

**Northeastern Local School District
Comparison Study of Similar Districts
&
Efficiency Review**

Northeastern Local Schools



**Prepared For the Northeastern Local School
District Board of Education
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“Effective School Solutions”

Northeastern LSD– Comparison Study & Efficiency Review

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Executive Summary

The Northeastern Local School District has been in a budget reduction mode since 2013 in order to maintain an adequate ending cash balance. Even so, the ending cash balance for the district is likely to be negative by June 30, 2017 or 2018 based on the current five year forecast due to inadequate growth in local tax revenues and state revenues. Continued reductions, new revenues or a combination of both, are needed in order to avoid a significant deficit by June 30, 2018.

In the current two-year State budget (HB59) the School District received an additional \$863,000 total for both years in State funding. Coupled with budget cuts in FY13, FY14 and FY15 this improved the fiscal outlook slightly for the district. The recently proposed state budget (HB64) for FY16 & 17 do not include significant new money for the district which will erase the deficit projected by fiscal year 2018. The district faces difficult financial times ahead. The purpose of this report is to provide the district with insights and comparative data in order to effectuate good decision making and efficient stewardship of its resources.

This report notes that the District has an effective system of fiscal reporting and management. It documents that the District is slightly more reliant on state financial support than local resources. This exposes the district to the vicissitudes of the legislative funding process for schools every 2 years. This report identifies a number of key metrics and compares the district with other like districts.

One of the key metrics that sum up the districts efficient use of resources is that its costs per pupil is \$7,342 which is \$1,847 less per pupil than the average school district in Ohio. This means it has \$6,398,008 less in resources annually than the average school district based on their 3,464 students, and yet they achieved a B on the State Report Card and passed 20 out of 24 state achievement standards. This shows they are providing a great value for their students with the limited resources they have to invest. Throughout the report time and again the district compares very favorably to their ODE Comparison Group and the locally defined Peer Group of districts. There were no easy items to be observed where the district could save substantial amounts of money or were unwisely spending it. To the contrary, there are a number of examples of wise use of resources that were noted.

In addition to having the 3rd lowest cost per pupil in their comparison group in FY14 the districts cost per pupil has not kept pace with normal CPI inflation since FY07. Pupil teacher ratios are about average and pupil to administrator ratios are high showing that the district is not over staffed in these key areas. Average certificated wages are in the lower 25% of their comparison group noting staff is not over paid. The percentage of fringe benefits to wages is among the lowest in their comparison group and when compared to Clark County school districts health care costs were found to be the lowest for both family and single coverage. Facility operating costs are in the lower 25% of their state comparison group and transportation efficiency measures exceed 100% which is considered to be efficient by the ODE. Food service is perhaps the only area where the district needs to focus on wage costs because over the past few years the district has had to transfer money to cover losses in the food service program. This is an area the district could focus on to help eliminate the drain on the General Fund.

In order for the district to reduce costs further they will have to invest money in improved energy conservation technology that will allow them to more tightly manage their energy or an Alternative Grade Alignment Scenario that would result in there being one grade 10-12 high school building to make more efficient use of staff.

The empirical data used in the report clearly shows the district is operating efficiently under current grade alignment and building utilization. To reduce costs further will result in difficult choices near term.

K-12 would like to close with a note of appreciation to district Superintendent Dr. Lou Kramer and Treasurer/CFO, Denise Robinson, and to several other staff members for being generous with their time for questions and for supplying the volumes of information that made this report as accurate as possible. The administrative staff support and input was invaluable to this project.

Northeastern LSD– Comparison Study & Efficiency Review

Comparison Study Methodology and Objectives of the Study

The purpose of this Comparison Study and Efficiency Review is to comply with the Board of Education’s request to objectively compare the Northeastern Local School Districts (NELSD) key business matrices with other school districts and review business operations to identify three areas of interest:

- 1) Review the district’s key business matrices in a Comparison Study of similar school districts using measurable data calculated by the Ohio Department of Education (ODE).
- 2) Identify measureable areas from this data and information obtained from district staff to conduct an Efficiency Review to determine where the district might seek to reduce costs and increase efficiency.
- 3) Identify areas of efficient operations and resource use in the district from the data reviewed.
- 4) Determine if an Alternative Grade Alignment Scenario would result in savings

This report is a limited comparison based on available data maintained by the Ohio Department of Education (ODE) in various reports which was compiled to make the comparisons in this report. The data used in this report is from the most recent comparison data available which is for fiscal year 2014 (July 1, 2013 through June 30, 2014) also denoted as FY14. We also used data from the district profile report often referred to as the Cupp Report from FY13, since FY14 data was not published as of the report date. The report provides the District with information that is intended to help its leaders better understand its cost structures and revenue streams. A more in-depth Efficiency Study would be required to determine with specificity why areas may appear higher or lower compared to NELSD and to determine what added savings and/or efficiency may be gained in a particular area of operation.

It should also be noted that many variables affect revenue and expenses of the district such as: district policies, administrative guidelines, collective bargaining, and other locally determined educational variables. These variables affect key costs such as pupil teacher ratio, program delivery, technology and materials used in curriculum, facility maintenance levels, and transportation service levels and so on.

While the operating matrices may be comparable, the real understanding of why there are differences is a much deeper question and would require extensive work to review program delivery and operations in the NELSD district, but it would also be necessary to identify the low or lowest cost comparison district and then analyzing their operation on-site in that district as well to fully draw conclusions.

Two (2) control groups are used for comparisons in this study. The first comparison group is the “**ODE Comparison Group**” which is data for “Similar Districts” as defined by the ODE. The second comparison group will be referred to as the “**Peer Group**” and is made up of districts identified by the administration as good benchmarks for comparative purposes within its geographic region. These school districts are noted in Table 2 on Page 2. This group is mostly a geographic comparison group to be a point of reference as there are socio-economic, demographic and student enrollment differences among school districts in the sample that render them incomparable from a technical standpoint. In the Peer Group the reader must consider these differences as those factors may skew comparisons with NELSD.

When mentioning Similar Districts or ODE Comparison Group Districts we are referring to a unique group of up to 20 “Similar Districts” noted in Table 1 on Page 2 that are most technically similar to NELSD according to certain statistical criteria established by the ODE. Statistically speaking, these are the “most similar” districts to NELSD as determined by ODE. Five (5) criteria are used to determine the “Similar Districts” comparison grouping:

- **district size as determined by student average daily membership (ADM)**
- **poverty level**
- **socioeconomic status (median income, education, occupational data)**
- **factors related to urban or rural location (population density, % of mining property value, % of agricultural property, cost of doing business adjustment factor)**
- **overall property wealth (non-agricultural and non-residential tax capacity)**

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Table 1: Comparison Group of Similar Districts Per Ohio Department of Education FY14

IRN	District	County	Average Daily Membership (ADM)	Poverty as % of ADM	% of Population Administrative or Professional Occupations	Median Income	% of Population with College Degree or More	% Agricultural Property	Population Density	Non-Residential & Non-Agricultural Value Per Pupil	% Minority Students
46250	Northeastern	Clark	3,571	27.9	31.3	\$36,419	28.3	14.2	191	\$17,377	7.5
44552	Norton	Summit	2,466	32.1	29.4	\$36,536	25.3	3.6	570	\$19,014	5.8
48173	Midview	Lorain	3,148	35.8	25.9	\$35,863	21.1	6	389	\$20,988	9.2
49437	Lexington	Richland	2,443	27.3	39.9	\$36,247	35	5.1	304	\$21,077	8
48041	Southwest	Licking	3,823	29.9	36.7	\$43,599	30.5	5.9	369	\$23,802	9.6
49866	Lake	Stark	3,460	18.7	31.8	\$38,585	29.7	3.7	733	\$15,901	4.1
47886	Madison	Lake	3,044	39.8	24.9	\$32,903	19.4	5.3	420	\$19,516	8.4
44537	North	Lorain	3,826	24.8	31.9	\$42,982	29.1	0.8	1228	\$25,200	8.7
48157	Firelands	Lorain	1,773	26.5	29.8	\$37,067	25.3	16.7	131	\$17,138	6.9
48264	Jonathan	Madison	2,163	26.4	29.4	\$39,257	26.5	20.8	110	\$23,697	5
49098	Teays	Pickaway	3,632	33.3	33.2	\$38,766	18.6	19.2	151	\$28,370	4.2
46755	Buckeye	Delaware	2,218	24.7	32.6	\$47,350	31.9	12.8	82	\$13,053	5.6
43893	Dover	Tuscarawas	2,639	35	29.7	\$31,781	24.4	6.8	476	\$30,829	8
44214	Lebanon	Warren	5,447	24.5	35.7	\$39,105	29.3	5.7	487	\$27,006	10.6
49197	Field	Portage	2,352	29.2	27.4	\$35,900	27.6	4.6	363	\$31,868	5.2
46144	Ross	Butler	2,691	25.9	30.5	\$41,042	23.1	10.4	230	\$21,470	2.7
46235	Greenon	Clark	1,726	33.9	37.5	\$36,790	29.8	11.9	270	\$24,493	7.5
48165	Keystone	Lorain	1,583	28.1	31.3	\$38,088	22	11.3	176	\$18,825	4.9
47894	Riverside	Lake	4,489	23.8	35	\$42,751	33.6	2.2	552	\$28,412	10.3
49908	Northwest	Stark	1,997	29.6	34.7	\$36,330	27.7	8	416	\$19,144	3.1
45427	Hubbard	Trumbull	2,055	43.2	29.7	\$30,034	22	5.9	536	\$19,740	7.5

Source: ODE Similar District Methodology Fiscal Year 2014

Table 2: Peer Group Districts Selected Based on Geographic Proximity - ODE Data for FY14

IRN	District	County	ADM	Poverty as % of ADM	% of Population Administrative or Professional Occupations	Median Income	% of Population with College Degree or More	% Agricultural Property	Population Density	Non-Residential & Non-Agricultural Value Per Pupil	% Minority Students
46250	Northeastern Local	Clark	3571	27.9	31	\$36,419	28.3	14.2	191	\$17,377	7.5
46243	Tecumseh Local	Clark	3101	52.2	25	\$29,192	18.7	11	439	\$14,052	14.7
43588	Bellefontaine City	Logan	2643	53.3	27	\$27,265	19.8	6.6	496	\$30,454	16.4
45617	Tipp City Exempted Village	Miami	2442	14.2	40	\$39,052	35.2	3.2	529	\$34,877	4.3
46284	Clark-Shawnee Local	Clark	2145	37	29	\$34,302	26.8	10.1	316	\$62,571	9.9
44255	London City	Madison	1927	46.3	28	\$31,481	23.1	8.7	282	\$34,896	11.1
48074	Benjamin Logan Local	Logan	1783	28	22	\$37,178	18.5	39.7	49	\$34,238	7
46268	Northwestern Local	Clark	1743	37.1	28	\$35,032	23.4	25.5	158	\$22,716	5.9
48082	Indian Lake Local	Logan	1722	49.7	29	\$30,795	17.8	17.5	93	\$33,636	5.7
47266	Greeneview Local	Greene	1392	31.4	32	\$36,746	25.6	32.1	74	\$15,809	4.2
45484	Mechanicsburg Exempted	Champaign	903	32.2	27	\$35,618	15.3	34.4	80	\$10,415	3.9

Source: ODE Data Warehouse FY14

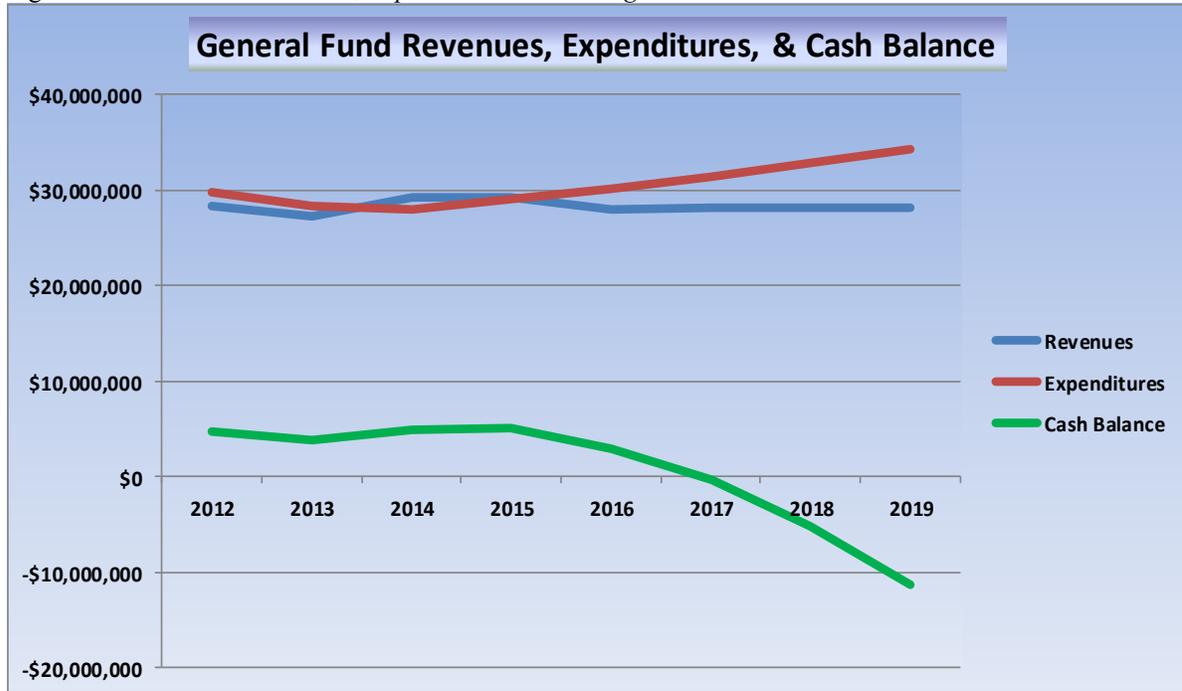
General Fund Revenue, Expenditures & Ending Balance

A review of this information is a good starting point as it assesses the overall financial health of the school system when looking at comparative data for revenue and expenditures. The ending balance and reserve level of the General Fund has a significant impact on the district's ability to meet unforeseen events and needs. The Government Finance Officers Association (GFOA) Best Practice guidance suggests an ending unreserved General Fund cash balance of no less than one (1) month or thirty (30) days of operating expenditures, and that each government's particular circumstances may dictate an unreserved fund balance significantly in excess of this amount. The district numbers noted in Figures 1 and 2 are from the most recent Five Year Forecast filed with the ODE October 2014.

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The graph below (Figures 1 and 2) shows adequate reserves and ending balances through FY16 but, beginning in FY17 ending balances began to fall as expenditures are expected to outpace revenues. The forecast contains no new tax revenues. Also revenues projected in the forecast include state revenues for NELSD projected in the House version of HB59 for the state of Ohio biennium budget for FY14 and FY15. Deliberations on HB64 the FY16 and FY17 biennium state budget is ongoing at the time of this report. Preliminary estimates released by the Governors Office show an estimated FY16 net increase in state revenue of \$635,000 and \$235,000 in FY17. If HB64 passes without change it could help reduce the estimated deficit amounts through FY19 but it will fall considerably short of eliminating the deficit and eliminating the fiscal crisis the district is facing. The district receives roughly 52% of total General Fund revenue from the state of Ohio.

Figure 1: *General Fund Revenue, Expenditures and Ending Balance Actual FY12-14 and -Est. FY15-19*



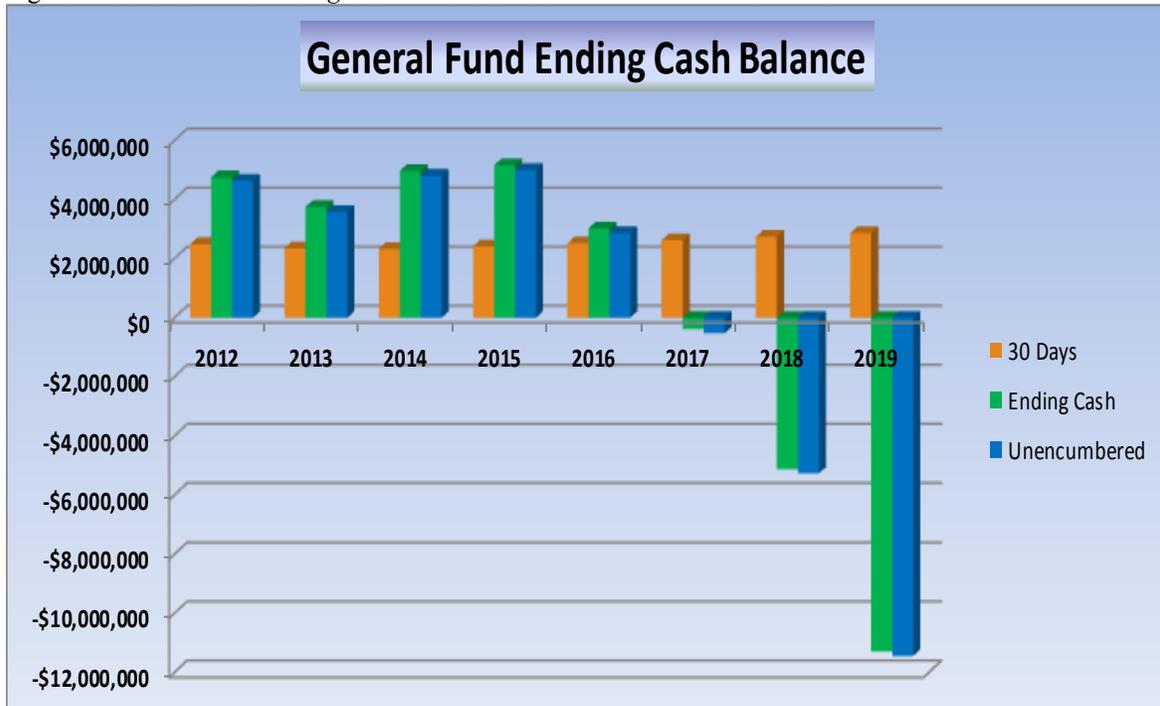
*Source: District Five Year Forecast filed in October 2014 with ODE

General Fund Ending Cash Balance

Through FY16 the district appears to have an adequate ending cash balance to meet the minimum level of reserves suggested by GFOA. Beginning in FY17, however, the district's ending cash balance is estimated to decline well below a 30-day level. NELSD will need to plan adjustments by three methods: 1) additional controlled and calculated cuts in expenditures, 2) additional revenues, and 3) reduced use of General Fund reserves in FY16 to extend current ending cash reserves for as long as possible. These steps taken early can have a compounding effect on ending cash balances throughout the forecast and extend the time or necessity of major steps.

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Figure 2: General Fund Ending Cash Balances Actual FY12-14 and Est. FY15-19



*Source: District Five Year Forecast filed October 2014 with ODE

General Fund Revenue and Expenses

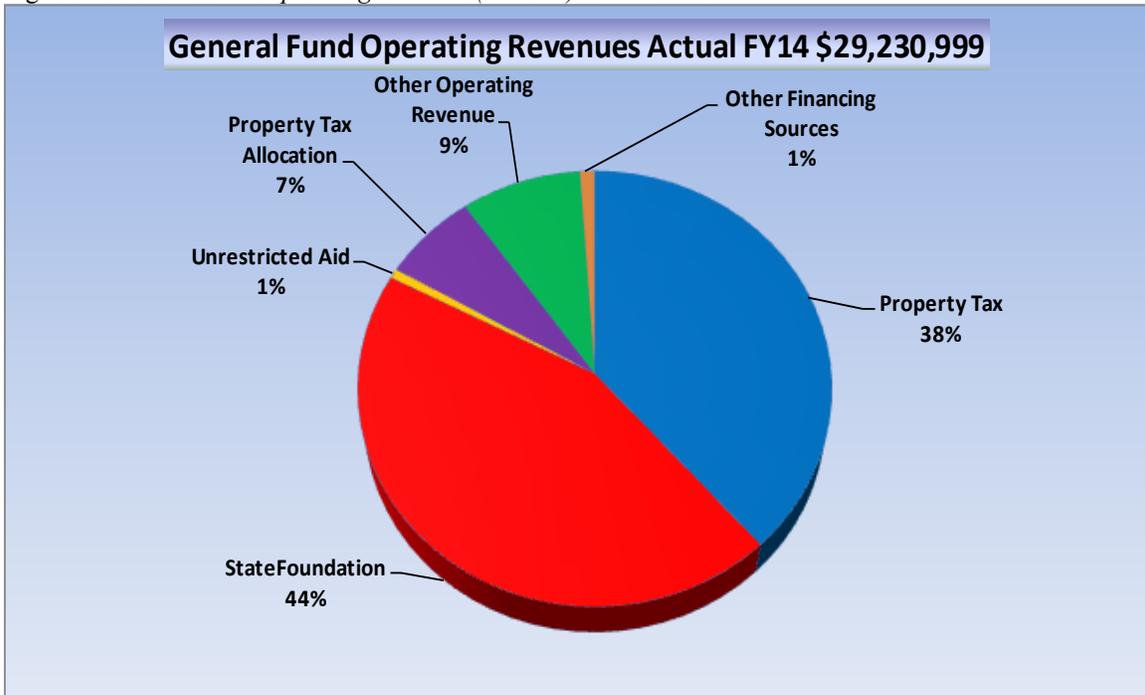
Figure 3 on Page 6 shows the sources of general fund revenue the district received in FY14 based on final year end June 30, 2014 data. It should be noted that state foundation, restricted state aid and property tax allocation are all sources from the state of Ohio and amount to nearly 52% of district operating revenues. The proportion of revenue attributable to state revenues exposes the district to swings in the state economy and legislative choices on public school funding which occur every two (2) years in Ohio. This obviously means that NELSD is not able to control or know with certainty a large source of revenues for operating the district for more than a short-term period of two years. The issue currently facing districts across the state is the status of HB64 the FY16-FY17 biennium budget to be completed in May or June 2015

The district has below average local property tax revenue capacity as its property value per pupil is \$131,819 while the state average is \$136,515 and similar districts average is \$142,650. It also has slightly above average capacity for a school district income tax as the median income is \$36,419 compared to similar districts median income of \$32,180 based on 2013 data.

Figure 4 on Page 6 shows general fund expenditures in FY14 based on final year end June 30, 2014 data. This shows that roughly 84% of expenses are for wages and fringe benefits which are above the statewide average of 76.6% and similar district averages of 80.3%. With 84% of expenses in wages and benefits the district has limited flexibility to reduce costs in other areas of the budget, as districts typically need 20% to 22% of the budget for non-wage and benefit areas to efficiently operate other required services. Purchased services costs are 11% of costs and are below the statewide average of 17.6% and the similar district average of 14.2%. This is likely due to lower deductions for community school and open enrollment as the district had 225 total students leaving for choice programs at June 2014 which is relatively low.

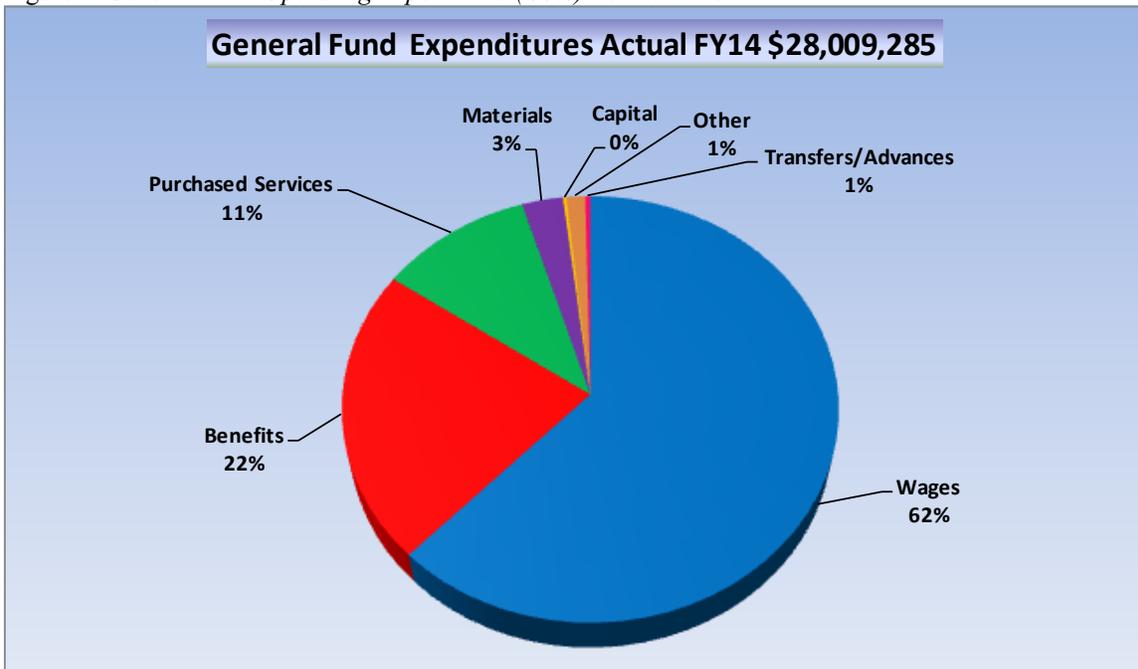
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Figure 3: General Fund Operating Revenue (Sources) Actual FY14



*Source: District Five Year Forecast filed October 2014 with ODE

Figure 4: General Fund Operating Expenditure (Uses) Actual FY14



*Source: District Five Year Forecast filed October 2014 with ODE

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General Fund Revenue and Expenditure Projection Accuracy

The district five year forecast is required to be created and filed by October 31 and May 31 of each fiscal year. The accuracy of the forecast is paramount to providing the district board of education and administration with accurate information with which to make informed decisions. The processes and systems created to accurately produce these estimates can be measured by their accuracy based on actual results. Below in Table 3 and 4 we look at past fiscal year estimates of the base line year made a year in advance vs. the actual results. For instance the FY11 baseline year was year 1 of the FY11 through FY15 forecast period. The accuracy of the baseline year lays the foundation for years two through five of the long-term forecast. During the four year period from July 1, 2010 through June 30, 2014, the district treasurer has predicted revenue within a range of .62% to 1.89%, with an average variance of 1.11% or 98.89% accurate. Expenses have been estimated within a range of -.85% to 4.34% accuracy with a four year average of 2.3% variance or 97.7% accurate over time. We noted that the expenditure variance was likely higher than it otherwise would be due to cuts the district has been implementing during the year and ongoing austerity measures for the last three years.

Based on these results it is apparent that the Treasurer has established controls and processes to accurately project district revenues and expenses consistently in order to provide excellent data to management.

Table 3: *General Fund Revenue Estimates Vs. Actual FY11 through FY14*

Revenue By Fiscal Year	Estimated	Actual	Variance	%
	Revenue	Revenue		
FY14	\$28,621,997	\$28,914,195	\$292,198	1.02%
FY13	\$26,712,530	\$27,218,405	\$505,875	1.89%
FY12	\$28,172,494	\$28,345,904	\$173,410	0.62%
FY11	\$28,858,896	\$29,129,353	\$270,457	0.94%
Avg. 4 Year Accuracy	\$112,365,917	\$113,607,857	\$1,241,940	1.11%

*Source District Five Year Forecasts

Table 4: *General Fund Expenditure Estimates Vs. Actual FY11 through FY14*

Expenditure By Fiscal Year	Estimated	Actual	Variance	%
	Expenditures	Expenditures		
FY14	\$29,178,468	\$27,911,915	\$1,266,553	4.34%
FY13	\$29,054,250	\$28,154,998	\$899,252	3.10%
FY12	\$29,602,950	\$29,854,551	(\$251,601)	-0.85%
FY11	\$30,026,145	\$29,230,217	\$795,928	2.65%
Avg. 4 Year Accuracy	\$117,861,813	\$115,151,681	\$2,710,132	2.30%

*Source District Five Year Forecasts

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I. COMPARING NELSD KEY BUSINESS MATRICES TO THE ODE COMPARISON GROUP OF MOST SIMILAR DISTRICTS AND THE PEER GROUP SCHOOL DISTRICTS

The next several Pages of this report (Page 8 through Page 42) will be devoted to comparing NELSD to the districts noted in Table 1 and Table 2 on Page 3 to determine how they compare in a number of measurable key business matrices. The source data for each graph is noted below each graph.

The user of this report should be aware that while the data maintained by the ODE is highly accurate, there is some degree of variability in the actual account coding of expenditures by the finance office of each individual district. **The cost coding variances can be material in some cases.** For instance Figure 22, on Page 24 "ODE Comparison Group Cost per Pupil By Major Function Category FY 14" shows costs by percentage for administration. Some districts code copier leases, maintenance and copy paper used in school buildings as "administrative expenses", yet others code these expenses as "instructional expenses". Both can be acceptable coding but result in the district appearing high or low in either category compared to another district who may code differently. Copiers are a significant expense in most schools particularly if they deliver copied sets of purchased online material to students in place of textbooks and how frequently copies are made of short-cycle assessments and other tests to determine student progress. Cost differences in the data do vary between districts to some extent due to account coding preferences used by each district as illustrated by this administrative cost example.

Copiers are just one example of variability in account coding that can lead to differences in comparative data. The only way to determine variances such as the copy cost example above would be to analyze cost difference and dissect it at the account coding level at each district being compared. This would require cooperation with the individual district(s) to ask for their assistance in resolving the differences and an extensive amount of time. This level of scrutiny is beyond the scope of this report.

Revenue Over (Under) Expenditures FY 14 & % Ending Cash Balance to Revenues

Figure 5 and 6 on Page 9 looks at FY14 to determine if similar school districts spent more than they received in FY14. When this happens it is generally a negative sign that the district is starting into a cycle where cash will be depleted and lead to a levy request and/or budget reductions. In FY12 and FY13 the state of Ohio reduced funding to schools by cutting tangible personal property (TPP) reimbursements and the federal government eliminated State Fiscal Stabilization Funds (SFSF) and Education Jobs (EdJobs) funding. Most districts received less money in FY12 and FY13 which is why 72% of the ODE comparison group districts were spending more than they received in FY12.

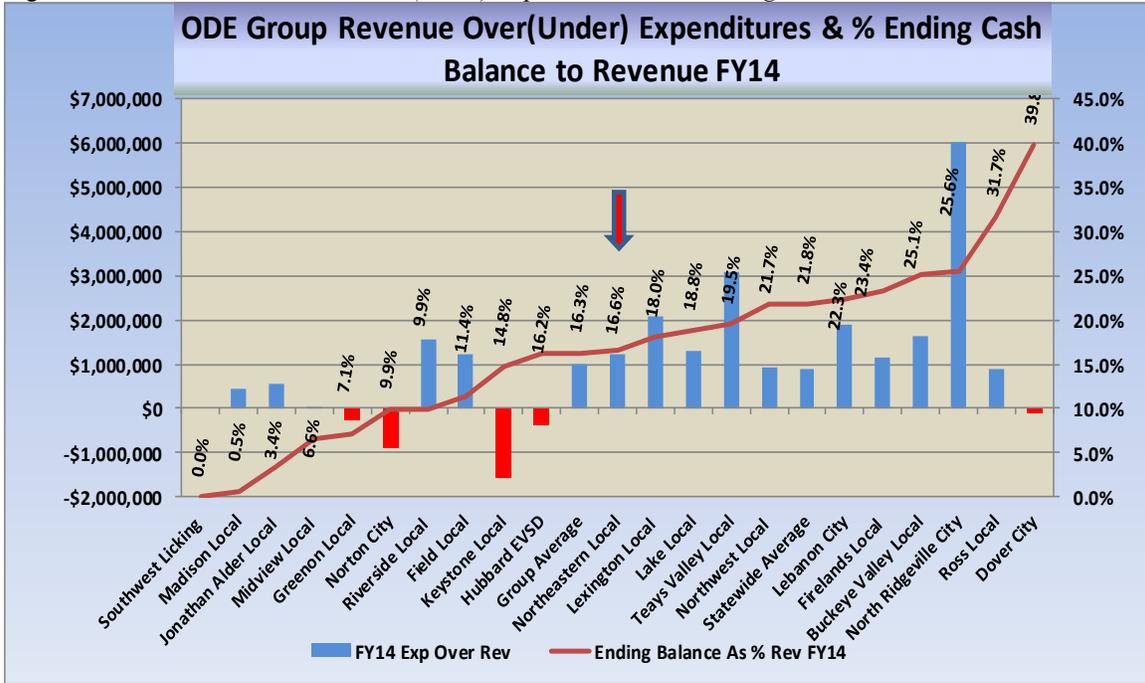
In FY14 NELSD ended the fiscal year with expenditures exceeding revenues and the trend continues into fiscal year 2015. Once the pattern of spending more than revenue received begins it is difficult to change. Long term a new revenue source or painful reductions in expenditures will be needed unless additional revenues anticipated in the new state budget (HB59) beginning July 1, 2015 provides the anticipated additional revenue in FY16 and FY17 to reverse this trend.

Looking at Figure 5 on Page 9 the average district in the ODE comparison group added approximately \$989,890 of reserves in FY14 and carried 16.3% of annual revenue as an ending balance, while NELSD carried 16.6%. The Government Finance Officers Association suggests one to two months of ending unreserved cash or a range of 8% to 15% as a minimum.

NELSD carried 16.6% which equals the average ODE Comparison Group district and is better than the minimum prescribed as a best practice by the Government Finance Officers Association.

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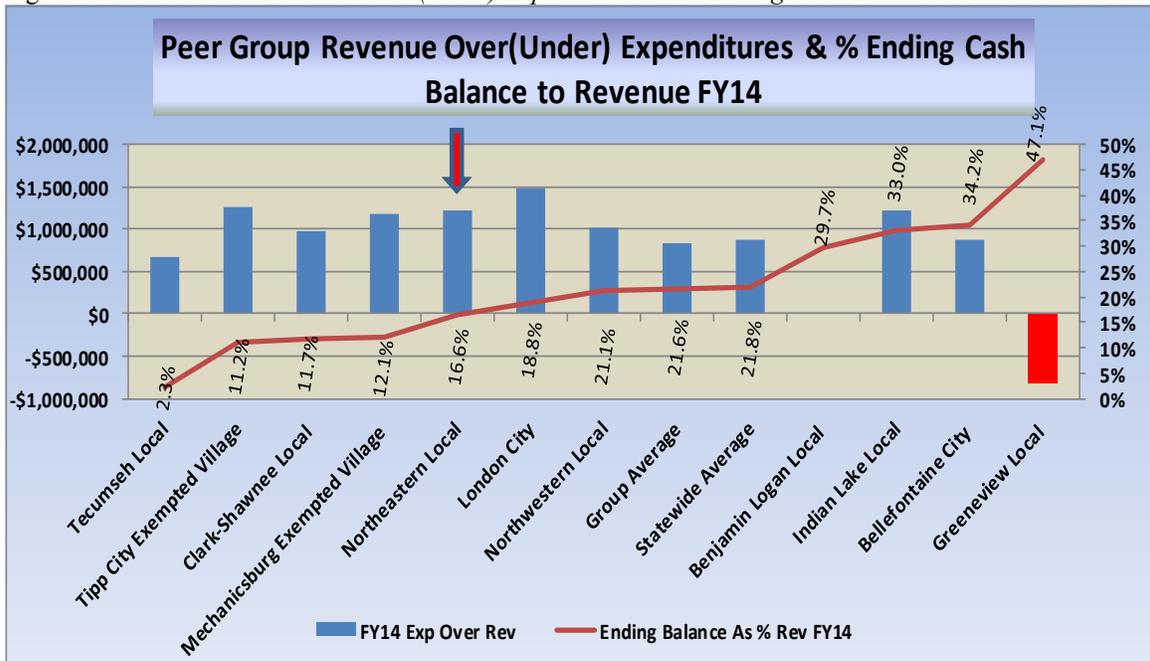
Figure 5: General Fund Revenue Over(under) Expenditures & % Ending Cash Balance to Revenue FY14



*Source: FY14 ODE School District Fiscal Benchmark Report

Compared to the Peer Group, in Figure 6 NELSD percentage of carry over ending balance was below average among of these selected districts. The average for the peer group was 21.6% and NELSD was 16.6% so NELSD was in comparably worse shape cash balance wise than most peer group districts.

Figure 6: General Fund Revenue Over (under) Expenditures & % Ending Cash Balance to Revenue FY14



*Source: FY14 ODE School District Fiscal Benchmark Report

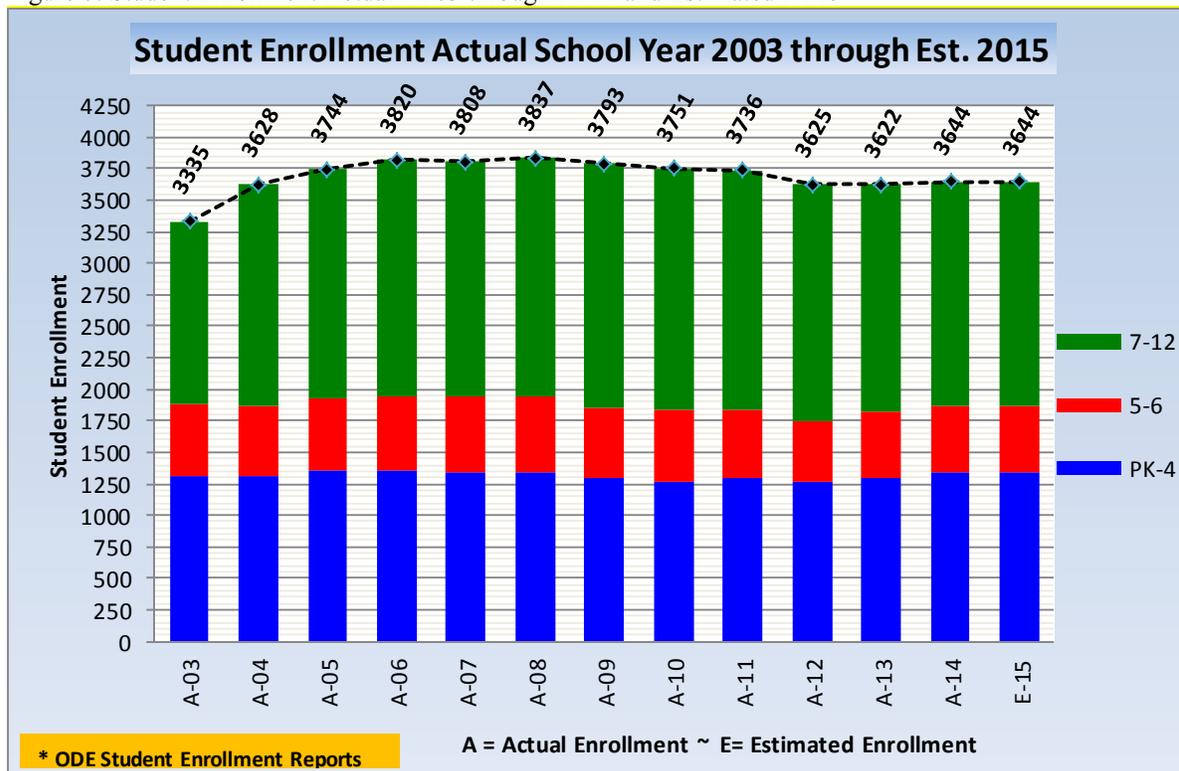
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Student Enrollment Trend Data

The district enrollment had been on a slightly declining trend since FY08 according to enrollment information maintained by the ODE which is represented in the Figure 7 below. Beginning in FY12 the district enrollment stabilized and has actually seen a slight increase in FY14. Final student counts in the EMIS system for FY15 are not final at this time but enrollment appears to be steady. Student enrollment is a significant factor in determining Average Daily Membership (ADM) which is the basis for per pupil funding for state foundation funding. Stable enrollment helps stabilize one of the key factors in projecting state funding.

Student enrollment is also very important to NELSD as it continues to study efficient facility utilization and future housing needs for students. District costs and revenues per pupil can increase or decrease based on the enrollment number used in the denominator of these ratios even though no additional expenses or revenues are received. Much of the comparable data captured and reported by the ODE is based on a per pupil basis as noted throughout this report and may distort actual data compared to districts with growing or stagnant enrollment.

Figure 7: Student Enrollment Actual FY03 through FY14 and Estimated FY15



* Source: ODE Enrollment Data

Revenue Per Pupil By Major Source

The district has three (3) operating revenue sources, Federal, State, and Local as shown in Figure 8. Total revenue fell from FY10 to FY11 with the phase out of the State Fiscal Stabilization Funds granted to the state via the federal government. **In FY12 the state of Ohio changed the computation for Revenue Per Pupil and Expenditure Per Pupil to Revenue Per Equivalent Pupil and Expenditure Per Equivalent Pupil.** The change will render FY12 and prior historic years as incomparable to FY12 and forward. In FY12 the ODE calculated both the regular and the equivalent per pupil revenue for school districts. We

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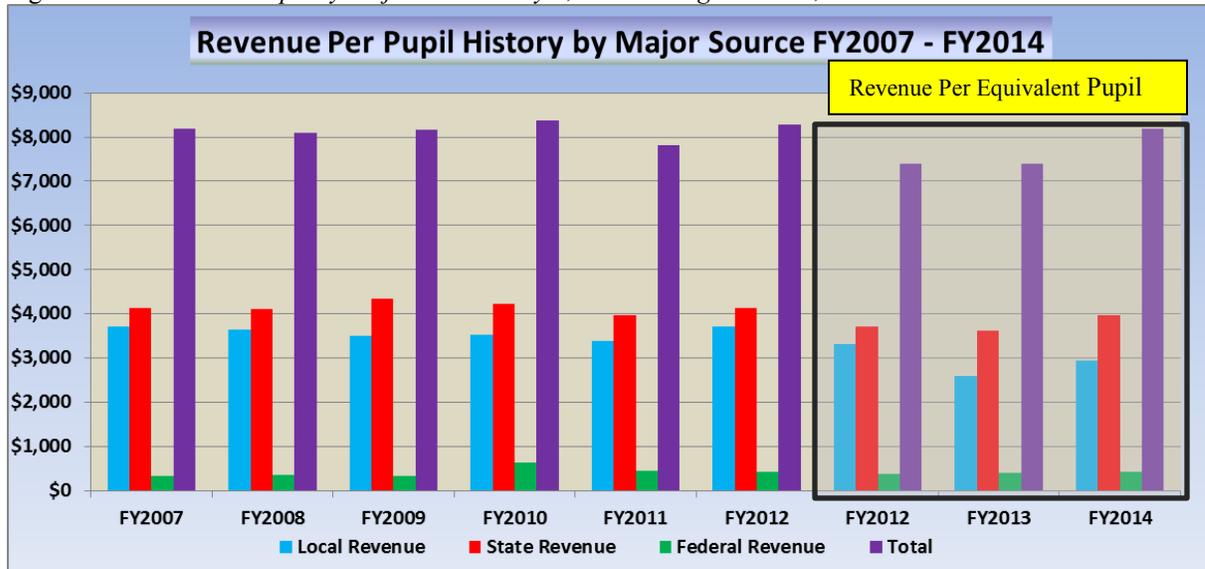
have shown both for FY12 so the reader can see the effect of the ODE change in the per pupil revenue and expenditure per pupil comparisons. The ODE definition of Revenue Per Equivalent Pupil is as follows: *“RPEP is calculated by dividing revenues by weighted ADM, where harder-to-serve students can be given a higher mathematical weight. The weights are calculated in the same manner used for the fiscal benchmark report, to count as greater than 1.0 FTE students who are in special education, are economically disadvantaged, or are English language learners.”*

In other words, students who are determined to be harder to serve due to circumstances affecting the student will count not as 1.0 but will count more than 1.0. In the tables that follow this is why revenue and expenditure per equivalent pupil will result in a lower revenue and expenditure per pupil calculation than the historic computation which is shown for FY12 as well so the reader can see the change.

Property taxes and state basic aid revenue are the significant source of revenues to the district by far. The NELSD receives the largest share of its operating revenues from state of Ohio. This source of revenue has been under stress due to the FY12-FY13 state budget and reductions of funding to the state from the federal government. In FY14 ELSD was a formula district and therefore received state funding increases or decreases based on student average daily membership (ADM).

Local revenue sources are also being stressed with property valuation decreasing due to the Great Recession of 2008. Since 2007 NELSD saw five consecutive years of decreased assessed values and the loss of tangible personal property taxes. Tax year 2013 values to be collected in calendar 2014 finally increased enough to bring the district back to the 2007 assessed property value level. The district has maintained tax revenues for residential and commercial property due to HB 920 effects, but the district has permanently lost over \$720,000 annually in Tangible Personal Property Taxes. Both the national and state economy has improved since 2008. The new state budget, HB64, may increase revenue somewhat to the district if approved as presented by the Governor in February 2015, but the increases projected will only reduce the future deficit being projected in FY17 through FY19 and not eliminate it.

Figure 8: Revenue Per Pupil By Major Source July 1, 2006 through June 30, 2014



*Source: ODE Data Warehouse information updated through FY14

In Figures 9 and 10 comparing the district to the ODE Similar Districts and Peer Group School Districts, NELSD is far below the state average and ODE Similar District average. NELSD is the lowest district in revenue per pupil in the peer comparison group. The district collects well below state average share of state revenue and share of local revenues in both the ODE group and peer. In other word the district is receiving below average revenue in the ODE comparison group and receives the lowest revenue per pupil

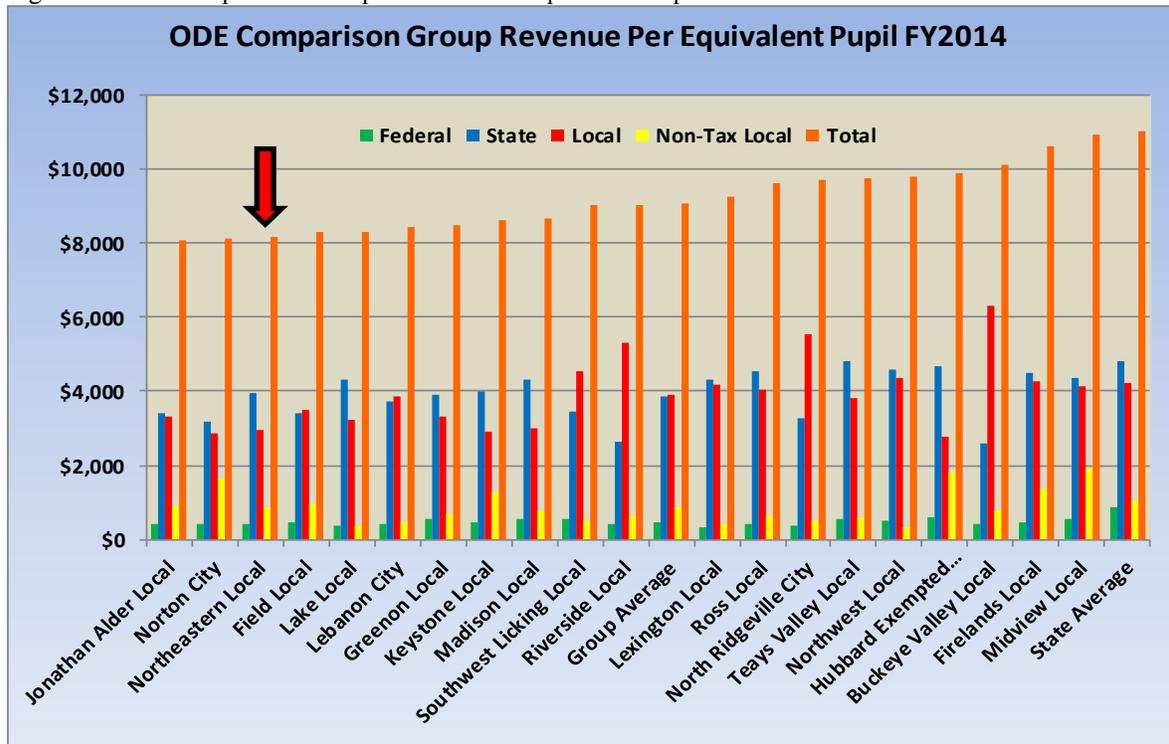
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in the peer group. NELSD, like many in the ODE comparison group, find themselves reliant on state funding due to below average property valuation per pupil. Most of the funding that comes to the district for state aid is in the form of formula funding. The lower the districts property value per pupil the more state aid per pupil the district will receive. The district per pupil property valuation is \$131,819 compared to a state-wide average of \$136,311 valuation per pupil. The district valuation per pupil is 97% of the average school district in Ohio’s valuation. This will mean that any increase in per pupil amount of state funding should benefit the district in future state budgets, but it also means any reduction or freeze in state funding will have an immediate negative impact on the district.

Federal funding for the school district is below average for both ODE and the peer groups due to a lower percentage of students being economically disadvantaged and a lower than average percentage of students with disabilities. The district has 31% of students deemed to be economically disadvantaged compared to a state-wide average of 48%, and 9% of students identified with a disability compared to a state-wide average of 14%. This trend appears to be steady so it is likely the district will continue to receive the same amount of federal funding but may also face a higher exposure to federal funding reductions when need is used in determining federal funding share.

The district receives less money per pupil than 17 of their 20 ODE Similar Districts and the lowest amount in their Peer Group.

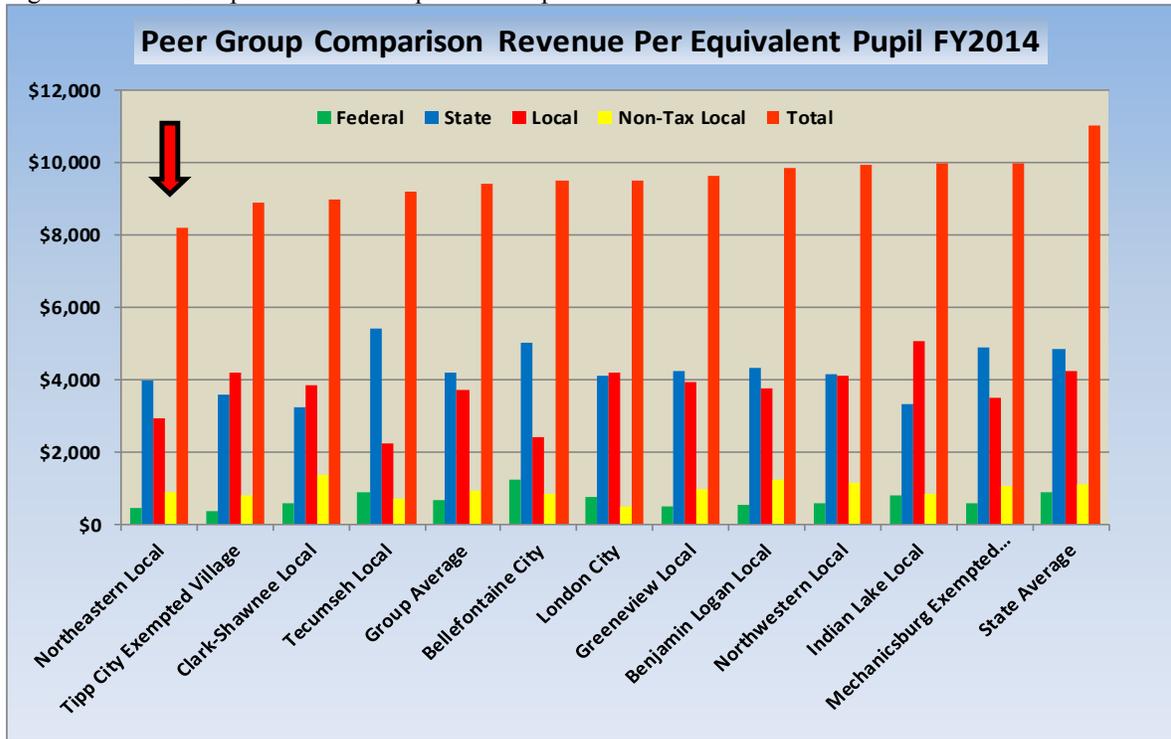
Figure 9: ODE Comparison Group Revenue Per Equivalent Pupil – Actual FY14



* Source: ODE Data Warehouse information updated through FY14

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Figure10: Peer Group Revenue Per Equivalent Pupil – Actual FY14



* Source: ODE Data Warehouse information updated through FY14

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Comparing District Median Income for Calendar Year 2013 to Local Tax Effort

Figures 11 and 12 compare the districts median income for tax year 2012 to local tax effort for schools, calendar year 2013 is the most current available within the ODE data warehouse and is a complex calculation.

Local Tax Effort Index Definition - is an index that tends to reflect the extent of effort residents of school districts make in support of public primary and secondary education. This index, one of many possible measures for evaluating local effort, was initially developed by the Division of Tax Analysis of the Ohio Department of Taxation and is calculated in the context of residents' ability to pay by determining the relative position of each school district in the state in terms of the portion of residents' income devoted to supporting public education. For this calculation a four-step process is utilized as follows:

- In the first step, the ratio of any school income tax and Class 1 property taxes charged, to federal adjusted gross income is calculated at the district and the state level.
- In the second step, the median income of districts' residents is divided by the statewide median income to get a ratio of district to state median income.
- In the third step, the district ratio calculated in the first step above is divided by the ratio calculated in the second step to measure the effort in the context of ability to pay.
- In the fourth step, the ratio calculated in the third step above is divided by the statewide ratio calculated in the first step above to determine the relative effort index in the context of the state as a whole.

This effort measure, like others, suffers from shortcomings resulting from inherent complexities in data collection, manipulation and availability but in most cases it appears to reasonably reflect voters' effort in support of elementary and secondary public education.

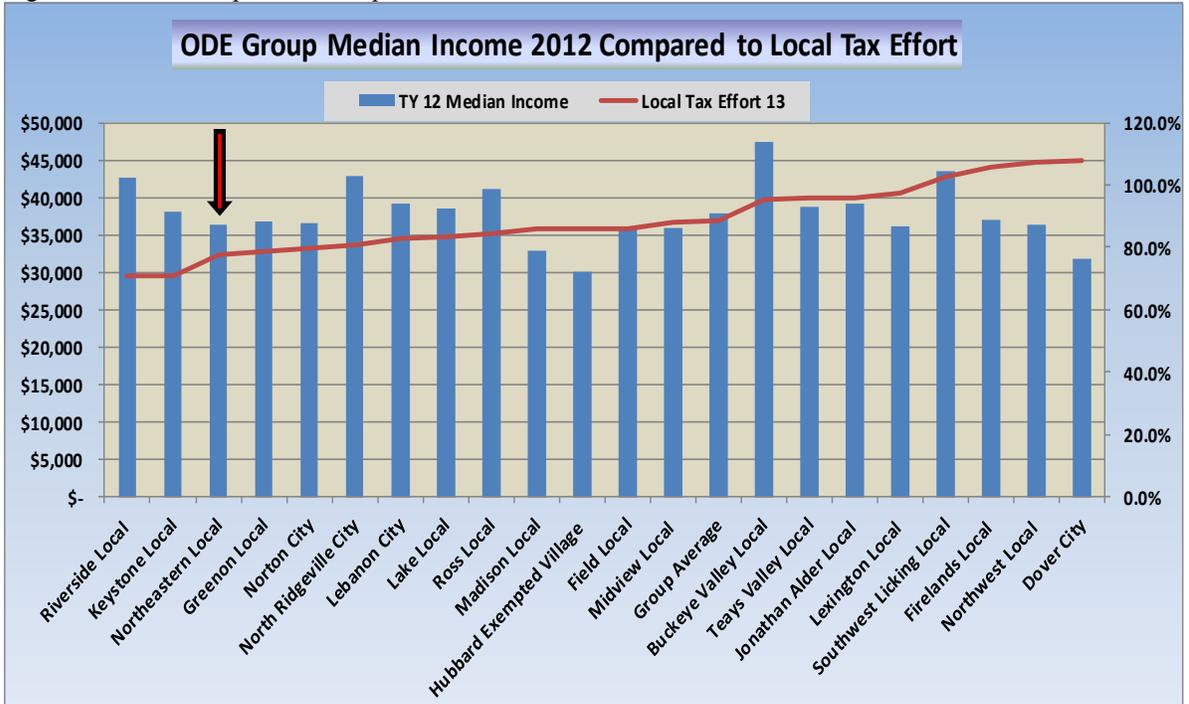
Source: Ohio Department of Taxation & Ohio County Auditors.

The comparison in Figure 11 notes that the district has an index of 78% which is 11% below the average index of schools in the ODE comparison group, which is 89%. This indicates that residents in NELSD are on average paying around 11% less local school taxes based on similar measures of ability than the average of residents in similar districts as measured by the ODE. In the ODE comparison group only 2 districts pay less effort than NELSD, whose residents pay less than 17 other school districts.

In Figure 12 NELSD is well below the effort index compared to the peer group school districts. The district's 78% index score places residents in NELSD at 30% below the group average effort level in the peer group. NELSD pay near the bottom of the peer group in effort and have one of the higher median incomes. NELSD residents are getting a great value based on the academic performance of the district while paying at near the bottom of their comparison group in tax effort to support the district.

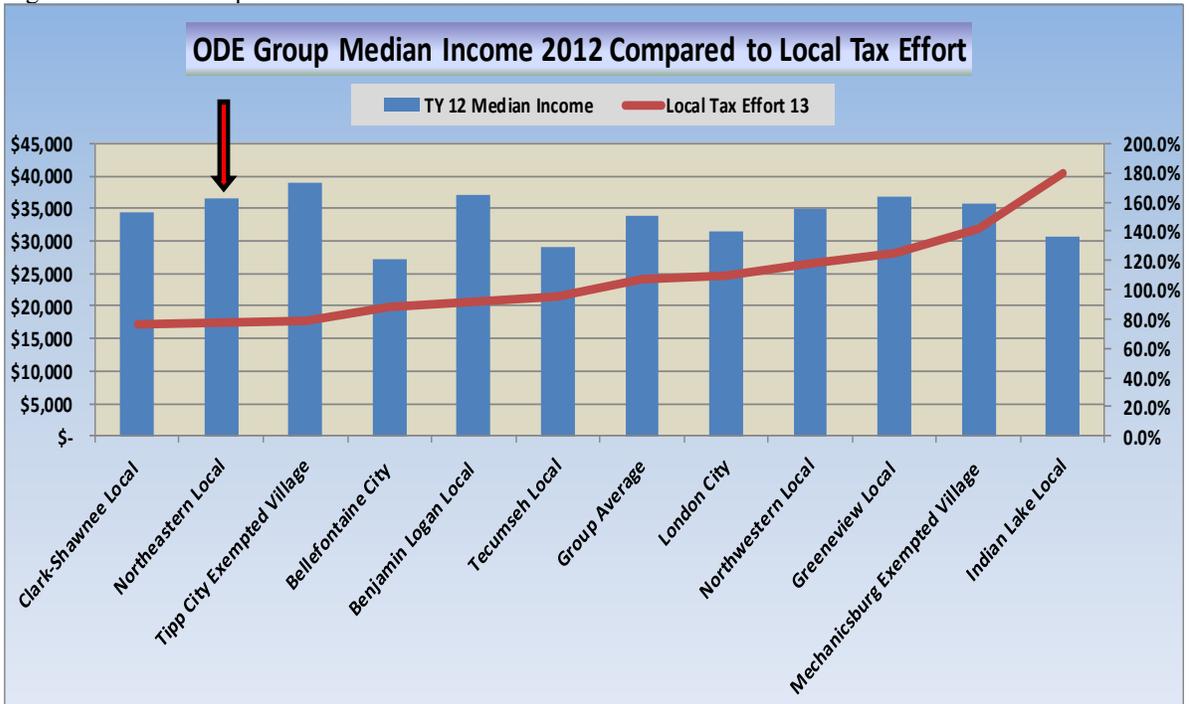
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Figure 11: ODE Comparison Group for Calendar Year 2012 Median Income to Local Tax Effort



*Source: FY14 ODE School District Benchmarking Report

Figure 12: Peer Group for Calendar Year 2012 Median Income to Local Tax Effort



*Source: FY14 ODE School District Benchmarking Report

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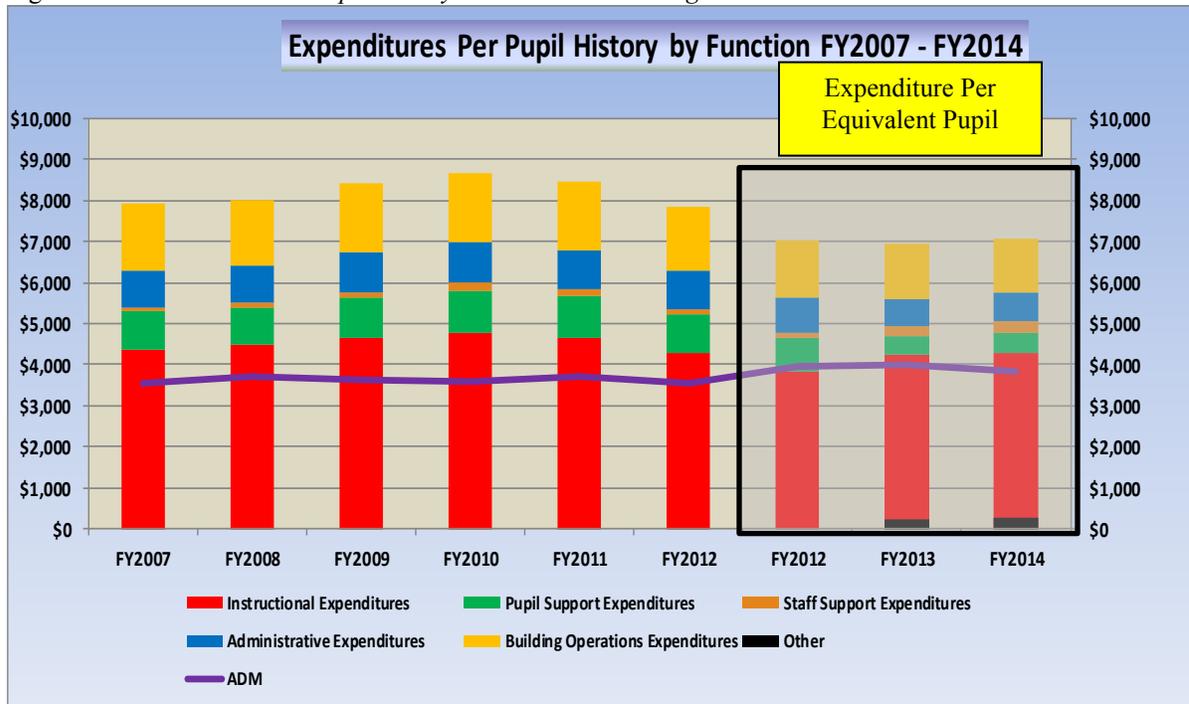
Cost Per Pupil FY07 through FY14

Cost per pupil data used in this report includes operating costs only and does not include Bond Issue or Permanent Improvement Levy expenses. As noted earlier in the report in **FY12 the state of Ohio changed the computation for Revenue Per Pupil and Expenditure Per Pupil to Revenue Per Equivalent Pupil and Expenditure Per Equivalent Pupil.** The change will render FY12 and prior historic years as incomparable to FY12 and forward.

In FY12 the ODE calculated both the regular and the equivalent per pupil expenditure for school districts. We have shown both for FY12 so the reader can see the effect of the ODE change in the expenditure per pupil comparisons. The ODE definition of Expenditure Per Equivalent Pupil is as follows: *“EPEP is calculated by dividing expenditures by weighted ADM, where harder-to-serve students can be given a higher mathematical weight. The weights are calculated in the same manner used for the fiscal benchmark report, to count as greater than 1.0 FTE students who are in special education, are economically disadvantaged, or are English language learners.”*

Costs on a per pupil basis from FY07 through FY11 rose on average just under 1% per year before falling (-7.2%) in FY12 based on historic calculations. The cost per pupil in FY12 of \$7,845 is below the FY07 cost per pupil of \$7,914. FY12 was the last direct comparable cost per pupil to historic costs due to the Expenditure Per Equivalent Pupil computation. The Consumer Price Index for the country as a whole rose on average of 1.9% year over year during this same time period based on the CPI Detail Report dated December 2014, published by the United States Bureau of Labor Statistics. The district has had nearly stable enrollment from FY07 to FY12 and maintained costs at slightly less than 1% growth per year through FY11 before cutting the budget in response to state cut backs and lower values. Expenditure reductions began in FY12 and have continued through FY14. The district has reduced costs every year since FY12. Specific areas driving costs are largely wages, retirement contributions, and health care which are the main drivers of costs in all schools. Staff reductions will likely result in larger class sizes as the district moves forward and tries to match costs with revenues.

Figure 13: District Cost Per Pupil History – Actual FY07 Through FY14

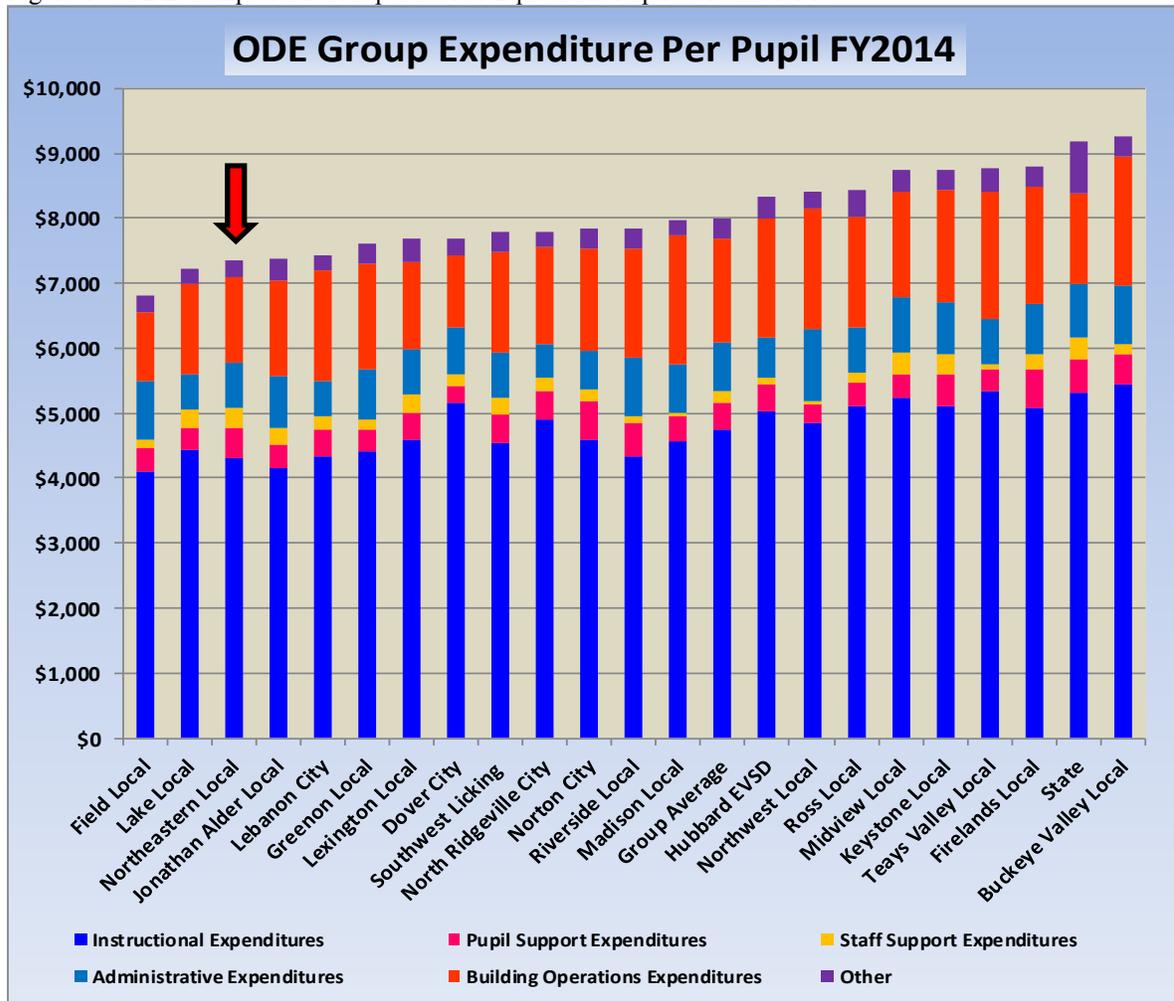


* Source: ODE Data Warehouse information updated through FY14

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While the district has managed costs per pupil well under to the overall CPI for the past seven years it is further reflected in comparison to the ODE comparison group and the peer group noted in Figures 14 and 15. The district costs are nearly at the bottom of the 20 ODE comparison group and has the second lowest cost per pupil in the peer group. As noted in Figure 14 NELSD cost per pupil are also well under the state average. In both the similar district and the peer group comparison group figures the district shows that it controlling expenditures and is clearly on the low end of expenditures per pupil of both groups. **Based on FY14 data the district spent \$7,342 per equivalent pupil or \$1,847 less per equivalent pupil than the average district in Ohio. Based on FY14 year end average daily membership of 3,464 students, that would equate to \$6,398,008 less in expenses than an average school district in the state with 3,464 equivalent students. The average cost per pupil for the ODE similar districts was \$8,000 which places the district at \$658 less per equivalent pupil or \$2,279,312 less in expenditures than the ODE Comparison Group of 20 similar districts. Figure 15 shows the same story for the Peer Group districts. It is second lowest in this group as well.** The district may want to analyze information in this report to determine the reasons costs per pupil are so much less than other similar districts. This could mean deferred costs such as maintenance on capital assets, replacement of busses, technology for new testing and other instructional materials may not be up to date for students.

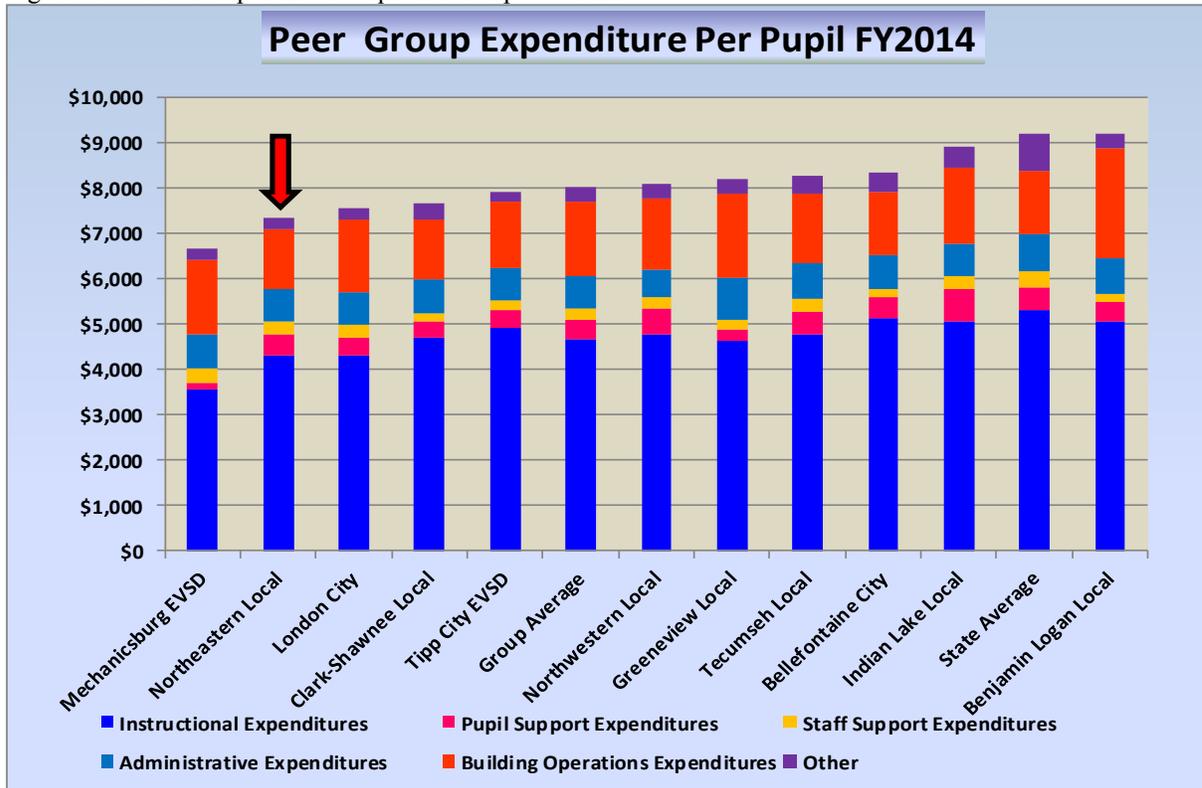
Figure 14: ODE Comparison Group Cost Per Equivalent Pupil – Actual FY14



* Source: ODE Data Warehouse information updated through FY14

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Figure 15: Peer Group Cost Per Equivalent Pupil – Actual FY14



* Source: ODE Data Warehouse information updated through FY14

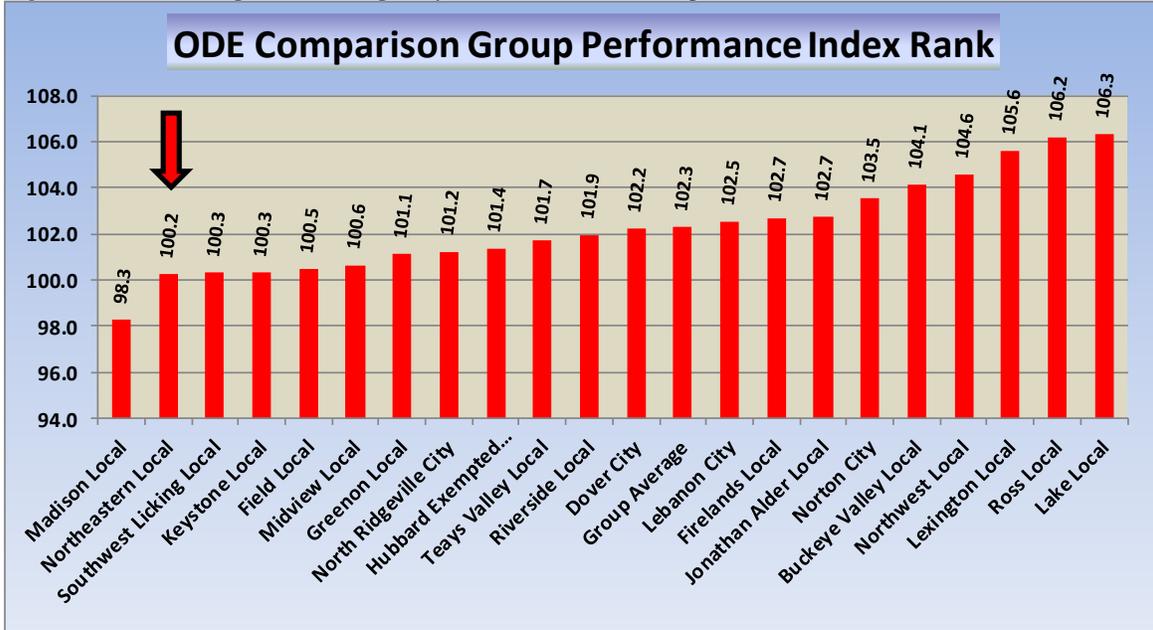
Performance Index Ranking

Effective September 2012, House Bill 153 requires all school districts and school buildings to be ranked using the Performance Index (PI) score. The state legislature believes such rankings will provide parents and taxpayers a new way to evaluate how local schools are performing while allowing educators to compare their performance with peers. The performance index rewards the achievement of every student, not just those who score proficient or higher. There are six levels on the index and districts receive points for every student in each of these levels. The higher the achievement level, the more the points awarded in the district's index. This rewards schools and districts for improving performance. The maximum score a district can earn is 120 points. NELSD received a 100.2 for their performance index in FY14. The average PI of all school districts in Ohio for FY14 was 93.02. NELSD is nearly 8% higher than the average of all Ohio school districts and Figure 17 shows they were above the peer group average of 99.4.

Overall a PI Score over 100 is a solid score for any school district the highest score calculated in FY14 was Wyoming CSD at 113.07 and the lowest was Warrensville Heights at 72.05.

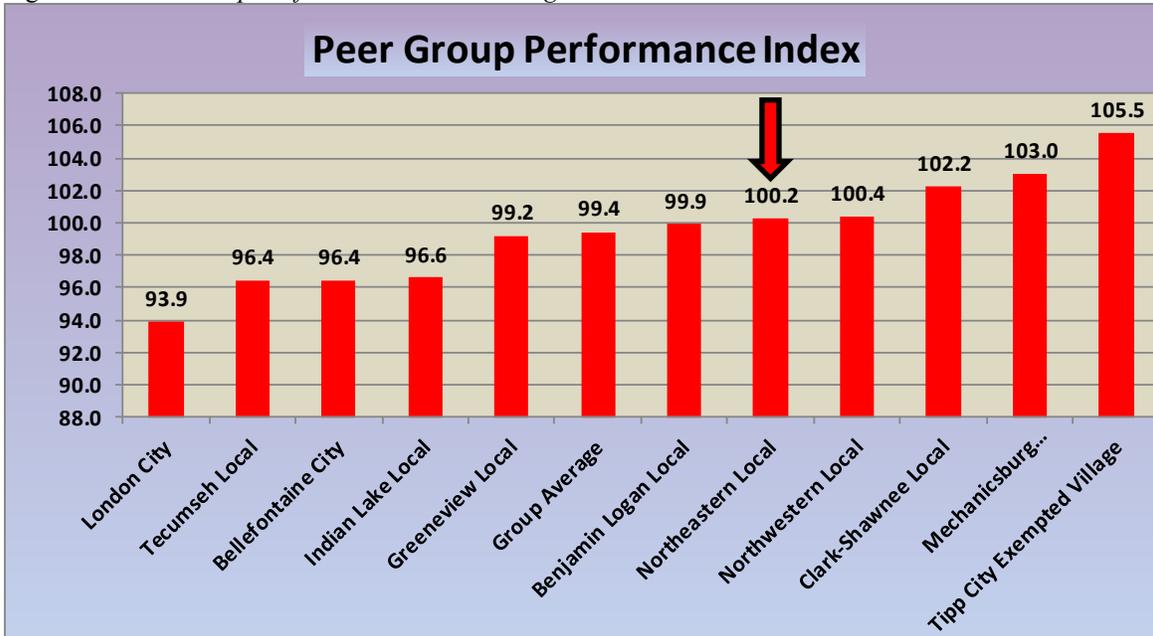
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Figure 16: ODE Comparison Group Performance Index Ranking – Actual FY14



* Source: ODE Performance Index Rankings FY14

Figure 17: Peer Group Performance Index Ranking – Actual FY14



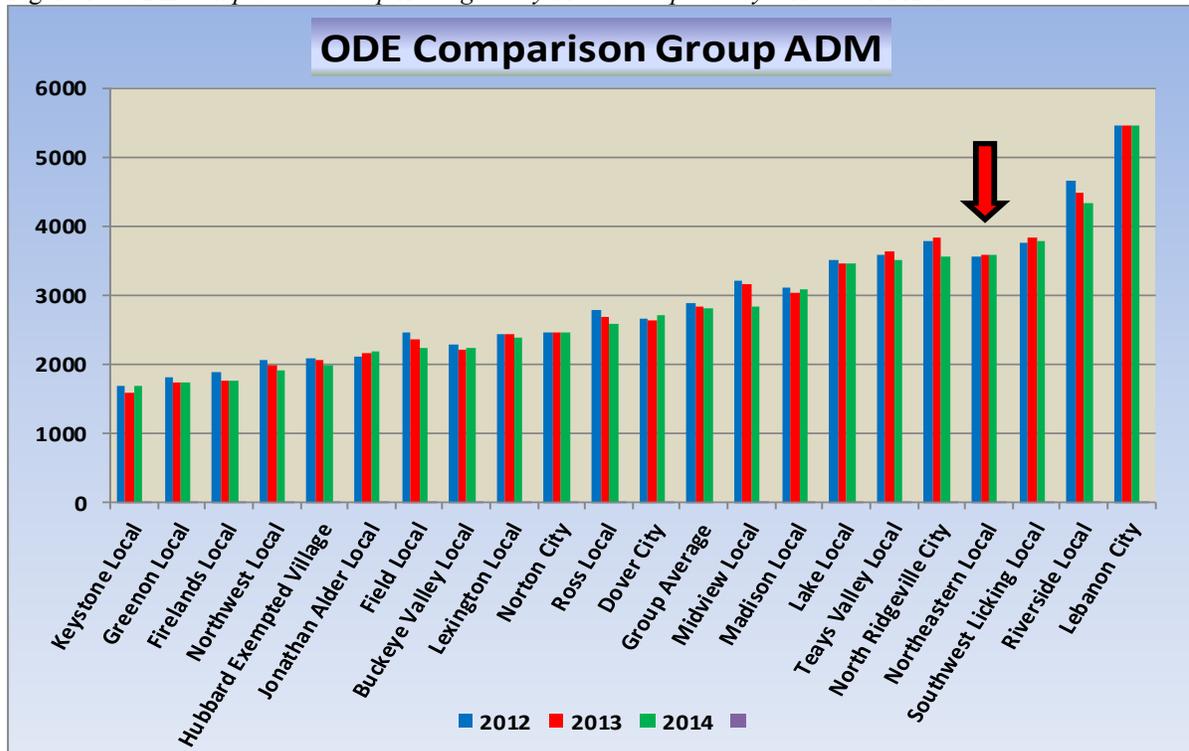
*Source: ODE Performance Index Ranking FY14

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Average Daily Membership

The district average daily membership (ADM) has been stable for several years from FY07 through FY14 based on data provided by the ODE. In past three fiscal years student enrollment has only changed by 29 students. Figure 18 reflects the minimal change in ADM from 3,546 in FY12 to 3,575 in FY14, an increase of 29 students. A look at ten years back shows stable in enrollment, from 3,582 in FY05 to 3,575 in FY14 a decrease of 7 or no change. Figure 18 and 19 shows districts in the ODE and peer group are generally dropping in ADM while NELSD seems to have stable ADM. This will bode well for NELSD as they will continue to receive state funding and any increased state funding with the new state budget HB64 effective July 1, 2015 if enrollment stays steady or increases.

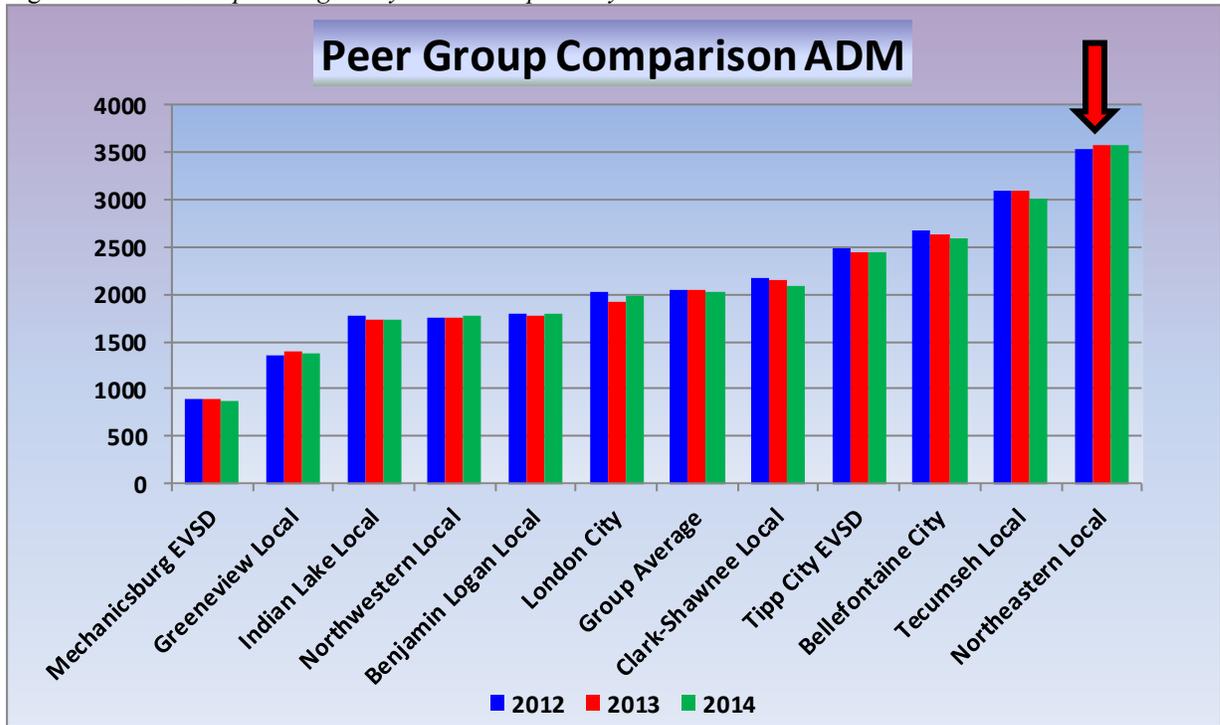
Figure 18: ODE Comparison Group Average daily Membership history – Actual FY12-14



*Source: ODE Data Warehouse information updated through FY14

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Figure 19: Peer Group Average daily Membership history – Actual FY12-14



*Source: ODE Data Warehouse information updated through FY14

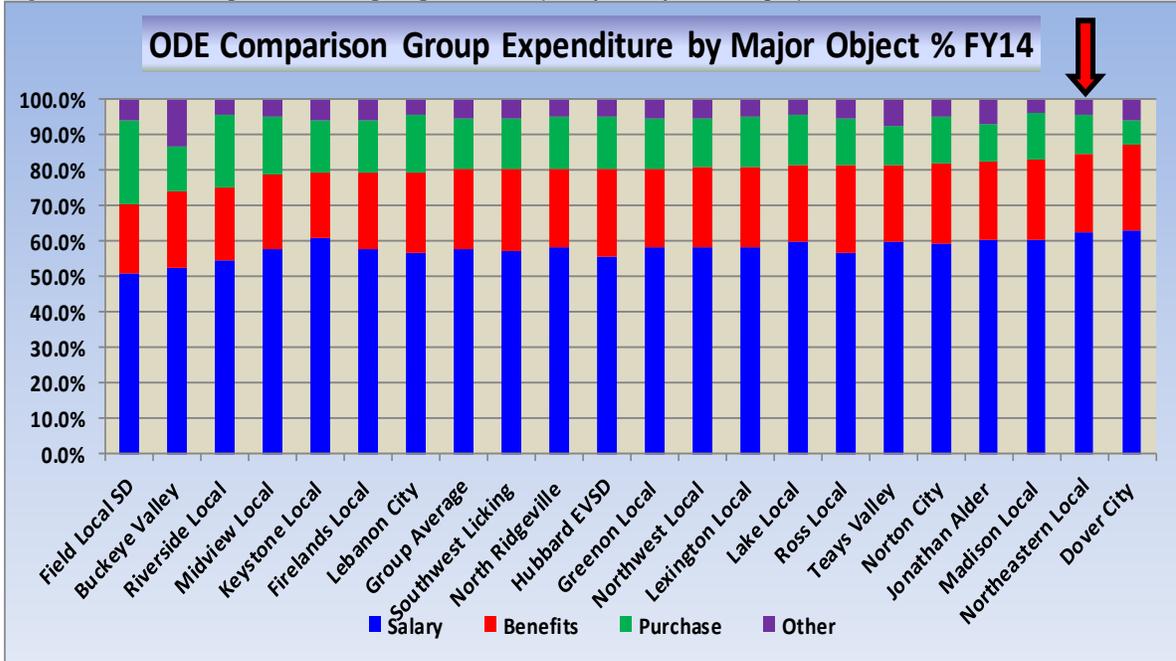
Comparison of Expenditures By Major Expenditure Objects for FY14

This comparison is made to determine the allocation of expenditures in major categories of expenses that drive cost per pupil and district budgets. Generally speaking, the higher the district's expenditures in terms of percentages that are used for salary and fringe benefits, the less is available for other areas of the budget such as curriculum adoption and professional development which are a school system's educational enterprises research and development. Also, the higher the percentages in these areas the less flexibility is available for the district to make cost adjustments without RIF's (reduction in force) and retirement incentive programs aimed at lowering costs.

Figure 20 and 21, on Page 22, reflects that the district has a combined total of 84.5% in salary and benefits. The ODE comparison group range is from a low of 70% to a high of 87% for salary and fringe benefit costs. The NELSD combined total of salary and fringe benefits is above the ODE Comparison Group average of 80% and is above the state average of 77% for all districts in Ohio. **This is not a positive metric for the district but based on interviews with department managers and budget review it was noted that budget cuts over the past 3 years targeted other areas of the budget before staff reductions were made. A positive is that purchased services appears to be low at 11.1% of expenses compared to the ODE comparison group average of 14.2% and a state wide average for all schools of 17.4%.**

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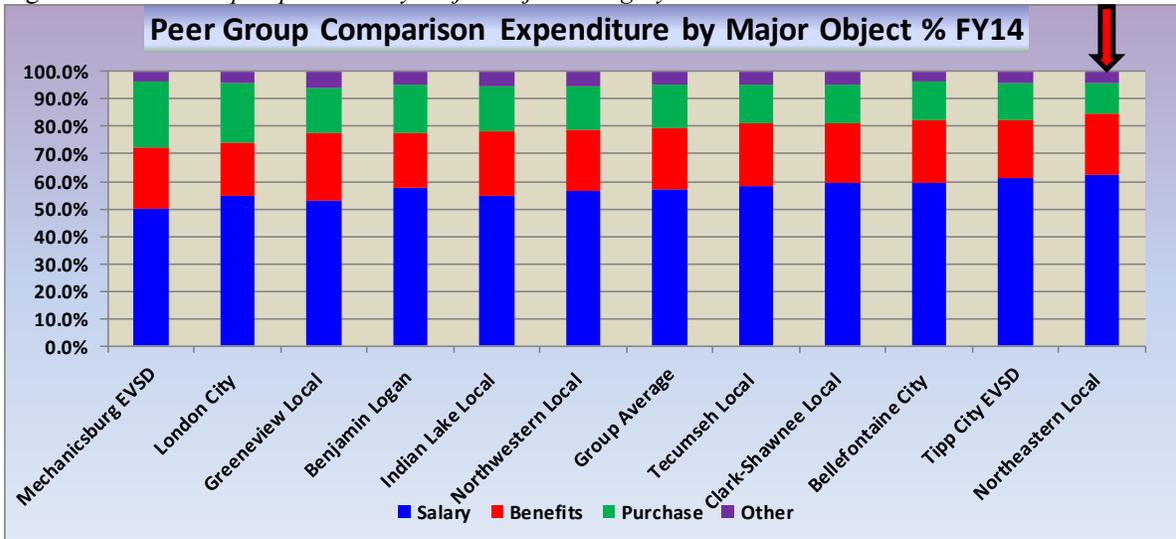
Figure 20: ODE Comparison Group Expenditure by Major Object Category – Actual FY14



* Source: District Profile Report FY14

When combining salary and fringe benefits the district is among the highest in these combined costs as noted in Figure 21 comparing it to other peer group districts. The peer group schools range from a low combined cost of 72.2% to a high of 84.5% with an average of 79.1%. The district's 84.5% of combined wages and benefits is above average for the peer group. Purchased services appear to be running low in percentage compared to the peer group as well at the ODE group noted in Figure 20 above which is a positive.

Figure 21: Peer Group Expenditure by Major Object Category – Actual FY14



* Source: ODE District Profile Report FY14

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Comparison of Cost Per Pupil By Major Function Category FY14

Figures 22 and 23 on Page 24 compare the cost per pupil by selected major function category as compared to the district's ODE comparison group and the peer group. The categories include: Instruction, Building Operations, Support Services and Administrative Support. Looking at these categories is helpful to determine if any areas appear out of line when reviewing districts that are very similar.

Instructional Categories – This is the key area of expenditure for any school system. Costs in this area include regular and special education classroom teachers, teacher aides/paraprofessionals, copying costs, textbooks, teaching materials and supplies, and consumable materials used in student instruction.

Building Operation Categories - This includes facility operations and is made up of several functional categories in the district including: building maintenance materials, supplies, contract repairs, busses, utilities, cleaning of facilities, maintenance of grounds and sports fields, and capital expenses for equipment used in these areas.

Support Service Categories – This includes area of support for pupils and staff needed outside of individual classrooms, such as: guidance counseling, media center support, field trips, student testing services and career advice, etc. For staff: staff development, teacher and staff training and in-service.

Administration Categories – This includes school principals office staff, central office administration and the Board of Education; and include: day to day supervision of staff in buildings and district wide, goal setting, strategic planning activities at the building and district level, staff evaluation, recommendation of staff, and all other human resource functions, financial operations, and curriculum operations.

For an academic organization it is better to spend more in the Instructional Category than any other major category. Figure 22 and 23, reflects that **the district spent \$.585 (58.5%) of every dollar on direct instruction which is slightly below average compared to the ODE Similar District comparison group of \$.593 (59.3%) and is about the same as the peer group average of \$.581 (58.1%) spent on direct instruction.**

The district spends \$.065 (6.5%) of each dollar on administrative support which is above the ODE comparison group average of \$.051 (5.1%) and the peer group average of \$.053 (5.3%) of every dollar spent on Administrative costs. **The district is spending above both comparison groups on administrative costs which is likely reflective of the fact that the district operates two high schools and is not as efficient in administrator to student ratios due to this fact.**

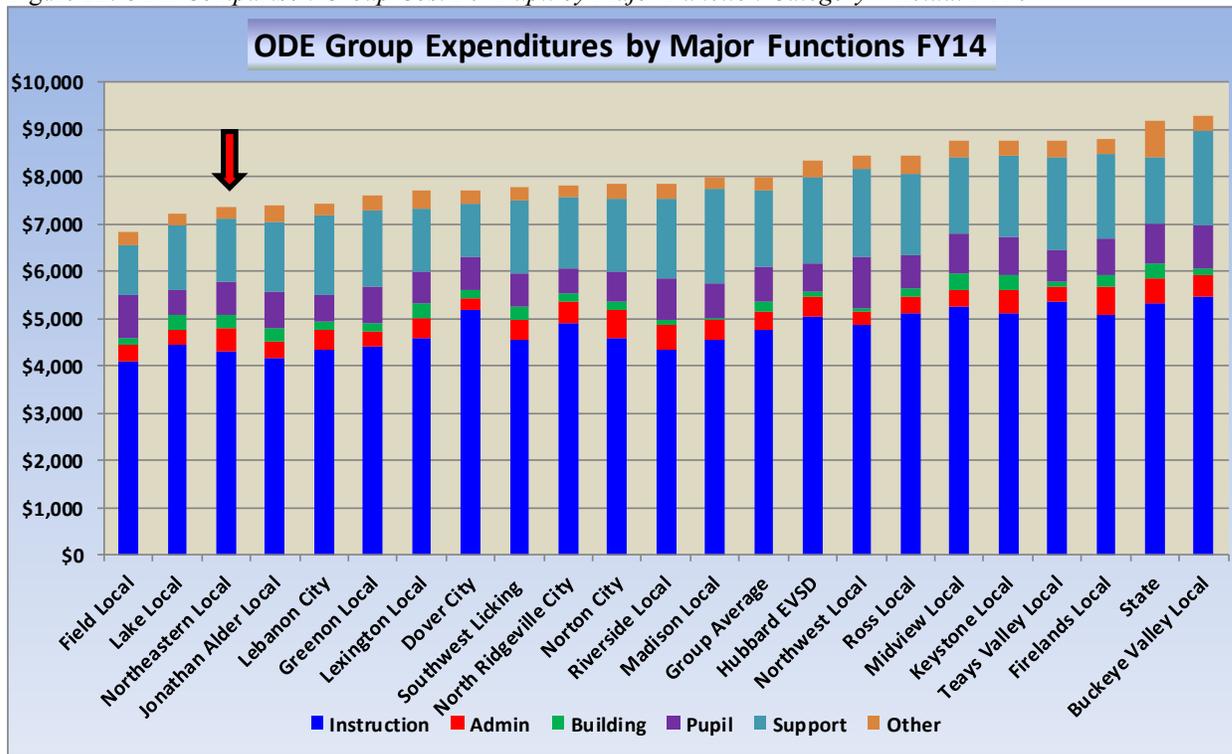
The district is spending \$.041 (4.1%) of every dollar on Building Operations which is higher than both ODE and peer groups. The ODE group spent on average \$.024 (2.4%) and the peer group spent \$.031 (3.1%) of every dollar on Building Operations. This also likely reflects that the district is operating two high school facilities and is not as efficient in the amount of square footage per student. This is an area where some additional savings may be able to be made that will not take away from instruction.

The district is spending \$.178 (17.8%) of each dollar which is below the average for both ODE Comparison Group \$.20 (20.0%) and the Peer Group \$.202 (20.2%) in combined Support Services for pupil and staff. Pupil and Staff support costs is an area that may be lower due to administrative costs being slightly higher and administrators covering duties that some districts might hire support staff to assist in such as counselors, librarians, nurses and other support staff duties.

With costs per pupil being among the lowest in both ODE Comparison Group and the Peer Group it is clear the district is trying to keep as many resources flowing to instruction as possible while squeezing other functional areas of the district.

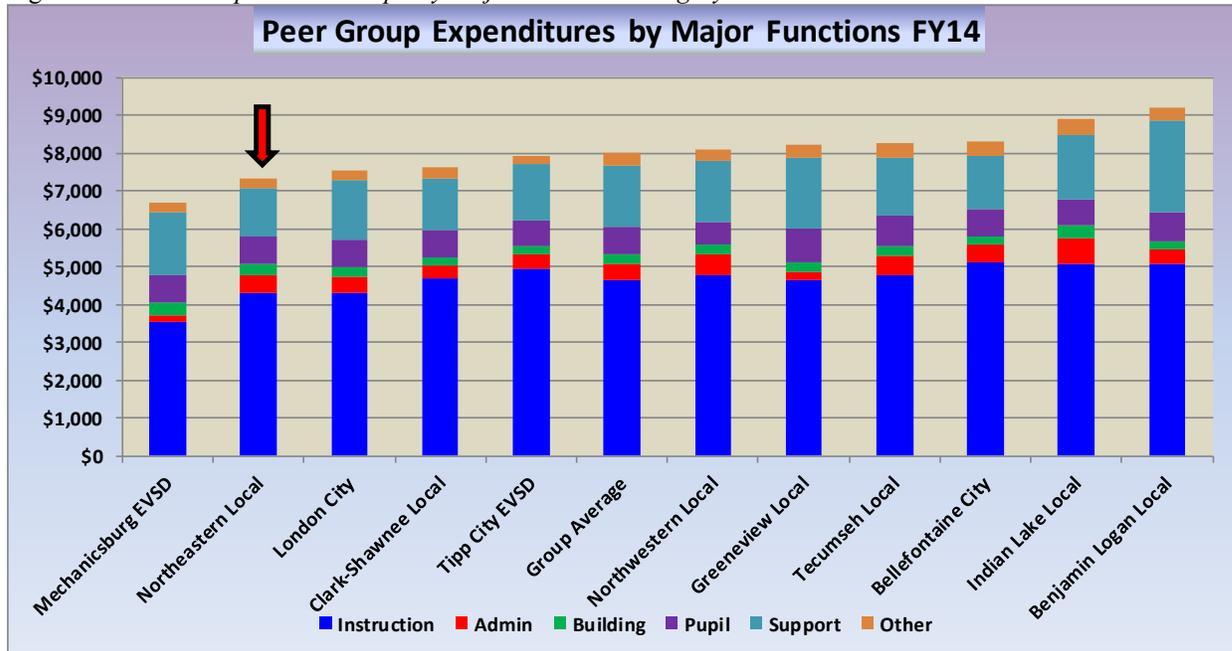
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Figure 22: ODE Comparison Group Cost Per Pupil by Major Function Category – Actual FY14



* Source: ODE Data Warehouse information updated through FY14

Figure 23: Peer Group Cost Per Pupil by Major Function Category – Actual FY14



* Source: ODE Data Warehouse information updated through FY14

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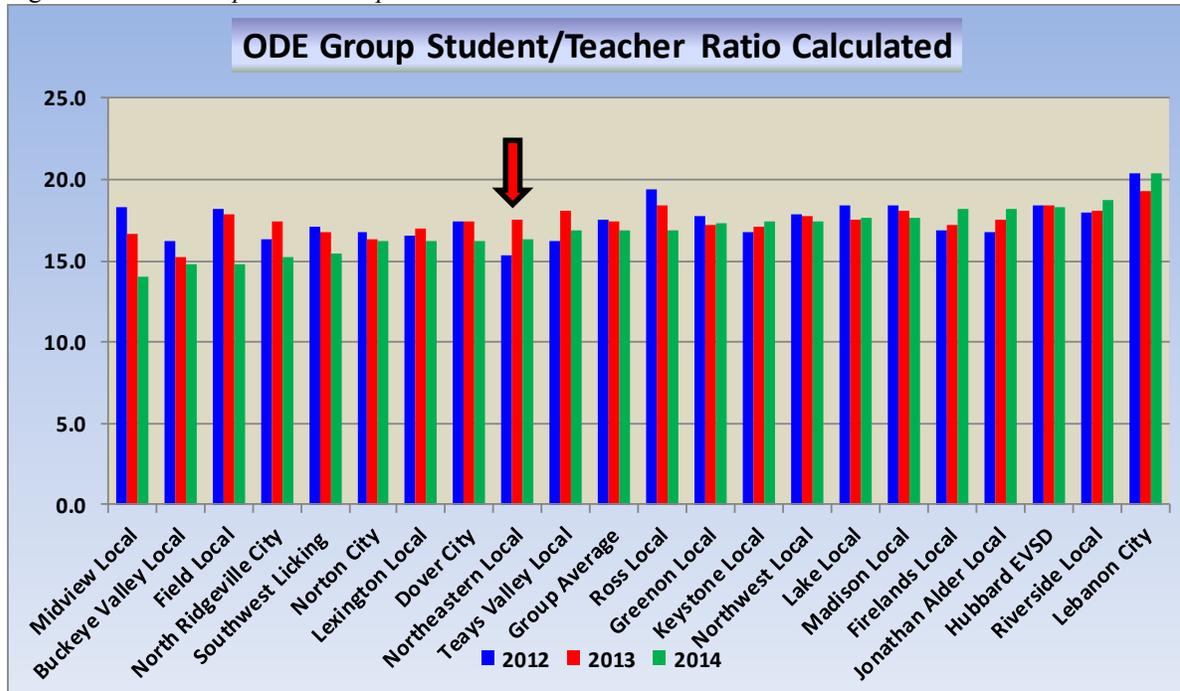
Comparison of Student Teacher Ratios FY12 through FY14

This data was calculated from using data elements in the ODE Data Warehouse system. The ODE stopped computing Pupil Teacher ratios in FY08. These numbers are calculated exactly the same way for each district in Figure 24 and 25 below.

Districts which tend to have a lower student teacher ratio (STR) also called pupil teacher ratio (PTR) typically have chosen to have smaller class sizes at elementary levels and offer more subject level class options at the secondary level. Smaller class sizes and more curriculum offerings tend to result in a higher cost per pupil because of the amount spent on direct instruction. It is common to see districts with lower pupil teacher ratios have higher costs per pupil. There is considerable debate and academic research on both sides of the argument as to whether small class sizes result in higher achievement for students or if it results in the talent of the professional teacher assigned to the class. There is clear correlation that student achievement is tied directly to economically disadvantaged status which may require added teacher attention to help the student overcome challenges of this nature.

NELSD has almost exactly the average PTR pupil teacher ratio for their ODE comparison group in Figure 24 and in the peer group comparison in Figure 25 on Page 26. A conclusion that could be drawn from the district's average PTR is that this is a significant reason that the costs per pupil are in the lowest portion in NELSD than other districts in their comparison group as noted on Page 17. **The district may want to look at why the percentage in wages and benefits are among the highest combined percentage (84.5%) but staffing levels appear in line with both comparison groups. One conclusion could be an inefficient use of staff as a result of operating 2 small high schools and resulting in small class sizes underutilized. The question also can be consider if course offerings requires the number of staff or if class sections could be paired back if enrollment is not at minimum acceptable levels and possibly offer these classes with an online alternative that would be less expensive.**

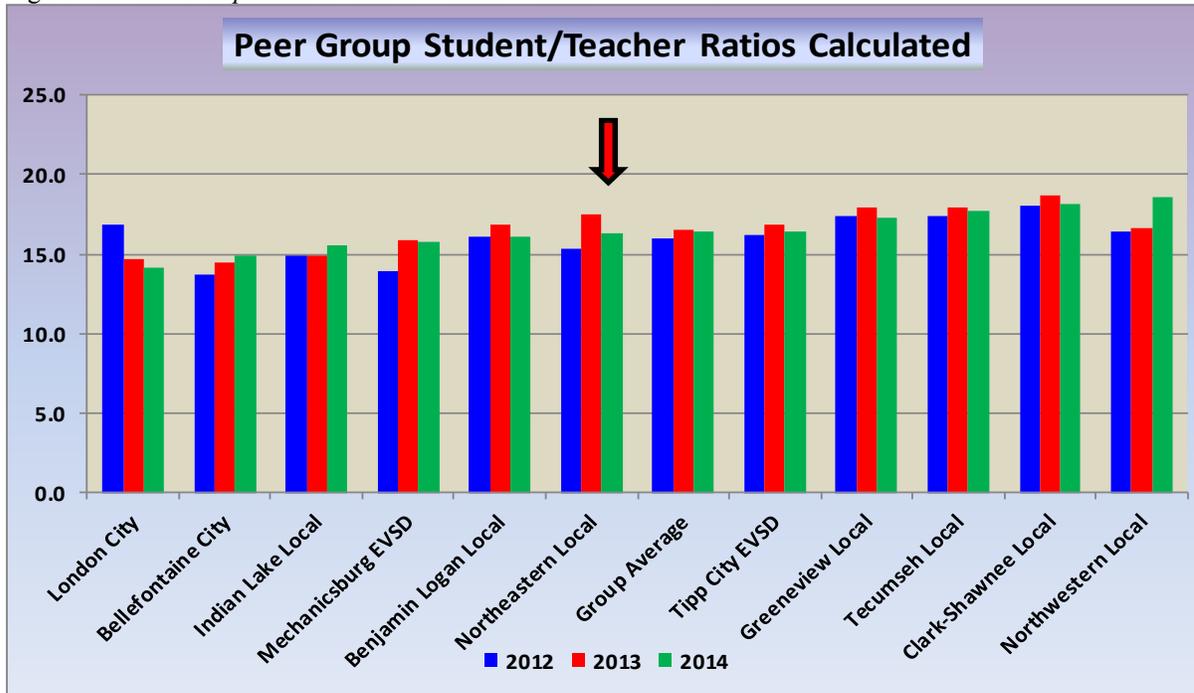
Figure 24: ODE Comparison Group Student/Teacher Ratios– Actual FY12-FY14



* Source: Data is calculated using ODE Data Warehouse information updated through FY14

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Figure 25: Peer Group Student/Teacher Ratios– Actual FY12-FY14



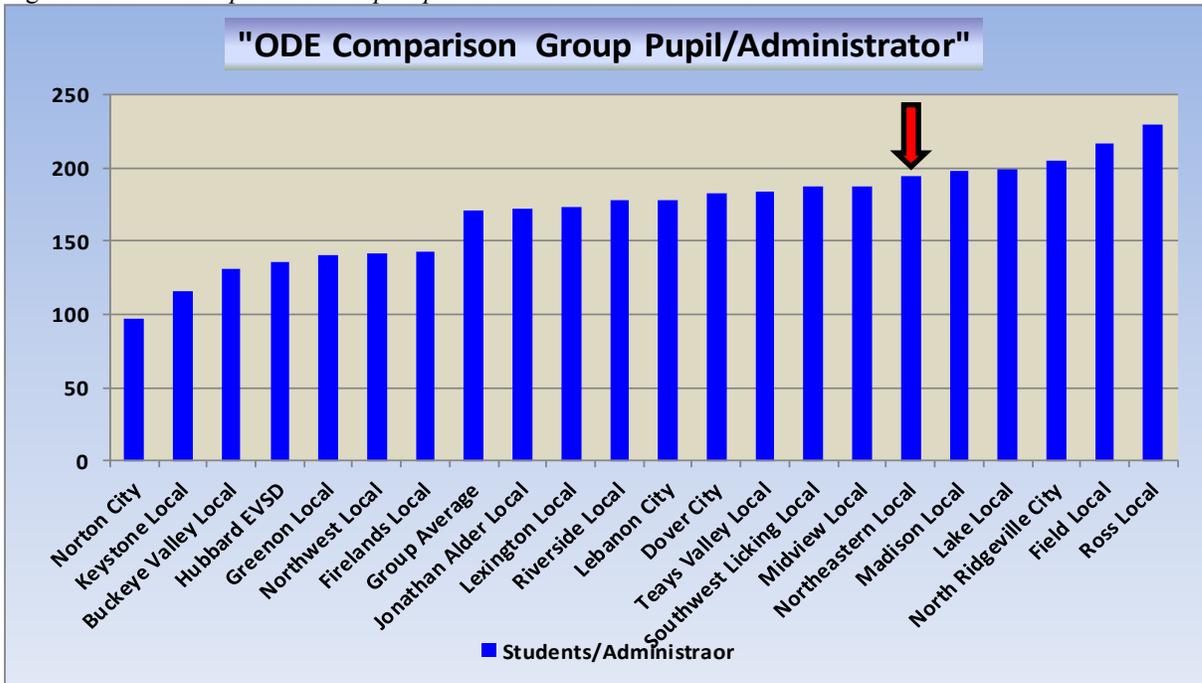
* Source: Data is calculated using ODE Data Warehouse information updated through FY14

Comparison of Student Administrator Ratios FY14

In Figure 26 and 27 on the following page district administrative pupil ratio is calculated to be 194:1 and the ODE Comparison Group average is 171:1 and the Peer Group average is 138:1. As the graphs point out NELSD has fewer administrators for each pupil than all but five districts in the ODE group and it has the least amount of administrators to pupil ratio in the Peer Group. As noted earlier the administrative costs per pupil are 6.5% which is above the ODE and Peer Comparison group averages. This is related to carrying additional administrative staff required to manage 2 high schools and that administrators district wide are likely handling support staff duties since it was noted support staff costs were well below both comparison group averages.

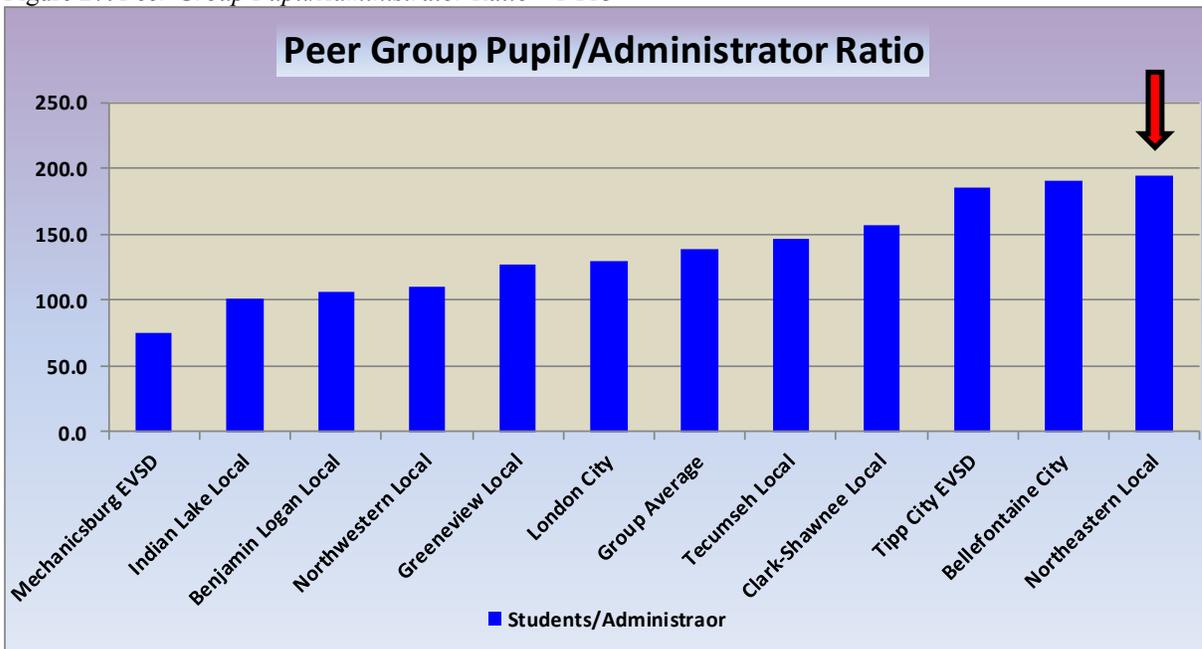
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Figure 26: ODE Comparison Group Pupil/Administrator Ratio – FY13



* Source: ODE Cupp Report FY13

Figure 27: Peer Group Pupil/Administrator Ratio – FY13



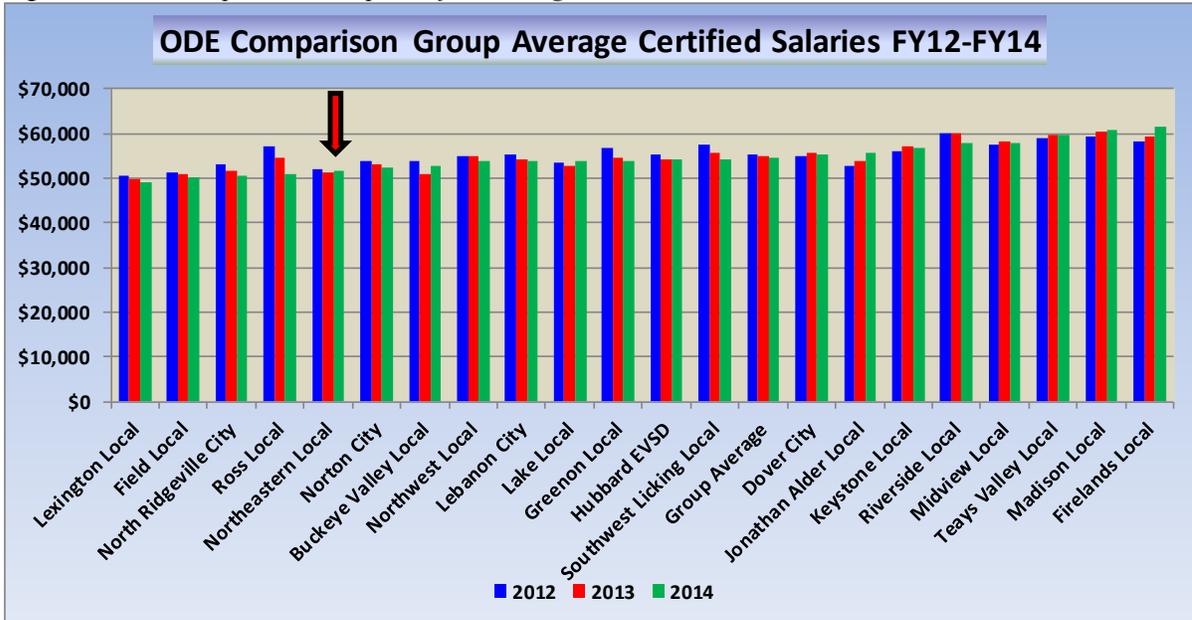
* Source: ODE Cupp Report

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Comparison of Certified Average Salaries FY12-14

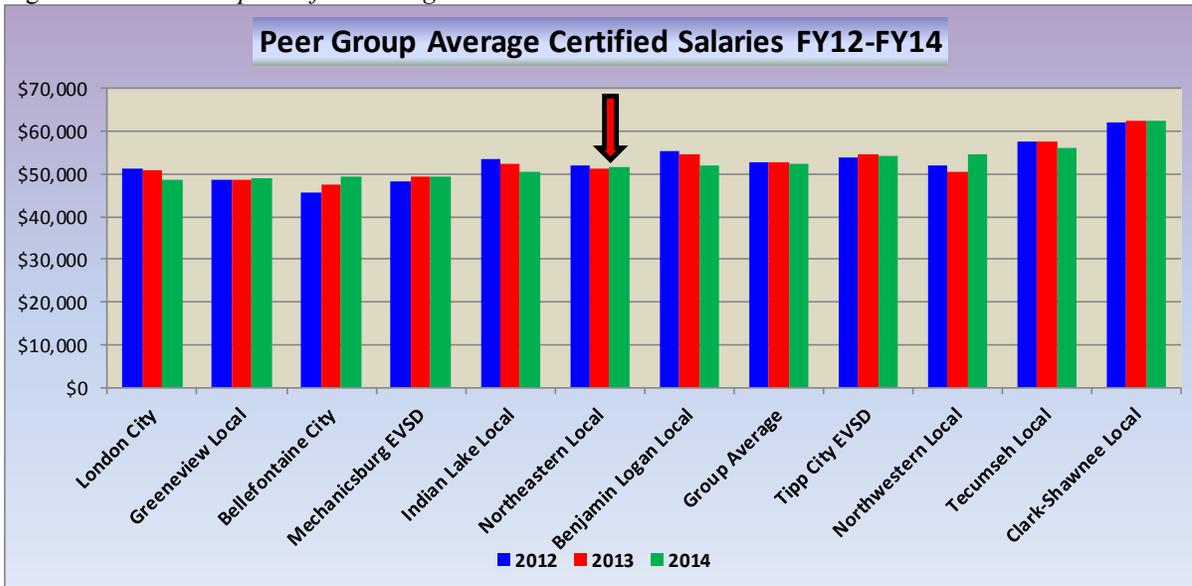
Figures 28 and 29 reflect the average salaries paid to certificated staff which includes certificated teachers and administrators in a school system. NELSD is 6.1% below average in comparison to wages for their ODE group, as noted in Figure 28 and about 2.1% below the average in comparison to the peer group noted in Figure 29 below. It does not appear from this analysis that this is an area of expenses which is causing the percentage of cost per pupil to be high compared to other district as noted on Page 23.

Figure28: ODE Comparison Group Certified Average Salaries– Actual FY12-FY14



* Source: ODE Data Warehouse information updated through FY14

Figure 29: Peer Group Certified Average Salaries– Actual FY12-FY14



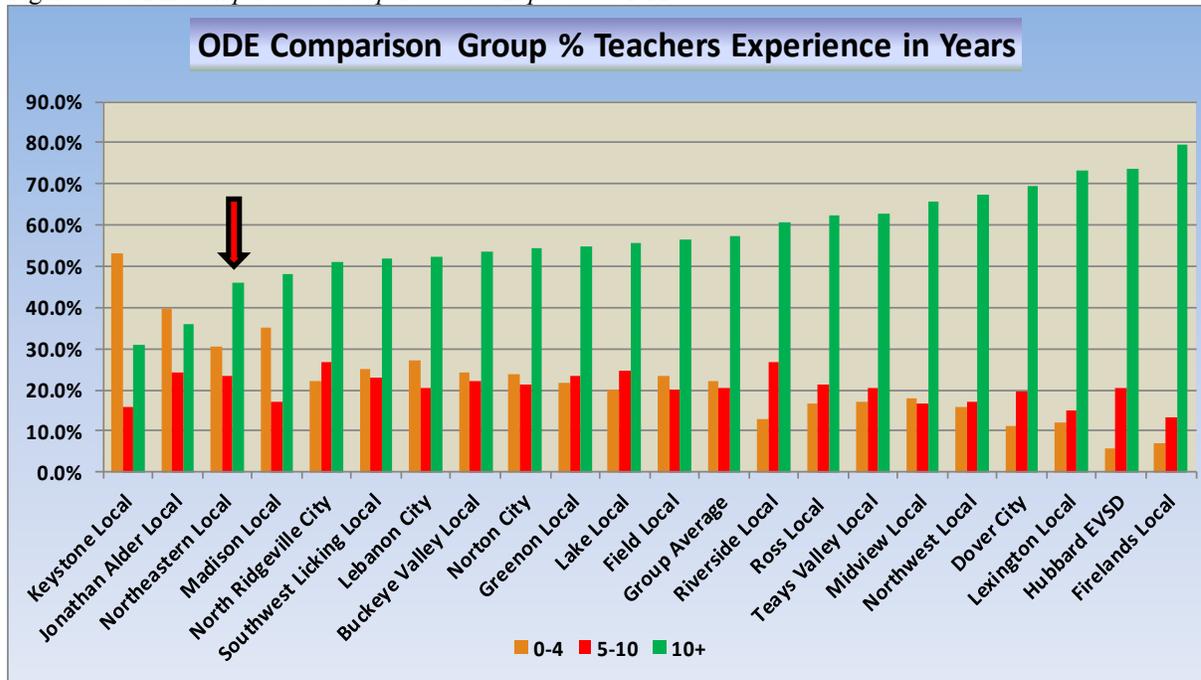
* Source: ODE Data Warehouse information updated through FY14

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Comparison of Teaching Staff Experience Levels FY14

In comparing NELSD to the ODE and peer groups in Figure 30 and 31 the district has a relatively high percentage of teaching staff with 4 or less years of experience compared to both groups and among the smallest number of staff in the 10 or more years of experience group. This could be a contributing factor to the districts lower than average cost per pupil noted earlier in the report. This means the district has a higher percentage of staff paid at the lower end of the certificated salary schedule when compared to other districts in the ODE comparison group and the peer group. The district is benefiting from lower paid less experienced staff and still scoring high in academic performance. This is providing good value for the residents and students of the district.

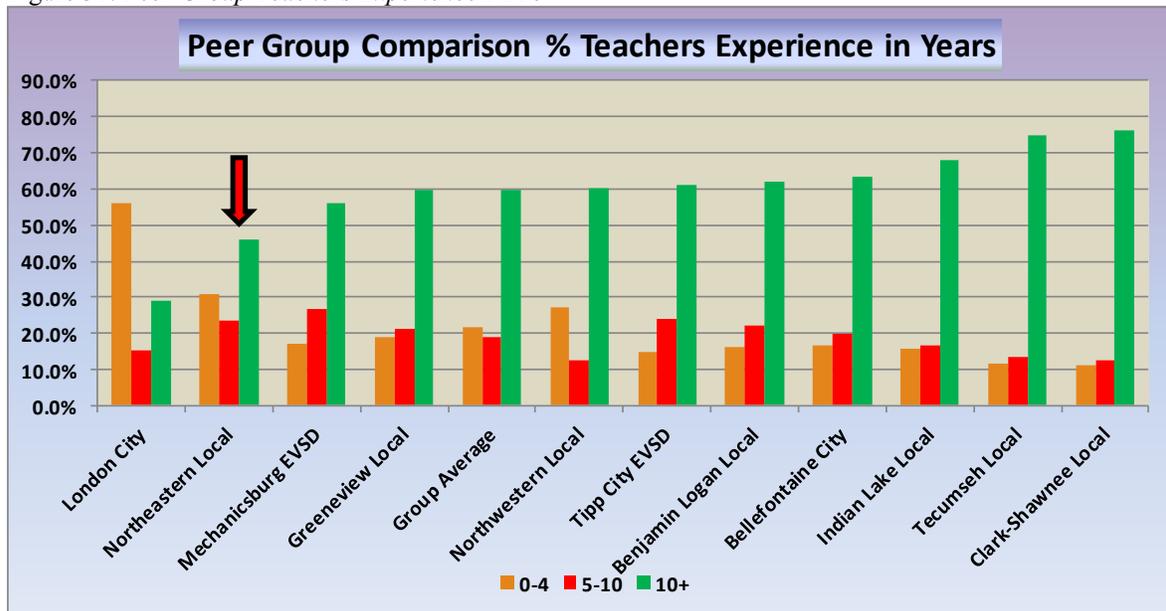
Figure 30: ODE Comparison Group Teachers Experience FY14



* Source: ODE District Profile Report FY14

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Figure 31: Peer Group Teachers Experience FY14

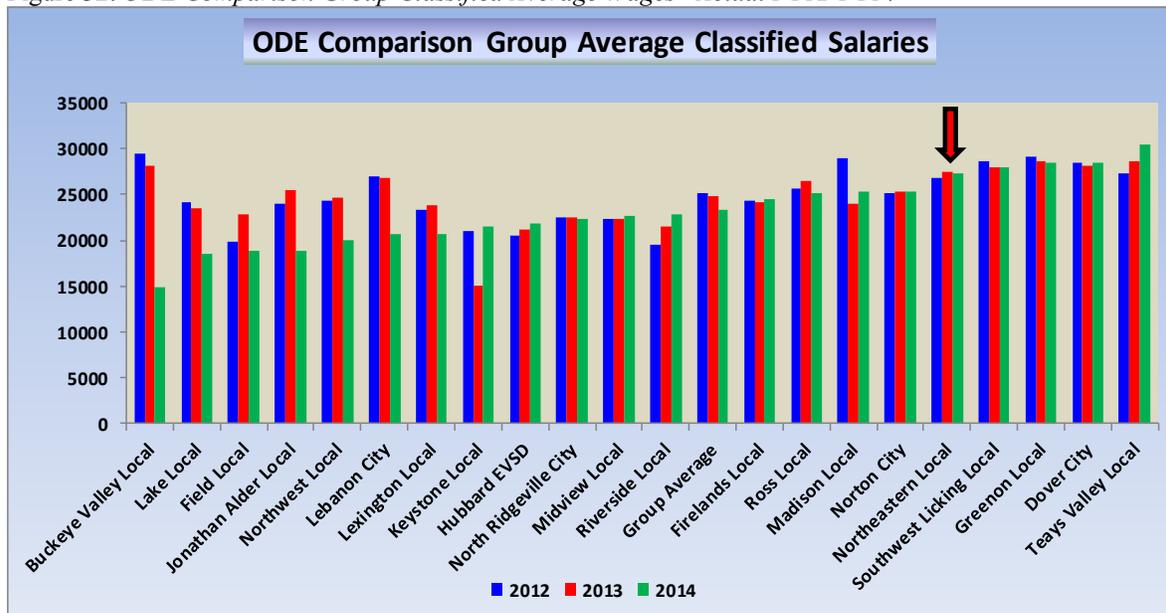


* Source: ODE District Profile Report FY14

Comparison of Classified Average Salaries FY12-14

Figures 32 and 33 reflect the average salaries paid to classified staff which includes all non-teaching and non-certificated administrator positions such as custodians, secretaries, clerks, bus drivers and teacher aides. NELSD is significantly above average in comparison to wages for both their ODE and peer group. The classified wage levels are likely a contributing factor in the higher percentage of wages and benefits percentage of 84.5% in the cost per pupil noted earlier.

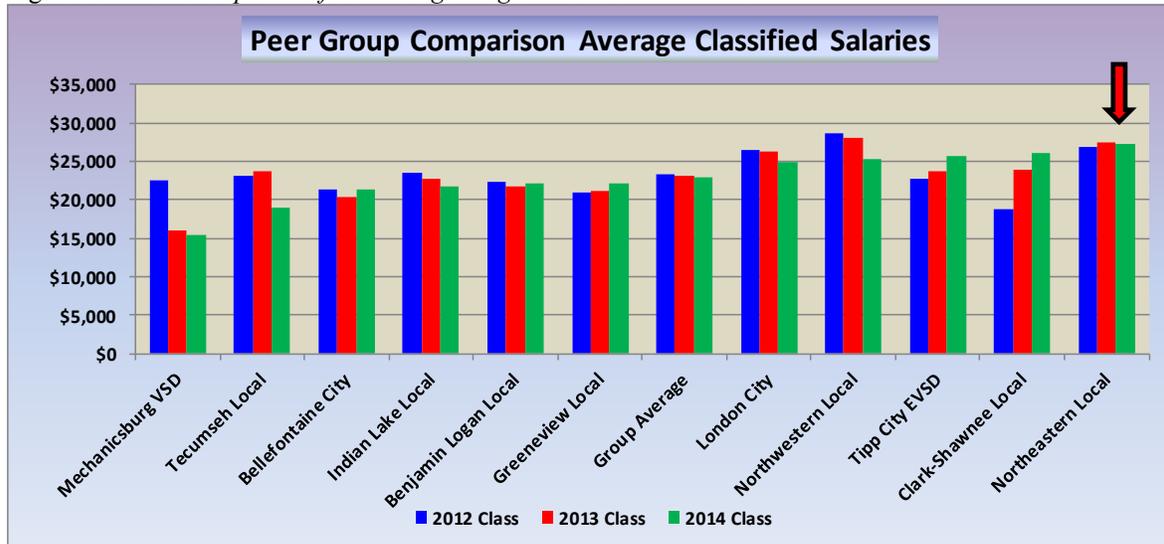
Figure 32: ODE Comparison Group Classified Average Wages– Actual FY12-FY14



* Source: ODE Data Warehouse information updated through FY14

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Figure 33: Peer Group Classified Average Wages– Actual FY12-FY14



* Source: ODE Data Warehouse information updated through FY14

Comparison of the % of Retirement and Health Insurance Costs to Wages for FY14

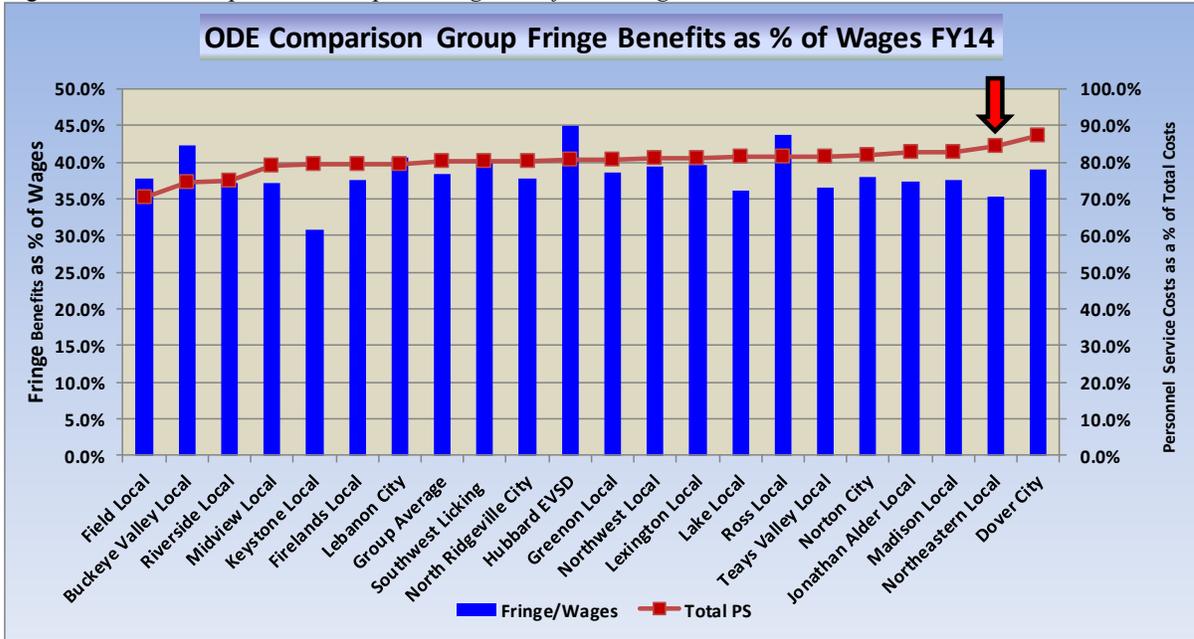
Health insurances and retirement contributions are a significant cost for schools districts. Both STRS and SERS contributions for retirement are the same for all districts in Ohio other than some actual pick-up of these costs for some staff in most districts. So the variability in cost differences is mostly likely added health care benefits such as vision insurance and/or health care premiums are higher due to utilization, a rich plan design or the district paying a larger percentage of the premiums for health care.

In Figure 34 and 35, on Page 32, the “red line” indicates NELSD spent 84.5% of the General Fund on wages and benefits in FY14. Of that amount 22.1% of general fund expenses are spent in the area of fringe benefits. When we compared the amount of fringe benefits spent in the general fund costs it was 5th lowest in the ODE Comparison Group which averaged 22.3% and 2nd lowest in the Peer Group which was 22.0%.

Another important measure is the amount of fringe benefit cost as a percent of wage costs. The columns in Figure 34 and 35 note that NELSD’s fringe benefit cost as a percentage of wages was below average at 35.3% versus 38.5% for the ODE Comparison Group and 38.6% for the Peer Group. **It was noted when looking at health care costs for NELSD compared to other Clark County Schools and the West Central Ohio, Figures 36 and 37, mean health care costs, they had the lowest total cost for family and single medical insurance.** This fact helped keep the overall fringe benefit costs and percentage of fringe benefits to wage costs lower and shows that the district and employees are working to control health care costs. Another example of that is the district has implemented BeneLogic Program for employees to self report dependents who are eligible and no longer eligible for coverage. This is like an ongoing dependent audit to identify ineligible those who may not be eligible for district health care plan coverage. Dependent eligibility verification is a best practice in managing health care costs.

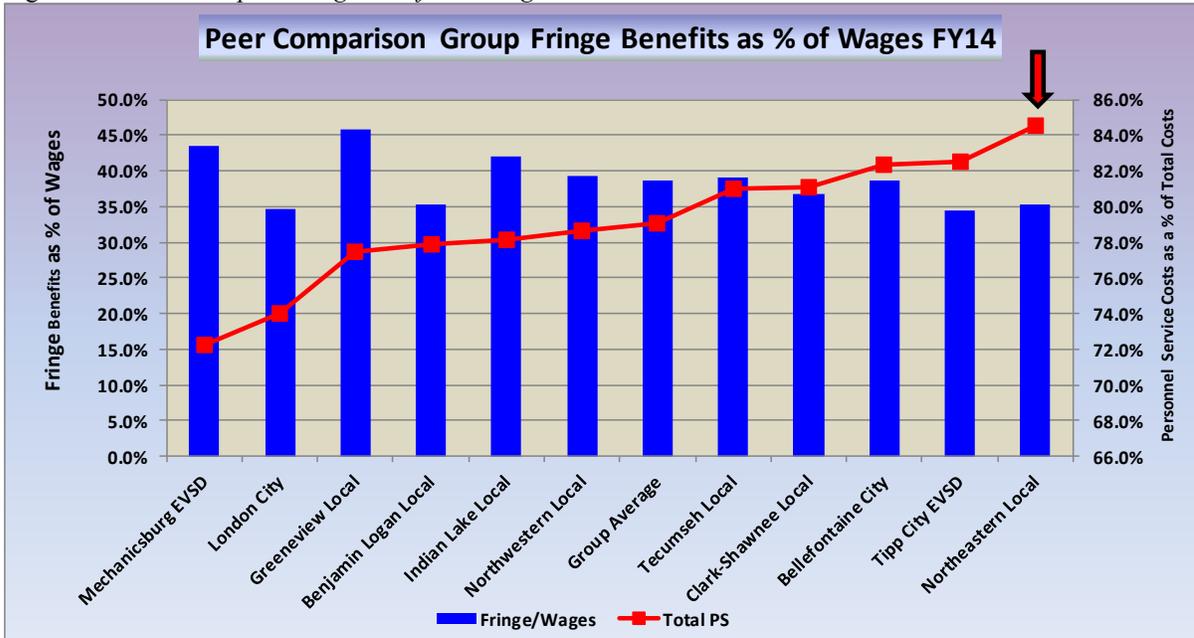
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Figure 34: ODE Comparison Group % Fringe Benefits to Wages FY14



*Source: ODE Data Warehouse information updated through FY14

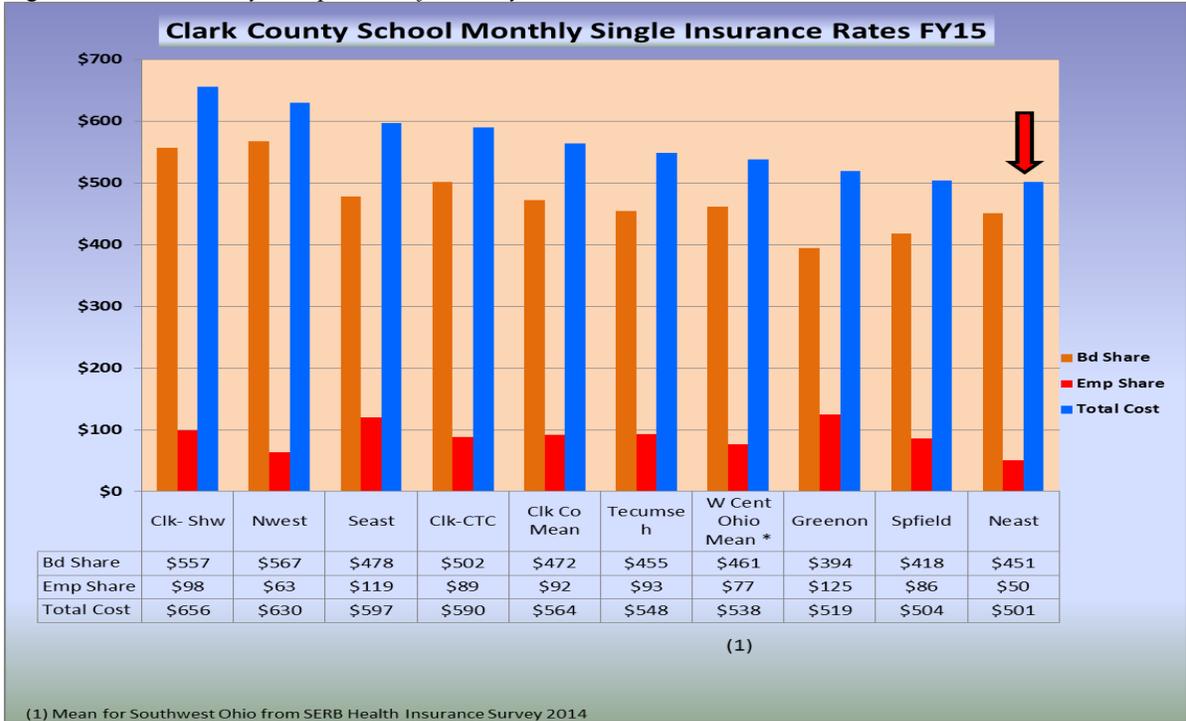
Figure 35: Peer Group % Fringe Benefits to Wages FY14



*Source: ODE Data Warehouse information updated through FY14

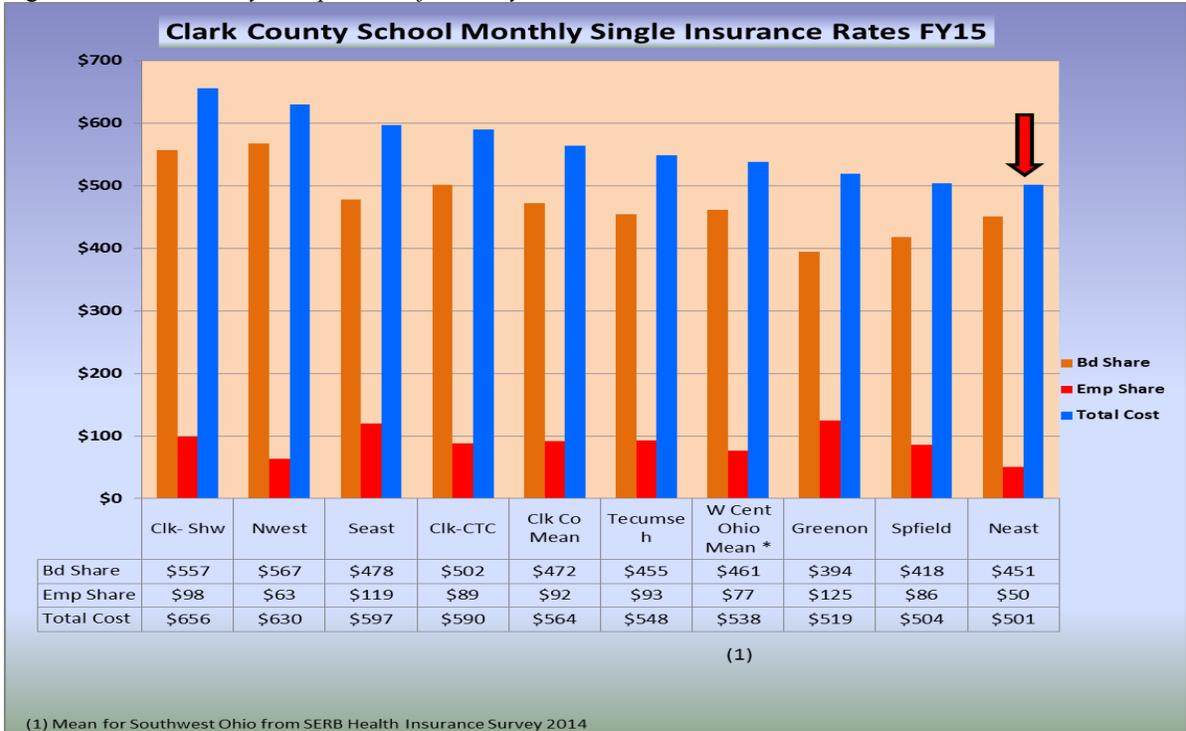
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Figure 36: Clark County Comparison of Monthly Health Care Costs FY15



*Source: Clark County School Treasurer's

Figure 37: Clark County Comparison of Monthly Health Care Costs FY15



*Source: Clark County School Treasurer's

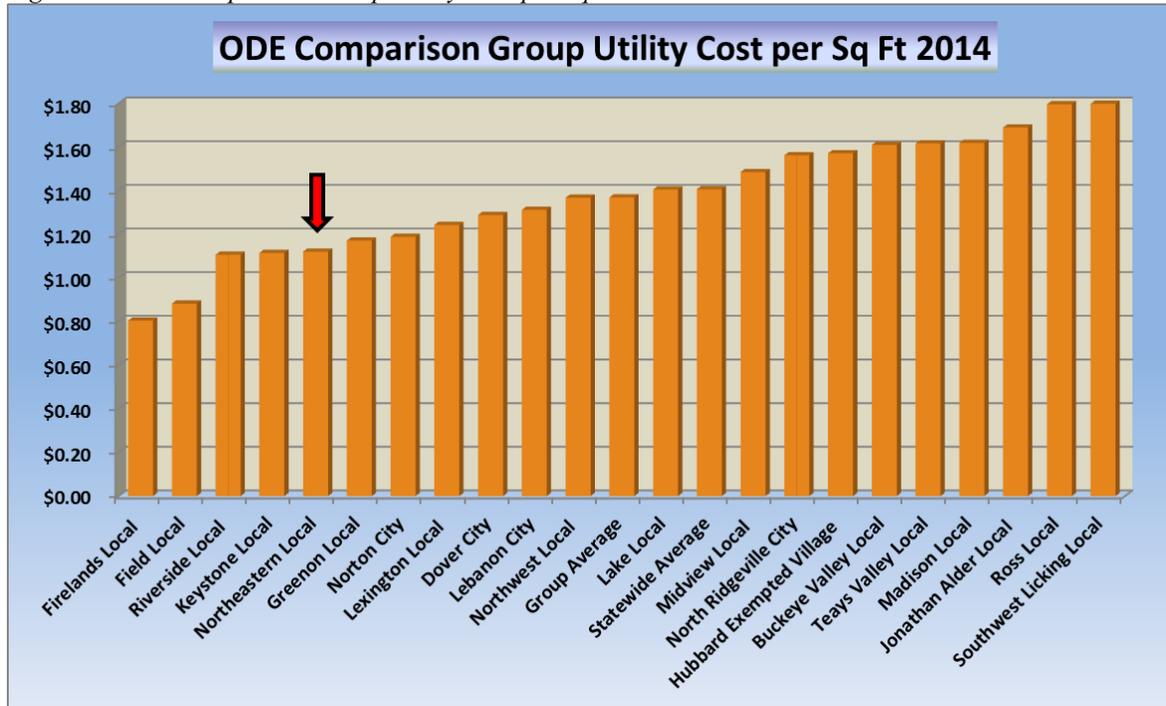
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Comparison of the Building Operation Category Data for FY14

The three building operational areas that a direct cost comparison can be made to other school districts are presented in this section. Other areas of operation are not kept by the ODE in the Data Warehouse or the Benchmark Report. This information was reviewed as an area of interest because a substantial amount of money is spent in this area of the budget in all school districts.

Utility Costs: The first comparison in building operations that was available for review is the utility cost per square foot. Figure 38 and 39 reflects for both ODE Comparison Group and the peer group that for FY14 NELSD is in the lower one-quarter of the groups. When comparing with the peer group NELSD falls 5th lowest in the group. This indicates that the district has procured primarily electric and natural gas at equally competitive rates as other schools locally and around the state. It was noted that the district does purchase utilities via consortium group buying which results in lower costs. Many new school buildings across the state also have central air and higher utility costs, particularly with electricity. This helps the district compare favorably as most district facilities are not air conditioned, except for Kenton Ridge and Northeastern High Schools. **Utility cost per square foot appears to be slightly below average. There are still some districts which are using less electric per square foot so it could be possible to look for additional efficiencies but this area is not out of line based on direct comparison with other districts.**

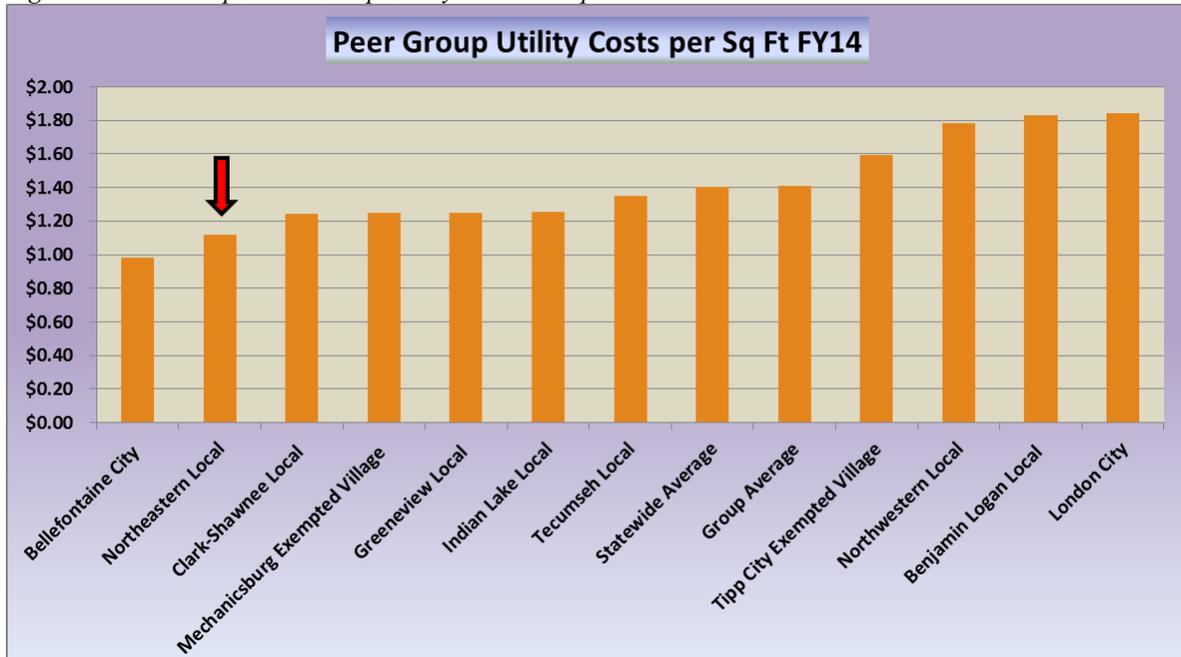
Figure 38 ODE Comparison Group Utility Cost per Square Foot FY14



*Source: FY14 ODE School District Benchmarking Report

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Figure 39 Peer Comparison Group Utility Cost Per Square Foot FY14

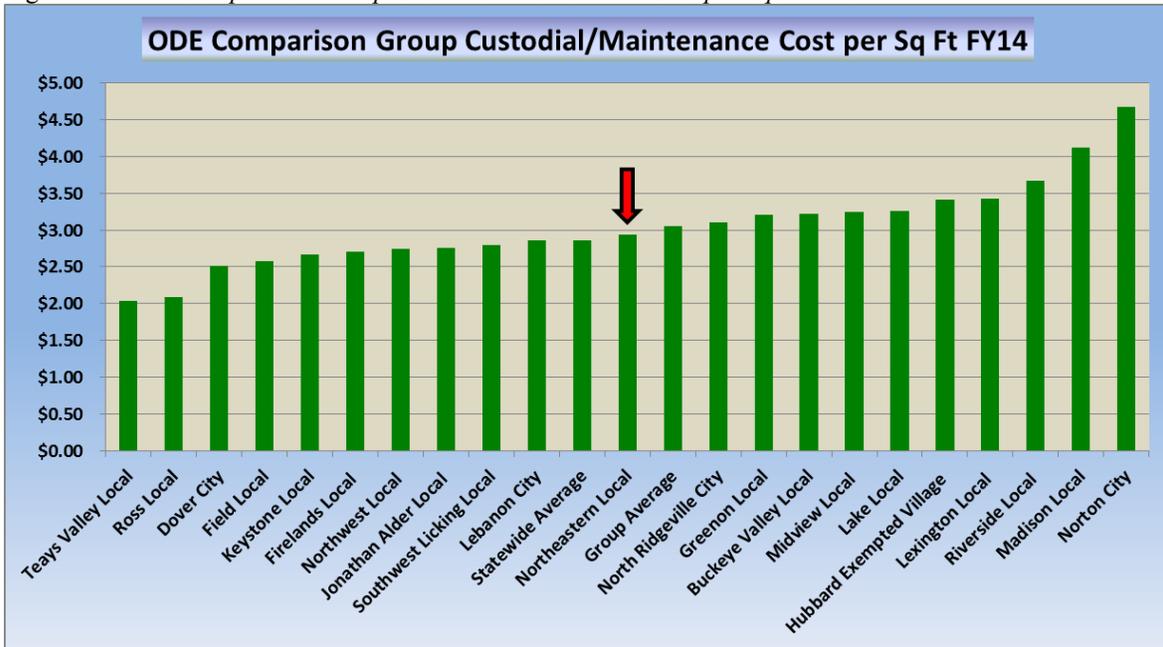


*Source: FY14 ODE School District Benchmarking Report

Custodial/Maintenance Costs: The other building operation comparison data available to evaluate is the Custodial/Maintenance Costs per Square Foot for districts. Classified wages and fringe benefit costs would also impact this area of costs as would the level of staffing used to clean and maintain buildings. The ODE Comparison Group, Figure 40, on Page 36 shows NELSD in close to average costs per square foot. Figure 41, on Page 36, show costs higher than average with peer group districts. A number of factors can influence this cost such as overtime and higher than average wages and lower than average square footage compared to other schools. **It was noted when comparing purchases made for custodial and maintenance supplies that the district purchases supplies through the Southwestern Ohio Educational Purchasing Consortium and receives bulk buying prices conserving money in this area.**

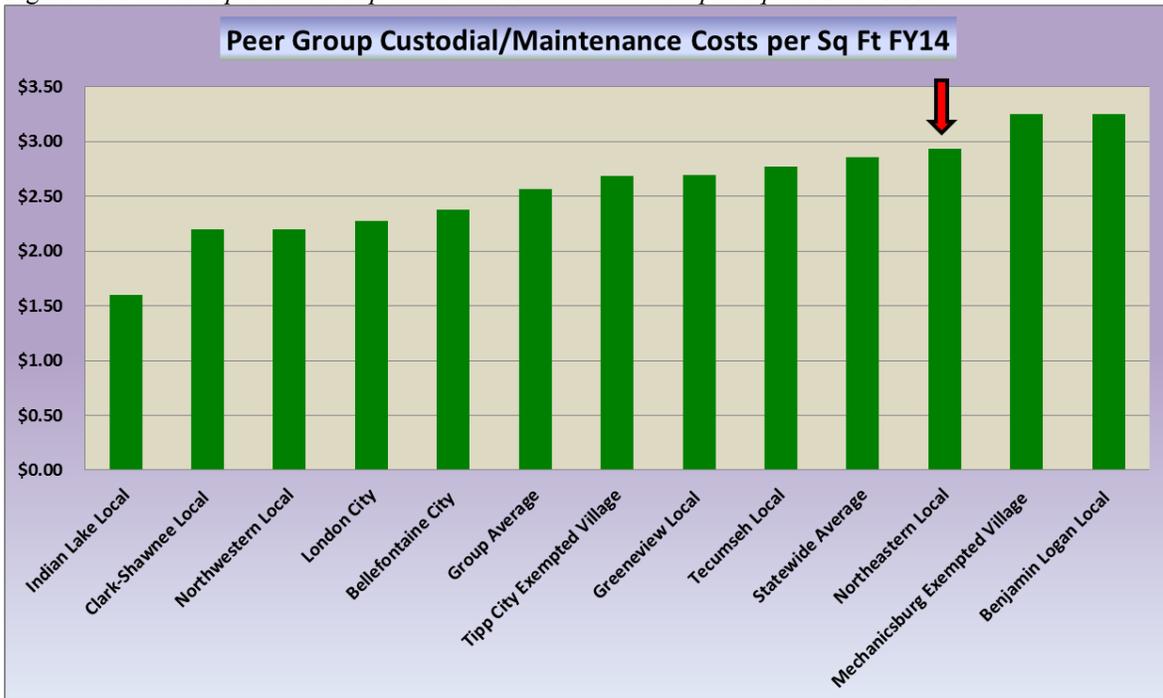
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Figure 40: ODE Comparison Group Custodial/Maintenance Cost per Square Foot FY14



*Source: FY14 ODE School District Benchmarking Report

Figure 41: Peer Comparison Group Custodial/Maintenance Cost per Square Foot FY14



*Source: FY14 ODE School District Benchmarking Report

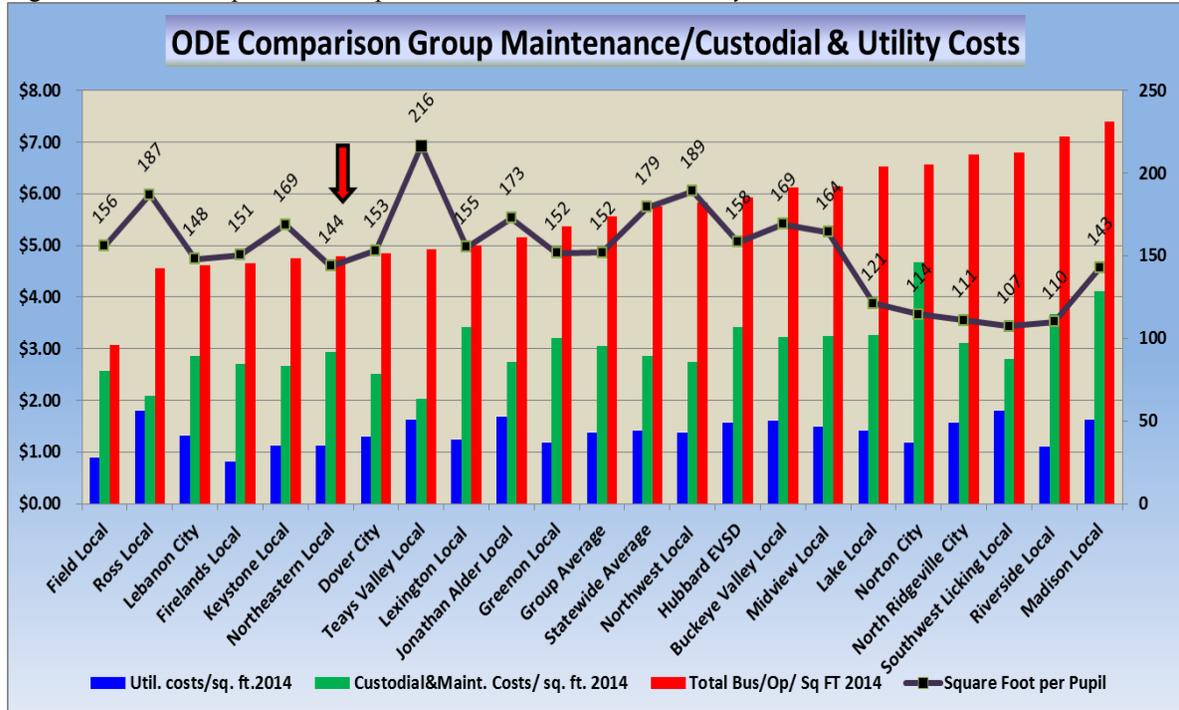
Maintenance/Custodial and Utility Costs Per Square Foot: Based on the ODE comparison group noted in Figure 42, on Page 37, the district has the 6th lowest cost per square foot at \$4.79 per sq. ft. The comparison with the peer group in Figure 43, on Page 36, also shows a similar pattern with the district costs being the 3rd lowest for maintenance and custodial operations.

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It can be observed that there is no straight line relationship between district costs for maintenance/custodial and utility costs and the number of square footage per student. Generally speaking the more square footage maintained by the district the higher the costs per square foot and cost per pupil. Also when buildings are not fully utilized (i.e. at capacity) then there is a higher cost per student and typically added costs per square foot as well.

This is an area of costs where the district is managing costs well when looking at the component parts that make up the costs. Certainly consortium buying of utilities and maintenance and custodial supplies have contributed to the lower costs compared to other districts.

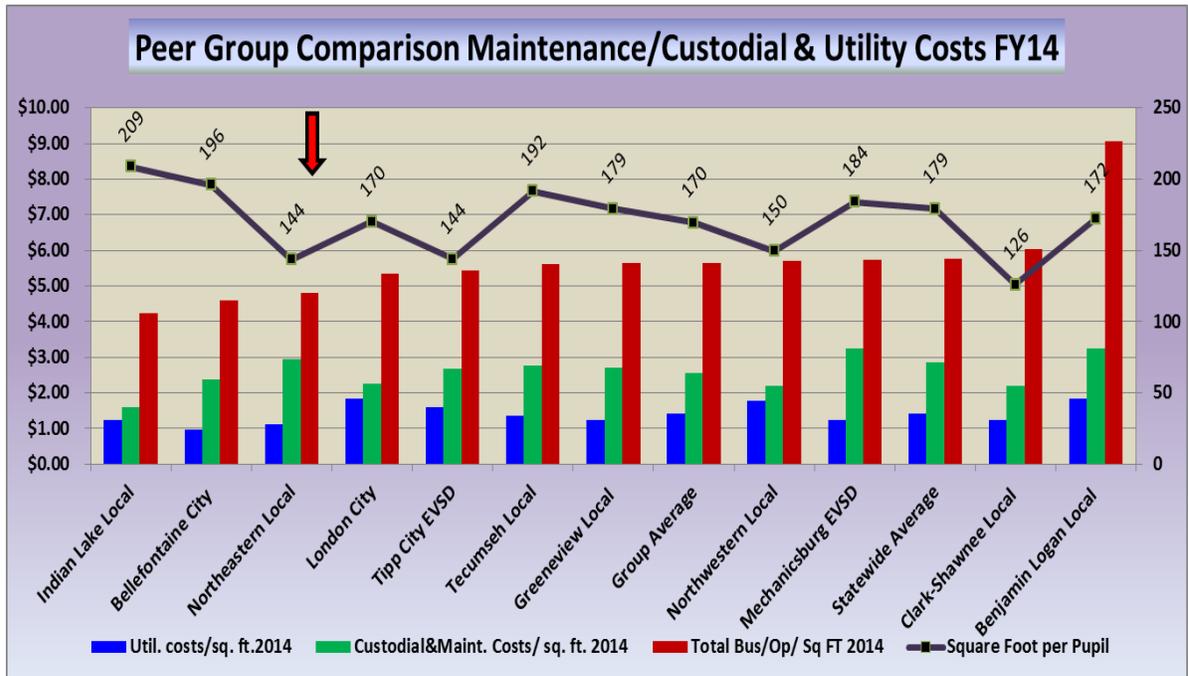
Figure 42: ODE Comparison Group Maintenance/Custodial & Utility Costs FY14



*Source: FY14 ODE School District Benchmarking Report

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Figure 43: Peer Comparison Group Maintenance/Custodial & Utility Costs FY14



*Source: FY14 ODE School District Benchmarking Report

Comparison of Transportation Data

Transportation is a significant operational area that a direct cost comparison can be made to other school districts. The most current data available for cost per student comparison is for FY13. The ODE has not published transportation costs per pupil data for FY14 at the time of this report. We have shown FY12 versus FY13 to reflect the most recent data available because costs typically do not shift significantly year to year unless deliberate changes have been made to operations in an area of the operation. **Beginning in FY14 the district did eliminate high school bussing however no comparative costs were available to determine how these savings would adjust costs per pupil for comparison purposes. This major change in transportation would result in cost savings.**

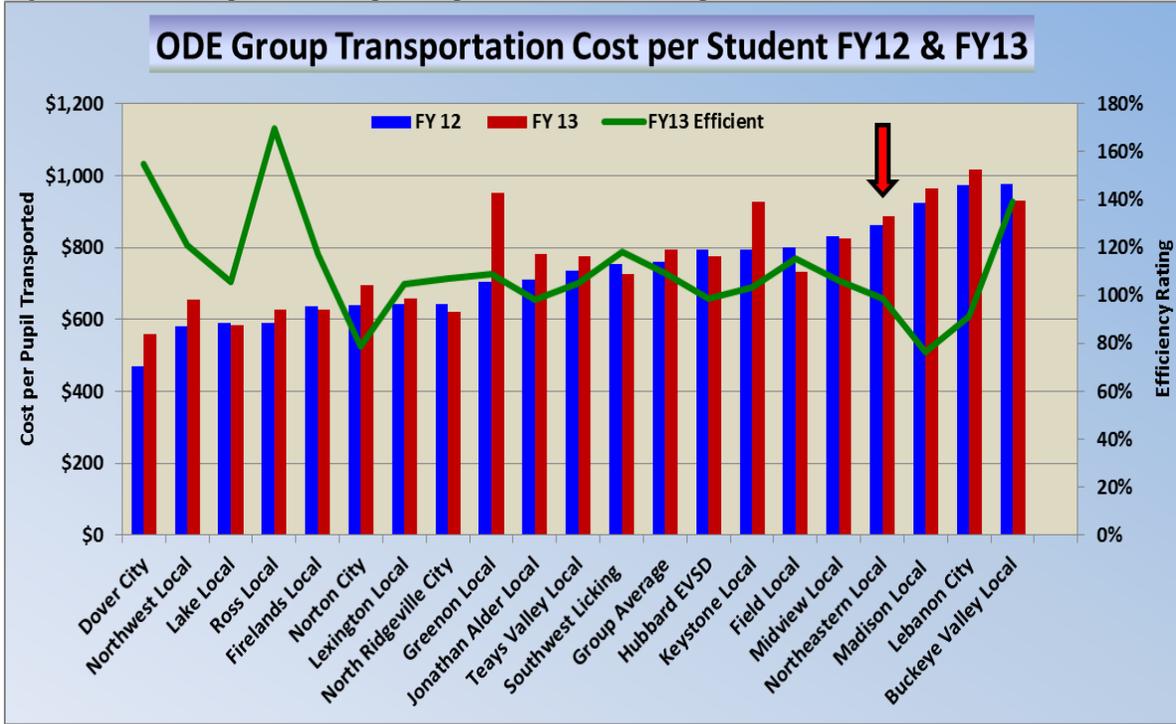
In Figure 44 and 45 costs per pupil for NELSD transportation were slightly above average however this is being shown just for informational purposes. FY14 data would need to be reviewed as high school bussing was eliminated in in FY14. We would anticipate costs would fall in both comparison groups if the data were available.

For the peer group in Figure 45, on Page 39, NELSD is above average and very efficient compared to these districts for FY14. This data was published for FY14, while the cost per pupil data for FY14 (as noted above) has not been reported at this time. The transportation efficiency shows that the transportation department is doing well. Generally speaking, the fewer students a district transports the higher the cost per pupil will be but overall transportation costs would generally be lower for districts adhering to state minimum standards.

Overall NELSD transportation costs show good efficiency with the target of 100% NELSD rated 145% in FY14 which is well above the 100% target established for efficiency by the ODE.

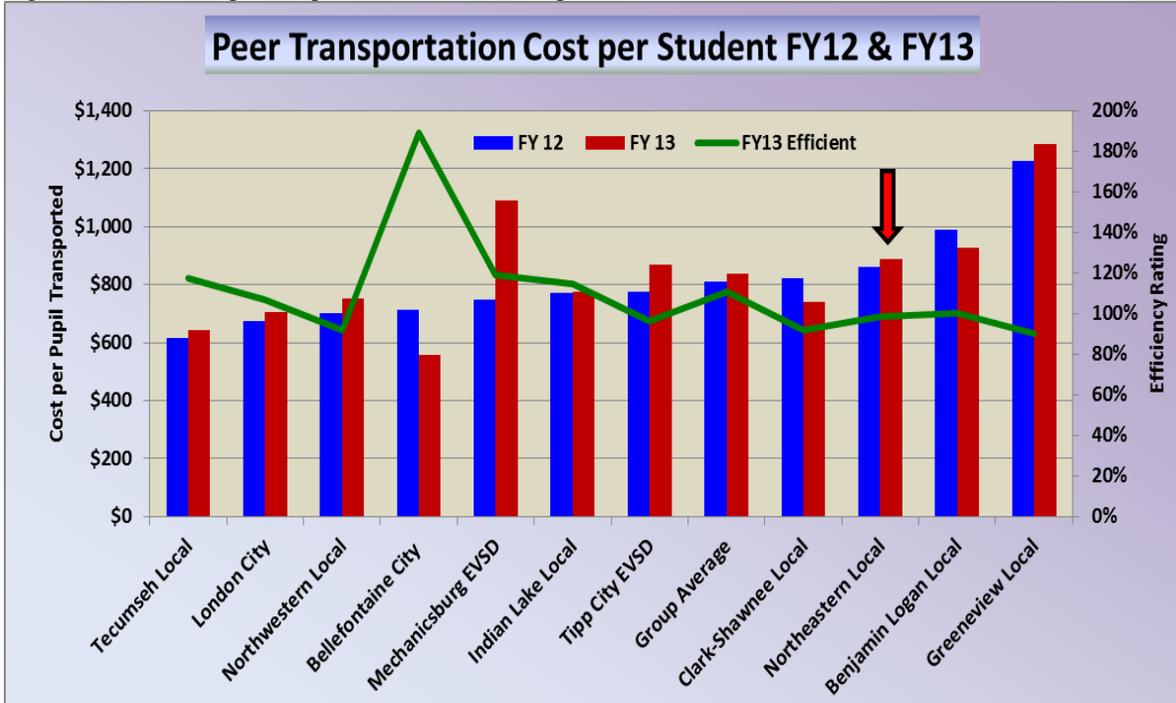
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Figure 44: ODE Comparison Group Transportation Costs Per Pupil– Actual FY12-FY13



* Source ODE Division of Transportation Cost Reports Updated Through FY13

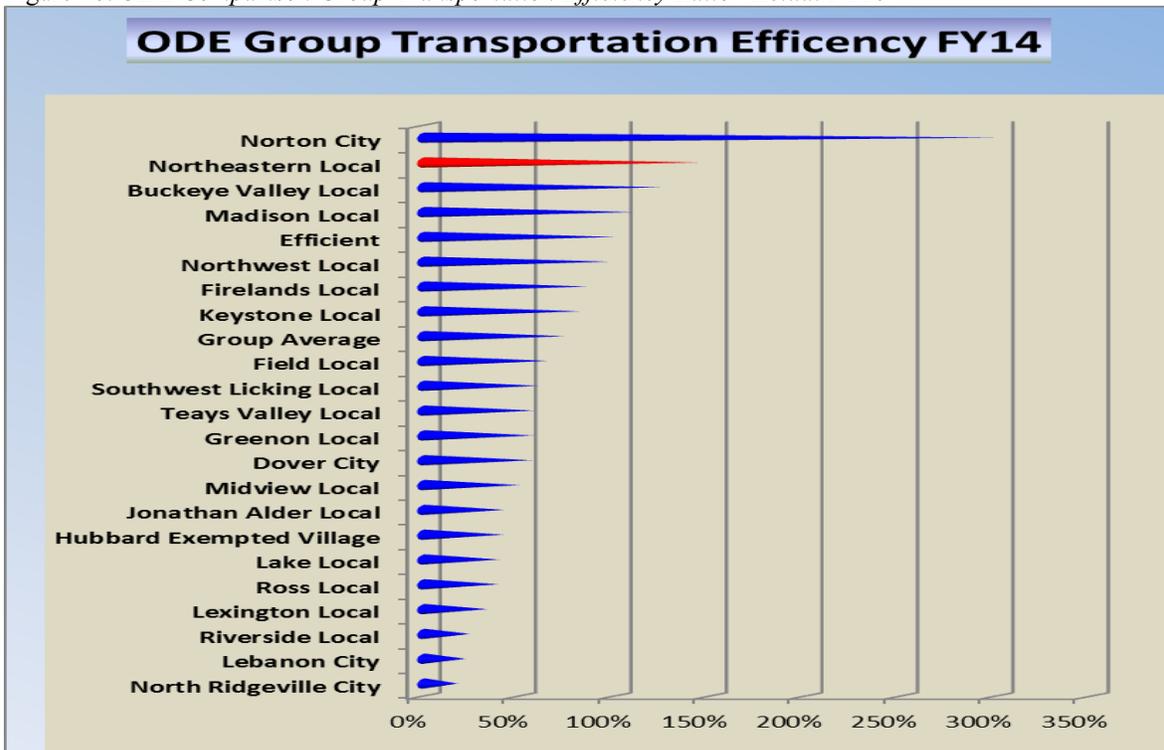
Figure 45: Peer Group Transportation Costs Per Pupil– Actual FY12-FY13



* Source ODE Division of Transportation Cost Reports Updated Through FY13

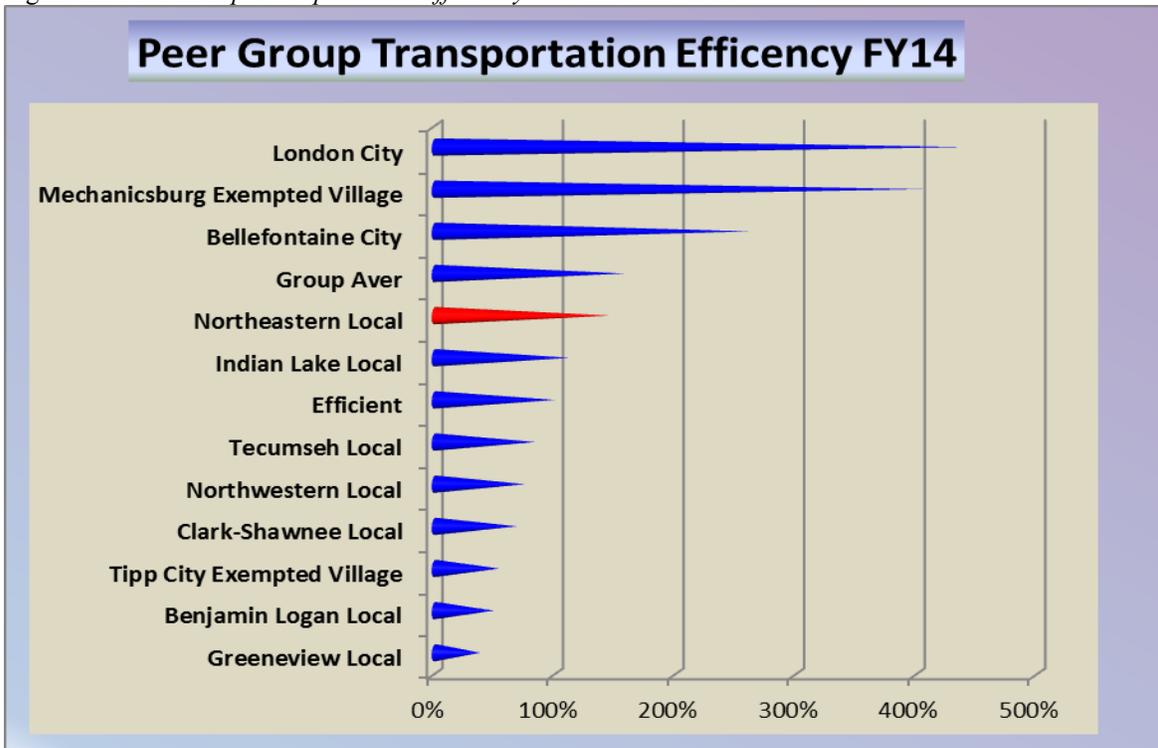
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Figure 46: ODE Comparison Group Transportation Efficiency Ratio– Actual FY14



* Source: FY14 ODE School District Benchmarking Report

Figure 47: Peer Group Transportation Efficiency Ratio – Actual FY14



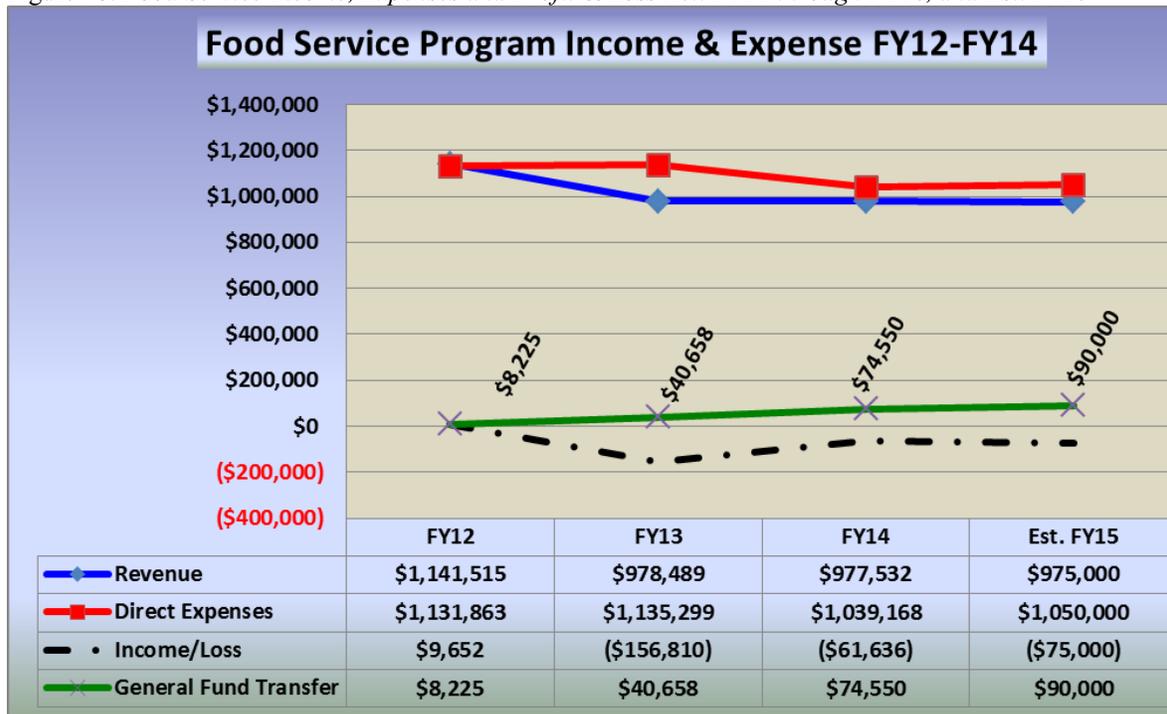
* Source: FY14 ODE School District Benchmarking Report

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Comparison of Food Service Program Revenue, Expenditures and Profit & Loss Actual FY12-FY14 and Estimated FY15

The Food Service program in the district is considered an Enterprise Fund and is suppose to operate at a profit or breakeven in the worst case scenario. It is very important that the school district offer nutritious meals to students who otherwise may not have adequate nutrition. A quality food service program also supports student achievement in NELSD. We look at Food Service operations because if they fail to operate at a profit or breakeven they often require funds to be transferred from the General Fund of the district and therefore could become a liability for the General Fund. The district food service program has lost profitability over the past three years and looks to be on target to operate in a deficit for FY15 that ends June 30, 2015, as noted in Figure 48 below. Revenues dropped in FY13 and have stayed at this level. Since FY12 the district has each year transferred money to the Food Service Fund to eliminate a deficit. The transfer is growing year to year as noted in Figure 48. In Figure 50 on Page 42 labor as a percentage is the combined wage and benefit percentage of 55%. In order for food service operation to break even labor and fringes need to be roughly 37% of total. **This is an area that the district may want to consider looking at for possible changes to stop or greatly reduce the General Fund transfers to cover food service program deficits.**

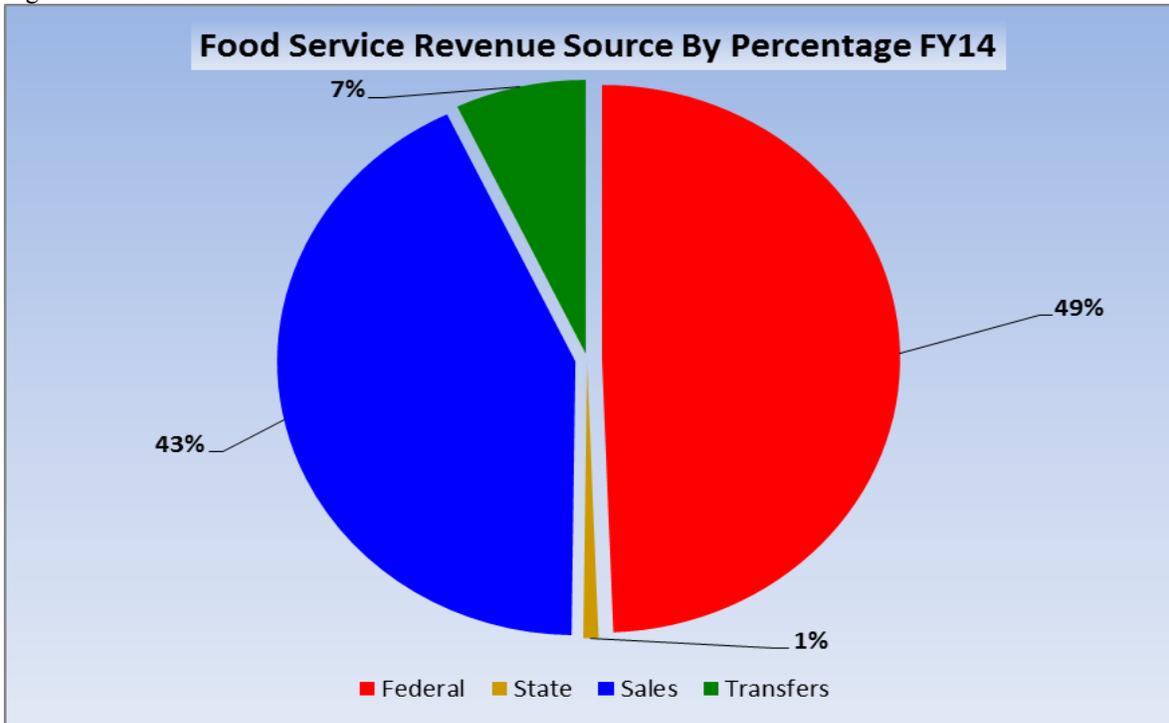
Figure 48: Food Service Income, Expenses and Profit & Loss Act. FY12 through FY14, and Est. FY15



* Source: District Revenue and Expense Summary Report and MR40 Food Service Reports

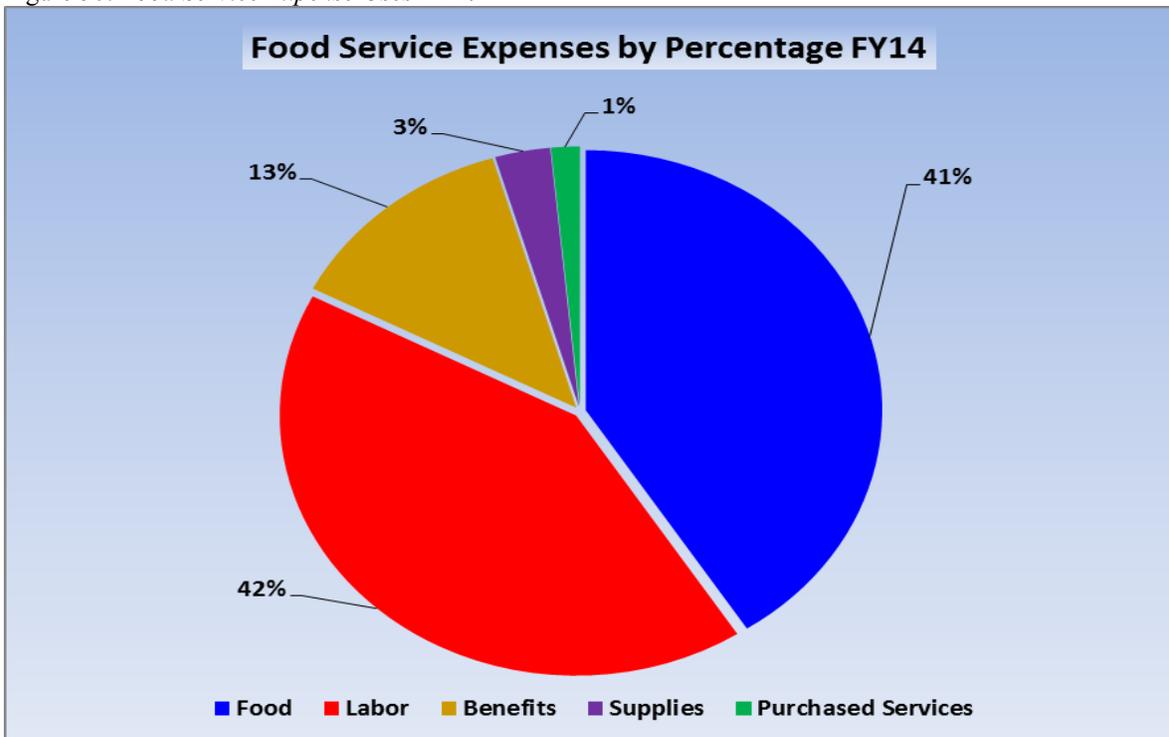
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Figure 49: Food Service Income Sources FY14



*Source: District MR40 Food Service Reports

Figure 50: Food Service Expense Uses FY14



*Source: District MR40 Food Service Reports

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II. THE SECOND OBJECTIVE OF THE STUDY - IDENTIFY MEASURABLE AREAS OF POTENTIAL COST REDUCTIONS

Based on the comparisons made between NELSD and their ODE Comparison and Peer Group Districts, the district's cost per pupil is among the lowest in both comparison groups as noted in Figure 14 and 15, on Page 17 and 18 of this report. There were no obvious areas that stick out as excessive expense areas when looking at the detailed comparison of data. Interviews with department heads discussing operations revealed a pervasive effort to get the lowest costs for dollars budgeted to their areas of responsibility and getting more for less. A good example is buying used busses from other school districts and repairing them to get the last few years of service from them. Unfortunately, this strategy could result in large unforeseen expenses that come from older busses such as blown motors and lack of reliability. Even this strategy has a large potential cost.

As part of this report we spent two days interviewing department heads and collecting a considerable amount of data to review to determine if bulk purchasing was being used and if there were other general savings that could be made. In the following section of the report below titled "Where the District Might Look to Reduce Costs" we discuss areas that the district might consider in reducing costs further. Many would require an investment in technology, consulting expertise and significant steps to look at possible building configurations. **There are no simple ways to further reduce major costs in the district without major paradigm shifts in operation.**

In viewing some of the reduction ideas below the advisability of the reductions should always be measured against the goal of NELSD to improve student academic performance.

Where the District Might Look to Reduce Costs

1) ***Increase Pupil Teacher Ratios (PTR)***- NELSD's computed Student Teacher Ratio for FY14 was 16.3 students per teacher (Figure 24, Page 25). This ratio is roughly average in the ODE comparison group and in the peer group. The average cost for a certificated staff member for NELSD in FY14 was \$51,082 (Figure 28, Page 28). For illustrative purposes if NELSD increased the Pupil Teacher Ratio (PTR) to the average of the top 5 highest PTR districts in their ODE comparison group the average would go from 16.3 up to 18.8. The district could reduce teaching staff by 29 positions at the average cost of \$51,082. This would equal savings of \$1,481,378 plus an estimated 35% for retirement and other fringe benefits estimated at total savings of \$1,999,860. If the district increased PTR's by one-half this amount to 17.5 PTR the savings could be \$1,034,410.

Reducing staff and maintaining quality education and educational opportunities is always a trade off when increasing PTRs. One method that could be reviewed is realigning grades to fit the district in one high school building. It should be noted that operating two high schools in a 3,571 student district is very costly and certainly the exception. For illustration purposes, below is an analysis of a possible grade realignment and estimate of possible savings which would increase PTR's:

Current Grade Alignment

Kenton Ridge HS grades 9-12
Northeastern HS grades 9-12
Northridge Elem/Middle School grades K-8
South Vienna Elem/Middle Schools grades PK-8
Rolling Hills Elem grades PK-5

Alternative Grade Alignment Scenario

Kenton Ridge HS grades 10-12
Northeastern HS grades 7-9
Northridge Elem grades K-6
South Vienna Elem grades K-6
Rolling Hill Elem Preschool

The main focus of the above grade alignment scenario is to increase efficiency of classes offered at the high school level by increasing class utilization (fill up empty seats) in common classes offered where low utilization was noted. **Note:** to precisely determine the number of staff that would be needed in a combined high school, a high school scheduling analysis with schedule modeling would be required along with

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courses offered to ensure students can earn adequate units for graduation. Ultimately any schedule would have to be fine tuned based on students enrolling in classes.

To perform this estimate we first collected the high school schedules for both Kenton Ridge (KR) and Northeastern (NE) High Schools. The schedules included each Course ID., Course Description, Term (All Year, 1st Semester or 2nd Semester) , Section, Teacher, Periods, Capacity, Student # Cap, and Student Enrollment Number. The schedule was reviewed by both high school staff March 13, 2015. We then merged the data into one file and resorted this by the above variables as if the courses, teachers and students were in one larger high school building. We noted that both KR and NE have seven (7) period days but the schools do not use a common Course ID and there is some variation in Course Descriptions. Due to this variability, in many cases, it was not possible to match all courses offered at one high school to another.

The next step was to identify the Common Classes that we could match-up between the KR and NE. We totaled the capacity (number of students each class could accept) and compared it to the actual number of students enrolled in the 44 classes we could match. If the number of total capacity of the Common Classes exceeded the total students enrolled there was an excess of capacity for the combined Common Classes. It should be noted that we removed capacity and enrollment for all of the following class types: special education, virtual education classes, PSEO classes, Phoenix Classes, credit recovery, and any class we could not match between the schools.

We next collected data on all current staffing costs at both high schools including certificated and non-certificated staff, all extended duty, extra duty and supplemental contract amounts and the number of contracts. We calculated that the combined KR and NE certificated staff are 75 teachers with an average base wage of \$49,640. There were combined 37 Non-certificated Supplemental Contracts that totaled \$95,134. 45 Certificated Supplemental Athletic Contracts totaled \$113,579. There are 47 Extra Duty Contracts totaling \$50,828 and 24 Extended Duty Contracts totaling \$87,215.

Once this data was collected we developed assumptions in determining how many staff might be reduced by more efficient class room utilization. We added the total number of excess capacity in the Common Classes we identified and divided it by a typical six (6) teaching period day and an average of 21 students taught each period. That resulted in an estimate of the average Common Class teacher seeing 126 students a day in classrooms. In a perfect world all seats would be filled in each class, however this is not possible in building a high school schedule. There are several factors at play in determining a high school schedule as noted at the beginning of this study. Two major factors would be student scheduling concerns and full time employment desires of teaching staff.

Student scheduling concerns would occur if not enough sections of required classes were offered for a variety of reasons such as class size caps or room size restrictions which limited enrollment in a class. Some slack has to be accepted in order to eliminate these potential concerns. The full time employment desires of teaching staff refers to a situation where a teacher may only be needed for five (5) or six (6) periods in a day but would be unwilling to accept less than full time employment. Flexibility to find and assign staff to less than full time status, particularly in hard to fill positions such as sciences and mathematics will result in some extra capacity in potential class offerings.

The reductions in classified staff are based on eliminating duplicate jobs at each high school. Supplemental contracts, extended and extra duty reductions were based on the school with the lower number of supplemental contracts. The rationale for that is if KR has 26 certificated athletic supplemental contracts and NE has 19, we eliminated the school with the lower supplemental numbers. That would mean that students who may have been in activities at KR would not face activities being eliminated in a resulting merger of the schools, since the school with the larger number of supplementals also included those offered by the school with the smaller number of activities.

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For staff reductions we also applied a factor of 35% for fringe benefits as this is the overall percentage of fringe benefit to regular wage percentage observed in our study. In the short-term some of the savings could be offset by potential unemployment compensation.

For supplemental, extended and extra duty wages we applied a rate of 15.45%, which is 14% STRS/SERS retirement and 1.45% for Medicare costs to the district.

We discussed the potential offset of savings from combining both high schools with the added staff needed to have ninth grade at Northeastern along with the seventh and eighth grades. By combining seventh and eighth grade students in one facility there would also be added efficiency and result in less staff needed, however, in discussions with administration it is believed those staff savings would be repurposed in added staff needed for ninth grade programming. The review of seventh and eighth grade merging into one facility was beyond the scope of this report but it is likely that the savings and added costs would be a breakeven.

Table 5 below summarizes the combination of the data gathered in order to give an estimate of the possible grade alignment strategy savings. The reader is reminded that this is an estimate and that a much more extensive study of high school schedules and scheduling would be needed to fine tune the savings.

Table 5: *Estimated Savings From Alternative Grade Alignment Scenario*

Items	Amount
a) Common Course Student Capacity from Combined Schools	7,864
b) Students Enrolled in Common Courses at Both Schools	<u>(6,076)</u>
Excess Capacity	1,788
c) Estimated Average Common Course Teacher Periods Taught Per Day	6
d) Average Common Course Students Per Period	<u>21</u>
Average Common Course Students Per Day	126
e) Estimated Common Course Efficiency Reduction in Teacher FTE	14
f) Actual HS Staff Average Salary \$49,640 +35% Benefits	<u>\$67,014</u>
g) Teaching Staff Savings Estimate Due to Reconfiguration	\$938,196
h) Administrative Staff Reductions 1.5 FTE \$105,076 + 35% Benefits	141,853
i) Classified Staff Savings 6 FTE \$113,179 + 35% Benefits	152,792
j) Extended Duty Contracts Eliminate 12 \$40,603 +15.45% Benefits	46,876
k) Extra Duty Contracts Eliminate 18 \$22,434 +15.45% Benefits	25,900
l) Certificated Supplementals Reduced by 75% of NE Supplementals Leaves 25% for Extra Assistant Coaches \$34,299 + 15.45% Benefits	39,598
m) Non-certificated Supplementals Reduced by 75% of NE Supplementals Leaves 25% for Extra Assistant Coaches \$36,549 + 15.45% Benefits	<u>42,196</u>
Total Estimated Savings From Alternative Grade Alignment Scenario	<u>\$1,387,411</u>

Source: High School Schedules for FY15, District Payroll Reports and Accounting Data

2) **Reduce the Percentage of Experienced Teaching Staff** - The district has a moderately high percentage of teachers at the high end of experience as noted on Figure 30 on Page 29. This helps drive up costs per pupil as the staff at this point in their career are making higher amounts than a relatively less experienced staff member. It may be productive and provide a solid return on investment for the district to look into plans to help more experienced staff retire as part of an attrition plan to increase pupil teacher ratios noted in the above study. This could also reduce unemployment costs if an alternative grade alignment results in less staff. This would result in replacing higher paid staff with lower paid staff and save the district resources. A retire and rehire at 80% of previous wage plan is also a way to save costs.

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3) **Property, Fleet & Liability Insurance** – A review of district PF&L insurance noted that this coverage had not been placed in the market for a few years to test the prices offered the district from the current carrier. Based on a quote obtained from a large insurer of public schools the district could obtain competitive and comprehensive PF&L coverage for \$90,123 for FY16 which is a **savings of \$22,550 over** current FY15 premiums and would likely be an even larger savings over FY16 premiums which have increased by roughly 10% per year for the last several years.

4) **Energy Conservation Program**- The district could reduce electric and natural gas costs by investing in an aggressive energy conservation program allowed by Ohio Law per HB 264. The district spent \$510,700 for electric and natural gas in FY14. This amount could be reduced by \$162,000 based on a recent study. If funds were borrowed to invest in the technology to allow facility temperatures to be controlled and more energy efficient products installed the district would likely **save a net \$50,000 to \$70,000 per year** to the General Fund after cost of borrowed funds. Technology advancements have made these savings possible. The last energy improvements were made over 15 years ago. Conditions are favorable for a positive return on investment to not only reduces energy costs but also to help with maintenance costs on worn mechanical equipment. In addition to this an energy tracking program should be implemented along side this type of program to monitor effectiveness of the improvements.

5) **Reduce General Fund Transfers to Food Service Program**- As noted earlier food service losses have grown over the past few year and result in large transfers from the General Fund to the Food Service Fund. One of the main concerns is that labor costs are 58% of food service costs. These costs are typically around 37% in a profitable food service operation. The leave benefits offered school employees were noted to be high for the food service staff. It is difficult to operate at break even or a profit with paying twice for labor if staff are absent on paid leave. Food costs are also a little high at 43%, where normally it would be good to see 37% spent on food. The district needs to evaluate the food service program to determine if it can be managed to be at break even in order to reduce or eliminate the need to transfer money to the food service fund. This could save the district **an estimated \$90,000 a year** in transfers.

Efficiency Study Results

The areas noted below were reviewed looking for specific examples of where the district could improve efficiency and reduce costs; and, at the same time it was noted where actions were shown to be very effective and showed an efficient utilization of resources yielding the district a good return on investment. This information is obtained from direct observation of processes, interviews and review of source documents as part of the efficiency study. Areas studied were:

- A. Financial Management Systems
- B. Procurement Practices
- C. Health Insurance
- D. Facility Operations
- E. Transportation Operations
- F. Food Service Operations

A) **Financial Management Systems** – The financial systems that underpin the operation of the district are integral to efficient operations because the district relies on these systems to receive money, pay bills, record assets, and to track these transactions for various purposes such as auditing, reporting and management decisions. The district uses “State Software” to provide these services which it obtains through bulk buying arrangements with their Information Technology Center MVECA. This software is used in the vast majority of school districts in Ohio and is sufficiently robust to provide data for all accounting, budgeting, receipting, and bill payment, reporting and tracking requirements.

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Ideas for Improved Efficiency and Cost Savings - Financial Management Systems:

- 1) **Ending Cash Balance Policy or Resolution** – Consider adding this policy guidance to administration on maintaining an adequate ending cash balance target when planning in the five year forecast.
- 2) **Capital Asset Planning** – Consider creating a five year capital asset plan to look at anticipated financial needs for facility repairs, equipment replacement, curriculum & textbook adoptions, technology replacement, bus replacement and other major capital areas. This will assist in financial planning for mission critical asset replacement. For instance an area such as technology is playing a larger role in testing, classroom instruction and may in some instances replace textbooks. A plan is needed to help capture the forethought needed to make this type of transition which will involve a substantial capital investment.

Areas Where Efficient Utilization of Resources Were Noted- Financial Management Systems:

- 1) **Unqualified Audit Opinion**– District financial audits have obtained unqualified opinions which verify data is reported accurately and in compliance with Ohio and Federal Laws.
- 2) **Ending Cash Balances** – Ending cash balances noted on Figure 2, Page 5 shows 30 day cash balance though FY16.
- 3) **Budget System** – The district budgeting system for buildings and departments is based on a per pupil amount where each principal, department head, and supervisor has knowledge at the beginning of each fiscal year as to resources available to carry out their goals and objectives. This improves efficiency in aligning resources to district strategies and objectives and should help deliver materials needed in an efficient manner to students and staff alike.
- 4) **Five Year Forecast Accuracy** – As noted in Table 3 and 4 on Page 7 the Treasurer has excellent control of forecasting revenue and expenses based on the combined variance of actual versus estimated noted on these tables.

B) Procurement Practices – The district is a member of the Southwestern Ohio Educational Purchasing Council (SWEPC) and Ohio Department of Administrative Service State Purchasing Consortium which are shared service providers (consortiums) to schools and provides a lengthy list of bulk bid prices for busses, food service supplies, custodial supplies, materials, and other goods all schools need to conduct business. Purchasing from these organizations or using them as benchmarks for prices obtained elsewhere assures the district is getting prices that are the lowest.

Areas Where Efficient Utilization of Resources Were Noted – Procurement Practices:

- 1) **Southwestern Ohio Educational Purchasing Council**– The district has diligently made bulk buying purchases from SWEPC and DAS vendors for daily supply items to health insurances. This ensures that prices paid are competitive and beats market pricing. We verified that substantial purchasing for custodial, maintenance, food service, health insurance, office supplies, copy paper and other routine purchases are made at SWEPC pricing.
- 2) **Price Verification**– During interviews with staff in nearly all departments it was noted that prices for goods and services were shopped routinely and negotiated to get competitive prices. Spot checking invoices for trashcan liners, ice melt, dust mops, toilet paper, general office supplies and copy paper all

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revealed competitive prices compared to SWEPC and Ohio Purchasing Consortium pricing for bulk bid items.

C) *Health Insurance* – The district provides health insurance for employee which is purchased through the Southwestern Educational Purchasing Council (SWEPC). This is a pooled coverage for several school districts which results in larger purchasing power for each member district.

Areas Where Efficient Utilization of Resources Were Noted – Health Insurance:

1) Health Care Premiums Lowest in Clark County – The district purchases Health care through the SWEPC consortium. The rate paid was tested against other schools in Clark County and were the lowest in the county. The district works with employees to manage costs and has best practice programs such as depend eligibility verification using a program called Benelogic. Life Insurance rates were also noted to be \$.085/\$1,000, which is also purchased through the consortium and is as low a rate that we have seen. From the data we reviewed and comparisons made to other schools the Health care costs are being managed in the district. This was also evident in Table 34 on Page 32 that showed fringe benefits as a percentage of wages are among the lowest in comparison to other districts.

D) *Facility Operations* – Facility operations involves the areas concerning the operations of the physical facilities and grounds, capital planning for repairs, preventative maintenance plans, custodial and maintenance procedures.

Ideas for Improved Efficiency and Cost Savings – Facility Operations:

1) Property/Fleet/Liability Insurance - The district has an opportunity to **secure a \$22,550 annual savings** by switching carriers for this coverage. The market should be tested every 3-5 years on coverage's to ensure a competitive rate is being offered.

2) Energy Conservation Program- The district could reduce electric and natural gas costs by investing in an aggressive energy conservation program allowed by Ohio Law per HB 264. The district spent \$510,700 for electric and natural gas in FY14. This amount could be reduced by \$162,000 based on a recent study. If funds were borrowed to invest in the technology to allow facility temperatures to be controlled and more energy efficient products installed the district would likely save a **net \$50,000 to \$70,000 per year** to the General Fund. Technology advancements have made these savings possible. The last energy improvements were made over 15 years ago. Conditions are favorable for investments to not only reduce energy costs but also to help with maintenance costs on worn mechanical equipment. In addition to this an energy tracking program should be implemented along side this type of program to monitor effectiveness of the improvements.

3) Comprehensive Facility Maintenance Plan- The district has one maintenance person to handle 453,000 square feet of facilities. This is inadequate based on normal standards of facility maintenance. A plan should be developed which identifies deferred, preventative (predictive), break/fix, and emergency maintenance. Effective programs include a combination of preventive and predictive maintenance. A preventative maintenance plan should include:

- a. Inventory of building components along with condition.
- b. Identification and ranking maintenance projects and evaluates their costs.
- c. Long and short range plan for preventative maintenance.
- d. Adequate staffing to maintain assets in good working order.

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Areas Where Efficient Utilization of Resources Were Noted – Facility Operations:

1) **Maintenance/Custodial & Utility Costs per Square Foot** - The district operates, cleans and maintains the following facilities with the staff as indicated in Table 6 on the following page.

Table 6: *Maintenance, Custodial and Grounds Statistics and Benchmark Data*

District Statistics & Staffing At March 3, 2015	
Rolling Hills Elementary Sq. Footage	59,590
Northridge Elem./MS Sq. Footage	88,314
South Vienna Elem./MS School Sq. Footage	78,290
Kenton Ridge HS Sq. Footage	107,400
Northeastern HS Sq. Footage	113,784
Transportation Department Sq. Footage	2,500
Administration Building Sq. Footage	1,900
Maintenance Building Sq. Footage	1,480
Total Sq Footage	453,258
Total Acreage Maintained	97.0
Total Athletic Fields Maintained	20.0
Total FTE Custodians	19.0
Total FTE Maintenance	2.00
Total FTE Grounds	0.00
Benchmarked Data on Staffing Needs	
AS&U Five Year Avg Sq. Ft. per FTE Maintenance	94,952
Calculated FTE Maintenance Needed	4.8
AS&U Five Year Avg Acres per FTE Groundkeeper	40.0
Calculated FTE Ground Keeping Staff Needed	2.4
NCES Level 3 Cleaning Median Sq. Ft. per Custodian	29,500
Calculated FTE custodian Need	15.4
Total Maintenance & Custodial Staffing FTE	21.0
Calculated total Maintenance/Custodial/Grounds Staffing Need	22.6
Staffing Under Benchmark Data	-1.6
Sources:	
AS&U- Amercian Schools & University Regional 5 Cost Studies	
National Center for Educational Statistics (NCES)	

As noted above in Table 6 the district is comparably **understaffed by (-1.6) looking at efficiency measures** for similar organizations. The district is clearly operating the maintenance and custodial operations with below recommended average staffing for the areas being cleaned and maintained. Grounds at each building are taken care of by custodians as is light maintenance of facilities. Sport fields are taken care of by coaches and volunteers who are of great value to the district.

2) **Facility Custodial and Maintenance Supplies** - It was noted in meeting with the Director of Buildings and Grounds and through spot checking invoices that prices for goods and services needed in this area of this operation are competitive and frequently verified to be lowest for the quality of products sought.

E) Transportation Operations –According to the FY14 T-1 report the district provides transportation services to roughly 1,309 students daily on their regular route busses which are doubled routed for added efficiency. The district maintains 39 busses which are 31 regular busses and 8 spare

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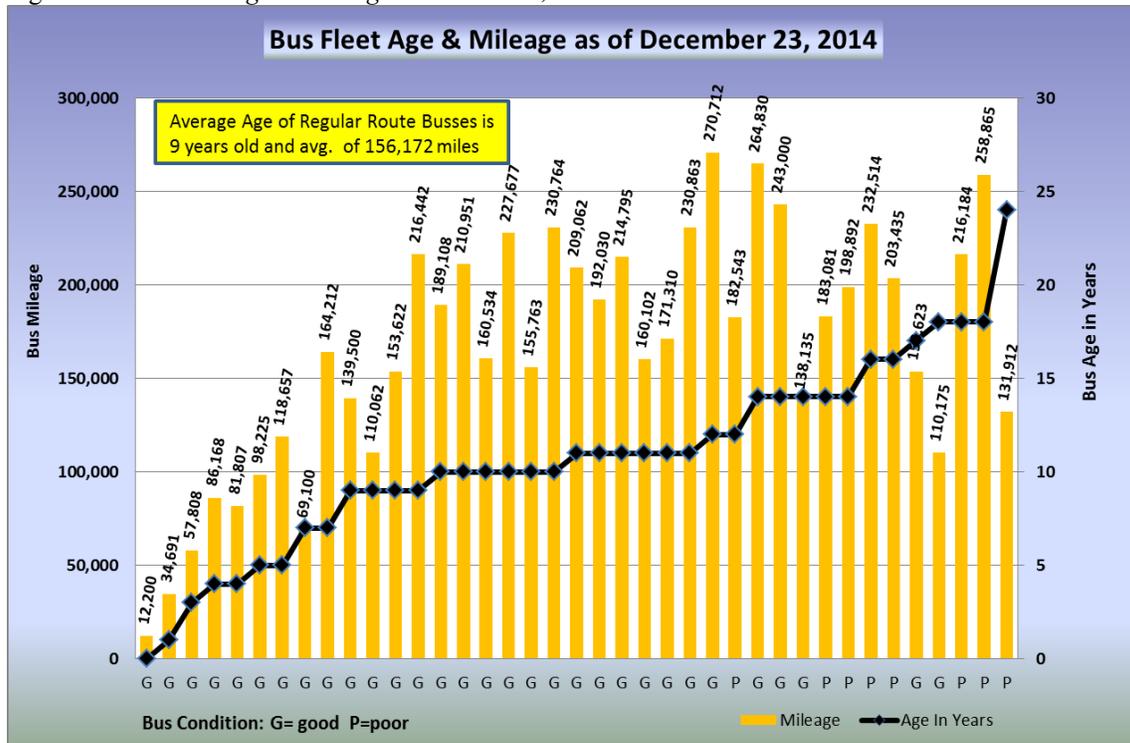
busses which travel roughly 2,882 miles a day or 512,996 miles a year. That is 21 times around the earth’s equator each year.

Ideas for Improved Efficiency and Cost Savings – Transportation Operations:

1) **Single Routing** – In discussions with staff it was noted that going from double to single routing could potentially save \$150,000 a year going from 30 daily routes to 37 routes. Doing so could reduce driver hours from 5.5 to 4 hours or fewer a day and thereby reducing fringe benefit costs and also potentially saving on fuel. A concern that needs to be considered before this plan could be implemented with reliability is the age and condition of the bus fleet. Figure 51 below points out that the average daily bus is 9 years old and has 156,172 miles on it as of December 23, 2014. Generally speaking the older the bus as determined by mileage, the more they cost to maintain and the less reliable they are. Roughly 8% to 10% of a bus fleet should be replaced each year to keep the maintenance costs down and reliability up. It was noted that 8 of the busses in the fleet are noted as poor and should be replaced. If the district moved to a single route system roughly 7 more regular routes would need to be added based on initial estimates. The district would have to invest in new capital in order to make the savings projected. Ideally that would be 7 new busses or roughly \$560,000 that would need to be factored into the potential savings as would the district’s ability to secure short-hour bus drivers that are already difficult to secure.

2) **Capital Replacement Plan**– The district currently plans to replace one bus each year. One new bus per year may be adequate to maintain the fleet in a cost effective manner but typically a factor of 8% to 10% of the regular bus fleet is used as capital planning which would be on average 2 to 3 new busses replaced each year. Currently the district buys used busses from other districts and provides needed repairs to get the last remaining amount of life from them. This strategy is cost effective short-term but may result in the district falling further and further behind on actual rejuvenation of the fleet. This can also create the need to expand the fleet on an ongoing basis as reliability will ultimately suffer with this strategy.

Figure 51: Bus Fleet Age & Mileage December 23, 2014



*Source District Transportation Records

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Areas Where Efficient Utilization of Resources Were Noted – Transportation Operations:

- 1) **Double Routing and Electronic Routing of Buses** – The district essentially has two (2) separate bell times. One each for the elementary and middle school levels. With these bell times the district has selected the most efficient routing system. Double routing greatly improves efficiency of transportation and use of these capital assets. The district uses Transfinder routing software to assist in efficiently routing students.
- 2) **State Efficiency Index is High FY14** - On both Figure 46 and 47, on Page 40, the Transportation Efficiency Ratio calculated by the Ohio Department of Education Transportation Division shows the district with a high efficiency ratio in the similar district comparison group and in the Peer Group.
- 3) **Monitor Diesel Fuel Prices** – The district currently buys fuel in bulk and uses its own 10,000 gallon storage tank which enables it to buy a 7,500 fuel tanker each time it refills the larger tank. This saves the district thousands of dollars annually on diesel fuel and assures the district is getting a competitive price.

F) Food Service Operations – Food service operations are an important operation for the school district as it provides students with a nutritious meal and helps them retain their focus and energy during the school day. Food service programs should operate at a minimum breakeven and if possible earn a profit margin so that all costs (SERS surcharge, utilities, trash collection, equipment replacement and repair, etc.) attributable to food service can be allocated to this operating center if at all possible.

Ideas for Improved Efficiency and Cost Savings – Food Service Operations:

- 1) **Labor Cost Per Meal is High-** As noted earlier food service losses have grown over the past few year and result in large transfers from the General Fund to the Food Service Fund. One of the main concerns is that labor costs are 58% of food service costs. These costs are typically around 37% in a profitable food service operation. The leave benefits offered school employees were noted to be high for the food service staff. It is difficult to operate at break even or a profit with paying twice for labor if staff are absent on paid leave. Food costs are also a little high at 43%, where normally it would be good to see 36% spent on food. The district needs to evaluate the food service program to determine if it can be managed to be at break even in order to reduce or eliminate the need to transfer money to the food service fund.

Areas Where Efficient Utilization of Resources Were Noted – Food Service Operations:

- 1) **Cycle Menus** – The food service department noted that a 3 week cycle menu preparation was in use. This process for planning menus helps drives a cost control process into food service operations. The food service director also was diligent in buying food products from the SWEPC which is bid prices that helped to lower food costs.
- 2) **Food Service Management Reports** – Food service management reports found in the Claims Reimbursement and Reporting System on the ODE Website have been diligently completed by food service staff. These programs are valuable reports to assist the food service manager in controlling costs through reports constructed to show key operational data (such as percent cost of food and labor) over food service operations. This shows that the food service management team is reviewing these reports and managing the program.

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Appendix A – EMIS Staffing Analysis Study 2012-2013

The sheet below is a standard staffing analysis that the Ohio Department of Education pulls from the EMIS Data System when analyzing a districts staff to determine if staffing is appropriate. Care must be given to noting student ADM differences with what ODE considers similar sized district averages. In this case NELSD is 24% larger than the average of what ODE has classified as similar districts in FY13.

Total ADM NELSD FY13: 3,475
Regular Student Population NELSD: 3,247

Total ADM Similar Districts FY13: 3,043
Regular Student Population Similar Districts: 2,618 (2)

1) Regular Classroom Teachers

a. State Minimum Requirements Regular Student Population x.04	<u>129.88</u>	
b. Classroom teachers employed by NELSD pursuant to statute (1)	<u>149.35</u>	
c. Classroom teachers employed in excess of minimum requirements	<u>19.47</u>	
d. Total regular teachers employed by NELSD	<u>149.35</u>	
e. Total regular teachers employed by ODE comparable districts	<u>117.97</u>	146.28 (2)
f. Regular teachers employed above comparable districts FY13	<u>31.38</u>	
g. Estimated costs (salary & Benefits) for one FTE regular teacher	<u>\$70,184</u>	

2) Education Service Personnel (ESP)

a. State Minimum Requirements Regular Student Population x.005	<u>16.24</u>	
b. ESP employed by NELSD pursuant to statute (1)	<u>30.90</u>	
c. ESP employed in excess of minimum requirements	<u>14.66</u>	
d. Total ESP employed by NELSD	<u>30.90</u>	
e. Total ESP employed by ODE comparable districts	<u>19.00</u>	23.56 (2)
f. Total ESP employed above comparable districts FY13	<u>11.90</u>	
g. Estimated costs (salary & Benefits) for one FTE ESP staff	<u>\$72,843</u>	

3) All Other District Personnel

a. There is no staffing level required by state law other than those above – all other staff not noted above	<u>204.61</u>	
b. Other staff employed by ODE comparable districts	<u>166.65</u>	206.65 (2)
c. Total over comparable ODE districts in FY13	<u>37.96</u>	
d. Estimated average costs (salary & benefits) for one FTE other personnel	<u>\$59,841</u>	

(1) Ohio Revised Code 3317.23 does not allow personnel paid with money from federal sources to be included in the count for regular teachers or ESP staff.

(2) ADM Difference is a key in this ODE state comparison sheet. NELSD is 629 students larger than comparable districts which is 24% more than comparable districts. Increasing Line 1e; 2e; and, 3c by 24% pull these numbers into very close alignment.

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Appendix B – EMIS Staffing Analysis Study 2013-2014

The sheet below is a standard staffing analysis that the Ohio Department of Education pulls from the EMIS Data System when analyzing a districts staff to determine if staffing is appropriate. Care must be given to noting student ADM differences with what ODE considers similar sized district averages. In this case NELSD is 30% larger than the average of what ODE has classified as similar districts in FY14.

Total ADM NELSD FY13: 3,469
Regular Student Population NELSD: 3,234

Total ADM Similar Districts FY14: 2,898
Regular Student Population Similar Districts: 2,484 (2)

1) Regular Classroom Teachers

a. State Minimum Requirements Regular Student Population x.04	129.36	
b. Classroom teachers employed by NELSD pursuant to statute (1)	143.79	
c. Classroom teachers employed in excess of minimum requirements	14.43	
d. Total regular teachers employed by NELSD	143.79	↗
e. Total regular teachers employed by ODE comparable districts	118.10	155.53 (2)
f. Regular teachers employed above comparable districts FY14	25.69	
g. Estimated costs (salary & Benefits) for one FTE regular teacher	\$70,286	

2) Education Service Personnel (ESP)

a. State Minimum Requirements Regular Student Population x.005	16.17	
b. ESP employed by NELSD pursuant to statute (1)	30.93	
c. ESP employed in excess of minimum requirements	14.76	
d. Total ESP employed by NELSD	30.93	↗
e. Total ESP employed by ODE comparable districts	18.20	23.66 (2)
f. Total ESP employed above comparable districts FY14	12.73	
g. Estimated costs (salary & Benefits) for one FTE ESP staff	\$74,285	

3) All Other District Personnel

a. There is no staffing level required by state law other than those above – all other staff not noted above	205.87	
b. Other staff employed by ODE comparable districts	161.55	210.01 (2)
c. Total over comparable ODE districts in FY14	37.96	
d. Estimated average costs (salary & benefits) for one FTE other personnel	\$59,620	

(1) Ohio Revised Code 3317.23 does not allow personnel paid with money from federal sources to be included in the count for regular teachers or ESP staff.

(2) ADM Difference is a key in this ODE state comparison sheet. NELSD is 750 students larger than comparable districts which is 30% more than comparable districts. Increasing Line 1e; 2e; and, 3c by 30% pull these numbers into very close alignment.

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Appendix C – Total Staff FY13 vs. FY14

Job Code	Position	FY13 FTE	FY14 FTE	+/(-)
103	Asistant Superintendent	0.00	1.00	1.00
104	Assistant Principals	3.00	3.00	0.00
108	Principals	7.00	7.00	0.00
109	Superintendent	1.00	1.00	0.00
112	Treasurer	1.00	1.00	0.00
113	Coordinator	1.50	1.69	0.19
115	Director	1.00	1.00	0.00
199	Other Administrative	3.00	2.00	-1.00
202	Counseling	7.20	7.20	0.00
203	Librarian/Media	3.00	3.00	0.00
204	Remedial/Specialist	4.00	4.00	0.00
212	Supplemental Service/Spec. Ed.	20.00	22.50	2.50
230	General Education	149.35	143.79	-5.56
230	Gifted Education	0.40	0.61	0.21
230	Preschool Special Education	2.00	2.00	0.00
230	Special Education	6.58	5.19	-1.39
230	Career Technical	6.57	6.57	0.00
230	Art Education K-8	4.60	4.63	0.03
230	Music Education K-8	8.00	8.00	0.00
230	Physical Education K-8	4.00	4.93	0.93
318	Psychologist	2.00	2.00	0.00
320	Registered Nurse	4.10	4.10	0.00
325	Physical Therapist	1.00	1.00	0.00
326	Speech & Language Therapist	2.00	3.00	1.00
327	Occupational Therapist	2.00	2.00	0.00
399	Other Professional	0.00	1.00	1.00
414	Library Aide	7.79	7.79	0.00
501	Bookkeeping	2.00	1.00	-1.00
502	Clerical	21.00	20.00	-1.00
599	Other Office/Clerical	29.84	31.10	1.26
603	General Maintenance	1.00	1.00	0.00
605	Mechanic	2.00	2.00	0.00
704	Vehicle Operators (busses)	28.88	27.95	-0.93
902	Custodian	18.00	18.50	0.50
904	Food Service	22.16	20.74	-1.42
908	Groundkeeping	0.00	0.00	0.00
999	Other Service Worker	7.89	7.30	-0.59
	Total	384.86	380.59	-4.27

*Source: EMIS_Staff_Agg_Report_SIMDIST_2013K and 2014K