

REPORT HIGHLIGHTS PERFORMANCE AUDIT

Subject

Tempe Elementary School District encompasses the City of Tempe, parts of Phoenix, and the Town of Guadalupe. In fiscal year 2003, the District had 23 schools and served 12,452 students in pre-kindergarten through 8th grade.

Our Conclusion

Tempe Elementary had higher administrative costs than comparable districts because its schools have smaller enrollments, requiring it to operate more schools. While its food service program was self-supporting, the District's transportation and plant operation and maintenance costs were above the comparable districts' average. Tempe Elementary spent its Proposition 301 monies in compliance with statute, and spent \$13.6 million on desegregation.



2004

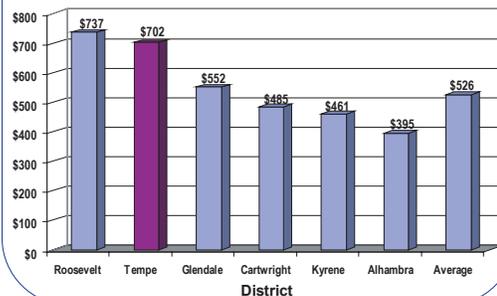
May 2004

Administrative Costs

Administrative costs are those associated with directing and managing a school district's responsibilities. At the school level, these costs are primarily associated with the principal's office. At the district level, they are primarily associated with the governing board, superintendent's office, business office, and support services.

Tempe Elementary's administrative costs of \$702 per pupil were \$176 (or 33.5 percent) higher than the average for comparable districts.

Per-Pupil Administrative Costs
 Fiscal Year 2003



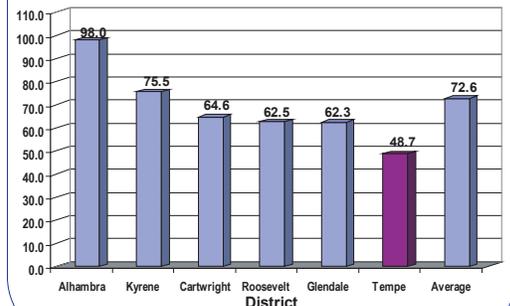
The District's costs are high because it had more administrative positions than other districts, and higher benefit costs. It had the lowest number of students per administrative staff of all the districts reviewed.

More district-level staff—Tempe Elementary had 139 district-level administrative staff while comparable districts averaged 98.

More schools requires more administrators—The District has smaller "neighborhood" schools that averaged 541 students, compared to the



Students Per Administrative Staff
 Fiscal Year 2003



comparable districts' average of 749 students. As a result, it operates 7 more schools than similarly sized districts, and each school has approximately 5 administrative staff including principals and secretaries.

Higher benefit costs—The District's benefit costs were 64 percent higher than the comparable districts' average. This was due, in part, to the District's policy of paying health benefit premiums for retirees, and because it had a considerable amount of leave payouts for persons leaving district employment.

Desegregation activities—Almost 24 percent of the District's total administrative costs were attributed to its desegregation plan.

Recommendations

The District Should:

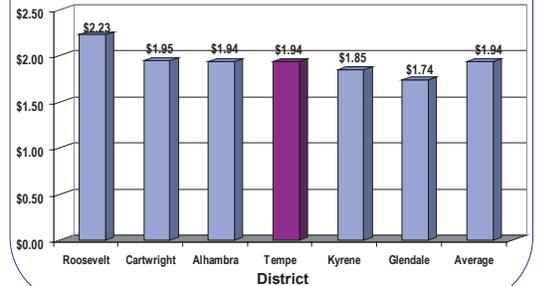
- Determine whether the number of administrative staff can be reduced.
- Determine if the costs can be reduced.

Food Service

Tempe Elementary's food service program was generally efficient. The program was self-supporting and its cost-per-meal was at the average for comparable districts.

The District spent less on salaries and benefits than the comparable districts' average. However, its food costs were higher because it had chosen to use some higher-cost food items based on student preferences.

Cost-Per-Meal
Fiscal Year 2003



Student Transportation

Tempe Elementary's transportation costs were slightly higher, on average, than other, similar districts'. For example, while Tempe's transportation cost-per-mile was below the average for similarly sized districts, it was above the average for districts that traveled a similar number of route miles.

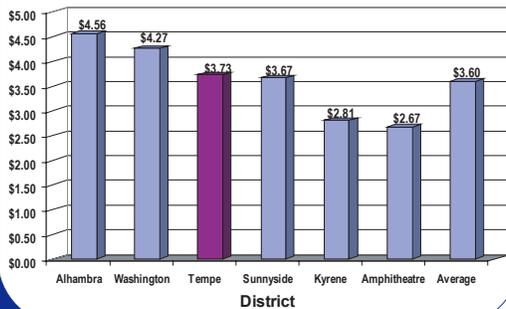
The District's costs were higher mainly because it had an extensive bussing program under an

Administrative Agreement with the U.S. Department of Education Office of Civil

Rights (OCR). To correct a racial/national origin imbalance among its schools, the District transports some students from their local school to other schools within district boundaries. Further, the District transports 4 percent more special needs students than the comparable districts averaged, which resulted in higher costs due to the need for separate buses and routes and additional employees to assist these students

Performance measures—The District could further improve its program by developing performance measures. The District does not monitor measures such as cost-per-mile, cost-per-rider, and timeliness.

Cost-Per-Mile
Fiscal Year 2003



Recommendation

The District should develop and monitor performance measures.

Plant Operation and Maintenance

Plant operation and maintenance costs include salaries, benefits, and other costs for heating/cooling, equipment repair, groundskeeping, and security. Tempe Elementary's plant costs were 16 percent higher per square foot than the comparable districts' average.

The higher costs appear due to:

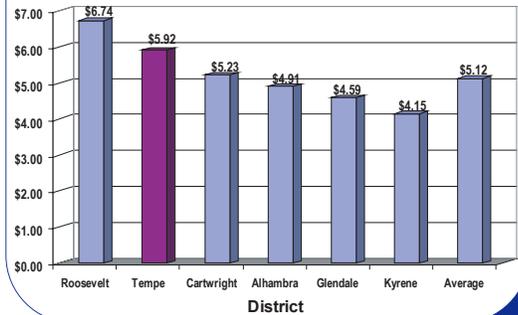
- Higher salaries—While its salary ranges are in-line with other districts, due to longevity, 35 percent of Tempe's custodians and maintenance workers were paid at or above the maximum salaries.
- Greater square footage—The District has 138 square feet per student versus

the comparable districts' average of 112.

- Older buildings—The District's buildings are an average of 28 years old, while the comparable districts' average is 20 years.

This past year the District has taken steps to conserve energy, switched to a less-expensive electric rate plan, and has reduced garbage removal costs.

Plant Costs Per Pupil
Fiscal Year 2003



Recommendation

The District should identify further methods for reducing its plant operation and maintenance costs.

Proposition 301 Monies

Proposition 301 monies are designated for base pay increases, performance pay, and certain menu options such as reducing classroom size, dropout prevention, and additional pay increases.

As allowed by law, the District spent all of its monies on salaries and benefits. The average salary increase for eligible employees was \$3,263.

Proposition 301 Monies Paid Per Employee
Fiscal Year 2003

Category	Budgeted	Actual
Base Pay	\$ 858	\$ 855
Performance Pay	2,511	717
Menu Options	<u>1,690</u>	<u>1,691</u>
Total	<u>\$5,059</u>	<u>\$3,263</u>

Classroom Dollars

While Tempe Elementary did not classify some costs correctly, adjusting for errors did not cause significant changes in its classroom dollar percentage.

The District's classroom dollar percentage for FY 2003 was 55.6

percent. This is below the average for the State and comparable districts, despite the fact that Tempe spent 22 percent more per student in current resources than the comparable districts averaged.

Recommendation

The District should properly classify all transactions.

Desegregation Monies

Tempe Elementary is 1 of 19 districts spending additional monies to address desegregation issues. The District's desegregation goals, established through a 1973 agreement with OCR, are to achieve racial and national origin balance at all of its schools, and to address language barriers.

The District spent over \$13.6 million in desegregation expenditures, or \$1,096 per student. This amounted to 16 percent of its total expenditures and was twice as high as the average for other districts, which is 8 percent. The District spent the monies on:

- bussing students,
- community/parental relations activities such as newsletters,
- cultural diversity training,
- second-language certification for teachers, and
- free full-day kindergarten.

Forty-one percent of the District's desegregation monies were spent in the classroom.

Desegregation Expenditures Fiscal Year 2003

Percentage	Function
41%	Classroom
19	Student support
17	Administration
12	Instructional support
7	Student transportation
4	Plant operation and maintenance
<u>100%</u>	Total

Tempe Elementary spent 92 percent of its desegregation monies on salaries and benefits. The next largest portion of the monies was spent on indirect costs incurred by the District in support of the desegregation programs. The District allocated \$459,000 of desegregation monies to electricity, indicating that this represented a simplified method of recovering the support costs from other areas such as finance, human resources, and plant costs. However, the District did not retain documentation demonstrating that \$459,000 was an appropriate amount.

Recommendation

The District should prepare and retain documentation supporting the amount of indirect costs it allocates to desegregation programs.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



or by visiting
our Web site at:
www.auditorgen.state.az.us

Contact person for
this report:
Ann Orrico