



Dave Yost • Auditor of State



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To the residents, Board members, administration, and stakeholders of the Galion City School District,

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

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

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

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

Sincerely,

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

Dave Yost
Auditor of State

March 20, 2014

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Executive Summary

Project History

The Ohio Department of Education (ODE) asked the Auditor of State's Ohio Performance Team to conduct a performance audit of the Galion City School District (GCSD or the District) pursuant to ORC§3316.042 to improve the efficiency and effectiveness of operations, and address concerns that declining revenues are creating operating deficits that will eventually deplete cash reserves. ODE sent GCSD a deficit notification letter on June 6, 2012 due to projected deficits in the May 2012 five-year forecast for FY 2012-13.

Financial Overview

Table 1 shows GCSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balance as projected in the District's October 2012 five-year financial forecast. The table also incorporates updated projections from the May 2013 forecast. In both the October 2012 and May 2013 forecasts, the District's expenses exceed projected revenues. The first year of negative cash flow was FY 2009-10 and this trend is projected to continue throughout the forecast period.

Table 1: GCSD General Fund Financial Condition Overview (May 2013)

Projected Financial Condition - October 2012					
	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Total Revenue	\$15,491,748	\$15,233,382	\$15,430,272	\$15,443,651	\$15,470,641
Total Expenditures	\$16,163,218	\$16,259,261	\$16,626,777	\$17,237,458	\$17,620,492
Results of Operations	(\$671,470)	(\$1,025,879)	(\$1,196,505)	(\$1,793,807)	(\$2,149,851)
Beginning Cash Balance	\$1,217,060	\$545,590	\$(480,289)	\$(1,676,794)	\$(3,470,601)
Certification Fund Balance	\$545,590	\$(480,289)	\$(1,676,794)	\$(3,470,601)	\$(5,620,452)
Projected Financial Condition - May 2013					
	Actual FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Total Revenue	\$15,775,793	\$15,977,944	\$16,884,213	\$16,879,441	\$16,289,994
Total Expenditure	\$16,384,369	\$16,523,958	\$16,952,409	\$17,335,923	\$17,766,736
Results of Operations	\$(608,576)	\$(546,014)	\$(68,195)	\$(456,483)	\$(1,476,741)
Certification Fund Balance	\$608,484	\$62,470	\$(5,725)	\$(462,208)	\$(1,938,950)

Source: GCSD's October 2012 and May 2013 five-year forecasts as submitted to ODE.

Table 1 shows the May 2013 ending fund balance improved from the October 2012 forecast. The May 2013 forecast includes the increases in State Funding based on the information and simulations available for the FY 2014-15 State Budget. These are estimates and can change with legislative action. The District projects no declines in revenue for subsequent budgets. As a result of the increased revenue projections from the State Budget, fiscal caution has been

postponed due to a favorable fund balance until FY 2014-15. However, negative operating cash flows are projected to continue. This information is an important measure of the financial health of the District and serves as the basis for the identification of conditions leading to a fiscal distress designation by AOS and ODE.

As shown in **Table 1**, GCSD's May 2013 five-year financial forecast projected a FY 2014-15 deficit of \$5,725. Furthermore, the forecast projects that as expenditures continue to outpace revenues the District will face a total projected deficit of \$1,938,950 by FY 2016-17.

Objectives

Audit objectives define what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. AOS developed objectives designed to identify efficiencies that could be gained in the following operational areas:

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

The following objectives were identified in consultation with the District:

- What is the District's financial state? Are there areas in which the District can maximize cost efficiency?
- How do staffing levels at the District compare to the peer district average and State standards?
- How do the District's salary schedules for certificated staff compare to the surrounding district average?
- How do the insurance benefits offered by the District compare with state averages and industry benchmarks?
- How does the District's contribution to the employee's portion of STRS/SERS compare to State minimums?
- Are there contractual provisions within the certificated employee collective bargaining agreements that are costly to the District?
- Does the District's routing system provide the optimal capacity utilization for pupil transportation services?
- Is the District's approach to purchasing fuel and other supplies, such as parts for buses, effective for the District?
- Do building capacities and enrollment projections suggest that the District alter the current utilization of its buildings?
- Does the District have an energy conservation plan and does it implement best practices?
- Does the District employ appropriate staff to maintain its facilities and grounds?
- Are maintenance and operating costs consistent with peer and industry averages?

- Is the District's Food Service Fund self-supporting?
- Does the Food Service Department prepare a budget and forecast?

Methodology and Benchmarks

Government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives.

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

AOS conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

Data for this audit was drawn from FY 2010-11, FY 2011-12, and FY 2012-13, when possible. To complete the audit report, auditors conducted interviews with District personnel, and reviewed and assessed information from Galion City School District, peer school districts, and other relevant sources. The performance audit process involved significant information sharing with GCSD, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, status meetings were held during the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations for improving or enhancing operations. It is important to note that during the course of the audit, the District took steps to implement several of the recommendations contained in this report.

Throughout the audit process, input from the District was solicited and considered when assessing the selected areas and framing recommendations. GCSD provided comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on the District's comments and supporting documentation.

AOS used five school districts as peers for benchmarking purposes: Maysville Local (Muskingham), Bellevue City (Huron), Hubbard Exempted Village (Trumbull), Newton Falls Exempted Village (Trumbull) and Beaver Local (Columbiana). These districts were selected based upon demographic and operational data as well as input from the District. External organizations and sources were also used to provide comparative information and benchmarks. They include the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the Ohio Department of Administrative Services (DAS), the Ohio Department of Education (ODE), the American Schools and Universities (AS&U), Panell Martin, and the National Center for Education Statistics (NCES).

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

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors did not have the time or resources to pursue. The District should further study the following issue:

- **Negotiate a revised utility relationship with the City of Galion**

GCSD is restricted from exercising consumer choice for electricity as a user in a Municipal Corporation's (City of Galion) distribution area. As a Municipal Corporation, the City has the authority to contract with the residents and commercial users within its distribution area. For the District to reduce electricity cost it will have to either negotiate an institutional rate with the City or form an energy partnership allowing for GCSD to generate electricity from an alternate power source (i.e. wind or solar energy) and earn credits when the alternate source supply exceeds usage by the District. **(R6)**

- **Evaluate alternatives to bus garage construction**

The District's bus garage houses the tools, equipment, and workbench areas for 1 bus mechanic and 2 maintenance personnel. The building needs to be repaired or replaced, but the District should investigate other alternatives, such as repurposing existing space on campus or completely outsourcing bus maintenance.

Summary of Recommendations

This performance audit identifies potential cost savings of approximately \$654,254 annually, representing 4.5 percent of the total FY 2013-14 expenditures forecasted by the District. Additionally, one-time savings of approximately \$8,786 are identified from the sale of buses. The following table summarizes the performance audit recommendations and associated financial implications, if applicable.

Summary of Recommendations

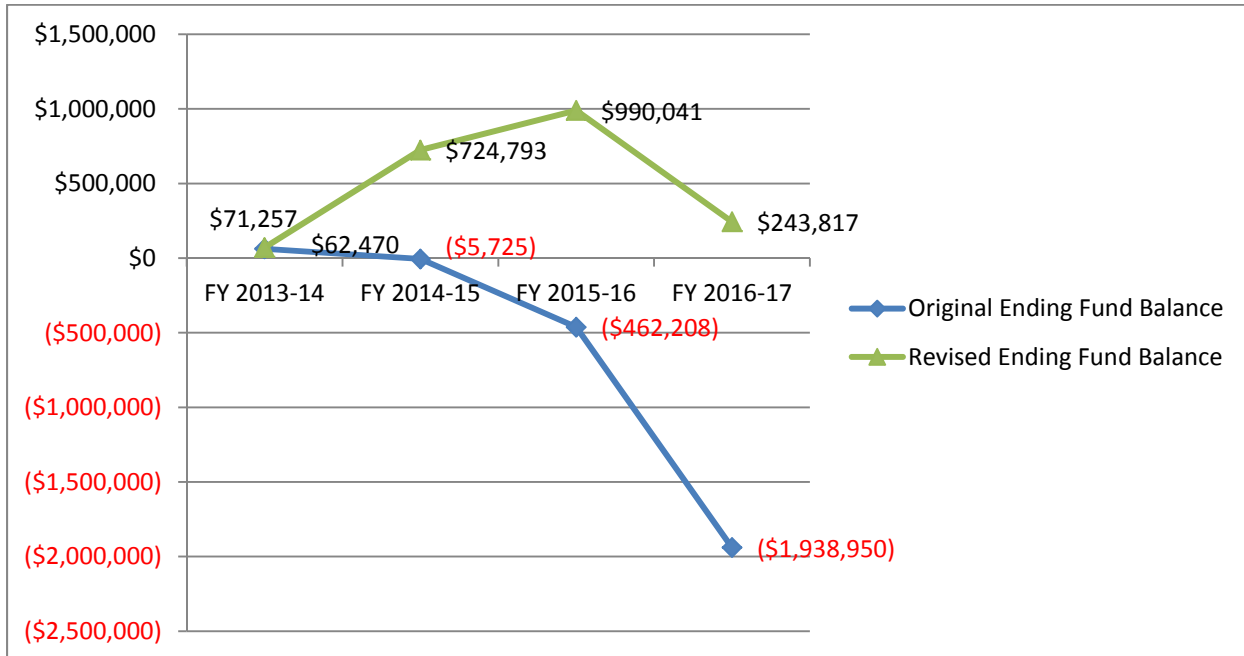
Recommendations		Savings
R1	Reduce staffing (State minimums)	\$377,500
R2	Increase employee health insurance contribution	\$107,758
R3	Renegotiate contracts to eliminate retirement pick-up	\$23,710
R4	Renegotiate provisions in collective bargaining agreements	N/A
R5	Reassign classrooms and repurpose building use	N/A
R6	Identify alternate electric energy transmission provider and source	\$63,500
R7	Update Transportation Policy and Practice	N/A
R8	Identify alternatives for fuel procurement	N/A
R9	Sale of 3 spare buses ¹	\$5,271 ¹
R10	Develop and Implement a Preventive Maintenance Program	N/A
R11	Establish a bus replacement plan	N/A
R12	Improve Transportation Operating Efficiency	\$73,000
	Sale of Buses Due to Greater Operating Efficiency ¹	\$3,515 ¹
R13	Develop strategic and capital plans aligned with budget and educational goals	N/A
R14	Implement an Electronic Timekeeping and Reporting System	N/A
Annual Cost Savings from Performance Audit Recommendations (less one time revenue¹)		\$654,254

Source: AOS recommendations

¹ One time revenue with impact shown in year earned only.

GSCD’s May 2013 forecast projected an FY2013-14 ending fund balance of \$62,470 with negative operating balances in subsequent years leading to a FY2016-17 ending fund balance of (\$1,938,950). **Chart 1** shows the District’s ending fund balances derived from the District’s May 2013 five-year forecast compared to the effect of AOS recommendations on projected ending fund balances.

Chart 1: Forecasted Fund Balances with Performance Audit Recommendations



Source: GSCD May 2013 forecast and AOS recommendations

As shown in **Chart 1** the effect of implementing performance audit recommendations projects positive ending fund balances from FY 2013-14 through FY 2016-17. AOS recommendations primarily focus on cost cutting measures to address the current fiscal condition. (Also see **Chart 2** for illustrated revenue trend).

Three of the six recommendations with financial implications require contract negotiations with the District’s collective bargaining units. Implementation of those audit recommendations will depend on the outcome of the negotiations.

Background

Financial Systems

The Ohio Department of Education (ODE) asked the Auditor of State's Ohio Performance Team to conduct a performance audit of the Galion City School District (GCSD or the District) pursuant to ORC§3316.042 to assist in improving the efficiency and effectiveness of operations, and help address concerns that declining revenues are creating operating deficits that will eventually deplete cash reserves. ODE sent GCSD a deficit notification letter on June 6, 2012, acknowledging a projected deficit in fiscal year 2013.

Table 2 shows the District's historical expenditures from FY 2008-09 through FY 2011-12. During this period, the District's enrollment declined by approximately 10 percent.

Table 2: Historical Expenditures

	FY 2008-09	FY 2009-2010	% Diff	FY 2010-2011	% Diff	FY 2011-2012	% Diff	Avg. % Diff
Administrative	\$1,948,710	\$1,846,932	(5.2%)	\$1,913,868	3.6%	\$1,869,433	(2.3%)	(1.3%)
Building Operations	\$3,308,826	\$3,138,524	(5.1%)	\$3,476,581	10.8%	\$3,220,366	(7.4%)	(0.6%)
Staff Support	\$243,028	\$470,149	93.5%	\$289,781	(38.4%)	\$445,880	53.9%	36.3%
Pupil Support	\$1,963,906	\$2,022,678	3.0%	\$2,084,922	3.1%	\$1,967,468	(5.6%)	0.1%
Instructional	\$9,758,049	\$10,327,538	5.8%	\$10,677,797	3.4%	\$9,893,113	(7.3%)	0.6%
Total Expenditures	\$17,222,520	\$17,805,822	3.4%	\$18,442,949	3.6%	\$17,396,261	(5.7%)	0.4%
FTE Students ¹	2,026	1,941	(4.2%)	1,940	(0.1%)	1,856	(4.3%)	(2.9%)
Expenditures per FTE	\$8,501	\$9,174	7.9%	\$9,507	3.6%	\$9,371	(1.4%)	3.4%

Source: Ohio Department of Education

¹ FTE students reflects the number of students used by ODE to calculate expenditures per pupil.

As shown in **Table 2**, the District increased expenditures by 0.4 percent over the past four fiscal years with 3.4 percent and 3.6 percent increases followed by a 5.7 percent decrease in FY 2011-12. All areas except administration and building operations show increases in expenditures. Staff Support showed the largest increase in expenditures, growing by an average of 36.3 percent. This line item includes staff support, such as student aides, hired through the Educational Service Center (ESC), staff development, training, retraining, and advice on curriculum. Additional training and support is required regularly based on grant requirements for each fiscal year. As an example the increase in staff support expenditures from FY 2010-11 to FY 2011-12 is primarily due to \$120,000 in "Race to the Top"¹ grant expenditures for instruction and curriculum development services, and instructional staff training services.

¹ Galion CSD's Local Education Agency (LEA) proposal for "Race to the Top" can be found on the Ohio Department of Education website. Key word search "Race to the Top".

Table 3 compares the District's FY 2011-12 expenditures per pupil (EPP) to the peer average EPP.

Table 3: FY 2011-12 EFM Expenditures per Pupil (EPP) – Peer Comparison

	GCS D EPP	Peer Average EPP	EPP Difference	Percent Difference
Administrative	\$1,007	\$1,128	(\$121)	(10.7%)
Building Operations	\$1,735	\$1,743	(\$8)	(0.5%)
Staff Support	\$240	\$265	(\$25)	(9.5%)
Pupil Support	\$1,060	\$818	\$242	29.6%
Instructional	\$5,329	\$5,035	\$295	5.9%
Total Expenditure per Pupil (EPP)	\$9,371	\$8,988	\$383	4.3%
FTE Students¹	1,856	1,941	(85)	(4.4%)

Source: Ohio Department of Education Expenditure Flow Model Data

¹ FTE students reflects the number of students used by ODE to calculate expenditures per pupil.

As shown in **Table 3**, the District spent 4.3 percent more in FY 2011-12 than the peer average on a per pupil basis. In the area of pupil support and instructional, the district spent 29.6 percent and 5.9 percent more than the respective peer averages. Pupil support was higher due in part to an increase in ESC services for special needs students. Instructional expenditures were high because the District has an experienced teaching staff with relatively high salaries. Due to reductions in force, the more recently hired and lower paid teachers were released. Per pupil expenditures were lower in administration, building operations and staff support costs.

Table 4 compares the FY 2011-12 ODE District Profile Report revenue per pupil to the respective peer averages.

Table 4: Revenue per Pupil (RPP) Comparison (FY 2011-12)

	GCS D RPP	Peer Avg. RPP	Difference	% Difference
Local Revenue	\$2,617	\$3,171	(\$555)	(17.5%)
State Revenue	\$5,498	\$5,150	\$348	6.8%
Federal Revenue	\$1,130	\$797	\$333	41.8%
Total Revenue	\$9,245	\$9,118	\$127	1.4%
Assessed Property Valuation Per Pupil	\$85,234	\$102,782	(\$17,548)	(17.1%)
Median Income	\$26,622	\$28,957	(\$2,335)	(8.1%)
Local Tax Effort Index ¹	0.86	0.91	(0.05)	(5.5%)

Source: Ohio Department of Education FY 2011-12 District Profile Reports

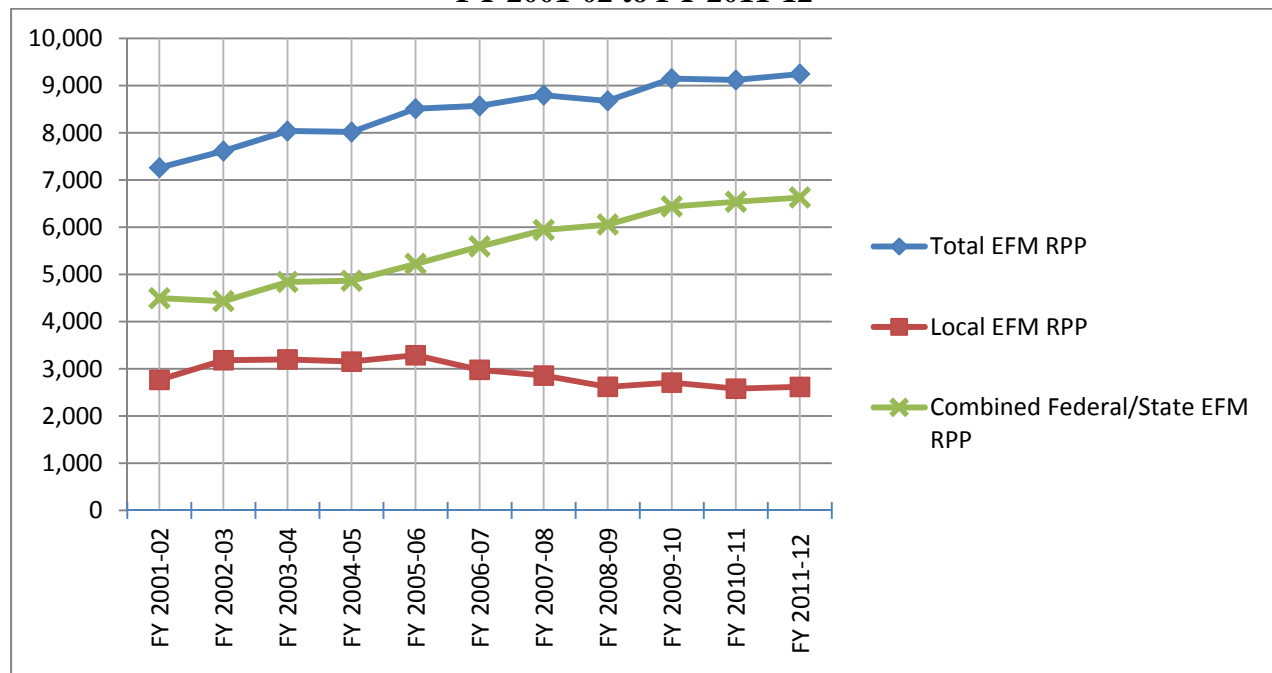
¹ The Local Tax Effort Index is an ODE tool designed to reflect the extent of effort the residents of a school district make in supporting public elementary and secondary education while considering the residents' ability to pay. A value of 1 indicates average local tax support, while values below 1 or above 1 reflect below average or above average support, respectively.

As shown in **Table 4**, the District collected 1.4 percent more total revenue per pupil than their peers even though they collected 17.5 percent less local tax revenue per pupil. This was possible, because the District collected 6.8 percent and 41.8 percent more State and Federal revenue per pupil, respectively, than their peers. Factors impacting GCS D's lower local tax

revenue per pupil include a 17.1 percent lower assessed property valuation and an 8.1% lower median income than the peer average. Even with those differences, GCSD's Local Tax Effort Index was 0.86 which is 5.5 percent lower than their peer average of 0.91. This indicates GCSD got less means-adjusted local tax support than either their peers or the statewide average.

Additionally, GCSD's Local Tax Effort is 5.4 percent lower than the peer average. In November 2004 taxpayers repealed a 9.4 mill continuing current expense levy originally passed in 1971. The repealed levy took effect in the second half of fiscal year 2006. Since November 2004, a 7.73 mill limited operating levy has been renewed twice. The District has also made eight unsuccessful attempts to pass new levies of several types and millage rates. The most recent levy attempts were current operating expense and permanent improvement levies in November 2012 (8.0 mills), May 2013 (9.4 mills), and August 2013 (9.4 mills). **Chart 2** shows the ten-year trend for GCSD revenue from Local, State, and Federal sources.

**Chart 2: Expenditure Flow Model (EFM) Revenues per Pupil (RPP)
FY 2001-02 to FY 2011-12**

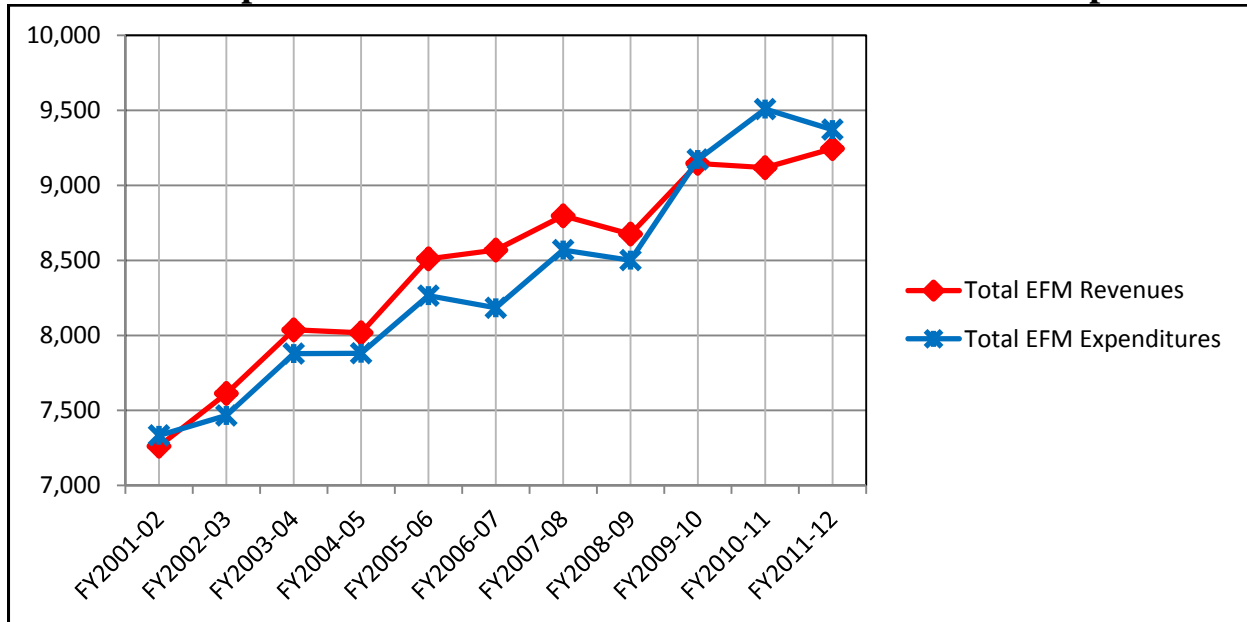


Source: Ohio Department of Education District Profile Reports

Chart 2 shows that GCSD's total revenues per pupil have continued to trend upward, due primarily to increasing State and Federal Revenues while local revenues per pupil have shown a downward trend. In recent years the District has relied more heavily on State and Federal revenue, leaving it more susceptible to changes in funding.

Chart 3 compares the ODE EFM Revenue Per Pupil (RPP) and EFM Expenditure Per Pupil (EPP) from FY 2001-02 to FY 2011-12.

Chart 3: Expenditure Flow Model 10 Year RPP versus EPP Comparison



Source: Ohio Department of Education EFM Data

Chart 3 shows that since FY 2009-10 the District’s expenditures have exceeded revenues and that FY 2009-10 was the first year since FY 2001-02 that expenditures exceeded revenues.

Human Resources

GCSD divides its human resource functions between the Superintendent, Treasurer, Payroll Coordinator and Education Management Information System (EMIS) Coordinator. The Superintendent is responsible for hiring employees with the Treasurer's input. The Treasurer handles benefit administration, financial duties of the district, and collective bargaining agreement negotiations. The Payroll Coordinator processes payroll and is the Supervisor of the Food Service staff. The EMIS Coordinator enters all EMIS data.

Staffing

Table 6 presents the District staffing ratios in comparison to the peers.

Table 6: Staffing Comparison (in FTEs)

	Client			Peer Average Staff/1,000 Students	Difference /1,000 Students
	FTE Staff	Percent of Total Staff	FTE/1,000 Students		
Administrative	11.16	6.10%	6.44	6.24	0.20
Office/Clerical	10.00	5.46%	5.77	7.06	(1.29)
General Education Teachers	67.44	36.85%	38.91	44.71	(5.80)
All Other Teachers	26.80	14.64%	15.46	11.57	3.89
Education Service Personnel (ESP)	8.76	4.79%	5.05	7.17	(2.12)
Educational Support	5.00	2.73%	2.88	2.43	0.45
Other Certificated	0.00	0.00%	0.00	1.29	(1.29)
Non-Certificated Classroom Support	8.00	4.37%	4.61	8.01	(3.40)
Sub-Total	137.16	74.94%	79.12	88.48	(9.36)
Operations	37.04	20.24%	21.38	25.15	(3.77)
All Other Staff	8.80	4.81%	5.08	2.01	3.07
Total Staff	183.00	100.00%	105.58	115.64	(10.06)

Source: GCSD and peer EMIS data for FY 2011-12

Note: see appendix for definition of position codes in Tables 4 and 5

Table 6 shows that GCSD was 10.1 FTEs below the peer average for total staff. The District exceeded the peer averages in the Administrative Personnel, All Other Teachers, and All Other Staff categories. However, due to the District's coding of some positions as administrative, the Administrative category appears inflated compared to the peers. The District was also 3.1 FTE's higher in the All Other Staff category, due in part to the inclusion of its Food Service Director and ESC FTEs in this category. The District is also 3.9 FTE's per 1,000 students higher in the All Other Teachers category due to its special education program. General Education Teachers and ESP staffing are below the peer average but are 7.0 FTEs and 1.5 FTEs over the state minimum standard General Education staffing requirements, respectively (see **R1** and **R2**).

Salaries

Table 7 compares the District's average salary cost with the peer average for FY 2011-12. Beginning wage rates, years of service, negotiated salary schedules, and education or skill level attained impact average salaries.

Table 7: Average Salary Comparison

	Average Salaries ¹		
	Galion CSD	Peer District Average	Percent Difference
Administrative	\$71,427	\$67,696	5.5%
Office/Clerical	\$32,846	\$30,099	9.1%
General Education Teachers	\$54,654	\$52,441	4.2%
All Other Teachers	\$50,258	\$52,348	(4.0%)
Education Service Personnel (ESP)	\$47,999	\$56,502	(15.1%)
Educational Support	\$56,221	\$55,662	1.0%
Other Certificated	\$0	\$39,809	(100.0%)
Non-Certificated Classroom Support	\$17,107	\$16,858	1.5%
Operations	\$21,294	\$20,740	2.7%
All Other Staff	\$39,477	\$39,160	0.8%
Total Staff	\$44,442	\$42,581	4.4%

Source: FY 2011-12 EMIS data submitted to ODE

¹ Reflects updated salary information confirmed by the client and may not agree with EMIS data.

Table 7 shows that, in total, GCSD paid an average salary of \$44,442 while the peer average was \$42,581. Teacher salaries were above the peer average; however, the District has made several rounds of reductions, which leaves the most tenured staff employed. An analysis of GCSD salary schedules revealed that during the course of a 30 year career, certificated staff salaries were below the selected peers. The District was 14.4 percent and 8.1 percent below the respective peer average salaries for certificated staff with a Bachelor's degree and Master's degree; therefore, no further analysis of salaries was conducted.

Collective Bargaining Agreements

The District has collective bargaining agreements (CBA) with the Galion Education Association (GEA) (certificated) and the Ohio Association of Public School Employees (OAPSE) (classified). The certificated contract covers all certificated/licensed personnel employed by the Board, except the Superintendent, Treasurer, principals and other individuals receiving administrative contracts. The classified contract covers all regular full-time and part-time classified positions, including monitors, attendants, food service personnel, custodians, maintenance personnel, and secretarial/clerical staff. The certificated agreement expires June 30, 2014 and the classified agreement expired June 30, 2013. The GEA negotiates bi-annually and OAPSE negotiates annually with the GCSD Board of Education.

Employee Benefits

GCSD procures medical, vision and dental insurance benefits for employees through the Wyandot Health Benefits Consortium (WHBC). There are three types of plans from which District employees can select, including the single, family, or "employee plus one" plans. During FY 2011-12, a majority of District staff were enrolled in the family plan. Dental insurance is included in all of the health plans offered. The District also provides vision insurance.

Facilities

In FY 2011-12 the District's inventory of buildings and property included the primary, intermediate, middle, and high schools as well as the administration building, all located on the GCSD campus. In addition GCSD's bus and facility maintenance staff share a bus garage located less than 2 miles from the school campus. The vacant lot where the former high school was located is still maintained and requires regular upkeep. The District enrolled 1,862 children in FY 2011-12; however, enrollment has declined by 337 since FY 2002-03. Open enrollment continues to erode the enrollment at GCSD and projections indicate a slower, but continuing enrollment decline.

Table 8 below shows the District's utilization rate for each of its school buildings.

Table 8: Total Site Capacity Analysis

Building	Building Capacity	2012 Head Count	Over/(Under) Capacity	Utilization Rate
Primary School	604	438	(166)	72.5%
Intermediate School	638	438	(200)	68.7%
Middle School	620	427	(193)	68.9%
High School	868	559	(309)	64.4%
Total	2730	1862	(868)	68.2%

Source: Galion CSD

In **Table 8**, the calculations show the District is operating at a total capacity of 68.2 percent. *Defining Capacity* (DeJong 1999) recommends a utilization rate of 85 percent for each building and for the District as a whole. Even though the District is currently underutilizing its buildings according to the industry benchmark, closing one school and reassigning the entire student population to other schools raises utilization rates to levels above the benchmark. With enrollment projected to decline each year in the foreseeable future, opportunity exists for the District to better utilize its buildings by shifting grades between the buildings. (See **R5**)

Table 9 shows GCSD's facility expenditures per square foot in FY 2011-12.

Table 9: Facilities Expenditures per Square Foot Comparison

	GCS D	Peer Average	Difference	Percent Difference
Salaries and Wages	\$1.47	\$2.18	(\$0.71)	(32.5%)
Employee Benefits	\$0.62	\$1.09	(\$0.47)	(43.1%)
Utilities	\$1.84	\$1.38	\$0.45	32.7%
Electric	\$1.34	\$0.90	\$0.44	48.6%
Gas	\$0.32	\$0.30	\$0.02	7.5%
Sub-Total Energy	\$1.66	\$1.20	\$0.46	38.0%
Water & Sewer	\$0.17	\$0.18	(\$0.01)	(2.9%)
Purchased Services (Excluding Utilities)	\$0.59	\$0.77	(\$0.18)	(23.8%)
Supplies and Materials	\$0.33	\$0.41	(\$0.08)	(19.9%)
Capital Outlay	\$0.32	\$0.26	\$0.06	21.0%
Total Expenditures per Square Foot	\$5.16	\$6.10	(\$0.94)	(15.3%)

Source: Ohio Department of Education

GCSD’s total expenditures per square foot are lower than the benchmarks, but electricity costs are 48.6 percent above peer averages despite the District’s use of energy conservation measures. The analysis of electric usage based on a comparison to the peers found that GCSD’s KWH rate was higher, resulting in approximately \$63,500 in additional electricity costs per year (See **R6**, page 26). GCSD does not have the option to seek other suppliers since the City of Galion Electric Utility is a member of American Municipal Power-Ohio. (See **Issue for Further Study** “Negotiate a revised utility relationship with the City of Galion” on page 4.)

Staffing and Organizational Structure

Table 10 shows the workload ratios in the District compared to the AS&U and NCES industry benchmarks.

Table 10: M&O Department Staffing Need

District Staffing	
Total FTE Maintenance Staffing	2.00
Total FTE Custodian Staffing	8.00
Total FY 2011-12 Maintenance & Custodial FTE Staffing	10.00
District Statistics	
Square Footage Maintained	298,197
Acreage Maintained	70.0
Square Footage Cleaned	298,197
Maintenance & Groundskeeping Staffing Benchmark	
AS&U Five Year Avg. Sq. Ft. per FTE Maintenance	92,074
Calculated FTE Maintenance Need	3.24
AS&U Five Year Avg. Acres per FTE Groundskeeper	31.0
Calculated FTE Groundskeeping Need	2.26
Total Maintenance & Groundskeeping Staffing Need	5.50
Custodian Staffing Benchmark	
NCES Level 3 Cleaning Median Square Footage per FTE	31,000
Calculated FTE Custodian Need	9.62
Total FY 2011-12 Maintenance & Custodial FTE Staffing	10.00
Total Calculated M&O Department Staffing Need	15.12
Difference	(5.12)

Source: Galion CSD, NCES, and AS&U

Table 10 indicates the District’s M&O staff cleans and maintains more square footage and acreage than the NCES and AS&U benchmarks. In particular, the maintenance staff manages more square footage and acreage than the benchmarks. This staffing efficiency is partially attributable to the advanced use of an electronic work order system that notifies staff in real time when preventive, regular, and/or scheduled tasks are due. Due to the District’s low facilities staffing levels and expenditures per square foot, additional staffing assessments were not conducted. However, higher electricity costs were reviewed.

Transportation

This section of the performance audit focuses on the GCSD transportation operations. Transportation operations were evaluated against leading practices, operational standards, and selected peer school districts. Comparisons were made for the purpose of developing recommendations to improve the efficiency and effectiveness of operations and, where appropriate, to reduce expenditures. Throughout this section, leading practices and operational standards were drawn from various sources, including the Ohio Department of Education (ODE), Ohio Revised Code, Ohio Administrative Code, Documentation of Accounting Policies and Procedures (GFOA), and Management Policies in Local Government Finance (ICMA, 2004).

The Treasurer currently oversees the District's transportation operation. The District has a formal transportation policy approved by the Board of Education. The District's transportation program included transportation of grades Kindergarten-12 (K-12). In FY 2011-12 three buses operated on three tiers and six buses operated on two tiers. Also, two buses transport special education students. The District is transporting students to five different buildings that operate on four different start and end times.

GCSD provides "Type I" yellow bus transportation, using Board-owned and operated buses, to transport regular, special needs, and non-public students. The District reported using 11 active and 9 spare buses to provide transportation services during FY 2010-12. From FY 2010-11 to FY 2011-12 the District's enrollment declined by 83 students and the District reduced the number of active buses from 12 to 11 buses by eliminating a regular route.

Operating Statistics

Table 11 compares the District's transportation operational data to the respective peer averages as reported on the FY 2011-12 T-1 Form. GCSD data for FY 2010-11 is also shown to illustrate changes that occurred since the prior year.

Table 11: Key Statistics and Operating Ratios

Key Statistics	Galion CSD FY 2010-11	Galion CSD FY 2011-12	Peer Average FY 2011-12	Difference vs. Peers FY 2011-12	% Difference vs. Peers
Key Statistics					
Square Miles	29	29	57.1	(28.1)	(49.3%)
ODE Enrollment	1,990	1,907	1,916.6	(9.6)	(0.5%)
Total Students Transported (All Types)	857	808	1,095.6	(287.6)	(26.2%)
Total Yellow Bus Riders (Type I)	849	799	1,077.7	(278.7)	(25.9%)
Active Buses	12	11	16.0	(5.0)	(31.3%)
Annual Routine Miles	157,500	137,520	193,320	(55,800)	(28.9%)
Annual Non-routine Miles	23,130	23,280	22,171.3	1,108.7	5.0%
Operating Ratios					
Daily Miles per Rider	1.03	0.96	1.00	(0.04)	(3.9%)
Riders per Square Mile	29.3	27.6	25.3	2.2	8.8%
Enrollment per Square Mile	68.6	65.8	45.7	20.0	43.8%
Public Riders as % of Enrollment	39.2%	39.3%	54.0%	(14.7%)	(27.2%)
Regular Riders per Regular Bus	78.4	83.3	71.8	11.6	16.1%
Routine Miles per Active Bus	13,125.0	12,501.8	11,871.1	630.7	5.3%

Source: Ohio Department of Education transportation reports.

As **Table 11** illustrates, in FY 2011-12, the District had higher enrollment per square mile when compared to the peer average. The District transported 25.9 percent fewer yellow bus riders. **Table 11** also illustrates that the number of regular riders per bus was 16.2 percent higher than peers. GCSD transported 39.3 percent of the public riders as a percent of enrollment which is 27.2 percent lower than the peers, indicating lower demand for service. The number of routine miles per active bus is 5.3 percent less than the peers, resulting in the potential for less wear and tear based on mileage. Overall road conditions in the District were not assessed.

Bus routes are compiled automatically using an automated routing system called Versatrans operated by the Transportation Secretary. The District uses multi-tiered routing, along with staggered bell schedules and cluster stops in neighborhoods to operate efficiently while safely transporting students to their schools on time. Staggered bell schedules and multi-tiered routing are generally used in tandem to allow the District to run separate routes for different grade levels (e.g., one elementary school route and one middle/high school route). Cluster stops, in contrast to door-to-door pickups, allow buses to improve efficiency by making fewer stops and minimizing travel time. In the past, the District has used payment in lieu of transportation and vans when appropriate to control transportation costs.

Staffing

In FY 2010-11, the Transportation Department consisted of a total of 29 employees, including 11 bus drivers, 14 substitute bus drivers, 2 bus aides, 1 mechanic, and one Transportation Supervisor. According to the Superintendent, who is also the current Transportation Director, the District uses its substitute bus drivers on an as-needed basis but has had a high turnover rate with this position. Salaries and benefits are compared in the Human Resource section.

The District's total expenditures per bus of \$58,520 were six percent higher than the peers, primarily attributable to the higher salaries and benefits paid to bus drivers, as well as other costs such as driver physicals, training, certification, and bus garage utilities. These higher secondary costs are consistent with the high rate of bus driver turnover reported by the Superintendent.

Food Service

The Food Service Department at GCSD consists of 19 staff members assigned to 4 buildings. Collectively, they work 100 labor hours per day. The staff prepares and serves breakfast and lunch in each of the District's instructional facilities.

The Food Service Fund has operated historically with a positive fund balance without need for General Fund support. The Food Service Director manages inventory and purchases local produce when possible, but does not participate in any consortium purchasing. **Table 12** shows FY 2010-11 and FY 2011-12 Food Service Fund revenues and expenditures.

Table 12: Two Year Food Service Fund Revenues and Expenditures

Description	FY 2010-11 Amount	FY 2011-12 Amount	Difference FY 2010-11 to FY 2011-12
Total Revenues	\$955,160	\$929,301	(\$25,859)
Total Expenditures	\$911,110	\$899,531	(\$11,579)
Net Result of Operation	\$44,050	\$29,770	(\$14,280)

Source: Galion CSD financial transaction detail

Although an initial review of revenues and expenditures in **Table 12** indicated the Food Service Fund was self-supporting, the audit further analyzed sustainability to ensure food service staff is proactive in managing results so no additional burden is placed in the general fund. Revenues for the Food Service Fund come primarily from federal grants and daily sales.

Table 13 presents Food Service Fund revenue in FY 2010-11 and FY 2011-12.

Table 13: Food Service Revenue (FY 2010-11 and FY 2011-12)

Description	FY 2010-11 Amount	FY 2011-12 Amount	Difference	Percent Difference
Unrestricted Grants in Aid-Federal	\$639,429	\$636,000	(\$3,429)	(0.5%)
Restricted Grants in Aid-State	\$14,313	\$13,083	(\$1,230)	(8.6%)
Restricted Grants in Aid-Federal	\$2,491	\$0.00	(\$2,491)	(100.0%)
Food Service Sales	\$296,838	\$278,107	(\$18,731)	(6.3%)
Earnings on Investments	\$1,086	\$796	(\$290)	(26.7%)
Miscellaneous Receipts from Local Sources	\$1,003	\$1,315	\$312	31.2%
Total	\$955,160	\$929,301	(\$25,859)	(2.7%)

Source: Galion CSD financial transaction detail

Table 13 indicates a \$25,859 decline in revenue from FY 2010-11 to FY 2011-12. As daily Food Service operating costs (salaries, benefits, purchased services, supplies and materials) increase,

any decline in revenue increases the risk of a fund deficit. The Food Service Director stated that maintaining a positive net operating cash flow is a greater challenge with new dietary mandates for school lunch programs.

Table 14 below shows a general increase in all expenditure categories except Capital Outlay. The reduction in Capital Outlay expenditures masks the fact that normal operating expenses actually increased significantly.

Table 14: Food Service Fund Expenditure Detail (FY 2010-11 and FY 2011-12)

Description	FY 2010-11	FY 2011-12	Difference	Percent Difference
Salaries and Wages	\$283,544	\$314,581	\$31,037	11.0 %
Fringe Benefits	\$139,863	\$156,802	\$16,939	12.1%
Purchased Services	\$7,355	\$14,998	\$7,643	82.2 %
Supplies and Materials	\$377,103	\$387,779	\$10,676	2.8 %
Capital Outlay	\$101,176	\$22,884	(\$78,292)	(77.4 %)
Other Objects	\$2,069	\$2,487	\$418	20.2 %
Total Expenditures	\$911,110	\$899,531	(\$11,579)	(1.3 %)

Source: Galion CSD financial transaction detail

Table 14 shows that a \$78,292 reduction in capital outlay in FY 2011-12 was partially offset by a \$66,713 increase in all other foodservice operating costs. In FY 2011-12, the decline in revenue (\$25,859) shown in **Table 13** outpaced the decline in expenses (\$11,579) shown in **Table 14**. AOS' analysis confirms the Foodservice Director's observation that net results of operation have been declining due to increased cost of labor, supplies, and materials.

Industry leading practices, as established by the National Food Service Management Institute, set a production benchmark of 19 meals per labor hour for the number of meals produced in a school food service program. The efficiency measured in Meals Per Labor Hour (MPLH) by school varied from a low of 16.7 MPLH in the high school to a high of 28.5 MPLH at the intermediate school. Overall, the District produced an average of 21 MPLH for all buildings in the District, exceeding the benchmark by 2.0 meals per labor hour. The efficiency of GCSD's operation exceeds industry standards, but growing operational costs and future capital needs pose a risk that general fund support may be necessary in future years to close the gap (see **R13**).

Recommendations

Human Resources

R1 Reduce staffing

Although the District is below the peer averages for General Education and Education Service Personnel (ESP), it may need to consider reducing staffing to state minimum standards by eliminating 7.0 FTE locally funded regular teacher and 1.5 FTE ESP positions. Before making further reductions, the District should review the potential impact they would have on the quality of educational services.

Financial Implication: Reducing staffing levels to state minimum standards would require a reduction of 7.0 FTE teaching positions, resulting in savings to the District of \$279,172 in salaries and benefits. Reducing 1.50 FTE ESP staff would result in savings of \$98,328 in salaries and related benefits.

Note: In review with client January 2014 the AOS confirmed that FY2014 enrollment and regular education staffing increased but GCSD continues to operate with a level of locally funded regular teachers approximately 7.0 FTE above the State minimum standard.

Total Financial Implication: Assuming the elimination of seven locally funded general education teachers and 1.50 ESP FTEs the District could save **\$377,500**.

In FY 2012-13, Galion CSD employed 67.4 general education FTE's, for an overall regular student to teacher ratio of 22 to 1. While the District's staffing levels were lower than the peers (due to the District's smaller student population), the peers maintained a slightly lower student to teacher ratio. Due to the District's worsening financial situation, it should consider reducing staffing levels in this area to reflect guidelines set by the Ohio Administrative Code. OAC §3301-35-05 mandates at least one locally funded FTE regular classroom teacher for every 25 regular education students on a District-wide basis. Two of the 67.4 general education FTEs were grant funded and excluded from the minimum requirement per OAC §3301-35-05. Carefully monitoring its enrollment projections, and taking into consideration the potential impact it would have on the quality of education, the District may be able to bring its student to teacher ratio closer to the OAC guideline.

In FY 2011-12 GCSD employed a total of 8.76 FTE ESP, or 5.05 FTE's per 1,000 students. This total comprises 6.26 FTE ESP teaching staff, encompassing art, music, or physical education for kindergarten through eighth grade. Also, the District employs 2.50 FTE counselor positions. According to the Ohio Administrative Code (OAC) § 3301-35-05 (A) (4), "A minimum of five full-time equivalent educational service personnel shall be employed district-wide for each one thousand students in the regular student population."

The District employs a total of 8.76 FTEs, while the state minimum required ESP staff totals only 7.27 FTEs. Thus, the District could reduce its ESP staff by 1.49 FTEs and still comply with the OAC minimum staffing requirement.

R2 Increase employee health insurance contribution

In order to help control the costs of health insurance, the District should increase employee health insurance contributions to 15 percent of the monthly premium. Doing so will provide direct cost savings to the District while offering quality health insurance to its employees at a reasonable cost.

Financial Implication: If GCSD renegotiated the collective bargaining agreements (CBA's) and required all employees to contribute 15 percent of health care costs, it would realize annual cost savings of \$107,758

Galion CSD offers three medical and vision insurance plans, including a single, family, and "employee plus one" plan. The District offers only the single and family plan for its dental insurance. The classified and certificated contracts contain provisions that stipulate employee health care coverage benefits and limits. The current employee contribution limit for health care premiums is 10 percent, while the Board contribution is 90 percent. Comparatively, the State Employment Relations Board (SERB) notes that employees with single medical coverage contribute an average of 13.9 percent, while those with family plans contribute an average of 15.1 percent toward their insurance premiums. Further, research by the Kaiser Family Foundation (2012), analyzing health insurance costs in the private sector, states that employees with a single plan contribute an average of 17.1 percent toward their insurance premium, compared to 26.9 percent for those with a family plan.

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

R3 Renegotiate contracts to eliminate retirement pick-up

Financial Implication: If GCSD renegotiated contracts to eliminate retirement pick-up for administrative employees it would realize annual cost savings of \$23,710.

School districts in Ohio are required to administer payments into two retirement plans: the State Teachers Retirement System (STRS) for teachers and other certificated staff, and the School Employees Retirement System (SERS) for classified positions. Ohio law mandates the contribution percentages to be made by employers and employees. Employers are required to contribute a minimum of 14 percent of each employee's annual salary to the appropriate retirement fund. Employees are responsible for contributing 10 percent. GCSD goes beyond the STRS and SERS requirements and pays the entire 10 percent employee share (known as pickup), plus an additional portion of salary (1.0 percent) for fifteen administrative employees. In total, the District expended \$94,675 for pension pickups in FY 2011-2012. However, the cost associated with pickups will decrease to \$89,594 in FY 2012-2013 due to the reduction of District administrative positions from 15 to 13.

A peer comparison revealed that four of the five selected peers provide pension pickups for only the Superintendent and Treasurer, while one district provides pickups for fewer positions than GCSD. The District contends that pension pickups were implemented in lieu of base salary increases, and that payment assists in keeping administrative compensation comparable to surrounding districts. However, the average GCSD administrator is paid approximately 5.5 percent more than comparable peer district administrators.

Paying the employee share of retirement contributions allows some districts to control administrative salary costs and attract administrative personnel by offering these fringe benefits in lieu of a higher salary. However, offering this benefit to employees can be costly as it is rarely factored into total compensation calculations. Given the District's financial condition, GCSD should seek to phase out pension pickups for administrative employees in order for compensation to more closely reflect peer district averages.

R4 Renegotiate provisions in collective bargaining agreements

In future contract negotiations the District should renegotiate those items identified as more generous to reflect peer practices or ORC standards. These provisions include paid holidays and vacation accrual rates for classified staff. Renegotiation of these items will also decrease the cost for substitute workers and result in more time worked.

In an analysis of GCSD's classified and certificated collective bargaining agreements (CBA), several provisions were determined to be more generous than the peer districts. In addition to the peer comparison, the provisions were compared to applicable provisions within the ORC.

Classified employees receive vacation on a graduated scale with increments ranging from 10 days for 1 to 9 years of service to a maximum of 30 days for 25 years of service. Comparatively, peer districts allow classified employees to accumulate up to 506 total vacation days over a 30 year period. Overall, the number of vacation days paid at GCSD is more generous than the

minimum standard of 10 days for 1 to 9 years of service, 15 days for 10 to 19 years of service, and 20 days for 20 years of service, as stated in ORC §3319.08.04.

Classified employees working 11 or 12 months receive 13 paid holidays each year. Classified employees working 9 or 10 months receive 11 paid holidays each year. Comparatively, the District's holiday leave is more generous than the peers, which offer an average of 10.75 holidays and 8.5 holidays respectively, based on months worked each year. As a result, GCSD provides 180 more paid holidays for its 11 and 12 month employees and 150 more paid holidays for its 9 and 10 month employees over a 30 years period. Further, the number of paid holidays at GCSD is more generous than ORC §3319.087 minimum standard of 7 days for 11-12 month employees and 6 days for 9-10 month. The seven minimum holidays to be observed in Ohio if an employee is scheduled during this time are New Year's Day, Martin Luther King Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Facilities

R5 Reassign classrooms and repurpose building use

Galion CSD should consider realigning grades and repurposing available surplus space in its buildings and operations. Once grades are realigned the District can seek alternate purposes for available space which might include:

- **Seeking tenants to offset the cost of building operations and remaining debt payments.**
- **Relocating the District Administrative staff to one of the campus buildings, allowing the lease or sale of the Administration building.**
- **Relocating maintenance operations from the bus garage to campus, reducing the amount of travel required for gathering tools and supplies.**

Due to the nature of the economic market in the City of Galion, the District should obtain a comparative analysis from a local realtor to help set lease rates for available spaces. Additionally, a comparative analysis can help determine whether selling or leasing the administration building provides the greatest revenue. The District should take into account any outstanding debt, utility, and maintenance cost of upkeep for each building when determining lease rates. The Superintendent and Treasurer stated that other educational service providers may have need for space that could be leased with little risk of interrupting school functions. Additionally, the administration building is sufficiently separated from the main campus to minimize security concerns on the campus.

Galion CSD operates four school buildings, an administration building, and a bus garage. Additionally, maintenance is performed on the stadium property and a vacant lot where the former high school was located. Each of the new school buildings was built between 2004 and 2007, with much of the bond debt to build those buildings still outstanding.

Table 16 below shows the District's utilization rate for each of its school buildings.

Table 16: Total Site Capacity Analysis

Building	Building Capacity	2012 Head Count	Over/(Under) Capacity	Utilization Rate
Primary School	604	438	(166)	72.5%
Intermediate School	638	438	(200)	68.7%
Middle School	620	427	(193)	68.9%
High School	868	559	(309)	64.4%
Total	2730	1862	(868)	68.2%

Source: ODE district enrollment and GCSD floor plans

The District's total average capacity utilization in **Table 16** is approximately 68.2 percent for all school buildings. Although the capacity is low, there is not enough surplus capacity to allow closure of one of the schools.

Table 17 below shows the revised capacity utilization rates if the District decided to close one school.

Table 17: Revised Capacity Analysis

Building	Capacity	2012 Head Count	Over/(Under) Capacity	Utilization Rate
Primary School	604	568	(36)	94.0%
Middle School	620	600	(20)	96.8%
High School	868	694	(174)	80.0%
Total	2092	1862	(230)	89.0%

Source: ODE district enrollment and GCSD floor plans

Defining Capacity (DeJong 1999) recommends a capacity utilization rate of 85 percent for each building and for school districts as a whole. As shown in **Table 17**, if the District were to close a school, two of the three remaining buildings would exceed the recommended capacity utilization of 85 percent and the district average would be nearly 90 percent. If enrollment continues to decline each year in the foreseeable future, an opportunity exists for the District to better utilize its buildings by shifting grades between the buildings. A walk through of the buildings on campus identified a total of 14 empty rooms. There were 2 empty rooms in the primary and middle school, 4 empty rooms in the intermediate school, and 6 empty rooms in the High School.

One example of the reallocation of grades is to move the top grade in each building to the next level building to create Primary grades K-1, Intermediate School grades 2-4, Middle School grades 5-7, and High School grades 8-12. **Table 18** shows the impact of this realignment.

Table 18: Example of Reallocation Providing Room for Administration

Building	Building Capacity	Head Count 2012	Over/(Under) Capacity	Utilization Rate
Primary School K-1	604	284	(320)	47.0%
Intermediate School 2-4	638	439	(199)	68.8%
Middle School 5-7	620	445	(175)	71.8%
High School 8-12	868	694	(174)	80.0%
Total	2730	1862	(868)	68.2%

Source: ODE district enrollment and GCSD floor plans

Table 18 shows that realignment from the second grade on provides significant surplus capacity in the Primary building and still leaves other buildings below the 85 percent benchmark. The additional surplus space created in the Primary building or other buildings could accommodate the District administrative staff and/or generate additional revenue by leasing space to other parties. Realignment would also permit the sale or lease of the Administration building.

R6 Identify alternate electric energy transmission provider and source

Galion CSD should consider negotiating with the City of Galion to lower electric energy costs, or pursue alternative energy sources.

Financial Implication: Reducing electric costs to peer levels will provide annual savings of approximately \$63,500.

In CY 2012, the District spent \$1.34 per square foot on electricity compared to the peer average of \$0.90, a difference of 48.6 percent. The District built new energy efficient schools in 2007 and has since implemented several cost savings measures. On November 5, 2010, the District sold HB 264 Energy Conservation Bonds for measures including lighting, enhanced metering and load shedding, and green education. The preliminary audit of gas and electric usage in FY 2011-12, following implementation of the conservation measures, yielded over \$60,000 in savings from the prior fiscal year and exceeded the amount of principal on the bonds. Additionally, the District has closed an unused wing and shut down HVAC in empty classrooms.

Despite these efforts, however, a comparison of the District's electric costs per kilowatt hour (KWH) from April 2012 through April 2013 and those of two peers (Colonel Crawford LSD and Crestline EVSD) show that the District spent approximately \$0.02 more per KWH than the peers. As a result, the District paid approximately \$63,500 more in electric costs than it would have if it were paying the peer average per KWH.

GCSD's electric supplier is the City of Galion Electric Company (GEC). Municipal corporations have the legislative authority to contract and set prices for consumers within its boundaries. Additionally, the GEC has not entered into agreements with any other suppliers and therefore, it is the sole source for distribution and transmission of electricity to customers within its distribution area. Rates are set at the discretion of GEC.

If the District cannot get price reconsideration from GEC as a public entity, it should seek other options for reducing electricity costs by pursuing alternative energy providers or sources. For

example, the District could determine whether other providers can sell electric generation services in the city. This may allow participation in a consumer choice program that would permit the District to choose which provider best meets its needs. If consumer choice is not an option, the District should pursue alternative energy sources, such as solar or wind turbines. An agreement with GEC may still be required for credits or additional power generated by the alternate energy source and to ensure a continuing supply of supplemental electricity as required.

Neighboring Bucyrus CSD is installing a solar farm to provide alternative energy. The Bucyrus CSD Treasurer stated the District has entered into an agreement whereby it is not required to provide the capital investment for installation and the charge per kilowatt hour is lower than current providers. Additionally, any excess kilowatt hours not used by BCSD are applied as credits with the traditional electric supplier.

GCSD will have to identify opportunities for alternate energy sources that have the greatest potential for realizing cost savings and enter into an agreement with The City of Galion Electric Company prior to installation and operation. Pursuing these avenues should help bring the District's electric costs to peer's levels and provide annual savings.

Transportation

R7 Update transportation policy and practice

Galion CSD should update its transportation policies to adopt state minimum standards in accordance with ORC§3327.01. Transportation should be provided for resident students in kindergarten through eighth grade living two miles or more from their schools.

GCSD transports every student (K through 12) who qualifies and requests transportation. The District's transportation policy requires transportation for resident public and non-public students in kindergarten through 12th grade. The policy sets walking distance for students without disabilities below state minimum standards as follows:

- Kindergarten through fifth grade, 1 mile
- Sixth through eighth grade, 1.5 miles
- Ninth through twelfth grade, 2.0 miles

The policy further states that students may be required to walk up to one-half mile to the assigned cluster stop to board their assigned school bus. Finally, the policy states that if a student does not ride a bus for seven consecutive days without prior notification to the Transportation Department, the student will be removed from the bus route. Although the level of transportation provided by the District matches stipulations in its Board policy, it is above and beyond the required State minimum standard in the following two specific areas:

- Transportation of students in grades 9 through 12 is not required by ORC§3327.01.
- Transportation of students inside a two mile radius from school is not required by ORC§3327.01.

Ohio Revised Code (ORC) § 3327.01 requires that, at a minimum, school districts provide transportation to and from school to all students in grades kindergarten through eight who live more than two miles from their assigned school. Districts are also required to provide transportation to community school and non-public school students on the same basis as is provided to their students. In addition, school districts must provide transportation to disabled students who are unable to walk to school, regardless of the distance. Finally, when required by an individualized education program (IEP), school districts must provide specialized, door-to-door transportation to special needs students based on the unique needs of the child.

According to the Association of School Business Officials International (*Key Legal Issues for Schools*, 2006), school board policies provide visible statements about the board's beliefs and actions regarding educational and managerial practices, and are the means through which boards plan their strategic directions. Policies should be adopted with a clear vision and strategies for achieving that vision and as a result, should be the basis for the actual practices as well as resource decisions of a district. Revision of the transportation policy as recommended will help guide District resource decisions while allowing sufficient discretion to ensure student safety.

Reducing the number of eligible riders provides the District with an opportunity to re-define bus routes, maximize capacity utilization, and reduce the number of active buses in operation. While the transportation policy should commit the District to provide only State minimum levels of transportation, it should give the Superintendent the flexibility to provide service above minimums on a yearly basis based on availability of resources and safety concerns for students walking to school. Furthermore, GCSD should update and modify its administrative guidelines to outline how policies will be implemented and how any exceptions to the levels of transportation service established in the policy will be granted. These exceptions should include consideration for hazardous conditions such as roads without sidewalks, dangerous intersections, and unguarded rail crossings that the Board has deemed unsafe.

R8 Identify alternatives for fuel procurement

Galion CSD should explore different options for the procurement of bus fuel. Below are several methods from which GCSD could choose, all of which could potentially lead to significant savings:

- **Negotiate and establish an agreement with a local vendor, preferably a fuel distributor, to purchase fuel at a discounted rate. Although purchasing directly from a commercial vendor may not be the most cost-effective method of fuel procurement, negotiating for discounted rates could help reduce fuel costs.**
- **Enter into an agreement (partnership) with another local government entity such as Crawford County or an adjacent school district for the procurement of fuel. Such an agreement would allow GCSD to take advantage of an existing fuel tank and/or negotiated rates.**
- **Consider installing a fuel tank on its premises. While the initial cost could be approximately \$45,000, this option would enable GCSD to take advantage of bulk and consortium-negotiated rates.**

- **Consider negotiating with a fuel distributor to provide a centralized fuel tank for the District to store its fuel onsite, and contract with the same distributor to supply fuel to the District at discount prices as several other districts in the State have done.**

GCS D purchases diesel fuel for school buses from a local retail vendor in the City of Galion. The District does not have a formal agreement with this vendor and purchases fuel at the retail price. The audit analysis found the District was significantly lower in fuel costs per routine mile when a central storage tank was in operation during FY 2010-11. The previous tank was improperly placed by the vendor and its use was prohibited by the State Fire Marshall. The vendor's refusal to correct the placement forced the District to discontinue use of the tank. According to the Superintendent, the District needs an option for containing fuel costs either through placement of a tank for wholesale delivery or cooperative purchasing with another entity to take advantage of wholesale purchasing.

Table 19 is a comparison the unit price of diesel fuel from the District's most recent fuel vendors, and the Ohio Department of Administrative Services cooperative purchasing program (ODAS). Districts using the ODAS purchasing cooperative can expect to pay the daily wholesale rate per contract based on predetermined factors. The District is not a member of a fuel purchasing consortium, such as that offered by ODAS. Furthermore, it does not regularly solicit competitive bids or issue requests for proposals (RFPs) for fuel procurement. Rather, the District relies on local fuel distributors to fill all fuel-related orders without a formal contract.

Table 19 compares a sampling of Galion CSD's actual fuel purchases to the Ohio Department of Administrative Services (DAS) cooperative fuel purchasing program prices in FY 2011-12 and FY 2012-13.

Table 19: Sample Fuel Cost Comparisons - FY 2011-12 & FY 2012-13

Purchase Date	Number of Gallons ¹	Galion CSD Cost per gallon ²	ODAS Cost per gallon ³	Difference
9/6/2011	63.9	\$3.62	\$3.60	\$0.02
9/7/2011	49.0	\$3.62	\$3.60	\$0.02
9/8/2011	92.0	\$3.62	\$3.66	(\$0.04)
9/14/2011	33.0	\$3.62	\$3.45	\$0.17
9/27/2011	28.0	\$3.62	\$3.30	\$0.32
10/3/2011	109.3	\$3.62	\$3.29	\$0.33
10/4/2011	60.0	\$3.62	\$3.27	\$0.35
10/13/2011	34.0	\$3.62	\$3.37	\$0.25
10/17/2011	48.0	\$3.62	\$3.54	\$0.08
10/20/2011	22.0	\$3.62	\$3.50	\$0.12
12/20/2011	66.0	\$4.41	\$3.46	\$0.95
1/9/202013	59.75	\$4.37	\$3.40	\$0.97
1/16/2013	62.1	\$4.37	\$3.35	\$1.02
1/29/2013	66.7	\$4.27	\$3.54	\$0.73
2/1/2013	51.02	\$4.27	\$3.64	\$0.63
Average	55.9	\$3.80	\$3.47	\$0.39

Source: Galion CSD fuel invoices and DAS contract RS901110 index GDC027 daily price adjustments

¹ ULS Diesel Supreme

² Includes State Road Tax of \$.28 per gallon.

³ Includes State Road Tax of \$.28 per gallon, Federal Oil Spill Tax of .001905 and Federal Leaking Underground Storage Tanks (LUST) Tax of .001. Delivery charge is included in the DAS Diesel Fuel charges listed in DAS fuel contract for District 3 in Crawford County)

As **Table 19** shows, Galion CSD paid higher fuel prices on average when compared to the State cooperative purchasing program, varying from \$0.01 to \$1.02 more per gallon for diesel fuel. The District could elect to participate in the current ODAS fuel contract number RS903113 in effect from 5/1/2013 to 6/30/2016.

Monitoring daily rates at http://procure.ohio.gov/PriceAdjustments/RS903113_PA.pdf will allow the District to assess fuel prices and manage supplier relationships in the future. Currently, the Treasurer's Office monitors fuel usage by requiring bus drivers to record the mileage, gallons of fuel, date, and initial each time they fuel a bus. Then, at end of each month, the Accounts Payable Clerk reviews the fuel reports for reasonableness to ensure theft or abuse are not occurring. However, there is no District policy stating that employees are not allowed to use fuel for personal purposes.

The District had an agreement with a local vendor to install a fuel tank and supply fuel in early FY 2012-13. The central fuel tank was installed at the bus garage. However, it was installed incorrectly and during inspection, the EPA discovered the error and warned the distributor (vendor) to correct the problem. After several failed attempts to get it corrected, the EPA had to close it down because the vendor apparently could not rectify the problem and install the tank correctly. Furthermore, the fuel distributor the District had used for years refused to continue to supply fuel to the District after the failed central tank installation. The District currently purchases fuel through only one retailer, a local gas station, at market prices without a discount or contract. The District does not request or receive any fuel price quotes from other vendors. Additionally, the District does not have a central fuel tank to store fuel, and has not explored fuel procurement through the Ohio Schools Council or Ohio Department of Administrative Services.

R9 Reduce the number of spare buses

The District should reduce its spare bus fleet by three buses based on FY 2010-11 data. This would result in a spare bus ratio that is more consistent with Federal Transit Administration (FTA) and ODE guidelines. GCSD should annually review the ratio of spare buses to total fleet to ensure that it is making appropriate adjustments based on the changing conditions within its operations.

Financial Implication: Assuming Galion CSD could receive the same level of revenue for future sales of its used buses as the Ohio Schools Council (OSC) did through bus auction sales, (an average of \$1,757 per bus), it could generate additional **\$5,271 in one-time revenue** from the sale of three spare buses.

The District had seven buses designated as spares in FY 2010-11, which represents nearly 37 percent of the total fleet. In FY 2011-12, the District used nine spare buses, and as of August 2012, the District is using five spare buses representing over 31 percent of the total fleet when the three inactive spare buses and the one inactive bus that was removed from inventory are excluded from the fleet. According to the Transportation Coordinator at ODE (ODE's Office of Pupil Transportation), spare buses typically comprise 20 percent of a district's fleet. Under current operations, the District would need to eliminate approximately one (1.2) spare bus in order to achieve the 20 percent ratio. However, the District has not made a determination to use

only five spares, and will have eight spare buses when the three spares that failed inspection have been repaired, resulting in a spare to active bus ratio of approximately 42 percent. The District also has not determined whether the one spare bus that has been removed from inventory will be repaired or used for parts. Owning more buses than necessary can have an adverse impact on the District's insurance costs, particularly since some of the existing vehicles cannot be used for their intended purpose. By maintaining a spare bus fleet in excess of FTA and ODE's recommendations, Galion CSD may be incurring excess costs for insurance and routine maintenance.

R10 Develop and implement a preventive maintenance program

The District should develop a formal preventive maintenance (PM) program for its vehicles and update the PM plan on a regular basis. Additionally the District should identify, track, and report on key indicators to assess true costs and the impact on fleet operational effectiveness. This action will ensure that the District's buses are properly maintained and remain safe for students. Additionally, the data provided can assist the District in understanding whether upgrading the bus garage, relocating the bus garage, or outsourcing bus maintenance is more cost effective to maintain a reliable fleet. (See issue for further study on bus garage, page 4)

The District does not have a formal Preventive Maintenance program and does not track data to determine if the maintenance operation is effective. The District provided documentation demonstrating that preventive maintenance activities take place and are performed by the District bus mechanic. The routine maintenance is more informal. It is based on current needs and available funds rather than as part of a documented long-term PM program. The bus mechanic submits work orders to the transportation secretary who then documents repairs completed, parts used, and labor hours to complete work in a spreadsheet by bus number. An ad-hoc review of the repair logs can determine the extent of recent PM activities or specific vehicle performance.

The former superintendent stated, and the mechanic confirmed, that several spares were being used for salvageable parts rather than buying new parts. These spares are inoperable and cannot be used for student transportation unless they pass highway patrol safety inspections.

The District spent \$6,545 per bus on maintenance and repairs in FY 2010-11. This was 23 percent below the peer average of \$8,505. Although it may appear the District is controlling costs, several sources in the district stated that buses are regularly breaking down and several of the spares are scavenged for parts since they could not pass the annual Highway Patrol inspection for road worthiness.

The article "Drilling Down on Fleet Maintenance" (School Bus Fleet July 2008, Brad Barker) states that operating a reliable and safe fleet of vehicles demands attention to many important factors. In general a fleet maintenance operation must have a garage, clean work areas, office space, a parts storage area, adequate tools, and equipment for staff to perform their jobs. Three key factors in managing a successful fleet operation include:

- Qualified/trained personnel

- Guidelines, including a preventive maintenance program, specifications, and policies for operation
- Regimented documentation and data recording

Documenting specific demand on the maintenance operation can indicate the effectiveness of maintaining a safe and reliable fleet. Regularly inspected and maintained buses are typically more reliable. Ideally the maintenance operation should be working on buses scheduled for regular and preventive maintenance or driven in for repair needs identified through inspection or operation. The operation can then benchmark services by understanding the source of repairs, the costs associated with each, and the effectiveness of routine maintenance.

Ten key repair events are noted with variations on the list recommended. Repair sources are:

- Accident (driver error or part malfunction)
- Drive-in (identified during operation)
- Inspection (daily drive inspection)
- Preventive maintenance schedule
- Rebuild (could include time to scavenge and replace)
- Road call (break down)
- Scheduled
- Vehicle condition report (determine frequency)
- Warranty

The undesirable items from this list include on-the-road breakdowns, major component failures and routine part failures (same type of parts regularly). Recurring instances of these items should initiate an investigation into maintenance processes, driver habits, and part design by manufacturer. Rebuilding and scavenging parts may take away from regular maintenance due to the time required for each process.

The GCSD bus garage is an older facility in need of repairs and reorganization in order to serve both the bus repair and maintenance staff. The cost of operation includes utilities, salaries and benefits, and repair costs associated with owning the property and employing a bus mechanic. The District is considering options to either relocate its maintenance/bus garage facility or contract with third party to further lower the cost of its transportation operation. In order to relocate and reduce the cost of maintaining the old garage, the District still considers moving the bus fleet to the campus to be a more efficient option in terms of the starting point for bus routes, but given the current fiscal constraints, it is unsure what to do with the bus garage.

The bus mechanic position is protected by the Collective Bargaining Agreement (CBA) in that the Board can subcontract the work, but cannot eliminate the position as a result of subcontracting. Therefore, any savings related to position elimination through subcontracting will require negotiations according to the Superintendent. However, there may be an opportunity to negotiate additional duties into the current maintenance position to include some light vehicle maintenance and support duties while eliminating a bus mechanic from the current contract.

Bucyrus City Schools is a neighboring school district that has a bus garage large enough to provide maintenance to the District on a charge-back basis. Bucyrus may be willing to enter into an agreement with GCSA. Additionally, a third party located in nearby Mansfield, another neighboring district, performs regular major repair work and might be able to take on routine maintenance. Furthermore, several schools in Crawford County have started holding ad hoc meetings to discuss opportunities for sharing services such as transportation.

According to the *Public Works Management Practices Manual* (American Public Works Association (APWA), 2004), a formal preventive maintenance program should be developed for all equipment that includes preventive maintenance scheduling, recording performance, and monitoring the program. This involves a preventive maintenance approach to provide for systematic, periodic servicing of equipment to facilitate operations with a minimum of downtime, and an effective equipment management approach that requires repairs to be made before equipment fails. Additionally, according to the APWA, “well-planned preventive maintenance programs, which follow the manufacturer’s recommendation and schedules, will result in a dependable fleet and extended equipment life with lower operation, maintenance, and repair costs. Planning and scheduling preventive maintenance activities requires providing the right maintenance at the right time at the overall lowest cost.”

R11 Establish a bus replacement plan

The Superintendent, in cooperation with the Treasurer’s Office, should create and maintain a bus replacement plan to ensure the District is properly planning and budgeting for the purchase of new buses. The replacement plan should include the age and mileage of each bus with all maintenance and repair costs. Updating the plan annually for each bus would enable the District to complete a repair versus replace assessment and ensure rotation occurs regularly to extend the bus life.

The District does not have a formal bus replacement plan and 6 of its 19 buses are at least 15 years old. Without a formal replacement plan, the District replaces buses based on subjective opinions about excessive age, cost of repairs, mileage, and condition of the bus. During FY 2010-11, the District’s fleet comprised 12 active and 7 spare buses. The average age of the fleet was approximately 10 years with an average of mileage of 79,885 miles. In FY 2011-12, the District’s fleet comprised 11 active and 9 spare buses. The average age of the fleet was approximately 11 years with an average mileage of 76,029 miles.

Overall, the District has eight buses over 12 years of age. The buses over 12 years of age consist of one active, and seven spare vehicles (spares include 5 running and 2 inactive buses). There are no buses with over 250,000 miles, and the highest mileage in the fleet is an active bus with approximately 188,400 miles. According to the Mechanic, the last new bus purchase occurred in FY 2010-11, when the District purchased a new regular education bus. The Superintendent stated that the District uses its general fund for bus purchases, as it did for the purchase of its newest bus in FY 2010-11.

During the course of the audit the District took steps to manage the disrepair and excess number of spare buses. Four spares were sold and the District is negotiating a lease-to-purchase

agreement to replace five additional buses in the fleet. The lease purchase agreement is included in the August 4, 2013 Board agenda online. Five new buses will represent approximately one-third of the inventory and is a significant capital purchase. Projecting the lifecycle of the all buses will allow the District to distribute the expense more evenly and effectively plan for future replacements.

There are no State guidelines for bus replacement beyond the requirement that buses must be able to pass annual Ohio State Highway Patrol inspections. As long as the bus passes the inspection, a district may continue to use the bus for transportation, regardless of age or mileage. The National Association of State Directors of Pupil Transportation Services (NASDPTS) does offer some suggested replacement guidelines. According to the NASDPTS, Type C and D buses (conventional buses) should be replaced after 12 to 15 years, and Type A and B buses (lighter duty buses) should be replaced after 8 to 10 years. The NASDPTS also notes that the State of South Carolina replaces buses after 250,000 miles and/or 15 years of service. The NASDPTS states that establishing school bus replacement policies is important because it directly impacts the timeliness of introducing the latest safety, efficiency, and emissions improvements into the fleet.

By creating and updating a replacement plan that includes factors such as age, mileage, and maintenance costs per bus, GCSD could better ensure it is prepared for future capital expenditures. Although the District's bus fleet is seemingly in good condition based on age and mileage, it may be unprepared or unable to identify future bus replacement needs without a formal bus replacement plan. A replacement plan can also help the District determine which vehicle to sell or place into spare status if a route is eliminated.

Although the District can potentially operate several more years without replacing buses based on the current age and mileage of the fleet, the District could face a large liability over the long-term due to delayed bus replacements. Developing and funding a bus replacement plan would help the District anticipate these needs and identify potential sources of funding in advance.

Note: During the course of the audit, and after the above analysis, the District sold 4 unused buses and is purchasing 5 new buses to replace the older buses in greatest need of repair. The treasurer stated that in future budget planning, a bus replacement plan will be included in forecasts of capital expenditures.

R12 Improve transportation operating efficiency

GCSD should improve its transportation operating efficiency through more sophisticated use of the current routing software. The District could eliminate two regular active buses by revising its routes.

Financial Implication: Galion CSD could achieve immediate cost savings by improving the utilization rate of its bus fleet. If GCSD eliminates two buses to reach the 80 percent benchmark for efficiency in its transportation operation, it could save approximately **\$73,000** including salaries, benefits, fuel, maintenance costs, etc. The District could generate an additional **\$3,515 in one time revenue** by selling the two inactive buses removed from operation.

In FY 2011-12, GCSD reported using 9 buses to provide transportation services to 750 public and 4 non-public regular students each day. Two buses transport special education students for a total of 11 active buses in FY 2011-12.

GCSD uses a number of routing methods to improve efficiency, such as multi-tiered routing, automated routing software, cluster stops, and staggered bell schedules. Since 1999, the District has been using an automated routing software system (Versatrans) to route buses. However, it has not been able to fully utilize this software because of frequent staff turnover and lack of adequate training. According to the District, from FY 2010-11 to FY 2011-12 enrollment declined by 89 students and the number of active buses was reduced from 12 to 11 by consolidating a regular route.

Based on the number of riders per bus and the ODE target efficiency ratios shown in Table 20, Galion CSD appears to have an efficient transportation operation compared to peer districts. The District uses cluster stops around neighborhoods to balance the need for efficiency with the desire to avoid requiring children to cross intersections to get to their bus stops. It also uses door to door pick up in the more rural areas where there are no “blocks” or sidewalks to further ensure student safety. According to the Superintendent, the District employs primarily double-tier routing and while some rural routes can take as long as one hour, many of the District’s routes are no more than 45 minutes because of the close timing of the bell schedules.

Table 20 compares GCSD’s FY 2011-12 regular student ridership counts with the American Association of School Administrators (AASA) benchmark which suggests that buses should operate at 80 percent of their stated capacity.

Table 20: Regular Needs Ridership Compared to AASA Standard

Total number of Active Regular Buses ¹	9.0
Total Benchmark Capacity	1313
Benchmark Capacity per Bus	146
Benchmark Capacity per Bus @ 80%	117
Number of Regular Type 1 Riders	750
Average Number of Riders per Bus	83.3
Number of Buses Required to Achieve Benchmark	6.4
Number of Potential Buses to Eliminate	2.6

Source: ODE, Galion CSD, and AASA

¹ Includes public school, nonpublic school, and community school buses.

As shown in **Table 20**, the District could potentially eliminate approximately two buses from its fleet if it were able to achieve the benchmark utilization rate of 80 percent. Updating transportation policy to adopt state minimum standards will enable the District to further reduce the number of active buses required for student transportation. (**See R.7**)

According to *Hidden Savings in Your Bus Budget* (AASA, September 2006), operating buses more efficiently is one of the most effective ways to achieve savings in a school district’s transportation operation. By transporting more students per bus, a district can reduce the number of buses it uses and the costs associated with operating those buses. AASA further states that

effective pupil-to-bus ratios should average at least 100 pupils on a double route, two-tier bus system. AASA also recommends buses operate at 80 percent of rated capacity.

The ability to run multiple tiers also allows a district to maximize bus capacity and reduce the number of buses needed in its fleet. Cluster stops, in contrast to door-to-door pickups, allow improved efficiency by requiring fewer stops and minimizing travel time. In addition, computer routing software enhances the efficiency of bus routing by identifying optimal routes and allowing rerouting without significant additional labor.

The lack of an experienced software operator and inadequate training on how to best utilize the automated routing software may have caused the District to use more buses than needed to operate at optimal efficiency. Although some recommended routing practices are used, the District has not significantly changed its routes in recent years.

Financial

R13 Develop strategic and capital plans aligned with budget and educational goals

The District lacks a measureable and actionable strategic plan for FY 2012-13 and beyond. This means the District is less able to anticipate its current and future needs. The District's current fiscal distress makes supporting educational goals with appropriate resources more difficult.

Strategic planning is a comprehensive and systematic management tool designed to help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organization's mission and achieve consensus on strategies and objectives for achieving that mission. (*Recommended Practices on the Establishment of Strategic Plans*, GFOA, 2005)

GFOA states that all governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting. The strategic plan establishes logical links between spending amounts and goals. Steps in the strategic planning process include the following:

- Initiate the strategic planning process
- Prepare a mission statement
- Assess environmental factors
- Identify critical issues
- Agree on a small number of broad goals
- Develop strategies to achieve broad goals
- Create an action plan
- Develop measureable objectives
- Incorporate performance measures
- Obtain approval of the plan
- Implement the plan
- Monitor progress toward planned goals at regular intervals

- Reassess the strategic plan

Further, *Recommended Budget Practices* (GFOA, 1999) indicates that a financial plan and budget should be prepared and adopted by the governing board that moves the organization toward achievement of goals. This principle provides for the preparation of a financial plan, a capital improvement plan, and budget options. The capital plan should project at least five years into the future and should be fully integrated into the government's overall financial plan. In GCSD these items could include food service equipment replacement, bus garage renovation or construction, laptop replacements for one-to-one educational goals, etc. Development of a long-range financial plan is essential to ensure that the programs, services, and capital assets are affordable over the long run. Through the financial planning process, decision makers are able to better understand the long-term financial implications of current and proposed policies, programs, and assumptions and decide on a course of action to achieve its goals.

Although implementation of a strategic plan cannot be directly linked to passage of levies, developing a plan with the participation of the community will create a shared understanding of the relevant constraints and challenges facing the District. The process will initiate a common plan for addressing those issues and for continuing the mission of providing efficient and effective educational services. Once the plan is developed it must be updated regularly to meet the new goals of the District.

R14 Implement an electronic timekeeping and reporting system

GCSD should install an electronic timekeeping system. Time clocks will eliminate the need for data entry and calculation of hours, while increasing accuracy.

Hourly staff members submit bi-weekly paper time cards to the appropriate building supervisor. Additionally, salaried staff members turn in time cards when they have additional billable hours. Building supervisors must review and submit timesheets to payroll for data entry and processing. Once entered, the Treasurer has final approval before distribution of pay.

Accounting Best Practices 5th Edition, Briggs (John Riley & Sons 2007) states that calculating the hours worked for hourly employees is the single most labor intensive task in payroll best practices. The Treasurer stated that the amount of data entry in payroll is high and reliant on the data entry skills of the clerk for accuracy. An electronic timekeeping system with an interface to the payroll application would reduce the amount of data entry and the likelihood of errors. Additionally, the Treasurer is in discussion with the Information Technology Center regarding a solution that interfaces with the state accounting software package.

An electronic timekeeping system can hold employees more accountable for actual time worked and relieve some of the data entry by the Payroll Clerk. The Treasurer mentioned cross training the Treasurer's office staff in an effort to cover time off and be more efficient. The availability of time to do the training may be enhanced with more efficient payroll processing.

Appendix

The following descriptions are for the position classifications used in Tables 4 and 5.

Staff Classification	Description of Staff Included in Classification
Administrative	Central office and building level administrators, directors and coordinators, as well as personnel responsible for the planning, management, evaluation, and operation of the District.
Office/Clerical	All 500 position codes except 505 Teacher Aides plus Administrative Assistants (101) and Attendance Officers (901).
Teachers	General Education teaching assignment. It does not include ESP Teachers.
All Other Teachers	Career-Technical Programs/Pathways, Gifted and Talented, Limited English Proficiency teaching assignment, Special Education, Supplemental Service Teachers, Preschool Special Education, Preschool Handicapped Itinerant.
Education Service Personnel	K-8 Art, Music, and P.E. Teachers, Counselors, Librarians, Registered Nurses, Social Workers, and Visiting Teachers per ORC 3317.023(A)(2).
Educational Support	Remedial Specialists and Tutors/Small Group Instructors.
Other Certificated	Curriculum Specialists, Audio-Visual Staff, Permanent Substitutes, Teacher Mentor/Evaluator, and Other Education Professionals.
Non-Certificated Classroom Support	Teaching Aides, Paraprofessional Instructors, and Attendants.
All Other Staff	Psychologists, Therapists, Speech and Language Therapists, Practical Nurses, etc. Library Aides, Computer Support Staff, and all other professional and technical staff.

Client Response

The letter that follows is the official response of GCSD to the performance audit. Throughout the audit process, the District was afforded the opportunity to provide input and feedback on the factual basis for the analyses. When the District disagreed with information contained in the report and provided adequate supporting documentation, revisions were made to the audit report.



GALION CITY SCHOOL DISTRICT

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Mark J. Stefanik
Superintendent

March 3, 2014
Auditor of State of Ohio
Mr. David Yost
88 East Broad Street, 5th Floor
Columbus, OH 43215

Dear Auditor,

Per your request below are the comments commencing from the Performance Audit for Galion City School District, January 14, 2014. Several of the recommendations from the Performance Audit have either already been addressed or were already under consideration as evidenced on page 3 of the audit report and by the comments below:

Mary T. Day
Treasurer

1. The Galion City School District has made significant staff reductions for the past three consecutive years. The reductions have placed our staffing levels below those of our similar districts. The Superintendent, Treasurer and Board of Education will continue to evaluate services and programs offered to the students in the district and evaluate need in relation to staffing. While the numbers in the report appear to show we have room for reduction in staff (1:22 teacher-student ratio compared to the State minimum 1:25 teacher-student ratio), current calculations do not reveal the same numbers. Currently, Galion is at or near the 1:25 teacher-student ratio at all schools, due to our special education service delivery model. The majority of our special education students spend more than 50% of their student day in the regular education setting, thereby increasing the teacher-student ratio well above the stated 1:22. Therefore, a decrease of 7 FTE's will increase class sizes to the point where virtually every class will exceed the State's 1:25 ratio. With these large class sizes, the intervention opportunities for at-risk students will be decreased greatly, thus negatively impacting student achievement. The district has to take into consideration the needs of our at-risk population and mandates by the state for special education offerings when making staffing decisions. We will continue to strive to provide an educational environment that will help students be successful. Class sizes that exceed State minimums are contrary to that goal.
2. The Superintendent, Treasurer and Board of Education will review information and documentation, and consider the possibility of increasing employee health insurance contributions. The staff of GCSD negotiated and voted to increase employee contributions in the 2012-2013 school year to 10% of premium. Another increase will have to be negotiated and approved.

Sandra K. Powell, Ed. D.
*Director of Curriculum,
Instruction & Federal Grants*

3. Elimination of retirement pick-up could be an option to take in order to save the district dollars. However, in order to do so, salaries will need to be increased to compensate for the loss of income by the administrators. These steps will be analyzed and reviewed to determine if this is a viable option for the district over time.
4. The Superintendent is reviewing the bargaining agreements and will address any provisions that may need renegotiated with the Board of Education and the Union representatives.
5. While reassigning classrooms and repurposing building use is an option that could possibly save the district dollars over time, it has been determined by the Superintendent and Treasurer that in the best interest of the students and staff of the district, this is not a realistic option at this time.
6. The Treasurer will meet with representatives from the City of Galion to discuss the possibility of negotiating pricing on electric, water and sewer costs for the district.
7. The Superintendent and Treasurer have had and continue to have discussions related to updating policy and practice of the Transportation Department to improve efficiency and reduce expenses to the district. As discussions continue, an analysis will be done to determine the effects of possible changes before implementation.
8. The Galion City School District has entered into a lease to purchase agreement with DT Petroleum for an above ground fuel tank and the purchase of fuel for buses and equipment. This action will result in a reduction to expenditures because of fuel pricing alone. Until this installation, the district has paid pump prices at a local station.
9. During the process of the Performance Audit, The Galion City School District sold the excess buses stored at the bus lot.
10. The Superintendent and Treasurer along with the maintenance department personnel are in the process of implementing a preventative maintenance plan on district equipment with an outside source. After cutbacks and reduction in force the past several years, the maintenance department consists of 2 employees. These two are not able to implement a maintenance plan as well as maintain and react to needs throughout the district. As the Superintendent continues to move forward with reviewing the policy and practice plan for the transportation department, a preventative maintenance plan will be put in place for the buses and equipment as well.

11. A bus replacement plan has been established and recorded.
12. Five (5) old buses were replaced in the 2013-14 fiscal year. These new buses were needed to maintain the fleet necessary to accommodate the needs of the district. 4 buses did not pass inspection and could not be put on the road for the 2013-2014 school year. The fifth bus had complications and would not have passed the next inspection and was also replaced. This purchase was possible through a municipal lease program and will be paid off at the end of a four-year purchase agreement.
13. The Superintendent, Treasurer and Board of Education are in the process of updating the district Strategic Plan and are developing a capital plan that aligns with the district budget and educational goals.
14. The Treasurer has been researching electronic timekeeping and reporting systems and will continue to do so until a system is located that will accommodate the needs of the Galion City School District and will work in conjunction with existing software and devices.

Thank you for the professionalism and assistance provided by you and your staff. Each of the recommendations addressed above will be analyzed more thoroughly. District-improvement discussions will continue and will include the Superintendent, Director of Curriculum, Treasurer, Department Heads, Board Members and Union Presidents. The information captured in this audit provides targeted talking points and tools to use in the District's Strategic Planning process for continuous improvement of The Galion City Schools.

Sincerely,



Mark J. Stefanik
Superintendent



Mary T. Day
Treasurer

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Dave Yost • Auditor of State

GALION CITY SCHOOL DISTRICT

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 20, 2014**