees for Liberty Union-Thurston work in both the Food Service and Transportation classifications. The District does not separate this data, but for the purposes of this table, all leave for these employees has been charged by the district to transportation.

²Includes three worker’s compensation claims.

³One driver is off from November through June (115 days)

⁴Peer average does not include Liberty Union-Thurston

⁵Peer average does not include Northridge

⁶Data Unavailable

⁷Peer average does not include Liberty Union-Thurston

⁸Not applicable

⁹High amount of sick leave used was impacted by two long term illnesses

Data provided by the Bureau of Labor Statistics indicates that full-time governmental workers averaged 4.5 sick days per person in 1998, which is higher than the NLSD teachers’ average of 3.5 days. Furthermore, the average of 3.5 days taken by NLSD teaching staff is the lowest number of average sick days taken by teachers in any of the 21 urban school districts or districts in fiscal emergency. While these figures may appear to lend credibility to the District’s claims that their policies regarding unlimited sick leave accrual and severance payout reduce sick leave, there is no direct evidence linking the smaller average sick days taken by teachers to the unlimited sick leave accrual and severance payout policies. The high rates of sick leave taken on average by staff in the other categories (either the highest or second highest in all but two categories) also help in dispelling this claim as it appears logical that these policies, which also apply to the other certificated and classified staffs, would have similar effects on other staff sick leave usage.

F3.53 As evidenced by **F3.51** and **F3.52**, as well as by **Table 3-28** and **Table 3-29**, the District’s claim that substitute costs are lowered due to its policies regarding unlimited sick leave accrual and severance payout seems unlikely as the data regarding these policies appear

inconsistent. Only teachers have the lowest average number of sick days taken when compared with the peer districts and the peer average, while those employees in the food service category have the highest average number of sick days taken among the peers. There is also no empirical evidence that the unlimited sick leave accrual and severance payout policies are responsible for the low sick leave usage averaged by teaching staff.

R3.10 NLSD should consider renegotiating its severance policy when the contract ends in 2001 to standards identified by ORC § 124.39 in order to lessen the financial burden on the District. These standards provide for a payout of 25 percent of accrued but unused sick leave, upon retirement, up to 120 days (30 day payout), for persons with 10 or more years of service. The law permits districts to provide for more than 25 percent (but not less) and the number of years to be less than 10 (but not more) of accrued but unused sick leave. As the payout of severance can have a significant effect on the District's overall budget, NLSD should consider requiring ten years of service for all employees to be eligible for severance packages, which would ensure that the District is only liable for severance packages to employees who have served the District for an extended period of time. Furthermore, the District should implement a sick leave abuse policy in order to dissuade teachers from taking unnecessary sick leave similar to the policy found in the Columbus City School District. By having such a policy in place, the District could curtail sick leave at a minimum cost rather than incurring the liability for high severance payouts. This recommendation should be considered in the context of the current equitable relationship and practices that exist with District employees.

Financial Implication: In accordance with the vesting method defined by GASB 16, it is assumed that all employees will ultimately retire from the District and qualify for severance pay. Using this assumption along with current year salaries, by renegotiating the provisions of the contracts to limit the severance payout to ORC standards, in terms of current-year dollars, NLSD could reduce its future severance liability by an estimated \$273,000 to \$293,000. However, because a renegotiated severance policy would only apply to newly hired employees, the District would not realize a financial benefit until such time the new employees are eligible for retirement.

F3.54 **Table 3-28** illustrates the contractual provisions from NLSD and the peer districts as they pertain to sick leave incentive policies. **Table 3-29** and **Table 3-30**, which show average number of sick days and personal days taken by employee classification for FY 1998-99, respectively, will be used to analyze the leave incentive policy. Discussion relating to the average usage of sick leave by employee classification may be found in **F3.52**; the analysis regarding the average usage of personal days by classification is found in **F3.55**.

Table 3-30: Average Number of Personal Days Taken

	Northridge		North Central		Liberty Union-Thurston ¹		Johnstown-Monroe		Peer District Average ²
	# Personal Days Taken	Avg. Per Empl.	# Personal Days Taken	Avg. Per Empl.	# Personal Days Taken	Avg. Per Empl.	# Personal Days Taken	Avg. Per Empl.	
Regular Teaching Staff	97.0	1.0	92.3	1.3	139.5	1.8	134.0	1.6	1.4
Other Certificated Staff	9.0	1.3	18.5	1.1	14.0	1.6	11.5	1.9	1.5
Clerical/Office	16.0	1.8	12.3	1.2	10.5	1.0	7.5	0.8	1.2
Food Service	30.5	2.3	9.5	0.8	13.0	1.0	6.0	0.6	1.2
Custodian/Maintenance	10.0	1.0	2.5	0.3	21.3	1.9	11.0	1.3	1.2
Transportation	n/a ²	n/a ²	38.3	2.6	14.5	1.0	9.0	0.8	1.5 ³
Aides	7.5	0.8	10.0	1.3	0.0	0.0	28.5	2.4	1.1
Other (Miscellaneous)	0.0	0.0	0.0	0.0	4.0	1.3	0.0	0.0	n/a ⁴
Totals	170.0	1.2	183.4	1.3	216.8	1.6	207.5	1.5	1.4

Source: Treasurer's office

¹Several employees for Liberty Union-Thurston work in both the Food Service and Transportation classifications. The District does not separate this data, but for the purposes of this table, all leave for these employees has been charged by the district to transportation.

²Northridge does not have any employees in this classification.

³Peer average does not include Northridge

⁴Not applicable

F3.55 While the District's average number of personal days taken by teachers and aides are the lowest among the peers and the peer average, it has the highest number of average days taken for food service and clerical/office. However, the average number of days in each category vary only slightly (approximately a day or less), illustrating that the differences between districts are minimal.

F3.56 The District currently provides financial incentives for staff who use no sick or personal days or who only use one sick or personal day. As noted in **Table 3-25**, the negotiated agreement provides for a payment of \$100 if no sick days are taken and \$75 if only one sick day is taken; the agreement further provides for a payment of \$165 if no personal days are taken and \$110 if only one personal day is taken. NLSLD paid approximately \$10,550 in incentive payments in FY 1998-99.

Financial Implications Summary

The following table summarizes the total estimated annual cost savings and the cost avoidance from the above recommendations. NLS D should consider the potential educational effect some of these recommendations might cause.

Recommendation	Estimated Annual Cost Savings	Cost Avoidance
R3.1 - Reduce high school teaching staff by two teachers	\$87,978	
R3.8 - Eliminate three paid holidays for classified staff	\$5,580	
R3.10 - Achieve cost avoidance by implementing a reduced payout of sick leave for severance payments to certificated and classified staff		\$273,000 - \$293,000
Total	\$93,558	\$273,000 - \$293,000

Conclusion Statement

Currently, the Northridge Local School District is in a state of fiscal emergency. As a result, the District will be forced to make several difficult decisions in its effort to reduce operating costs. NLSD has already taken the first step in reducing expenditures through the implementation of a Reduction in Force (RIF). The District has also offered an Early Retirement Incentive (ERI) in an effort to reduce its costs, with one teacher taking advantage of the offering to date. The District's RIF and ERI efforts have resulted in a net reduction of seven employees. Despite these reductions, however, preliminary comparisons with peer district information reveal that the District still maintains a higher number of teachers per 1,000 students.

An analysis of the class sizes in the high school revealed that 46 percent had 15 or fewer students (this does not include special education). Some of these classes included various electives while others were sections of core classes. The District should examine its class enrollment and the structure of its master teaching schedule to ensure that teaching staff is being fully maximized. The elimination of elective courses with low student enrollment and the consolidation of some core class sections could enable the District to reduce additional staff in an effort to reduce its operating costs.

An analysis of the average student/teacher ratios revealed that NLSD has class size ratios well below the state's minimum standards of 25:1. Additional analysis of the NEA agreement also showed that the District is contractually obligated to keep class sizes below state minimum standards at the elementary level and in the sixth grade; current teacher/student ratios also fall below these contractual standards. The District should re-examine its class size requirements specified in the NEA agreement, and it should further consider eliminating this article or replacing the ratios with the state's minimum standards. As noted previously, maintaining average class sizes that are less than minimum standards require additional teaching positions and may result in additional costs for the District.

While medical and dental benefits are typically areas in which district spending can be curtailed, the District has done an exceptional job in keeping its benefits costs to a minimum. Employees contribute to the premium costs for all medical coverage and all increases in medical and dental insurance costs are to be shared equally by the District and the employees as per the NEA contract. By implementing an employee contribution and by incorporating an "equal share" clause into the contract, the District has been able to contain costs in an area in which most school districts spend considerable amounts of revenue.

NLSD has negotiated its agreement with the NEA to contain favorable provisions that provide management with flexibility to effectively manage the workforce. Promotions and transfer decisions are not based strictly on seniority but upon performance. Also, teachers in their first two years are evaluated four times each year and are assigned a mentor; this allows the District to better identify its quality teachers as well as help newer teachers improve in their field. All other teachers are evaluated at least once annually. Contractual provisions that should be renegotiated include the

specification of teacher/student ratios; the requirement that grievances be filed within five to ten days rather than the existing 30 day provision, the establishment of a probationary period for classified employees, the elimination of three paid holidays to classified personnel, and a reassessment of its policies regarding calamity pay and overtime pay.

The District should also reexamine its policies regarding unlimited sick leave accrual and severance payout. While data provided by the Bureau of Labor statistics, which shows that the District had a fewer number of average sick days taken than other government employees, may appear to lend credibility to the District's claims that their policies regarding unlimited sick leave accrual and severance payout reduce sick leave, there is no direct empirical evidence linking the smaller average sick days taken by teachers to the unlimited sick leave accrual and severance payout policies. Additionally, only teachers have the lowest average number of sick days taken when compared with the peer districts and the peer average; those employees in the other categories have among the highest number of sick days taken among the peers. This high rate of sick leave taken on average by non-teaching staff also helps to dispel the District's claim as it appears logical that these policies, which apply to all staff members, would have similar effects on other staff sick leave usage. The costs associated with these policies are rather high (between \$273,000 to \$293,000); therefore, the District should consider renegotiating its severance policy to standards identified by law (payout of 25 percent of accrued but unused sick leave, upon retirement, up to 120 days (30 day payout), for persons with 10 or more years of service) while being cognizant of the current equitable relationship and practices that exist with District employees. NLSD should further consider the implementation of a sick leave abuse policy to help prevent significant increases in sick leave, which is one of the District's concerns.

This page intentionally left blank.

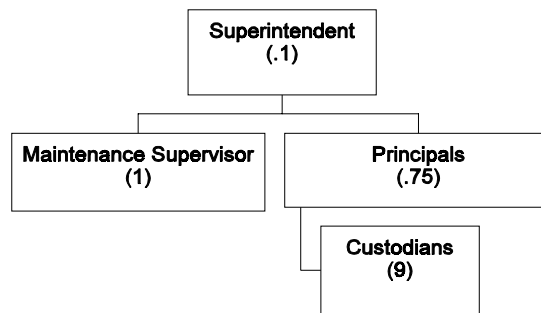
Facilities

Background

Organizational Chart

The facilities support staff is responsible for maintaining Northridge Local School District (NLS or the District) buildings and grounds. The superintendent is responsible for managing the maintenance operations, while building principals are responsible for custodial operations in their individual buildings. The organizational structure and staffing levels in terms of full-time equivalents (FTE's) are depicted in the following chart.

Chart 4-1: Facilities Support Staff



Organizational Function

The custodians are responsible for providing a clean and safe environment for the students, staff and public who use NLS facilities. They are responsible for opening and closing the buildings, general cleaning, and performing limited preventive maintenance tasks. The maintenance supervisor is responsible for the maintenance of all the facilities and for keeping them safe and in a state of good repair. Additionally, the maintenance supervisor is responsible for making repairs to buildings by completing most of the work orders and ordering the materials and equipment to do the work.

Summary of Operations

The facilities support staff is responsible for maintaining five sites in the District. Because the maintenance supervisor and custodial employees spend very little time maintaining the administrative office and bus garage, these buildings will be excluded from the maintenance and custodial square footage calculations throughout this report. The administrative office is housed separately in one building.

NLSD currently employs nine custodial employees, all of whom work full-time. Each school is assigned one custodian during the day. Alexandria Elementary and the middle and high schools have additional night custodians. During the school year, the custodians report to their respective building principal; however, in the summer, they report to the maintenance supervisor. The custodians are responsible for opening, closing and securing the buildings; general cleaning; completing some minor maintenance tasks and other duties as assigned. The high school has a custodian on site 24 hours a day, except weekends.

The maintenance supervisor travels from building to building and is responsible for completing repairs and preventive maintenance tasks in the District's facilities. The building principals submit requests for maintenance work to the maintenance supervisor who forwards a copy to the superintendent. The maintenance supervisor reviews the requests and prioritizes them depending on their type and urgency. According to the maintenance supervisor, NLSD performs most of the maintenance work in-house and only contracts out large jobs requiring expertise or equipment the District does not have.

Staffing

The facilities support staff consists of ten primary employees, which equates to 10.0 full-time equivalents (FTEs). The administrative staffing devoted to facilities comprises 0.85 FTEs because the superintendent and the building principals spend only a small portion of their time on maintenance and custodial issues. The superintendent spends approximately 10 percent of his time on facilities-related issues while the building principals each spend approximately 15 percent of their time on facilities-related issues. The staffing levels are shown in **Table 4-1**.

Table 4-1: Number of Budgeted Employees (FTEs) for FY 1998-99

Classification	Administrative Office	Mobile Crew	School Based	Total	FTEs
Superintendent	1	0	0	1	0.10
Building Principal	5	0	0	5	0.75
Total Administration	6	0	0	6	0.85
Maintenance	0	1	0	1	1.00
Total Maintenance	0	1	0	1	1.00
Custodian	0	0	9	9	9.00
Total Custodial	0	0	9	9	9.00
Total	6	1	9	16	10.85

Source: Superintendent's office

Key Statistics

Key statistics related to the maintenance and operation of NLSD are presented in **Table 4-2**. In addition, results from the 2000 AS&U Maintenance & Operations Cost Study are included in the table and throughout this section. The study surveyed schools across the country to gather information about staffing levels, expenditures and salaries for maintenance and custodial operations. Overall, the AS&U study found that “current attention being focused on the deteriorating condition of America’s school facilities has put the spotlight on past practices that have contributed to the present dilemma. Although poor design and construction decisions made in the 1960's and early 1970's by many school districts that wanted to get buildings up ‘fast and cheap’ to meet burgeoning enrollments are the primary culprit, decades of deferred maintenance, insufficient building upkeep procedures, and years of siphoning dollars from maintenance budgets have significantly contributed to the current condition.” In the study, Region 5 includes the states of Ohio, Indiana, Illinois, Michigan, Minnesota and Wisconsin.

Johnstown Monroe Local School District, Liberty Union-Thurston Local School District, and North Central Local School District have been identified as the peer group for NLSD. Unless otherwise noted, the peer district averages in **Table 4-2** and all other tables in this section include statistics for NLSD.

Table 4-2: Indicators

Number of Sites	7
- Elementary Schools	3
- Middle School	1
- High School	1
- Bus Garage and Administration Building ¹	2
Total Square Feet Maintained	233,025
- Elementary Schools	87,855
- Middle School	52,170
- High School	93,000
Square Feet Per Custodial Staff Member in FTE (9.0)	25,892
- Elementary Schools (4.0)	21,964
- Middle Schools (2.0)	26,085
- High School (3.0)	31,000
AS&U Cost Study Region 5 Average	24,861
AS&U Cost Study National Average	21,156
Urban 21 District Average	20,488
Peer District Average	21,378
Square Feet Per Maintenance Employee (1.0)	233,025
AS&U Cost Study Region 5 Average	106,691
AS&U Cost Study National Average	87,500
Urban 21 District Average	114,749
Peer District Average	120,954
1998-99 Maintenance and Operations Expenditures Per Square Foot	\$2.80
- Custodial	2.07
- Maintenance	0.73
- Utilities	0.77
AS&U Cost Study Region 5 Average	\$3.79
AS&U Cost Study National Average	\$3.64
Peer District Average	\$3.48
1998-99 Facilities Expenditures as a % of Total NLSD General Fund Expenditure	9.37%
AS&U Cost Study Region 5 Average	9.20%
Peer District Average	9.12%

Sources: Treasurer’s office; peer districts; 2000 AS&U Maintenance & Operations Cost Study; Auditor of State Performance Audit Legislative Update

¹ The bus garage and administration building have been excluded from our square footage calculations.

Financial Data

Table 4-3 and **Table 4-4** show the expenditures made to maintain and operate NLSD facilities for FY 1997-98 and FY 1998-99 and the budget for FY 1999-00.

Table 4-3: Maintenance and Operations Expenditures: FY 1997-98 vs FY 1998-99

Accounts	Maintenance	Operations	FY 1997-98 Total	FY 1998-99 Total	Difference	Percentage Change
Salaries	\$61,143	\$153,632	\$214,775	\$224,055	\$9,280	4.3%
Benefits	7,475	48,709	56,184	72,189	16,005	28.5%
Purchased Services	29,713	16,087	45,800	126,958	81,158	177.2%
Utilities	0	201,748	201,748	183,316	(18,432)	(9.1)%
Supplies/ Materials	16,745	16,969	33,714	40,977	7,263	21.5%
Capital Outlay	2,400	0	2,400	3,832	1,432	59.7%
Total	\$117,476	\$437,145	\$554,621	\$651,327	\$96,706	17.4%

Source: Treasurer's office

Table 4-4: Maintenance and Operations Expenditures: FY 1998-99 vs FY 1999-00

Accounts	Maintenance	Operations	FY 1998-99 Total	FY 1999-00 Budget	Difference	Percentage Change
Salaries	\$41,094	\$182,961	\$224,055	\$197,609	(\$26,446)	(11.8)%
Benefits	7,312	64,877	72,189	151,172	78,983	109.4%
Purchased Services	103,920	23,038	126,958	155,754	28,796	22.7%
Utilities	0	183,316	183,316	176,364	(6,952)	(3.8)%
Supplies/ Materials	13,683	27,294	40,977	58,781	17,804	43.4%
Capital Outlay	2,935	897	3,832	7,799	3,967	103.5%
Total	\$168,944	\$482,383	\$651,327	\$747,479	\$96,152	14.8%

Source: Treasurer's office

Explanations for some of the more significant variances in **Table 4-3** and **Table 4-4** are as follows:

- *A 28.5 percent increase in benefits from FY 1997-98 to FY 1998-99:* The increase is due to hiring two additional full-time custodians during FY 1998-99.
- *A 177.2 percent increase in purchased services from FY 1997-98 to FY 1998-99:* The increase is due to contracting out more services as compared to FY 1997-98.
- *A 21.5 percent increase in supplies/materials from FY 1997-98 to FY 1998-99:* The increase is due to purchasing more supplies, i.e., heavy duty trash bags, light bulbs, etc. than in previous periods.
- *A 59.7 percent increase in capital outlay from FY 1997-98 to FY 1998-99:* The increase is due to the purchase of a vacuum sweeper, tools and tool boxes in FY 1998-99.
- *A 11.8 percent decrease in salaries from FY 1998-99 to FY 1999-00 budget:* The decrease is due to the elimination of one maintenance position in FY 1999-00.
- *A 109.4 percent increase in benefits from FY 1998-99 to FY 1999-00 budget:* The increase is due to the District paying for the early retirement incentive for the previous maintenance supervisor and for the additional two full-time custodians.
- *A 22.7 percent increase in purchased services from FY 1998-99 to FY 1999-00 budget:* The increase is attributed to the District's extensive contracting of services, such as lawn care and snow removal.
- *A 43.4 percent increase in supplies/materials from FY 1998-99 to FY 1999-00 budget:* The increase is due to purchasing more supplies, i.e., heavy duty trash bags, light bulbs, etc. than in previous periods.
- *A 103.5 percent increase in capital outlay from FY 1998-99 to FY 1999-00 budget:* The District continued to purchase tools for maintenance and custodial employees.

Table 4-5 presents a comparison of the operations and maintenance staff at NLSD and its peer districts. Since each district’s operations and maintenance departments are structured somewhat differently, this analysis attempts to include all the staff members that perform the same functions performed at NLSD.

Table 4-5: Comparison of Facilities Divisions: Maintenance and Custodial Services

Size	Northridge	Johnstown Monroe	Liberty Union-Thurston	North Central
Number of Sites	5	4	3	4
Building Sq. Feet:				
Maintained by Cust. & Maint.	233,025	150,420	156,166	178,879

Position by FTE

Administration	0.85	0.40	0.10	0.40
Maintenance	1	1	2	0 ¹
Custodians	9	9	9	7
Total	10.85	10.40	11.10	7.40

Comparison

Sq.Ft. Per Custodial Staff	25,892	16,713	17,352	25,554
Sq.Ft. Per Maintenance Staff	233,025	150,420	78,083	0 ¹
Average Base Custodial Salary	20,329	16,162	23,153	19,762
Average Base Maintenance Salary	34,972	13,870	31,497	0 ¹

Characteristics

Average Age of School Buildings	58	49	37	67
Square Miles in District	120	49	51.5	79
Preventive Maintenance	No	No	No	No
Use of Deregulated (Self-Help) Gas	Yes	No	Yes	No
Use of Energy Savings Program	Yes	No	Yes	No
Use of Temporary Employees or Outside Contractors	Yes	Yes	Yes	Yes
Weekend Inspections	No	No	No	No

Sources: Business office; treasurer’s office; peer districts

¹ North Central has no maintenance employees.

Performance Measures

The following is a list of performance measures that were used to conduct the analysis of the NLSD's facilities operation:

- Cost effectiveness of custodial services
- Cost effectiveness of facilities maintenance
- Utilization of staffing resources
- Effectiveness of current needs assessment and prioritization processes and procedures
- Adequacy of preventive maintenance system
- Effectiveness of long range facilities planning
- Utilization of existing facilities
- Effectiveness of energy conservation programs.

Findings / Commendations / Recommendations

Staffing and Compensation

F4.1 The custodians are responsible for cleaning the facilities and are supervised by the building principals. Each school is assigned at least one custodian. Alexandria Elementary, the middle school, and the high school each have additional night custodians. The following is a brief description of the responsibilities of the custodians according to their job description.

- *Custodian* - The custodian is responsible for keeping the school building(s) in a clean and orderly condition and tends to all physical facilities, systems and maintenance matters necessary for effective school operation. Tasks performed include dusting, sweeping and mopping floors, emptying trash containers, removing snow, ice, and debris from sidewalks and entrance ways, cutting grass, cleaning and disinfecting restrooms, moving furniture and equipment, making minor building repairs and performing other duties and responsibilities as assigned.

F4.2 **Table 4-6** shows the average square footage per custodial employee for NLSD, the peer districts and the AS&U Region 5 average.

Table 4-6: FY 1998-99 Square Footage per Custodial Employee

Northridge	25,892
Peer Districts:	
- Johnstown Monroe	16,713
- Liberty Union-Thurston	17,352
- North Central	25,554
Peer District Average	21,378
Difference	4,514
AS&U Region 5 Average	24,861
Difference	1,031

Sources: Custodial and maintenance departments; peer districts

NLSD’s custodial staff is responsible for 4,514 more square feet or 21.1 percent more per custodian than the peer district average and 1,031 square feet or 4.1 percent more per custodian than the AS&U Region 5 average. Although it may appear that NLSD custodians maintain the most square footage, this could be attributed to the fact that they maintain excess capacity as highlighted in **F4.28**.

F4.3 **Table 4-7** compares the peer districts’ school facilities and custodial staffs. Based on the information in the table, it does not appear that the work is evenly distributed among the custodians in NLSD. The custodians at the high school, middle school and elementary schools are responsible for maintaining 31,000 square feet; 26,085 square feet and 21,964 square feet, respectively. The square footage per custodian at each of the schools is higher than the peer districts. However, this may be attributed to the excess capacity currently being experienced at the NLSD (**F4.28**).

Table 4-7: Comparison of School Facilities and Custodial Staff (FTEs)

	Northridge	Johnstown Monroe	Liberty Union- Thurston	North Central	Peer Average	Difference Between NLSD and Peer Average
Elementary Buildings	3	2	1	2	2	1
Total Sq. Footage	87,855	32,500	34,166	59,356	53,469	34,386
Number of Custodians	4	4	4	2	3	1
Sq. Footage Per Cust.	21,964	8,125	8,541	29,678	17,823	4,141
Middle School	1	1	1	1	1	0
Total Sq. Footage	52,170	32,000	32,000	49,651	41,455	10,715
Number of Custodians	2	2	2	2	2	0
Sq. Footage per Cust.	26,085	16,000	16,000	24,826	20,728	5,357
High School	1	1	1	1	1	0
Total Sq. Footage	93,000	85,920	90,000	69,872	84,698	8,302
Number of Custodians	3	3	3	3	3	0
Sq. Footage per Cust.	31,000	28,640	30,000	23,291	28,233	2,767
Total Sq. for All Buildings	233,025	150,420	156,166	178,879	179,623	53,402
Total Custodial Staff	9	9	9	7	8	1
Sq. Footage per Cust.	25,892	16,713	17,352	25,554	22,453	3,439

Sources: NLSD custodial and maintenance departments; peer districts

F4.4 According to the maintenance supervisor and building principals, NLS D has proposed not to renew the contract of one custodian at Alexandria Elementary beginning in FY 2000-01. **Table 4-8** illustrates the current staffing levels and the proposed staffing levels for FY 2000-01 at NLS D’s elementary schools after the reduction.

Table 4-8: FY 1998-99 Staffing Levels vs Proposed FY 2000-01 Staffing Levels

Type of Facility	FY 1998-99 Staffing Level	FY 2000-01 Staffing Level	Peer District Average
Elementary Schools:	3	3	2
Total Square Feet	87,855	87,855	53,469
Number of Custodians	4	3	3
Square Feet per Custodian	21,964	29,285	17,823
AS&U Region 5 Average			24,861

Source: Maintenance and custodial department

The proposed reduction of one custodial FTE will increase the total square footage coverage per custodian from 21,964 square footage per custodian to 29,285 square footage per custodian at the elementary schools.

R4.1 NLS D should develop a methodology for allocating custodial staff to District buildings based upon qualitative data such as square footage to determine the most efficient staffing levels at each building. Factors that should be taken into consideration when developing the allocation methodology are square footage to be cleaned and maintained, number of students, number of restrooms, number of special facilities, types of floors, desired level of cleanliness and the frequency of community and extracurricular activities. Developing this methodology will allow the District to utilize its resources in the most efficient and effective manner.

F4.5 **Table 4-9** shows the average base salary for NLS D’s custodians for FY 1998-99 as well as their average gross wages for 1998. The average base salary for the custodians is \$19,619. The average gross wages is \$20,329, which is 3.62 percent higher than the average base salary. The table also shows the average base salary and gross wages for the peer districts and the AS&U Region 5 average.

Table 4-9: Custodial Salaries

Position	FY 1998-99 Average Base Salary	FY 1998-99 Average Gross Wages	Difference as a Percentage of Base Salary
Custodian	\$19,619	\$20,329	3.62%
NLSD Weighted Average	\$19,619	\$20,329	3.62%
Peer Districts:			
- Johnstown Monroe	16,744	18,183	8.59%
- Liberty Union-Thurston	23,153	25,817	11.51%
- North Cental	16,200	19,907	22.88%
Peer District Average	\$18,929	\$21,059	11.25%
Difference	\$690	(\$730)	N/A
AS&U Region 5 Average	\$23,717	N/A	N/A
Difference	(\$4,098)	N/A	N/A

Sources: NLSD treasurer’s office; peer districts

NLSD’s custodial base salary is the second highest among the peer districts. However, it is nearly \$4,000 less than the AS&U Region 5 average.

F4.6 In FY 1997-98, NLSD custodians were paid a total of \$7,018 in overtime, compared to \$3,291 in FY 1998-99, a decrease of \$3,727. Custodians are paid overtime for all hours worked in excess of 40 hours in one week. The district usually pays overtime for working on weekends for activities and for working calamity days. **Table 4-10** shows total custodial overtime expenditures as compared to custodial salaries.

Table 4-10: Custodial Overtime Expenditures by Fiscal Year

Fiscal Year 1997-98			Fiscal Year 1998-99		
Total Regular Salaries	Total Custodial Overtime	Overtime as a Percentage of Regular Salaries	Total Regular Salaries	Total Custodial Overtime	Overtime as a Percentage of Regular Salaries
\$119,275	\$7,018	5.88%	\$148,275	\$3,291	2.22%

Source: Treasurer’s office

R4.2 Although overtime expenditures for custodians decreased by approximately \$3,700 in FY 1998-99, NLSD should continue to monitor its overtime usage and the reasons for its use. Tracking overtime expenditures and documenting the reason for its occurrence will allow the District to identify areas where efficiency improvements can be made and help keep the operational costs comparable to the established budget.

F4.7 The maintenance supervisor’s responsibilities include maintaining all of the facilities and keeping them safe and in a good state of repair. The maintenance supervisor is not assigned to a specific building and is responsible for the maintenance concerns of all buildings within the District. The following is a brief description of the responsibilities of the maintenance supervisor according to his job description.

- *Maintenance Supervisor* - Ensure all NLSD facilities are in a serviceable condition including making all necessary repairs or assists in the repair, care and maintenance of District buildings, grounds, and equipment; consult with building principals regarding the establishment of regular and preventive maintenance programs; prepare a workable custodial schedule and effectively supervise all custodial staff in cooperation with the building principals; and maintain maintenance and custodial records, including ordering consumable materials and supplies and make recommendations for purchases of other necessary supplies and equipment.

F4.8 **Table 4-11** shows the average square footage per maintenance employee for NLSD, the peer districts and the AS&U Region 5 average.

Table 4-11: FY 1998-99 Square Footage per Maintenance Employee

Northridge	233,025
Peer Districts:	
- Johnstown Monroe	143,733
- Liberty Union-Thurston	78,083
- North Central ¹	0
Average for Peer Districts	113,710
Difference	119,315
AS&U Region 5 Average	75,000
Difference	158,025

Sources: Maintenance department; 1998 AS&U Maintenance & Operations Cost Study

¹ North Central does not have a maintenance employee.

NLSD's maintenance supervisor is responsible for 119,315 more square feet or approximately 105 percent more than the peer district average and 158,025 square feet or approximately 211 percent more than the AS&U region 5 average. However, this could be partially attributed to the excess capacity as discussed in **F4.28**.

- F4.9 Under the District's current system, work orders are generated by the building principals who record the work order onto a maintenance record. The work orders are submitted to the maintenance supervisor who reviews the work requests and prioritizes them based on their urgency. Priority work areas include boilers, electric, plumbing and roofing. Building custodians complete any work orders which they are capable of completing. Otherwise, the maintenance supervisor is contacted to aide in completing the task. For those orders that cannot be completed by the custodians and maintenance supervisor, the superintendent is consulted and the work is contracted out after at least two bids are obtained.

The work order is signed and dated when completed and copies are submitted to the building principal and superintendent. The building principals log jobs that have been completed in the maintenance record. The maintenance record is periodically submitted to the superintendent by the building principals. As of May 16, 2000, NLSD has a backlog of approximately 70 requests for maintenance work.

- F4.10 The maintenance supervisor is not required to complete a daily work log to allow the superintendent to monitor productivity. Other than reviewing the work orders and maintenance record periodically turned in by the building principals, it is unclear how much work the maintenance supervisor is completing on a daily basis.

R4.3 NLSD should require the maintenance supervisor to keep daily logs documenting how work days are spent in 30 minute increments. The logs should be turned in weekly and reviewed by the superintendent in an effort to monitor productivity. Completing the daily logs will increase accountability and should further improve productivity. The information recorded on the daily logs should be compared to the dates recorded on the work orders to ensure accuracy.

- F4.11 The maintenance supervisor is responsible for completing the preventive maintenance in the District. NLSD does not have a written preventive maintenance schedule detailing when each task is to be performed or a log book to record when the preventive maintenance tasks are completed. It is unclear whether or not preventive maintenance is being done in the District.

R4.4 A planned preventive maintenance program should be developed and implemented to help maintain NLSD facilities, including the use of preventive maintenance schedules and log books for each facility. The schedules should identify the tasks which are to be performed and log books should be reviewed periodically by the superintendent to ensure this work is being done.

An effective preventive maintenance program can decrease energy consumption, reduce maintenance and capital expenditures, reduce the number of work orders, and improve worker productivity by proactively maintaining equipment rather than responding to breakdowns and emergencies. Furthermore, an effective preventive maintenance program is vital to effectively and efficiently maintain the new high school and to provide guidance on the most effective use of the 23 year half-mill levy discussed in **F4.20**.

F4.12 **Table 4-12** shows the average base salary for NLSD’s maintenance supervisor for FY 1998-99 as well as his average gross wages for FY 1998-99. The base salary for the maintenance supervisor is \$34,972. However, the gross wages were \$41,094, which is approximately 17.5 percent higher than the weighted average base salary. **Table 4-12** also shows the average base salary and gross wages for the peer districts and the AS&U Region 5 average.

Table 4-12: Maintenance Department Salaries

Position	FY 1998-99 Average Base Salary	FY 1998-99 Average Gross Wages	Difference as a Percentage of Base Salary
Maintenance	\$34,972	\$41,094	17.50%
NLSD Weighted Average	\$34,972	\$41,094	17.50%
Peer Districts:			
- Johnstown Monroe ¹	27,740	27,740	0.00%
- Liberty Union-Thurston	31,497	31,738	0.76%
- North Central ²	0	0	0.00%
Peer District Average	\$31,403	\$33,524	6.75%
Difference	\$3,569	\$7,570	N/A
AS&U Region 5 Average	\$31,221	N/A	N/A
Difference	\$3,751	N/A	N/A

Sources: NLSD treasurer’s office; payroll department; peer districts

¹ This is an annualized figure for a part time employee

² North Central does not have a maintenance employee.

F4.13 NLSD’s base salary for the maintenance supervisor is \$34,972 or approximately 11 percent higher than the peer district average and approximately 12 percent higher than the AS&U Region 5 average. In addition, average gross wages are significantly higher than the average base salary. According to the District, the difference is attributed to the use of a part-time maintenance employee for four months in FY 1998-99 and overtime.

R4.5 Although maintenance overtime expenditures decreased by approximately \$3,275 in FY 1998-99, NLSD should continue to monitor its overtime usage and the reasons for its use. Tracking overtime expenditures and documenting the reason for its occurrence will allow the District to identify areas where efficiency improvements need to be made and help keep operational costs comparable to the established budget.

Contractual Issues

F4.15 **Table 4-13** compares NLSD and Johnstown Monroe’s practices to Liberty Union-Thurston and North Central’s contractual issues.

Table 4-13: Comparison of District Practices and Contractual Issues

Issue	Northridge	Johnstown Monroe	Liberty Union-Thurston	North Central
Length of Scheduled Work Day	8 hours 30 minutes, with a 30 minute unpaid lunch	8 hours 30 minutes, with a 30 minute unpaid lunch	8 hours, with a 30 minute paid lunch and two 10 minute breaks	8 hours, with a 30 minute unpaid lunch and two 10 minute breaks
Actual Work Time	8 hours	8 hours	7 hours and 10 minutes	7 hours and 10 minutes
Staffing Level Determination	District needs	District needs	Nothing stated in contract	Nothing stated in contract
Calamity Day Work Requirement	Employees receive paid day off	Yes, for 4 hours	Yes	Yes
Compensation for Working on a Calamity Day	Receive regular rate of pay plus actual time worked	Receive regular rate of pay	Employees required to work receive regular rate of pay plus straight time for actual hours worked	Employees required to work receive regular rate of pay plus straight time for actual hours worked
Use of Custodial Substitutes	Yes	Yes	Nothing stated in contract	Nothing stated in contract
Minimum Call-in Pay	Actual time worked	1 hour	1 ½ hours	1 hour
Evaluation Process and Frequency	Employees are to be evaluated annually	Employees are to be evaluated annually	Nothing stated in contract	First two years of employment - every year then every other year
Basis for Promotion	Job performance	Length of stay	Nothing stated in contract	Nothing stated in contract
Ability to Subcontract	Yes	Yes	Nothing stated in contract	Nothing stated in contract

Source: NLSD and Johnstown’s Treasurer’s office; Liberty Union and North Central’s labor agreements.

F4.16 Northridge Local School District Board of Education (Board) policies state that evaluations are to be performed at least once per year. However, the maintenance supervisor does not receive a performance evaluation on a regular basis and custodians receive performance evaluations in a sporadic manner.

R4.6 NLSD should implement the Board policy on evaluations to ensure that the maintenance supervisor and custodial staff receive their performance evaluation annually. Regular performance evaluations are important in order to:

- Ensure employees receive clear feedback on areas for improvement
- Identify and document disciplinary problems
- Provide evidence about the quality of the employee's performance
- Improve efficiency and effectiveness of the employees in carrying out the tasks found in the job description
- Improve employee morale and monitor an employee's success and progress.

F4.17 Ohio Revised Code (ORC) §3317.01 allows the superintendent to declare up to five calamity days for teaching and non-essential employees. Calamity days are defined as days on which schools are closed due to severe weather conditions, mechanical emergencies or other acts or conditions beyond the control of the district. Any calamity days in excess of the five provided by the ORC must be made up by the district and teaching and non-essential employees are not provided with additional compensation. The ORC does not provide for calamity days for essential or 12-month employees. Currently, NLSD provides calamity day compensation for all employees. Classified staff required to work on calamity days receive their regular rate of pay plus time actually worked at their regular rate. During FY 1998-99, NLSD had three calamity days as a result of weather conditions.

R4.7 The District should establish a policy which defines essential employees, including administrators, building custodians, 12-month exempt employees and other personnel necessary to prepare the District for re-opening following a calamity day. Additionally, the District should discontinue the practice of granting double time for classified employees required to work on calamity days. If an essential employee does not report to work on a calamity day, the employee should be required to use one of the following:

- A compensatory day
- A sick leave day, if ill
- A vacation day
- A personal leave day
- A day without pay.

See the **Human Resources** section of this report for a more detailed discussion on the District's calamity day policy and related financial implications.

Facilities Planning and Management

F4.18 The Ohio Public School Facility Survey of 1990, published by the Ohio Department of Education (ODE), estimated the cost to repair and upgrade NLSD's facilities to state minimum standards and codes for health and safety would be \$8.3 million: \$1.15 million in repairs, \$7.0 million in new buildings and \$108,000 in additions to bring the buildings up to minimum standards and codes. In July 1997, the Ohio Legislative Budget Office (LBO) updated the figures from the 1990 survey. To perform the analysis, LBO used data provided by the ODE. LBO's current cost estimate for NLSD to update the District's facilities is \$14.7 million. Since 1997 the District has spent \$15.2 million which included \$9.6 million on the construction of the high school and \$5.6 million on the renovation of the remaining facilities.

F4.19 After past failed attempts to consolidate all of NLSD's elementary schools on one location, in August 1992, a group of 25 people representing the community and District personnel were commissioned to develop a strategic plan for NLSD. The strategic plan was adopted by the Board in August 1993. One of the action plans was to develop and implement a plan to upgrade or replace NLSD's facilities including pursuing participation in House Bill (H.B.) 264, constructing a new high school and converting the existing high school into a middle school.

In 1994, the Board hired the architectural and engineering firm of Fanning/Howey Associates, Inc. to develop a facilities study on NLSD's existing facilities for possible upgrading, renovation and repair in order to meet state requirements, codes and standards and protect public safety. Fanning/Howey estimated it would take approximately \$9.94 million to upgrade existing facilities.

F4.20 NLSD currently has three elementary schools, one middle school, one high school, one administration building and one bus garage. The transportation personnel are responsible for cleaning the bus garage. The elementary, middle school and high school facilities have a combined square footage of 233,025.

The average age of the school buildings is 58 years. The middle school building is 37 years old, the Alexandria Elementary school building is 78 years old, the Hartford Elementary school building is 80 years old, and the Homer Elementary school building is 92 years old. The high school, which was built in 1997, is the most recently constructed school building in the District.

In 1995, NLSD passed a bond issue to construct a high school, renovate the existing high school into a middle school and renovate the three elementary schools. The construction and renovation project was estimated to be approximately \$15.2 million. NLSD issued bonds totaling approximately \$9.1 million for the project. The remaining \$6.1 million was paid for

by the Ohio School Facilities Commission (OSFC). In addition, as a condition of receiving funds from OSFC, NLSD passed an additional half-mill levy for 23 years to be used for the upkeep and maintenance of the high school. The half-mill levy generates approximately \$30,000 annually.

F4.21 Revenue from the general fund is used to support the maintenance and operation of the District's facilities. As shown in **Table 4-14**, the general fund provides approximately \$651,327 annually to pay for custodial and maintenance employee's salaries and benefits, supplies and materials, purchased services, and capital outlay. Currently, the District does not have a permanent improvement levy which could be utilized to finance future capital improvement projects. **Table 4-14** illustrates NLSD's FY 1998-99 general fund maintenance and operations facilities-related expenditures in terms of cost per square foot.

Table 4-14: 1998-99 General Fund M&O Expenditures per Square Foot

Expenditure	Northridge	Johnstown Monroe	Liberty Union- Thurston	North Central	Peer Average	AS&U Region 5 Average
Custodial Salaries and Benefits	\$1.06	\$1.37	\$2.20	\$1.21	\$1.46	\$1.43
Maintenance Salaries and Benefits	\$0.21	\$0.11	\$0.46	\$0.00	\$0.20	\$0.33
Purchased Services	\$0.54	\$0.59	\$0.45	\$0.32	\$0.48	\$0.67
Utilities	\$0.79	\$1.06	\$1.33	\$0.83	\$1.00	\$1.07
Supplies/ Materials	\$0.18	\$0.25	\$0.61	\$0.11	\$0.29	\$0.29
Capital Outlay	\$0.16	\$0.15	\$0.72	\$0.00	\$0.26	N/A
Total M&O Budget	\$2.80	\$3.52	\$5.14	\$2.46	\$3.48	\$3.79
Total M&O Budget as % of District Budget	9.37%	9.00%	10.88%	7.24%	9.12%	9.2%

Sources: Treasurer's office; peer districts; 1998 AS&U Maintenance & Operations Cost Study

F4.22 The District does not have a permanent improvement levy to fund capital expenditures. In 1995, NLSD issued \$9.1 million in bonds for the construction of a high school. As part of the bond levy for the new construction, a 23-year, half-mill levy was passed which was supposed to be used for the upkeep and maintenance of the newly constructed high school. The half-mill levy was required by OSFC as a condition of receiving funds from the State of Ohio for construction and renovations. However, the OSFC does not yet have a policy in place to ensure how the funds acquired through the half-mill levy are utilized by school

districts. Therefore, NLSD does not utilize the half-mill levy entirely to fund the upkeep and maintenance of the newly constructed high school, rather the funds are also utilized for a variety of other purposes.

F4.23 H.B. 412 requires school districts to establish financial set-asides for critical educational items including textbooks and capital improvements. In FY 1998-99, districts were to begin phasing in these set-asides with two percent of general fund revenue dedicated to each set-aside category. General fund revenue is defined as property taxes, other than homestead and rollback, and basic state foundation aid. The set-aside amount increases to three percent in FY 1999-00 and is capped at three percent in subsequent years. NLSD's FY 2000-01 forecast identifies \$225,000 in general fund revenue for capital improvement set-asides. In FY 2001-02, \$230,000 is to be set aside; in FY 2002-03, \$242,000 is to be set aside; and in 2003-04, \$250,000 is to be set aside. For further analysis of the capital improvement set-asides, see the **Financial Systems** section of this report.

F4.24 Although NLSD has conducted some analysis of its facilities, the District does not have a comprehensive facilities master plan (FMP) to address facility needs, including new schools, building closures, additions, renovations and preventive maintenance. The lack of a comprehensive FMP hinders a district's ability to prioritize major renovations and maintenance activities and also hinders the district's ability to perform long-range financial planning and budgeting for facility renovations and maintenance needs.

R4.8 The District should develop a comprehensive FMP which contains historical information about the District's demographics and community characteristics; educational programs, goals, and practices; enrollment projections; facility evaluations and capital improvement needs; capacity and space utilization analyses; an implementation plan and budget which includes funding sources; and an evaluation process. When developing the plan, the District should obtain input from a variety of sources including design professionals, community groups, business representatives, parents, teachers, administrators and students. The plan should be updated on a regular basis and adjusted for factors such as housing starts and shifts in employment, which could impact the District.

The development of a comprehensive FMP will also provide the facilities support staff with a clearer, more detailed plan for deploying its limited resources including the half-mill levy. Administrators can also use the document to communicate funding requirements to the Board and voters. In addition, a comprehensive FMP can be used to provide a continuous basis for planning educational facilities that will meet the changing needs of the community and can assist the district in making more effective decisions regarding the allocation of limited resources to achieve the district's goals and objectives. A comprehensive FMP can be used to determine the appropriate number of schools required to serve both current and future student populations; estimate the funding needed for repairs, renovations, and new

construction; document the need for school closings and consolidations; justify buying and selling properties; and develop cost-effective alternative uses for existing facilities.

- F4.25 OSFC was commissioned, through Senate Bill (S.B.) 102, to establish and administer the emergency building repair program in June 1997. This bill authorized the sale of \$50 million in bonds to be used specifically for the emergency repair program. However, the budget bill appropriated an additional \$50 million into this project bringing the total funds available to \$100 million. The emergency building repair program made funds available to school districts for emergency repairs to heating systems, floors, exterior doors, emergency exit lighting, fire alarm systems, water supplies and other critical areas. According to the OSFC, letters announcing the program along with application materials were submitted to every school district in the state. The maximum grant available per district through this program was \$500,000.

OSFC stopped acting on applications in November 1997 because the commission's initial appropriation of \$100 million had been encumbered. However, the 1994 facilities study performed by Fanning/Howey Associates, Inc. estimated that the cost to repair NLSD facilities to the minimum standards and codes for health and safety would be in excess of \$9.0 million. According to OSFC, legislation exists, through H.B. 631 and S.B. 272, to bring back the emergency building repair program.

- R4.9** NLSD should keep abreast of new programs and grants made available to school districts through OSFC and take advantage of these programs. As previously discussed in **F4.25**, legislation is pending to possibly bring back the emergency building repair program. Although NLSD completed construction of the high school and some renovations of their existing schools, NLSD should identify additional repairs that would qualify under the program and when funding is available, should submit an application to take advantage of the program.

- F4.26 In the last 10 years, NLSD's student population has increased by a total of 50 students. According to **Table 4-15**, the student population has gradually increased annually from the 1990-91 school year through the 1999-00 school year. The head count data in **Table 4-15** includes all students enrolled in NLSD.

Table 4-15: Head Count History

School Year	Head Count	Percent of Change From the Previous Year
1990-1991	1,311	N/A
1991-1992	1,324	0.99%
1992-1993	1,293	(2.34)%
1993-1994	1,276	(1.31)%
1994-1995	1,276	0.00%
1995-1996	1,325	3.84%
1996-1997	1,345	1.51%
1997-1998	1,368	1.71%
1998-1999	1,335	(2.41)%
1999-2000	1,361	1.95%

Source: EMIS enrollment report

F4.27 The District has not developed student enrollment projections, which is one of the key components of a comprehensive FMP. Enrollment projections are essential for determining the appropriate number of school buildings needed and are useful for estimating staffing needs, projecting state funding and developing five-year financial forecasts. ODE prepares enrollment projections for each school district in the state. These projections are made using live birth data and a grade-to-grade survival ratio. **Table 4-16** contains ODE's 10-year enrollment projections for NLSD. ODE is projecting NLSD's enrollment to decrease by 14 students or 1.03 percent over the next nine years.

Table 4-16: ODE's 10-Year Enrollment Projection

School Year	Projection	Percent of Change From the Previous Year
1999-2000	1,361	N/A
2000-2001	1,335	(1.91)%
2001-2002	1,347	0.90%
2002-2003	1,351	0.30%
2003-2004	1,364	0.96%
2004-2005	1,366	0.14%
2005-2006	1,359	(0.51)%
2006-2007	1,348	(0.81)%
2007-2008	1,358	0.74%
2008-2009	1,347	(0.81)%

Source: ODE's Division of Information Management Service

R4.10 The District should start developing enrollment projections as part of the comprehensive FMP recommended in **R4.8**. The methodology adopted should factor in live birth data, historical enrollment and a grade-to-grade survival ratio. Since enrollment projections are a valuable planning tool, they should be done annually. The District could use the enrollment projections to help determine the amount of state funding to be received in the future to complete financial forecasts, to determine the appropriate number of teachers to hire and to evaluate building usage and capacity.

F4.28 The capacity analysis shown in **Table 4-17** was developed using a standard methodology often employed by educational planners and other school districts. The capacity for the elementary school buildings is calculated by multiplying the number of regular classrooms by 25 students and the number of special education classrooms by 10 students. Classrooms used for music, art, and computer labs are excluded from the number of rooms used in the calculation. The capacity in the middle and high schools is calculated by multiplying the number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor. Each school's capacity is shown in **Table 4-17**.

Table 4-17: Capacity Analysis

School	Year Built	Building Capacity	1998-99 Headcount	Over/(Under) Capacity	Percent
Elementary School (3):					
Alexandria	1923	445	262	(183)	58.88%
Hartford	1921	285	164	(121)	57.54%
Homer	1909	310	193	(117)	62.26%
Total Elementary Schools		1,040	619	(421)	59.52%
Middle School (1):					
Northridge Middle	1963	383	306	(77)	80.00%
Total Middle School		383	306	(77)	80.00%
High Schools (1):					
Northridge High	1997	574	410	(164)	71.46%
Total High School		574	410	(164)	71.46%
Overall Total		1,997	1,335	(662)	66.85%

Sources: NLSD superintendent's office; EMIS reports

F4.29 As **Table 4-17** indicates, the overall capacity of the District's schools was calculated to be 1,997 students; 1,040 in the elementary schools, 383 in the middle school, and 574 in the high school. The District is currently operating at 66.85 percent of total capacity. Based on the current district capacity and the 2008-09 enrollment projection, NLSD will be operating at only 67.45 percent of total capacity in 2008-09, a 0.60 percent increase. Using the highest enrollment projection in **Table 4-16** and the overall capacity shown in **Table 4-17**, NLSD facilities will be under capacity by 631 students when enrollment is at its projected peak (FY 2004-05).

R4.11 NLSD should consider closing one of its elementary schools. As illustrated in **Table 4-18**, if the District closed one elementary school, NLSD's elementary schools would be operating at 82.0 percent of capacity and the District would be operating at 78.0 percent of total capacity. Alternatively, the Board should make an effort to reconvene the commission (**F4.19**) to develop and implement a plan to consolidate the three elementary schools.

Using the highest enrollment projection in **Table 4-16** and the overall capacity shown in **Table 4-18**, NLSD facilities will be under capacity by 377 students or 22.02 percent when enrollment is at its projected peak (FY 2004-05).

Table 4-18: Capacity Analysis

School	Building Capacity	1998-99 Headcount	Over/(Under) Capacity	Percent
Elementary Schools (2)	755	619	(136)	81.99%
Northridge Middle	383	306	(77)	80.00%
Northridge High	574	410	(164)	71.43%
Overall Total	1,712	1,335	(377)	77.98%

Sources: NLSD superintendent's office; EMIS reports

As part of its decision making process, the District should conduct a detailed facilities assessment to document current and future building needs. The assessment should incorporate enrollment projections, educational program requirements, and capital needs. In addition, the District should consider the potential impact of a school closing on community support for the schools, and should ensure that planning is linked to requirements associated with future funding from the Ohio School Facilities Commission.

Financial Implication: By closing one elementary school, the District could save approximately \$150,000 dollars annually. Savings could be realized in principals', clericals', and custodial salaries and benefits, purchased services, utilities, supplies, and maintenance costs. The potential savings associated with other teaching and administrative staff reductions, and the costs associated with possible increases in transportation service requirements cannot be quantified until a specific school is identified for closing. For that reason, those amounts are not reflected in this financial implication. In addition, the District may realize additional revenues from the sale of the building and avoid future costs for the maintenance and upkeep of the building.

Energy Management

F4.30 In 1985, the state legislature passed H.B. 264 which authorizes school districts to issue debt without voter approval to finance capital projects which produce energy savings. The savings generated should equal or exceed the project cost. The law also states that as long as H.B. 264 debt remains outstanding, the board of education is to monitor the energy consumption of the buildings in which modifications were made, and the district is to maintain and annually update a report documenting the reductions in energy consumption and the resulting operational and maintenance cost savings. The report is to be certified by an architect or engineer who is independent of the parties which provide the goods or services under the H.B. 264 project. The resultant savings are to be certified by the school district treasurer.

Donald R. Morelli & Associates, Inc. provided a report containing an analysis and recommendations pertaining to installations and remodeling that would significantly reduce energy consumption. In May 1997, the District issued \$747,000 in energy conservation improvement bonds. According to the treasurer, most of the monies received from H.B. 264 were used to purchase windows; however, documentation supporting this improvement was not provided. According to OSFC, they approved NLSD's H.B. 264 proposal in 1997 for \$710,548. OSFC projected that NLSD would realize annual savings of \$74,874 and estimated a pay back period of 9.49 years.

The treasurer stated that she did not track the costs from the H.B. 264 project and has no documentation from previous reports or analyses nor does she have documentation which was provided to her by the engineering firm. Although the District has taken some steps to reduce energy costs, the District has not developed an energy conservation program which details specific steps that all employees can follow on a day-to-day basis.

R4.12 The District should monitor the energy consumption for the schools which were improved utilizing H.B. 264 measures. Additionally, in order to be in compliance with the bill, the District should immediately begin keeping records to quantify cost savings.

The District should also develop an energy conservation program. In outlining energy conservation measures that could be taken by students, teachers, and other staff, this program would allow the District to realize energy savings due to more efficient use of energy in the schools. The program could include steps that have already been taken to reduce energy costs.

F4.32 Due to deregulation of the gas industry, school districts can purchase gas from any supplier and pay the local utility to transport the gas. NLSD purchases deregulated gas through the Metropolitan Education Council's (MEC) Self-Help Gas Program. MEC purchases natural gas through Enron which is then transported to the schools using Columbia Gas lines. MEC calculated total gas savings of \$15,165 for FY 1998-99.

C4.1 By taking advantage of the deregulation of the gas industry, the district has decreased its utility expenditures and increased funding available to support other educational or facilities related programs.

Financial Implications Summary

The following table represents a summary of the annual cost savings for the recommendations in this section of the report. For the purpose of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications for Facilities

Recommendation	Annual Cost Savings
R4.11 Closing one elementary school	\$150,000
Total	\$150,000

Estimates by the Ohio Legislative Budget Office place the capital costs to repair and upgrade NLSD's facilities at \$14.7 million. In addition, the District may also realize additional revenues from the sale of the building and avoid future costs for the maintenance and upkeep of the building.

Conclusion Statement

Although custodians at NLSD are responsible for higher square footage on average when compared to the peer districts, AS&U Region 5 average, AS&U National average and the urban 21 district average, the staffing levels appear to be high at the elementary schools. In addition, the District has not developed a methodology which can be utilized to determine staffing levels at each of the school facilities. Additionally, NLSD should develop a methodology to determine proper allocation of custodial employees throughout the District.

There is only one maintenance employee at NLSD responsible for all maintenance work and preventative maintenance procedures at all of the facilities within the District. However, there is no documentation indicating when preventative maintenance should be performed or when it has been performed. The maintenance employee is responsible for 223,025 square feet compared to the peer district average of 113,710 square feet and the AS&U Region 5 average of 75,000. The District should implement a procedure requiring the maintenance supervisor to document the work which is completed each day. In addition, procedures should be implemented to plan preventative maintenance and record when the preventative maintenance measures have been completed.

Board policies indicate that performance evaluations are to be completed annually for custodial and maintenance employees. However, the maintenance supervisor does not receive an evaluation on a regular basis and the custodial employees receive their evaluations sporadically. District administrators should evaluate custodial and maintenance employees on a consistent basis in conjunction with the policies set by the Board.

NLSD does not have a comprehensive facilities master plan to address future facility needs. Analysis of the capacity utilization reveals that NLSD is only utilizing 59.5 percent of available space in the elementary buildings and only 66.9 percent of available capacity throughout the District. The Ohio Department of Education projects NLSD's enrollment to decrease by 14 students or 1.03 percent over the next nine years. The District should develop and comprehensive facilities master plan in order to determine the current and future facilities needs throughout the District. In addition, NLSD should consider closing one elementary school building or revisiting efforts to consolidate all three elementary schools at one location.

The District has completed some renovation work under House Bill (H.B.) 264. In addition, NLSD received \$6.1 million from the Ohio School Facilities Commission for the construction of the new high school and renovations to the existing middle school and elementary buildings. NLSD purchases gas through the Metropolitan Education Council's Self-Help Program as a result of the deregulation of the gas industry.

Transportation

Background

Northridge Local School District (NLSD or the District) has contracted with Laidlaw Transit, Inc. (Laidlaw) to provide transportation services since August 1996. Before that time, transportation was not a contracted function. Laidlaw was chosen in 1996, after the District sent two proposal invitations to companies offering such services. In review of District files, Laidlaw submitted the only proposal.

Although a small number of NLSD personnel are involved in the coordination of transportation services, no employee has been wholly dedicated to the transportation function. Routes and runs are determined by Laidlaw subject to NLSD approval. The District provides Laidlaw with the use of a garage and office space at no charge. In addition, Laidlaw uses the NLSD garage as its local terminal. The NLSD superintendent serves as the liaison with the on-site Laidlaw branch manager (branch manager).

NLSD transports students in all grade levels living more than one mile from their assigned schools. However, the District also transports many students living less than one mile from their assigned school due to the rural nature of the District and local infrastructure. The existence of sidewalks and crosswalks is limited, and schools are located on state and local routes which would present a hazard to walking students.

Organization Function

According to its policies, the NLSD Board of Education (the Board) provides transportation services to some of the District's students "... to provide a safe, efficient and economical method of getting students to and from school. Transportation will be scheduled in a way that best serves the best educational interests of the students." NLSD furnishes transportation to all kindergarten, elementary and secondary school students to the extent determined by the administration and approved by the board, in accordance with Ohio law. The same criteria are used for providing transportation to students in all grade levels who attend either public or non-public schools.

The District's organizational structure does not include a transportation department. Laidlaw's management and employees are responsible for the daily operations of the transportation function within the District, and in essence, serve as the District's transportation department. Transportation falls under the direction of the superintendent, who estimates that he, the treasurer and their secretary each spend approximately three percent or less of their time on the following kinds of transportation-related activities:

- Completing and submitting annual T-1, T-2 and T-11 Forms to the Ohio Department of Education (ODE)
- Reviewing Laidlaw invoices for services rendered
- Assisting Laidlaw in resolving routing, scheduling or other transportation-related issues
- Purchasing diesel fuel
- Preparing and issuing invoices for fuel used in Laidlaw’s non-District transportation services

Building principals participate as needed in resolving routing and discipline problems involving students riding on buses. The special education director advises the Laidlaw branch manager of transportation requirements incorporated into the individual education programs (IEP) of special education students.

Summary of Operations

Laidlaw uses a fleet of nine company-owned full-size and three small buses, as well as 11 Board-owned full-size buses to operate the District’s regular and special education transportation programs. In addition, three Board-owned buses are used as spares. NLSD’s average daily membership (ADM) as reported to ODE in FY 1998-99 was 1,335. During the District’s 178 instructional days, the regular student transportation program traveled approximately 429,000 miles while serving an estimated 1,275 public and 30 non-public students. In total, transportation services were provided for approximately 1,305 students at a cost of \$678,134.

The special education program provided transportation services for an additional 24 students in FY 1998-99. Laidlaw transported all 24 students on special education routes which covered 144,000 miles. Six of the 24 students were transported on Board-owned buses and 18 on Laidlaw-owned buses for a total cost of \$153,372.

Overall, Laidlaw served 1,329 daily riders on 23 regular and special education routes, and traveled 573,000 miles utilizing 23 active and three spare buses. Approximately 44 percent of the transportation expenditures were funded by the State.

Staffing

Table 5-1 provides the number of transportation department staff and full-time equivalent (FTE) by position for NLSD and each of the peer districts in FY 1999-00. NLSD staffing represents Laidlaw personnel dedicated to providing District transportation services. No NLSD employees are included in these figures.

Table 5-1: Peer District Staffing Level Comparison

Staffing	Northridge ¹		Johnstown-Monroe ¹		Liberty Union-Thurston		North Central	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Fiscal Year 1999-00								
Branch manager ²	1	0.90	1	0.10	1	1.00	1	1.00
Bus Drivers	23	16.53	11	6.53	13	6.79	14	8.13
Bus Monitors ³	1	0.60	0	0.00	0	0.00	0	0.00
Mechanics ²	2	1.33	2	0.67	0 ⁴	0.00	0 ⁴	0.00
Secretary ²	1	0.67	1	0.33	1	0.10	1	0.10
Total	28	20.03	15	7.63	15	7.89	16	9.23

Source: Transportation departments.

¹ NLSD and Johnstown-Monroe staffing represents Laidlaw employees. Because of the minimal level of involvement of district employees in transportation activities, they have been excluded from this table.

² The same employees perform these functions for NLSD and Johnstown-Monroe.

³ Laidlaw uses a bus monitor on the pre-school bus, which runs four days a week.

⁴ Bus repair is a contracted function at Liberty Union-Thurston and North Central.

Financial Data

Throughout this report section, all costs and ratios are based on regular and special needs transportation services. The District also provides all necessary fuel and pays for all reasonable utilities except telephone and fax expenses used by the transportation office and bus garage facilities.

Table 5-2 shows actual transportation expenditures for FY 1998-99 and budgeted expenditures for FY 1999-00.

Table 5-2: Financial Review

Component	Actual FY 1998-99 Expenditures	Budgeted FY 1999-00 Expenditures	Difference, FY 1998-99 and FY 1999-00	% Difference, FY 1998-99 and FY 1999-00
Salaries	N/A ¹	N/A		
Benefits	N/A	N/A		
Purchased Services ²	\$785,600	\$853,288	\$67,688	8.6%
Diesel Fuel ³	\$45,906	\$68,953	\$23,047	50.2%
Subtotal	\$831,506	\$922,241	\$90,735	10.9%
Capital ⁴	\$0	\$50,000	\$50,000	0.0%
Total	\$831,506	\$972,241	\$140,735	16.9%

Source: FY 1998-99 4502; FY 1999-00 budget summary; updated department budget.

¹ For the purposes of this section of the report, "N/A" shall mean "not applicable."

² NLSLD purchased services in FY 1998-99 includes contractor charges of \$65,848 for bus amortization.

³ According to the treasurer, the increase in diesel fuel was to accommodate for higher fuel prices.

⁴ \$50,000 in FY 1999-00 is to account for bus amortization and major equipment purchases. These expenses are included in purchased services in FY 1998-99.

Tables 5-3 and 5-4 provide basic FY 1998-99 operating statistics and ratios for NLSD and the peer districts. These figures will be used as comparative data throughout the transportation section.

Table 5-3: Operational Statistics

FY 1998-99	Northridge	Johnstown-Monroe	Liberty Union-Thurston	North Central
Eligible Students				
- Regular students	1,305	992	1,108	1,362
- Special needs	24	30	9	10
- Total	1,329	1,022	1,117	1,372
Expenditures				
- Regular students	\$678,134	\$210,040	\$300,777	\$384,221
- Special needs	\$153,372	\$89,802	\$64,342	\$32,239
- Total	\$831,506 ¹	\$299,842	\$365,119	\$416,460 ²
State Reimbursements				
- Regular students	\$312,506	\$137,404	\$131,439	\$222,734
- Special needs	\$53,760	\$15,553	\$15,958	\$0
- Bus purchase allowance	\$0	\$22,784	\$0	\$0
- Total	\$366,266	\$175,741	\$147,397	\$222,734
Miles Driven				
- Regular students	428,575	136,170	115,255	88,466
- Special needs	144,000	54,900	39,338	1,424
- Total	572,575	191,070	154,593	89,890
School Sites				
- Public	10	1	3	9
- Non-public	9	4	4	0 ³
Active Buses	23	11	13	17
Spare Buses	3	3	6	3
Square Miles in District	120	49	51.5	79

Source: FY 1998-99 T-1, T-2 and T-11 Forms; FY 1998-99 foundation settlement sheets.

¹ NLSD transportation expenditures include contractor charges of \$65,848 for bus amortization.

² Transportation expenditures at North Central include utilities expenses of \$3,469 for the transportation facility. Other districts in the peer group, including NLSD, do not include utilities expenses in transportation expenditures.

³ All non-public students at North Central receive payment in lieu of transportation.

Table 5-4: Operational Ratios

FY 1998-99	Northridge	Johnstown-Monroe	Liberty Union-Thurston	North Central
Regular Students: Yellow Bus				
- Cost per Mile	\$1.34	\$1.57	\$2.36	\$4.63
- Cost per Bus	\$33,289	\$27,258	\$28,086	\$24,498
- Cost per Student	\$474	\$212	\$271	\$282
- Students per Bus	57.8	92.9	85.9	80.7
- Cost per Student all methods	\$474	\$212	\$271	\$282
Special Needs Students:				
- Cost per Student all methods	\$6,152	\$2,993	\$7,149	\$2,151

Source: FY 1998-99 T-1, T-2 and T-11 Forms.

Performance Measures

The following performance measures were used to conduct the analysis of the transportation department:

- Comparison of transportation policies to state minimum standards
- Assessment of District busing policies in relationship to open enrollment
- Assessment of District’s bell schedule to support tiered routing
- Adequacy of reporting operational information to secure state transportation aid
- Cost effectiveness of pupil transportation services
- Effectiveness and efficiency of transportation routing
- Effectiveness of technology utilization
- Assessment of contracted services

Findings / Commendations / Recommendations

Policy

F5.1 The Board establishes policies for providing transportation to students between their residences and their regular schools of attendance in accordance with the requirements of the Ohio Revised Code (ORC). State law generally requires a school district to provide transportation for resident elementary students (grades K - 8) who live more than two miles from their assigned school or who have physical or mental disabilities which make walking impractical or unsafe. The transportation of high school students or intra-district open enrollment students is optional. As of FY 1998-99, it was the District's policy to provide transportation to students in all grade levels residing more than one mile from their assigned school. In addition, transportation was provided to those for whom walking was considered unsafe or impractical.

Based on data from the FY 1998-99 T-1 Form, the District could reduce the number of students receiving transportation by 426 if it were to move to state minimum standards. However, given the District's large size and sparse demographic nature, reducing transportation services in accordance with state minimum standards may not be a viable option. According to the Laidlaw branch manager, most students living within one mile of their assigned school are provided transportation due to the rural nature of the District. There are few sidewalks or crosswalks near school buildings, and the location of the school buildings on main roads and highways presents a hazard to walking students. At the current students per bus ratio of 57.8, the District could reduce its bus fleet by four buses if it were to eliminate 231 students from transportation eligibility. A reduction of 426 students would allow NLSD to eliminate seven buses from its daily fleet.

It is important to note that by reducing fleet requirements, the District's state funding for transportation services would be affected. In estimating the loss of revenue from the decreased state funding, it is assumed that the District's FY 1998-99 state reimbursement of \$366,266 can be prorated as a percent of the District's total transportation expenditures. Therefore, by reducing four buses, it is estimated that the District would lose approximately \$70,977 in state funding. By reducing seven buses, the District would lose approximately \$124,209 in funding. Based on the loss of funding as well as the rural nature of the District it does not appear that adopting state minimum standards is a viable option for NLSD and therefore, should not be considered. However, the District should remain focused on reducing costs and be cognizant of the potential savings associated with efficient transportation operations.

F5.2 According to District administrators, NLSD is organized primarily into neighborhood schools. However, it has instituted an intra-district open enrollment policy to allow students to attend

schools within the District other than their neighborhood school or other designated school of attendance. If the District assigns a student outside his or her neighborhood school, the District assumes the responsibility of transporting the student. If a student is assigned to a school other than his or her neighborhood school at the request of the parent, the parent is responsible for arranging any needed transportation services. However, existing bus routes may be used when convenient.

Through inter-district open enrollment, NLSD also accepts students from outside its boundaries while students living within NLSD’s boundaries may attend schools in other districts. According to Board policy, NLSD “will accept no responsibility for the transportation of students from other districts. A student will be transported if brought into the District to an established bus stop.”

F5.3 **Table 5-5** indicates the bell schedules used by the District for FY 1999-00. Times listed are the earliest that any school in each category starts or dismisses students from school. Kindergarten is conducted all day, and times correspond to those of the elementary schools.

Table 5-5: Bell Schedules

	Start Time	Dismissal Time
High School	7:45 a.m.	2:30 p.m.
Middle School	7:45 a.m.	2:30 p.m.
Elementary Schools	8:30 a.m.	3:00 p.m.

Source: NLSD treasurer

In FY 1999-00, NLSD employed a two-tier bell schedule for elementary and secondary schools. In essence, there were two distinct time-frames in which NLSD began and ended classes, and two corresponding periods for the pick-up and drop-off of transported students. Beginning in FY 2000-01, NLSD will utilize a three-tier bell schedule. Multiple-tier schedules allow buses to complete more than one run during each morning and afternoon route, thereby increasing the utilization of each bus. Based on FY 1999-2000 driver route sheets, Laidlaw made two runs on 17 of 23 bus routes, or 74 percent. The remaining six routes make one run each. Upon switching to a three-tiered bell schedule, NLSD will be able to consolidate existing bus routes to fewer buses, thereby making more efficient use of the bus fleet. NLSD expects to eliminate four buses from the necessary daily fleet, resulting in estimated savings of \$160,000.

C5.1 In switching to a three-tiered bell schedule, the District expects to reduce its transportation expenditures by approximately \$160,000. Multiple-tier schedules allow buses to make additional runs, which decreases the total number of buses necessary to provide daily transportation. Since the District is paying a daily rate per bus, using fewer buses will reduce

regular transportation costs. In an effort to further reduce its operating costs, NLSD should continually strive to maximize the use of its bus fleet. See **R5.1** and **R5.6** for other methods to potentially reduce bus routes.

- F5.4 A review of driver route sheets shows that most stops are made for only one or two students. While the rural nature of the district prevents the use of large cluster or corner stops as are used more commonly in urban districts, a lower number of stops could be more cost-effective and time-saving.

As illustrated in **Table 5-4**, NLSD is transporting an average of 57.8 students per bus, which is the lowest among the peers. However, NLSD also has the highest square mileage and the most miles traveled among the peers. These factors contribute to the District's low students per bus ratio and may be beyond the District's control. In light of the District's change to a three-tiered bell schedule and the expected reduction in buses, NLSD's students per bus ratio should rise to approximately 69.9, which would be only 15 percent less than the adjusted peer average of 82.4 students per bus.

- R5.1** NLSD should continually strive to reduce the number of buses needed to transport its students. By consolidating bus stops that are in close proximity, the District could increase the number of students per stop and reduce overall route time. This should allow buses to pick up more students per route. If the District could increase students per bus to the current peer average of 79.9, the District would be able to reduce the necessary bus fleet by two buses. Routing optimization software could aid in the further reduction in buses. See **F5.20** and **R5.10**. The District could save approximately \$80,655 from this change.

Consistent with the above recommendation, the NLSD Board of Education has already taken steps to modify start times to allow for a three-tiered bus schedule. The change to a three-tiered bus schedule should lead to the reduction of four additional buses. The District expects to save approximately \$160,000 from this change. If the District implements the three-tiered bus schedule and consolidates various bus stops it could lead to a reduction of a total of six buses.

Financial Implications: By switching to a three-tiered bell schedule, the District expects to reduce four buses from its daily fleet, resulting in expected savings of \$160,000. If the District could reduce its necessary bus fleet by two additional buses through increased routing efficiency, it could save an added \$80,655 per year based on 1999-00 Laidlaw billing rates. The reduction of a total of six buses could lead to a combined savings of \$240,655.

State Funding

F5.5 School districts are required to file various annual forms with ODE regarding transportation services provided to district students. The required T-1, T-2 and T-11 Forms are used by ODE to determine the amount of reimbursement that school districts will receive for the operation of their regular and special needs transportation programs and to document actual transportation expenditures. The T-1 Form summarizes regular transportation services in terms of usage and mileage by both public and non-public students, and is completed and submitted in October for the current year. The T-2 Form summarizes the actual costs associated with regular bus service, while the T-11 Form summarizes both pupil usage and actual costs associated with special needs transportation services. The T-2 and T-11 Forms are completed after the close of the school year.

Reimbursement for transportation services is included in the district's state foundation payments issued twice each month, and is based on the prior year T-1 Form information until the current year's T-1 is completed and submitted in October. Reimbursement payments are then adjusted to reflect current year data. The special needs transportation costs are adjusted the following school year since its data is not received until after the end of the school year. At NLSD, T Forms are filled out by the treasurer based on information provided by the Laidlaw branch manager.

A review of NLSD's FY 1998-99 T-Forms revealed the following data or reporting errors:

- The T-1 Form does not account for 24 non-public students receiving regular transportation. It also does not account for miles driven for non-public transportation.
- According to district officials, no students were given payment in lieu of transportation in FY 1998-99. However, the T-2 Form reports expenditures of \$688 in this area.
- The T-2 Form shows significantly higher expenditures for the operation of board-owned buses than for contractor-owned, although the T-1 shows that most of the District's daily fleet was Laidlaw-owned. Additionally, there is a higher per day cost for the operation of Laidlaw buses.
- The T-2 Form overstates regular transportation costs by \$279,680 when compared to the District's 4502 expenditure statement for FY 1998-99.
- The T-1 Form shows that the District uses 23 active and three spare buses for transportation, for a total of 26 buses. In contrast, the T-2 Form states that 28 buses are equipped with radios.

R5.2 NLSD should implement necessary procedures to ensure that all qualifying transportation expenditures are submitted to the state for reimbursement and that all data are reported

accurately. Included in these procedures should be representatives of the transportation department (Laidlaw), treasurer's office and superintendent's office, as the signatures of these officials on the forms certify the accuracy of the data reported. In addition, a review process by a person independent of the gathering process should be created to ensure the policy was followed and accurate amounts are reported to ODE.

R5.3 The District should file corrected T Forms with ODE. The District submitted to ODE T-1 and T-2 Forms with incorrect data to be used to calculate the District's transportation reimbursements. Submitting incorrect data to ODE can result in reimbursement amounts that are either too high or too low. According to the Area 0 Coordinator of ODE's School Finance Foundation, the errors on NLSD's T Forms did not have a significant effect on the District's transportation reimbursement. However, it is important to maintain accurate transportation data for purposes of record keeping and performance measurement. Additionally, transportation information submitted by school districts is used to develop the formula that determines reimbursement amounts statewide.

F5.6 Laidlaw bills the District a monthly amount which represents the amortization of the bus fleet. In FY 1998-99, this amount was approximately \$66,000. In the past, the treasurer has included these amortization charges as contracted service costs on the annual T-2 Forms and, therefore, has received the associated reimbursement from the state.

Beginning in FY 1999-00, this will not be an issue for the District due to changes in the state transportation reimbursement program. The reimbursement is now based primarily on the number of students transported and miles traveled, rather than on operational costs.

F5.7 The state, through its foundation payments, also provides districts with an annual allowance for the purchase of school buses. Under ORC, districts can also use this funding to pay for contracted transportation services. A review of foundation settlement sheets indicated that NLSD received a bus purchase allowance of approximately \$66,000 in FY 1999-00. This money was placed in the general fund, out of which Laidlaw is paid. No other bus purchase allowances have been received during the term of the current contract.

General Operations

F5.8 In FY 1999-00, Laidlaw operated eight buses which were owned by the District at a rate of \$195.24 per bus per day. NLSD also contracted for 15 buses owned by Laidlaw at a rate of \$226.56 per bus per day. According to the Laidlaw branch manager, the rate charged to the District for Laidlaw owned buses consists of an operating cost of \$195.24 per bus per day and a capital cost of \$31.32 per bus per day.

In comparison, Johnstown-Monroe also uses Laidlaw for student transportation and was charged \$181.57 and \$210.21 for district and Laidlaw buses, respectively. Furthermore, Elyria City School District (Elyria) contracts with First Student for student transportation and was charged \$236.48 per bus per day. Based on these rates, NLSD seems to be paying a comparable rate to the non-Laidlaw district and mildly excessive rates compared to the other Laidlaw district. See **F5.24** and **R5.13** for a detailed assessment and recommendation concerning the Laidlaw contract. Additionally, **R5.12** discusses issuing a request for proposal (RFP) to obtain lower vendor rates.

F5.9 In FY 1998-99, approximately 1,305 regular education public and non-public students were eligible to be transported by the District. Non-public students are those students who live within NLSD boundaries but attend private or parochial schools. All students were transported by Laidlaw on either District-owned or Laidlaw-owned yellow buses. No students were transported by parent-guardian contract, payment in lieu of transportation, public transportation, or any other alternate means of transportation. In past years, NLSD has utilized payment in lieu of transportation for some public students. In FY 1999-2000 eight public students were given payment in lieu of transportation. See **R5.6** regarding this transportation alternative.

F5.10 Performance of transportation services can be measured by various means. **Table 5-6** presents selected operating ratios for NLSD and peer districts for regular student transportation.

Table 5-6: Peer Comparison of Regular Student Operational Ratios

Regular Education FY 1998-99	Northridge ¹	Johnstown- Monroe	Liberty Union- Thurston	North Central
District Buses:				
Operational Data:				
Active Buses	23	11	13	17
Average Driver Wage	\$10.75	\$9.00	\$12.77	\$10.56
Operational Ratios:				
Cost per Mile	\$1.44	\$1.01	\$2.36	\$4.63
Cost per Bus	\$33,289	\$27,258	\$28,086	\$24,498
Cost per Student	\$474	\$212	\$271	\$282
Students per Bus	57.8	92.9	85.9	80.7
Number of Students	1,305	984	1,108	1,362
Payment in Lieu of Transportation:				
Cost per Student	\$0	\$84	\$0	\$0
Number of Students	0	8	0	0
All Modes of Transportation:				
Cost per Student	\$474	\$211	\$271	\$282
Number of Students	1,305	992	1,108	1,362

Source: T-1 and T-2 Forms; transportation department.

¹ Laidlaw contracted yellow buses

NLSD has the highest operating costs among the peers for the transportation of regular needs students. More effective use of the payment in lieu of transportation option could decrease overall costs (see **R5.6**). Additionally, a higher number of students per bus, resulting in more efficient fleet utilization, could dramatically reduce NLSD's transportation expenditures (see **R5.1**).

F5.11 The per student cost to transport special needs students is significantly higher than the per student cost to transport regular education students. In FY 1998-99, the District transported a total of 24 special needs students at an average annual cost of \$6,391 per student, or \$5,871 per student more than the cost of transporting regular needs students. The following factors contributed to the higher cost to transport special needs students:

- The comparatively small number of special needs students being transported.
- The limited number and location of special education classes to which students are assigned.
- The greater amount of time often required to load and unload special needs students.
- The higher purchase and maintenance costs associated with specialized equipment, such as wheelchair lifts and restraints, needed to transport special needs students.
- The reduced capacity of special needs buses due to more dispersed pick-up and drop-off points, increased riding time, displacement of seats to accommodate specialized equipment and the need of students for more individual attention.

F5.12 **Table 5-7** presents selected operating ratios for NLSD and the peer districts for the operation of the special needs transportation program during FY 1998-99. NLSD's contract costs with Laidlaw to transport its special needs students is the second highest of the peer districts for special needs busing. In addition, the District makes no use of parent/guardian contracts, other contracted vehicles, or public transportation.

Table 5-7: Peer Comparison of Special Needs Operational Ratios

Special Needs Education FY 1998-99	Northridge ¹	Johnstown- Monroe	Liberty Union- Thurston	North Central
District Buses:				
Operational Data:				
Average Driver Wage	\$10.75	\$9.00	\$12.77	\$10.56
Average Bus Monitor Wage	\$10.23	N/A	N/A	N/A
Operational Ratios:				
Cost per Student	\$6,152	\$1,863	\$7,014	\$1,723
Number of Students	24	30	9	2
Board-owned Other Vehicles:	N/A	N/A	N/A	
Cost per Student				\$1,723
Number of Students				7
Parent/Guardian Contract:				
Cost per Student	N/A	N/A	N/A	\$6,000
Number of Students				1
All Modes of Transportation:				
Cost per Student	\$6,152	\$1,863	\$7,014	\$2,151
Number of Students	24	30	9	10

Source: T-11 Form; transportation department.

¹ Laidlaw contracted yellow buses.

NLSD's costs for transporting special needs students was the second highest among the peers. In addition, in performance audits of the 13 smaller school districts in the State of Ohio, it was determined that the average cost per student for special needs yellow bus transportation was \$2,167. Furthermore, in FY 1997-98, Elyria contracted with First Student to provide transportation services to their special needs students at a cost of \$2,441 per student. Assuming that First Student increased their contract prices by three percent (as was negotiated in the contract, see **Table 5-9**), the comparable rate for FY 1998-99 is estimated to be approximately \$2,500 per student. In comparison to the peers, the smaller 13 district average and Elyria, which contracts its special needs transportation, NLSD's cost of providing transportation to special needs students is high, indicating that the rates charged by Laidlaw may be excessive. While the size and rural nature of NLSD could contribute to the higher cost of transporting special needs students, the District should be cognizant of what other districts are paying for this service.

In developing the RFP specifications to contract transportation, the District designed the proposal so that the contractors bid on the cost of providing transportation services as a whole, rather than requiring separate bids for regular and special needs transportation. Furthermore, the only proposal the District received was from Laidlaw. The current contract is scheduled to expire in July, 2001. See **F5.24** for more information on the transportation contract.

R5.4 The following is a discussion of several methods and/or options the District should consider in attempting to reduce the cost of transporting special needs students:

- The District should consider requesting Laidlaw to renegotiate the rates charged for special needs transportation until the contract's expiration in 2001. Comparisons with other Districts that contract for special needs transportation services indicate that the rate charged by Laidlaw may be excessive. Ultimately, the District should attempt to reduce the rate to a level which would equate to a cost per student of approximately \$2,500. This would place the District at a cost per student that is comparable with the peers, the smaller thirteen district average and Elyria City School District.
- The District should actively promote the use of alternative methods of transportation, including parent/guardian contracts and Board-owned, or contractor-owned other vehicles, such as vans. The use of other, less expensive methods of transportation could help NLSD reduce their special needs transportation costs.
- Upon the current Laidlaw contract's expiration in 2001, the District should perform a cost-benefit analysis to determine if it may be more cost efficient to provide special needs transportation services in-house. If NLSD determines it is not feasible to provide special needs transportation services in-house, prior to negotiating a new agreement, the District should subject these services to competitive bidding. This would help ensure that the District is receiving contracted transportation services for the lowest possible cost and the highest quality of service.

Financial Implication: NLSD could save approximately \$87,000 per year by reducing special needs transportation costs to \$2,500 per student. This ratio, which is more in line with the peer average, the smaller thirteen district average, and Elyria City School District, could be attained through more effective use of other methods of transportation such as parent/guardian contracts and non-bus vehicles such as vans.

F5.13 NLSD identifies special needs students as required by federal and state laws, and follows the steps outlined in "Whose IDEA is This?: A Resource Guide for Parents" published by ODE. For each student with a disability, an individualized education program (IEP) is developed that includes a statement of specific special educational requirements and related services. The IEP indicates any specialized transportation services that may be necessary. Not all special needs students require specialized transportation. Those students who can be accommodated through the regular transportation program are classified as regular needs students. In NLSD, only those students whose condition requires special transportation services are classified as special needs students for transportation purposes. Therefore, the number of special needs students found elsewhere in this report may exceed the total number of special needs students indicated in this transportation section.

Ohio Administrative Code (OAC), Section 3301-51-10(C)(2), states that “School district transportation personnel shall be consulted in the preparation of the Individualized Education Program when transportation is required as a related service and when children’s needs are such that information to ensure the safe transportation and well-being of the child is necessary to improve such transportation.” At NLS D, transportation department personnel are currently not involved in the development of IEP’s. However, according to the Laidlaw branch manager, plans are underway to include him in the development of future IEP’s.

R5.5 NLS D should follow through with plans to include an employee of the transportation department in the development of the IEP for special needs students. This involvement allows for the input of someone who is experienced in transporting students with special needs and who can best determine the actual transportation needs of the student, as well as the ability of NLS D to provide the needed transportation services. Additionally, this involvement is needed to make the District compliant with OAC as noted above.

F5.14 **Table 5-8** compares non-public student transportation services provided by NLS D and the peer districts during FY 1998-99. The District’s high cost per student coupled with its lack of utilization of the payment in lieu of transportation option contributed to NLS D having the highest per student cost for transporting non-public students.

Table 5-8: Peer Comparison of Non-public Student Transportation

FY 1998-99	Northridge ¹	Johnstown-Monroe	Liberty Union-Thurston	North Central
Non-public Students Eligible to Ride	30	35	23	27
Non-public Students on Buses	30	35	15	0
% On Buses	100%	100%	65%	0%
Cost per Student	\$474	\$212	\$271	\$0
Payment In Lieu of Transportation	0	0	8	27
% Payment In Lieu of Transportation	0%	0%	35%	100%
Cost per Student	\$0	\$0	\$172	\$172
Average Cost Per Non-public Student	\$474	\$212	\$237	\$172

Source: T-1 and T-2 Forms; transportation departments
¹NLS D figures represent Laidlaw contracted yellow buses.

R5.6 NLS D should develop procedures to promote the use of payment in lieu of transportation among both public and non-public students. The District should endeavor towards the standard set by North Central of 100 percent of non-public students receiving payment in lieu

of transportation. By encouraging more students to use the payment in lieu option, NLSLD could reduce its operating costs. This reduction occurs because payments in lieu of transportation are reimbursed 100 percent by ODE and are less than the cost to transport students on contracted District buses.

Financial Implication: If NLSLD provided all non-public students with payment in lieu of transportation as opposed to transporting them on contracted yellow buses, an estimated \$9,060 could be saved based on FY 1998-99 figures. This is based on the reduction in cost per non-public student from \$474 to \$172.

Personnel

F5.19 When transportation services were contracted out in 1996, Laidlaw hired the majority of the former NLSLD transportation employees. Employees were hired at their respective pay levels for FY 1995-96 plus 3 percent. Laidlaw provides health benefits comparable to those that were provided by the District at similar rates. All sick leave and vacation time accumulated by the employees was retained to be paid by the District upon usage. This payment only takes place if employees use leave time beyond what is provided to them by Laidlaw.

Bus Fleet

F5.15 While ODE does not have specific guidelines concerning bus replacement, a general consensus among ODE, private bus contractors and school transportation departments is to replace buses at approximately 12 years of age, or 200,000 miles for diesel buses and 150,000 miles for gasoline buses. However, regardless of age or mileage, buses which pass state inspections may continue to be used.

The District's contract with Laidlaw requires the contractor to replace buses at ten years of age. Laidlaw's FY 1999-00 rates were \$226.56 for a Laidlaw bus and \$195.24 for a District bus. The difference of \$31.32 reflects the amortization cost of Laidlaw buses.

R5.7 The requirement that the contractor replace buses at ten years of age appears to be too liberal. Although there will be a newer bus fleet with less maintenance, the daily rates will be higher because of a shorter amortization time period. A more conservative requirement, such as replacing buses at 12 years of age, could reduce amortization costs by spreading the costs over a greater amount of time. An additional two years should not adversely affect the quality of the buses while reducing the cost to the District.

Financial Implication: Requiring buses to be replaced every 12 years would spread amortization costs over an additional two years. This could save the District approximately \$10,000 per year.

F5.16 According to the contract, the District is responsible for all fuel and fuel-related expenses. This includes any expenses related to the installation and maintenance of the on-site diesel fuel tank. However, a new diesel fuel tank was installed at the District's transportation facility in 1999 at Laidlaw's expense. According to Laidlaw and District officials, Laidlaw paid for the tank as well as the annual inspections. The District was responsible for the removal of the old tank and compliance with existing environmental regulations.

F5.17 NLSD utilizes consortium negotiated contracts for the purchase of diesel fuel. The District is a member of the Metropolitan Educational Council (MEC) from which they should receive consortium buying power for diesel fuel. However, NLSD appropriated 50.2 percent more funds for the purchase of fuel in FY 1999-2000 than was spent in FY 1998-99. The treasurer attributes this rise to the increase in fuel prices.

R5.8 In issuing an RFP for transportation services when the current contract expires in July, 2001, the District should consider requiring the selected contractor to provide all fuel. However, any contractual provision stating that a contractor will provide fuel should ensure that the District is billed at cost and that fuel for non-District activities such as charter services not be included in the billed amount. This will prevent the District from bearing the responsibility of charging back fuel for non-District use and ensuring that the drivers are filling their tanks appropriately. **Table 5-9** indicates that the Elyria's contract with First Student has the vendor supplying the fuel.

F5.18 Measures are currently in place at NLSD to ensure the security of the diesel fuel tank. The pump operates electronically and can be activated or deactivated by a switch inside the transportation office. The Laidlaw branch manager is responsible for activating the pump in the morning and deactivating it once all fueling is finished for the day. Fuel cannot be dispensed when the switch is off. Additionally, the tank is surrounded by a fence with a locking gate. The Laidlaw branch manager and the District's fuel provider have keys in addition to four spare keys which are kept in the transportation facility. When fueling, drivers record the bus number, odometer reading, and amount of fuel dispensed. The same fueling procedures are used for both NLSD transportation and charter services provided by Laidlaw to other organizations.

R5.9 NLSD should consider installing an integrated electronic key protection system for fuel, such as Keyguard by Petrovend. A possible way to accomplish this is to establish it as a provision on the next contract. Although the security features currently in place are commendable, an integrated system would allow the District as well as the transportation department to better monitor and control fuel usage. The system would also aid in the division of fuel costs between District transportation and chartered transportation functions as different keys could be used for each.

Financial Implication: Converting to an integrated electronic key protection system for fuel would cost between \$1,400 and \$2,200. NLSD could consider including such a system in the RFP specifications when the current contract expires in July 2001.

Technology

F5.20 Laidlaw does not use computerized routing software at NLSD. Routes are determined by the Laidlaw branch manager subject to District approval. Routing optimization software can maximize the efficiency of District bus routes and vehicle utilization. According to Laidlaw personnel, the company has licensing rights to Edulog, which should provide a convenient and relatively inexpensive means for the District to acquire this software. Laidlaw estimates the licensing and installation process of the software would cost the District between \$15,000 and \$25,000 plus \$5,000 to \$7,000 in annual upkeep.

R5.10 In issuing an RFP for transportation when the current contract expires, NLSD should require the contractor to use route optimization software such as Edulog. Without this software, a contractor cannot justify to the District that they are performing at the most efficient level. Route optimization software could minimize the number of necessary buses and routes and maximize the utilization of bus capacity. Since the District is paying for its transportation service on a per bus per day basis, it would be to the advantage of the District to have the most efficient routes with the fewest number of buses being used. See **F5.4** and **R5.1** regarding the increase of students per bus for a possible financial implication of route optimization software.

F5.21 Laidlaw uses V-Track software to assist in maintaining its bus fleet. The software was developed in-house by Laidlaw and is run by the mechanics on their own computer. It tracks work that has been done to each bus, including parts that have been replaced, repairs that have been made and preventive maintenance that has been performed. It does not track inventory in stock, nor does it schedule buses for service when they are due.

R5.11 NLSD should encourage Laidlaw to take necessary steps to update or replace the V-Track software. This could also be a provision of NLSD's next transportation contract. Capabilities should be expanded to include a tracking system for inventory in stock as well as a feature that schedules buses for due service. This feature could provide reports showing when a particular bus is due for oil changes, new tires, brake replacement, or other services that are performed on a regular schedule.

Contracted Services

F5.22 NLSD inquired about contracted busing in the Summer of 1996. After review, NLSD drafted a letter of inquiry that was sent to two companies known to provide such services: Laidlaw

Transit, Inc. and First Student (formerly known as Ryder Student Transportation Services, Inc.). The District did not issue a request for proposal (RFP), nor did it advertise the invitation in a newspaper of general circulation in the District.

In review of District files, only one proposal was noted and that was from Laidlaw Transit, Inc. A 1996 Board resolution authorized the superintendent to contract with Laidlaw. The original contract was dated August 1, 1996, and was established for a five year term. The contract expires July 31, 2001 and includes a renewal option for an additional three years.

R5.12 Upon the expiration of the current contract, the District should issue an RFP and contract transportation services to the company offering the best proposal. Contracting via RFP, as opposed to renewing or renegotiating, allows the District to choose the best available service for the lowest feasible price. Although there is no specific code requirement for bidding school bus transportation services, ORC § 3313.46, which covers general bidding requirements, states that the Board shall advertise for bids once each week for a period of at least two consecutive weeks in a newspaper of general circulation in the District. When the transportation contract expires, NLSD should issue an RFP to several transportation companies as well as advertise in *The Columbus Dispatch*, *The Advocate* and any other generally circulated newspapers in the District in order to comply with ORC as noted above.

F5.23 **Table 5-9** highlights some key contractual issues for transportation. Although not included in the peer group, Elyria's contract with First Student is included in this table to provide comparative data from a district that uses a transportation company other than Laidlaw.

Table 5-9: Comparison of Contractual Issues FY 1999-00

	Northridge	Johnstown-Monroe	Elyria
Effective date	Aug. 1, 1996	June 24, 1999	April 1, 1995
Ending date	July 31, 2001	June 30, 2004	June 30, 2000
Renewal Option	three year extension	five year extension	three year extension
Number of buses	23	Not stated	41
Daily cost per district bus	\$195.24	\$181.57	N/A
Daily cost per contractor bus	\$226.56	\$210.21	\$236.48
Annual rate of increase	4%	3.75%	3%
Buses provided by ²	Contractor	Contractor	Contractor
Spare buses required	10% of fleet	Not stated	8 buses
Bus replacement schedule	10 yrs	11 yrs	10 yrs for 16-72 passenger 12 yrs for 84 passenger
Bus repurchase value	Yellow Guide	Yellow Guide	Fair market value
Bus monitor costs	Direct cost + 15%	Direct cost + 15%	Included
Facility	District provides	Contractor provides ¹	Contractor provides
Utilities	District pays	N/A	Contractor pays
Contractor insurance	\$25 million per bus	\$25 million per bus	\$25 million per bus
Fuel	District provides	District provides	Contractor provides
Routing Software	Not in use	Not in use	Edulog ³
Extracurricular trip rates	\$23.62 per hour	\$23.35 per hour	\$19.14 per hour + \$0.46 per mile

Source: Northridge, Johnstown-Monroe, and Elyria transportation contracts.

¹ Laidlaw operates transportation for Johnstown-Monroe out of the NLSD facility.

² Both Laidlaw and First Student use the existing district-owned fleet and replace buses, when necessary, with new contractor-owned buses.

³ Elyria City School District provides the Edulog system to First Student.

Of the three districts in **Table 5-9**, NLSD is currently paying the highest daily rates for the operation of District-owned buses, the second highest rates for the operation of contractor-owned buses, the highest rates for extracurricular trips, and the District has a higher annual rate of increase for all fees. Additionally, Elyria's contractor provides a transportation

facility, utilities, fuel, and bus monitors within the scope of the contract while NLSD is providing these things in addition to their regular transportation fees. This comparison outlines some of the potential advantages NLSD could realize in rebidding the transportation contract as opposed to renewing the current contract as outlined in **R5.12**. See **R5.13** for other issues the District should consider in rebidding the transportation contract.

F5.24 The contract with Laidlaw went into effect in 1996. Major provisions of the contract include the following:

- Laidlaw agrees that it will provide a full-time, on-site manager.
- Laidlaw shall replace Board-owned buses at an age of ten years.
- Laidlaw will be provided the full use of the Board's existing radio system.
- The Board may purchase buses from Laidlaw for fair market value as set forth by the Yellow Guide (Yellow School Bus Book published by Yellow School Bus Book, Inc. of Los Angeles, CA).
- Laidlaw will use a combination of Board-owned and Laidlaw-owned buses to provide transportation services. As Board-owned buses exceed ten years of age, they will be replaced by new Laidlaw buses.
- The Board shall pay Laidlaw its total costs for bus monitors plus 15 percent for training and recruiting.
- Laidlaw will carry single limit liability of \$25,000,000 per bus for each accident and \$25,000,000 bodily injury and property damage per accident and agrees to establish the Board as an additional insured party.
- Laidlaw shall receive, for providing bus service, compensation for each company provided bus at a daily rate of \$201.41 and for each Board-owned bus at a daily rate of \$173.57. There is one mid-day route which is billed at \$21 per hour in quarter hour increments. Extra-curricular trips are also billed at \$21 per hour. (Rates effective August 1996.)
- All rates shall increase at a rate of four percent each year on the first day of August, beginning August 1, 1997.
- The Board shall provide all the necessary fuel for the operation of the buses.
- In the event of a change in the needs of the Board requiring a change in the number of buses specified, then such rates shall be re-negotiated.
- Compensation shall be no less than 178 days of service.
- The Board agrees to provide Laidlaw, at no additional cost, full use of the existing bus facility, including all utilities except phone and fax expenses.
- The contract may be extended for one additional three year term.

There is no one at the District assigned to actively monitor the transportation activities. Performance is tracked on an exception basis - few or no complaints means Laidlaw is doing a good job.

R5.13 The current contract for school transportation services expires July 31, 2001. Once the contract has been rebid, the following issues should be considered in negotiating a new contract:

- Special needs transportation is not specifically addressed in the contract. No addendum pertaining to special needs transportation was available from the District. See **F5.12** and **R5.4** for more information regarding special needs transportation.
- The requirement that buses should be replaced at 10 years or 120,000 miles allows for higher amortization costs being charged to the District in the daily bus rates. See **F5.15** and **R5.7** for further discussion on bus replacement.
- The requirement that the District provide the fuel should be reviewed because it requires the District to purchase, store and track fuel usage. See **F5.16** and **R5.8**. In addition **Table 5-9** indicates that Elyria's contract has the cost of fuel included in the daily bus rate.
- The rate of contract increases should be tied into the Consumer Price Index or some other independent index to ensure that the rate of increase is fair to both parties of the contract. The current rate of increase is set at four percent per year and is not tied to any indices.
- The District should be aware that it is providing Laidlaw with a local hub for transportation operations. (Laidlaw operates transportation for Johnstown-Monroe from the same NLSO-provided facility.) If NLSO chooses to contract with Laidlaw again, this should be considered an economic advantage when negotiating and treated as such. Johnstown-Monroe should be involved in any negotiations with Laidlaw so the districts can most effectively take advantage of the economy of scale provided by Laidlaw.
- The contractor should be required to use route optimization software in the planning of bus routes. See **F5.20** and **R5.10**.

The District should develop a list of goals it wishes to accomplish by contracting transportation and a corresponding list of performance measures to ensure that those goals are being reached. A District official should be selected from existing personnel to act as a monitor for contracted operations. The monitor should systematically examine the contractor's performance based on the aforementioned performance measures, as well as the contract, to ensure that the District is receiving the type and level of service required.

The District could also benefit from reviewing the National School Transportation Association's "A Handbook of Basic Student Transportation Services, Contract Language

and Explanations.” The handbook includes a sample contract and sample request for proposal. It can be found at www.schooltrans.com/contract.htm.

Facilities

F5.25 NLSD provides Laidlaw with approximately 2400 square feet of building space to serve as a transportation facility. The space includes an office for administrative functions, a meeting room and a garage with service bays, in which mechanics work on the buses. Buses are parked in the outdoor lot surrounding the facility. The facility is located at the same address as the District office and the high school/middle school. Laidlaw is responsible for all fax and telephone expenses. NLSD pays all other utilities, which are calculated at three percent of campus billing. In FY 1998-99, NLSD reported utilities expenditures of \$6,479 for the transportation facility. According to Laidlaw and District officials, Laidlaw fees reflect a discount to the District to provide for utilities costs.

The contract dated August 1, 1996 states, “Board agrees to Company full use of the existing facility for as long as the Company desires. Company may use the facility for other bus operations provided it does not interfere with the operation of the adjacent school or any other Board function.” Laidlaw performs administrative functions pertaining to transportation for Johnstown-Monroe at the NLSD facility. See **R5.13** for more information regarding contractual issues.

Financial Implications Summary

The following table represents a summary of implementation costs and annual costs savings. This table illustrates the savings that Northridge Local School District could potentially realize. For the purposes of this table, only recommendations with quantifiable financial impacts are listed.

Summary of Financial Implications for Transportation

Recommendations	Implementation Costs	Cost Savings Annual
R5.1 Increase routing efficiency and bus utilization District action to establish three-tiered bell schedule		\$80,655 \$160,000
R5.4 Special needs student transportation changes		\$87,000
R5.6 Increase use of payment in lieu of transportation		\$9,060
R5.7 Longer bus replacement schedule		\$10,000
R5.9 Installation of electronic key fuel protection system	\$1,400 - \$2,200 (one time)	
Total	\$1,400 - \$2,200	\$346,715

Actual versus estimated annual cost savings could vary greatly depending on the total number of buses reduced due to changes in transportation policies and efficiencies in routing.

Conclusion Statement

NLSD has contracted with Laidlaw to provide all facets of its transportation; including buses, personnel, and other services as needed. Laidlaw has provided transportation services to NLSD since August 1, 1996, and uses the District's bus garage as a local transportation hub. The District spends significantly more on transportation than any of the peer districts, nearly doubling the second highest amount among the peers. A key factor contributing to this difference is the square mileage of the District, which is significantly higher than any peer districts' square mileage. However, the District can take additional steps to increase the utilization of buses in order to reduce transportation operating costs.

NLSD is currently paying a daily per bus rate for transportation services. On this basis, it is advantageous to the District to maximize the utilization of each bus and decrease the total number of buses in use. At 57.8, NLSD is transporting the lowest number of students per bus. Additionally, the District provides transportation services beyond the scope of state minimum standards. NLSD has attempted to reduce transportation costs by changing to a three-tiered bell schedule which increases the utilization of each bus, thereby reducing the number of buses necessary to provide daily transportation. The use of routing optimization software could assist in the accomplishment of these goals, as well as providing the District with a tool to guarantee the efficiency of transportation services.

Despite the high costs associated with NLSD's contracted transportation services, the District does not make efficient use of alternative methods of transportation. NLSD could considerably reduce transportation expenses by transporting more students on non-bus vehicles, such as vans, or by more effectively utilizing parent/guardian contracts and payment in lieu of transportation. NLSD's special needs and non-public transportation costs were the second-highest and highest among the peers respectively. By more extensively using other, less-expensive means of transportation, the District could reduce its special needs and non-public transportation costs to be more in line with those of the peer districts, all of which utilize some form of alternative transportation.

The District is filing inaccurate reports to the Ohio Department of Education (ODE). These forms are used to develop the statewide transportation reimbursement formula, to calculate reimbursement amounts for specific school districts, and to document actual expenditures. Although the District's reimbursement amounts have not been affected thus far, this could be a problem in the future. The District should develop procedures to ensure that accurate reports are prepared for ODE. This will not only ensure that the District is receiving the correct allocation for reimbursement but that accurate comparative statistics will be compiled by ODE.

When the current transportation contract expires on July 31, 2001, NLSD should issue an RFP to examine all possible options for this service. Receiving several proposals could ensure that the District is receiving the best possible service at the lowest feasible price. The District should also

make certain that all provisions of transportation are accounted for in any contract. This includes having the contractor provide fuel, transportation-related software and any other required components of providing transportation. In the future, the District should take a more active role in the development and monitoring of the transportation contract.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Office of the Auditor of State of Ohio
Jim Petro, Auditor of State
88 E. Broad Street
Columbus, Ohio 43216-1140
(800) 282-0370
E-mail Address: petro@auditor.state.oh.us
www.auditor.state.oh.us