



**Auditor of State  
Betty Montgomery**

**SHEFFIELD - SHEFFIELD LAKE  
CITY SCHOOL DISTRICT  
PERFORMANCE AUDIT**

NOVEMBER 18, 2004



## Auditor of State Betty Montgomery

To the Residents and Board of Education of the Sheffield-Sheffield Lake City School District:

On March 29, 2004, Sheffield-Sheffield Lake City School District (Sheffield-Sheffield Lake CSD) was placed in fiscal caution because of the possibility of ending the 2004 fiscal year in a deficit, as well as the potential for deficits in future years. Sheffield-Sheffield Lake CSD was subsequently placed in fiscal watch on June 24, 2004. Pursuant to ORC §3316.031 and ORC §3316.042, a performance audit was initiated in Sheffield-Sheffield Lake CSD. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations which support its mission of educating children, and because improvements in these areas can assist Sheffield-Sheffield Lake CSD in eliminating the conditions which brought about the declarations of fiscal caution and watch.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Sheffield-Sheffield Lake CSD's financial situation and a framework for its financial recovery plan. While the recommendations contained within the performance audit are resources intended to assist in developing and refining the financial recovery plan, the District is also encouraged to assess overall operations and develop other alternatives independent of the performance audit. During the course of the performance audit, Sheffield-Sheffield Lake CSD staff worked with the Board of Education to decrease expenditures in several areas.

An executive summary has been prepared which includes the project history; a discussion of the fiscal caution, watch and emergency designations; a district overview; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Sheffield-Sheffield Lake CSD and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

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

Sincerely,

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 18, 2004

# **Executive Summary**

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## **Project History**

Pursuant to Ohio Revised Code (ORC) §3316.031(A), the Ohio Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of a fiscal watch or fiscal emergency within a school district. ORC §3316.031(B)(1) further stipulates that the State superintendent may declare a school district in fiscal caution based upon a review of a school district's five-year forecast. According to ORC § 3316.042, AOS may conduct a performance audit of any school district in a state of fiscal caution, fiscal watch or fiscal emergency and review any programs or areas of operation in which AOS believes that greater operational efficiency, effectiveness and accountability of services can be achieved.

Effective March 29, 2004, Sheffield-Sheffield Lake CSD (SSLCSO or the District) was placed in fiscal caution by the Ohio Department of Education. Pursuant to ORC § 3316.031(C), the SSLCSO failed to submit an acceptable fiscal caution proposal in order to address the projected deficits. Therefore, on June 24, 2004, the Auditor of State placed the District in fiscal watch. The fiscal watch declaration was based on the District's May 27, 2004 five-year forecast that anticipated deficits of \$118,000 in fiscal year (FY) 2003-04 and \$2.1 million for FY 2004-05.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit of SSLCSO. Based on a review of SSLCSO information and discussions with the superintendent and the treasurer, the following four functional areas were included in the performance audit:

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

## **District Overview**

Sheffield-Sheffield Lake City School District operates under an elected Board of Education consisting of five members and is responsible for providing public education to the residents of the District within the City of Sheffield Lake and the Village of Sheffield. SSLCSO is located in Lorain County and is located approximately 22 miles west of Cleveland, Ohio.

According to the United States Census Bureau's 2000 Census, the District's population of 12,320 residents included 4,587 family households with an average family size of 3.1 persons. The percentage of the District's population that was school aged was 26.4 percent (18 years old and under), while an additional 6.7 percent were less than 5 years old. In addition, 40 percent of the population had high school diplomas or equivalency certificates, 12 percent had some college, and 15 percent had bachelor's degrees or greater.

SSLCSO operates an administration building and six school buildings: Knollwood Elementary School (grades preschool-1), Tennyson Elementary School (grades 2-3), Forest Lawn Elementary, William Bar Elementary School (grades 4-5), Sheffield Middle School (grades 6-8), and Brookside High School (grades 9-12). The District has 219.3 full time equivalent (FTE) employees. There are 119.7 certificated teaching FTEs and 11.0 administrator FTEs who provide educational services to an average daily membership (ADM) of 2,024 students. Students with physical and learning disabilities comprise almost 13 percent of the student population. The regular education student-to-teacher ratio is 18.4 to 1, and special education student-to-teacher ratio is 17.7 to 1. In FY 2003-04, the District met 10 of 18 academic performance indicators established by ODE and was categorized as a continuous improvement district. In FY 2002-03, the General Fund cost per pupil of \$8,111 was approximately 12 percent higher than the peer average of \$7,156. Expenditures are greater than the peers for two primary reasons: SSLCSO has higher salary costs, especially classified employees, than the peers (see **human resources**) and the District has more school buildings than the peers (see **facilities**).

The District has experienced a declining fund balance, from \$585,000 in FY 2000-01, to \$57,000 in FY 2003-04, and to a projected deficit of over \$1.5 million in FY 2004-05. Over the past thirty years, the District has passed less than 25 percent of its levies. The last new levy passed was an emergency levy in 1994 for 14 mills, which was last renewed in 2000. The District placed a 16.59-mill levy on the August 3, 2004 ballot that was defeated by over 62 percent of the voters. Although the levy appeared large, it included the replacement of the 1994 levy that is due to expire at the end of 2004. Therefore, the new tax increase for a \$100,000 home would have been \$269 per year.

SSLCSO has had difficulty passing levies since it is split between two distinct communities. The City of Sheffield Lake is among the highest in property tax rates in Lorain County, while Sheffield Village is among the lowest. Most residents of the District live in the City. Most of the commercial/industrial property is located in the Village. Additionally, the Village pays nearly 54 percent of all District property taxes.

Sheffield-Sheffield Lake City School District projects a deficit of about \$1.5 million at the end of June 2005, unless the community passes an 8.95 mill five-year emergency operating levy in November 2004. The levy would raise about \$2.76 million per year starting in 2005. It would cost the owner of a house valued at \$100,000 about \$274 per year or about \$23 per month. The

community would then be asked to renew the 1994 14-mill levy. The effective rate of the renewal would be at about 7.5 mills.

Furthermore, SSLCSD incurs additional costs since it maintains more school buildings than its peers. The District has four elementary buildings, while the peers have an average of three. By having more buildings than its peers, the District incurs higher costs in areas of support services like custodians and food service, administrators, clerical, as well as maintenance, supplies, and utilities. Nevertheless, the District has the ability to improve efficiency and reduce costs (see **human resources** and **facilities**). Despite having more buildings, the SSLCSD has a building utilization rate of over 92 percent. Therefore, the District is using its school buildings to maximum capacity, and uses modular units at buildings where capacity is exceeded.

The condition of District's buildings is not good. It has been approximately 40 years since major construction has occurred on SSLCSD's school buildings, and maintenance and repair of the buildings is reactive, rather than proactive, due to financial constraints. SSLCSD has taken steps to improve its facilities by purchasing 52 acres adjacent to the middle school. However, the District will need to pass a bond issue for new construction and to update its existing school buildings. Until that time, SSLCSD must incur the additional costs associated with the operation of older buildings.

The District has taken a proactive stance to reduce its deficit by not filling vacancies and through personnel cuts. In August 2003, the District went to State minimum transportation standards that reduced the number of students transported by 60 percent. The District also obtained concessions from the two bargaining units in the form of 0 percent cost-of-living-adjustments for the next school year, as well as 10 percent health insurance premium contributions for employees hired after 1997.

Given its financial outlook, SSLCSD needs community support through the passage of a levy, since implementation of the recommendations in this performance audit will not remedy the deficit position. See **R2.7** and **Table 2-12** in the financial systems section of this report for the proposed financial recovery plan and impact of performance audit recommendations on the General Fund ending balances.

## **Objectives and Methodology**

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between April and October 2004. The goal of the performance audit process was to assist SSLCSD management in identifying cost saving opportunities, with the primary objective of eliminating the conditions which brought about the declaration of fiscal caution. The ensuing recommendations comprise options that SSLCSD can consider in its continuing efforts to improve and stabilize its financial condition. This

performance audit assessed the key operations of SSLCSD in the areas of financial systems, human resources, facilities, and transportation. Major assessments included the following:

- The District's May 27, 2004 five-year financial forecast, including its underlying financial data, along with accompanying notes and assumptions, were assessed for reasonableness.
- District-wide staffing levels, collective bargaining agreements and benefit costs were core areas assessed in the human resources section.
- Building capacity and utilization, and custodial and maintenance operations were examined in the facilities section.
- Key transportation operational statistics, such as staffing, average costs per bus, and average costs per student were reviewed to identify potential efficiency improvements and cost savings for the District's transportation operations.

To complete this report, auditors gathered and assessed data from various sources pertaining to the key operations, conducted interviews with SSLCSD personnel, and assessed requested information from the comparison (peer) districts. Throughout this report, comparisons are made to three similarly sized school districts. These districts include Avon Local School District (Avon LSD) in Lorain County; Genoa Area Local School District (Genoa Area LSD) in Ottawa County; and Tallmadge City School District (Tallmadge CSD) in Summit County. These districts were selected as peers based on their ranking as comparable districts as defined by the Ohio Department of Education, reviews of various demographic information, and input from SSLCSD personnel. Criteria included in ODE's comparable district listings include geographic size, average daily membership, socioeconomic demographics, population density, and real property valuation. Best practice information was used from ODE, the State Employment Relations Board (SERB), American Schools and Universities (AS&U), and related service industries.

The performance audit process involved significant information sharing with SSLCSD, including preliminary drafts of findings about identified audit areas and proposed recommendations. Furthermore, periodic status meetings were held throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations to improve or enhance operational efficiency or effectiveness. Throughout the audit process, input from SSLCSD was solicited and considered when assessing the selected areas and framing recommendations. Finally, the District was provided an opportunity to provide written comments in response to the various recommendations for inclusion in the final report.

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

## **Noteworthy Accomplishments**

SSLCSO's attention and responsiveness to its financial situation has helped it realize a reduction in the negative ending fund balance previously projected. Additional noteworthy accomplishments were identified during the course of the performance audit and are presented below.

### *Financial Systems*

- The District uses an excellent projection methodology in estimating future real estate property tax receipts.

### *Human Resources*

- The SSLCSO certificated and classified bargaining units each agreed to 0 percent cost-of-living-adjustments for the FY 2004-05 school year, resulting in significant cost avoidances.

### *Facilities*

- The District is making optimal use of its facilities, as illustrated by its overall building utilization rate of 92.3 percent without modular units and 90.5 percent with modular units.
- The District has taken measures to reduce the use of overtime by limiting weekend building checks and allowing community groups to use the buildings only when a custodian is already working.
- Supplies and materials expenditures per square foot are lower than the peer average and both the AS&U benchmarks. Furthermore, the operations manager makes centralized purchases of supplies and materials for maintenance and custodial activities. The District also participates in the Lorain County ESC cooperative and obtains prices directly from vendors, regardless of their involvement with the cooperative.

## **Key Recommendations**

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

### *Financial Systems*

- SSLCSD should analyze and use the financial recovery plan outlined in **Table 2-12** to evaluate the effect of recommendations presented in this performance audit to determine the impact of the related cost savings on its financial condition. The District should consider implementing the recommendations in this performance audit along with other appropriate actions to help rectify its future financial difficulties. However, even by reducing regular education and education service personnel (ESP) staffing to State minimum standards and assuming renewal of the emergency operating levy expiring in calendar year 2005, the District will experience negative ending fund balances throughout the forecasted period. Therefore, the District should consider placing a levy on the ballot. In doing so, SSLCSD should demonstrate accountability by sharing information with the public concerning how revenue will be spent and how the levy will benefit the District. In this manner, the public will be better able to determine a desired level of service and the cost of that service level to local shareholders.
- While SSLCSD's unrestricted grants-in-aid projections are generally reasonable and logical, the District should revise its estimates to reflect the actual impact of reducing transportation service levels to State minimum standards. Doing so would reduce the District's original projections by an annual average of approximately \$170,000 over the forecast period.
- SSLCSD should update the other revenues line item within the five-year forecast from estimates to actual receipts in FY 2003-04. Thereafter, the District should incorporate an estimate of the impact of increased open enrollment students entering the District. This would increase the District's original projections by an annual average of approximately \$119,000 over the forecast period.
- SSLCSD should review actual classified step adjustments rather than using an average step for these positions as employees will only receive step increases at certain points in their tenure. Ideally, the District should project the salary increases of each classified employee as is their practice for certificated staff. In addition, SSCLSD should assume current pre-approved COLA concessions to illustrate the District's financial position given no change in operations. In this manner, the SSCLSD can illustrate the impact of these concessions to District employees and stakeholders. Updating projections in this manner would increase the District's original projections in personal services and benefits by an annual average of



approximately \$348,000 and \$101,000, respectively. The District has made proactive changes to its forecasting methodology to during this performance audit to incorporate the impact of COLA adjustments.

- The District should revise its purchased service projections based on year-end financial information. Furthermore, it should incorporate its revised estimates of students leaving the District through open enrollment programs or by enrolling in community schools. This would increase the District's original projections by an annual average of approximately \$288,000 over the forecast period. Since tuition expenses have been the primary cause of the majority of historical fluctuations, and they are largely independent of operating decisions, tuition costs should be projected separately from other purchased service costs.

### *Human Resources*

- Based on the current and future financial condition of the District, SSLCSD should consider the following reductions to operate at or close to State minimum standards:
  - Up to 18.0 FTE regular education teachers, thereby saving approximately \$902,000 annually in salaries and benefits. While this would increase the student to teacher ratio to approximately 23 to 1, it would be below the maximum class size of 25 students per regular education teacher stipulated in Ohio Administrative Code (OAC) Section 3301-35-05(A)(3). However, prior to making any reductions, the District should determine the impact of these reductions on individual class sizes, the attainment of its mission and goals, and student contact time.
  - Five FTEs within the educational service personal (ESP) classification, thereby saving approximately \$236,000 annually in salaries and benefits. Classifications that should be reviewed for possible reductions include art teachers, music teachers, and physical education teachers.
- SSLCSD should reduce eight noon aide positions. The peers are averaging two noon aides per elementary school building, whereas the District currently has approximately four per building. Reducing eight noon aides would save the District approximately \$21,000 annually.
- By sharing staff across departments, the District should reduce 3.0 FTE clerical staff to bring itself more in line with the peer average ratios of District personnel to clerical FTE and ADM to clerical FTE. This would result in savings of approximately \$113,000 annually in salaries and benefits.

- SSLCSD should seek to control and limit salary increases in future contract negotiations. The District should also consider lump sum payments rather than COLAs. This would allow the District to improve its financial condition and still provide some level of additional compensation to its employees. If the District negotiated lump sum payments of 1.0 percent for FY 2004-05, 1.0 percent for FY 2005-06, and 2.0 percent thereafter rather than COLAs, it could experience a cost avoidance of approximately \$2.3 million over the next five years. This is based on AOS revised salary cost projections for the District which include a 2.75 percent COLA and a more reasonable assumption for classified step increases.
- SSLCSD should negotiate to require all full-time employees to pay 10 percent of their health care premiums, especially administrators who are currently not contributing. By doing so, the District could realize a cost savings of \$90,600 for the next school year based on July 2004 premiums. The savings would be \$10,700 if only the administrative staff began contributing. Furthermore, the District should monitor its reserves to ensure that it has adequate funds to cover the premiums.

### *Facilities*

- SSLCSD should reduce current custodial staffing by 1.7 FTEs, by reducing positions or hours at Knollwood Elementary, Tennyson Elementary, the middle, and high school. This would save approximately \$64,300 annually in salary and benefit costs. Furthermore, the District should attempt to remove the minimum staffing level requirements from the collective bargaining agreement during future contract negotiations.
- SSLCSD should establish a formal policy outlining energy efficient practices that District staff should follow to help minimize energy costs. In addition, the District should consider adjusting the temperature settings for its buildings, when possible, to 68 degrees for heating. Regulating temperatures and limiting significant manual adjustment would help the District further reduce energy costs. If the District reduced costs by 5.3 percent, it would save approximately \$8,600 per year in electric utility costs by adjusting temperature settings. If the District was able to reduce utility costs by 25 percent as a result of implementing additional energy management practices, it would save approximately \$40,600 annually (including the initial \$8,600) in total utility costs.

### *Transportation*

- SSLCSD should determine what level of transportation service is the most effective and efficient within the constraints of its financial condition. Should the District be faced with future decisions regarding a change to service levels, it should review its likely alternatives by evaluating the costs and benefits of each scenario. Additionally, if the District continues to operate at State minimum transportation service levels for the long-term, it should improve

the efficiency of its operations and consider selling its excess bus fleet. In FY 2005-06 and beyond, the District will experience an estimated net gain of \$83,000 by reinstating transportation service levels to previous levels.

- SSLCSD should use competitive bids or requests for proposals (RFPs) when purchasing expensive supplies, or those purchased on an ongoing basis such as fuel, or consider joining the Ohio Department of Administrative Services (DAS) General Services Administrative (GAS) pricing program. SSLCSD could anticipate saving approximately \$3,750 per year by joining the GSA program.

## **Additional Recommendations**

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

### *Financial Systems*

- SSLCSD should develop specific plans, policies, and practices to improve its cash flow and liquidity position, thereby lessening its dependence upon short-term notes to fund operations.
- SSLCSD should closely examine its spending patterns to identify activities and functions that have an opportunity to reduce costs without impacting the quality of education. The District should reallocate its resources toward those programs and priorities that have the greatest impact on improving the students' education and proficiency test results.

### *Human Resources*

- SSLCSD should restructure its step schedule for classified positions. The District should periodically review salaries to determine the appropriateness of current salary schedules and make any necessary adjustments, particularly within the office/clerical, custodial, and transportation classifications.
- SSLCSD should continue to monitor the number of employees eligible for retirement and the impact that will have on SSLCSD's personnel costs. Further, when an employee does retire, the District should replace that position at the lowest step or starting salary. The District would realize a cumulative cost savings of approximately \$374,000 by FY 2008-09 if all eligible employees retire at 35 years of service and are replaced with entry level employees.

- SSLCSD should continue to monitor benefits in the event health insurance premium costs further increase. Specifically, it could increase medical co-pays, out-of pocket maximums, and deductibles, which also may impact premium levels in the District.
- SSLCSD should negotiate a reduction in the number of professional leave days from five days to two days for certified employees, which would save approximately \$13,000 annually in substitute costs. Further, the District should monitor the amount of professional leave taken by employees so that it does not exceed the maximum amount indicated within the collective bargaining agreement.
- SSLCSD should review its special education teacher staffing levels to ensure they are consistent with the requirements stated in the Ohio Administrative Code(OAC) Section 3301-51-09(G)(3) entitled, “Special Education Program for Handicapped Children.” If SSLCSD operates with special education teacher staffing levels below OAC requirements, the District should obtain the necessary Ohio Department of Education (ODE) waiver.

### *Facilities*

- SSLCSD should formalize custodial procedures to help increase efficiency and productivity, and ensure that tasks are being completed in a timely manner. Additionally, the District should create job schedules for each employee to follow.
- SSLCSD should continue to monitor changes in demographics and land development practices both in the City of Sheffield Lake and Sheffield Village. Doing so would enable the District to plan for any subsequent changes in infrastructure or resource allocation needs.
- SSLCSD should establish a preventive maintenance (PM) program that addresses all routine, cyclical, and planned building maintenance functions. With the development of a PM program, the District should also develop a five year capital improvement plan that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed as funds become available. Taking these measures could help the District better manage and control purchased services and capital outlay expenditures.

### *Transportation*

- SSLCSD should develop management policies and practices that provide the administration with the necessary tools and information to evaluate transportation operations and future long-term operating decisions such as capital purchases, service levels, and operational practices. The District should also draft, approve, and update a bus replacement plan that describes its strategy for bus procurement in future years. Furthermore, the District should develop formal routing policies and procedures to encourage the most efficient use of its

buses. Finally, the District should use the bus replacement plan and a formal routing process to determine an adequate number of active and spare buses to maintain, replace, and retire. This is particularly important if the District continues to operate according to State minimum transportation standards for the long-term.

- SSLCSD should institute policies, procedures, and practices to direct short-term operational decisions in areas such as maintenance, inventory control, and purchasing. The District should also develop a preventative maintenance program for all equipment that specifies procedures for maintenance scheduling, recording performance, and monitoring the program.

## Summary of Financial Implications

The following tables summarize the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Sheffield-Sheffield Lake City School District should consider. Some of the recommendations are dependent on labor negotiations or labor agreements (see **human resources** section). Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

### Summary of Performance Audit Recommendations

	Estimated Annual Cost Savings	Estimated One-Time Revenue Loss	Estimated Annual Revenue Enhancements	Estimated Cumulative Cost Savings	Estimated Total Cost Avoidance
<b>Financial Systems: Revised Assumptions<sup>1</sup></b>					
<b>R2.1</b> Revise unrestricted grants-in-aid	(\$170,000)				
<b>R2.2</b> Revise other revenue receipts	\$119,000				
<b>R2.3</b> Revise personal services	(\$348,000)				
<b>R2.3</b> Revise fringe benefit expenses	(\$101,000)				
<b>R2.4</b> Revise purchased service	(\$288,000)				
<b>Total Impact of Revised Assumptions</b>	<b>(\$788,000)</b>				
<b>Total Recommendations Subject to Negotiation</b>					
<b>R3.8</b> Implement lump sum payments instead of COLAs					\$2,285,000
<b>R3.9</b> Implement 10% contribution towards health insurance for all employees (less administrators)	\$79,900				
<b>R3.11</b> Reduce certificated professional leave from five to two days	\$13,000				
<b>R4.1</b> Reduce 1.7 custodial FTEs	\$64,300				
<b>Total Recommendations Subject to Negotiation</b>	\$157,200				\$2,285,000
<b>Total Recommendations Not Subject to Negotiation</b>					
<b>R3.1</b> Reduce up to 18 regular education teachers	\$902,000				
<b>R3.3</b> Reduce five ESP personnel	\$236,000				
<b>R3.4</b> Reduce eight noon aides	\$21,000				
<b>R3.5</b> Reduce three clerical personnel	\$113,000				
<b>R3.7</b> Replace retiring staff with entry level employees				\$374,000	
<b>R3.9</b> Implement 10% contribution towards health insurance for administrators	\$10,700				

<b>R4.3</b>	Implement energy management practices (e.g., adjust temperature settings)	\$8,600				
<b>R5.1</b>	Reinstate previous transportation service levels		\$87,000	\$83,000		
<b>R5.3</b>	Purchase fuel through DAS GSA program	\$3,750				
<i>Total Recommendations Not Subject to Negotiation</i>		\$ 1,295,050	\$87,000	\$83,000	\$374,000	
<b>Total Financial Implications (Excludes Revised Assumptions)</b>		<b>\$ 1,452,250</b>	<b>\$87,000</b>	<b>\$83,000</b>	<b>\$374,000</b>	<b>\$2,285,000</b>

**Source:** AOS Recommendations

<sup>1</sup> Reflects annual average change of revised assumptions over the forecasted period.

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. For example, a reduction in force will impact the total amount recommended if lump sum payments were implemented.

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# Financial Systems

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## Background

This section focuses on the financial systems within Sheffield-Sheffield Lake City School District (SSLCSO or the District). The objective is to analyze the current financial condition of SSLCSO and develop recommendations for improved efficiency and effectiveness. SSLCSO's five-year forecast was also analyzed to ensure that the projections reasonably represent future operational and financial conditions.

The Auditor of State (AOS) recommended the establishment of fiscal oversight laws for school districts to create predetermined monitoring mechanisms and criteria for fiscal responsibility and to provide technical assistance to help school administrators restore fiscal stability. Ohio Revised Code (ORC) § 3316 establishes fiscal caution, watch, and emergency laws for Ohio school districts. The difference between fiscal caution, fiscal watch and fiscal emergency is the severity of the school district's financial condition.

The Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices and budgetary conditions that could lead to financial crisis if left uncorrected. Contingent upon meeting any one of these conditions, ODE consults with the local school board, and may decide to declare the district to be in fiscal caution. If this declaration is made, the school board has 60 days to provide a written proposal to ODE that outlines a plan to correct the fiscal deficiencies.

On March 29, 2004, SSLCSO was placed in fiscal caution, due to expected deficits in FY 2003-04. In addition, registered voters defeated a proposed 9.99 mill emergency levy on March 26, 2004. As a result, SSLCSO was required to submit a financial recovery plan proposing changes that would lead to the elimination of this deficit. However, Sheffield-Sheffield Lake CSD failed to submit a fiscal caution proposal consistent with ORC 3316.031(C). Therefore, on June 2, 2004, ODE requested that AOS place the District under fiscal watch. In response, on June 24, 2004, AOS declared SSLCSO to be in fiscal watch status. On August 30, 2004, ODE approved the Districts' fiscal watch recovery plan and five-year forecast contingent upon the approval of an 8.95 mill emergency operating levy in November 2004.

### *Financial Operations*

**Table 2-1** presents SSLCSO's five-year forecast submitted to ODE on May 27, 2004.

**Table 2-1: SSLCSD  
Financial History and Forecast (in 000's)**

	Actual FY 2000-01	Actual FY 2001-02	Actual FY2002-03	Forecast FY 2003-04	Forecast FY 2004-05	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08
Real Estate Property Tax	\$5,886	\$6,250	\$6,405	\$6,917	\$6,977	\$6,037	\$5,720	\$6,264
Tangible Personal Property Tax	1,693	1,881	1,722	1,427	1,375	1,286	997	890
Unrestricted Grants-in-Aid	4,942	5,018	4,995	5,269	5,301	5,262	5,221	5,222
Restricted Grants-in-Aid	104	96	141	71	71	71	72	72
Property Tax Allocation	760	807	886	873	910	830	790	870
Other Revenues	284	337	286	544	550	560	570	580
<b>Total Operating Revenues</b>	<b>13,669</b>	<b>14,389</b>	<b>14,435</b>	<b>15,101</b>	<b>15,184</b>	<b>14,046</b>	<b>13,370</b>	<b>13,898</b>
Personal Services	9,130	9,556	9,880	10,007	10,241	10,451	10,684	10,910
Employee's Retirement & Insurance Benefits	2,291	2,826	3,025	3,347	3,807	4,099	4,425	4,786
Purchased Services	1,234	1,178	1,096	1,660	1,350	1,375	1,425	1,500
Supplies & Materials	510	475	270	483	450	450	450	450
Capital Outlay	271	114	39	140	50	50	50	100
Debt: Principal	460	177	0	700	920	0	0	0
Debt: Interest & Fiscal Charges	13	32	0	2	53	0	0	0
Other Objects	260	173	304	369	350	350	350	350
<b>Total Operating Expenditures</b>	<b>14,169</b>	<b>14,531</b>	<b>14,614</b>	<b>16,708</b>	<b>17,221</b>	<b>16,775</b>	<b>17,384</b>	<b>18,096</b>
Proceeds from Sale of Notes	105	470	700	920	0	0	0	0
State Emergency Loans & Advancements	0	0	0	0	0	0	0	0
Operating Transfers In	688	510	1	0	0	0	0	0
Operating Transfers Out	(778)	(691)	(405)	(108)	0	0	0	0
Advances In	0	0	21	0	0	0	0	0
Advances Out	0	(21)	0	0	0	0	0	0
All Other Financing Sources/ (Uses)	0	1	2	0	0	0	0	0
<b>Net Financing Sources/ (Uses)</b>	<b>15</b>	<b>269</b>	<b>319</b>	<b>812</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Results of Operations (Loss)</b>	<b>(485)</b>	<b>127</b>	<b>140</b>	<b>(795)</b>	<b>(2,037)</b>	<b>(2,729)</b>	<b>(4,014)</b>	<b>(4,198)</b>
Beginning Cash Balance	1,070	585	712	852	57	(1,979)	(4,709)	(8,723)
<b>Ending Cash Balance</b>	<b>585</b>	<b>712</b>	<b>852</b>	<b>57</b>	<b>(1,980)</b>	<b>(4,709)</b>	<b>(8,723)</b>	<b>(12,921)</b>
Estimated Encumbrances	187	24	243	175	150	150	125	125
Reservation of Fund Balances	0	0	0	0	0	0	0	0
<b>Fund Balance for Certification of Appropriations</b>	<b>398</b>	<b>688</b>	<b>609</b>	<b>(118)</b>	<b>(2,130)</b>	<b>(4,858)</b>	<b>(8,848)</b>	<b>(13,046)</b>
Revenue from Replacement/Renewal Levies	0	0	0	0	0	0	0	0
Cumulative Balance of Renewal/ Replacement Levies	0	0	0	0	0	0	0	0
<b>Fund Balance for Certification of Salaries and Contracts</b>	<b>398</b>	<b>688</b>	<b>609</b>	<b>(118)</b>	<b>(2,130)</b>	<b>(4,858)</b>	<b>(8,848)</b>	<b>(13,046)</b>
Revenue from New Levies	0	0	0	0	0	0	0	0
Cumulative Balance of New Levies	0	0	0	0	0	0	0	0
<b>Unreserved Fund Balance</b>	<b>\$398</b>	<b>\$688</b>	<b>\$609</b>	<b>(\$118)</b>	<b>(\$2,130)</b>	<b>(\$4,858)</b>	<b>(\$8,848)</b>	<b>(\$13,046)</b>

Source: SSLCSD five-year forecast

The assumptions disclosed herein are those developed by SSLCSD for its five-year forecast submitted on May 27, 2004. The assumptions are accompanied by AOS commentary that assesses the reasonableness of the District's methodology and assumptions.

### **Revenues**

- The District uses a detailed and complex methodology to estimate future real estate tax collections. The District's significant assumptions are as follows:
  - FY 2005-06 and FY 2006-07 receipts are projected to decrease due to the expiration of a \$2.3 million Emergency Operating Levy in calendar year 2005.
  - FY 2003-04 and FY 2007-08 receipts are projected to increase due to the county auditor reappraisal in calendar year 2004 and an update in calendar year 2007, resulting in significant increases in property values consistent with the last valuation cycle.
  - Throughout the forecast period, projections include the effects of appreciation on existing property due to the District's outside mills deteriorating to less than the 20 mill floor, thereby exempting it from reduction factors.
- Personal property tax receipts decreased 8.4 percent in FY 2002-03, in part, due to the closure of Ford and Nissan manufacturing operations in calendar year 2002. In addition, numerous legislative changes in the taxable value of personal utility property and business inventories have caused historical fluctuations. Furthermore, the nature of underlying property values, such as business inventories, can fluctuate significantly with economic conditions. The District's projections assume future property values within the personal utility property classification to remain constant with FY 2002-03. However, the treasurer decreases the taxable value of tangible property by 2 percent annually, consistent with ORC § 5711.22(E). In addition, the District assumes the expiration of a \$2.3 million Emergency Levy in calendar year 2005, which will impact receipts in FY 2005-06 and FY 2006-07. The District's projections appear reasonable, especially given the unpredictable nature of this receipt category. During the course of this audit, historical figures for FY 2003-04 became available, which were only \$2,096 less than projected by the District.
- Historically, unrestricted grants-in-aid receipts have remained consistent from year to year. As these receipts are primarily comprised of foundation funding, the lack of historical volatility is primarily explained by the inverse relationship of the base foundation funding formula and property valuation. As property values increase, the state funding share decreases. In the District's case, the effects of property valuation increases almost completely offset ODE's increases in assumed costs per student. The District's projections of unrestricted foundation receipts incorporate a 3-year moving average of percentage increases to project future foundation funding. The District's unrestricted grants-in-aid receipts are not comprised of any material "add on" grant funding over the base formula aid.

Therefore, this methodology appears sufficient to project unrestricted foundation receipts. The District also incorporates reimbursements from ODE in the amount of \$93,704 for lost tax receipts due to a change in taxation of public utilities. These reimbursements began in 2002 and are mandated for five years. Consistent with the expiration of reimbursement mandates, the District assumes the last receipts will be received in August 2006, resulting in a half year's reimbursement in FY 2005-06 and no reimbursements thereafter. The District's methodology is reasonable and logical given the historically consistent receipts and known legislated changes in funding in unrestricted grants-in-aid. However, it does not account for a change in transportation service levels in FY 2003-04 as discussed in the **transportation section**, which will reduce the next year's transportation foundation funding (see **R2.1**).

- Restricted grants-in-aid are projected to decrease in FY 2003-04 and remain flat thereafter. FY 2003-04 estimates are corroborated by ODE foundation settlement reports. The decrease in FY 2003-04 is due to the reclassification of parity aid from restricted to unrestricted grants-in-aid and a reduction in funds for bus purchases. Maintaining these receipts at FY 2003-04 levels throughout the forecast period appears to be a reasonable assumption as the restricted grants-in-aid funding formulas are based upon demographic data that is unlikely to fluctuate. During the course of this audit, historical figures for FY 2003-04 became available, which were only \$436 less than those projected by the District.
- Historically, property tax allocation receipts have maintained a generally consistent relationship with real estate property tax receipts. From FY 2000-01 through FY 2002-03, property tax allocation receipts have ranged from 12.9 percent to 13.8 percent of real estate property tax receipts. The District has projected future property tax receipts to maintain this range of ratios into the future. Therefore, the District's projections are reasonable.
- Historically, other revenues have fluctuated considerably as have component line items. Between FY2000-01 and FY 2002-03, tuition increased by an average of 53 percent per year. During FY2001-02, the District began collecting preschool and all day kindergarten tuition. In FY2002-03, the District began an open enrollment program and collected open enrollment foundation payments. Finally, earnings on investments have steadily declined with lower rates of return and for additional funds to invest. The District expects other revenues to increase in FY 2003-04 primarily due to an accounting change that reflects gross open enrollment receipts, as opposed to historical practices that reflected receipts net of costs associated with students leaving SSLCSD through open enrollment. The District expects no additional volatility, and therefore applied a 1 percent increase in FY 2004-05 and 1.7 percent thereafter. However, according to the treasurer, the District has experienced a greater number of open enrollment applications from the prior year since completing the District's forecast. The treasurer estimates that 100 students will enter the District through open enrollment in FY 2004-05, an increase of 24 students from FY 2003-04. The District's projections do not incorporate this additional information (see **R2.2**).

## Expenditures

- SSLCSD projects personal services expenses to increase between 2.1 and 2.3 percent annually for the forecast period. This assumption is based on aggregated estimated individual certificated step increases of 2.26 percent in FY 2004-05, 1.85 percent in FY 2005-06, 2.1 percent in FY 2006-07, and 1.95 percent in FY 2007-08. SSCLSD assumes a classified employee salary step increase of 2.4 percent annually. Consistent with ORC § 5705.412, which requires certification that sufficient operating revenues exist before entering into contracts or appropriation measures, no COLA is projected for FY 2004-05 through FY 2007-08. This is also consistent with a temporary collective bargaining unit agreement expiring in February 2005 stating no COLA increases for certificated staff. Likewise, the District negotiated no COLA increases with classified employees, that will expire in June 2005. Finally, these figures are adjusted for staff reductions in prior years (see the **human resources** section), but no staff reductions are forecasted for FY 2004-05 and beyond. Although the District projections conform with the ORC § 5705.412, this section does not govern the preparation of five-year forecasts. Furthermore, an analysis of classified step schedules does not support the District's assumption of a 2.4 percent step increase adjustment. Therefore, this assumption will be evaluated in **R2.3**.
- Historical employer's retirement and benefit costs have experienced significant increases, largely driven by increases in health insurance costs. SSLCSD uses sound methodology that separates insurance benefit projections which are independent from salary costs from other benefit projections that are dependent upon salary costs. The District assumes a ratio of 16.21 percent of salaries to project retirement, workers' compensation, medicare and other benefits, based on historical trends. Health care premiums for FY 2004-05 are assumed to increase 24 percent in FY 2004-05 in accordance with the healthcare consortium's estimates. However, for the remainder of the forecast period, health insurance estimates are expected to increase at 12 percent annually. Subsequent to the forecast submission, the District received notification that workers compensation rates would increase in future years and this was not included in its projections. While the District's estimates may be impacted and revised for changes to personal service expense projections, its methodology appears reasonable (see **R2.3**).
- Historically, purchased service costs have decreased due to several factors. From FY 2001-02 to FY 2002-03, purchased service costs declined largely due to a decrease in utility costs. Costs also decreased due to a change in operations whereby many previously outsourced special education activities were conducted in house. Finally, the District reallocated 1 mill to a Permanent Improvement Fund in FY 2001-02 and redistributed a portion of property service costs from forecast funds to the Permanent Improvement Fund. The District projects a large increase in FY 2003-04, primarily due to a change in accounting for tuition costs of students leaving the District on a gross basis; rather than previous practices of recording tuition costs net of tuition receipts for students entering the District. Furthermore, the

District projects lower purchased service costs in FY 2004-05, primarily due to the expiration of lease purchase agreements. However, these costs were less than \$30,000 in FY 2002-03, which would not fully explain the projected decrease. Thereafter, purchased service costs are estimated to increase at a greater rate due to expected changes in utility costs. During the course of this performance audit, actual purchased service costs became available for FY 2003-04 and do not support the District's projections. Lastly, the District's assumptions do not appear to be sufficiently compelling and do not adequately account for expected future changes to operations. For instance, the District has not updated its projections for expected changes in students leaving the District through open enrollment or community school programs. Therefore, these projections will be revised in **R2.4**.

- A review of detailed historical supplies and materials expenditures in FY 2000-01, FY 2001-02, FY 2002-03 does not reveal a consistent historical pattern or trend, due to variations in textbook purchases and supplies for operations, maintenance and repairs. Supply and material expenses are expected to increase in FY 2003-04 to replenish inventories that were depleted during FY 2001-02 and FY 2002-03. As a result, the District projects supplies and materials to decrease to \$450,000 in FY 2004-05 and constant thereafter. While the District's projection for FY 2003-04 supply and material expenditures should be updated to reflect actual figures at fiscal year end, future projections of \$450,000 appear reasonable given a lack of historical patterns and the District's greater level of control over these expenses. For instance, actual expenditures for supplies and materials in FY 2003-04 were 15.1 percent less than the District's projections. Furthermore, the District's projections do not appear to be inconsistent with legislated minimum expenditure levels.
- In the past, capital outlay expenses have been primarily for the replacement and purchase of equipment. FY 2001-02 capital outlay expenses included large equipment replacement costs and the purchase of school buses. SSLCSD estimates that capital outlay expenses for FY 2003-04 will total \$140,000. The Permanent Improvement Fund will have approximately \$105,000 in additional funds available after FY 2003-04 since the last payment of a land contract was made in June 2004. This explains the decrease in projected capital outlay expenses to an annual cost of \$50,000 for FY 2004-05 and beyond for forecast funds. The District has a capital improvement plan consistent with the funds available in the General and Permanent Improvement Funds that includes technology upgrades, a new school bus, telephone system upgrades, and maintenance and repairs of capital assets. Furthermore, the District's projections are consistent with set aside requirements specified in ORC § 3315.18, as the majority of these requirements will be supported by the Permanent Improvement Fund. The District's projections appear reasonable for the forecast period.
- In the past, SSCLSD reflected the payment of its debt obligations with numerous accounting practices. In FY 2000-01, the District reported \$101,054 of obligations related to its energy conservation notes in the other expenditures line item, while the remainder of the District's obligations were reflected as debt costs. In FY 2001-02, all debt obligations are reflected as

debt expenses within the five-year forecast. In contrast, all debt obligations are reflected as transfers out to the bond retirement fund in FY 2002-03. Future obligations include continued pay down of energy conservation notes and a \$920,000 tax anticipation note issued in January 2004 that matures in December 2004. While the District is obligated to pay down energy conservation notes approximating \$102,000 annually until FY 2007-08 and \$26,000 in FY 2008-09, these costs were paid by the Permanent Improvement Fund in FY 2003-04 and therefore not reflected in the five-year forecast. The District has not projected debt for FY 2005-06 and the remainder of the forecast period. However, SSCLSD does not have specific solutions for its cash flow constraints which drive the need for short-term tax anticipation loans (see **R2.5**).

- In FY 2000-01, the District incorrectly categorized \$101,054 in debt payments for energy conservation notes as other expenditures. However, this had no net effect upon the forecast fund balance and does not impact future projections of this line item. Adjusting for this occurrence, other object costs were relatively stable from FY 2000-01 to FY 2001-02. Other object expenditures increased considerably in FY 2002-03, primarily due to accounting changes that artificially increased professional organization membership costs, county board contributions, and other dues and fees. The District's estimated costs after FY 2003-04 are lower due to expected decreases in audit fees. During the course of this performance audit, actual financial figures became available and other objects totaled \$356,304 in FY 2003-04. These historical costs generally support the District's projections and are deemed to be reasonable.
- The District does not project transfers or advances in or out after FY 2003-04. In prior years, the District's transfers primarily reflected the movement of funds for the purpose of meeting debt obligations. However, the District reflected offsetting transfers, thereby artificially inflating both revenues and expenses. The current treasurer stated his intention to end this practice and reflect debt payments as debt costs, which is reflected in the District's forecast. The following transfers occurred when adjusting these figures to illustrate only net loss or gain of funds to non-forecast funds:
  - **FY 2000-01:** A General Fund transfer of \$60,000 to the Cafeteria Fund, \$30,000 to the Athletics Fund, and \$114,270 from a budget reserve cost center within the General Fund to the unrestricted portion of the General Fund;
  - **FY 2001-02:** General Fund transfers of \$11,000 to the Athletics Fund and \$170,000 to the Permanent Improvement Fund to support the purchase of property for new facilities, and advances of \$15,000 to the Cafeteria Fund and \$6,000 to the Yearbook Fund which were repaid in the following year; and
  - **FY 2002-03:** A General Fund transfer of \$404,200 to the Bond Retirement Fund for debt service.

The District projects a transfer of \$108,050 to the Cafeteria Fund in FY 2003-04, but does not foresee transfers or advances thereafter. The District's historical operating losses in its Lunchroom Fund were caused primarily by insufficient revenues generated per meal. In fact, the District was able to keep its cost to serve a meal lower than any of the peer school districts, and its cost per student lower than two of the peer school districts. SSLCSD implemented a \$0.50 price increase for its lunches for FY 2004-05. Given the historical number of meals served, this price increase will likely negate the need for the General Fund to subsidize cafeteria operations in the future. In short, the District's transfer projections appear reasonable given increases in meal prices and accounting for debt obligations.

While the District has experienced operating losses (see **Table 2-1**), it has effectively controlled discretionary expenditures. These expenditures are analyzed because the District has more control over these expenses and is not obligated to maintain any specific level of expenditures. These expenditures can usually be found within purchased services, supplies and materials, capital outlay, and miscellaneous object code designations. **Table 2-2** compares various discretionary expense categories to the peers as a percentage of total General Fund expenditures.



**Table 2-2: FY 2002-03 General Fund Discretionary Expenditures**

	SSLCS	Avon LSD	Genoa ALSD	Tallmadge CSD	Peer Average
Prof. and Technical Service	1.5%	2.1%	2.7%	1.4%	2.1%
Property Services	0.0%	2.2%	3.7%	1.0%	2.3%
Mileage/Meeting Expense	0.1%	0.5%	0.6%	0.4%	0.5%
Communications	0.0%	0.6%	0.3%	0.3%	0.4%
Contract, Craft or Trade Service	0.0%	0.0%	0.4%	0.0%	0.1%
Pupil Transportations	0.0%	0.0%	0.2%	0.0%	0.1%
Other Purchased Service	0.0%	0.0%	0.1%	0.0%	0.0%
General Supplies	0.4%	2.0%	1.6%	1.2%	1.6%
Textbooks/Reference Materials	0.1%	1.4%	0.3%	0.6%	0.8%
Plant Maintenance and Repair	0.0%	0.4%	0.7%	0.4%	0.5%
Fleet Maintenance and Repair	0.0%	0.7%	0.8%	0.6%	0.7%
Other Supplies & Materials	0.0%	0.0%	0.0%	0.1%	0.0%
Land, Building & Improvements	0.0%	4.5%	0.0%	0.0%	1.5%
Equipment	0.2%	3.9%	0.5%	2.3%	2.2%
Buses/Vehicles	0.0%	0.4%	0.0%	0.0%	0.1%
Other Capital Outlay	0.0%	0.0%	0.0%	0.0%	0.0%
Dues and Fees	1.6%	1.8%	2.2%	1.5%	1.8%
Insurance	0.0%	0.0%	0.8%	0.2%	0.3%
Awards and Prizes	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>3.9%</b>	<b>20.5%</b>	<b>14.8%</b>	<b>10.1%</b>	<b>15.1%</b>

Source: 4502 reports exhibit II and statement P

As shown in **Table 2-2**, SSLCS's discretionary spending as a percent of all General Fund expenses is 11.2 percentage points lower than the peer average. In FY 2002-03, SSLCS was lower than the peer average in all 20 categories. From FY 2001-02 to FY 2002-03, Sheffield-Sheffield Lake CSD's discretionary spending decreased by 4.5 percentage points. This is mainly explained by lower expenditure levels in 11 out of 20 categories. In contrast, only dues and fees expenses increased 0.6 percent points in FY 2002-03, due to increased costs for memberships in professional organizations, county board of education contributions, and other dues and fees which are primarily explained by accounting practice changes.

### *Assessments Not Yielding Recommendations*

In addition to the analyses presented in this report, assessments were conducted on several other areas within the financial systems section that did not warrant changes and did not yield any recommendations. These include the District's forecast methodology and assumptions in the following categories:

- Tangible personal property tax,
- Restricted grants-in-aid,
- Property tax allocation,
- Fringe benefits,
- Supply and materials,
- Capital outlay,
- Other expenditures, and
- Transfers and advances.

### **Noteworthy Accomplishments**

The District uses an excellent projection methodology in estimating future real estate property tax receipts. The District's methodology incorporates major variables that may impact future receipts such as expiration of levies; changes in property values; legislated adjustments, like exemptions to reduction factors due to reaching the 20 outside mill floor limit; delinquencies; and converting the timing of payments on a tax year basis to a fiscal year basis. Furthermore, the District's assumptions are generally corroborated by independent third party sources. Finally, the District's methodology meets and exceeds standards identified in AOS technical bulletin 98-015.

## Recommendations

### Financial Forecast

**R2.1 While the Districts unrestricted grants-in-aid projections are generally reasonable and logical, the District should revise its estimates to reflect the impact of reducing transportation service levels to State minimum standards.**

While the District's projection methodology is reasonable, logical, and generally consistent with standards established in AOS technical bulletin 98-015, the District has not accounted for the change in State reimbursements due to the reduction of its transportation service levels. In FY 2003-04, the District instituted state-minimum busing service levels (refer to the **transportation section** for further discussion). As State transportation reimbursement is based upon the State average per pupil transportation costs times the daily miles per pupil and percent of pupils transported within a district, this funding source is subject to change beyond the factors of property valuation and base funding per student as estimated by the District. By using an ODE approved tool to estimate State transportation reimbursements, the District's State reimbursements will decrease by \$170,000 due to reducing transportation services to State minimum standards. As reimbursement is based upon the prior fiscal year's operating statistics, the impact of this funding decrease will be experienced beginning in FY 2004-05.

**Table 2-3** illustrates the impact of removing \$170,000 from the District's estimated FY 2004-05 unrestricted grants-in-aid receipts and applies the District's own appreciation rates to the new FY 2004-05 figures, assuming continued State minimum busing service levels.

**Table 2-3: Revised Unrestricted Grants-in-Aid Projections**

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2007-08
<b>Unrestricted Grants</b>	\$5,301,224	\$5,262,321	\$5,221,413	\$5,222,082	N/A
<b>District Estimated Unrestricted Grants-in-Aid without a utility adjustment</b>	\$5,211,223	\$5,217,321	\$5,221,412	\$5,222,082	N/A
<b>Percent Increase</b>	0.35%	0.12%	0.08%	0.01%	N/A
<b>AOS Revised Unrestricted Grants-in-Aid w/o utility adj.</b>	\$5,041,223	\$5,047,272	\$5,051,310	\$5,051,815	\$5,052,825
<b>Utility Tax Loss Reimbursement</b>	\$90,000	\$45,000	\$0	\$0	\$0
<b>AOS Revised Unrestricted Grants-in-aid Projections</b>	\$5,131,223	\$5,092,272	\$5,051,310	\$5,051,815	\$5,052,825
<b>Net Impact Upon the Forecast Fund Balance</b>	<b>(\$170,001)</b>	<b>(\$170,049)</b>	<b>(\$170,103)</b>	<b>(\$170,267)</b>	N/A

Source: SSCLSD's five-year forecast

**R2.2 The District should update the other revenues line item within the five-year forecast from estimates to actual receipts in FY 2003-04. Thereafter, the District should incorporate an estimate of the impact of increased numbers of open enrollment students entering the District based on FY 2004-05 applications, because the District's assumption of a decline in open enrollment students deviates from recent trends.**

While SSLCSD uses reasonable and logical methods to estimate open enrollment receipts and adequately incorporates a change in accounting practices that reflect gross tuition receipts beginning in FY 2003-04, it has not updated its projections to account for known changes in the number of open enrollment students entering the District. Other revenues are primarily comprised of open enrollment tuition receipts. The District's historical fluctuations in other revenue have been driven by changes in open enrollment receipts.

According to ODE SF-3 reports, 77 students entered the District in FY 2003-04, resulting in gross receipts of \$407,420. According to the treasurer, the District has experienced a greater number of open enrollment applications from the prior year since completing the District's forecast. The treasurer estimates that 100 students will enter the District through open enrollment in FY 2004-05. Thereafter, the treasurer anticipates a decline in the number of open enrollment students to 74 students in FY 2005-06, 73 students in FY 2006-07, and 72 students in FY 2007-08 due to the District's fiscal condition.

While the treasurer believes that the number of students will decrease after FY 2004-05, this is contrary to the historical trend of an increasing number of open enrollment students entering the District. SSCLSD had 28 students entering the District in FY 1998-99, 32 in FY 1999-00, 51 in FY 2000-01, 46 in FY 2001-02, and 78 in FY 2002-03. Furthermore, enrollment increased in FY 2004-05 even though the public was aware of the District's financial condition. At this time, there does not appear to be sufficient evidence that the number of open enrollment students entering SSCLSD will decline.

**Table 2-4** includes the actual figures for FY 2003-04 and a total of 100 enrollment students entering the District in FY 2004-05 and beyond.

**Table 2-4: Net Impact of Revised Other Revenue Projections**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
District Projected All Other Revenue	\$543,571	\$550,000	\$560,000	\$570,000	\$580,000	N/A
AOS Revised Other Revenue Projections	\$539,343	\$669,783	\$672,663	\$675,591	\$678,591	\$681,663
<b>Net Affect on Forecast Fund Balance</b>	<b>(\$4,228)</b>	<b>\$119,783</b>	<b>\$112,663</b>	<b>\$105,591</b>	<b>\$98,591</b>	<b>N/A</b>

Source: SSCLSD five-year forecast

**R2.3 SSLCSD should review actual classified step adjustments rather than using an average step for these positions as employees will only receive step increases at certain points in their tenure. Ideally, the District should project the salary increases of each classified employee, which is its practice for certificated staff. In addition, SSCLSD should assume current pre-approved COLA concessions to illustrate the District's financial position given no change in operations. In this manner, the SSCLSD can illustrate the impact of these concessions to District employees and stakeholders. The District has made proactive changes to its forecasting methodology during this performance audit to incorporate the impact of COLA adjustments. Finally, the District should continue to update its figures as additional information becomes available, such as actual year-end figures.**

The District projects certificated step increases for each individual for the forecast period. The aggregated net impact of these individual certificated step increases is as follows:

- FY 2004-05: 2.26 percent
- FY 2005-06: 1.85 percent
- FY 2006-07: 2.10 percent
- FY 2007-08: 1.95 percent

This represents an excellent methodology to capture the impact of certificated salary increases; however, SSCLSD does not use the same methodology for classified step increases. Instead, the District applies a 2.4 percent increase to classified salaries based upon an average increase for classified step schedules, thereby assuming that each employee will receive a step increase each year. However, each year of tenure does not result in a step increase. In latter step levels (after 10), steps are granted at various years of service. As a result, the District is over estimating the impact of classified step increases. AOS determined that the weighted average *yearly* classified step increase is 1.43 percent, assuming normal distribution among steps. These weighted averages were determined by weighting each step schedule by the number of employees identified in SSLCSD's EMIS demographic report.

The distribution of classified employees' years of service indicates that they are dispersed toward either less tenured or very tenured individuals with fewer middle tenured employees. Less tenured positions tend to be monitors and aides, while more tenured positions appear to be operations personnel such as clerical, custodians, maintenance, and transportation staff. As monitors and aid positions have higher average step increases, the actual aggregate net step adjustment may be slightly higher than the weighted average classified yearly step increase determined by AOS. However, this factor is mitigated by a large portion of classified employees in more tenured step levels. Therefore, a 1.5

percent classified step adjustment will be used to estimate classified step adjustments during the forecast period.

In FY 2003-04, SSCLSD negotiated a zero percent COLA for both classified and certificated staff. The certificated contract began January 1, 2004 and ends February 28, 2005. The classified contract began July 1, 2004 and ends June 30, 2005. The certificated contract can be extended to December 31, 2005 if the Board of Education agrees, no later than November 3, 2004, to an increase in the base salary of 2.75 percent effective January 1, 2005. The classified contract can be extended to June 30, 2006 if the Board of Education determines, no later than May 9, 2005, if it can and will increase the base wage 2.75 percent annually effective July 1, 2005 to June 30, 2006. If the Board decides to grant these base wage increases for each contract, there will be no other negotiations regarding any other wages, hours, terms and/or conditions of employment, unless mutually agreed.

While the SSLCSD forecast reflects both the expected certificated and classified step increases, the District's methodology does not include COLAs for the forecast period beyond the current labor contracts. While the District's forecast is consistent with ORC § 5705.412, this section of code refers to approval of actual agreements and budget appropriations rather than preparation of forecasts. In contrast, AOS bulletin 98-015 recommends basing projections for personal services on existing negotiated agreements and for periods beyond the current agreement, using historical patterns regarding salary increases. The forecast should reflect historical increases in its expectations for personal service expenses beyond the current labor contract expiration date. In addition, by submitting a forecast that assumes a COLA, the District would be able to quantify and effectively present the impact of COLA increases on its future financial condition. This could aid the District in renegotiating future COLA increases and illustrating their effect to stakeholders. The District has revised its assumptions in more recent five-year forecasts to reflect COLA increases; however, these forecasts were not assessed in this performance audit.

**Table 2-5** illustrates revised personal service projections, assuming a 2.75 percent annual COLA increase and revised classified step increases, and shows the net impact on the forecast fund balance.

**Table 2-5: Net Effect of Revisions to Personal Service Projections**

	Actual FY 2003-04	Projected FY 2004-05	Projected FY 2005-06	Projected FY 2006-07	Projected FY 2007-08	Projected FY 2008-09
Certificated base salary:		\$7,772,175	\$8,054,693	\$8,425,209	\$8,833,831	\$9,249,321
Step Adjustment		\$175,651	\$149,012	\$176,929	\$172,560	\$184,986
COLA Adjustment @ 2.75%		\$106,867 <sup>1</sup>	\$221,504	\$231,693	\$242,930	\$254,356
<b>AOS Certificated Salary Estimate</b>	<b>\$7,772,175</b>	<b>\$8,054,693</b>	<b>\$8,425,209</b>	<b>\$8,833,831</b>	<b>\$9,249,321</b>	<b>\$9,688,663</b>
Classified base salary:		\$2,014,561	\$2,044,779	\$2,131,682	\$2,222,278	\$2,316,725
Step Adjustment @ 1.5%		\$30,218	\$30,672	\$31,975	\$33,334	\$34,751
COLA Adjustment @ 2.75%		\$0	\$56,231	\$58,621	\$61,113	\$63,710
<b>AOS Classified Salary Estimate</b>	<b>\$2,014,561</b>	<b>\$2,044,779</b>	<b>\$2,131,682</b>	<b>\$2,222,278</b>	<b>\$2,316,725</b>	<b>\$2,415,186</b>
<b>Other Salary Costs</b>	<b>\$100,090</b>	<b>\$100,090</b>	<b>\$100,090</b>	<b>\$100,090</b>	<b>\$100,090</b>	<b>\$100,090</b>
<b>AOS Revised Salary Cost Projections</b>	<b>\$9,886,826</b>	<b>\$10,199,562</b>	<b>\$10,656,981</b>	<b>\$11,156,199</b>	<b>\$11,666,136</b>	<b>\$12,203,939</b>
SSLCSD Projections	\$10,007,043	\$10,240,727	\$10,450,709	\$10,683,593	\$10,910,528	N/A
<b>Net Effect Upon Forecast Fund Balance</b>	<b>\$120,217</b>	<b>\$41,165</b>	<b>(\$206,272)</b>	<b>(\$472,606)</b>	<b>(\$755,608)</b>	<b>N/A</b>

Source: SSLCSD five-year forecast and AOS calculations

<sup>1</sup> As the current zero percent COLA expires mid fiscal year, an average COLA increase of 1.375 percent was used in this calculation.

As portions of fringe benefit costs are dependent upon salary levels, **Table 2-6** illustrates the impact of revised personal service costs on the employees' retirement and benefit cost projections.

**Table 2-6: Net Effect of Personal Service Projection Revisions on Fringe Benefit Projections**

	Actual FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
SSCLSD Employees' Retirement & Benefits Projections	\$3,346,829	\$3,807,487	\$4,099,221	\$4,425,591	\$4,785,631	N/A
Revised Employees' Retirement & Benefits Projections	\$3,242,801	\$3,850,653	\$4,179,020	\$4,544,768	\$4,946,807	\$5,391,942
<b>Net Effect Upon Forecast Fund Balance</b>	<b>\$104,028</b>	<b>(\$43,166)</b>	<b>(\$79,799)</b>	<b>(\$119,177)</b>	<b>(\$161,176)</b>	<b>N/A</b>

Source: SSLCSD five-year forecast and AOS calculations

Note: AOS revised projections include the effect of increased workers' compensation rates

**R2.4 The District should revise its purchased service projections based on year-end financial information. Furthermore, it should incorporate its revised estimates of students leaving the District through open enrollment programs or by enrolling in**

community schools. As tuition expenses have been the primary cause of historical fluctuations, and they are largely independent of operating decisions, tuition costs should be projected separately from other purchased service costs. Finally, purchased service expense projections should be updated to incorporate any operational changes that change the mix of outsourced activities versus those activities performed by the District's staff members.

Table 2-7 shows the District's purchased service projections for FY 2003-04 through FY 2007-08.

**Table 2-7: Purchased Services Projections**

	Forecasted FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
<b>Purchased Services</b>	\$1,643,947	\$1,350,000	\$1,375,000	\$1,425,000	\$1,500,000
<b>Change</b>	\$547,575	(\$293,947)	\$25,000	\$50,000	\$75,000
<b>Percent Change</b>	49.9%	(17.9%)	1.9%	3.6%	5.3%

Source: SSCLSD five-year forecast

FY 2003-04 purchased service projections were based upon appropriations at that time. The 49.9 percent projected increase from the prior year is primarily explained by a change in accounting for tuition costs from a net to a gross basis. Previously, only the tuition costs associated with students leaving the District over and above the receipts from students entering the District were recorded as purchased service costs. The District changed its accounting to reflect all costs, and conversely, all receipts from these programs in FY 2003-04 (see **R2.2**). The District estimates that purchased service costs will decrease 17.9 percent in FY 2004-05 largely because lease purchase agreements will be expiring. Thereafter, the District projects utility charges at a growing rate, explaining all forecasted increases.

During the course of this performance audit, figures for FY 2003-04 became available, which were \$165,888 less than those projected by the District. This is primarily due to lower actual expenditures in professional services, property services, and utility charges. In addition, the District's other assumptions do not appear to be sufficiently compelling. Lease purchase costs were \$24,200 in FY 2002-03 and appropriated at \$29,600 in FY 2003-04. Contrary to the District's assumption, this does not explain the \$293,947 decrease projected in FY 2004-05. Utility costs were stated to drive increases in purchased service costs for FY 2005-06 through FY 2007-08. While utility costs are a large portion of purchased service costs and have not exhibited a consistent trend, these costs have remained in a general range of expenditures. Furthermore, utility expenditures for FY 2003-04 were lower than the District's projections. Therefore, it would be more appropriate to assume that these costs will be consistent with the past range of expenditures.



Internal AOS forecasting resources state that purchased service costs should be projected with an inflationary assumption after making adjustments and consideration of changes in operations. Purchased service costs have exhibited relative stability in past years after removing tuition costs, and any changes are the result of changes in operations or accounting practices. Historical changes in operations and accounting practices are of an ongoing nature and therefore, can be projected from the base year of FY 2003-04. Therefore, these costs will be forecasted to increase from FY 2003-04 levels with an inflationary assumption of 3 percent. However, as tuition costs are largely outside the control of the District or its operating policies, they will be projected separately with the treasurer's updated estimates of students leaving the District. As of August 2, 2004, the treasurer estimated that the number of students leaving the District to attend community schools will be 32 in FY 2004-05, 52 in FY 2005-06, 59 in FY 2006-07, 58 in FY 2007-08. Furthermore, he estimates that the number of students leaving through open enrollment will be 38 in FY 2004-05, 55 in FY 2005-06, 57 in FY 2006-07, and 60 in FY 2007-08. The overall estimated increases in the number of students leaving SSCLSD is based on the District's current and projected financial condition.

**Table 2-8** presents revised purchased service cost estimates, assuming all costs (excluding tuition) are appreciated at 3 percent annually for inflation. Tuition costs are estimated at a level consistent with the treasurer's most recent projection of students leaving the District.

**Table 2-8: Net Impact of AOS Revised Purchased Service Estimates**

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Tuition Cost Projections	\$380,485	\$594,393	\$658,565	\$684,658	\$699,720
All Other Purchased Service Costs	\$1,072,000	\$1,104,160	\$1,137,285	\$1,171,404	\$1,206,546
Total AOS Revised Purchased Service Projections	<b>\$1,452,485</b>	<b>\$1,698,553</b>	<b>\$1,795,850</b>	<b>\$1,856,062</b>	<b>\$1,906,266</b>
District Purchased Service Projections	\$1,350,000	\$1,375,000	\$1,425,000	\$1,500,000	N/A
<b>Net Impact upon Forecast Fund Balance</b>	<b>(\$102,485)</b>	<b>(\$323,553)</b>	<b>(\$370,850)</b>	<b>(\$356,062)</b>	N/A

Source: SSCLSD five-year forecast

**R2.5 The District should develop specific plans, policies, and practices to improve its cash flow and liquidity position, thereby lessening its dependence upon short-term notes to fund operations. This will assist SSLCSD in attaining its stated intention of no longer using tax anticipation notes, thereby avoiding interest expenses. Furthermore, in order to protect itself from any future cash flow shortfall, the District should enact policies to establish a stabilization (reserve) fund.**

Consistent with the terms of the tax anticipation note in FY 2002-03, the District is projecting principal repayments of \$700,000 and \$1,692 in interest obligations during FY

2003-04. The District also received \$920,000 in debt funding in FY 2003-04 and projects principal and interest payments of \$53,360 in FY 2004-05. Thereafter, the District projects no further receipts from, or repayment of, short-term debt. During the course of this performance audit, actual debt payments became available and generally support the District's FY 2003-04 debt obligation projections.

Historically, the District received \$105,000 in FY 2000-01, \$470,000 in FY 2001-02, \$700,000 in FY 2002-03 in tax anticipation notes. As a result, the District incurred both interest and principal obligations. Despite this history of increasing dependence on tax anticipation notes and the District's continued lack of liquidity because of increasing fund deficits, the District projects no further short-term debt after FY 2004-05. Furthermore, the District was unable to provide a plan indicating how it would improve its cash position, beyond the passing of an emergency or operating levy. While this analysis cannot conclusively determine the cash position of the District in future years, specific plans are likely required to improve the cash position of the District.

The District's insufficient cash position could have been partially mitigated with additional formal resource management policies. In FY 2000-01, the District maintained a budget reserve within the General Fund, which it transferred to the unrestricted portion of the General Fund. The GFOA recommends the establishment of a stabilization fund (i.e. "rainy day fund") to protect against reducing service levels or increasing taxes because of temporary revenue shortfall or unforeseen one-time expenses. The District should either develop specific plans to improve cash flow or it should revise its debt projections. Furthermore, the District should reduce the risk of future liquidity issues by implementing formal policies and procedures to help cover short-term funding shortfalls.

### *Revenue and Expenditure Analysis*

**R2.6 SSLCSD should closely examine the spending patterns indicated in Table 2-11 and identify activities and functions that have an opportunity for cost reductions without impacting the quality of education. SSLCSD should reallocate its resources toward those programs and priorities that have the greatest impact on improving the students' education and proficiency test results. Combined with a close examination of the performance of educational activities, the District could improve its performance index score and meet additional ODE performance standards while reducing its operating expenditures.**

SSLCSD spends more per student than peer districts, but there does not appear to be a correlation with the quality of education or academic achievement of its students. Each school district is required to receive a performance accountability rating based on 22 performance standards. ODE also compiles proficiency testing information into performance index scores. The performance index score is based upon the average scores

of fourth and sixth graders in five subject areas on the proficiency tests. This information encapsulates the students' level of achievement as opposed to simply tracking whether a standard was met.

**Table 2-9** presents the number of performance standards met by SSLCSD and the peers for the past four years. **Table 2-10** summarizes SSLCSD's performance index scores for FY 2000-01 through FY 2002-03 and compares these scores to the peer school districts.

**Table 2-9: ODE Performance Standards Comparison**

	Sheffield-Sheffield Lake CSD	Avon LSD	Genoa ALSD	Tallmadge LSD	Peer Average
<b>Number of 27 Performance Standards Met</b>					
<b>FY 2000-01</b>	14	26	19	14	20
<b>Number of 22 Performance Standards Met</b>					
<b>FY 2001-02</b>	16	22	17	19	20
<b>FY 2002-03</b>	17	21	17	19	19
<b>Number of 18 Performance Standards Met</b>					
<b>FY 2003-04</b>	10	17	14	15	15

Source: ODE Report Cards

Note: The Ohio Department of Education (ODE) ceased administrating 12<sup>th</sup> grade proficiency tests in FY 2001-02, which was the basis of five performance standards. This table presents the districts' performance against the relevant performance standards for each year.

**Table 2-10: Comparison of District Performance Index Scores**

Comparison of Performance Index Scores	SSLCSD	Avon LSD	Genoa ALSD	Tallmadge CSD	Peer Average
<b>FY 2000-01</b>	85.1	91.9	79.3	90.9	87.4
<b>FY 2001-02</b>	87.1	94.0	86.4	93.3	91.2
<b>FY 2002-03</b>	88.2	94.1	86.8	91.3	90.7
<b>FY 2003-04</b>	86.6	97.5	93.7	93.0	94.7

Source: ODE Report Cards

SSLCSD has met fewer performance standards than the peer average in the past four years. Furthermore, SSLCSD's performance index score was lower than the peer average in each year. Peer school districts are able to meet more ODE performance standards while spending less per student and therefore, it appears that there is an opportunity to reduce operating expenditures without negatively impacting the academic achievement of its students.

The allocation of resources between the various functions or activities of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, activities must be evaluated and prioritized. An analysis of the spending patterns between the various functions should indicate where the priorities of the school board and management are placed and illustrate where there are opportunities for expenditure reductions.

**Table 2-11** illustrates the expenditures posted to the various Uniform School Accounting System (USAS) function codes for SSLCSD and the peer school districts for FY 2002-03. Function codes are designed to report expenditures by nature or purpose. **Table 2-11** also shows the operational expenditures per pupil and percentage of operational expenditures by function for all funds which are classified as governmental fund types.

**Table 2-11: Governmental Funds Operational Expenditures by Function for FY 2002-03**

USAS Function Classification	FY 2002-03 Sheffield-Sheffield Lake		FY 2002-03 Avon		FY 2002-03 Genoa		FY 2002-03 Tallmadge		FY 2002-03 Peer Average <sup>2</sup>	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
<b>Instructional Expenditures:</b>	<b>\$4,797</b>	<b>58.8%</b>	<b>\$4,018</b>	<b>56.7%</b>	<b>\$4,723</b>	<b>59.0%</b>	<b>\$4,761</b>	<b>60.5%</b>	<b>\$4,507</b>	<b>58.9%</b>
Regular Instruction	\$3,601	44.1%	\$3,287	46.3%	\$4,095	51.1%	\$3,864	49.1%	\$3,729	48.8%
Special Instruction	\$1,019	12.5%	\$584	8.2%	\$522	6.5%	\$675	8.6%	\$608	8.0%
Vocational Education	\$157	1.9%	\$66	0.9%	\$106	1.3%	\$214	2.7%	\$139	1.8%
Other Instruction	\$21	0.3%	\$82	1.2%	\$0	0.0%	\$7	0.1%	\$30	0.4%
<b>Support Service Expenditures:</b>	<b>\$3,120</b>	<b>38.2%</b>	<b>\$2,711</b>	<b>38.2%</b>	<b>\$3,008</b>	<b>37.5%</b>	<b>\$2,814</b>	<b>35.8%</b>	<b>\$2,826</b>	<b>37.0%</b>
Pupil Support Services	\$577	7.1%	\$385	5.4%	\$337	4.2%	\$460	5.8%	\$406	5.3%
Instructional Support Services	\$337	4.1%	\$210	3.0%	\$317	4.0%	\$297	3.8%	\$273	3.6%
Board of Education	\$11	0.1%	\$59	0.8%	\$6	0.1%	\$7	0.1%	\$24	0.3%
Administration	\$673	8.2%	\$622	8.8%	\$669	8.4%	\$676	8.6%	\$656	8.6%
Fiscal Services	\$210	2.6%	\$206	2.9%	\$239	3.0%	\$213	2.7%	\$217	2.8%
Business Services	\$93	1.1%	\$0	0.0%	\$10	0.1%	\$42	0.5%	\$21	0.3%
Plant Operation & Maintenance	\$791	9.7%	\$773	10.9%	\$822	10.3%	\$589	7.5%	\$706	9.2%
Pupil Transportation	\$374	4.6%	\$425	6.0%	\$355	4.4%	\$464	5.9%	\$425	5.6%
Central Support Services	\$55	0.7%	\$31	0.4%	\$252	3.1%	\$66	0.8%	\$99	1.3%
<b>Non-Instructional Services Expenditures</b>	<b>\$17</b>	<b>0.2%</b>	<b>\$137</b>	<b>1.9%</b>	<b>\$21</b>	<b>0.3%</b>	<b>\$13</b>	<b>0.2%</b>	<b>\$56</b>	<b>0.7%</b>
<b>Extracurricular Activities Expenditures</b>	<b>\$230</b>	<b>2.8%</b>	<b>\$225</b>	<b>3.2%</b>	<b>\$258</b>	<b>3.2%</b>	<b>\$282</b>	<b>3.6%</b>	<b>\$258</b>	<b>3.4%</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$8,163</b>	<b>100.0%</b>	<b>\$7,092</b>	<b>100.0%</b>	<b>\$8,009</b>	<b>100.0%</b>	<b>\$7,869</b>	<b>100.0%</b>	<b>\$7,646</b>	<b>100.0%</b>

Source: 4502 reports exhibit II, SF-3 reports

As indicated by **Table 2-11**, SSLCSD allocates a similar percentage of its governmental fund expenditures to instruction when compared to the peer average. However, SSLCSD spends 6.8 percent more per student than the peer average, as explained by the following:

- Special instruction expenditures were 67.6 percent greater per pupil than the peer average, primarily due to in-house instruction and accepting special education students from other districts which results in a higher special education population than the peers. SSLCSD experienced increased costs for its students needing special education who were sent to other districts, so it was decided to educate these students in-house. Students from outside the District were accepted to help offset the costs.
- Vocational education expenditures were 12.9 percent higher than the peer average, primarily because of the longevity of the teachers (see **human resources** section).
- Pupil support service expenditures per pupil were 42.1 percent higher than the peer average. Within the General Fund, this is mainly due to salaries and benefits for guidance counselor services and other pupil support services, which likely includes monitors for non-instructional and non-classroom activities (see **human resources** section).
- Instructional support service expenditures per pupil were 23.4 percent greater than the peer average in FY 2002-03, primarily due to salary and fringe benefit expenses (see **human resources**). Furthermore, fringe benefit expenses have increased 69.2 percent within this function.
- Business services expenditures per pupil were significantly higher than the peer average, which is attributed to salaries and benefits, as well as printing and copying costs (see **human resources** section).
- Plant operation and maintenance expenditures per pupil were 12 percent greater than the peer average in FY 2002-03 (see **facilities** section).

Recommendations were made to reduce staffing and benefit costs, optimize facility usage, and enhance transportation operations in the **human resources**, **facilities**, and **transportation** sections of this report. These recommendations, if implemented, could potentially reduce expenditures and are supported by the information in **Table 2-11**.

*Financial Recovery Plan*

**R2.7** SSLCSD should analyze and use the financial recovery plan outlined in Table 2-12 to evaluate the effect of recommendations presented in this performance audit on its financial condition. The District should consider implementing the recommendations in this performance audit along with other appropriate actions to help rectify its future financial difficulties. In addition, SSLCSD should continue to update the financial recovery plan on an ongoing basis as critical financial issues change.

Even by reducing regular education and education service personnel (ESP) staffing to State minimum standards and assuming renewal of the emergency operating levy expiring in calendar year 2005, the District will experience negative ending fund balances throughout the forecasted period. Therefore, the District should consider placing a new levy on the ballot. In doing so, SSLCSD should demonstrate accountability by sharing information with the public concerning how revenue will be spent and how the levy will benefit the District. In this manner, the public will be better able to determine a desired level of service and the cost of that service level to local shareholders.

SSLCSD's forecast, presented in **Table 2-1**, projects a cash and fund deficit at the end of FY 2004-05. The deficit is expected to reach \$13.05 million in FY 2007-08.

**Table 2-12** presents a potential financial recovery plan for management to use as a tool to assess the impact that implementation of the various performance audit recommendations will have on the District's financial condition. Additionally, **Table 2-12** includes the revised projections outlined in **R2.1** through **R2.5** to present a more appropriate forecast of these items.

**Table 2-12** shows that the District will still continue to forecast a substantial negative fund balance through FY 2007-08, even if the District implemented the following significant reductions:

- Reduce 18 FTE regular education teachers, resulting in a student-to-teacher ratio of 23:1. This is slightly less than the maximum allowable student-to-teacher of 25:1 stipulated in OAC 3301-35-05(A)(3) (see **R3.1** in **human resources**).
- Reduce 5 FTE education service personnel (ESP) to maintain 5.0 FTEs per 1,000 ADM, which is the minimum number of ESP staff per 1,000 ADM identified in OAC 3301-35-05 (A)(4) (see **R3.3** in **human resources**).

Therefore, the District should consider placing a levy on the ballot. The levy amount needed to gain financial stability will depend on the extent of reductions in service levels, the implementation rate of the performance audit recommendations, and the District's ability to identify additional cost saving measures. For instance, if additional expenditure reductions cannot be made and the District and community decide to continue operating above the State minimum standards for regular education and ESP staffing, a larger levy will be required to achieve financial solvency.

The District is placing an 8.95 mill five-year emergency operating levy on the November 2004 ballot. If passed by voters, this levy would raise about \$2.76 million annually. As shown in **Table 2-12**, the revenue generated from this levy coupled with the savings related to the performance audit recommendations would eliminate the projected deficits beginning in FY 2005-06. Additionally, based on the District's assumptions, **Table 2-12** excludes the \$2.3 million emergency operating levy expiring in calendar year 2005. SSLCSD should determine the need to renew this levy, particularly if the District is unsuccessful in passing a new levy, and the community and District choose to maintain teacher and ESP staffing levels above State minimum standards.

For SSLCSD to maintain an acceptable level of financial stability, it will need to continue to make difficult management decisions regarding potential means for increasing revenue and reducing expenditures. This performance audit provides a series of recommendations SSLCSD should consider. However, this audit is not all inclusive, and other cost savings and revenue enhancements should be continuously assessed and incorporated into the financial recovery plan.

**Table 2-12: Proposed Financial Recovery Plan (in 000's)**

	Actual FY 2000-01	Actual FY 2001-02	Actual FY 2002-03	Actual FY 2003-04	Forecast FY 2004-05	Forecast FY 2005-06	Forecast FY 2006-07	Forecast FY 2007-08	Forecast FY 2008-09
Real Estate Property Tax	\$5,886	\$6,250	\$6,405	\$6,917	\$6,977	\$6,037	\$5,720	\$6,264	6,333
Tangible Personal Property Tax	1,693	1,881	1,722	1,425	1,375	1,286	997	889	764
Unrestricted Grants-in-Aid	4,942	5,018	4,995	5,370	5,131	5,092	5,051	5,052	5,053
Restricted Grants-in-Aid	104	96	141	71	71	71	72	72	72
Property Tax Allocation	760	807	886	873	910	830	790	870	879
Other Revenues	284	337	286	540	669	673	675	679	682
<b>Total Operating Revenues</b>	<b>13,669</b>	<b>14,389</b>	<b>14,435</b>	<b>15,196</b>	<b>15,135</b>	<b>13,989</b>	<b>13,305</b>	<b>13,826</b>	<b>13,783</b>
Personal Services	9,130	9,556	9,880	9,887	10,200	10,657	11,156	11,666	12,204
Employee's Retirement & Insurance Benefits	2,291	2,826	3,025	3,243	3,851	4,179	4,544	4,947	5,392
Purchased Services	1,234	1,178	1,096	1,478	1,452	1,699	1,796	1,856	1,906
Supplies & Materials	510	475	270	410	450	450	450	450	450
Capital Outlay	271	114	39	131	50	50	50	100	75
Debt: Principal	460	177		700	920	0	0	0	0
Debt: Interest & Fiscal Charges	13	32		23	53	0	0	0	0
Other Objects	260	173	304	356	350	350	350	350	350
<b>Total Operating Expenditures</b>	<b>14,169</b>	<b>14,531</b>	<b>14,614</b>	<b>16,228</b>	<b>17,326</b>	<b>17,385</b>	<b>18,346</b>	<b>19,369</b>	<b>20,377</b>
Proceeds from Sale of Notes	105	470	700	920	0	0	0	0	0
State Emergency Loans & Advancements	0	0	0	0	0	0	0	0	0
Operating Transfers In	688	510	1	0	0	0	0	0	0
Operating Transfers Out	778	691	405	88	0	0	0	0	0
Advances In	0	0	21	0	0	0	0	0	0
Advances Out	0	(21)	0	33	0	0	0	0	0
All Other Financing Sources/ (Uses)	0	1	2	0	0	0	0	0	0
<b>Net Financing Sources/ (Uses)</b>	<b>15</b>	<b>269</b>	<b>319</b>	<b>799</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Results of Operations (Loss)</b>	<b>(485)</b>	<b>127</b>	<b>140</b>	<b>(233)</b>	<b>(2,191)</b>	<b>(3,396)</b>	<b>(5,041)</b>	<b>(5,543)</b>	<b>(6,594)</b>
Beginning Cash Balance	1,070	585	712	852	618	(1,573)	(4,969)	(10,010)	(15,553)
<b>Ending Cash Balance</b>	<b>585</b>	<b>712</b>	<b>852</b>	<b>619</b>	<b>(1,573)</b>	<b>(4,969)</b>	<b>(10,010)</b>	<b>(15,553)</b>	<b>(22,147)</b>
Estimated Encumbrances	187	24	243	57	150	150	125	125	125
Reservation of Fund Balances	0	0	0	0	0	0	0	0	0
<b>Fund Balance for Certification of Appropriations, Salaries and Contracts <sup>1</sup></b>	<b>398</b>	<b>688</b>	<b>609</b>	<b>562</b>	<b>(1,723)</b>	<b>(5,119)</b>	<b>(10,135)</b>	<b>(15,678)</b>	<b>(22,272)</b>
Cumulative Net Effect of AOS Recommendations	0	0	0	0	197	2,012	4,365	7,105	10,172
<b>Fund Balance with Effects of AOS Recommendations</b>	<b>398</b>	<b>688</b>	<b>609</b>	<b>562</b>	<b>(1,526)</b>	<b>(3,107)</b>	<b>(5,770)</b>	<b>(8,573)</b>	<b>(12,100)</b>
Revenue from New Levies	0	0	0	0	1,380	2,760	2,760	2,760	2,760
Cumulative Balance of New Levies	0	0	0	0	1,380	4,140	6,900	9,660	12,420
<b>Unreserved Fund Balance</b>	<b>\$398</b>	<b>\$688</b>	<b>\$609</b>	<b>\$562</b>	<b>(\$146)</b>	<b>\$1,033</b>	<b>\$1,130</b>	<b>\$1,087</b>	<b>\$320</b>

Source: SSLCSD five-year forecast adjusted for AOS revised projections and recommendations.

<sup>1</sup> As the District is not seeking replacement or renewal levies, the fund balance for certification of appropriations is identical to the fund balance for certification of salaries and contracts.



**Table 2-12a** details those performance audit recommendations that are included in the financial recovery plan presented in **Table 2-12**. The recommendations are separated by those that require contract renegotiation and those that do not require negotiation.

**Table 2-12a: Financial Impact of Performance Audit Recommendations**

Recommendations	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
<b>Increases/ (Decreases) Resulting from AOS Revised Assumptions:</b>					
<b>R2.1</b> Unrestricted Grants-in-Aid Receipts	(170,001)	(170,049)	(170,103)	(170,267)	N/A
<b>R2.2</b> Other Revenue Receipts	119,783	112,663	105,591	98,591	N/A
<b>R2.3</b> Personal Services Expenses	41,165	(206,272)	(472,606)	(755,608)	N/A
<b>R2.3</b> Fringe Benefit Expenses	(43,166)	(79,799)	(119,177)	(161,176)	N/A
<b>R2.4</b> Purchased Service Expenses	(102,485)	(323,553)	(370,850)	(356,062)	N/A
<b>AOS Revised Forecast Assumptions Impact</b>	<b>(\$154,704)</b>	<b>(\$667,010)</b>	<b>(\$1,027,145)</b>	<b>(\$1,344,522)</b>	<b>N/A</b>
<b>Recommendations Subject to Negotiation:</b>					
<b>R3.8</b> Implement lump sum payments instead of COLAs	78,513	285,628	510,754	635,687	774,652
<b>R3.9</b> Implement 10% contribution towards health insurance for all employees (less administrators)	0	90,600	101,472	113,649	127,286
<b>R3.11</b> Reduce certificated professional leave from five to two days	13,000	13,000	13,000	13,000	13,000
<b>R4.1</b> Reduce 1.7 custodial FTEs	0	68,373	72,162	76,221	80,575
<b>Total Recommendations Subject to Negotiation</b>	<b>\$91,513</b>	<b>\$457,601</b>	<b>\$697,388</b>	<b>\$838,557</b>	<b>\$995,513</b>
<b>Recommendations Not Subject to Negotiation:</b>					
<b>R3.1</b> Reduce 18 Regular Education Teachers	0	902,109	964,324	1,030,747	1,103,177
<b>R3.3</b> Reduce five ESP personnel	0	236,495	253,093	270,850	290,235
<b>R3.4</b> Reduce eight noon aides	0	21,000	21,878	22,792	23,745
<b>R3.5</b> Reduce three clerical personnel	0	135,560	144,019	153,168	163,074
<b>R3.7</b> Replace retiring staff with entry level employees	86,333	124,517	162,550	310,881	374,271
<b>R3.9</b> Implement 10% contribution towards health insurance for administrators	10,700	11,984	13,422	15,033	16,837
<b>R4.3</b> Implement energy management practices (e.g., adjust temperature settings)	8,600	8,858	9,124	9,397	9,679
<b>R5.1</b> Reinstate Previous Transportation Service Levels	0	(87,000)	83,000	84,826	86,692
<b>R5.3</b> Purchase Fuel Through DAS	0	3,750	3,863	3,978	4,098
<b>Total Recommendations Not Subject to Negotiation</b>	<b>\$105,633</b>	<b>\$1,357,273</b>	<b>\$1,655,274</b>	<b>\$1,901,672</b>	<b>\$2,071,808</b>
<b>Total Recommendations Included in Forecast</b>	<b>\$197,146</b>	<b>\$1,814,874</b>	<b>\$2,352,662</b>	<b>\$2,740,229</b>	<b>\$3,067,321</b>

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

**Note:** Recommendations are appreciated according to the corresponding assumption made by the District in its five-year forecast or as revised by AOS, which may differ from section savings.

# Human Resources

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## Background

This section of the report focuses on human resource functions within the Sheffield-Sheffield Lake City School District (SSLCSO or the District). Best practice data the State Employee Relations Board (SERB) and peer school districts was used for comparisons throughout the human resource section.

SSLCSO does not have a separate department dedicated to performing human resources functions. The primary responsibilities are completed by the superintendent, school principals, department heads, and the treasurer. The superintendent coordinates activities and programs used to recruit and select employees, and monitors compliance with minimum employment standards. The principals and department heads conduct interviews, complete evaluations, and address performance issues for staff in their buildings and departments. The Superintendent's Office completes Educational Management Information System (EMIS) staffing reports. The Treasurer's Office processes payroll and manages employee benefits

## *Staffing*

**Table 3-1** illustrates the actual staffing levels at SSLCSO and the peer districts during FY 2003-04, as reported in EMIS. Adjustments were made to the respective EMIS reports based upon interviews with the appropriate district personnel to ensure comparability.

**Table 3-1: FTE Staffing Levels**

Category	SSLCS	Avon LSD	Genoa Area LSD	Tallmadge CSD	Peer Average
<b>Administrators: Subtotal</b>	<b>11.0</b>	<b>12.0</b>	<b>10.0</b>	<b>17.7</b>	<b>12.9</b>
Central Based Administrators	2.0	2.0	3.0	2.0	2.3
Site Based Administrators	9.0	10.0	7.0	14.7	10.6
Other Administrators	0.0	0.0	0.0	1.0	0.3
<b>Professional Education: Subtotal</b>	<b>130.2</b>	<b>155.8</b>	<b>101.4</b>	<b>192.8</b>	<b>150.0</b>
Curriculum Specialists	1.0	0.0	0.0	1.0	0.3
Counseling	3.0	4.0	3.0	6.0	4.3
Librarian / Media	1.0	2.0	1.0	2.0	1.7
Remedial Specialists	0.0	0.0	2.0	4.0	2.0
Regular Education Teachers	91.5	112.3	71.0	130.6	104.6
Special Education Teachers	14.0	16.5	7.0	23.0	15.5
Vocational Education Teachers	3.0	2.0	1.0	7.0	3.3
Tutor / Small Group Instructor	5.5	2.0	5.0	6.5	4.5
Audio/Visual Staff	0.0	1.0	0.0	0.0	0.3
Educational Service Personnel	11.2	10.0	8.4	9.2	9.2
Supplemental Service Teacher (Spec Ed)	0.0	6.0	0.0	0.0	2.0
Other Professional	0.0	0.0	3.0	3.5	2.2
<b>Professional – Other</b>	<b>4.0</b>	<b>6.0</b>	<b>2.0</b>	<b>8.4</b>	<b>5.5</b>
<b>Technical: Subtotal</b>	<b>3.8</b>	<b>4.8</b>	<b>0.9</b>	<b>2.9</b>	<b>2.9</b>
Computer Operator	1.0	1.5	0.0	1.0	0.8
Library Aide	2.8	3.3	0.9	1.9	2.0
<b>Office / Clerical: Subtotal</b>	<b>17.0</b>	<b>23.8</b>	<b>9.9</b>	<b>43.8</b>	<b>25.8</b>
Bookkeeping	0.0	2.0	0.0	0.0	0.7
Clerical	15.0	11.3	6.9	16.0	11.4
Teaching Aide	2.0	10.6	3.0	23.0	12.2
Other Office / Clerical	0.0	0.0	0.0	4.8	1.6
<b>Crafts / Trades</b>	<b>4.0</b>	<b>14.0</b>	<b>2.0</b>	<b>3.0</b>	<b>6.3</b>
<b>Transportation</b>	<b>8.1</b>	<b>15.2</b>	<b>12.3</b>	<b>21.9</b>	<b>16.5</b>
<b>Custodial</b>	<b>13.2</b>	<b>4.3</b>	<b>9.7</b>	<b>17.0</b>	<b>10.3</b>
<b>Food Service</b>	<b>8.4</b>	<b>1.3</b>	<b>10.8</b>	<b>10.2</b>	<b>7.4</b>
<b>Monitoring</b>	<b>11.3</b>	<b>4.3</b>	<b>7.0</b>	<b>4.3</b>	<b>5.2</b>
<b>Grounds Keeping</b>	<b>0.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>
<b>Attendant</b>	<b>8.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Adjusted FTEs</b>	<b>219.3</b>	<b>243.4</b>	<b>165.9</b>	<b>321.9</b>	<b>243.7</b>

Source: FY 2003-04 EMIS Staff Summary Report from SSLCS and the peer districts.

The staffing levels within a school district may vary depending upon the number of students enrolled. **Table 3-2** illustrates the staffing levels per 1,000 average daily membership (ADM) at SSLCS and the peer districts for FY 2003-04.

**Table 3-2: FTE Staffing Levels Per 1,000 ADM<sup>1</sup>**

Category	SSLCS	Avon LSD	Genoa Area LSD	Tallmadge CSD	Peer Average
<b>ADM</b>	<b>2,024</b>	<b>2,422</b>	<b>1,716</b>	<b>2,736</b>	<b>2,291</b>
<b>Administrators: Subtotal</b>	<b>5.5</b>	<b>4.9</b>	<b>5.9</b>	<b>6.5</b>	<b>5.7</b>
Central Based Administrators	1.0	0.8	1.8	0.8	1.0
Site Based Administrators	4.5 <sup>2</sup>	4.1	4.1	5.3	4.6
Other Administrators	0.0	0.0	0.0	0.4	0.1
<b>Professional Education: Subtotal</b>	<b>64.3</b>	<b>64.3</b>	<b>59.1</b>	<b>70.5</b>	<b>65.5</b>
Curriculum Specialists	0.5	0.0	0.0	0.4	0.1
Counseling	1.5	1.7	1.7	2.2	1.9
Librarian / Media	0.5	0.8	0.6	0.7	0.7
Remedial Specialists	0.0	0.0	1.2	1.5	0.9
Regular Education Teachers	45.2	46.3	41.4	47.7	45.7
Special Education Teachers	6.9	6.8	4.1	8.4	6.8
Vocational Education Teachers	1.5	0.8	0.6	2.6	1.4
Tutor / Small Group Instructor	2.7	0.8	2.9	2.4	2.0
Educational Service Personnel	5.5	4.1	4.9	3.3	4.0
Supplemental Service Teacher (Spec Ed)	0.0	2.5	0.0	0.0	0.9
Other Professional	0.0	0.0	1.7	1.3	1.0
<b>Professional – Other</b>	<b>2.0</b>	<b>2.5</b>	<b>1.2</b>	<b>3.1</b>	<b>2.4</b>
<b>Technical: Subtotal</b>	<b>1.9</b>	<b>2.0</b>	<b>0.5</b>	<b>1.1</b>	<b>1.3</b>
Computer Operator	0.5	0.6	0.0	0.4	0.3
Library Aide	1.4	1.4	0.5	0.7	0.9
<b>Office / Clerical: Subtotal</b>	<b>8.4</b>	<b>9.9</b>	<b>5.7</b>	<b>16.0</b>	<b>11.3</b>
Bookkeeping	0.0	0.8	0.0	0.0	0.3
Clerical	7.4	4.7	4.0	5.8	5.0
Teaching Aide	1.0	4.4	1.7	8.4	5.3
Other Office / Clerical	0.0	0.0	0.0	1.8	0.7
<b>Crafts / Trades</b>	<b>2.0</b>	<b>5.8</b>	<b>1.2</b>	<b>1.1</b>	<b>2.7</b>
<b>Transportation</b>	<b>4.0</b>	<b>6.3</b>	<b>7.2</b>	<b>8.0</b>	<b>7.2</b>
<b>Custodial</b>	<b>6.5</b>	<b>1.8</b>	<b>5.7</b>	<b>6.2</b>	<b>4.5</b>
<b>Food Service</b>	<b>4.1</b>	<b>0.5</b>	<b>6.3</b>	<b>3.7</b>	<b>3.2</b>
<b>Monitoring</b>	<b>5.6</b>	<b>1.8</b>	<b>4.1</b>	<b>1.6</b>	<b>2.3</b>
<b>Grounds Keeping</b>	<b>0.0</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>
<b>Attendant</b>	<b>4.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total FTEs</b>	<b>108.3</b>	<b>100.5</b>	<b>96.7</b>	<b>117.7</b>	<b>106.4</b>

Source: FY 2003-04 EMIS Staff Summary Report from SSLCS and the peer districts.

<sup>1</sup>Figures are rounded and may differ slightly from summation totals.

<sup>2</sup> This category includes 3.5 FTEs for Principals and Assistant Principals; peer average is 2.8 FTEs.

As illustrated in **Table 3-2**, SSLCS had a higher FTE per 1,000 ADM staffing level when compared to the peers in the following classifications:

- **Site Based Administrators:** SSLCSD's principal and assistant principal staffing allocation is 0.7 FTEs per 1,000 students higher than the peer average. However, the District has more school buildings than the peers (see **facilities section**). Therefore, no recommendations were made to reduce staffing within this classification.
- **Curriculum Specialist:** Only one other peer district, Tallmadge CSD, employs a curriculum specialist. Based on SSLCSD's continuing improvement in academic performance, no recommendations are made to reduce staffing within this classification.
- **Teaching Positions:** SSLCSDs FTEs per 1,000 students are higher than the peer average in the following instructional areas: special education, vocational education, tutor/small group instructor and educational service personnel. See **R3.1**, **R3.2**, and *Assessments Not Yielding Recommendations* for further discussion.
- **Technical:** SSLCSD employs approximately 0.6 more FTEs per 1,000 students than the peers in the areas of computer operating and library aides. Although Genoa Area LSD does not employ a computer operator, SSLCSD and the other peers have at least 1.0 computer operator FTE. Library aides per 1,000 students are 0.5 FTEs higher than the peer average due to the District having more school buildings than the peers. Therefore, no recommendation was made to reduce staffing within this classification.
- **Clerical:** SSLCSD employs 2.4 more FTEs per 1,000 students higher than the peer average (see **R3.4**).
- **Custodial and Crafts/Trades:** SSLCSD has 2.0 more custodial FTEs and 0.7 more crafts/trades FTEs per 1,000 students than the peer average, respectively (see the **facilities** section).
- **Food Service:** SSLCSD has 4.1 FTEs per 1,000 students, which is 0.9 FTEs higher than the peer average. However, the number of meals per FTE is higher than the peer average, and the District has more school buildings. Therefore, no recommendations are made to reduce staffing within this classification.
- **Monitoring and Attendants:** SSLCSD employs 7.4 more monitor and attendant FTEs per 1,000 students than the peer average. Of the 9.7 FTEs in these categories, 1.8 FTEs assist special needs students, and are either part of students' individual education plans (IEP), or their positions are not supported by the General Fund. However, SSLCSD has 4.3 noon aide FTEs, which is significantly higher than the peer average (see **R3.3**). The remaining staffing variances in these categories appear to be due to the District operating more buildings than the peers.

### *Collective Bargaining Agreements*

Certificated personnel are governed by a negotiated agreement between the Sheffield-Sheffield Lake Board of Education and the Sheffield-Sheffield Lake Teacher Association. Classified employees are organized under a separate labor agreement between the Board and the Sheffield-Sheffield Lake Classified Employees Association (OEA/NEA) Local. All of the agreements will be open for negotiation in the spring of 2005. Since contractual and employment issues directly affect the operating budget, many of the issues have been assessed and compared to the peer districts to show their financial implications for SSLCSD. The implementation of the associated recommendations would require negotiation.

**Table 3-3** and **Table 3-4** illustrates key contractual issues in the certificated and classified employee's negotiated agreements.

**Table 3-3: Certificated Contractual Agreement Comparisons**

	SSLCSD	Avon LSD	Genoa Area LSD	Tallmadge CSD
<b>Length of work day</b>	7 hours, 15 minutes (435 minutes)	7 Hours, 30 minutes (450 minutes)	7 hours (420 minutes)	7 hours (420 minutes)
<b>Composition of the work day:</b>	<p><b>Middle School</b> Class: 270 min. Planning: 90 min. Lunch: 45 min.</p> <p><b>High School</b> Class: 300 min. Planning: 75 min. Lunch: 35 min.</p>	<p><b>Middle School</b> Class: 300 min. Planning: 50 min. Lunch: 30 min.</p> <p><b>High School</b> Class: 300 min. Planning: 50 min. Lunch: 30 min.</p>	<p><b>Middle School</b> Class: 334 min. Planning: 42 min. Lunch: 30 min.</p> <p><b>High School</b> Class: 348 min. Planning: 42 min. Lunch: 30 min.</p>	<p><b>Middle School</b> Class: 240 min. Planning: 120 min. Lunch: 30 min.</p> <p><b>High School</b> Class: 249 min. Planning: 83 min. Lunch: 83 min.</p>
<b>Maximum class size</b>	K-6: 28 students per class; 7-8: 180 students per day; 9-12: 205 students per day. If class size is exceeded in K-12, teacher shall be entitled to \$400 per year.	Not specified	K 1:30 Elementary 1:30 Middle / High School 1: 30	Not specified
<b>Number of contract days</b>	184 days	184 days	184 days	184 days
<b>Instructional days</b>	180 days	180 days	178 days	180 days
<b>In-Service</b>	4 days	4 days	6 days	4 days
<b>Maximum # of Sick Days Accrued</b>	Unlimited	290 days	280 days	Unlimited
<b>Maximum number of sick days paid upon retirement for 10 or more years of service</b>	25% of unused sick leave up to a maximum of 70 days	70 days	85 days	25% of 240 days or a maximum of 60 days
<b>Professional Leave</b>	5 days per year	Not specified. Subject to approval on a case by case basis.	2 meetings per year.	Not specified. Subject to approval on a case by case basis.
<b>Personal days received</b>	3 days	3 days	3 days	3 days
<b>Required notice</b>	3 days	5 days	Not specified	2 days
<b>Number of leave days for association business</b>	One period of his/her teaching day with 60 days notice to the Board.	1-3 days	2 days	Not specified. Subject to approval on a case by case basis.
<b>Sabbatical leave</b>	1 year	1 year or more	1 year or more	1 year
<b>District pick-up on employee retirement contribution</b>	No	No	No	No
<b>Annual cost of living increases</b>	FY 2001-02: 3.0% FY 2002-03: 3.0% FY 2003-04: 1.5%	FY 2001-02: 4.0% FY 2002-03: 4.0% FY 2003-04: 4.0%	FY 2001-02: 3.0% FY 2002-03: 3.0% FY 2003-04: 3.0%	FY 2001-02: 4.8% FY 2002-03: 4.8% FY 2003-04: 4.8%

Source: SSLCSD certificated employee's union contract and peer districts certificated employee's union contracts.



**Table 3-4: Classified Contractual Comparison**

	SSLCS D	Avon LSD	Genoa Area LSD	Tallmadge CSD
<b>Minimum call-in hours paid for emergencies</b>	2 hours	2 hours	Not specified	3 hours
<b>Paid vacation accumulation schedule</b>	<p><b>240 Day Employees</b>  <u>Less than 1 year:</u> 0 day  <u>1-5 years:</u> 10 days  <u>6-10 years:</u> 15 days  <u>11-15 years:</u> 20 days  <u>16+ years:</u> 25 days</p> <p><b>205 to 238 Day Employees</b>  10+ years: 5 days</p>	1-2 years: 0 days 2-5 years: 10 days 6-13 years: 15 days 14-23 years: 20 days 24 years and up 25 days	11 months -7 years: 10 days 7 years-15 years: 15 days 15 years or more: 20 days	Less than 1 year: Up to 4 days 1-5 years: 10 days 6-17: 15 days 18+: 20 days
<b>Sick and personal leave use incentive</b>	An employee with 130 days of unused sick leave shall receive 1 additional day of personal leave per year.	None	All employees with perfect attendance shall be paid \$200 at the end of the year.	None
<b>Maximum number of sick leave days accrued</b>	Unlimited	290 days	210	Unlimited
<b>Maximum number of sick leave days paid upon retirement</b>	25% of up to 70 days	70 days	70 days	25% of up to 55 days
<b>Personal days received</b>	3 days	3 days	3 days	3 days
<b>Required notice</b>	3 days			2 days
<b>Number of holidays for 12-month employees</b>	12 days	10 days	7 days	10 days <sup>1</sup>
<b>Number of holidays for 10 month employees</b>	10 days	9 days	6 days	7 days <sup>2</sup>
<b>Number of holidays for less than 10-month employees</b>	8 days	8 days	Any holiday that falls during their time of employment including Memorial Day.	7 days <sup>2</sup>
<b>Number of leave days for association business</b>	2 days granted to attend the Annual Representative Assemblies.	Not Specified	3 days	Not specified
<b>District pick-up of employee SERS contributions</b>	No	No	. No.	No
<b>Annual cost of living increases</b>	FY 2001-02: 3.0% FY 2002-03: 3.0% FY 2003-04: 2.0%	  FY 2003-04: 4.0%	FY 2001-02: 3.0% FY 2002-03: 3.0% FY 2003-04: 3.0%	  FY 2002-03: 4.8% FY 2003-04: 4.8%

**Source:** Classified negotiated agreements from SSLCS D and the peer districts; interviews with the personnel of SSLCS D and peer districts.

<sup>1</sup> For 11 and 12 month employees only.

<sup>2</sup> For employees working less than 11 months.

### *Assessments Not Yielding Recommendations*

The following assessments were conducted but did not warrant any changes or yield any recommendations:

- **Sick leave usage:** In FY 2003-04, the average leave hours used per SSLCSD FTE was approximately 36 hours. According to the Ohio Department of Administrative Services, the average public employee used over 58 hours per year in FY 2003-04. Therefore, sick leave usage does not appear to be an issue within the District.
- **Supplemental contracts:** The District's supplemental contract costs were the second lowest on a per student basis in FY 2002-03. The peer average was \$258 per student, and SSLCSD's was \$230 per student.
- **Vocational Education:** SSLCSD's vocational education has the second highest FTE staffing when compared to the peers. However, the District offers almost double the vocational education courses than the peer districts, and maximizes participation from students. If SSLCSD reduced courses, thereby reducing a FTE, the amount reimbursed from the State would also be reduced. Therefore, reducing a FTE would not result in savings to the District.

**Tutors/Small Group Instructors:** SSLCSD employs 5.5 FTE tutors/small group instructors. Three are funded through the Federal Title 1 Program, and two instructors are used exclusively for special education purposes. The District determines the staffing level based on the needs of the students and by State and federal mandates, such as the No Child Left Behind Act.

- **Collective Bargaining Agreement Issues:** The certified contract presented in **Table 3-3** notes that SSLCSD's middle school teachers have fewer class instructional minutes per day and longer lunch and planning periods than two of the three peers. However, the District has a comparable number of teaching periods as the peers. Therefore, no recommendation is given regarding this issue.

**Table 3-4** illustrates that the current SSLCSD classified collective bargaining agreement provides 12-month employees with 12 paid holidays per year, 10 month employees with 10 holidays per year, and less than 10 month employees with 8 per year. Overall, SSLCSD provides a higher number of vacation days for the corresponding years of service than the peers. For instance, SSLCSD provides 25 vacation days for employees with over 16 years of service, while Avon LSD requires 24 years of service for 25 vacation days, and Genoa Area LSD and Tallmadge CSD cap vacation days at 20. Although reducing paid holidays and vacation days for its classified employees would increase productivity, it would not result in an actual savings as the District compensates employees when working and taking leave. While reducing vacation days may reduce overtime and substitute costs, the financial impact is not quantifiable.

## Recommendations

### Staffing

**R3.1 SSLCSD should consider reducing up to 18.0 FTE regular education teachers based on the financial condition of the District. However, prior to making any reductions, the District should determine the impact of these reductions on individual class sizes, the attainment of its mission and goals, and student contact time.**

Table 3-5 presents regular education teacher staffing levels, student-to-teacher ratios, and the number of performance indicators met in FY 2003-04 for SSLCSD and the peers.

**Table 3-5: Regular Education Students per Teacher (FY 2003-04)**

	SSLCSD	Avon LSD	Genoa Area LSD	Tallmadge CSD	Peer Average
<b>Regular Education Teachers</b>	91.5	112.3	71.0	130.6	104.6
<b>Regular Education Students</b>	1,680	2,132	1,509	2,435	2,025
<b>Student-to-Teacher Ratio</b>	18.4	19.0	21.3	18.6	19.3
<b>Indicators Met</b>	10	17	14	13	15

Source: ODE District Report Cards, SSLCSD, and peers

Table 3-5 shows that SSLCSD maintained the lowest student-to-teacher ratio, and it met the fewest number of State academic performance indicators when compared to the peers. Reducing four teachers would result in a student-to-teacher ratio comparable to the peer average. However, because of the District's future financial condition (see the **financial systems** section), it should consider reducing regular education teacher staffing levels by up to 18.0 FTEs. While this would increase the student to teacher ratio to approximately 23 to 1, it would be below the maximum class size of 25 students per regular education teacher stipulated in Ohio Administrative Code (OAC) Section 3301-35-05(A)(3). If SSLCSD and the community decide to maintain smaller class sizes than 23 students per teacher and expenditures cannot be further reduced, additional revenue may be necessary for the District to achieve financial solvency in future years.

*Financial Implication:* According to the certified bargaining agreement, employees with the least seniority will be released first when reductions-in-force are implemented by the District. The SSLCSD treasurer calculated that the savings resulting from the reduction of 18 teachers at the lower end of the pay scale with full family health insurance coverage would be approximately \$902,000. The actual cost savings realized by the District may vary depending on the specific positions reduced and their corresponding placement on the salary step schedule.

- R3.2 SSLCSD should review its special education teacher staffing levels to ensure they are consistent with the requirements stated in the Ohio Administrative Code(OAC) Section 3301-51-09(G)(3) entitled, “Special Education Program for Handicapped Children.” If SSLCSD operates with special education teacher staffing levels below OAC requirements, the District should obtain the necessary Ohio Department of Education (ODE) waiver.**

In FY 2003-04, the District maintained teacher / special needs student ratios that were not in compliance with State minimum standards established by OAC Section 3301-51-09(G)(3). In comparing the numbers of required staff for special education students with the requirements for minimum staffing per disability for FY 2003-04, the SSLCSD had 4.73 fewer FTEs than required. The District employed 14.0 FTE special education teachers, in contrast to the OAC requirement of at least 18.73 FTEs.

According to ODE’s Office of Exceptional Children, if a district’s special education student-to-teacher ratio does not meet the OAC requirements, the district must submit a waiver. Should the district fail to do so, ODE could issue a citation and require corrective action.

The director of pupil personnel for SSLCSD was aware that special education staffing may have been low, but he was unaware of the extent of non-compliance. Although the District employs fewer special education teachers when compared to state minimum standards, it has 2.0 FTE tutors solely for special education. The District has tried to reduce costs by using tutors wherever possible (see *Assessments Not Yielding Recommendations*). SSLCSD has partially addressed these concerns with the addition of two special education instruction FTEs; one for kindergarten-first grade, and the other for the fifth grade.

- R3.3 SSLCSD should consider reductions of 5.0 FTEs within the educational service personal (ESP) classification. Classifications that should be reviewed for possible reductions include art teachers, music teachers, and physical education teachers.**

**Table 3-6** compares the staffing levels for ESP personnel at SSLCSD to peer district staffing levels.

**Table 3-6: Comparison of ESP Staffing Levels**

Classification	SSLCSO	Avon LSD	Genoa LSD	Tallmadge CSD	Peer Average
ESP Teacher	11.2	10.0	8.4	9.2	9.2
Counselor	3.0	4.0	3.0	6.0	4.3
Librarian/Media Specialist	1.0	2.0	1.0	2.0	1.7
<b>Totals</b>	<b>15.2</b>	<b>16.0</b>	<b>12.4</b>	<b>17.2</b>	<b>15.2</b>
<b>FY 2003-04 ADM</b>	<b>2,024</b>	<b>2,422</b>	<b>1,716</b>	<b>2,736</b>	<b>2,291</b>
<b>ESP Staff per 1,000 ADM</b>	<b>7.5</b>	<b>6.6</b>	<b>7.2</b>	<b>8.3</b>	<b>6.6</b>

Source: EMIS reports from SSLCSO and the peer districts

As illustrated, SSLCSO has 7.5 FTEs per 1,000 ADM in the ESP classification, which is higher than the peer average of 6.6 FTEs. Given SSLCSO's fiscal condition, the District should consider State minimum staffing levels. The minimum standards identified in OAC 3301-35-05 (A)(4) are 5.0 FTEs per 1,000 ADM. If SSLCSO adjusts its ESP staffing ratio to the minimum standards identified in the OAC, it could potentially reduce 5.0 FTEs.

*Financial Implication* According to the certificated bargaining agreement, employees with less seniority will be released first when reductions-in-force are implemented by the District. The SSLCSO treasurer calculated that the savings by reducing five ESP employees at the lower end of the pay scale with full family health insurance coverage would be approximately \$236,000. The actual cost savings realized by the District may vary depending on the specific positions reduced and their corresponding placement on the salary step schedule.

**R3.4 SSLCSO should reduce eight noon aide positions. The peers are averaging two noon aides per elementary school building, whereas the District currently has approximately four per building.**

The District has 17 individuals comprising 4.33 FTE noon aides responsible for lunch and playground activities at the four elementary schools. **Table 3-7** compares the number of noon aides at SSLCSO with the peer districts.

**Table 3-7: Noon Aide Comparison**

	SSLCSO	Avon LSD	Genoa Area LSD	Tallmadge CSD	Peer Average
<b>Elementary Students</b>	902	1,471	722	1,142	<b>1,112</b>
<b>Number of Noon Aides</b>	17 <sup>1</sup>	6	4 <sup>2</sup>	6	<b>5</b>
<b>Number of Students per Aides</b>	53	245	181	190	<b>205</b>

Source: FY 2003-04 EMIS staff summary report for SSLCSO and peer districts.

<sup>1</sup>One Noon Aide has retired as of the 2004-2005 school year

<sup>2</sup>Playground aides only. Teachers monitor lunch periods

**Table 3-7** illustrates that the peer aides are responsible for a significantly higher number of students per aide than SSLCSD. SSLCSD had 17 individuals serving as noon aides, where the peers averaged 5, with 2 aides per school building. In contrast, the District employs 4 aides per building. To be comparable with the peers on a per building basis, SSLCSD should reduce up to eight noon aides.

*Financial Implication:* At an average salary of \$2,697 per year, reducing eight noon aides would save the District approximately \$21,000. These positions do not receive benefits.

**R3.5 The District should share staff across departments and reduce 3.0 FTE clerical staff to bring itself more in line with the peer average of District personnel to clerical personnel.**

**Table 3-8** compares the staffing levels of clerical personnel at SSLCSD with the peer districts' staffing levels for FY 2003-04. The staffing levels are illustrated in terms of FTEs.

**Table 3-8: Clerical Staffing Comparison**

	SSLCSD	Avon LSD	Genoa Area LSD	Tallmadge CSD	Peer Average
<b>Total Clerical Personnel in Administration<sup>1</sup></b>	6.0	5.4	4.0	6.6	<b>5.3</b>
<b>Total Administrative Personnel</b>	11.0	12.0	10.0	17.7	<b>12.9</b>
<b>Total Administrative Personnel to Clerical Personnel</b>	1.8	2.2	2.5	2.7	<b>2.4</b>
<b>Total District Personnel<sup>2</sup></b>	204.3	230.1	159.0	301.1	<b>230.1</b>
<b>Total Clerical Personnel</b>	15.0	13.3	6.9	20.8	13.7
<b>Total District Personnel to Clerical Personnel</b>	13.6	17.3	23.0	14.5	<b>16.8</b>
<b>Total ADM</b>	2,024	2,422	1,716	2,736	<b>2,291</b>
<b>Total ADM to Clerical Personnel</b>	134.9	182.1	248.7	131.5	<b>167.2</b>
<b>Number of School Buildings</b>	6	5	4	5	<b>4.7</b>
<b>Total Clerical Personnel per Building</b>	2.5	2.7	1.7	4.1	<b>2.9</b>

Source: SSLCSD and peer EMIS reports.

<sup>1</sup> Includes individuals classified as bookkeeping, clerical, records managing and other office / clerical.

<sup>2</sup> Does not include clerical personnel

SSLCSD's total clerical staff is higher than the peer average, and there is more clerical staff to total personnel. However, the District has more school buildings than the peers, and the number of clerical staff per building is lower than the peer average. Nevertheless, the District can reduce 3.0 FTE clerical personnel in order to be comparable to the peer average ratios of District personnel to clerical FTE and ADM to clerical FTE. This reduction would amount to 2.0 FTE clerical personnel per building. SSLCSD may be

able to achieve these reductions and increase efficiency by combining job duties for some of its clerical positions, and sharing more clerical staff across departments and schools.

*Financial Implication:* SSLCSD could save approximately \$113,000 by reducing 3.0 FTEs from the clerical classification, assuming an average salary of \$28,537 per clerk and benefits equal to 32.8 percent of annual salaries.

## Salaries

**R3.6 SSLCSD should restructure its step schedule for classified positions. SSLCSD should periodically review salaries to determine the appropriateness of current salary schedules and make any necessary adjustments, particularly within the office/clerical, custodial, and transportation classifications.**

**Table 3-9** compares the average salaries within each classification group at SSLCSD with the peers.

**Table 3-9: Average Salary by EMIS Classification**

	SSLCSD	Avon LSD	Genoa Area LSD	Tallmadge CSD	Peer Average
<b>Administration</b>	\$71,068	\$68,491	\$55,392	\$68,141	<b>\$64,656</b>
<b>Prof. Education</b>	\$45,591	\$43,965	\$45,950	\$49,219	<b>\$46,378</b>
<b>Prof. Other</b>	\$37,324	\$39,496	\$44,334	\$47,103	<b>\$43,729</b>
<b>Technical</b>	\$27,368	\$20,412	\$15,886	\$19,550	<b>\$19,699</b>
<b>Office / Clerical</b>	\$28,537	\$21,459	\$33,350	\$18,101	<b>\$24,303</b>
<b>Crafts / Trades</b>	\$36,755	\$28,369	\$39,491	\$40,032	<b>\$35,964</b>
<b>Transportation</b>	\$25,387	\$11,106	\$13,322	\$19,854	<b>\$14,599</b>
<b>Custodians</b>	\$29,030	\$16,076	\$26,895	\$29,584	<b>\$25,365</b>
<b>Food Service</b>	\$11,794	\$16,736	\$30,436	\$15,130	<b>\$12,472</b>
<b>Service Other</b>	\$15,231	\$8,111	\$3,119	\$13,388	<b>\$4,774</b>
<b>Totals</b>	<b>\$38,276</b>	<b>\$34,702</b>	<b>\$28,423</b>	<b>\$40,560</b>	<b>\$35,244</b>

**Source:** FY 2003-04 EMIS staff summary report for SSLCSD and peer districts.

As illustrated in **Table 3-9**, SSLCSD's average salaries are higher than the peer average in every category, except Professional Education, Professional Other and Food Service. Overall, the District's average salaries are 8.6 percent higher than the peer average, while transportation is 73.9 percent higher. **Table 3-10** compares hourly rates and step schedules for clerical/secretaries, cleaners, custodians and bus drivers at SSLCSD and the peer school districts.



**Table 3-10: FY 2003-04 Salary Schedules for Select Positions**

	SSLCSD	Avon LSD	Genoa Area LSD	Tallmadge CSD	Peer Average
<b>Clerical / Secretaries</b>					
Starting Salary	\$12.23	\$11.10	\$12.15	\$9.89	<b>\$11.05</b>
Maximum Step Salary	\$15.90	\$16.13	\$12.91	\$12.31	<b>\$13.79</b>
Year of Maximum Step	21 years	25 years	5 years	10 years	<b>13 years</b>
<b>Cleaners / Housekeepers</b>					
Starting Salary	\$10.51	\$10.07	\$9.45	N/A	<b>\$9.76</b>
Maximum Step Salary	\$14.05	\$13.92	\$11.96	N/A	<b>\$12.94</b>
Year of Maximum Step	21 years	25 years	5 years	N/A	<b>15 years</b>
<b>Custodian</b>					
Starting Salary	\$13.40	\$12.32	\$12.02	\$13.48	<b>\$12.61</b>
Maximum Step Salary	\$17.01	\$16.94	\$13.72	\$15.10	<b>\$15.25</b>
Year of Maximum Step	21 years	25 years	5 years	10 years	<b>13 years</b>
<b>Bus Driver</b>					
Starting Salary	\$13.53	\$13.40	\$12.02	\$14.29	<b>\$13.24</b>
Maximum Step Salary	\$17.18	\$18.44	\$14.76	N/A	<b>\$16.60</b>
Year of Maximum Step	21 years	25 years	5 years	N/A	<b>15 years</b>

**Source:** SSLCSD and peer classified collective bargaining agreements

**Note:** Salary schedules for technical and service-other positions are not included because they are not contained in SSLCSD's and the peers' classified collective bargaining agreements

SSLCSD has the highest starting hourly rates for these positions. In addition, the District has the highest maximum salary for cleaners/housekeepers and custodians, and the second highest maximum salary for clerical/secretaries and bus drivers. The higher step schedules contribute to higher average salaries and higher overall costs for custodial and transportation employees at the District (see **facilities** and **transportation** sections).

During future salary negotiations, SSLCSD should attempt to negotiate a new salary schedule for classified employees who begin their employment after the current fiscal year. Based on the peer averages, the District could eventually achieve classified salary levels comparable with the peers by implementing a salary schedule for new employees that reduces each step in the current pay schedules from 25 cents to \$1.00 depending on the salary for starting positions, and upwards to a \$2.00 reduction for the maximum step. As a revised pay schedule would only impact new employees, SSLCSD should recognize that salary expenditure levels would not immediately decrease. Rather, the District's yearly cost avoidance would depend on the number of classified employees who choose to leave their positions, as well as the number of new classified employees hired.

Of the District's classified employees, 71 percent have been employed by the District for over five years. However, the classifications with the highest salaries- Office/Clerical, Transportation, and Custodians – have more than half of the employees at the maximum steps, thereby contributing to the higher salaries in these classifications.

The likely savings from renegotiating the classified step schedules during the five-year forecasted period will be minimal due to hiring freezes and staffing reductions attributed to the District's current financial condition. Also, as shown in **Table 3-11**, only six classified employees will be eligible for retirement over the next five years. Although administration positions do not have a salary step schedule, granting lump sum payments rather than COLA increases could bring their average salaries more in line with the peers (see **R3.8**).

**R3.7 SSLCSD should continue to monitor the number of employees eligible for retirement and the impact that will have on SSLCSD's personnel costs. Further, when an employee does retire, the District should replace that position at the lowest step or starting salary.**

Approximately 45 employees will eligible for retirement based on age or years of service over the next five years. Of those employees, 76 percent are certified employees. Therefore, the District could expect the retirement of nearly 21 percent of its workforce within the next five years, and SSLCSD can hire the replacement employees at a starting salary comparable to surrounding and peer districts (see **R3.6**). In addition, 16 employees will reach 35 years of service during the forecast period.

The State Teachers Retirement System (STRS) provides health care subsidies for its members that retire after 30 years of service. This is also the first year of eligibility for the retirement incentive specified in the current bargaining agreement. However, employees in the STRS system may wait until 35 years of service before retiring in order receive the highest percentage of their final salary. **Table 3-11** illustrates SSLCSD employees eligible for retirement based on 35 years of service during the five-year forecast period, and assumes these employees will be replaced with individuals at the bottom of the respective step schedule.

**Table 3-11: Savings of Replacing Employees Eligible for Retirement**

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	Total
<b>Total Certificated Eligible</b>	2	1	1	4	2	<b>10</b>
<b>Total Classified Eligible</b>	1	1	1	0	0	<b>6</b>
<b>Estimated Salary and Benefits Savings</b>	\$86,333	\$42,055	\$43,781	\$155,664	\$77,832	<b>\$ 405,665</b>
<b>Annual Impact of Replacement Employees' COLA and Step Increases</b>	\$0	\$(3,871)	\$(9,619)	\$(16,952)	\$(31,394)	
<b>Total Cumulative Savings</b>	<b>\$86,333</b>	<b>\$124,517</b>	<b>\$162,550</b>	<b>\$310,881</b>	<b>\$374,271</b>	

**Source:** SSLCSD Treasurer and collective bargaining agreements.

**Note:** Sick leave payouts are excluded in **Table 3-11** because the number of individuals assumed to retire annually does not exceed the amount in FY 2003-04 (5 individuals), which is used as the base year in the treasurer's projections. Therefore, sick leave payout costs are already assumed in the District's five year forecast.

**Table 3-11** demonstrates the cost savings associated with replacement employees who are retiring with employees at the starting salary levels. **Table 3-11** does not include employees that are eligible to retire at the first year of eligibility or due to their age, so there is also the potential for additional savings. Furthermore, **Table 3-11** illustrates savings as one-time cost savings in the year of the individual's retirement. While these salary and benefit savings will continue into the future, they will decrease in each following year as these less tenured individuals receive step and COLA increases. Coupled with a revised pay scale, the District could experience a reduction of average salaries over the next five years.

*Financial Implication:* The District is not projecting the impact of replacing retiring employees during the forecast period (see **financial systems**). Therefore, the District would realize a cumulative cost savings of approximately \$374,000 by FY 2008-09 if all eligible employees retire at 35 years of service and are replaced with entry level employees.

**R3.8 SSLCSD should seek to control and limit salary increases in future contract negotiations. The District should also consider lump sum payments rather than COLAs. This would allow the District to improve its financial condition and still provide some level of additional compensation to its employees.**

As the revised pay scale would be instituted for classified employees who begin their employment with the District after June 30, 2005, additional action is required to lower salary expenditures for employees. In light of the District's financial situation, the Board of Education and the collective bargaining units have agreed not to implement a COLA increase for both the certificated and classified employees in FY 2004-05. Based on considerable deficits projected in the **financial systems** section, SSLCSD has not forecasted any COLAS for its employees through FY 2007-08. However, the District has not formally negotiated 0.0 percent COLAS for any year beyond FY 2004-05. SSLCSD administration also indicated that the collective bargaining units will most likely not agree to such terms for each remaining year of the forecast.

In FY 2001-02, Bright Local School District (Bright LSD) was faced with a similar situation and achieved a compromise that may also be appropriate for SSLCSD. Bright LSD and its certified bargaining unit agreed to provide an annual lump sum payment equal to a fixed percentage of the employees' prior year salaries, rather than increasing base salaries via a COLA. Since lump sum payments do not increase base salaries, a district could realize savings in future years. This solution allowed Bright LSD to recognize employee's needs for additional compensation while at the same time working to improve its financial standing.

**Table 3-12** shows the salary and benefit projections if the District negotiated lump sum payments of 1.0 percent in FY 2004-05, FY 2005-06 and FY 2006-07, and 2.0 percent in FY 2007-08 and FY 2008-09. The annual lump sum payments are calculated based on the prior years' salaries. **Table 3-12** also shows the potential savings by negotiating these lump sum payment amounts as compared to the AOS revised baseline projections for salaries and benefits. As shown in **Table 2-5** of the **financial systems** section, the baseline salary projections of the forecast have been updated to include a more reasonable assumption for classified step increases and annual COLAs of 2.75 percent. The collective bargaining units negotiated a tentative 2.75 percent COLA with the District at the end of the current contracts.

**Table 3-12: Difference between AOS Revised Salary Projections and Lump Sum Salary Projections**

	Projected FY 2004-05	Projected FY 2005-06	Projected FY 2006-07	Projected FY 2007-08	Projected FY 2008-09
<b>Lump Sum Salary Projections</b>	\$10,131,556	\$10,409,578	\$10,713,796	\$11,115,519	\$11,532,954
<b>Lump Sum Retirement &amp; Benefit Calculations</b>	\$3,840,146	\$4,140,796	\$4,476,417	\$4,861,737	\$5,288,275
<b>Total</b>	<b>\$13,971,702</b>	<b>\$14,550,373</b>	<b>\$15,190,213</b>	<b>\$15,977,256</b>	<b>\$16,821,229</b>
<b>Difference from AOS Revised Baseline Personal Service Projections</b>	\$78,513 <sup>1</sup>	\$285,628	\$510,754	\$635,687	\$774,652
<b>Cumulative Difference from AOS Revised Forecast Amounts</b>	<b>\$78,513</b>	<b>\$364,140</b>	<b>\$874,894</b>	<b>\$1,510,581</b>	<b>\$2,285,234</b>

Source: AOS Financial Systems Forecast Analysis

<sup>1</sup> The certificated employee's contract with the 0 percent COLA expires in February 2005, but the District must decide in November if it will grant the 2.75% COLA effective January 1, 2005. Therefore, the lump sum payment is calculated at 0.5% for 04-05 for the certificated staff (1/2 year). The classified staff only get step increases during 04-05.

**Table 3-12** indicates that providing lump sum payments rather than COLA payments can result in a potential cost avoidance of approximately \$2.3 million over the next five years, based on AOS revised salary cost projections for the District.

The District has several options to reduce overall salaries such as lowering the classified step schedule, encouraging the retirement of eligible employees, and limiting COLAs or negotiating lump sum payments. Whatever methods are used will help SSLCSD improve its financial condition.

*Financial Implications:* If the District negotiated lump sum payments of 1.0 percent for FY 2004-05, 1.0 percent for FY 2005-06, and 2.0 percent thereafter, rather than COLAs, it could experience a cost avoidance of approximately \$2.3 million over the next five years.

### *Health Care Costs*

**R3.9 SSLCSD should negotiate to require all full-time employees to pay 10 percent of their health care premiums, especially administrators who are currently not contributing. Furthermore, the District should monitor its reserves to ensure that it has adequate funds to cover the premiums.**

SSLCSD does not require all full-time employees to contribute toward their health insurance premiums. Newly hired (since July 1998) classified and certified employees must pay 10 percent of their insurance costs, and part-time employees pay 50 percent to 100 percent of the premium depending on the hours worked. Only 40 percent of the staff contributed towards their healthcare premiums during the 2003-2004 school year.

**Table 3-13** compares the FY 2003-04 health insurance monthly premiums for SSLCSD, the peer districts, and the State Employment Relations Board (SERB) averages for like-sized school districts.

**Table 3-13: Healthcare Insurance Premium Comparison for FY 2003-04**

School District	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
SSLCSO	Lake Erie Council Employee Plan	\$215.81	\$0-\$21.58 <sup>1</sup>	\$571.90	\$0-\$57.19 <sup>1</sup>
Avon LSD	4 Health Co-OP	\$233.64	At 5%: \$11.68 <sup>2</sup> At 10%: \$23.36 At 15%: \$35.05 (Average: \$23.36)	\$619.14	At 5%: \$30.96 <sup>2</sup> At 10%: 61.91 At 15%: \$92.87 (Average: \$ 61.91)
Genoa Area LSD	Plan B- Super Med Classic	\$262.00	\$24.00 <sup>3</sup>	\$649.00	\$52.80 <sup>3</sup>
	Option 4- Super Med Select ((\$269 average)	\$276.00	\$24.00 <sup>3</sup>	\$682.00 ((\$662 average)	\$52.80 <sup>3</sup>
Tallmadge CSD	Self-insured	\$306.32	\$0	\$766.98	\$0
<b>Peer Average</b>	<b>N/A</b>	<b>\$269.65</b>	<b>\$15.79</b>	<b>\$682.71</b>	<b>\$38.24</b>
<b>2003 SERB School District Average (1,000-2,449 students)</b>	N/A	\$340.93	\$23.03	\$822.05	\$77.75
<b>SERB Cleveland Regional Average</b>	N/A	\$299.37	\$14.09	\$772.08	\$39.14

**Source:** School districts and negotiated agreements

<sup>1</sup> Fulltime classified staff hired after July 1998 are required to contribute 10% to the cost of healthcare

<sup>2</sup> The percentage is determined based on the number of hours worked by the employee or whether it is a new employee, and is outlined in the collective bargaining agreement.

<sup>3</sup> This amount is based on a full-time employee who works 40 hrs/week, with a contribution of 20 percent for hospitalization. Employees working less than 40 hrs/week must pay between 25 percent to all the cost of hospitalization depending on the hours worked per week.

As seen in **Table 3-13**, SSLCSO's premiums are lower than two of the peers and the SERB average for like-size districts. While SSLCSO requires some of its staff to contribute 10 percent towards healthcare premiums, SERB's *2003 Report on Healthcare Costs* finds that public employees' average monthly contributions are approximately 11.2 percent for single coverage and 12.6 percent for family coverage. It was indicated that the District has attempted to have all staff contribute to healthcare premiums, but other labor contract concessions such as 0.0 percent COLAs, may be difficult to negotiate. Therefore, the District has not stressed having all employees contribute due to this concession. However, the District is planning to request 10 percent contributions for all employees during the next negotiations, and the administrative staff can be required to pay 10 percent no matter what happens in the negotiations.

By not requiring all staff to contribute 10 percent towards the cost of healthcare, SSLCSD is not able to realize additional cost savings especially when faced with its current financial condition. This is increasingly important in light of the proposed increase in the healthcare premium for the next school year. While the District's healthcare premiums are currently lower than peer districts and SERB standards, the District will have a 24 percent increase in its healthcare premiums for the 2004-2005 school year due to an increase in catastrophic claims.

While the peers are expected to experience significant increases in health care insurance costs due to an increase in catastrophic claims and additional prescription coverage, the District's premium costs are expected to remain less than or comparable to the peers. SSLCSD has effectively limited healthcare costs by administrating its own healthcare insurance within the framework of the Lake Erie Regional Council Employee Protection Plan (LERC), and it has been able to provide generally better benefits than its peers (see **R3.10**). However, the anticipated premium increases illustrate the importance of continued efforts to mitigate them via employee contributions.

**Table 3-14** illustrates the dental premiums for SSLCSD and the peers.

**Table 3-14: Dental Premiums**

School District	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
SSLCSD	\$25.25	\$0	\$66.91	\$0
Avon LSD	\$28.08	\$0	\$28.08	\$0
Genoa Area LSD	\$15.00	\$0	\$47.00	\$0
Tallmadge CSD	\$36.50	\$0	\$91.20	\$0
Peer Average	\$26.52	\$0	\$55.43	N/A
2003 SERB average	\$34.42	N/A	\$65.31	N/A

Source: SSLCSD and peer Treasurer Offices and SERB

**Table 3-15** illustrates that SSLCSD's monthly dental insurance premiums for a single employee is lower than all the peers, while the family monthly dental insurance premium is higher than two of the peers, the peer average, and slightly higher than the SERB standard. In addition, SSLCSD requires no employee contributions to the dental insurance coverage. Benefits offered as a component of dental insurance may impact the cost of the plan (see **R3.10**).

*Financial implication:* By requiring all staff to contribute 10 percent towards their healthcare, the District could realize a cost savings of \$90,600 for the next school year based on July 2004 premiums. The savings would be \$10,700 if only the administrative staff began contributing.

**R3.10** SSLCSD should continue to monitor benefits in the event health insurance premiums further increase. Specifically, it could increase medical co-pays, out-of-pocket maximums, and deductibles, which also may impact premium levels in the District. SSLCSD could also explore renegotiating the commission paid to the insurance providers. The District should also consider increasing the annual deductible and decreasing the maximums for Class 1, 2 and 3 dental coverage.

**Table 3-15** illustrates the health care plan benefits provided to SSLCSD and the peers' employees.



**Table 3-15: Key Medical Plan Benefits**

	SSLCS D	Avon LSD	Genoa Area LSD		Tallmadge CSD
<b>Health Plan</b>	Lake Erie Regional Council Employee Protection Plan	4-Health Co-op	POS Network Medical Mutual	PPO Network Medical Mutual	Self-insured PPO
<b>Office Visits</b>	Certified: \$5 Classified: N/A	5% network/ 15% non-network	\$10 Co-Payment/ \$10, plus 50% coverage non-network	Not specified	Not specified
<b>Prescription Plan</b>	Yes	Yes	Yes	Yes	Yes
<b>Cost</b>	Certified \$5- \$15 co-pay Classified: \$2 -\$5 co-pay	10% of cost of generic, formulary brand, and non-formulary brand name drugs	Not specified	Not specified	10% cost of generics and \$25 for brand names
<b>Mail Order</b>	Yes	None	Not specified	Not specified	No
<b>Employee Annual Deductible</b>	Certified: Network \$75S/\$125F non network \$150S/\$250F Classified: Network \$50S/ \$100F Non-network \$150S/\$250F	\$500 S/\$100 F	\$200 for non-authorized patient admission	\$200 S/\$400	\$100S/200F
<b>Employee Out of Pocket Maximum</b>	Certified: \$325S/\$375F Classified: N/A	\$1,000 network /\$1,000 non-network	Not Specified	Not Specified	\$500S/1,000F network/ \$900S/\$1,800 non-network
<b>Maternity</b>	Certified: 90% coverage Classified: 100%	100% network/ Non-network after Deductible	100% network/ 50% non-network	90%/80% and co insurance limit \$500S/ 1,000 F	Not Specified
<b>Well Child Care</b>	Certified:N/A Classified: 100%	95% network/ 85% non-network	\$10 co-pay network/ not covered non-network	Up to \$750	\$150-\$650 network and non-network
<b>Inpatient Hospital Care</b>	Certified: 90% network/ 80% non-network Classified: 100%	100% network/85% non-network	100% network/50% non-network	90%/80% and co insurance limit \$500S/ 1,000 F	90% network/80% non-network
<b>Maximum Lifetime Benefit Amount</b>	Certified: \$1,000,000 Classified: \$250,000	\$1,250,000	\$2,500,000	\$2,500,000	\$2,000,000

Source: Healthcare booklets and collective bargaining agreements for SSLCS D and Peers

As indicated in **Table 3-15**, the level of some benefits offered at SSLCS D are comparable to the peer districts. However, office visits, prescription plan costs, annual deductibles and employee out-of-pocket expenses are more generous than those offered by peer districts. The differences in SSLCS D’s benefits compared to the peer districts’ are explained below:

- **Office Visits-** SSLCSD’s staff pay \$5 towards co-payment for office visits, while Genoa pays \$10 and Avon pays 5 percent of the cost of office visits within the network.
- **Prescription Plan-** SSLCSD staff pays \$2 to \$15 dollars for prescriptions. However, Avon requires staff to pay 5 percent of the cost of prescriptions, and Tallmadge requires staff to pay 10 percent of the cost of generic prescriptions and \$25 for brand name prescriptions.
- **Employee Annual Deductible-** SSLCSD’s network deductible for both certified and classified staff is lower than all the peers.
- **Employee Out of Pocket-** SSLCSD’s maximum out-of-pocket costs for certified staff are lower than both Avon and Tallmadge.

While the higher benefits could contribute to increasing health premiums, the District has taken steps to address its benefits package. On March 3, 2004 the certified staff negotiated for a new health plan which resulted in increases in co-pays and adjustments to out-of-pocket costs. However, additional adjustments are possible which could lead to cost savings for the District. Further, the District could consider renegotiating the commission earned by the health insurance provider as a means to control costs.

Table 3-16 illustrates the dental benefits established at SSLCSD and the peer districts.

**Table 3-16: Dental Benefit Premiums**

Description	SSLCSD	Avon LSD	Genoa Area LSD	Tallmadge CSD
Maximum Benefit each calendar year for class 1,2, and 3	\$2,500	\$1,000	\$1,000	\$2,500
Lifetime Maximum for Orthodontic services per person	\$850	\$1500	\$1000	\$2,000 \$1,500 \$1,000 <sup>1</sup>
Annual Deductible	\$25.00S \$50.00F	\$25.00S \$75.00F	\$50.00S \$100.00F	\$50.00S \$100.00F
Percentages for Dental Procedures				
Class 1- Preventative and Diagnostic	100%	100%	100%	100%
Class 2- Basic Restoration	80%	70%	80%	80%
Class 3- Major Restoration	60%	60%	50%	80%
Class 4- Orthodontia	60%	50%	60%	60%

Source: Dental plan booklets for SSLCSD and Peers

<sup>1</sup>Lifetime maximum is contingent on when the employee was hired.

**Table 3-16** indicates that SSLCSD's maximum annual dental benefits are higher, and annual deductibles are lower than Avon LSD and Genoa Area LSD. This could contribute to SSLCSD's dental premiums for family coverage being higher than these two peer districts (see **Table 3-14**). By negotiating comparable dental benefits, the District could realize a cost savings.

### *Collective Bargaining Units*

**R3.11 SSLCSD should negotiate a reduction in the number of professional leave days from five days to two days for certified employees. Further, the District should monitor the amount of professional leave taken by employees so that it does not exceed the maximum amount indicated within the collective bargaining agreement.**

As shown in **Table 3-3**, the SSLCSD certified employees are permitted to attend five days of professional conferences or seminars per year. Compared with the peers, that benefit appears generous and SSLCSD should consider reducing the number of days per certificated staff person from five days to two days, similar to Genoa Area LSD. Although funds for professional leave at SSLCSD come from Federal Title II and Title V funding, the savings would come from the cost of employing substitute teachers to cover for the time that teachers are absent. Currently, substitute teachers make \$100 per day.

In addition to the five-day benefit in the negotiated agreement, SSLCSD does not appear to enforce the number of days used since 20 out of 117 employees used more than five days, and some used as many as 20 days. In the 2003-2004 school year, certified staff used a total of 363.5 professional days for an average of 3.1 days per employee. The amount of extra days allowed per employee using the professional leave in the 2003-2004 school year totaled 72.5 days. SSLCSD should consider reducing and enforcing the amount of professional leave.

*Financial Implication:* If SSLCSD could reduce the number of professional leave days for certified personnel from five days to two days, and the District could save approximately \$13,000 in substitute costs which are drawn from the General fund.

## Financial Implications Summary

The following tables summarize the estimated cost savings and avoidances for this section. The financial implications are divided into two groups: those that are, and those that are not, subject to negotiations. Implementation of those recommendations subject to negotiations would require agreement from the affected bargaining units.

### Recommendations Not Subject to Negotiation

Recommendations	Estimated Annual Cost Savings	Estimated Cumulative Cost Savings
<b>R3.1 Reduce up to 18 regular education teachers</b>	\$902,000	
<b>R3.3 Reduce five ESP personnel</b>	\$236,000	
<b>R3.4 Reduce eight noon aides</b>	\$21,000	
<b>R3.5 Reduce three clerical personnel</b>	\$113,000	
<b>R3.7 Replace retiring staff with entry level employees</b>		\$374,000
<b>R3.9 Implement 10% contribution towards health insurance for administrators</b>	\$10,700	
<b>Total</b>	<b>\$ 1,282,700</b>	<b>\$374,000</b>

### Recommendations Subject to Negotiation

Recommendations	Estimated Annual Cost Savings	Estimated Total Cost Avoidance
<b>R3.8 Implement lump sum payments instead of COLAs</b>		\$2,285,000
<b>R3.9 Implement 10% contribution towards health insurance for all employees (less administrators)</b>	\$79,900	
<b>R3.11 Reduce certificated professional leave from five to two years</b>	\$13,000	
<b>Total</b>	<b>\$ 526,900</b>	<b>\$2,285,000</b>

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# Facilities

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## Background

The facilities section focuses on custodial and maintenance operations in the Sheffield-Sheffield Lake City School District (Sheffield-Sheffield Lake CSD, SSLCSD, or the District). This analysis evaluates the District's operations using best practice and operational standards from American School & University (AS&U) and peer school districts.

### *Organization Structure and Function*

Sheffield-Sheffield Lake CSD consists of six schools: four elementary schools, one middle school, and one high school. Of the four elementary schools, one contains preschool and first grade, one school includes grades 2-3, and two elementary schools house grades 4-5. The middle school contains grades 6-8, while the high school houses grades 9-12. The custodial and maintenance departments are responsible for the operation and upkeep of the facilities.

The goal of the custodial staff is to provide the students with a safe, attractive, and clean place in which to learn and play. Day custodians typically receive their duties from the school principal. The custodial staff is responsible for opening, closing, and cleaning the buildings, and consists of 13.6 Full Time Equivalents (FTE). During days when school is in session and it is not possible to enter classrooms to clean, the day custodians maintain common areas; perform minor maintenance; maintain grounds, including mowing and trimming; and perform other duties as assigned. Evening custodians and cleaners, who are responsible for cleaning classrooms, report to the head custodian and operations manager. During the winter, the custodial staff removes the snow and ice from the walkways.

The number of custodians assigned to individual school buildings ranges from 1.7 to 4.0 FTEs, with 0.3 FTE assigned to the administration building. Each of the four elementary schools has a full-time day custodian and one or two, part-time or full-time evening cleaners. The middle school has one day shift head custodian, one full-time evening custodian, and one full-time evening cleaner. The high school has one day shift head custodian, one full-time evening custodian, and two full-time evening cleaners.

The maintenance staff reports to the operations manager, who orders all maintenance and custodial supplies. Snow removal from large areas, such as parking lots, is performed by the maintenance employees and high school head custodian. The maintenance staff, which consists of 2.0 FTEs, delivers supplies, moves equipment, performs routine maintenance, and completes emergency repairs.

**Table 4-1** illustrates the custodial and maintenance staffing levels, and the number of FTEs responsible for maintenance and custodial operations for Sheffield-Sheffield Lake CSD's facilities.

**Table 4-1: Number of Positions and Full-Time Equivalents for FY 2003-04**

Classification	Total Number of Positions	Number of Full-time Equivalents
Operations Manager	1	0.8
<b>Total Administration</b>	<b>1</b>	<b>0.8</b>
Head Custodian	2	2.0
Custodian	6	6.0
Cleaner	9	5.6
<b>Total Custodial</b>	<b>17</b>	<b>13.6</b>
Grounds Custodian	1	0.6
<b>Total Grounds</b>	<b>1</b>	<b>0.6</b>
Maintenance Repairman	2	2.0
<b>Total Maintenance</b>	<b>2</b>	<b>2.0</b>
<b>Total</b>	<b>21</b>	<b>17.0</b>

Source: Sheffield-Sheffield Lake CSD

The cleaner and total custodial FTEs include the 0.3 FTE responsible for the administration building. For purposes of the custodial staffing analysis, 13.3 FTEs will be used, unless otherwise noted.

### *Key Statistics*

Key statistics related to the maintenance and operation (M&O) of Sheffield-Sheffield Lake CSD are presented in **Table 4-2**. In addition, results from the 33<sup>rd</sup> Annual American School & University (AS&U) Maintenance & Operations Cost Study, which was released in April 2004, are included in **Table 4-2** and throughout the facilities section of the report. AS&U conducted a detailed survey of chief business officials at public school districts across the nation to gather information regarding staffing levels, expenditures and salaries for maintenance and custodial workers. This year's report provides the median number for each category on a national level and by district enrollment.

According to the 33<sup>rd</sup> Annual AS&U study, school districts are continuing to hover around historic lows on the percentage of spending for maintenance and operations. "While indoor environmental quality and cleanliness of schools have received more attention, adequate funding to provide effective M&O services remains elusive." The low allocation of resources to M&O is a "stark reminder of how difficult it continues to be to upkeep and operate America's aging education infrastructure on a shoestring budget."

**Table 4-2: Key Statistics and Indicators**

<b>Number of School Buildings</b>	<b>6</b>
- Elementary Schools	4
- Middle School	1
- High School	1
<b>Total Square Feet Maintained</b>	<b>254,142<sup>1</sup></b>
- Elementary Schools	107,107
- Middle School	62,686
- High School	84,349
<b>Square Feet Per FTE Custodial Staff Member (13.3)<sup>2</sup></b>	<b>19,065</b>
- Elementary School (6.3)	16,921
- Middle School (3.0)	20,895
- High School (4.0)	21,087
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey (1,000 - 3,499) Students Median</b>	<b>23,215</b>
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey National Median</b>	<b>23,787</b>
<b>Peer District Average</b>	<b>25,264</b>
<b>Square Feet Per FTE Maintenance Staff Member (2.00)</b>	<b>137,471</b>
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey (1,000 - 3,499) Students Median</b>	<b>100,000</b>
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey National Median</b>	<b>90,757</b>
<b>Peer District Average</b>	<b>221,839</b>
<b>FY 2003-04 Maintenance and Operations Expenditures Per Square Foot<sup>3</sup></b>	<b>\$5.52</b>
- Custodial and Maintenance	\$3.41
- Utilities	\$2.11
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey (1,000 - 3,499) Students Median</b>	<b>\$3.78</b>
<b>AS&amp;U 33<sup>rd</sup> Annual Cost Survey National Median</b>	<b>\$3.84</b>
<b>Peer District Average</b>	<b>\$4.62</b>

**Source:** Sheffield-Sheffield Lake CSD and peer districts; AS&U 33<sup>rd</sup> Annual Maintenance and Operations Study

<sup>1</sup> This figure excludes the administration building square footage of 9,400. The maintenance staff is responsible for 274,942 square feet, which includes the bus garage, press box, and field house.

<sup>2</sup> Excludes the 0.31 FTE responsible for cleaning the administration building

<sup>3</sup> Total all funds expenditures per square foot

As illustrated in **Table 4-2**, SSLCSD's square footage per custodial FTE is lower than the AS&U national median and median for similar-sized districts, as well as the peer average (see **R4.1**). Although the District's maintenance square footage per FTE is lower than the peer average, it is higher than the AS&U national median and median for similar-sized school districts. Additionally, SSLCSD's total expenditures per square foot are significantly higher than the AS&U national median for similar-sized districts and the peer average.

### *Financial Data*

**Table 4-3** illustrates the total expenditures used to maintain and operate Sheffield-Sheffield Lake CSD's facilities for FY 2001-02, FY 2003-03, and FY 2003-04.

**Table 4-3: Maintenance and Operations Expenditures**

Functions	FY 2001-02 Total	FY 2002-03 Total	FY 2001-02 to FY 2002-03 Percent Change	FY 2003-04 Total	FY 2002-03 to FY 2003-04 Percent Change
Salaries	\$580,894	\$557,437	(4.0%)	\$551,326	(1.1%)
Benefits	\$204,972	\$215,474	5.1%	\$203,486	(5.6%)
Purchased Services	\$346,338	\$410,822	18.6%	\$227,997	(44.5%)
Utilities	\$325,558	\$256,491	(21.2%)	\$340,376	32.7%
Supplies/Materials	\$59,868	\$46,775	(21.9%)	\$57,635	23.2%
Capital Outlay	\$161,489	\$28,704	(82.2%)	\$1,024	(96.4%)
Other	\$15,281	\$920	(94.0%)	\$1,381	50.1%
<b>Total</b>	<b>\$1,694,401</b>	<b>\$1,516,623</b>	<b>(10.5%)</b>	<b>\$1,383,225</b>	<b>(8.8%)</b>

Source: Sheffield-Sheffield Lake CSD Expense Budget Work Sheets

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

- *An 18.6 percent increase in purchased services from FY 2001-02 to FY 2002-03 and a 44.5 percent decrease from FY 2002-03 to FY 2003-04:* In FY 2002-03, damage caused by a wind shear necessitated approximately \$190,000 in roof repairs to Tennyson Elementary School.
- *A 21.2 percent decrease in utilities from FY 2001-02 to FY 2002-03 and a 32.7 percent increase from FY 2002-03 to FY 2003-04:* In FY 2002-03, natural gas charges decreased because the District entered a gas consortium. However, all utility expenditures increased in FY 2003-04 due to rising prices.
- *A 21.9 percent decrease in supplies and materials from FY 2001-02 to FY 2002-03 and a 23.2 percent increase from FY 2002-03 to FY 2003-04:* Grounds and custodial supplies expenditures decreased in FY 2002-03 and then increased in FY 2003-04 as deferred purchases were made.
- *An 82.2 percent decrease in capital outlay from FY 2001-02 to FY 2002-03 and a 96.4 percent decrease from FY 2002-03 to FY 2003-04:* In FY 2001-02, the District charged the purchase of land to this object code, but did not continue charging it to this code in FY 2002-03. Additionally, the District reduced its equipment replacement purchases in FY 2002-03 and did not replace any equipment in FY 2003-04.
- *A 94.0 percent decrease in other objects from FY 2001-02 to FY 2002-03 and a 50.1 percent increase from FY 2002-03 to FY 2003-04:* In FY 2001-02, the District charged liability insurance to this object code, but did not continue charging it to this code in FY 2002-03. Facilities maintenance fees (sewage inspection, boiler certificates, and underground storage tank assessment) increased from FY 2002-03 to FY 2003-04.



Revenue from the General Fund and other funds are used to support the maintenance and operations of Sheffield-Sheffield Lake CSD facilities. As shown in **Table 4-3**, FY 2002-03 expenditures for building operations and expenses, including staff salaries and benefits, supplies and materials, purchased services, utilities, supplies and materials, and capital outlay totaled approximately \$1.5 million. **Table 4-4** compares Sheffield-Sheffield Lake CSD's FY 2002-03 and FY 2003-04 General Fund maintenance and operations expenditures per square foot to the peers and AS&U.

**Table 4-4: General Fund Expenditures per Square Foot**

Expenditures	FY 2003 Sheffield- Sheffield Lake CSD	FY 2004 Sheffield- Sheffield Lake CSD	FY 2003 Avon LSD	FY 2003 Genoa ALSD	FY 2003 Tallmadge CSD	Peer Average	AS&U National Median	AS&U Median for 1,000- 3,499 students
Salaries and Benefits	\$2.06	\$2.07	\$2.10	\$1.97	\$2.29	\$2.12	\$1.84	\$1.90
Purchased Services	\$0.00	\$0.00	\$0.76	\$0.41	\$0.52	\$0.57	\$0.18	\$0.13
Utilities	\$0.00	\$0.00	\$1.41	\$1.10	\$1.05	\$1.19	\$1.16	\$1.18
Supplies/Materials	\$0.00	\$0.00	\$0.18	\$0.28	\$0.25	\$0.24	\$0.32	\$0.31
Capital Outlay	\$0.00	\$0.00	\$0.09	\$0.01	\$0.00	\$0.04	N/A	N/A
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.34	\$0.26
<b>Total</b>	<b>\$2.06</b>	<b>\$2.07</b>	<b>\$4.55</b>	<b>\$3.78</b>	<b>\$4.11</b>	<b>\$4.14</b>	<b>\$3.84</b>	<b>\$3.78</b>

Source: Sheffield-Sheffield Lake CSD and peer district Treasurers' Offices

As shown in **Table 4-4**, Sheffield-Sheffield Lake CSD's General Fund expenditure per square foot for salaries and benefits is lower than the peer average, but higher than the AS&U medians. However, the District and peers use other funding sources, such as the Emergency Levy Fund and Permanent Improvement Fund, for facility operations. **Table 4-5** compares Sheffield-Sheffield Lake CSD's FY 2002-03 and FY 2003-04 all funds maintenance and operations expenditures per square foot to the peers and AS&U.

**Table 4-5: All Funds Expenditures per Square Foot**

Expenditures	FY 2003 Sheffield- Sheffield Lake CSD	FY 2004 Sheffield- Sheffield Lake CSD	FY 2003 Avon LSD	FY 2003 Genoa ALSD	FY 2003 Tallmadge CSD	Peer Average	AS&U National Median	AS&U Median for 1,000- 3,499 students
Salaries and Benefits	\$2.81	\$2.75	\$2.10	\$1.97	\$2.29	\$2.12	\$1.84	\$1.90
Purchased Services	\$1.49	\$0.83	\$0.76	\$0.41	\$0.52	\$0.57	\$0.18	\$0.13
Utilities	\$0.93	\$1.24	\$1.41	\$1.10	\$1.05	\$1.19	\$1.16	\$1.18
Supplies/Materials	\$0.17	\$0.21	\$0.18	\$0.28	\$0.25	\$0.24	\$0.32	\$0.31
Capital Outlay	\$0.10	\$0.00	\$0.09	\$1.70	\$0.00	\$0.60	N/A	N/A
Other	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.34	\$0.26
<b>Total</b>	<b>\$5.52</b>	<b>\$5.03</b>	<b>\$4.54</b>	<b>\$5.46</b>	<b>\$4.21</b>	<b>\$4.72</b>	<b>\$3.84</b>	<b>\$3.78</b>

Source: Sheffield-Sheffield Lake CSD and peer district Treasurers' Offices

Note: The total for Tallmadge CSD is not reflected in the respective line items.

As illustrated in **Table 4-5**, Sheffield-Sheffield Lake CSD's salaries and benefits (see **R4.1**) and purchased services (see **R4.5**) ratios are higher than each of the peers' ratios. Furthermore, they are greater than AS&U national medians. Although utility expenditures per square foot were the

lowest of the peers in FY 2003, they increased 33 percent in FY 2003-04 (see **R4.3**). The District's more generous salary schedule contributes to its higher salaries and benefits expenditures per square foot. Refer to the **human resources** for additional information regarding salaries. However, salaries and benefits and purchased service expenditures per square foot decreased 2.1 and 44.3 percent, respectively, in FY 2003-04. The District's FY 2002-03 supplies and materials expenditures per square foot were the lowest overall. Although supplies and materials per square foot increased in FY 2003-04, they are lower than the peer average and AS&U benchmarks.

### *Assessments Note Yielding Recommendations*

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

- *Building capacity and utilization:* Sheffield-Sheffield Lake CSD's overall building utilization rate of 92.3 percent without modular units and 90.5 percent with modular units renders building reconfiguration unfeasible.
- *Overtime expenditures:* The District's percent of overtime expenditures to total salary expenditures in FY 2002-03 and FY 2003-04 was 0.02 percent and 1.33 percent, respectively. Furthermore, the District has taken measures to reduce the use of overtime by limiting weekend building checks and allowing community groups to use the buildings only when a custodian is already working.
- *Supplies and materials expenditures:* Supplies and materials expenditures per square foot are lower than the peer average and both the AS&U benchmarks (see **Tables 4-4** and **4-5**). Furthermore, the operations manager makes centralized purchases of supplies and materials for maintenance and custodial activities. The District also participates in the Lorain County ESC cooperative and obtains prices directly from vendors, regardless of their involvement with the cooperative.
- *Vacant and leased buildings:* Sheffield-Sheffield Lake CSD does not own any vacant or leased buildings.

## Recommendations

### *Custodial Staffing and Operations*

**R4.1** Sheffield-Sheffield Lake CSD should reduce current custodial staffing by 1.7 FTEs, by reducing positions or hours at Knollwood Elementary, Tennyson Elementary, the middle school, and the high school. In order to implement these staffing reductions, the District should attempt to remove the minimum staffing level requirements from the collective bargaining agreement during future contract negotiations.

Sheffield-Sheffield Lake CSD does not have a formal procedure or formula to determine custodial staffing needs (see **R4.2**). **Table 4-6** illustrates the average square footage maintained by each FTE custodial employee in FY 2003-04 for Sheffield-Sheffield Lake CSD, the peer districts, as well as the AS&U national median and median for similar-sized districts.

**Table 4-6: FY 2003-04 Square Footage per FTE Custodial Employee**

	Square Footage
<b>Sheffield-Sheffield Lake CSD</b>	19,065
<b>Peer Districts</b>	
- Avon LSD	29,182
- Genoa ALSD	23,278
- Tallmadge CSD	23,333
<b>Peer District Average</b>	25,264
<b>Difference</b>	(6,298)
<b>AS&amp;U</b>	
- National Median	23,787
- Median 1,000 – 3,499 Students	23,215
<b>Difference</b>	
- National Median	(4,821)
- Median 1,000 – 3,499 Students	(4,249)

**Source:** Custodial staffing rosters and building inventories

As shown in **Table 4-6**, SSLCSD's custodial staff maintains significantly less square footage per FTE than the peer districts, national median, and median for similar-sized districts. **Table 4-7** further compares Sheffield-Sheffield Lake CSD's school buildings and custodial staff to the peer districts' school buildings and cleaning staffs.

**Table 4-7: Comparison of School Facilities  
and FY 2003-04 FTE Custodial Staff**

Type of Facility	Sheffield-Sheffield Lake CSD	Avon LSD	Genoa ALSD	Tallmadge CSD	Peer Avg	Difference Between SSLCSD and the Peer Avg
<b>Elementary Buildings</b>	4	3	2	3	2.7	1.3
Total Sq. Footage	107,107	156,000	72,500	120,500	116,333	(9,226)
Number of FTE Custodians	6.3	6.0	4.0	6.0	5.3	1.0
Sq. Footage per FTE	16,921	26,000	18,125	20,083	21,403	(4,482)
<b>Middle School Building</b>	1	1	1	1	1	0
Total Sq. Footage	62,686	55,000	61,500	104,000	73,500	(10,814)
Number of FTE Custodians	3.0	2.0	3.0	4.0	3.0	0.00
Sq. Footage per FTE	20,895	27,500	20,500	26,000	24,667	(3,771)
<b>High School Building</b>	1	1	1	1	1	0
Total Sq. Footage	84,349	110,000	75,500	108,000	97,833	(13,484)
Number of FTE Custodians	4.0	3.0	2.0	4.3	3.1	0.9
Sq. Footage per FTE	21,087	36,667	37,750	25,412	33,276	(12,189)
<b>District Total</b>	6	5	4	5	4.7	1.3
Total Sq. Footage	254,142	321,000	209,500	332,500	287,667	(33,525)
Number of FTE Custodians	13.3	11.0	9.0	14.3	11.4	1.9
Sq. Footage per FTE	19,065	29,182	23,278	23,333	25,264	(6,199)

**Source:** SSLCSD and peer districts staff demographics and district building inventories

As indicated in **Table 4-7**, Sheffield-Sheffield Lake CSD is maintaining significantly less square footage per FTE than the peers in all building levels. As a result, SSLCSD could reduce its custodial staffing levels. Two of the elementary buildings have one day custodian and one 4-hour evening cleaner, while another building has one day custodian and two 4-hour evening cleaners. The remaining elementary building has one day custodian and one 8-hour evening cleaner. The middle school has one head day custodian, one evening custodian, and one 8-hour cleaner. The high school has one head day custodian, one evening custodian, and two 8-hour cleaners. To achieve a level comparable to the peer and AS&U averages, the District will need to reduce one night cleaner position and the number of hours worked by three additional cleaners. The SSLCSD custodial staff would still be able to maintain the facilities, despite the reductions, using the proper procedures as defined by the District (see **R4.2**).

**Table 4-8** outlines one way to achieve the proposed staffing reductions, including position and hour reductions.

**Table 4-8: Summary of Custodial Staffing Adjustments**

<b>Building</b>	<b>Current FTE</b>	<b>Proposed FTE</b>	<b>Difference</b>	<b>Description</b>
Barr ES	1.3	1.3	0.0	No change
Forestlawn ES	1.4	1.4	0.0	No change
Knollwood ES	1.7	1.4	(0.3)	Reduce 0.3 FTE, evening cleaner
Tennyson ES	2.0	1.5	(0.5)	Reduce 0.5 FTE, evening cleaner
Middle School	3.0	2.5	(0.5)	Reduce 0.5 FTE, evening cleaner, or reduce 1.0 FTE evening cleaner and reassign 1.0 FTE high school evening cleaner to work four hours at the high school and four hours at the middle school
High School	4.0	3.5	(0.5)	Reduce 0.5 FTE, evening cleaner, or reduce 1.0 FTE evening cleaner and reassign 1.0 FTE middle school evening cleaner to work four hours at the middle school and four hours at the high school
<b>District Total</b>	<b>13.3</b>	<b>11.6</b>	<b>(1.7)</b>	

**Note:** District totals do not sum as a result of rounding.

In an effort to maintain a minimum of one day-time custodial position for opening buildings and emergency needs, the District can make staffing reductions of one evening cleaner position at the elementary level, and the reduction of hours for three evening cleaner positions at the elementary, middle, and high school levels. While the District may realize greater salary and benefit savings if full-time positions were reduced, it would not be able to maintain a custodial presence during all operating hours.

**Table 4-9** compares the current custodial staffing levels, the recommended custodial staffing reductions and the impact of the reductions on the square footage per FTE.

**Table 4-9: Comparison of Current to Recommended Custodial Staffing Levels**

Type of Facility	Current Staffing	Recommended Staffing	Difference in FTEs and Sq. Footage Maintained	Peer Average	Difference Between Recommended Staffing and Peer Average	AS&U National Median	Difference Between SSLCSD and AS&U
<b>Elementary Buildings</b>	4	4		2.7			
Total Sq. Footage	107,107	107,107		226,333			
Number of FTE Custodians	6.3	5.6	(0.8)	5.3	0.3		
Sq. Footage per FTE	16,921	19,570	2,649	21,403	(1,833)	23,787	(4,217)
<b>Middle School Building</b>	1	1		1			
Total Sq. Footage	62,686	62,686		73,500			
Number of FTE Custodians	3.0	2.5	(0.5)	3.0	(0.5)		
Sq. Footage per FTE	20,895	25,074	4,179	24,667	407	23,787	1,287
<b>High School Building</b>	1	1		1			
Total Sq. Footage	84,349	84,349		97,833			
Number of FTE Custodians	4.0	3.5	(0.5)	3.1	0.4		
Sq. Footage per FTE	21,087	24,100	2,293	33,726	(9,626)	23,787	313
<b>District Total</b>	6	6		4.7			
Total Sq. Footage	254,142	254,142		287,667			
Number of FTE Custodians	13.3	11.6	(1.7)	11.4	0.2		
Sq. Footage per FTE	19,065	22,151	3,086	25,264	(3,113)	23,787	(1,636)

Source: SSLCSD and peer districts’ staff demographics and building inventories

Although the square footage per FTE increases at each building level with the proposed reductions, District custodial staff would still be cleaning less square footage per FTE than the peer average at the elementary and high school buildings. Because day custodians are responsible for opening the building, setting up and tearing down lunch, and addressing emergencies, each building retains a full-time day custodian. Furthermore, minimum custodial staffing levels are addressed in the classified collective bargaining agreement and include the following:

- Two head custodians (260 days, 8 hours per day), one at the high school and one at the middle school;
- Six custodians (260 days, 8 hours per day), one at each school;
- Four cleaners (260 days, 8 hours per day);
- One cleaner (260 days, 2.5 hours per day);
- Three cleaners (184 days, 4 hours per day); and
- One cleaner (184 days, 3 hours per day).

The inclusion of minimum custodial staffing levels in the collective bargaining agreement limits the District’s ability to respond to changes in its financial situation and manage its workforce accordingly.

*Financial Implication:* If Sheffield-Sheffield Lake CSD reduces its custodial staff by 1.7 FTEs, the District will save approximately \$64,300 annually in salary and benefit costs, based on the average hourly rate of the cleaners.

**R4.2 Sheffield-Sheffield Lake CSD should formalize custodial procedures to help increase efficiency and productivity, and ensure that tasks are being completed in a timely manner. These procedures should specify the supplies to be used for each job duty, the frequency of job tasks, and appropriate procedures. Additionally, the District should create job schedules for each employee to follow. The schedules should include a brief description of activities, the time allocated for the activities, and the number of square feet for each area.**

Building principals typically assign tasks to the head custodians and day custodians in their respective buildings. However, Sheffield-Sheffield Lake CSD does not have a manual which addresses policies and cleaning procedures. The Association of School Business Officials International publishes the *Custodial Methods and Procedures Manual* (2000), which was designed as a guideline for developing policies and procedures for custodial personnel. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. Additionally, the manual addresses the method for establishing workloads, which includes calculating the time to perform each task based on adopted, applicable time standards and determining total staff hours to complete all tasks. This may prove to be a beneficial resource for the District in developing job schedules and standardizing custodial procedures, especially in times of financial strain and staffing reductions.

### *Utilities*

**R4.3 Sheffield-Sheffield Lake CSD should establish a formal policy outlining energy efficient practices that District staff should follow to help minimize energy costs. This may include practices such as turning off lights and electrical equipment when not in use, and routinely communicating these practices to staff. In addition, the District should consider adjusting the temperature settings for its buildings, when possible, to 68 degrees for heating. Regulating temperatures and limiting significant manual adjustment would help the District further reduce energy costs.**

Sheffield-Sheffield Lake CSD's utility expenditures per square foot in FY 2002-03 were the lowest compared to the peer districts (see **Table 4-5**). The District purchases natural gas through the Lake Erie Regional Council of Governments. Additionally, the District completed several energy conservation measures, such as replacing windows at Tennyson Elementary School, upgrading to energy efficient lighting (electronic ballasts), and contracting with Honeywell for an energy management system with remote boiler control. However, the energy management system can only be accessed via dial-up Internet access and is frequently unavailable. Furthermore, from FY 2002-03 to FY 2003-04, Sheffield-Sheffield Lake CSD's utility expenditures increased 32.7 percent. Finally, the District does not have a formal policy outlining energy efficient practices, including temperature settings.

The *School District Energy Manual*, published by the Association of School Business Officials in 1998, recommends the following energy saving techniques:

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

By implementing these practices, districts may realize considerable savings in utility expenditures. For instance, Rebuild America's Energy Smart Schools program from the U.S. Department of Energy reports that most schools could save 25 percent of high energy costs by implementing energy improvements. Given that electric costs made up 47.7 percent of total utility costs in FY 2003-04, adjusting temperature settings could also reduce costs. Sheffield-Sheffield Lake CSD heats its buildings at 70 degrees, although they may vary in special needs classrooms. The District's buildings have limited air conditioning. Temperatures are controlled by custodians, although individual room temperatures can be manually adjusted in some buildings. The *School District Energy Manual* recommends that temperature settings be centrally controlled, and allow a variance of only one to two degrees for manual adjustments.

According to the *Facility Management Handbook*, published by the American Management Association in 1998, adjusting thermostat settings to 78 degrees for cooling and 68 degrees for heating, similar to the *School District Energy Manual's* recommendations, could reduce electric utility costs by approximately 5.3 percent if there were no other energy management efforts in place. However, since the District has



implemented energy saving measures and has limited cooling, it may not be able to fully realize these savings.

*Financial Implication:* Based on FY 2003-04 electric utility costs of \$162,300, and assuming that the District could reduce costs by 5.3 percent, Sheffield-Sheffield Lake CSD would save approximately \$8,600 per year in electric utility costs by adjusting temperature settings. In addition to adjusting and limiting manual adjustments to temperature settings, the District may be able to realize additional savings in utilities by fully implementing the aforementioned energy management practices. For example, if the District was able to reduce utility costs by 25 percent, it would save approximately \$40,600 annually (including the initial \$8,600) in total utility costs.

### *Facilities Planning*

- R4.4 Sheffield-Sheffield Lake CSD should continue to monitor changes in demographics and land development practices in both the City of Sheffield Lake and Sheffield Village. If there is a significant shift in population growth demographics or a departure from current land development practices, the District should complete, or commission, updated enrollment projections. Doing so would enable SSLCSD to plan for any subsequent changes in infrastructure or resource allocation needs.**

Sheffield-Sheffield Lake CSD's enrollment projections are outdated. The most recent enrollment projections were completed by DeJong and Associates, Inc. in January 2002 as part of the District's Ohio School Facilities Commission (OSFC) study. The District has not updated enrollment projections because enrollment has been steady. The City of Sheffield Lake's growth potential is limited without significant undeveloped incorporated property. In contrast, the Village of Sheffield has considerable open land, but is focused on commercial, rather than residential development. This represents potential for growth, and therefore, the District should closely monitor changes in residential construction as its facilities have minimal unused space to accommodate an unexpected increase in enrollment. Without enrollment projections, SSLCSD may not be able to best use existing facilities or adequately plan for the future.

- R4.5 Sheffield-Sheffield Lake CSD should establish a preventive maintenance (PM) program that addresses all routine, cyclical, and planned building maintenance functions. With the development of a PM program, the District should also develop a five year capital improvement plan (CIP) that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed as funds become available.**

Sheffield-Sheffield Lake CSD does not have a formal preventive maintenance program. Work order requests determine the maintenance tasks to complete. Requests are submitted to the building custodian, co-signed by the building principal, and then forwarded to the operations manager for prioritization. Once prioritized, work order requests are either assigned to the maintenance staff or contracted to an outside vendor if the District does not have the equipment or skills to perform the work. Because the District does not receive many requests, and those it does receive are usually minor, a backlog does not exist.

*The Planning Guide for Maintaining School Facilities*, published by The School Facilities Maintenance Task Force (2003) warns that continual emergency repairs will cost more in the long term than a PM program. A PM plan will help prevent sudden and unexpected equipment failures, and inhibit the accumulation of damage and repair tasks.

Sheffield-Sheffield Lake CSD does not have a permanent improvement levy, but does dedicate one-mill from the General Fund to a Permanent Improvement Fund. The superintendent, treasurer, and operations manager created a three-year permanent improvement plan that identifies the projects, estimated costs, and the fiscal year during which the work will be done. Projects include roof and parking lot repairs, equipment replacements, and boiler work. Through FY 2006-07, all of the District's permanent improvement funds are committed to the projects from the permanent improvement plan. After that time, Sheffield-Sheffield Lake CSD should dedicate permanent improvement funds to PM and capital outlay expenditures.

Although the District developed a permanent improvement plan, it does not contain all of the essential elements of a comprehensive CIP. A CIP should include a list of identified and prioritized capital needs accompanied by cost estimates and timelines for completion. The CIP should span a five-year period and be updated annually. According to the Government Finance Officers Association (GFOA), a capital improvement plan is an essential element for managing a long-term debt program. Before undertaking a long-term debt program, governments must have a clear understanding of the types of projects they intend to finance and when the projects will be implemented. Development of a CIP is an essential first step in this process.

In addition to serving as a planning, financing, and management tool, a well-prepared CIP is viewed as a positive factor by credit rating agencies in evaluating the credit quality of a jurisdiction. A CIP demonstrates a jurisdiction's commitment to systematically replacing or improving its capital infrastructure. It also provides evidence that a school district has evaluated its long-term financial resources, and has developed a plan to meet both operating and capital needs.

The Chicago Public Schools (CPS) CIP includes the following:

- An inventory and audit of existing facilities;
- Prioritized capital needs that include stabilizing existing structures that were not planned to be replaced; and
- Results of investigations into alternative funding sources.

The development of the Chicago Public School's CIP included an open and straightforward public decision-making process. Public communication of CIP plans included stakeholders in decisions about the availability of funds, project timelines, and costs. This process helped ensure that critical priorities were funded while building the public-private coalitions necessary to ensure the commitment of State and Federal capital funding. CPS holds annual public hearings on the CIP.

In order to ensure that the CIP is as fair and efficient as possible, CPS publicizes and discusses the following:

- Building assessments for each school facility;
- Demographic predictions for enrollment growth;
- Planned improvements and their costs;
- Estimated costs for each type of project;
- Projects that were eliminated or delayed; and
- District funding to support planned capital expenditures.

The implementation of a PM program and the development of a five-year capital improvement plan will help the District anticipate needed facility and equipment repairs and replacements. By planning ahead, project financing sources can be identified and secured before they are needed, helping to eliminate the significant affect of unforeseen capital costs on the District's finances. As a result, Sheffield-Sheffield Lake CSD may be better able to manage and control purchased services (see **Table 4-5**) and capital outlay expenditures.

## Financial Implications Summary

The following table represents a summary of the estimated annual cost savings for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed.

### Summary of Financial Implications for Facilities

Recommendations	Estimated Annual Cost Savings
<b>R4.1 Reduce 1.7 custodial FTEs</b>	\$64,300
<b>R4.3 Implement energy management practices (e.g., adjust temperature settings)</b>	\$8,600
<b>Total</b>	<b>\$72,900</b>

# Transportation

## Background

The Sheffield-Sheffield Lake City School District (SSLCSO or the District) provided transportation to 1,817 students in FY 2002-03 using District-owned yellow buses and District-owned vans. The District provides transportation to public, non-public and special needs students. In FY 2003-04, SSLCSO began transporting two community school students.

In response to a challenging fiscal condition, the District reduced student transportation service levels in August 2003 to the State minimum standards as outlined by the Ohio Revised Code (ORC) § 3327.01. As a result, the number of transported students decreased by 60 percent in FY 2003-04. State minimum standards require 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 that make walking impractical or unsafe. The District intends to reinstate student transportation services to the previous service levels, pending improvements in its financial condition.

**Table 5-1** compares SSLCSO's total riders in FY 2002-03 with those of the peers: Avon Local School District (Avon LSD), Genoa Area Local School District (Genoa ALSO), and Tallmadge City School District (Tallmadge CSO). Since the District reduced transportation services to State minimum standards, **Table 5-1** also includes SSLCSO's total riders in FY 2003-04.

**Table 5-1: FY 2002-03 Total Regular and Special Needs Riders**

	SSLCSO FY 2002-03	SSLCSO FY 2003-04	Avon LSD	Genoa ALSD	Tallmadge CSO	Peer Average
<b>October Enrollment</b>	2,057	2,084	2,291	1,713	2,743	2,249
<b>Regular Needs Riders</b>						
• <b>Public</b>	1,554	569	1,929	1,665	2,747	2,114
• <b>Non-Public<sup>1</sup></b>	233	119	491	12	304	269
• <b>Total</b>	<b>1,787</b>	<b>688</b>	<b>2,420</b>	<b>1,677</b>	<b>3,051</b>	<b>2,383</b>
<b>Special Needs Riders</b>	30	38	25	12	51	29
<b>Total Riders</b>	<b>1,817</b>	<b>726</b>	<b>2,445</b>	<b>1,689</b>	<b>3,102</b>	<b>2,412</b>
<b>Payment-in-Lieu and Other Vehicles</b>	<b>57</b>	<b>46</b>	<b>28</b>	<b>27</b>	<b>5</b>	<b>20</b>
<b>Total Riders as a Percent of Enrollment</b>	<b>88.3%</b>	<b>34.8%</b>	<b>106.7%</b>	<b>98.6%</b>	<b>113.1%</b>	<b>107.2%</b>

Source: SSLCSO FY 2003-03 and FY 2003-04 and the peers, ODE Fall enrollment.

<sup>1</sup> Non-Public includes students of both private/parochial schools and community or charter schools.

**Table 5-1** shows that SSLCSD transported fewer regular needs students as a percent of total enrollment than the peers in both fiscal years. In FY 2002-03, SSLCSD transported 25 percent fewer students than the peer average. As the District reduced transportation service levels to State minimum standards in FY 2003-04, SSLCSD transported 60.0 percent fewer students than the prior year. Furthermore, the District's percentage of students transported declined from 88.3 percent to 34.8 percent of total enrollment. Special needs transportation was not significantly impacted by the reductions.

### *Organizational Structure and Function*

SSLCSD employed 23 transportation personnel or 14.3 full-time equivalent employees (FTEs) who performed transportation-related duties in FY 2002-03. The Transportation Department is overseen by the transportation supervisor who reports to the superintendent. As of FY 2003-04, the Board of Education approved staffing reductions in several areas, including school bus drivers, as a cost saving measure. Once staff reductions took effect in August 2003 prior to the start of the 2003-04 school year, Transportation Department staffing decreased to 14 personnel, or 9.6 FTEs.

**Table 5-2** compares SSLCSD's FY 2002-03 and FY2003-04 transportation staffing levels with peer FY 2002-03 transportation levels.

**Table 5-2: FY 2002-03 District and Peers Staffing Levels**

Positions	SSLCSD FY 2002-03		SSLCSD FY 2003-04		Avon LSD		Genoa ALSD		Tallmadge CSD		Peer Average <sup>1</sup>	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisor/Assistant	1.0	1.0	1.0	0.8	1.0	0.8	0.0	0.3	1.0	1.0	0.7	0.7
Bus Driver	19.0	11.3	11.0	6.7	26.0	18.2	19.0	11.3	34.0	21.7	26.3	17.1
Mechanic/Assistant	1.0	1.0	1.0	1.2	2.0	2.0	1.0	1.0	2.0	2.0	1.7	1.7
Administrative Assistant	--	--	--	--	--	--	--	--	--	0.4 <sup>2</sup>	--	0.1
Aide	2.0	1.0	2.0	0.9	3.0	1.9	1.0	0.4	3.0	1.9	2.3	1.4
<b>Total Staffing</b>	<b>23.0</b>	<b>14.3</b>	<b>15.0</b>	<b>9.6</b>	<b>32.0</b>	<b>22.9</b>	<b>21.0</b>	<b>13.0</b>	<b>40.0</b>	<b>27.0</b>	<b>31.0</b>	<b>21.0</b>
Number of Students Transported	1,817		726		2,445		1,689		3,102		2,412	
Students Transported per Bus Driver FTE	161		108		134		149		143		141	
Students Transported per Total FTE	126		76		107		130		115		115	
District Square Miles	15		15		26		48		17		30	
District Square Miles per Bus Driver FTE	1.3		2.2		1.4		4.2		0.8		1.8	
Routine Miles	217,260		100,980		310,500		310,680		273,600		298,260	
Routine Miles per Bus Driver FTE	19,227		15,072		17,060		27,493		12,608		17,459	

Source: Districts' T-1, T-2, and T-11 forms; and interviews with district transportation departments

Note: Due to differences in reporting, FTE figures may not mirror EMIS reports and therefore, those figures in the human resources section.

<sup>1</sup>Peer average ratios are calculated using a ratio of averages. Numbers may not total due to rounding.

<sup>2</sup>Administrative assistant FTE reflects the time of work a bus driver dedicates to secretarial work.

In FY 2002-03, SSLCSD employed a transportation supervisor who spent 100 percent of his time performing supervisory duties, but retired at the end of the school year. The current transportation supervisor oversees the transportation department (i.e., bus garage), supervises staff and spends approximately 20 percent of his time as a mechanic.

The reduction of eight bus driver positions that took place in August 2003 reduced the total number of drivers from 19 to 11, which was a 40.7 percent reduction in bus driver FTEs. When coupled with the reduction of students transported as a result of moving to State minimum standards, bus driver workloads decreased during FY2003-04. In FY 2002-03, SSCLSD transported 14.2 percent more students per bus driver FTE than the peer average. However, in FY 2003-04, the District transported 23.4 percent fewer students per bus driver FTE when compared to the peer average, representing a decrease of 32.9 percent students transported per bus driver FTE than in the prior year. Furthermore, the routine miles per bus driver FTE decreased by 21.6 percent in FY 2003-04 from the prior year (see **R5.1**).

### *Operating Statistics*

SSLCSD maintained a fleet of 17 active and 5 spare buses to transport public and non-public regular and special needs students in FY2002-03. Specifically, 16 buses were used to transport regular needs students while the remaining bus, along with two vans, were used to transport special needs students.

Due to the reduction in force of eight bus drivers, SSLCSD currently maintains nine active buses, eight of which transport regular needs students and one that transports special needs students, increasing the number of spare buses to 14. However, only four of the spare buses were used in FY 2003-04, leaving 10 idle buses during the school year (see **R5.1** and **R5.2**).

**Table 5-3** summarizes basic operating statistics and ratios for SSLCSD's FY 2002-03 and FY 2003-04, and the peers for FY 2002-03.



**Table 5-3: FY 2002-03 Basic Operating Statistics**

	SSLCS FY 2002-03	SSLCS FY 2003-04	Avon LSD	Genoa ALSD	Tallmadge CSD	Peer Average
<b>Students Transported by Board Owned Yellow Bus</b>						
<b>Regular Needs</b>						
• Public	1,554	569	1,929	1,665	2,747	<b>2,114</b>
• Non-public	233	117	491	12	304	<b>269</b>
• Total	1,787	686	2,420	1,677	3,051	<b>2,383</b>
<b>Special Needs</b>	30	38	25	12	51	<b>29</b>
<b>Total</b>	1,817	726 <sup>1</sup>	2,445	1,689	3,102	<b>2,412</b>
<b>Miles Traveled</b>						
<b>District Square Miles</b>	15	15	26	48	17	<b>30</b>
<b>Regular Needs<sup>2</sup></b>	217,260	100,980	310,500	310,680	273,600	<b>298,260</b>
<b>Non-Routine</b>	11,998	Not reported	Not reported	11,236	47,585	<b>29,411</b>
<b>Cost<sup>3</sup></b>						
<b>Regular Needs</b>	\$627,831	\$554,340	\$776,371	\$543,257	\$940,099	<b>\$753,242</b>
<b>Special Needs</b>	\$44,318	\$43,668	\$62,279	\$70,341	\$103,021	<b>\$78,547</b>
<b>Total</b>	<b>\$672,149</b>	<b>\$598,008</b>	<b>\$838,650</b>	<b>\$613,598</b>	<b>\$1,043,120</b>	<b>\$831,789</b>
<b>State Reimbursements</b>						
<b>Regular Needs</b>	\$384,008	\$428,124	\$421,003	\$410,122	\$538,105	<b>\$456,410</b>
<b>Special Needs</b>	\$27,479	\$23,015	\$20,137	\$24,774	\$47,192	<b>\$30,701</b>
<b>Total</b>	<b>\$411,488</b>	<b>\$451,139</b>	<b>\$441,140</b>	<b>\$434,896</b>	<b>\$585,298</b>	<b>\$487,111</b>
<b>Percentage of Total Cost</b>	61.2%	75.4%	52.6%	70.9%	56.1%	<b>58.6%</b>
<b>Ratios</b>						
<b>Regular Needs<sup>3</sup></b>						
<b>Cost per mile</b>	\$2.86	\$5.42	\$2.48	\$1.72	\$3.43	<b>\$2.51</b>
<b>Cost per bus</b>	\$38,815	\$68,454	\$32,142	\$31,453	\$31,314	<b>\$31,627</b>
<b>Cost per student</b>	\$348	\$798	\$319	\$319	\$308	<b>\$314</b>
<b>Students per bus</b>	112	86	101	99	102	<b>101</b>
<b>Special Needs</b>						
<b>Cost per student</b>	\$1,477	\$1,149	\$2,491	\$5,862	\$2,020	<b>\$3,458</b>
<b>Sites, Stops, and Bus Types</b>						
<b>Public sites</b>	6	6	4	4	6	<b>5</b>
<b>Non-public sites</b>	6	6	10	1	19	<b>10</b>
<b>Active buses (regular needs)</b>	16	8	24	17	30	<b>24</b>
<b>Active buses (special needs)</b>	1	1	2	1	3	<b>2</b>
<b>Spare buses</b>	5	14	5	5	5	<b>5</b>

Source: District T-1, T-2 and T-11 Forms and ODE summary of settlement sheets SSLCS, the peers, and ODE.

<sup>1</sup> Total reflects two community school students transported not reflected in above figures.

<sup>2</sup> Calculated by multiplying total daily miles by 180 student days.

<sup>3</sup> Total costs include payment-in-lieu contract costs, however, regular needs ratios do not include payment in lieu costs.

The District's cost ratios exceed the peer average in each category for regular needs students. For example, the District's cost per student was 9.8 percent higher than the peer average in FY2002-03. The higher cost ratios for FY 2002-03 appear to be primarily due to higher salary levels (see **human**

**resources**), considering that the District transported the highest number of students per bus and each district operates on a two-tier bell schedule. Despite the bus driver staffing reductions in August 2003, and the move to State minimum transportation standards, the cost per student increased by 129.3 percent, making the SSLCSD cost per student 154.1 percent higher than the peer average. This is attributable to the significant reduction in the number of students transported (a 60 percent decrease) and active buses used (a 50 percent decrease) in relation to the overall reduction in total costs (an 11 percent decrease). Additionally, the average number of students transported per bus significantly decreased in FY 2003-04 to 86, which is less than each of the peers (see **R5.1** and **R5.2**). Furthermore, the District was supporting a relatively high number of spares in FY 2002-03 and FY 2003-04 (see **R5.2**). Overall, the indicators for FY 2003-04 suggest that SSLCSD is not operating as efficiently as the peers (see **R5.1**, **R5.2**, and **R5.3**).

The reduction in the number of students transported will also affect the amount of State transportation reimbursement the District could receive in the future. According to SSLCSD's treasurer, State reimbursements of \$451,139 are based on of FY 2002-03 student figures. Therefore, State transportation reimbursements will likely decrease in FY 2004-05, as FY 2003-04 operating statistics will be used to calculate reimbursements since the formula is largely based on the State average of cost per pupil and the number of students transported within a district (see **R5.1** and **R5.2**).

### *Assessments Not Yielding Recommendations*

In addition to the analyses presented in this report, the following assessments were conducted that did not warrant any changes or yield any recommendations:

- **Bell Schedules:** The District operates on a tiered bell schedule consisting of two different starting times. The high school and junior high start at 7:35 a.m. and the elementary schools start at 8:40 a.m. The peers all operate on a two-tier system with comparable start times.
- **Payment-in-lieu:** SSLCSD has taken advantage of payment-in-lieu contracts for parents or guardians to transport their children to and from school. The District costs for payment-in-lieu contracts are less than transporting students by regular school buses. The District has 44 students in payment-in-lieu of transportation status in FY 2003-04 versus the peer average of 19.

## Recommendations

**R5.1** SSLCSD should determine what level of transportation service is the most effective and efficient within the constraints of its financial condition. Should the District be faced with future decisions regarding a change to service levels, it should review its likely alternatives by evaluating the costs and benefits of each scenario. Additionally, if the District continues to operate at State minimum transportation service levels for the long-term, it should improve the efficiency of its operations and consider selling its excess bus fleet.

SSLCSD does not plan for or measure its transportation needs, does not have a formal routing system, and does not monitor costs (see **R5.2**). This has led to an increase in costs and a decrease in efficiency when SSLCSD reduced its transportation services to State minimum standards established in ORC § 3327.01, as a response to challenging fiscal conditions in an effort to reduce overall costs. While the District reduced expenditures by \$73,900, or 10.9 percent, in FY 2003-04, it transported 1,091 fewer students, or 60 percent less, than in FY 2002-03. As a result, performance measures of efficiency and effective changed considerably, as shown in **Table 5-4**.

**Table 5-4: FY2002-03 Regular Needs Transportation Cost Comparison**

	SSLCS FY 2002-03	SSLCS FY 2003-04 <sup>1</sup>	Avon LSD	Genoa ALSD	Tallmadge CSD	Peer Average <sup>2</sup>
Number of Buses	21	14	29	22	35	<b>28.67</b>
Miles Traveled	217,260	100,980	310,500	310,680	273,600	<b>298,260</b>
Students Transported	1,787	686	2,420	1,677	3,051	<b>2,383</b>
FTEs	14.31	9.57	22.85	12.97	26.95	<b>20.92</b>
<b>Salaries and Benefits</b>	<b>\$495,089</b>	<b>\$423,831</b>	<b>\$620,390</b>	<b>\$412,801</b>	<b>\$754,348</b>	<b>\$595,846</b>
<i>Per Bus</i>	\$23,576	\$30,274	\$21,393	\$18,764	\$21,553	\$20,785
<i>Per Mile</i>	\$2.28	\$4.20	\$2.00	\$1.33	\$2.76	\$2.00
<i>Per Student</i>	\$277	\$618	\$256	\$246	\$247	\$250
<i>Per FTE</i>	\$34,597	\$44,287	\$27,151	\$31,827	\$27,991	\$28,478
<b>Fuel Procurement</b>	<b>\$41,988</b>	<b>\$28,563</b>	<b>\$57,953</b>	<b>\$61,497</b>	<b>\$59,155</b>	<b>\$59,535</b>
<i>Per Bus</i>	\$1,999	\$2,040	\$1,998	\$2,795	\$1,690	\$2,077
<i>Per Mile</i>	\$0.19	\$0.28	\$0.19	\$0.20	\$0.22	\$0.20
<i>Per Student</i>	\$24	\$42	\$24	\$37	\$19	\$25
<b>Bus Insurance</b>	<b>\$16,470</b>	<b>\$15,327</b>	<b>\$27,393</b>	<b>\$21,145</b>	<b>\$53,918</b>	<b>\$34,152</b>
<i>Per Bus</i>	\$784	\$1,095	\$945	\$961	\$1,541	\$1,191
<i>Per Mile</i>	\$0.08	\$0.15	\$0.09	\$0.07	\$0.20	\$0.11
<i>Per Student</i>	\$9	\$22	\$11	\$13	\$18	\$14
<b>Maintenance and Repairs</b>	<b>\$5,195</b>	<b>\$10,524</b>	<b>\$19,548</b>	<b>\$17,158</b>	<b>\$40,500</b>	<b>\$25,735</b>
<i>Per Bus</i>	\$247	\$752	\$674	\$780	\$1,157	\$898
<i>Per Mile</i>	\$0.02	\$0.10	\$0.06	\$0.06	\$0.15	\$0.09
<i>Per Student</i>	\$3	\$15	\$8	\$10	\$13	\$11
<b>Utilities and Supplies</b>	<b>\$56,726</b>	<b>\$69,325</b>	<b>\$46,126</b>	<b>\$19,751</b>	<b>\$27,157</b>	<b>\$31,011</b>
<i>Per Bus</i>	\$2,701	\$4,952	\$1,591	\$898	\$776	\$1,082
<i>Per Mile</i>	\$0.26	\$0.69	\$0.15	\$0.06	\$0.10	\$0.10
<i>Per Student</i>	\$32	\$101	\$19	\$12	\$9	\$13
<b>Miscellaneous<sup>3</sup></b>	<b>\$12,362</b>	<b>\$6,770</b>	<b>\$4,961</b>	<b>\$10,906</b>	<b>\$5,021</b>	<b>\$6,962</b>
<b>Total</b>	<b>\$627,830</b>	<b>\$554,340</b>	<b>\$776,371</b>	<b>\$543,258</b>	<b>\$940,099</b>	<b>\$753,243</b>
<i>Per Bus</i>	\$29,897	\$39,596	\$26,771	\$24,694	\$26,860	\$26,276
<i>Per Mile</i>	\$2.89	\$5.49	\$2.50	\$1.75	\$3.44	\$2.53
<i>Per Student</i>	\$351	\$808	\$321	\$317	\$308	\$316

**Source:** SSLCS T-1, T-2, and financial records and peer district T-1 and T-2 forms

**Note:** Ratios only include routine miles and active regular needs and spare buses

<sup>1</sup> SSLCS's number of buses used for FY2003-04 is lower than the actual number of buses the district owns because 9 of the 23 buses were not used during the school year.

<sup>2</sup> This column represents combined averages rather than an average of ratios

<sup>3</sup> Includes payment-in-lieu, training expenses, and miscellaneous expenses.

SSLCS had higher total cost ratios than the peers in FY 2002-03. Despite the reductions in transportation services, the District experienced an increase in costs per student, per mile, and per bus in FY 2003-04, while the number of students transported per bus decreased 23 percent.

According to the transportation supervisor, the location of the student body determined the overall number of transportation reductions. SSLCSD has four elementary schools located where most students live, while the middle school is further away. The majority of students that live within two miles of their school were elementary students, explaining why the number of students transported decreased so drastically when the District moved to State minimum standards. However, the majority of middle school students live farther than two miles from their school. The middle school had almost the same level of students needing transportation as before the reductions. The District reduced its number of regular student buses from 16 to 8, and District-wide levels of students per bus decreased from 112 to 86, primarily serving the more distant middle school students.

While some loss of efficiency is to be expected when instituting a policy by which only the more distant are served, this is unlikely to fully explain the magnitude of cost increases per student, bus and mile for transportation services. Less efficient operations in FY 2003-04 can be attributed to salary costs of senior staff retained after the reduction in force took place, as well as the failure to reduce costs in areas of maintenance and repairs, and materials and supplies (see **Table 5-4**). Retention of higher paid transportation staff was required by the District's negotiated collective bargaining agreements, which require staffing reductions to be based upon tenure (see **human resources**).

Supply, utility, and repair expenditures increased in FY 2003-04. However, SSLCSD administration believes that a portion of the fuel, insurance, maintenance, repairs, and supplies expenses will not be incurred if State minimum transportation service levels are continued in the future. Despite having nine buses that were unused in FY 2003-04, all buses were prepared for operation due to the District's uncertainty regarding transportation service levels. This practice would not be continued, and bus insurance costs would also decrease if SSLCSD sells excess buses.

Based on financial data provided by the District, AOS estimates the impact of preparing the entire bus fleet in FY 2003-04 inflated transportation supply costs by approximately \$12,300 and purchased service costs by \$1,200, for a total of almost \$13,500. If these costs were removed, the District's cost per bus would be approximately \$38,633, cost per mile would \$5.36, and cost per student would be approximately \$788. However, this does not fully explain higher supply, utility, and repair expenditures in FY 2003-04, which are still significantly higher than the peers and the District actual expenses in FY 2002-03 (see **R5.2**). Fuel costs per mile also increased considerably in FY 2003-04 (see **R5.2**). Furthermore, the District indicated that it was required to pay the eight bus drivers who were reduced from July 11 to August 22 based upon the completion of the prior year's service and a contract that extends the pay over 26 pays. This inflated FY 2003-04 salaries and benefits by approximately \$18,500. If these costs were removed in addition to the supply and purchased service costs, the District's cost per bus would be approximately \$37,310, cost per mile

would \$5.17, and cost per student would be approximately \$761 – each still considerably higher than the peers and the District’s ratios in FY 2002-03.

The District has maintained a large unused bus fleet because there is uncertainty regarding future transportation service levels (see **Table 5-5**), which is largely dependent upon future funding by local revenue sources. As a result, the District has not been able to effectively plan future capital outlay needs or formalize transportation policies. This is evidenced by the lack of a formal bus purchase plan and outdated policies that do not reflect State minimum service levels (**R5.2**).

A further negative impact resulting from the change to State minimum transportation service levels is a loss of future ODE reimbursements. State transportation funding is based on a sophisticated regression model based on the prior years’ operating statistics, such as the individual district’s actual daily number of miles per pupil transported and the percentage of pupils transported in the district. Therefore, the District’s reduction in students transported will not result in increased reimbursements. Furthermore, because reimbursement is based on prior year actual operating statistics, transportation reimbursements will not be impacted until FY 2004-05 (see **financial systems**).

An Ohio Association of School Business Officials (OASBO) transportation reimbursement estimating tool predicts that SSLCSD’s future reimbursements from the State will decrease by approximately \$170,000 due to changing to State minimum transportation service levels. In contrast, the District was able to reduce regular transportation expenses by \$73,490 from FY 2002-03. If the District maintained State minimum transportation standards and was able to increase the number of students transported per bus via effective routing practices (see **R5.2**) to 98 students per bus – similar to the peers, it would save approximately \$37,300 annually. This is based on the adjusted cost per bus for FY 2003-04 when excluding the “inflated” costs. As a result, even when reducing one bus and excluding the “inflated” costs for FY 2003-04, the total cost savings of operating according to State minimum transportation levels would be approximately \$27,200 less than the loss in State reimbursements. However, if the District was able to further improve efficiency by reducing maintenance and repairs, and utility and supply costs per bus to FY 2002-03 levels, it would save an additional \$38,600 annually.

The estimated market value of SSLCSD’s unused buses is approximately \$62,000. However, by including this one-time benefit into the overall cost savings, the District would have a better financial position in the long-run if it provided the previous level of transportation services instead of at the State minimum level. Finally, non-operating costs such as capital outlay for bus purchases will not be significantly impacted by reinstating previous transportation service levels assuming a useful life of 250,000 miles and bus rotation as shown in **Table 5-5**, and considering that ODE provides funding for bus replacements (see **R5.2**).

In short, the District appears to have insufficiently evaluated the costs and benefits of its service level options since it did not adequately plan for the impact that such a drastic reduction in students transported would have on costs, ODE reimbursements, and service efficiencies.

*Financial Implication:* If SSLCSD reinstated transportation service levels to previous levels, the District will be able to avoid a loss of reimbursement receipts of approximately \$170,000 for FY 2005-06 and beyond. Including additional operating costs, the District will experience a net loss of approximately \$87,000 in FY 2004-05 due to additional operating costs, which will not be offset with additional State funding due to a lag in reimbursement. However, in FY 2005-06 and beyond, the District will experience an estimated net gain of \$83,000.

**R5.2 SSLCSD should develop management policies and practices that provide the administration with the necessary tools and information to evaluate transportation operations and future long-term operating decisions such as capital purchases, service levels, and operational practices. The District should also draft, approve, and update a bus replacement plan that describes its strategy for bus procurement in future years. All bus and equipment replacement should be based upon economic modeling that allows for replacement at the most economically advantageous point in the equipment's life cycle. This plan should include the number of buses to be replaced each fiscal year, along with the age, mileage and estimated cost at the time of replacement.**

**The District should also develop formal routing policies and procedures to encourage the most efficient use of its buses. Finally, the District should use the bus replacement plan and a formal routing process to determine an adequate number of active and spare buses to maintain, replace, and retire. This is particularly important if the District continues to operate according to State minimum transportation standards for the long-term.**

The District does not have formal transportation procedures, standard practices, or adequate record keeping needed to make long-term operational decisions such as those involving routing, staffing and replacing school buses. As a result, the District was unable to adequately evaluate all of the costs and benefits of operating according to State minimum transportation service levels (see **R5.1**).

The SSLCSD Transportation Department does not have a formal routing process. According to the transportation supervisor, high implementation costs and the size of the district have prevented SSLCSD from purchasing route optimizing software. The District currently relies on drivers to establish their own routes each summer before the school year starts. In contrast, two of SSLCSD's peers have formal routing processes. Genoa ALSD uses routing software that cost the district \$7,000, and it enables the district to print out reports and other

information needed to make planning decisions. Tallmadge CSD does not use routing software, but the transportation supervisor enters the student information into a spreadsheet in order to make routing decisions. Due to the District's financial condition and since it is currently transporting a fewer number of students because of operating according to State minimum service levels, purchasing routing software may not be cost-effective. However, the transportation supervisor should continue to work with the drivers when developing the routes, and use a spreadsheet to establish and track routes and the number of children assigned to buses.

The District also does not have a bus replacement plan, and it does not track the maintenance and repair costs of its vehicles. The transportation supervisor expressed a desire to purchase a bus in FY 2004-05 if the funds were available. Purchasing decisions are largely based upon funding availability from State sources and an informal assessment of maintenance requirements. As such, the District's transportation policy and management practices can be characterized as being reactive rather than proactive. The District's future vehicle needs are largely dependent on transportation service levels, which in turn, are dependent upon additional funding in the form of an operating levy (see **financial systems**). The District's absence of transportation management tools, combined with a difficult financial condition, has contributed to SSLCSD's lack of developing formal transportation policies and long-range plans.

A long-range bus replacement plan includes an analysis of bus fleet mileage in order to project when buses will need to be replaced. Currently, SSLCSD is not conducting this type of analysis. **Table 5-5** illustrates the District's current bus fleet and expected mileage assuming full transportation service levels and rotation of spares.



**Table 5-5: Bus Mileage Forecast  
Assuming Full Transportation Service Levels**

Bus <sup>1</sup>	AOS Estimated Mileage at Year End						
	Actual FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
<b>Buses Used During FY 2003-04 School Year</b>							
21	204,764	214,732	224,700	234,668	244,636	254,604	264,572
22	184,609	194,577	204,545	214,513	224,481	234,449	244,417
2	169,162	179,130	189,098	199,066	209,034	219,002	228,970
12	142,033	152,001	161,969	171,937	181,905	191,873	201,841
14	139,723	149,691	159,659	169,627	179,595	189,563	199,531
25	131,408	141,376	151,344	161,312	171,280	181,248	191,216
4	110,694	120,662	130,630	140,598	150,566	160,534	170,502
9	102,667	112,635	122,603	132,571	142,539	152,507	162,475
24	72,452	82,420	92,388	102,356	112,324	122,292	132,260
<b>Spare Buses</b>							
11	170,330	180,298	190,266	200,234	210,202	220,170	230,138
18	155,889	165,857	175,825	185,793	195,761	205,729	215,697
1	155,214	165,182	175,150	185,118	195,086	205,054	215,022
3	144,569	154,537	164,505	174,473	184,441	194,409	204,377
16	139,546	149,514	159,482	169,450	179,418	189,386	199,354
5	138,981	148,949	158,917	168,885	178,853	188,821	198,789
8	137,833	147,801	157,769	167,737	177,705	187,673	197,641
7	136,261	146,229	156,197	166,165	176,133	186,101	196,069
23	129,877	139,845	149,813	159,781	169,749	179,717	189,685
17	81,075	91,043	101,011	110,979	120,947	130,915	140,883
15	54,107	64,075	74,043	84,011	93,979	103,947	113,915
19	45,093	55,061	65,029	74,997	84,965	94,933	104,901
26	16,806	26,774	36,742	46,710	56,678	66,646	76,614
20	7,896	17,864	27,832	37,800	47,768	57,736	67,704

**Source:** SSLCSD transportation department interviews and T1 Form for FY2002-2003

**Note:** Each bus' mileage increases based on the FY 2002-03 total mileage per bus of 9,968 miles per year, assuming the rotation of spares.

<sup>1</sup> Official bus number as designated by SSLCSD.

Using the National Association of State Directors of Pupil Transportation Services (NASDPTS) standard that diesel buses be replaced after 250,000 miles, **Table 5-5** illustrates that one bus will exceed 250,000 miles in FY 2007-08. According to ODE, in FY 2003, the average age of bus replacements was 16 years, with an average mileage of 210,000 per bus.

SSLCSD will have three buses (numbers 21, 22, and 2) exceeding the 210,000 mile mark during the forecasted period. The District has forecasted the purchase of one new bus in FY 2007-08 (see **financial systems**). However, in order to extend the useful life of its fleet and thus minimize the number of future bus purchases, the District should consider placing older buses on shorter routes. Additionally, if the District maintains transportation services according to State minimum standards for the long-term, it should assess the need to maintain 14 spare buses and determine, through a bus replacement plan, which buses can be retired and not replaced.

The American Public Works Association (APWA) states that equipment should be replaced at the most economical point in its life cycle determined by a replacement analysis based upon an economic modeling process. This model should incorporate the following criteria: total cost of maintenance and depreciation, the operating environment, fuel cost, equipment condition and suitability, safety, and downtime. The District does not have sufficient management policies and practices, and does not formally track operating expenses for each individual school bus to allow appropriate analysis of future equipment needs and replacements.

SSCLSD is expected to receive approximately \$12,000 annually in State reimbursement funds to be used exclusively for the purchase of new school buses. As this appears to be a sufficient length of time to accumulate funds required for the District's bus replacement needs, it would appear that operating at full service levels would not significantly impact the District's capital outlay costs. In addition to the current method of paying for buses, an alternative would be to participate in the Ohio School Bus Pooled Financing Program. This program was created by the Ohio Association of School Business Officials and private sector companies and allows school districts to do the following:

- Finance school bus purchases over a 5 to 10-year repayment period at the election of each school district;
- Reduce interest costs due to credit enhancements on the purchased pool and the efficiencies provided by a single debt instrument; and
- Start immediately replacing the bus fleet without making a large lump sum capital outlay.

**R5.3 SSLCSD should institute policies, procedures, and practices to direct short-term operational decisions in areas such as maintenance, inventory control, and purchasing. The District should also develop a preventative maintenance program for all equipment that specifies procedures for maintenance scheduling, recording performance, and monitoring the program. A parts inventory system should be created that tracks new and used parts used in the maintenance and repair of equipment. Finally, SSLCSD should use competitive bids or requests for proposals (RFPs) when purchasing expensive supplies, or those purchased on an ongoing basis such as fuel, or consider joining the Ohio Department of Administrative Services (DAS) General Services**

**Administrative (GAS) pricing program. By regularly soliciting competitive bids for goods and services, SSLCSD can more effectively ensure the purchase of supplies at competitive market prices and increase accountability for District funds.**

As evidenced in **Table 5-4**, SSCLSD did not decrease the costs likely to be dependent on service levels such as supplies, utilities, maintenance, and repair costs, despite lowering transportation service levels to State minimum standards and operating with nine fewer buses in FY 2003-04. Even when one-time transition costs, such as preparing buses for service that were not used during the school year are removed, these costs were slightly higher in FY 2003-04 than in FY 2002-03.

Furthermore, operating ratios significantly increased (see **Table 5-3** and **Table 5-4**) and supplies and utility ratios were higher than the peer average. This may be partially explained by the absence of formal operating policies, procedures, and practices. SSCLSD does not have an established maintenance schedule or preventative maintenance plan. Furthermore, the District does not have an adequate inventory tracking program to track parts used in the maintenance and repair of equipment.

The American Public Works Association establishes standards for governmental entities to conduct formal safety and condition inspections for all mobile vehicles and equipment. The inspections should be identified in writing, retained and kept current. In conjunction with inspections, a preventative maintenance program based on the manufacturer's recommendation and schedules defined by distance traveled, or by hours in use, will result in lower operation, maintenance, and repair costs. A preventative maintenance schedule should include a definition of the work to be performed, estimates of labor hours, material costs, and shop space required. The APWA further states that a parts inventory program should track new and used parts, tires, and batteries used for the maintenance and repair of equipment.

Along with an inventory system, SSCLSD should institute a purchasing policy and procedure. The District does not solicit bids for reoccurring or high cost supplies. For instance, the District does not participate in a fuel purchasing cooperative. Instead, the District independently makes its fuel purchases from a local BP terminal with no additional discounts. SSLCSD paid 4 percent less for fuel per bus in FY 2002-03, compared to the peer average. However, prices have increased significantly in FY 2003-04. In FY 2002-03, the District's purchase price for a gallon of diesel fuel was approximately \$1.16 per gallon, while the purchase price for diesel fuel increased to \$1.32 per gallon in FY 2003-04, representing an increase of 13.8 percent.

The Ohio Department of Administrative Services (DAS) General Services Administrative (GSA) pricing program offers prices much lower than paid by the District. For example, the GSA fuel prices during the week of June 30, 2004 were \$1.07 for diesel and \$1.25 for

gasoline. Since SSLCSD maintains a central 10,000 gallon fuel tank, it could purchase fuel in bulk through DAS's cooperative purchasing program.

Pursuant to guidelines established by the DAS Office of Risk Management, RFPs should be issued every three years to at least five potential vendors. By regularly issuing RFPs for fuel purchases and other recurring or high cost supplies, SSLCSD will ensure that supplies and services are obtained at a competitive price, which will in turn help the District reduce operational costs.

*Financial Implication:* As the GSA fuel price for diesel gas during the week of June 30, 2004 was \$0.25 less than the price charged to the District in FY 2003-04, SSLCSD could anticipate saving approximately \$3,750 a year by joining the GSA program. This assumes that the District maintains the current bus fleet at State minimum standards, and the fuel tank is filled twice a year at 7,500 gallons at a time. If DAS continues to maintain this lower price for diesel fuel and if the District increases its transportation services, there is a greater potential for savings.

## Financial Implications Summary

The following table summarizes the estimated annual cost savings and implementation costs identified in recommendations presented in this section of the report.

### Summary of Financial Implications for Transportation

<b>Recommendation</b>	<b>Estimated One-Time Revenue Loss</b>	<b>Estimated Annual Revenue Enhancements</b>	<b>Estimated Annual Cost Savings</b>
<b>R5.1</b> Reinstating Previous Transportation Service Levels	\$87,000	\$83,000	
<b>R5.3</b> Purchase fuel through DAS GSA program			\$3,750
<b>Total</b>	<b>\$87,000</b>	<b>\$83,000</b>	<b>\$3,750</b>

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## Cardinal Pride, Community Wide!

Jennifer Pae, Performing Audit Section  
Auditor of the State of Ohio  
Lausche Building  
615 Superior Ave., NW 12<sup>th</sup> Floor  
Cleveland, OH 44113-1801

Dear Ms. Pae:

I am formally contacting you on behalf of the Sheffield-Sheffield Lake City School District in response to the performance audit conducted by you and your staff. I would like to thank you and your staff for the very professional manner in which the audit was conducted.

Regarding the audit itself, I believe that it will be very helpful to us in the future. Most of the Financial Systems recommendations are currently being implemented. Implementing all the Human Resources recommendations will be very difficult if current programming and the positive improvement trend of recent years are to be retained. The loss of 18.0 FTE, Regular Education Teachers, 5 FTE, ESP Teachers, 3 FTE, Clerical, 1.7 FTE Custodial, and 1.5 FTE, Bus Drivers will be devastating to the program. However, reduction of staff through either attrition and/or reduction in force, depending on the financial situation, will be addressed. Lump sum payments rather than COLA's and 10% employee contribution for health care will be addressed during negotiations. An Energy Conservation Policy will be implemented. Transportation will be reinstated, but only to the extent of maximizing its financial benefit. Transportation supplies will go through a bidding process. Fuel purchasing will either be bid or we will join a Pricing Program.

In addition to the above, we will attempt to improve our cash flow and liquidity position. We will also review and revise spending patterns, and reduce costs if possible. During negotiations we will discuss the Classified Step Schedule. We will further examine the retirement situation and replace retirees with beginning or near beginning hires. We will continue to review the Health Care Package in hope of offsetting future increases. We will also discuss the reduction of Professional Days. We will establish custodial procedures, custodial job schedules, and a Preventative Maintenance Program. We will establish a replacement plan, as soon as possible in light of our financial constraints.

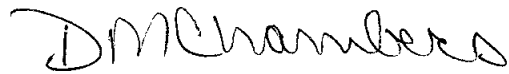
Overall, I think that the audit was very successful. It will help us in future decision making and will provide us with valid support during negotiations. In retrospect, I have only two concerns with the audit. The first concern is timing, especially the release date to the public. We had hoped to be able to publicize the findings prior to the November election. The second concern is the wording of the RIF recommendation. I am concerned that the general public will interpret the report recommendation calling for the reduction of 18 regular teachers and 5 ESP teachers as a mandate. The public may not grasp the entire recommendation which calls for considering the cuts in light of their impact on the overall program. I am very concerned that the public will not support a levy until all recommendations are completely carried out.

As I close this letter, I am unfortunately including one last piece of information. The levy was defeated by a vote of 3452-3079 (53%-47%). Again, on behalf of the administrative team, Board of Education, faculty, staff, and student body, thank you for your time and input in this process.

Sincerely,



Will R. Folger, Superintendent



David M. Chambers, Treasurer