

# Hilliard Board of Education

**Audit and Accountability Committee**  
**June 16, 2010**

# Major Foci

- **Assessment of the 2009 State Auditor's Report and Management Letters**
- **Benchmarking Analysis of Costs - Update**
- **2010 Five-Year Forecast – Review and Recommendation**
- **Strategic Performance Objectives and Measures**
- **Compensation Expense**



# Assessment of 2009 State Auditor's Reports and Management Letters

# 2009 State Auditor's Report

- **Auditor of State – audit FY June 30, 2009**
  - **Unqualified (“clean”) opinion on the 2009 financial statements**
  - **Review of Internal Accounting Controls**
    - **No material weaknesses or deficiencies**
    - **2 small recommendations:**
      - **Variances between appropriations and actual resources – common to schools**
      - **Foodservice cashier procedures – has been fixed**
    - **Committee is pleased with the Auditor's report**



# Benchmarking Analysis of Costs – Update



# Benchmarking Analysis of Costs – Update

- **2009 CUPP Report - HCSD cost per ADM fell by 2.5% from fiscal 2008**
  - due primarily to elimination of 91 positions & employee contributions to health insurance
- **Cost per ADM among 5 peer school districts increased 1.9% to 5.6% in 2009**

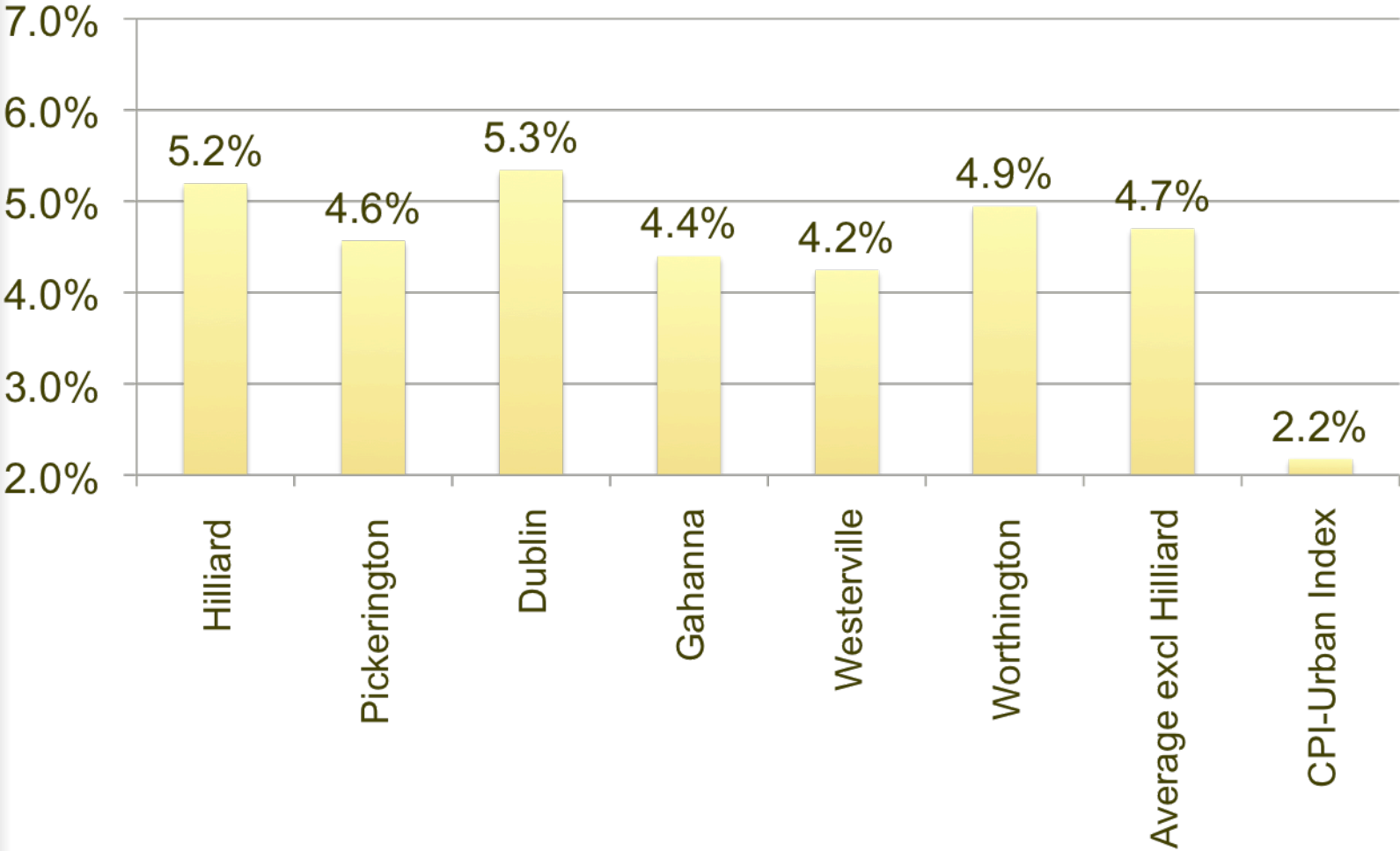
# HCSD Cost per ADM 2009 vs. 2008

	FY 2009	FY 2008	Var. (Unfav)	Var. %
Administration	\$1,017	\$1,002	\$(15)	(1.5%)
Instructional	6,456	6,685	229	3.4%
Staff Support	386	390	4	1.0%
Building Ops	1,725	1,744	19	1.1%
Pupil Support	1,113	1,147	34	3.0%
Total Cost / ADM	\$10,697	\$10,968	\$271	2.5%
Average Daily Membership	15,089	15,048	(41)	(.3%)

# Benchmarking Analysis of Costs – Update

- **From 1995 - 2009, HCSD cost / ADM increased an average of 5.2% each year, or 114% since 1995**
- **CPI increased 38%**
- **Peer group range – 4.2% to 5.3% CAGR**
- **Total increase – 114% for HCSD**
  - **CPI increased 38%**
  - **Westerville 87%**
  - **Dublin 118%**
- **Concern = variance to CPI (not sustainable) – concern for all of public education**

# Cost / ADM: CAGR FY 95 - 09





# 2010 Five-Year Forecast – Review and Recommendation

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- **Five-Year Forecast assumptions are largely unchanged from last forecast with minor erosion of revenue and expense growth**
- **Expense growth exceeds revenue by 3.9% per year**
- **The quality of education provided to students make HCSD a community asset**

# 2010 Five-Year Forecast – Review and Recommendation

- **A&A Committee fears the financial environment will impact HCSD education quality due to:**
  - **Forecasted cost growth may outstrip taxpayers' capacity for tax growth especially in light of macroeconomic factors**
  - **Funding cuts by the State to close \$8 billion budget deficit may negatively impact HCSD**
  - **Residential growth out of proportion with commercial property growth**
- **Complexity make solutions elusive**
- **Managing cost increases relative to HCSD taxpayer income is critical or we risk eroding the community asset of excellent education**



# Strategic Performance Objectives and Measures



# Strategic Performance Objectives and Measures

- **Establish a consolidated view of the strategic objectives and include them in the Continuous Improvement Plan**
- **Create of a balanced scorecard of educational, financial, operational, and other major areas consistent with strategic objectives**
- **Clarify accountability and performance**
- **Update, review and provide feedback regularly to administration on their performance against the objective measures of the scorecard**
- **Adjust plans and tactics in response to shifting trends (Do not change the objectives of the balanced scorecard, change tactics to insure meeting the target.)**
- **Communication**

## Communication with Stakeholders, A Critical Success Factor

- **Persistently communicate performance toward objectives to HCSD stakeholders**
- **Examples might be:**
  - **How public tax dollars are allocated to educational goals**
  - **How HCSD equips students for successful college and vocational experiences**
  - **How educational success returns value to the community**
  - **How HCSD compares with the performance of other districts**

# Communication (cont.)

- **Build stakeholders support through openness and attentiveness**
- **Current communication methods are valuable but insufficient – develop non-traditional methods**
- **Stakeholders engagement with the strategic objectives constitute a dialog re: our children's education**
- **Publish clear & graphic information**
- **Success depends on developing targets, plans, accountability, and irresistible communication**



# Compensation Expense

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- **The current rate of expense increases is unsustainable**
  - **Salary & benefits = 87.7% of expenses**
  - **Significant impact on the budget cannot be made without addressing the salary and benefits**
  - **Only 6.6% of the District wages are outside of the HEA and OAPSE contracts which expire on December 31, 2010**
  - **The results of the contract negotiations will affect the level of future tax levies required to maintain services**

# Compensation Expense

- **Raises**
  - **Cost of Living Adjustments = 3% in each year 2008, 2009, and 2010**
  - **Compounded = 9.3% incr over 3 years**
  - **Administration increases have averaged 3.9%, 3.0% and 2.5% for the period (9.7% compounded).**
- **Step & Educational Pay Increase**
  - **HEA – Step incr = 4.15% annually for years 1-15 and year 20 and 23**
  - **Also earn 6% raise for increased education and training**
  - **Beginning teacher with Bachelor's = \$35,107**
  - **After 3 yrs = \$43,338, increase of 23.4% or 7.3% compounded annually.**
  - **OAPSE members receive step increases of over 1.2% per year, and longevity increases.**

# Compensation Expense

- **Administrative – no Step or educational increases, or longevity payments. Average raises = 9.7% over the 3-year period.**
- **Health Insurance - second most expensive compensation component**
  - **HEA and OAPSE members pay 10% in 2010 with caps that gradually increased in 2010 to \$50.19/month for single and \$135.52/month for family coverage**
  - **This is far less than in private industry**
  - **Administrative employees paid 10% of premium cost for all three years with no cap.**
- **Pension expense is defined statutorily by the State**

# Questions / Feedback

