

SCHOOL SYSTEM FINANCIAL ANALYSIS

for the

POLK COUNTY SCHOOL DISTRICT
Bartow, Florida

Sponsored by

Polk Businesses for WorldClass Schools

Review
Conducted
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June, 2002 to November, 2002



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SchoolMatch Mission Statement

The SchoolMatch mission is to
enhance children's educational opportunities
by
providing parents, corporations, and organizations with
timely, accurate, comparative information on
public and private schools.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS AND APPRECIATION	1
I. INTRODUCTION	4
II. OBSERVATIONS	10
III. COMMENDATIONS	24
IV. RECOMMENDATIONS	26

ACKNOWLEDGEMENTS AND APPRECIATION

This Financial Review of the Polk County, FL, School District was commissioned by Polk Businesses for WorldClass Schools, Hunt Berryman, Chairman, in an effort to provide assistance in the vital area of promoting the effective management of resources. The Polk County Board of Education offered its encouragement and support for the project as a follow-up to the 2001-2002 SchoolMatch Audit of Educational Effectiveness.

SchoolMatch consultants wish to thank the sponsors of this Financial Analysis for the Polk County School District for their ongoing commitment to continuous improvement in all aspects of school management and student outcomes.

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Current members of the Polk County Board of Education include: The Honorable C.J. English, III, The Honorable Robert S. Macey, The Honorable James A. Nelson, The Honorable Frank J. O'Reilly, The Honorable Larry Peacock, The Honorable Brenda C. Reddout, The Honorable Andrea R. Whiteley.

The Site Visit Team wishes to thank Assistant Superintendent Rocky Yearwood, CPA, his staff, and Brenda Bartholomew, Senior Director of Planning, Accounting and Evaluation and her staff, for the assistance given, information provided, and the many courtesies extended. It was a pleasure to work with courteous and congenial school personnel, and school district colleagues.

I. INTRODUCTION

The Decision to Analyze the Financial Status of the Polk County School District

The impetus for this School System Financial Analysis was the recently completed SchoolMatch Audit of Educational Effectiveness. After reviewing the Audit, business leaders involved with Polk Businesses for WorldClass Schools determined the quality and caliber of educational opportunities in the Polk County Public Schools were not keeping pace with the need to educate a talented, skilled work force for the community. This group engaged SchoolMatch consultants, as outside objective advisers and analysts, to assist the community and district leaders with examining where the district stands in terms of managing financial resources for successful educational outcomes.

Specifically, Polk Businesses for WorldClass Schools sought outside perspectives regarding:

1. the sound management of the school system's resources;
2. the effective use of resources where opportunities for saving funds existed; and
3. the education of community members about the connection between managing financial resources effectively and improving educational opportunities for Polk County's children.

It is hoped this review of financial management practices will encourage community support for the schools and raise awareness of the school system's financial challenges and needs. It is also hoped Polk County voters will gain a confident understanding of the district's strengths and areas in need of improvement, as well as a clear picture of what the district needs to do to improve.

A. Comparative Discussion

A SchoolMatch School System Financial Analysis examines the degree to which the student and staff populations in a school district follow sound financial practices. Each school district population is examined against populations nationwide with similar demographics, some of which are currently achieving effectiveness and which have firmly established the conditions of effectiveness. The SchoolMatch approach compares student populations rather than school systems in order to provide more fair, accurate, and comprehensive cohort comparisons.

SchoolMatch maintains databases on each of the nation's over 15,800 operating public school systems and more than 14,000 accredited private schools. From the SchoolMatch database of public school populations, other student and staff populations in the United States with similar demographic characteristics to the population in the Polk County

School District were identified. This large group is the Polk County School District **cohort group**.

	NAME	CITY	STATE
1.	Aiken County School District	Aiken	SC
2.	Berkeley County School District	Martinsburg	WV
3.	Calcasieu Parish School Board	Lake Charles	LA
4.	Gaston County Schools	Gastonia	NC
5.	Johnston County Schools	Smithfield	NC
6.	Kenosha Public Schools	Kenosha	WI
7.	Maury County School District	Columbia	TN
8.	South-Western City School District	Grove City	OH

In order to form the basis for comparison with these demographically similar populations, SchoolMatch calculates the average (mean) performance level for the cohort group in every category analyzed in the audit process. This demographically **matched set** of populations (the cohort group) can be described in terms of the average (**mean**) in each performance area. As a result, **we may refer to the cohort group as the mean-matched group**.

Once the averages in each measurable category are calculated, the cohort group is now **mean-matched**. Once the mean for each category is determined, the effectiveness level (one standard deviation above the mean) can be calculated.

The following discussion of financial features in the Polk County School District places the school system in a national context. This discussion is intended to offer a larger perspective that provides valuable information about how well Polk County fares in comparison to a sample of school districts across the nation that share similar demographic characteristics.

Because of the national focus, comments about achievement made here may differ from comments made in sections that focus only on comparisons with Florida school systems.

B. SchoolMatch Financial Consultants: Biographical Sketches

SchoolMatch, a national educational consulting and research firm based in Columbus, Ohio, was selected to undertake this evaluation. SchoolMatch, well known in the Polk County School District for the 2001-2002 Audit of Educational Effectiveness for Polk County Schools, assembled consultants based on their knowledge of school district funding and their broad experience in balancing school district budgets.

- *Dr. William L. Bainbridge*, currently serves as President and CEO of SchoolMatch, and as a Distinguished Research Professor at The University of Dayton. He is the former superintendent of three school districts in Ohio and Virginia, and former Assistant to the Ohio Superintendent of Public Instruction. He has served as a lead consultant in SchoolMatch Audits of Educational Effectiveness in school systems in over 30 states. He was named Educator of the Year by the Ohio PTA and has served as educational consultant to over 400 corporations and hundreds of school systems. He is a Fellow of the American College of Forensic Examiners and Diplomate of the National Academy for School Executives. He has been featured on NBC's Today Show, ABC's Good Morning America, CNN, NPR, CBS radio and over 400 national and local television and radio programs. He earned his Ph.D. at The Ohio State University, and completed post-doctoral studies at Columbia University.
- *William A. Guy, CGFM*, has over thirty years experience in public-sector financial management. The former Chief Financial Officer for the Columbus (OH) Public Schools also served as Deputy Treasurer for the State of Ohio, treasurer for the Lockland (OH) City schools and Assistant Treasurer for the Cincinnati (OH) Public Schools and has served as President of the Central Ohio chapter of the Association of Government Accountants and President of the Ohio School Employees Retirement System Board of Directors. Mr. Guy holds the Certified Government Financial Manager Credential awarded by the Association of Government Accountants.
- *William Kennedy, CPA, CISA*. As Partner and Director of Consulting Services for Steen & Kennedy, Mr. Kennedy has responsibility for services provided to the firm's clients, including several counties, cities, townships, and school districts within the State of Ohio. These services include financial statement audits, GAAP conversions, consulting projects, and agreed upon procedures engagements. While with Steen & Kennedy, Mr. Kennedy has managed audit and consulting services for Upper Arlington City Schools, Fairfield Union Local Schools, and Hamilton Local Schools. Before joining Steen & Co., Mr. Kennedy was an Audit Manager for the Ohio Auditor of State's office where he gained extensive experience with governmental entities. During his time with the Auditor of State's office, Mr. Kennedy was responsible for the management of over 25 state-level agency audits, including audits of multiple Federal programs as part of the Federal Single Audit for the State of Ohio. Mr. Kennedy earned his BSBA degree in Accounting from Ohio State University. He

is licensed to practice as a Certified Public Accountant and Certified Information System Auditor in the State of Ohio.

- *Dr. Gail F. McKinzie* has been Superintendent of Indian Prairie School District 204, Naperville IL, since 1995. District 204 is one of the fastest growing school systems in the nation. Dr. McKinzie is former Superintendent and senior administrator in several school districts in Missouri and Iowa; lecturer in curriculum and instruction at the University of Missouri and Iowa State University; and consultant to Phi Delta Kappa. Among her considerable honors are the Iowa Excellence in Administration Award and Missouri PTA Life Award. Dr. McKinzie serves as a Director on the boards of Rush Copley Hospital, Naperville YMCA, and Knox Retirement Village, in addition to her work with Aurora and Naperville Chambers of Commerce, Rotary International and a host of professional organizations. Dr. McKinzie earned her Ph.D. from Iowa State University and completed post-doctoral work in Educational Administration at the University of Missouri.
- *Dr. Bruce E. Mousa* , Senior Executive Consultant at SchoolMatch, served as Chief Business Officer for the Worthington (OH) City Schools for many years, where he also served as Director of Business Services and Administrative Specialist for Personnel. He chaired the Ohio Public Schools Committee for the All-Ohio Safety Congress and was educational consultant to LINC Resource on the Market Linkage Project in Special Education. The former Treasurer of the Ohio Association of School Personnel Administrators was named Administrator of the year by the Ohio Association of School Personnel Administrators, and holds Certification in Strategic Planning from the AASA National Academy for School Executives. Currently he serves as a project management consultant and training instructor and is certified as a Project Management Professional (PMP) by the Project Management Institute (PMI). He received his Ph.D. in educational leadership from The Ohio State University.
- *Megan L. Rand, M.A.*, Associate Editor at SchoolMatch. She previously served in research with The Corporate Executive Board in Washington, D.C., as supervising editor of Brain-juice.com and as a consultant in textbook development. She holds a B.A. from Miami University, Oxford, OH, and an M.A. from Brown University, Providence, RI.
- *Martine L. Stephens, M.A.*, Senior Editor and Audit Coordinator at SchoolMatch, Assistant Professor in the English Department and Writing Resource Center at Ohio Wesleyan University and former Instructor in English for the Osaka (Japan) International University for Women/Summer Institute at Ohio Dominican College. She is completing work on a Ph.D. in English at The Ohio State University.
- *Dr. Steven M. Sundre* currently serves as Executive Vice President and Chief Financial Officer of SchoolMatch and as a Distinguished Research Professor at The University of Dayton. He is a former Executive Director of the Accrediting Commission on Education for Health Services Administration, Washington, D.C., where he currently serves as the elected public member of the Board. He has been a

Kellogg Fellow and former graduate faculty member, The Ohio State University College of Medicine. He serves on the Board of Directors of Support for Talented Students, a non-profit organization assisting low-income children with special gifts and talents. He earned his Ph.D. in educational leadership and organizational behavior at The Ohio State University, where he received the Thomas Holy Award in educational research.

C. Scope of Work

The SchoolMatch approach to the Financial Analysis of Polk Schools parallels that which SchoolMatch successfully uses in its Audit of Educational Effectiveness and Benchmarking of Educational Effectiveness programs. In this School System Financial Analysis, SchoolMatch consultants:

- Met on-site with officials of the Polk County School System and representatives of the study's sponsoring organizations to develop a clear understanding of expected study outcomes.
- Collected and reviewed financial data and documents related to school system financial management capacity, including data in such categories as reporting systems, state requirements, Board-directed priorities, bargaining unit commitments, instructional resource deployment activities, general revenue related to physical plant needs, food service, transportation, maintenance repair, insurance costs, and related areas.
- Review budgets of similar socio-demographic school systems to determine the degree to which fiscal commitments are in parallel, with special attention to per pupil expenditures.
- Determine areas of operation where the Polk County Public School District may benefit from emerging forms of cost savings programs, community cost-sharing ventures, business, advertising and community investment options, service consolidation approaches and philanthropic initiatives.

D. The On-Site Visit

The SchoolMatch on-site consultant team convened in Polk County School District on September 23-27, 2002, and met with the following persons:

Pam Abney, Principal, Boone Middle School
 John Barber, Principal, Lake Gibson Middle School
 Marianne Capozziello, President, Polk Education Association
 Eileen Castle, Principal, Lake Alfred Elementary School
 Sally Chiles, Principal, Lake Shipp Elementary School

Scott Clanton, Director of Purchasing
 Helene Daigneault, Principal, Gibbons Street Elementary School
 Ron Dailey, Supervisor of Program Evaluation and Educational Research
 Rob Davis, Transportation Purchasing Coordinator
 C.J. English, III, Member, Polk County Board of Education
 Ed Flood, Accounting Director
 Ralph Gilchrest, Principal, Lake Gibson High School
 Flo Haire, Principal, Union Academy Middle School
 Bob Hartley, Director, Employee Relations
 Sharon Hartwig, Principal, Eastside Elementary School
 Steve Henderson, Director, Risk Management/Insurance
 Marilyn Jones, Principal, Bartow Academy Elementary School
 Susan Jones, Area Assistant Superintendent
 Sandra Lancaster, Transportation Operations Manager
 David F. Lauer, Assistant Superintendent, Human Resource Services
 Craig Lehning, ASFCME Local President
 Bill Londeree, Principal, Brigham Academy Elementary School (former Emp. Relations)
 Robert S. Macy, Member, Polk County Board of Education
 Tanya Matthews, Principal, Padgett Elementary School
 David Milron, Vehicle & Safety Manager
 Fred Murphy, Assistant Superintendent, Transportation Services
 James A. Nelson, Chairman, Polk County Board of Education
 Sharon Neuman, Principal, Lawton Chiles Academy Middle School
 Frank J. O'Reilly, Member, Polk County Board of Education
 Paul Osborne, Warehouse & Distribution Manager
 Larry Peacock, Member, Polk County Board of Education
 Steve Petrie, Area Assistant Superintendent
 Ron Pritchard, Principal, Bartow High School
 Debby Ragland, Principal, Polk City Elementary School
 Brenda Reddout, Member, Polk County Board of Education
 Marcia Smith, Food Service Director
 Abdu Taguri, Senior Director, Information System and Technology
 James Thornhill, Superintendent of Schools
 Mike Tucker, Principal, Winter Haven High School
 Maxine Weiss, Principal, Floral Avenue Elementary School
 Andrea Whitely, Member, Polk County Board of Education
 Bob Williams, Assistant Superintendent, Facilities/Operations Services
 Harry Williams, Principal, Bartow Middle School
 Linda Williams, Principal, Denison Middle School
 Cindy Wolf, Director of Systems Applications
 Paul Woods, Director Custodial Services
 Clint Wright, Area Superintendent
 Debra Wright, Principal, Winston Elementary School
 Rocky Yearwood, Assistant Superintendent, Business Services

II. OBSERVATIONS

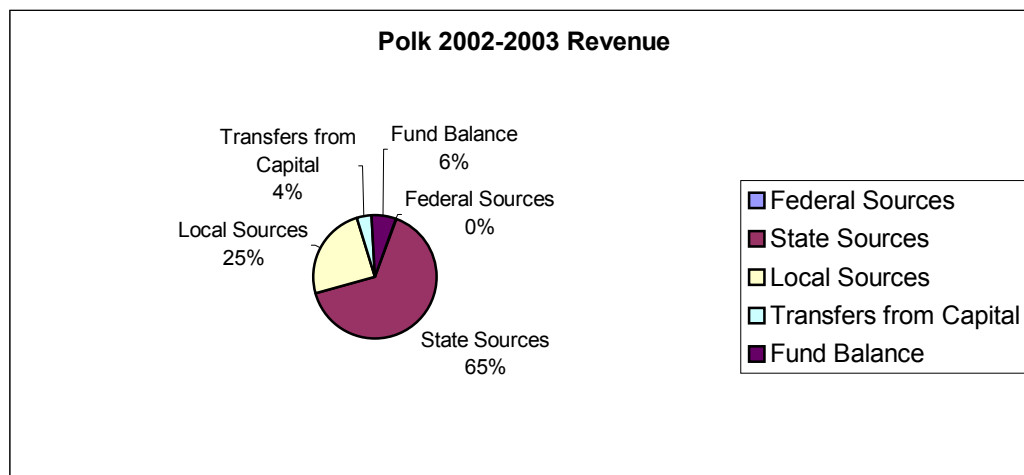
POLK COUNTY FLORIDA SCHOOL DISTRICT FINANCIAL ANALYSIS

The Polk County School District, like all other Florida school districts, derives its operating income through a combination of state and local sources. The major portion, state support at 65%, is distributed under the provisions of the Florida Education Finance Program (FEFP). The local support is derived from property taxes assessed upon the real estate located in the county.

The District's base FEFP funding is the District's weighted FTE applied to the base student allocation and the District Cost Differential (DCD). Program weighting factors and the base student allocation are set by the state, and are the same for all 67 county school districts in Florida. In addition to the base FEFP funding, the District receives additional FEFP funds for: (a) Discretionary Tax Equalization, (b) Safe Schools, (c) Supplemental Academic Instruction, and (d) ESE Guaranteed Allocation.

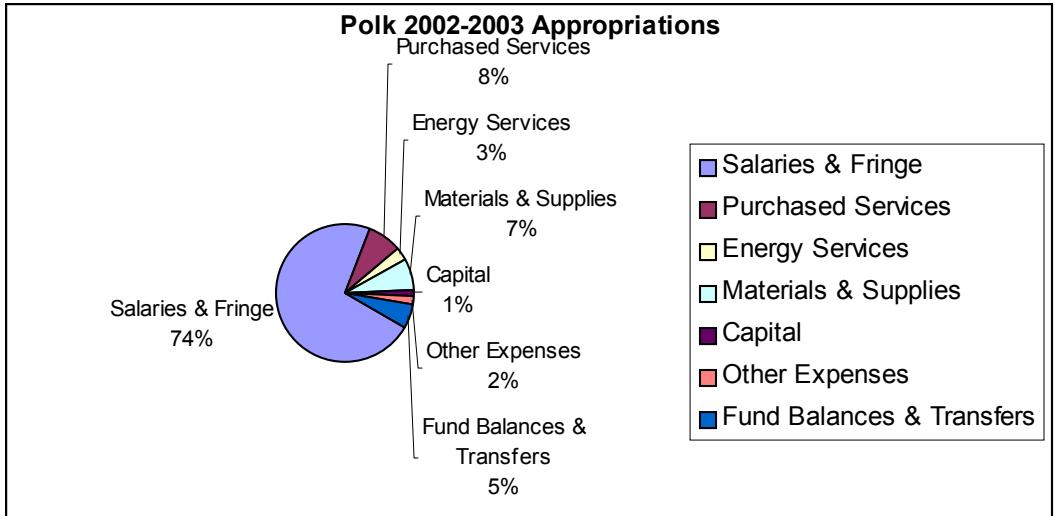
The District also receives special allocations to the FEFP allocation and categorical distributions for the following: (a) Discretionary Lottery - School Recognition, (b) Instructional Materials, (c) Student Transportation, (d) Public School Technology, (e) Teacher Lead Program, and (f) Teacher Training.

Local revenue for school support is derived almost entirely from property taxes. Local revenues for the District are as follows: (a) Local Required Effort, (b) Potential Discretionary Effort, and (c) Supplemental Discretionary Tax.

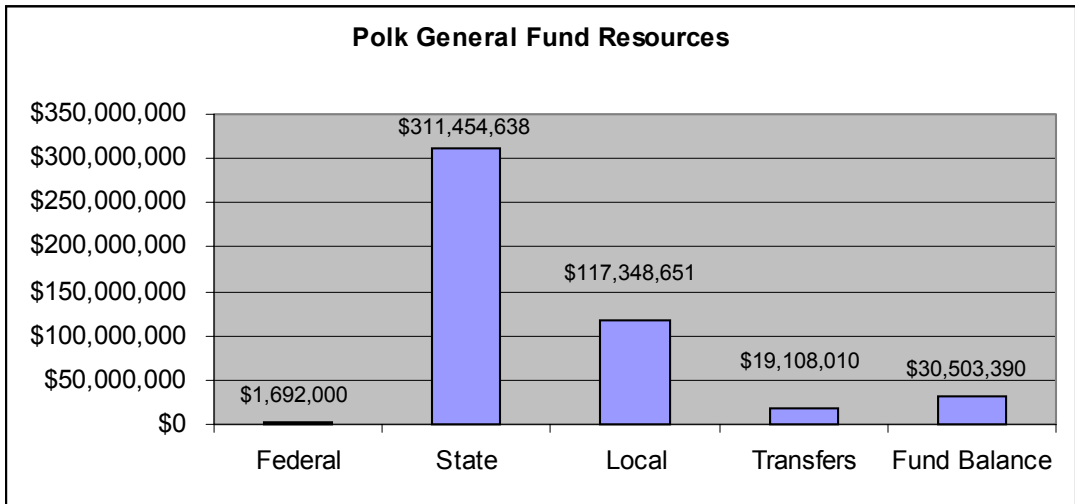


Source: 2002-2003 Final Budget, School Board of Polk County, Florida*

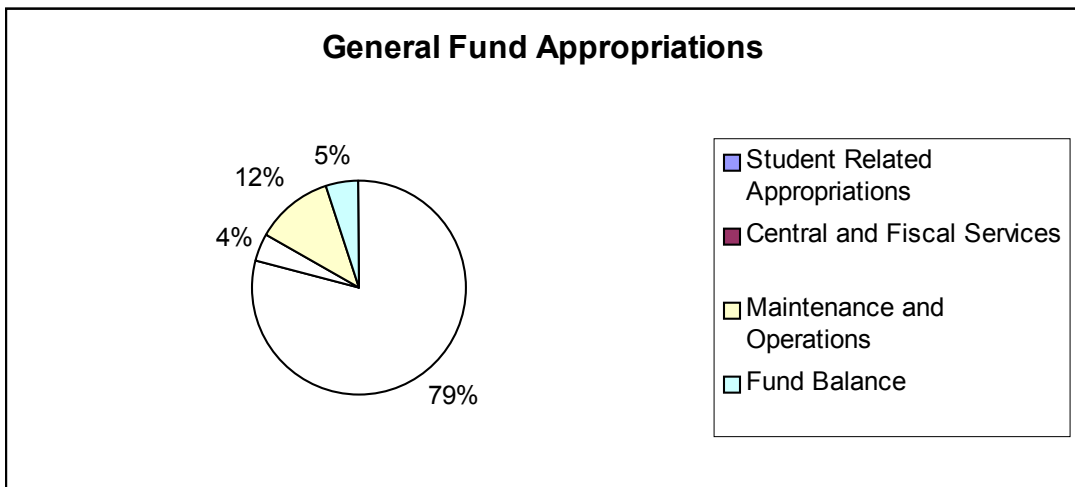
*See Appendix K



Source: 2002-2003 Final Budget, School Board of Polk County, Florida*
 *See Appendix K



Source: 2002-2003 Final Budget, School Board of Polk County, Florida*
 *See Appendix K



Source: 2002-2003 Final Budget, School Board of Polk County, Florida *See Appendix K

Revenues actually received by the District declined from FY01 of \$425.5 million (exclusive of fund balance) to FY02 to \$424.6 million (exclusive of fund balance and loan proceeds). Although this was a loss of only \$0.9 million, FEFP itself was reduced by \$12 million. Only an increase in the local property tax held the loss to \$0.9 million. The FEFP reduction was a direct result of the budget difficulties suffered by the state of Florida after 9/11 and the stock market meltdown.

The District took needed action to accommodate this revenue reduction by reducing 161 school-based and 13 district-wide positions, plus cuts in maintenance and staff training.

The District's FY03 budget is projecting recurring revenues (exclusive of fund balance) of \$450.5 million, which includes an increase from FEFP of \$24.8 million. SchoolMatch consultants believe there are no known indicators to support this kind of an increase. Consumer confidence was recently reported at a nine-year low. Florida revenue is comprised heavily of sales tax; without consumer spending, sales taxes will lag. Were FEFP to be held constant, FY03 recurring revenues would be \$425.7 million, merely \$1.1 million over FY02.

As a general guideline, the Government Finance Officers Association recommends that 5% to 15% of recurring revenues be maintained as unreserved general fund balance. Polk County School Board has fallen below this range. As of June 30, 2002, Polk's unreserved general fund balance was 3.3%, which is far below the minimum recommendation.

Given the reliance indicated above on sales tax as the basis for Florida's state budget, and as the primary source of revenue for K-12 education, and given the current economic conditions that warrant conservatism in financial forecasting, maintaining a reasonable and healthy fund balance is extremely important.

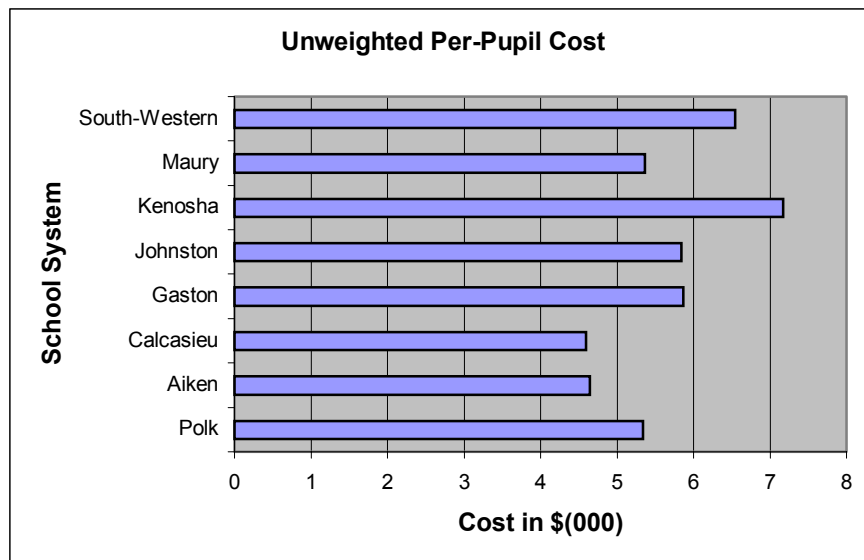
Salary increases recently granted are expected to add over \$14 million to FY03 expenditures. In a district of 81,500 students, with the possible addition of 1,200 more pupils next year, with health care costs rising significantly each year (\$9 million or 18.5% for FY03), and with state and national economic conditions remaining dismal, we see a very disturbing fiscal picture.

Observations About Peer Group Districts

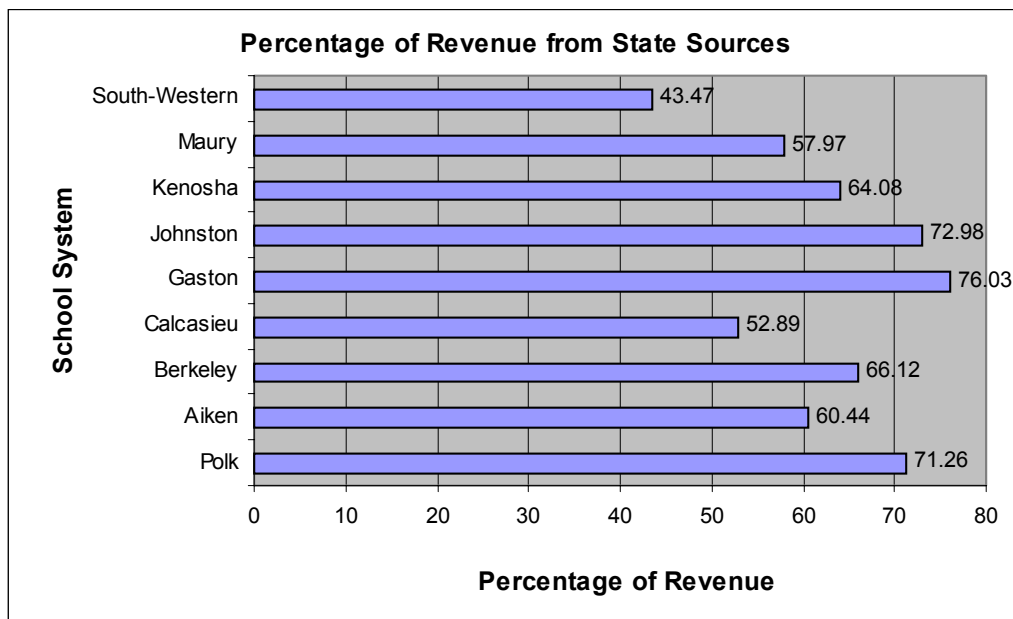
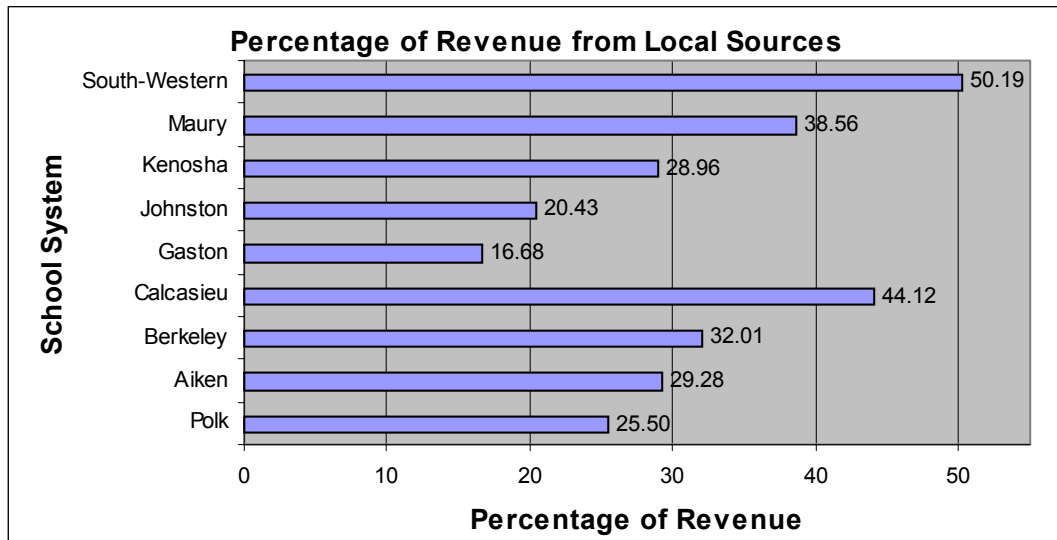
The charts and tables in this section describe current demographic factors and expenditures in the Polk County Public School System as compared to the peer districts examined for this report. These data are provided to enable district leaders to get a sense of where Polk County stands in relation to its peers nationwide.

A review of the following charts will show that the District has a per-pupil cost lower than five of the seven peer group districts. This is based on the District's relatively low teacher salaries in FY01. However, when one looks at the percentage of expenditures spent for both salaries and fringe benefits, it totals 79.32% for FY01. When a district exceeds 80% of total expenditures for salaries and benefits, it is heading into dangerous territory: the rate of increase for salaries and benefits almost always exceeds the rate of increase for income. It should be noted that the District granted salary increases for FY03.

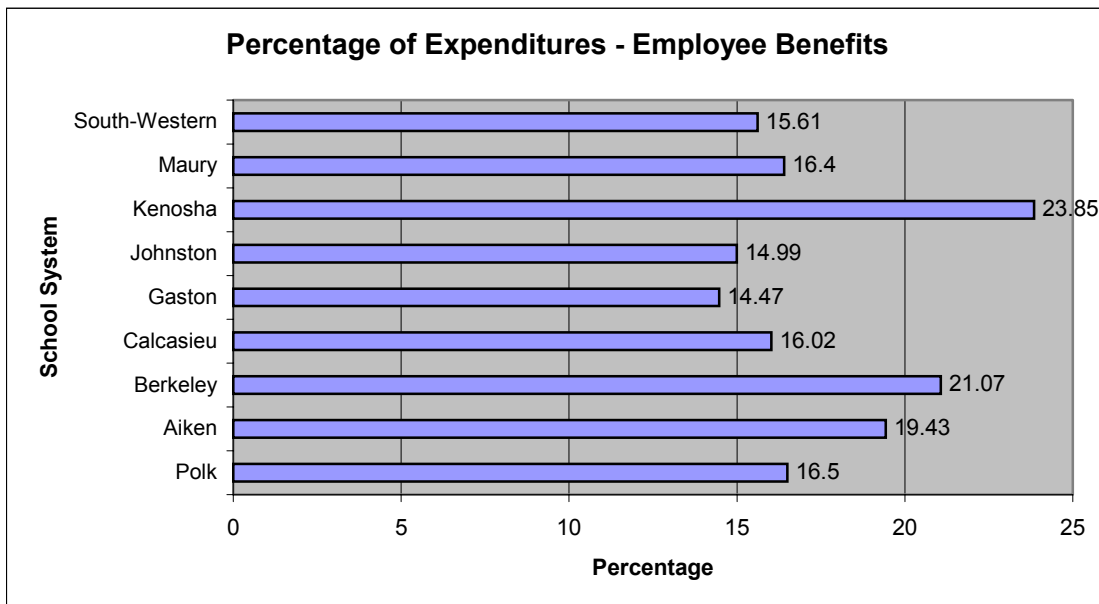
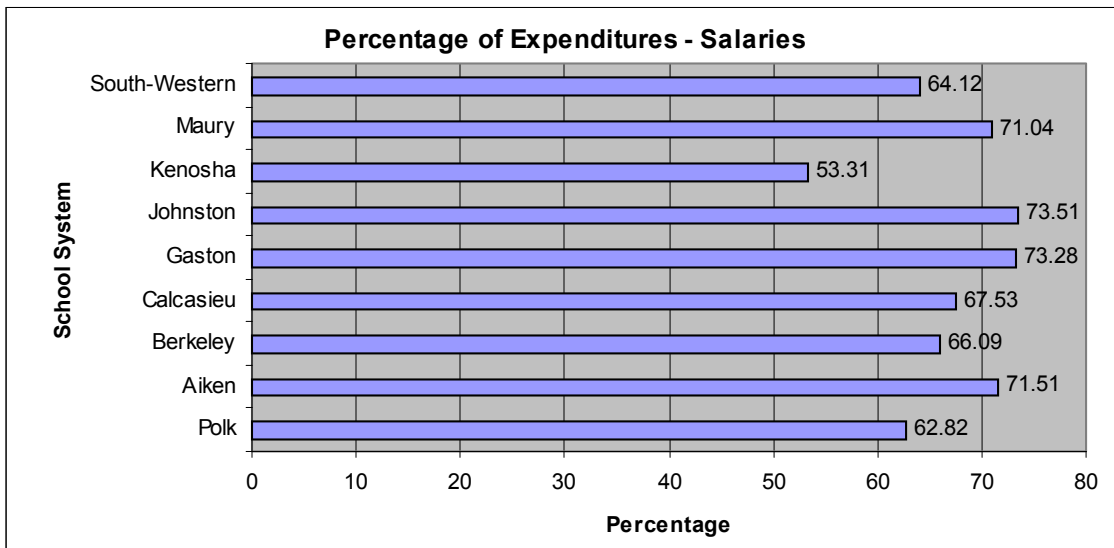
The percentage of income derived from federal sources is very low compared with several of the peer districts. This leads to the question of whether the district is receiving all of the federal income that may be available. Several districts have found recently that federal income for items such as computers is available. The District should make a significant effort to ascertain if additional federal revenue is available.

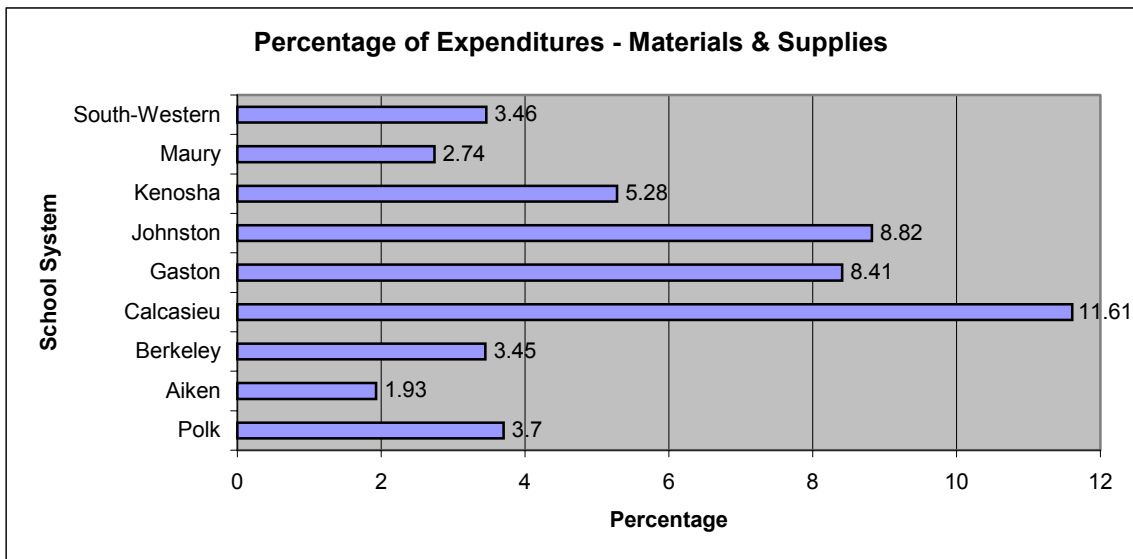
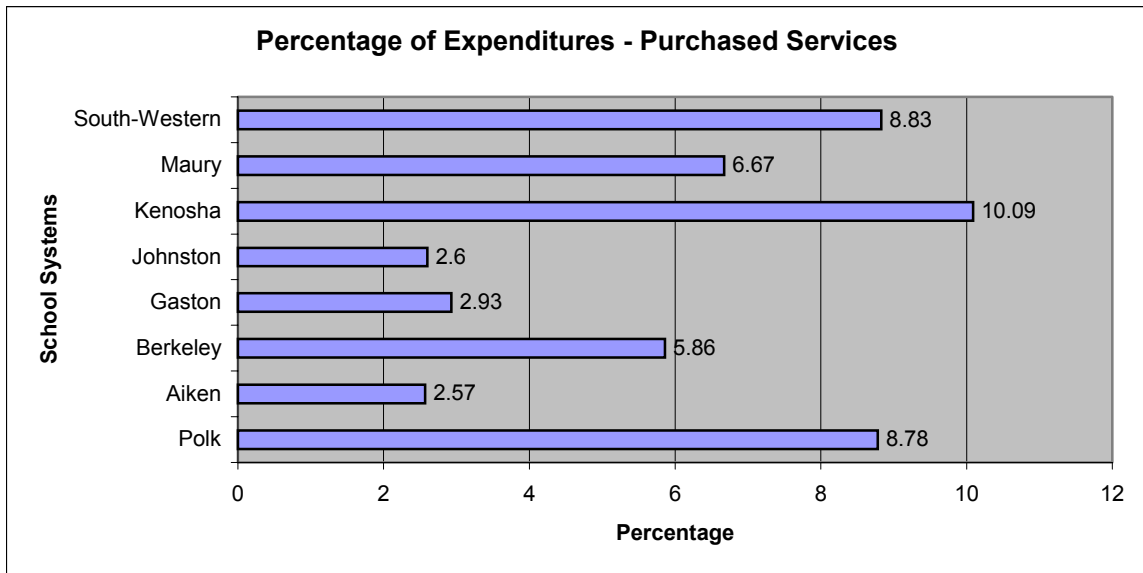


Percentage of Revenue

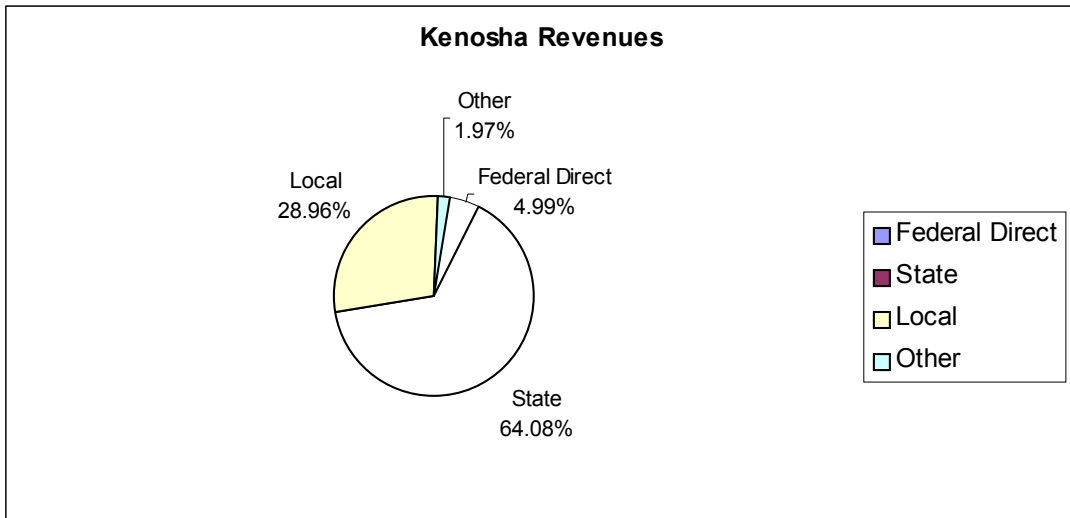
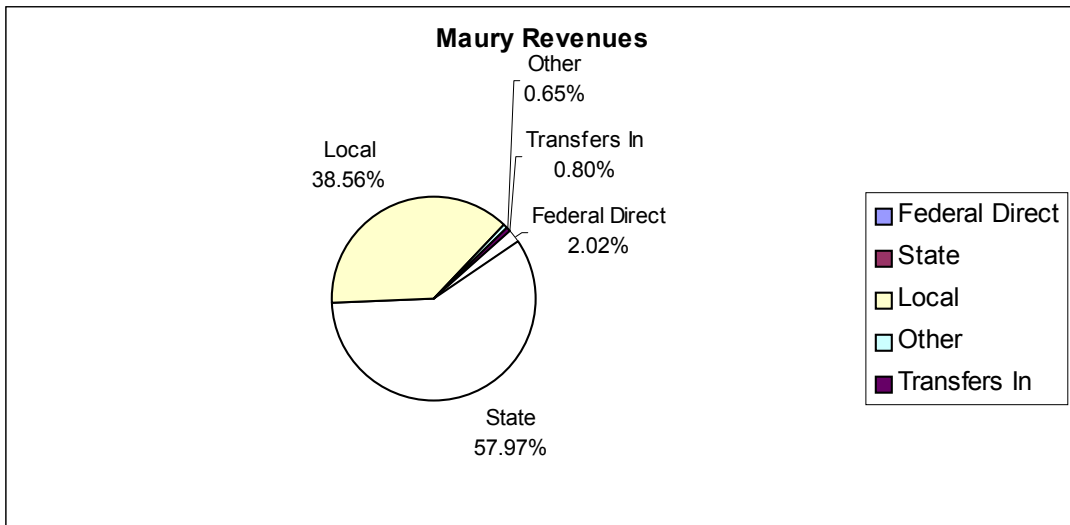
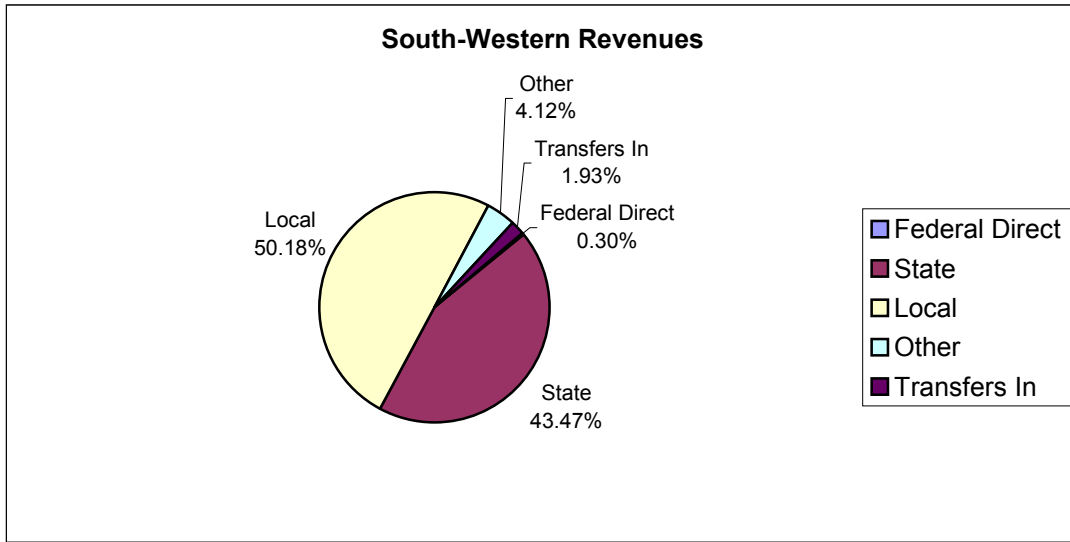


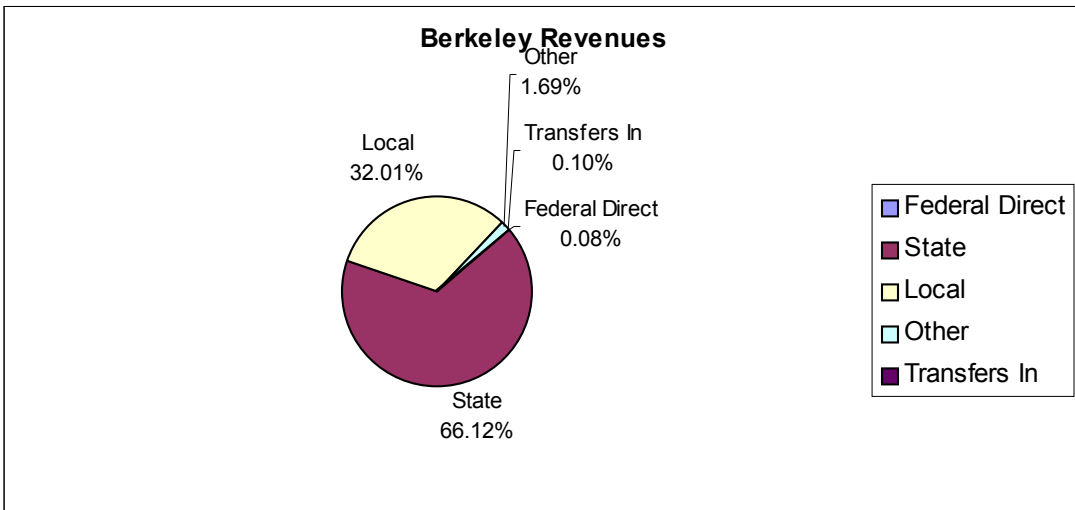
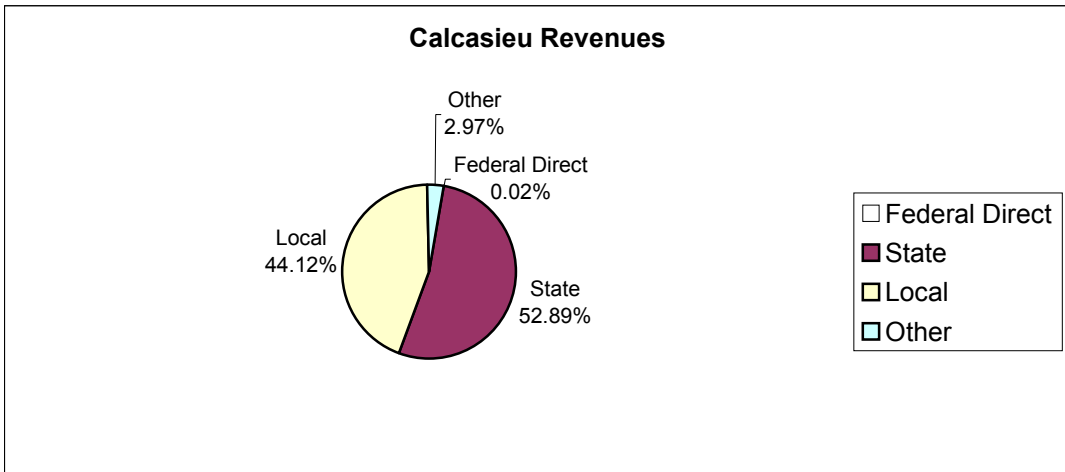
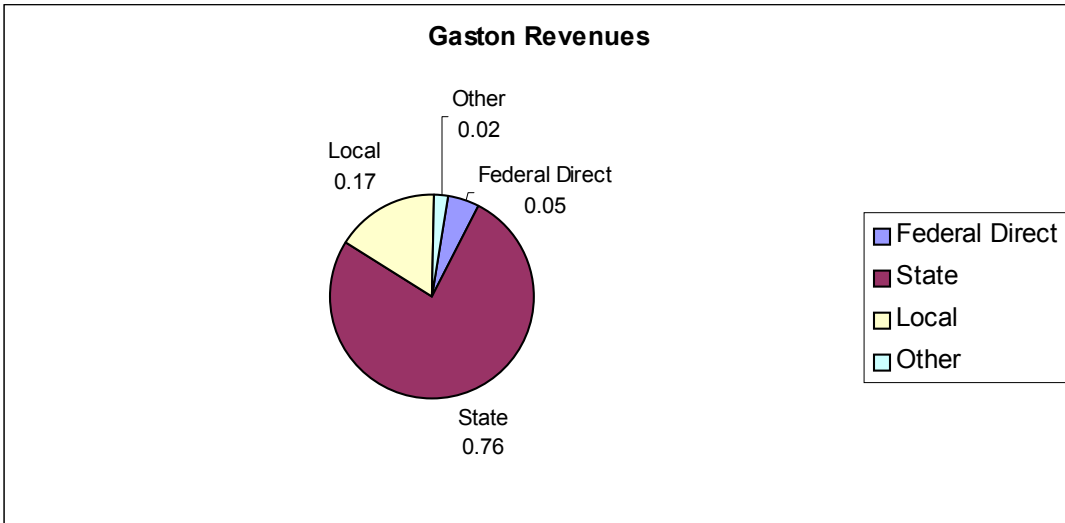
Percentage of Expenditures

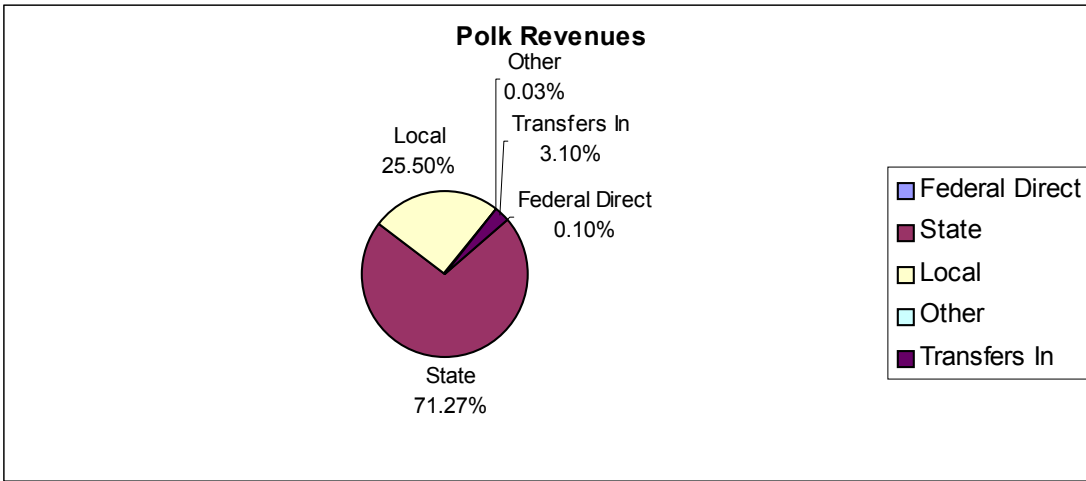
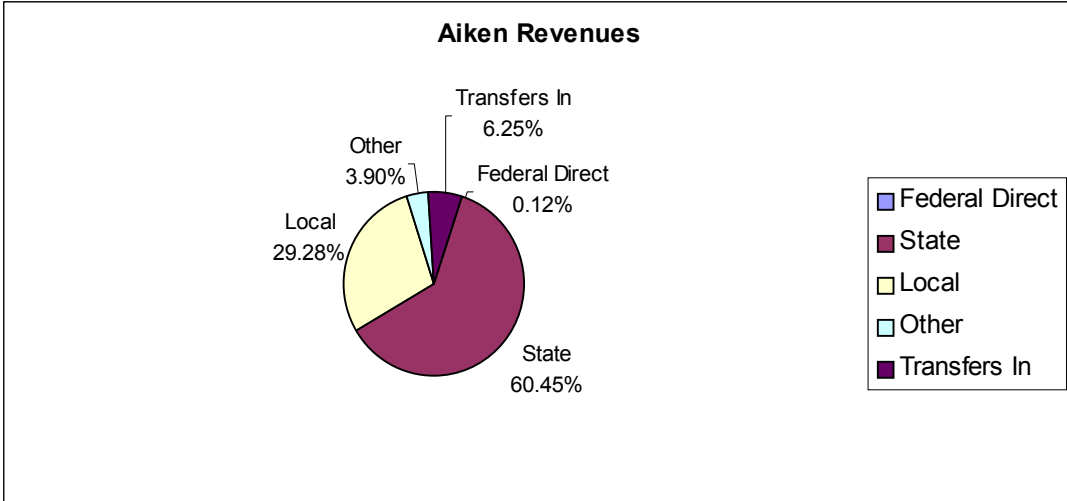




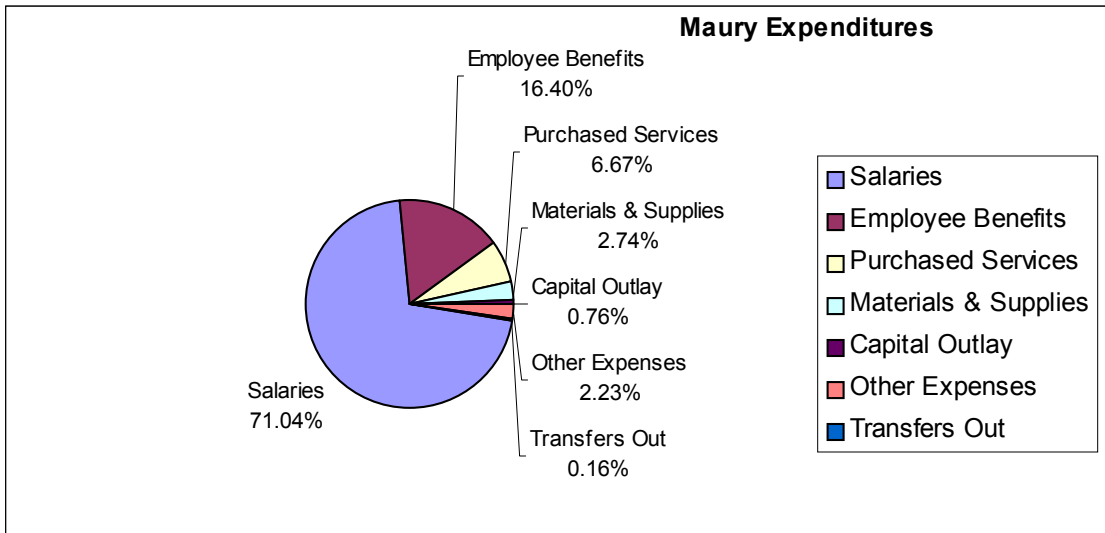
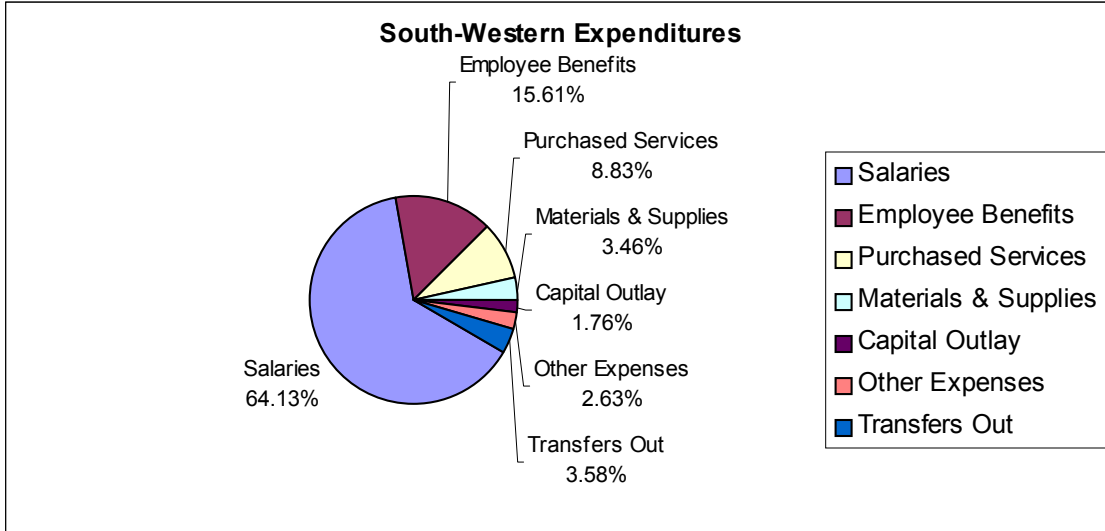
Revenues by School System

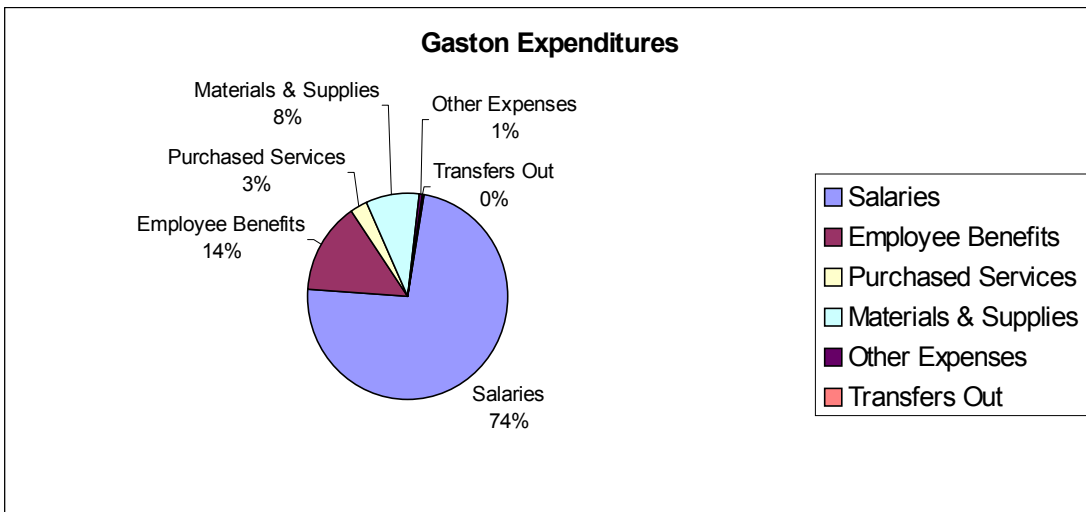
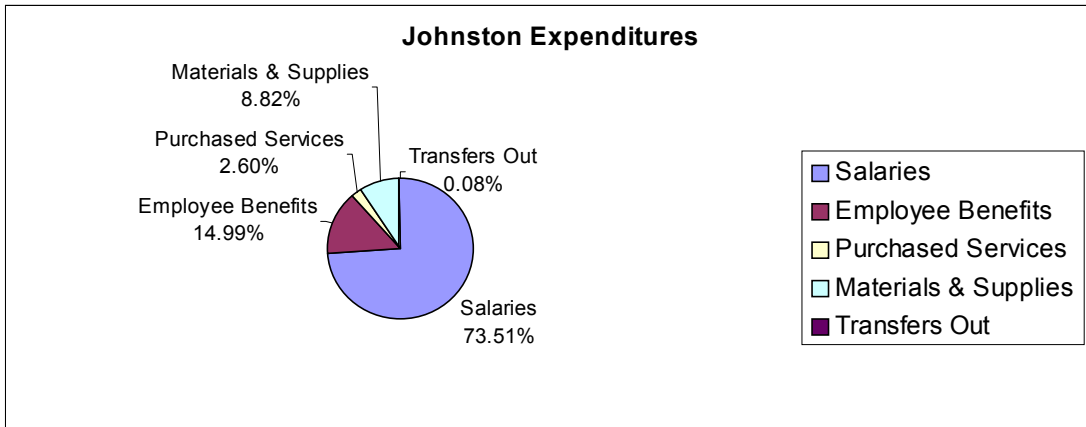
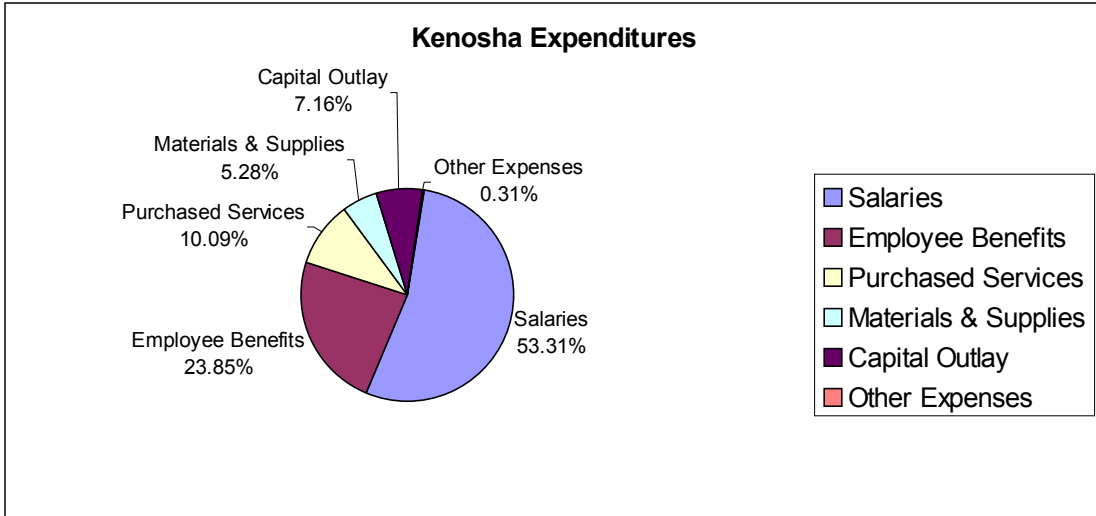


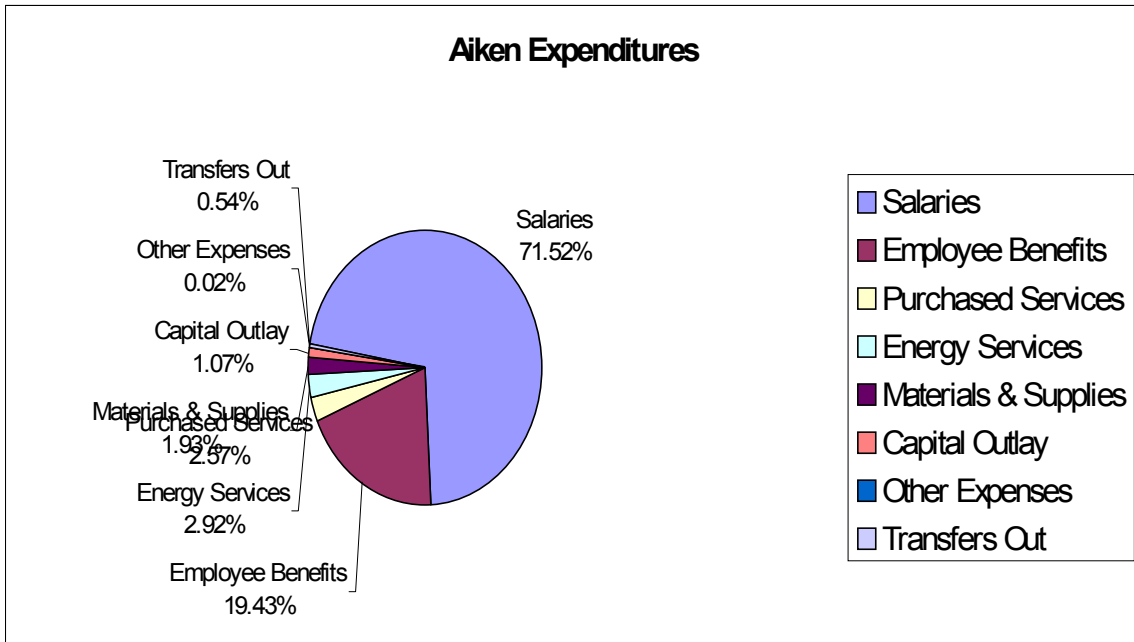
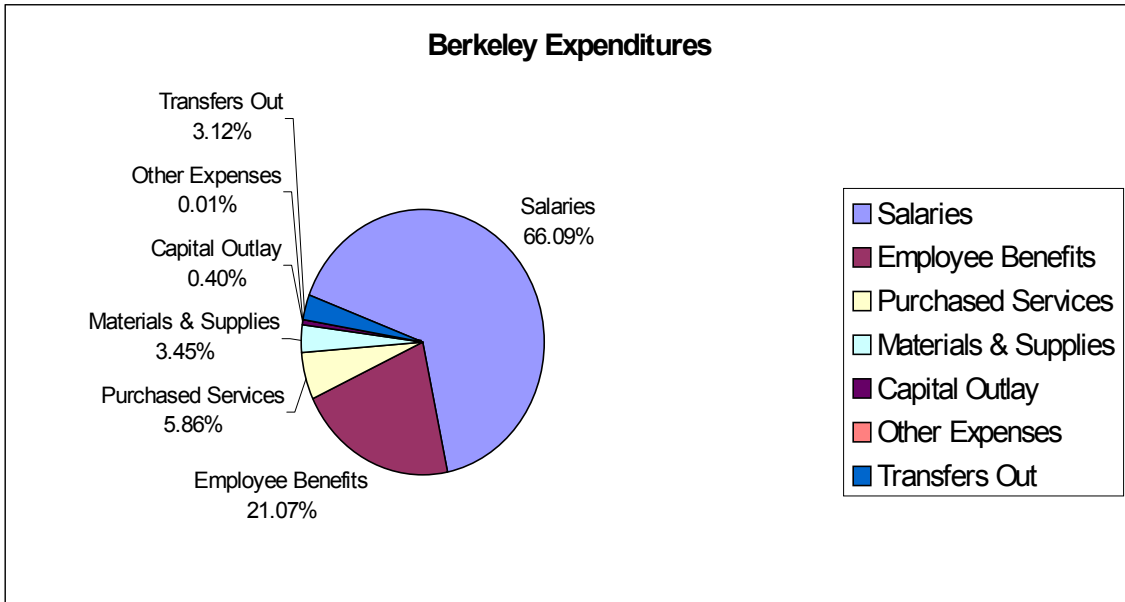


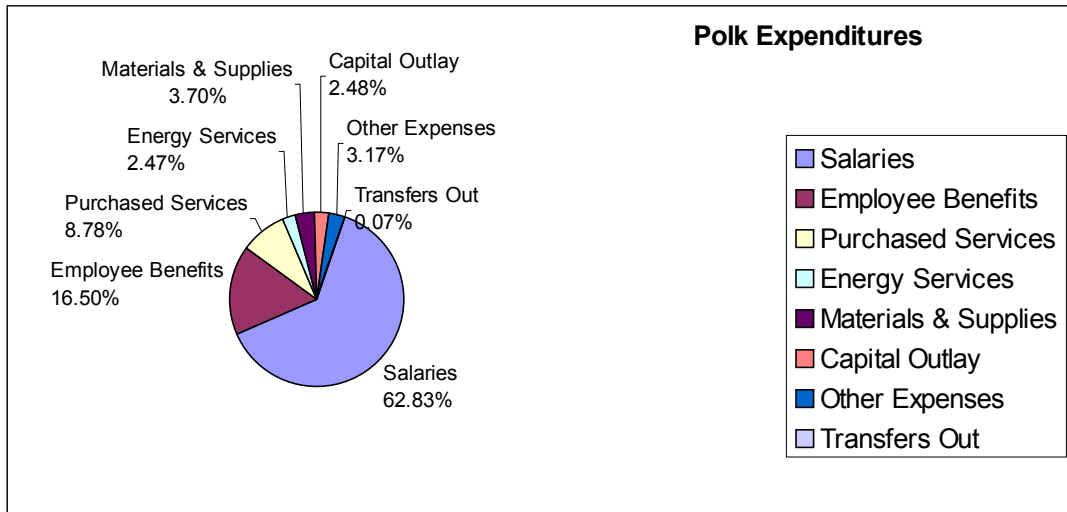


Expenditures by School System









III. COMMENDATIONS

The School Board and administration of Polk County are commended for:

1. On September 17, 2002, the District completed its Annual Financial Report for the fiscal year ended June 30, 2002. Of special note is that fiscal year 2002 was the first year the District was required to model its Annual Financial Report in accordance with Governmental Accounting Standards Board Statement No. 34, yet the report was still completed in an efficient, timely manner.
2. The Assistant Superintendent for Business Services is a qualified Certified Public Accountant who articulates the financial status of the District in a clear and easy-to-understand manner.
3. The school system financial staff is open and eager to provide information to the public.
4. The District is ranked second in the State in regard to the percent of total expenditures spent for classroom instruction (66.71%). Polk County is second lowest in the State in regard to fiscal expenditures per UFTE (\$26.79) and fourth lowest in the state in regard to total administrative expenditures per UFTE.
5. In a period of declining revenues and significant budget cuts, the District has been able to maintain a desirable classroom teacher to student ratio of 1 to 16.13. Polk County teachers have fewer students in their class than the statewide average.
6. The District's new procurement card program has enabled schools to obtain needed supplies and materials in a more timely and efficient manner.
7. Since July 2000, District personnel have made great strides in adapting to a new business software system, SAP/R3, which, after implementation, turned out to be cumbersome and unfriendly to users. Personnel have been creative and innovative in developing solutions to a multitude of problems inherent in a new system. Users report that the District's local staff SAP team has provided good service, is customer-oriented, and is willing to develop usable adaptations to the software when possible.
8. The Facility Department has developed and implemented a strong Energy Management program. The program has saved funds and allowed for continued environmentally friendly conditions in the District's buildings.
9. District leaders have demonstrated an attention to long-term planning by completing a comprehensive demographic study and integrating a related facility plan.
10. The Florida Department of Education has identified the District's transportation system as the most efficient in the state.

11. District officials have implemented a bus driver recruitment program that assists in attracting drivers to the district.
12. The food service staff maintains a strong customer focus and is dedicated to providing nutritious and economical meals for students.

IV. RECOMMENDATIONS

SchoolMatch consultants make the following recommendations:

1. District Administrative Review

The District has a variety of administrative positions at central and building sites; they range from secretaries who have some managerial or confidential responsibilities to a Deputy Superintendent. Budget reductions have reduced the numbers of administrative staff and changing needs of the District have required changes in titles, lines of supervision and division of responsibility. Organization of the administrative staff and compensation for administrative staff has not been reviewed for a number of years.

We recommend the district implement a comprehensive review of the structure of the administrative organization that includes organizational structure, reporting structure, lines of supervision and responsibility, pay ranges and fringe benefits, compensation benchmarks with other districts, evaluation and performance review and compensation based on performance of the administrator.

2. Capital Needs

The Polk County School District has shown a substantial need for additional school facilities (see Growth-Related Capital Needs Assessment For Public Schools, March 21, 2002). This report shows a need for \$255 million for growth-related capital projects, plus \$259 million for improvements to existing schools. When available revenue from existing sources is subtracted, \$417 million of unmet needs remain on the capital side.

We recommend the Polk County School District immediately begin to prepare a plan to fund these needs. The most effective method is probably a ½ cent sales tax increase. However, we must warn against raising the level of recurring expenditures higher than the level of recurring revenue will support. Empty new classrooms can be worse than no new classrooms. Great care must be taken to keep recurring revenue and recurring expenditures in balance.

3. Financial Forecasting

A high rate of recent turnover in Finance Department staff coupled with unpredictable revenue projections have meant that the District has not made a high priority of developing any long-range forecasts of financial performance.

We recommend that the District begin developing a five-year financial forecast. Once completed, such a forecast will better enable the District to make long-range financial decisions and also assist in the budgeting process.

4. Accounting System

In July 2000, the Polk County School District purchased a new business software system, SAP/R3 and converted from its old legacy accounting system, at a reported total cost to date of over \$10 million. Because the new SAP/R3 software system was originally designed for a manufacturing business, not a school system, and because the new software was implemented in a brief timeframe, without sufficient testing, numerous problems have arisen for the District since implementation.

Perhaps most significantly, the District has had to hire additional support staff and to develop new manual processes, “work-arounds,” and internal control procedures in order to compensate for the problems encountered with the SAP/R3 system. Also, personnel at the school level are now being asked to perform much more data entry with the new system than they ever had to with the old system. Training for users of SAP/R3 has been ongoing and further training efforts are both needed and currently being planned. In addition, computer processing times for certain accounting functions have increased considerably since implementation of the new system. Finally, inadequate support from the vendor has contributed greatly to the above problems.

The District is aware that an upgrade for the SAP/R3 system will be available in about one year, and officials of the District plan to install the new upgrade. Whether the new upgrade will solve some of the problems the District is currently encountering or create new problems will not be known for some time. Regardless, the District should take steps to ensure that the new upgrade is properly configured, thoroughly tested, and meets user requirements prior to placing it into production.

In the meantime, we recommend that the District make every effort to provide additional training to the users of the SAP/R3 system, both at the District and school level. This training should include how to operate the system and how to perform the manual processes and work-arounds that have been developed. We also recommend that instructions for these manual processes and work-arounds be thoroughly documented, in case of turnover of knowledgeable staff.

The Materials Management/Warehousing module of SAP has been of particular concern in that it does not provide the same data or service that the previous system provided. The district is implementing a new SAP Materials Management/Warehousing module and we recommend the district continue to support this implementation so that accurate and timely data are available for inventory control in the district.

We recognize that since July 2000, the District has invested considerable time and resources in implementing and configuring SAP/R3. However, prior to investing additional time and resources into the new upgrade to SAP/R3, the District should continue to research alternative business software packages that may more closely match the District’s business model.

5. Health Insurance Benefits

The District offers a choice of two self-insured health insurance plans, a Coordinated Care Plan (HMO) and a Preferred Provider Plan (PPO), to its employees. Approximately 85% of employees participate in the HMO, which is offered free to employees for single coverage. Approximately 15% of employees participate in the PPO, for which each participating employee contributes \$25 per month for single coverage. Currently, the District offers these health care benefits to all full-time employees and part-time employees who work at least 18.75 hours per week. The annual cost of providing single plan health insurance to one employee is \$3,564.

To hold down health insurance costs in an environment where they are rapidly escalating, it has been the practice of the District to reduce the benefits offered in its health insurance plan (e.g., increase deductibles, co-insurance payments, and out-of-pocket maximums), rather than directly charge employees, via payroll deductions, for a portion of the cost of the health insurance plan.

For fiscal year 2002, the District's health insurance fund received approximately \$48.6 million in contributions, and paid approximately \$46.8 million in claims. For the plan year October 1, 2002 through September 30, 2003, the plan calls for a 25% increase in contributions. Seventy percent of these, or approximately \$9 million, will be contributed by the Board, while the remaining 30%, or \$4 million, is expected to be gained from additional plan changes impacting benefit levels and participant contributions.

It is standard practice, in both government and the private sector, to charge employees for a portion of the cost of health benefits. We recommend that the District begin charging employees, via payroll deduction, for at least 10% of the cost, which would mean annual savings in the amount of \$3,236,000. By sharing in the cost of the health benefits, employees will assume more of an ownership interest in the plan, and, thus, tend to utilize the plan more wisely. In addition, cost savings can usually be realized from employees who are otherwise covered by a spouse's insurance plan who drop themselves from the District's plan once they start being charged.

To mitigate the impact on employees of charging them for a portion of health insurance costs, the District may want to consider restoring, in part, some of the benefits that were reduced over the past few years.

- Group Plans

The District has only one experience-rated plan for all employees. As an alternative, District officials should consider setting up separate groups for teachers, administrators, bus drivers, bus attendants, food service staff, retirees, etc.

By breaking out the costs of administering the District's health insurance plan to its various groups of employees, the District will be better able to make decisions regarding plans' coverage and be better able to forecast trends and costs.

- Part-Time Employees

Currently, the District offers health insurance benefits to all full-time employees and part-time employees who work at least 18.75 hours per week. However, in SchoolMatch consultants' experience, it is unusual for either governments or private-sector businesses to offer health insurance benefits to any employees who work fewer than 30 hours per week.

With approximately 436 employees (General Fund: 302; other funds: 134) who work fewer than 30 hours per week and also receive health insurance benefits, the District is bearing a significant, unnecessary cost. We estimate the annual cost of providing health insurance benefits to these employees to be \$1,553,904 (General Fund: \$1,076,328; other funds: \$477,576).

Although District officials believe that they need to offer free health insurance benefits to part-time employees in order to attract qualified job candidates, it is the SchoolMatch Site Visit Team's recommendation that offering a higher starting part-time wage, without the provision of health insurance benefits, would be more cost-effective, yet still keep the District competitive in attracting job candidates.

If the District does not wish to completely drop health insurance benefits for part-time employees, then they should consider one of the following:

- offering the option of a higher wage, without benefits, to both current and new part-time employees, or
- charging part-time employees a premium, in proportion to the number of hours worked, for health insurance benefits.

- Annual & Lifetime Maximums

The current health insurance plan offered by the District does not include either annual or lifetime maximums for the payment of claims. This lack of annual or lifetime maximums can significantly increase the District's cost of providing health insurance to employees.

We recommend that the District implement an annual maximum claim payout of \$500,000 per employee per year. Additionally, there should be a lifetime maximum claim payout of \$1,000,000 per employee. The District's stop loss contract should also be amended (i.e., reduced from a maximum of \$1,000,000 down to \$500,000) to reflect the new annual maximum.

6. Human Resources

- Health & Wellness Program

During the interviews, the Site Visit Team observed that more care needed to be taken to hire new employees who were healthy and had healthy habits. The Site Visit Team recommends that the Human Resources department improve its efforts to ensure that new hires are healthy and have habits that promote a healthy lifestyle. In addition, it is recommended that wellness efforts be expanded to include exercise areas conveniently located for staff, a smoking cessation program, nutrition education for staff, weight reduction services and other wellness-related initiatives to reduce risks associated with having unhealthy employees. Failure to do so will be very expensive for the School District in terms of lost time from the job and higher medical insurance costs. In addition, the Site Visit Team recommends the School Board initiate a policy to eliminate smoking on school district property.

- Salary Incentives to Encourage Employment in Areas of Critical Need

A review of exit interviews of departing employees, applications on file in the Department of Human Resources, certification status of existing staff members, Polk County School District salary schedules and salary schedules of competing school systems leads to the conclusion that there is a state of critical need in certain staffing areas.

In order to insure a world-class education for Polk County students, the Site Visit Team recommends consideration of significant salary incentives for teachers in fields such as special education, higher level mathematics courses, chemistry, physics, and computer sciences. In addition, the District administrative salary schedule needs to be enhanced for the critical position of assistant principal, where role incumbents do not benefit from a salary increase over teachers and are paid substantially less than other administrators in the District.

- Reducing the Excess Cost Related to Part-time Employment

For many years, the Polk County School District has employed a larger number of part-time employees than comparable school systems. This situation is complicated by the fact that the District provides health insurance benefits to employees working 18.75 hours per week or more. Because of these part-time employees in particular, the rising cost of health insurance has created a drain on the District's operating budget.

The Site Visit Team recommends the District administration and representatives of the local AFSCME and PEA bargaining units work together to encourage full-time employment as vacancies occur. For example, bus drivers might serve between their routes as paraprofessionals, warehouse staffers or as food service servers. This would encourage a reduction in part-time employment and the consequent duplicative benefits.

- Integration of Staff into the School Community

A school community should include participation by all persons, including support staff, who may impact a student's life. By providing opportunities for inclusion of these

groups, discipline and order in the school, on buses, in the cafeteria, and on the playgrounds will improve. The Site Visit Team strongly encourages each site administrator to invite participation by these diverse groups for formal and informal conversations and attendance at appropriate school events.

- Support for Performance-based Compensation

The food service department has managers who are part of the administrative, professional, technical and clerical personnel not part of the bargaining unit. A recommendation is made to support a program being developed by the department that would compensate food service managers based on performance.

- Increasing Staff Development Support

The Site Visit Team understands that presently less than one half of one percent of the instructional budget is devoted to Staff Development initiatives. Such significant underfunding results in situations where new and/or enhanced District rules and regulations are not regularly communicated to all school personnel, effective classroom teaching methods and approaches erode, and measures designed by the central office to increase efficiencies and promote cost savings are not uniformly implemented. In short, the absence of a coordinated staff development program severely inhibits internal communication, thereby costing the District money and reducing its effectiveness.

Therefore, the Site Visit Team recommends that additional funds be allocated, particularly from applicable categorical funds, grants and state allocations, for staff training in district instructional programs, testing protocols, policy changes, and uniform implementation of regulations.

7. Facilities

- It appears that a good deal of time is expended on the part of building and department personnel checking on the status of facility project requests and the project itself while in process.

The Site Visit Team recommends on-line access to the monthly status updates completed by the Facility and Operations Department for administrators and managers in the District.

- The SAP accounting program does not allow for tracking data of facility projects that extend over fiscal years. This greatly inhibits the ability of project managers to analyze and accurately track expenses, and provide usable reports on which to make decisions.

Therefore, the Site Visit Team recommends revisions in the accounting system be made to accurately provide project data across fiscal years.

8. Adhere to Reasonable School Board Operating Procedures

Interviews with members of the Polk County Board of Education and administration indicate that many items having long-term strategic implications are brought to the school board on an emergency basis. Since elected officials need a reasonable amount of time to review and understand recommendations, the Site Visit Team believes exceptions to the operating rules should be minimal and reserved for genuine emergencies.

9. Full-time Substitute Bus Drivers

The Transportation Department reports that more than 50 substitute drivers are needed each day to fill routes for absent regular drivers. This results in buses being late to school in the mornings due to double routing and lack of available drivers. The Department cannot maintain a substitute list of this size.

The Site Visit Team recommends a pool of regular (5 hour per day) substitute bus drivers be established to assure students do not lose instructional time at the beginning of the school day.

10. Compliance with Food Service Non-Competitive Sales

The food service program provides a nutritious and economical meal and food options at all sites for students for breakfast and lunch. This program in Polk County is self-sufficient and is operated in a customer-friendly manner. The continuation of this program should be a priority in order to benefit all students, particularly those who do not have nutritious food options outside the school environment. Food service regulations prohibit the sale of food items provided by outside vendors in a school building during the time food is sold in a cafeteria operated by the District's food service operation. This regulation, at times, is ignored or overlooked by school principals. Schools have competitive soft drink and snack machines, as well as other types of food sales during the breakfast and lunch periods.

It is recommended that school sites adhere to this regulation and work with the food service department to offer food, snacks and beverages that are nutritious.

11. Creation of the Position of Chief Information Officer

In June of 1999, the Office of Program Planning and Governmental Accountability (OPPAGA) of the Florida Legislature in its "Best Financial Management Practice Review" of the Polk County School District noted that "...the District needs to upgrade its management information systems." While the District has implemented a vendor-developed system to cover administrative and financial functions, the District still has obstacles to improving data-based decision-making.

The District and its schools have access to large amounts of valuable data to improve teaching, learning and school operations. As is typical in large school systems, people in

the Polk County School District frequently get confused when receiving reports regarding state testing, school system testing, college entrance examinations, finances, attendance and other quantitative measures. The search for data from many different schools and divisions, however, has tended to increase confusion of groups within the community regarding progress of the District.

Every effort needs to be made to recognize data collection, analysis and distribution as an important and vital function in the Polk County Schools. A goal needs to be established to make data collection consistent, credible and pertinent. The data then need to be used to improve teaching, learning and school operations.

Individual schools must have consistent, comparable and accurate data to share with the Polk County Board of Education and the Administration on a timely basis. It is imperative that the collection, analysis and distribution of data for proper utilization of resources be coordinated. Once the standardization of reporting formats has been accomplished and communicated to all stakeholders, District officials can more easily coordinate Polk's data with that available on-line from the Florida Department of Education.

The Site Visit Team recommends a Chief Information Officer position be established for public accountability and information. This person will report to the Superintendent of Schools and have rank as an assistant superintendent. This position would have the responsibility for (a) research and program evaluation, (b) student assessment and data analysis, (c) standard setting for school results, (d) relating expenditures to program results and (e) public reporting of District status. With the creation of this position, savings could be realized through efficient allocation of resources based on evaluation of instructional expenditures when compared with student learning outcomes.

12. County Initiatives

Representatives of the Polk County Board of Education and the Administration should continue efforts to convince county commissioners of the value impact fees have in enhancing the fiscal health of the school system. New construction and residential development has a major impact on school system operations. Frequently, new communities bring the additional expense of growing enrollment without generating parallel resources. Those interested in the long-term success of the Polk County School District and its students should make vigorous efforts to educate voters and county officials on the importance of this potential source of income.

13. Legislative Initiatives

The State of Florida has generally not kept pace with the eight other most populous states (California, Illinois, Michigan, New Jersey, New York, Ohio, Pennsylvania and Texas) in terms of financial support for its elementary and secondary schools. This lack of support combined with the complexity of the countywide school systems has led to lower performance levels in student achievement and attendance than in the other populous

states. This can have a long-term impact on the state's economy, standard of living, crime rate and other indicators of quality of life. The Site Visit Team recommends that Polk County School District officials give serious consideration to recommending to its legislative delegation and others in Tallahassee, the following:

- An income tax, earmarked for elementary and secondary public education, on residents under the age of 62 who are earning more than \$75,000 per year;
- Up to a 10-cent "sin tax" on lottery tickets (similar to taxes on alcohol and tobacco) earmarked for elementary and secondary public education;
- Legislation that prohibits school board employees from serving on their local school board, even if they are on leaves-of-absence;
- A change in school bus driver licensure to require a commercial driver's license specific to bus drivers;
- Requiring unfunded mandates to be approved by a 70 percent majority in the State Legislature.