

Fenton Area Public School District - Administrative Review

INITIAL REVIEW April 25, 2016-June 30, 2016

SCOPE OF DATA USED

This report does not take into account the June 30, 2016 numbers. Audited data was used to prepare this document. Fenton Area Schools has tentatively ended the school year expecting to add just under one half million dollars to their fund balance, significantly improving the fund balance percentage of unrestricted revenues.

RECOMMENDATION

Genesee Intermediate School District recommends Fenton Area Public School District increase general fund balance to a level at or above five percent within the next five years. Listed below are areas reviewed which may offer opportunities to accomplish this goal.

Financial practices

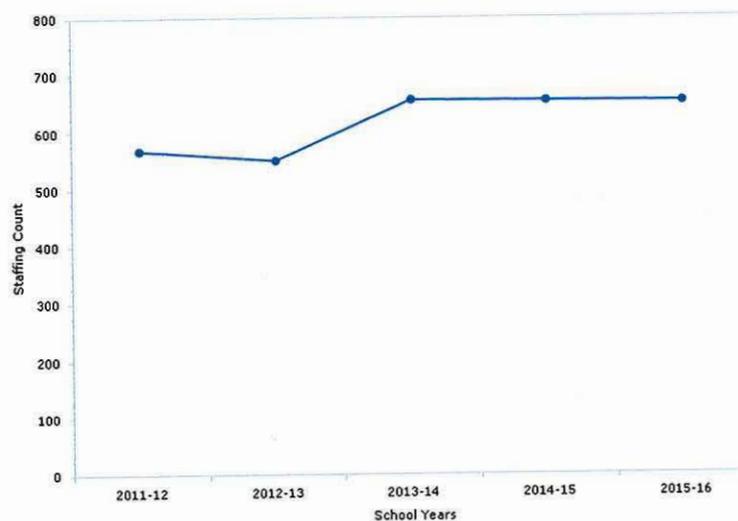
Currently the district begins the process of developing the subsequent year's budget some time after the Fall student count has established a realistic revenue estimate. Staffing is developed based on these new counts (with a small adjustment for declining enrollment). The district administrative team participates in the process as much as practical.

The district follows the Uniform Budgeting and Accounting Act requirements and accurately uses the financial reporting system to prepare monthly reports for the BOE finance committee.

Staffing review

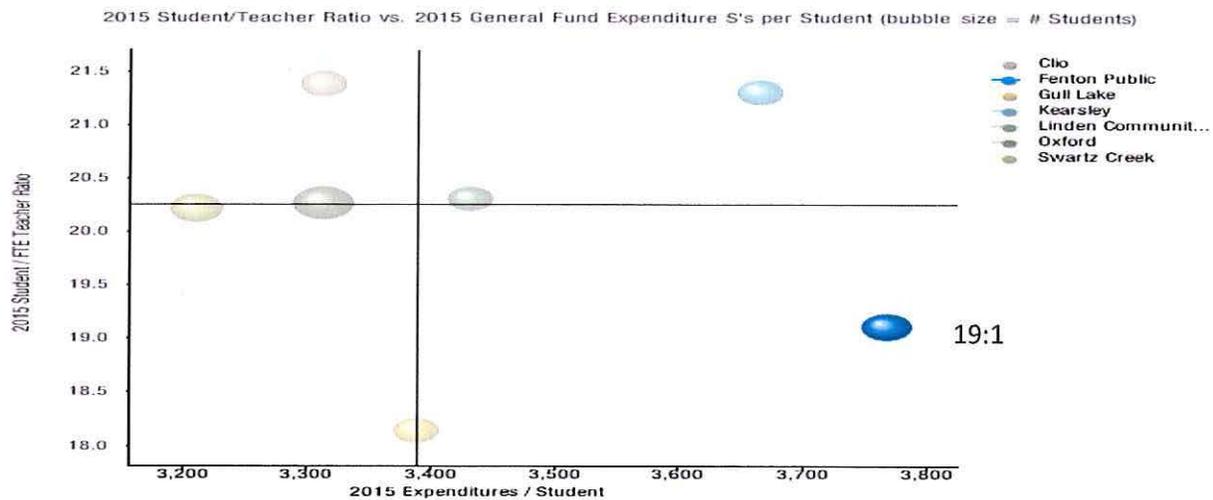
The MI School Data website provided statistics on staffing for FAS as follows:

School year	All staff FTE total
15/16	652
14/15	654
13/14	656
12/13	550
11/12	568



The district has increased staffing significantly since July 2011. The district could benefit from reviewing every person and position to ensure necessity. An analysis of student/teacher ratios shows the district has lower class size and greater expenditures per student for salaries and benefits than most of its peers.

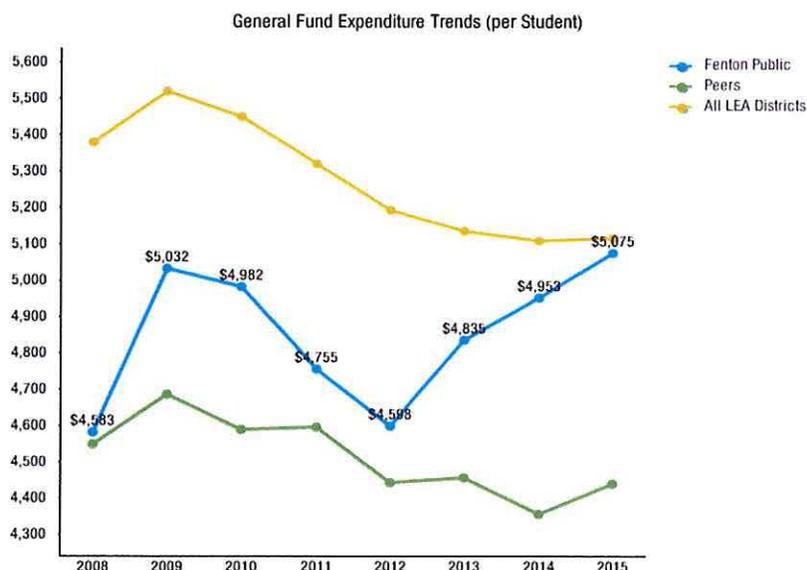
Student/Teacher Ratio vs. Expenditures (all costs) per Student



Wage and benefits review

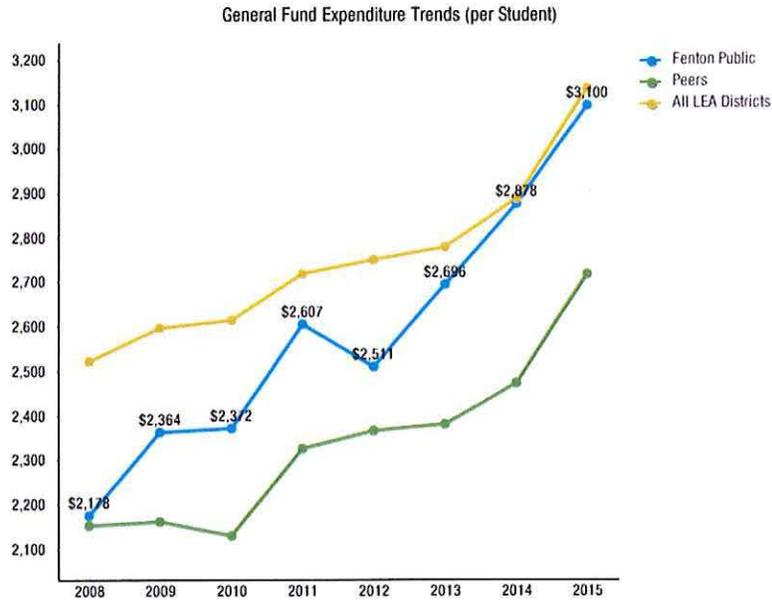
Overall, wages for Fenton Area School District employees are about average with other local schools (GISD wage review Mach 2016) but in 2012, FAS showed a significant jump in compensation when the rest of the state saw a decrease in wages for the same time period.

DISTRICT – WIDE ALL WAGES ONLY



Benefit review and comparison shows Fenton Area School District's benefit costs escalated almost \$500 per student (20% increase) from 2012-2015. The sharp increase follows peer and State of Michigan trends.

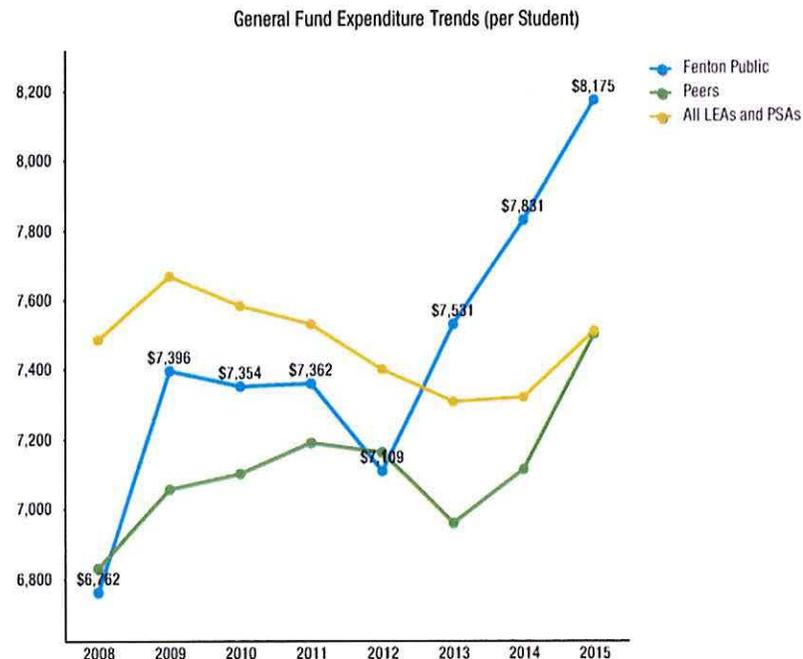
BENEFIT COSTS INCREASED ALMOST \$1,000 PER STUDENT OVER EIGHT YEARS



The chart above shows the significant increase in benefit costs since 2012 for FAS. Many areas are included in the benefits category, but with the implementation of PA152 (employee contribution toward health care costs), the most significant impact on benefits is now retirement costs, which are based on salary amounts.

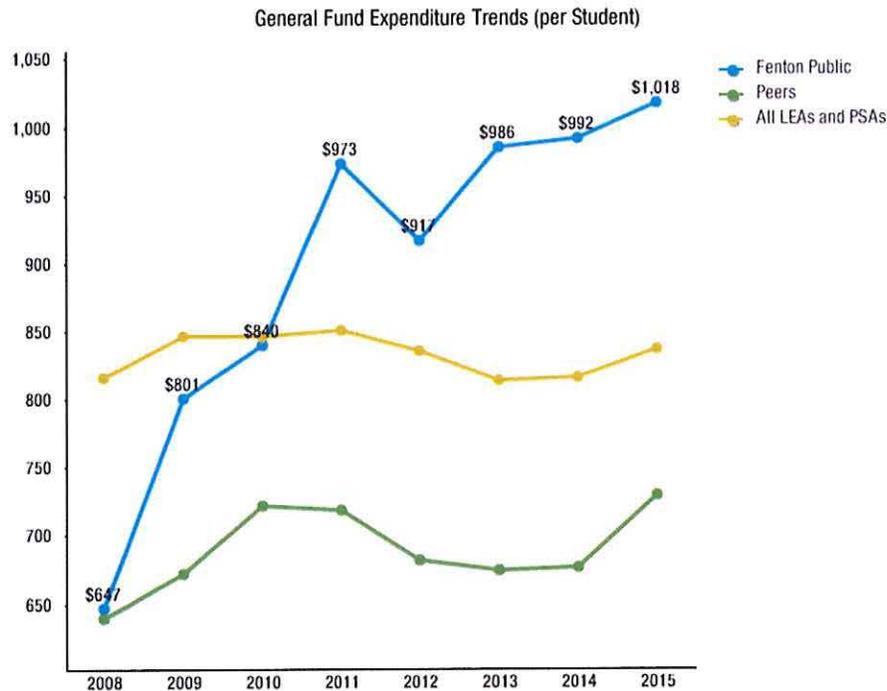
When wages and benefit costs are combined, Fenton Area Schools instructional staff are earning the highest total compensation among the identified peer group. Direct classroom instructional costs increased almost \$1,000 per pupil since 2012 and are \$672.57 more than the peer group average per student. Foundation allowance for 2015-2016 was \$7,391 per pupil for FAS. The district receives local, federal and other transfers to boost the per student revenue to \$9,189 in fiscal year 2015.

INSTRUCTIONAL STAFF COSTS - Expenditures per student – Salary and Benefits only



Eidex reports show district special education costs are almost \$300 more per pupil than peer districts and account for almost **11% of the entire general fund budget**. This figure does not include ancillary services such as speech, psychological services, social work services, etc. As one peels back the layers of costs, salaries and benefits for the special education program account for over 90% of the difference between the peer group and FAS costs.

SPECIAL EDUCATION COSTS (total function 122 divided by total FTE) AS COMPARED TO PEERS



SPECIFIC SPECIAL EDUCATION COSTS BY PROGRAM (divided by total student FTE)

Function	Function Detail	My Exp. \$'s	% of Gen. Fund. Exp.	My Exp. per Student	Peer Exp per Student	Difference/ \$'s per Stud.	Potential \$ Difference
		\$5,200,333	16.30%	\$1,525	\$1,089	(\$436.05)	(\$1,486,924)
100 Instruction	122 Special Education	\$3,471,743	10.90%	\$1,018	\$730	(\$288.28)	(\$983,047)
200 Supporting Services	218 Teacher Consultant	\$392,996	1.20%	\$115	\$54	(\$61.37)	(\$209,271)
200 Supporting Services	219 Other Pupil Support Services	\$348,313	1.10%	\$102	\$57	(\$44.91)	(\$153,130)
200 Supporting Services	214 Psychological Services	\$197,579	0.60%	\$58	\$38	(\$19.45)	(\$66,310)
200 Supporting Services	215 Speech Pathology and Audiology Services	\$472,028	1.50%	\$138	\$126	(\$12.78)	(\$43,563)
200 Supporting Services	216 Social Work Services	\$317,675	1.00%	\$93	\$84	(\$9.27)	(\$31,602)

Building student capacity

The business office at FAS reviews facility occupancy and recommends adjustments to make the most use of existing space. As the district covers a small geographic footprint, combining schools, grades and/or incorporating the early learning center into an existing building could offer some reduction in costs without loss of programs or services.

Fenton Area Schools currently operates three elementary, one middle, one high school and one early childhood building.

Facility 15-16 Headcount from MI School Data

FENTON HIGH SCHOOL	1,124
SCHMIDT MIDDLE SCHOOL	802
NORTH ROAD ELEMENTARY	428
STATE ROAD ELEMENTARY	468
TOMEK-EASTERN ELEMENTARY	460
ELLEN STREET CAMPUS (early child)	76

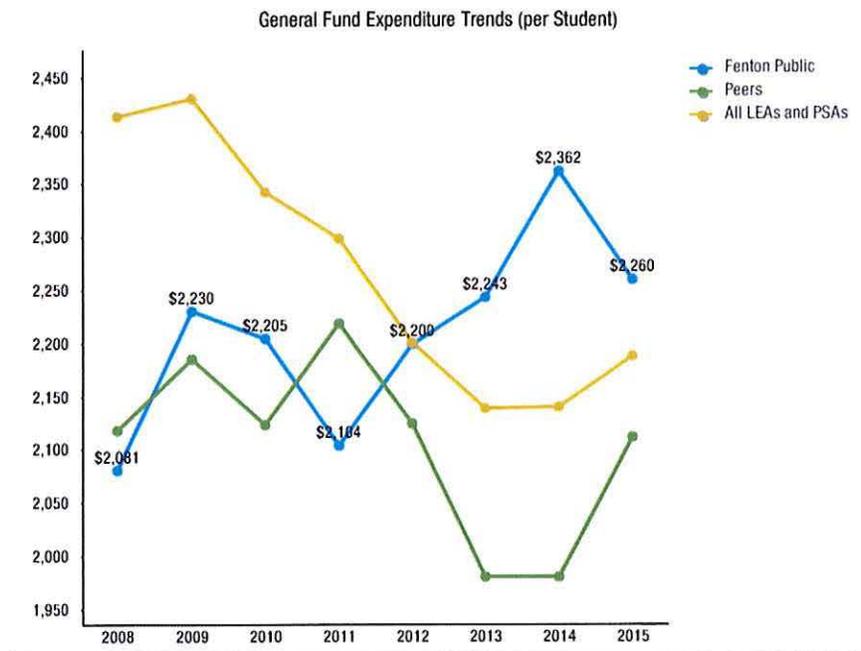
Non-instructional costs by function code

Evaluation of this data shows instructional support (220's), general administration (230's), and school administration (240's) far exceed the average expenditures for peer districts. Careful evaluation of staffing for support positions in these function areas may show potential savings through staff reductions.

As the chart below indicates, wage and benefit analysis for the operational support staff (costs other than for direct classroom instruction) shows FAS significantly reduced the cost per student from FY 2014 to FY2015. In part, this savings was realized by replacing retiring support staff with substitute employees.

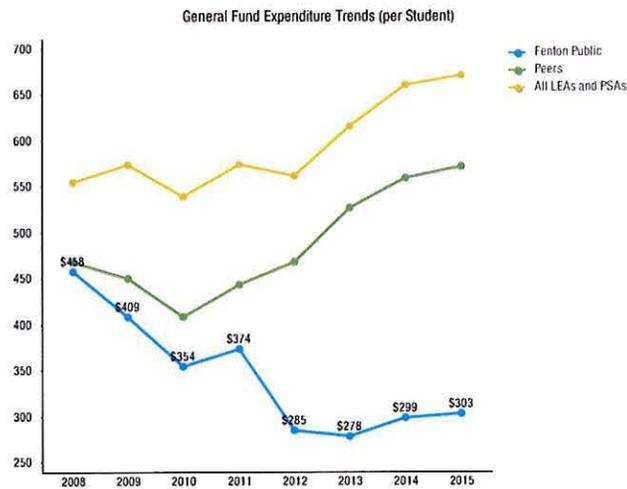
NON INSTRUCTIONAL COSTS – WAGE AND BENEFIT ANALYSIS

Function codes 210, 220, 230, 240, 250, 260, 270,280 and 290)



Expenditures for purchased services, supplies and capital outlay are only half of the average of all other LEAs. In addition to the district carefully monitoring and controlling expenditures in these areas, significant bond issues have provided funding for technology, buses and large-scale capital projects. The district has a sinking fund (expires 12/2019) which provides for large capital projects.

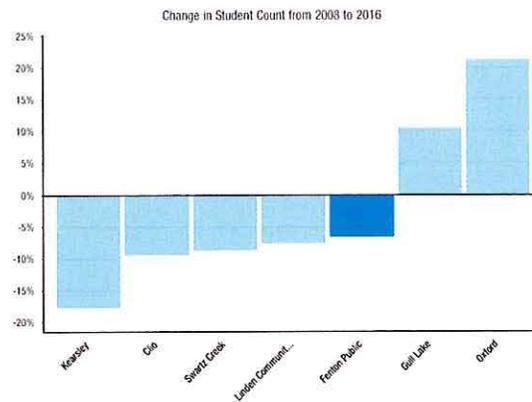
NON INSTRUCTIONAL COSTS – PURCHASED SERVICES, SUPPLIES, CAPITAL OUTLAY ONLY



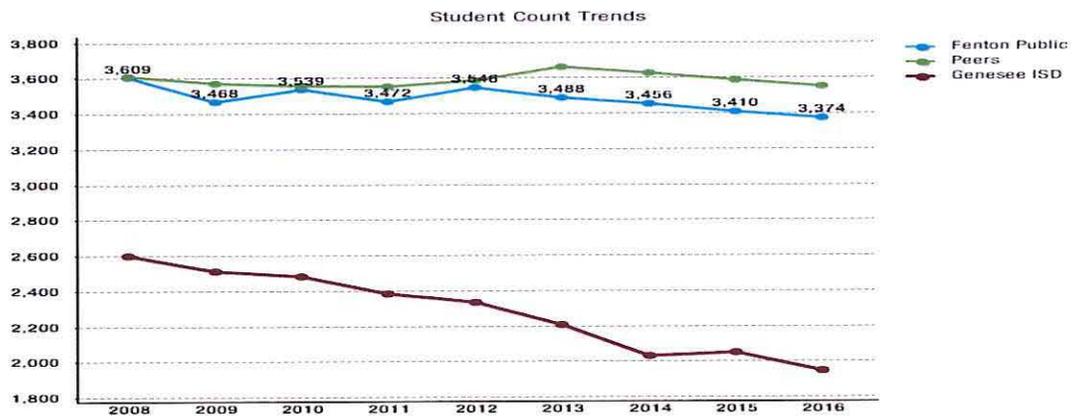
Enrollment projections

Student count has gone down 235 students over the past eight years. As the chart below indicates, student loss at FAS is approximately one-third of the highest loss within the identified peer group.

ENROLLMENT TRENDS



GEOGRAPHIC ENROLLMENT TRENDS – FTE reported by district



FAS has fared better than its intermediate school district in student loss as well.

The district uses student projections from GISD, Middle Cities and local historical trends. The GISD report shows Fention Area School Ditricts is projected to have a student decline of 191 students over the next five years.

Projected by GISD February 2016

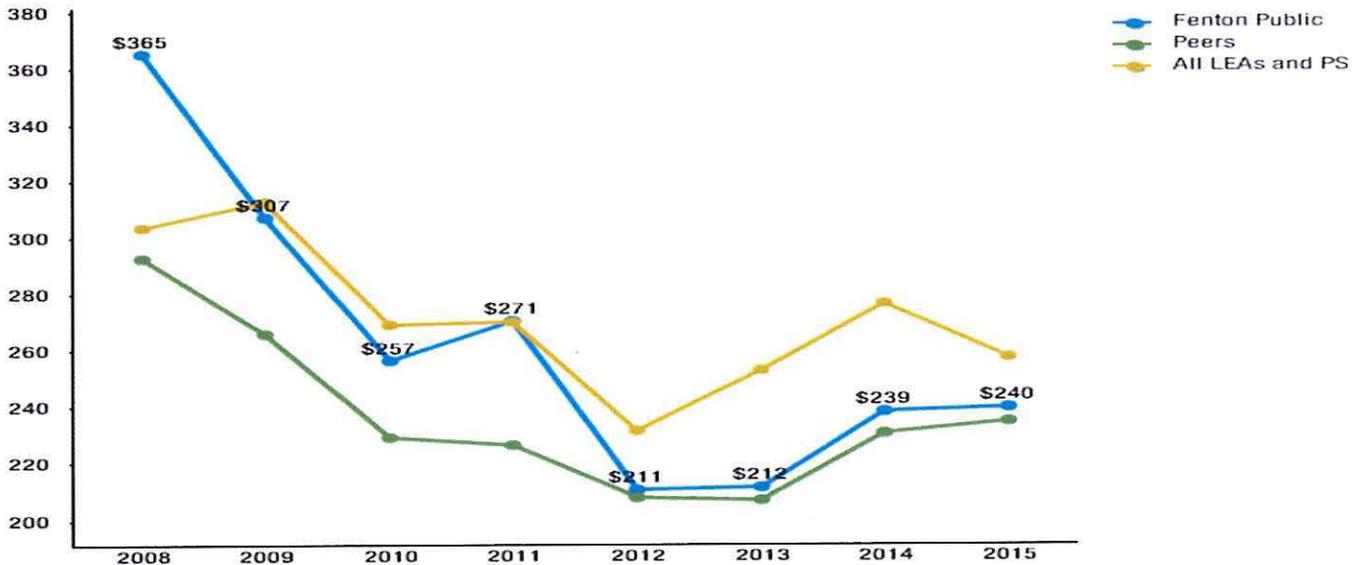
Student count	3160	3127	3086	3043	2985
Change	-16	-33	-41	-43	-58
	-0.500%	-1.040%	-1.310%	-1.390%	-1.910%

Deferred maintenance and capital investment (including technology equipment and infrastructure)

Fention Area Public School District has been fortunate to benefit from successful votes for a sinking fund and bond issues. These dollars provide much needed technology, buses and facility updates without tapping the general fund.

District maintenance costs for supplies and capital projects fall in line with peer districts but has reduced sharply since 2008 thanks to the sinking fund and bond issues provided by the voters.

PER STUDENT THE DISTRICT SPENDS ONLY TWO-THIRDS AS MUCH ON **MAINTENANCE COSTS** FREEING DOLLARS FOR ALTERNATE PURPOSES
General Fund Expenditure Trends (per Student)



Substitute, compensation and unemployment

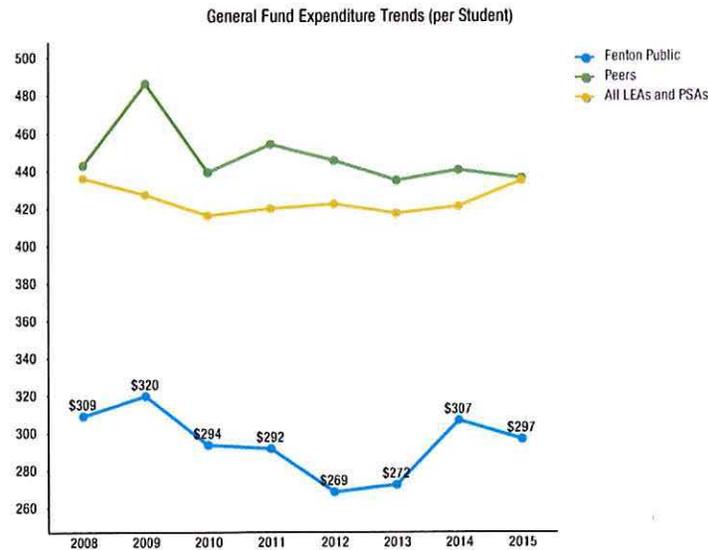
The district is reporting no unemployment costs for the 2008-2015 time period, but substitute salaries have steadily increased since 2012. By using substitutes in place of workers who have retired, the district saves significant support staff dollars. FAS spends slightly less in overtime costs as compared to the state-wide average.

In January 2016, FAS moved non-union GSRP/early learning positions from district-paid to contracted services. Although these are recorded in a separate fund, the trend to outsource through attrition is a goal of the district.

Pupil transportation costs

The district's transportation costs in general fund show students are bused at approximately two thirds the cost of peer districts. Salary and benefit spending is competitive with peers, but capital outlay (bus purchase) expense is not reflected in the general fund. A three-phase bond provides funding for the vehicle replacement schedule. The district is expecting to replace the entire fleet in 10 years.

STUDENT TRANSPORTATION COSTS HAVE INCREASED BUT STILL FAR BELOW PEER AND STATE AVERAGES



Since Fenton Schools covers only 38 square miles (only one third the size of the largest district in the peer group) one would expect transportation costs to be significantly less than the peer group average.

Collective bargaining agreements

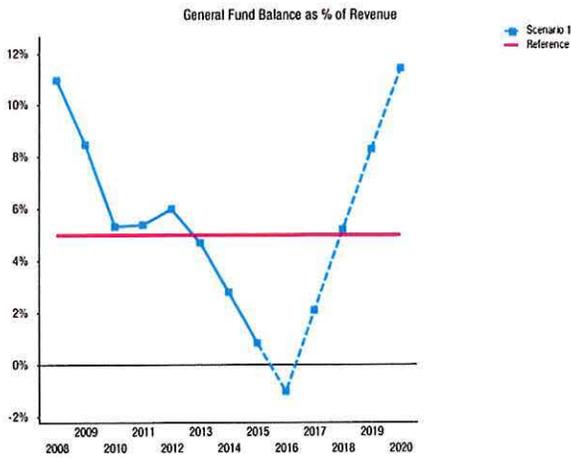
Overall, since 2012 the district's expense for salaries shows a sharp increase. The State trend is a decrease in salaries, and peer districts show a moderate increase beginning in 2014. The required number of instructional days has been increased by the State to 180 for the 15/16 school year.

Careful evaluation of employee compensation should be incorporated in bargaining strategy. Attention to this area is a significant factor in fiscal recovery. It is worth noting the GISD-wide salary evaluation shows FAS teachers are about the middle of the salary scale on a per diem basis.

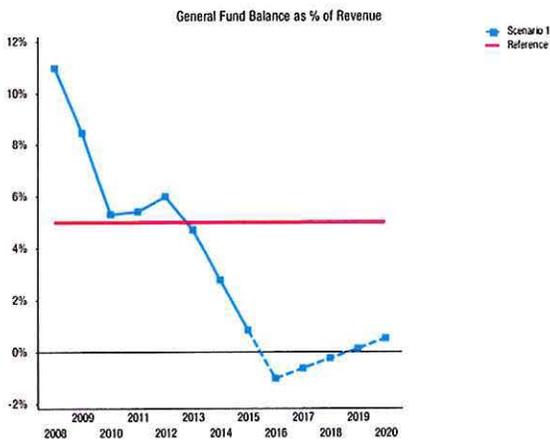
By using the district's Eidex software, it is clear the perils of not getting personnel costs in line with the budget can devastate fund balance.

SCENARIOS – BARGAINING UNIT SETTLEMENT IMPLICATIONS

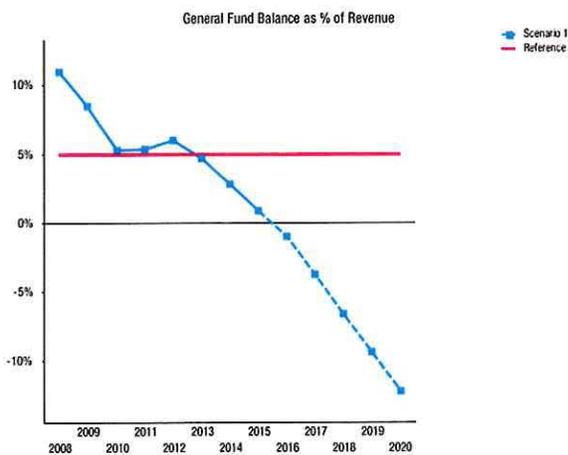
Scenario 1 2% State Aid Increase, no other revenue adjustments -5% wage, -2% benefit reduction



Scenario 2 2% State Aid increase, no other revenue adjustments - 0% wage, 2% benefit



Scenario 3 2% State Aid increase, no other revenue adjustments - 2.5% all categories



Opportunities to getting back on track

During my review I have had the opportunity to view the district with a “fresh set of *old eyes*”. Here are some areas I would encourage the district to take a second look to see if there are savings available. Items in **bold** print may offer a greater opportunity for cost reduction.

DISTRICT –WIDE

- **Special education costs (11 % of the entire budget) are significantly higher than peers. Even with offsetting revenue, the ancillary services and transfers out push the total cost of the program higher than peers.**
- **Review special education program consortium costs and ensure all districts are running as efficiently as possible.**
- **Evaluate athletic contest costs, seek additional support from athletic boosters.**
- **Consider district-paid athletic staffing. Could full time secretary position be reduced? Could any positions be contracted out?**
- Outsource all custodial positions through attrition.
- Contract out transportation.
- Lease or sell vacant property.
- Bid out audit and legal services.
- Review all employment agreements.

ELEMENTARY

- **Review class size (implement split classes).**
- **Reduce teacher planning time.**
- **Reduce the number of “specials” offered in this age group (art, music, p.e.).**
- Evaluate elementary enrollment and building configuration for cost effectiveness.

HIGH SCHOOL

- Review International Baccalaureate program effectiveness versus cost.
- Review number of counselors at secondary level.
- **Encourage student participation in GCI program, reduce number of on-line classes suggested.**
- **Reduce teacher planning time.**

In Closing

I would like to thank Board of Education members, district staff and especially Dr. Doug Busch for supplying information and resources to conduct this review.

I look forward to working with the district to accomplish the recommendations set forth above.

RESOURCES:

EIDEX reporting software

<https://focus.eidexinsights.com>

DISTRICT contacts and website

www.fentonschools.org

MI SCHOOL DATA State of Michigan website

<https://www.mischooldata.org/Default.aspx>