



# **Caruthers Unified School District on behalf of the Southwest Transportation Agency**

## **Transportation Management Review**

April 14, 2008

Joel D. Montero  
Chief Executive Officer





**CSIS California School Information Services**

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April 14, 2008

Dwight Miller, Board President, Southwest JPA  
Elaine Cash, Vice Chair, Riverdale Unified School District  
Caruthers Unified School District  
1 Tiller Avenue  
Caruthers, California 93609

Dear Mr. Miller and Ms. Cash:

In October 2007, the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for a transportation management review with the Caruthers Unified School District on behalf of the Southwest Transportation Agency. The request specified that FCMAT would:

1. Conduct a review of **each** JPA budget utilizing three years of audited financial statements to provide a comparative cost analysis with the 2007-08 fiscal year budget that will include the following components. The objective is to determine if the JPA is the most cost efficient model for each participating district.
  - a. Budget planning and development process
  - b. Budget amendment procedures
  - c. Budget assumptions for 2007-08
  - d. Budget-to-actuals comparison for three historical years
  - e. 2007-08 operating budget
  - f. Operating revenues and expenditures as a percent of the total budget
  - g. Operating revenue
  - h. Revenue line item explanations
  - i. Operating expenditures
  - j. Expenditure line item explanations
  - k. Sources and uses of funds
  - l. Debt obligations
  - m. Operating improvements
  - n. Capital improvements
  - o. Capital contingency fund
  - p. Capital asset distribution
  - q. Interagency transfer of funds

**FCMAT**

Joel D. Montero, Chief Executive Officer

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Administrative Agent: Larry E. Reider - Office of Kern County Superintendent of Schools

2. Provide recommendations for an appropriate staffing level and organizational structure for **each** JPA as it relates to the participating school districts. The objective is to determine if the JPA is a cost efficient model for each participating district. Comparisons should be made to school district departmental operations regarding productivity and efficiency models and shall include the following components:
  - a. Personnel summary by JPA
  - b. Employee distribution as a percentage of each JPA
  - c. Review job descriptions to conduct salary and benefit comparison vs. school district positions
  - d. Review customer service records or logs
  - e. Review support training by position
  
3. Review specifically the operations of the Southwest Transportation Agency and transportation services, which shall include the following:
  - I. Insurance; contract compliance
    - a. Provision
    - b. Certificate of insurance
    - c. Public liability insurance
    - d. Workers' Compensation insurance
    - e. Insurance limits
  - II. Management
    - a. Compliance with laws
    - b. Care and supervision
    - c. Compensation and annual billing
    - d. Contract and bidding process
  - III. Operations, Routing, and Scheduling
    - a. Demographic data by summary and district
    - b. Vehicle ownership by summary and district
    - c. Average weekly ridership by summary and district
    - d. Routing methodologies
    - e. Number of routes per district and summary
    - f. On time performance and efficiency review by district
    - g. Vehicle maintenance and inspection reports by district and summary
    - h. Bus loading and student counts
    - i. School bus inventory by summary and district
    - j. School bus replacement schedule
    - k. Equipment availability
    - l. Field trips
    - m. Customer service or complaint logs
    - n. Ridership forecast by summary and district
    - o. Dispatch

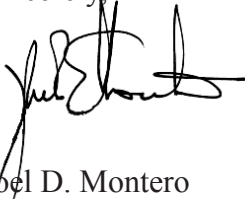
1. assigned buses per contract
2. drivers possess appropriate licenses

#### IV. School Bus Driver Requirements

- a. Pre-employment screening
- b. Credential and related requirements
- c. Drug use prevention
- d. In-service training
- e. Retraining
- f. Safety Programs
- g. Accident Reports

The attached final report contains the study team's findings with regard to the above areas of review. We appreciate the opportunity to serve you, and we extend our thanks to all the staff of the Southwest Transportation Agency.

Sincerely,



Joel D. Montero  
Chief Executive Officer



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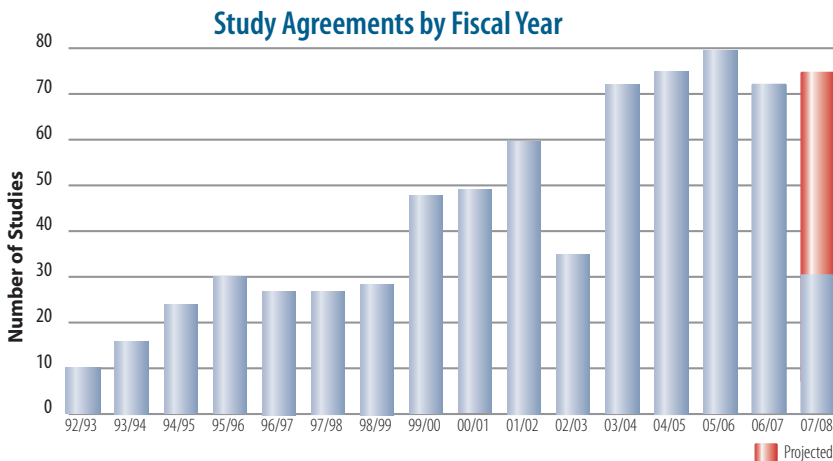
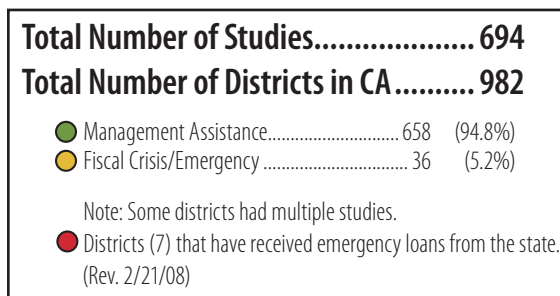
# Foreword

## FCMAT Background

The Fiscal Crisis and Management Assistance Team (FCMAT) was created by legislation in accordance with Assembly Bill 1200 in 1992 as a service to assist local educational agencies in complying with fiscal accountability standards.

AB 1200 was established from a need to ensure that local educational agencies throughout California were adequately prepared to meet and sustain their financial obligations. AB 1200 is also a statewide plan for county offices of education and school districts to work together on a local level to improve fiscal procedures and accountability standards. The legislation expanded the role of the county office in monitoring school districts under certain fiscal constraints to ensure these districts could meet their financial commitments on a multiyear basis. AB 2756 provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans. These include comprehensive assessments in five major operational areas and periodic reports that identify the district’s progress on the improvement plans.

Since 1992, FCMAT has been engaged to perform nearly 700 reviews for local educational agencies, including school districts, county offices of education, charter schools and community colleges. Services range from fiscal crisis intervention to management review and assistance. FCMAT also provides professional development training. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The agency is guided under the leadership of Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.





## Introduction

The Southwest Education Support Center includes two separate joint powers agreements (JPAs): the Southwest Transportation Agency (SWTA) and South County Support Services Agency (SCSSA). The Southwest Education Support Center facility houses both agencies and is in the town of Caruthers in Fresno County.

The SWTA agency was formed on May 1, 1988 by Riverdale Unified School District, Caruthers Unified School District, Monroe School District, Alvina Elementary School District (now a charter school), and Laton Unified School District. The formation of the agency was a direct response to stagnant funding for school transportation in California and the challenges that small school district administrators face in trying to manage a school transportation system. Since 1988, the JPA has increased its services to nine additional school districts in Fresno County as associate members or contracted districts.

Caruthers Unified School District requested FCMAT's assistance on behalf of the SWTA JPA. The scope of work for this management review as determined by the SWTA and FCMAT is as follows:

1. Conduct a review of **each** JPA budget utilizing three years of audited financial statements to provide a comparative cost analysis with the 2007-08 fiscal year budget that will include the following components. The objective is to determine if the JPA is the most cost efficient model for each participating district.
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  - f. Safety Programs
  - g. Accident Reports

## Study Team

The study team included the following members:

Michele A. Huntoon, CPA  
Chief Management Analyst  
Fiscal Crisis and Management  
Assistance Team  
Newcastle, California

Deborah Deal  
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Fiscal Crisis and Management  
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Bud Bankston\*  
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Kern High School District  
Bakersfield, California

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Coronado, California

Timothy Purvis\*  
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Poway Unified School District  
Poway, California

Michael Rea\*  
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West County Transportation Agency  
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Public Information Specialist  
Fiscal Crisis and Management  
Assistance Team  
Bakersfield, California

\*As members of this study team, these consultants were not representing their respective employers, but were working solely as independent consultants for FCMAT.

## **Study Guidelines**

FCMAT consultants visited the agency in December 2007 to conduct interviews with board members, administration, and staff of both JPAs; recompute key financial data; review policies and procedures; and review financial reports. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Financial Review
- Staffing and Personnel
- Transportation Program

## Executive Summary

Until 1977, the state fully reimbursed school districts for their reported operational costs of school transportation. After Proposition 13 passed in 1977, the state slowly reduced the percentage of reimbursement it paid to school districts for transportation. By the 1981-82 school year, the state reimbursed only 80% of the costs. In the 1982-83 school year, the state froze the school transportation reimbursement. Since then, the state has inconsistently provided a school transportation cost of living adjustment (COLA) or growth funding from year to year. The school transportation COLA is not mandatory. As costs for salaries, benefits, fuel, and parts have risen and the allocation has changed very little, the gap has widened between costs and revenue. State funding now covers less than 45% of the operational costs for school transportation statewide, with the districts' general and categorical funds covering the remaining 55%. This places tremendous financial pressure on school districts, which must use funds originally intended for educational needs.

Southwest Transportation Agency is one of five school transportation JPAs in California that operate a comprehensive school transportation program. As SWTA became more successful at controlling operational costs, other local school districts expressed interest in having their transportation service provided by the agency. SWTA now provides transportation to nine school districts in the surrounding area in addition to the original five. Reportedly, the Board of Directors of Southwest Transportation Agency informally adopted a procedure of contracting with those school districts for service rather than offering them membership. SWTA staff stated that it would be cost-prohibitive for a non-member school district to buy into an appropriate share of the agency's assets. These non-member districts (known as associate members) generate additional revenue over costs to help support the member school districts.

Originally, service to the non-member school districts was provided by separate contract, renewed annually through SWTA. Since the agency was quite successful at controlling costs, it faced the situation of collecting more revenue than its costs, placing the state allocation in jeopardy of being reduced. On May 1, 1999, the agency formed a second JPA, South County Support Services Agency (SCSSA). This JPA would provide the transportation to the non-member school districts, thus protecting SWTA's state allocation. In addition, the SCSSA was established to explore and provide other types of services to member and non-member school districts. The agency considered providing cooperative custodial, grounds, warehouse or food service for the member or non-member districts, but none of those services have been initiated. The agency operates a cooperative information technology department that supports member and non-member school districts. In addition, an SCSSA consultant provides some contractual construction management services to member school districts and others. It appears that the information technology department has ended the previous fiscal years with just enough revenue to support its costs and that the consultant generates a modest amount of revenue. However, a deficit in that program is projected for the 2007-08 fiscal year. During the 2006-07 school year the

school transportation service for non-members generated just under \$800,000 to support member school districts in SWTA. Despite this contribution, agency members contributed \$839,000 in excess costs to support their transportation operations.

The SCSSA joint powers agreement was amended on March 7, 2007 to allow the creation of associate or non-equity members. An opinion from the Fresno County Office of Education Legal Services Department stated that non-member school districts would have to go to bid for transportation services rather than simply contract with SCSSA, as was the practice. In addition, the opinion stated that this separate class of non-equity members was not acceptable under current law and precedent. That opinion was supported by an opinion from the California Attorney General. SWTA supplied the team with a conflicting opinion from legal counsel that an associate member classification was acceptable and that those members could receive direct service from SCSSA without going to bid. Two school districts went to bid for the 2007-08 school year and SCSSA was the only bidder. The rest of the districts signed the associate membership agreement without going to bid. This status of associate member allows the agency to provide transportation service but does not vest these school districts in the agency's assets or burden the districts with the agency's liabilities.



## Financial Review

Under Education Code Section 41023, joint powers agreements/agencies (JPAs) consisting solely of school districts and county offices of education are subject to the same restrictions (e.g., financial reporting requirements) applicable to school districts and county offices, including preparation of budget and financial statements, certifications, accounting and auditing requirements, and expenditure and appropriation controls.

Both the SWTA and the SCSSA agencies are overseen by a board consisting of representatives from the five member districts. The Laton, Riverdale and Caruthers districts have additional representatives because they had separate elementary and high school districts that became unified districts.

In addition to the scope of this study, board members interviewed by the team expressed a desire to determine whether the agency is fulfilling its focused mission of reducing or controlling excess costs for school transportation for members. There seemed to be a clear desire to determine if serving non-members and creating a larger organization with varied services benefited members relative to their school transportation costs.

A mission statement helps to ensure that an organization's activities directly correlate to its vision and goals. The JPA does not have such a statement; however, in the JPA agreement there is a defined focus for the agency. A mission statement provides ongoing guidance as budgets are adopted and updated throughout each fiscal year. It is used to determine goals for a fiscal year and ensure that the goals are reflected in the budget.

The JPA has board policies for each operational area of the organization. However, many of the policies have not been reviewed or updated to reflect current practices. Position titles have changed, and those changes should be reflected in the board policies. The 7000 series of board policies has not been updated since 1988, except for Board Policy 7005, Revolving Cash Fund. This policy was updated in 2000 to increase the fund from \$500 to \$1,500. There is reference to the Director of Transportation throughout this series as the responsible party. The director currently does not have responsibility for these functions.

## Budget

An organization's budget is the single most important policy document over which a Governing Board exercises control. The budget reflects the real priorities of the organization as set by the Governing Board.

The most essential financial document of the organization is the annual budget. Annual budget goals established by the Governing Board at the beginning of the budget development process will help staff develop a budget that reflects the board's annual goals. The

board currently discusses all the assumptions to meet these goals during numerous budget workshop sessions and should memorialize them in the final adopted budget document.

The JPA's Controller begins budget development in January each year with the budget assumptions determined by the CEO. The largest portion of the SWTA JPA's budget is salaries and benefits at 58%. For budgeting purposes, the Controller places all vacant bus driver positions at the top step in a central site location in the budget. All other positions are budgeted at their appropriate placement.

Because salaries and benefits are the largest portion of the SWTA JPA's budget, a sound position control system is crucial to projecting expenditures. The JPA does not maintain a position control system through the Fresno County Office of Education (Fresno COE) financial system. The Fresno COE is in the process of implementing a position control module that will be available to the JPA.

Staff have conducted several board workshops with board members where detailed information regarding the assumptions used for budget development was discussed. This allowed the board members to fully understand how the budget reflects the board's goals. However, the budget document provided to the board for the 2007-08 budget was a summary document with very little detail on revenues and expenditure calculations. The administration should provide a document that memorializes the details on all revenues and expenditures, particularly related to salaries (e.g., full-time versus part-time) that were discussed in previous workshops.

The JPA is meeting its reserve for economic uncertainties (required 5% or \$53,000 for JPAs with less than 1,001 ADA), but no formal policy has been established to require this reserve level. The reserve becomes more important during times of economic uncertainty and declining enrollment. Most of the member districts are experiencing enrollment decline, with a total drop in ridership of approximately 200 students between 2005-06 and 2006-07 for the JPA.

The SWTA JPA prepares and submits periodic reports to the board throughout the fiscal year (adopted budget, first interim, second interim, and unaudited actuals). FCMAT reviewed the financial system reports, which were sorted by district (i.e., site location element.) The elements included in the summary reports were budget, actuals, encumbered items, and remaining balances. The detailed reports at the site level for all expenditure items included direct charges and identified costs and do not include a budget for any of the expenditures for the district-level costs such as fuel. The SWTA JPA budgets at a very high level for all expenditures but accounts for the actual expenditures at the district level, which is shown as a site number on the financial system reports. This type of budgeting allows management to track information by individual districts to determine actual costs for non-member districts. This ensures that the contracted amount covers the cost of services provided by SWTA.

The JPA budgets are updated for the adopted budget, first interim, second interim, and unaudited actuals. These are appropriate times to update budgets. However, budgets must be monitored throughout the fiscal year, with amendments brought to the board as necessary and not just at the required periodic reporting periods. For example, the loan for 10 new buses was obtained after the adopted budget was approved but before the first interim reporting. However, the loan payment due before the end of the 2007-08 fiscal year was not included in the budget amendment for the period ending October 31, 2007.

## Revenues and Expenditures

FCMAT reviewed the SWTA JPA budget from 2005-06 through 2007-08. As indicated below, the largest increase over that period of time is \$169,000 in employee benefits. The JPA pays the employee's Public Employees Retirement System (PERS) contribution of 7% instead of deducting the amount from the employee's check. Salaries and benefits make up 58% of the total expenditures. The loan payment for the facility is 9% of the total expenditures.

The largest increase in revenues is in other local revenue, which consists of contracted services to local districts for regular home-to-school, field trips, and other special trips.

The largest discrepancy for the SWTA JPA over the three-year period occurred in 2006-07, with local revenue collection falling \$2.7 million below the original budgeted amount and total expenditures \$2.8 million below the original budget. This was due to a change in accounting methods that budgeted for interagency transfers for payroll-related expenditures, which had a net effect of zero. This interagency transfer methodology was subsequently changed this fiscal year. Even though the overall effect was negligible, the adopted budget needs to reflect what actually occurs within the fiscal year in terms of revenues and expenditures. Since the budget is a fluid document, it should be adjusted throughout the fiscal year, and revisions should be as accurate as possible.

In addition, FCMAT noted that the 2007-08 contribution for the member districts was based on the 2006-07 calculation, although the 2007-08 total expenditures are projected to decrease by \$164,000. As part of the budget development, the member districts determine the amount of member contribution. In addition, the methodology for the calculations is reviewed per the original JPA agreement during the annual budget development process.

The cash flow statements for both JPAs show months with negative cash balances in the interim projections. The SWTA shows one month negative in the first half of the fiscal year. However, the SCSSA shows three months with negative balances in the first half of the fiscal year. The administration monitors cash monthly as part of the regular financial statement reviews to ensure that negative balances are minimized, or at least can be addressed appropriately to avoid unexpected cash shortfalls. Given the state budget shortfalls in the next fiscal year, regular cash monitoring will be extremely important.

	2005-2006		2006-2007		2007-2008	
	Adopted	Audited	Adopted	Audited	Adopted	First Interim
State Revenue	\$ 1,227,161	\$ 1,246,770	\$ 1,302,443	\$ 1,314,663	\$ 1,357,680	\$ 1,357,680
Other Local Revenue	\$ 1,580,409	\$ 1,881,405	\$ 5,656,522	\$ 3,006,691	\$ 2,230,896	\$ 2,293,896
Total Revenue	\$ 2,807,570	\$ 3,128,175	\$ 6,958,965	\$ 4,321,354	\$ 3,588,576	\$ 3,651,576
Classified Salaries	\$ 1,241,971	\$ 1,368,155	\$ 2,619,225	\$ 1,410,417	\$ 1,321,553	\$ 1,371,553
Employee Benefits	\$ 629,345	\$ 624,730	\$ 1,479,102	\$ 794,331	\$ 798,751	\$ 798,751
Books and Supplies	\$ 675,306	\$ 760,937	\$ 1,804,466	\$ 912,583	\$ 652,999	\$ 652,999
Services, Other Oper	\$ 287,690	\$ 320,031	\$ 387,429	\$ 380,394	\$ 433,379	\$ 452,379
Capital Outlay	\$ 66,932	\$ 43,781	\$ 67,202	\$ 122,158	\$ 97,843	\$ 97,843
Other Outgo	\$ 350,000	\$ 338,660	\$ 340,000	\$ 339,818	\$ 340,000	\$ 340,000
Total Expenditures	\$ 3,251,244	\$ 3,456,294	\$ 6,697,424	\$ 3,959,701	\$ 3,643,525	\$ 3,713,525
Net Increase /(Decrease)	\$ (443,674)	\$ (328,119)	\$ 261,541	\$ 361,653	\$ (54,949)	\$ (61,949)
Beginning Fund Balance	\$ 624,690	\$ 644,391	\$ 320,360	\$ 320,360	\$ 270,459	\$ 651,871
Audit Adj./Other Restatements	\$	\$ 34,568	\$	\$ 30,480	\$	\$ 60,622
Adjusted Beginning Balance	\$ 624,690	\$ 678,959	\$ 320,360	\$ 350,840	\$ 270,459	\$ 712,493
Ending Balance	\$ 181,016	\$ 350,840	\$ 581,901	\$ 712,493	\$ 215,510	\$ 650,544
Components of Ending Balance						
Revolving Cash/Stores		\$ 89,836		\$ 120,316		
Undesignated/Unappropriated	\$ 181,016	\$ 261,004	\$ 581,901	\$ 592,177	\$ 215,510	\$ 650,544

<b>SWTA Expenditure Percentages 2007-08</b>			
	<b>Adopted</b>	<b>First Interim</b>	<b>Percentage</b>
State Revenue	\$1,357,680	\$1,357,680	37.18%
Other Local Revenue	2,230,896.00	2,293,896.00	62.82%
<b>Total Revenues</b>	<b>\$3,588,576.00</b>	<b>\$3,651,576.00</b>	<b>100.00%</b>
Classified Salaries	1,321,553.19	1,371,553.19	36.93%
Employee Benefits	798,750.81	798,750.81	21.51%
Books and Supplies	652,999.00	652,999.00	17.58%
Services, Other Oper	432,379.00	452,379.00	12.18%
Capital Outlay	97,843.00	97,843.00	2.63%
Other Outgo	340,000.00	340,000.00	9.16%
<b>Total Expenditures</b>	<b>\$3,643,525.00</b>	<b>\$3,713,525.00</b>	<b>100.00%</b>

The SCSSA JPA employees are paid out of the SWTA JPA initially, but a journal entry is completed that abates the expenditures back to the SCSSA JPA. The SCSSA JPA is not a member of PERS; therefore, the payroll for these employees is handled in the SWTA JPA, which is a PERS member. The abatement removes the expenditures from the SWTA JPA and accounts for them appropriately in the SCSSA JPA.

Revenues from the member districts are accounted for in the SWTA JPA. All other transportation revenues from the associate member regular home-to-school trips, field trips, and other trips are accounted for in the SCSSA JPA accounting records. The loan payment made by the SWTA JPA comes from a transfer made from the SCSSA JPA of \$340,000 annually. In addition, more than \$572,000 was transferred in the 2006-07 fiscal year for cash flow.

The cash needs of both JPAs should be monitored as closely as their fund balances. Fund balance is not the same as the cash balance. Both JPAs record transactions under the modified accrual basis of accounting. Both agencies issue audit reports under the Governmental Accounting Standards Board (GASB) regulations at the end of each fiscal year. The SWTA JPA has required transfers throughout the year from the SCSSA JPA to ensure there is enough cash to meet the obligations of the SWTA JPA. This should be monitored closely, as the need may not be temporary. If that is the case, it will be necessary to review the program to ensure that cash is sufficient to meet the agency's needs in a timely manner. The intent of the SCSSA was to segregate the revenues and expenditures of the contracted districts from the member districts of the SWTA JPA, so any cash needs regarding transfers should be included in the adopted budget before the start of the fiscal year.

## SCSSA Budget

FCMAT noted that the largest discrepancy over the three-year period for the SCSSA JPA occurred in the 2006-07 fiscal year, with the local revenue falling \$1 million below the original budget amount. Total expenditures also came in \$1 million below the original budget (see table below). Discrepancies for the 2005-06 fiscal year were below budget in all categories except other outgo, which came in \$139,000 above the original budget.

The 2007-08 contribution from SCSSA to SWTA has increased by \$528,000 since 2005-06. This is a clear indication that the SCSSA is supplementing the SWTA. However, even with the increase in the contribution from the SCSSA to the SWTA, the contribution by each of the member districts has also increased as directed by the JPA board. Total expenditures are projected to increase by \$354,000 over the 2006-07 expenditures. The ending fund balance has increased by \$15,000 since the 2005-06 fiscal year. This indicates that the revenues generated by the SCSSA are being transferred to the SWTA to cover operational expenditures. The loan for the facility accounted for \$340,000 of the increase in expenditures.

South County Support Services Agency Comparison of Financial Information							
	2005-06		2006-07		2007-08		Difference between 2005-06 and 2007-08
	Adopted	Unaudited	Adopted	Unaudited	Adopted	First Interim	
Revenue Limit							
Federal Revenue							
State Revenue							
Other Local Revenue	\$2,404,434	\$2,386,796.83	4,133,549.75	3,045,701.52	3,232,487.00	3,242,487.00	838,053.00
<b>Total Revenues</b>	<b>\$2,404,434</b>	<b>2,386,796.83</b>	<b>4,133,549.75</b>	<b>3,045,701.52</b>	<b>3,232,487.00</b>	<b>3,242,487.00</b>	<b>838,053.00</b>
Certificated Salaries							
Classified Salaries	\$1,168,135	964,129.99	1,209,306.32	953,497.24	1,169,002.76	1,169,002.76	867.76
Employee Benefits	\$592,046	479,253.60	647,733.59	493,083.21	551,381.05	551,381.05	(40,664.95)
Books and Supplies	\$200,787	185,150.86	735,950.00	669,377.14	541,015.00	546,015.00	345,228.00
Services, Other Oper	\$93,158	123,194.31	156,293.51	177,031.10	108,043.00	108,043.00	14,885.00
Capital Outlay	\$63,141	53,810.95	88,141.00	31,892.28	-	-	(63,141.00)
Other Outgo	\$350,000	489,741.49	1,115,000.00	572,948.24	878,045.19	878,045.00	<b>528,045.00</b>
Indirect/Direct Support					-	-	
<b>Total Expenditures</b>	<b>\$2,467,267</b>	<b>2,295,281.20</b>	<b>3,952,424.42</b>	<b>2,897,829.21</b>	<b>3,247,487.00</b>	<b>3,252,486.81</b>	<b>785,219.81</b>
Net Increase/(Decrease)	\$(62,833)	91,515.63	181,125.33	147,872.31	(15,000.00)	(9,999.81)	52,833.19
Beginning Fund Balance	\$490,199	197,579.21	289,094.84	289,094.84	452,367.15	452,367.15	(37,831.85)
Audit Adj/Other Restatement				15,400.00	-	-	
Adjusted Beg Bal	\$490,199	197,579.21	289,094.84	304,494.84	452,367.15	452,367.15	(37,831.85)
Ending Balance	\$427,366	289,094.84	470,220.17	452,367.15	437,367.15	442,367.34	<b>15,001.34</b>
Undesignated/Unappropriated	\$427,366	289,094.84	470,220.17	452,367.15	437,367.15	442,367.34	15,001.34

South County Support Services Agency Comparison of Budget to Actuals									
	2005-06			2006-07			2007-08		
	Adopted	Unaudited	Difference	Adopted	Unaudited	Difference	Adopted	First Interim	Difference between 2005-06 and 2007-08
Revenue Limit									
Federal Revenue									
State Revenue									
Other Local Revenue	\$2,404,434	\$2,386,796.83	\$(17,637.17)	4,133,549.75	3,045,701.52	(1,087,848.23)	3,232,487.00	3,242,487.00	838,053.00
Total Revenues	\$2,404,434	2,386,796.83	\$(17,637.17)	4,133,549.75	3,045,701.52	(1,087,848.23)	3,232,487.00	3,242,487.00	838,053.00
Certificated Salaries									
Classified Salaries	\$1,168,135	964,129.99	\$(204,005.01)	1,209,306.32	953,497.24	(255,809.08)	1,169,002.76	1,169,002.76	867.76
Employee Benefits	\$592,046	479,253.60	\$(112,792.40)	647,733.59	493,083.21	(154,650.38)	551,381.05	551,381.05	(40,664.95)
Books and Supplies	\$200,787	185,150.86	\$(15,636.14)	735,950.00	669,377.14	(66,572.86)	541,015.00	546,015.00	345,228.00
Services, Other Oper	\$93,158	123,194.31	\$30,036.31	156,293.51	177,031.10	20,737.59	108,043.00	108,043.00	14,885.00
Capital Outlay	\$63,141	53,810.95	\$(9,330.05)	88,141.00	31,892.28	(56,248.72)	-	-	(63,141.00)
Other Outgo	\$350,000	489,741.49	\$139,741.49	1,115,000.00	572,948.24	(542,051.76)	878,045.19	878,045.00	528,045.00
Indirect/Direct Support							-	-	
Total Expenditures	\$2,467,267	2,295,281.20	\$(171,985.80)	3,952,424.42	2,897,829.21	(1,054,595.21)	3,247,487.00	3,252,486.81	785,219.81
Net Increase/(Decrease)	\$(62,833)	91,515.63	\$154,348.63	181,125.33	147,872.31	(33,253.02)	(15,000.00)	(9,999.81)	52,833.19
Beginning Fund Balance	\$490,199	197,579.21	\$(292,619.79)	289,094.84	289,094.84	-	452,367.15	452,367.15	(37,831.85)
Audit Adj/Other Restatement					15,400.00	15,400.00	-	-	
Adjusted Beg Balance	\$490,199	197,579.21	\$(292,619.79)	289,094.84	304,494.84	15,400.00	452,367.15	452,367.15	(37,831.85)
Ending Balance	\$427,366	289,094.84	\$(138,271.16)	470,220.17	452,367.15	(17,853.02)	437,367.15	442,367.34	15,001.34
Undesignated/Unappropriated	\$427,366	289,094.84	\$(138,271.16)	470,220.17	452,367.15		437,367.15	442,367.34	15,001.34



The following table indicates that the largest portion of the expenditures for SCSSA is in salaries and benefits. All revenues are generated through contracted services with local educational agencies in the Fresno and surrounding counties. There is a projected deficit for the 2007-08 fiscal year. A deficit is not always bad, if there is a planned deficit for a specific reason. For example, funding was reserved for several years as carryover to build up for the purchase of new buses. However, an unplanned deficit could impact both JPAs regarding available resources to meet obligations and would impact cash flow.

<b>SCSSA Expenditure Percentages 2007-08</b>			
	<b>Adopted</b>	<b>First Interim</b>	<b>Percentage</b>
Revenue Limit			
Federal Revenue			
State Revenue			
Other Local Revenue	3,232,487.00	3,242,487.00	100%
<b>Total Revenues</b>	<b>3,232,487.00</b>	<b>3,242,487.00</b>	<b>100%</b>
Certificated Salaries			
Classified Salaries	1,169,002.76	1,169,002.76	35.94%
Employee Benefits	551,381.05	551,381.05	16.95%
Books and Supplies	541,015.00	546,015.00	16.79%
Services, Other Oper	108,043.00	108,043.00	3.32%
Capital Outlay	-	-	
Other Outgo	878,045.19	878,045.00	27.00%
Indirect/Direct Support	-	-	
<b>Total Expenditures</b>	<b>3,247,487.00</b>	<b>3,252,486.81</b>	<b>100.00%</b>

## **Debt Obligations**

The SWTA has total debt obligations as of the end of the 2006-07 fiscal year of \$4.1 million. More than 97% of the debt balance is for the capital lease on the facility. This debt is for a term of 20 years ending in 2022. The JPA obtained a low interest rate on the capital lease from California Infrastructure Bank. The cost to build the facility was \$7.1 million, with a loan of \$4.6 million. The following table shows the balances on the SWTA obligations. Compensated absences have increased by 13% percent since 2003-04 (see the personnel section for recommendations). The capital lease balances have increased by 40% since 2003-04 because of the completion of the new transportation facility.



SWTA Debt Obligations						
Audit						
	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage Increase
Compensated Absences	\$58,667.00	\$72,217.00	\$115,384.00	Est. \$123,000	\$125,185.00	113%
Capital Leases	2,906,448.00	4,482,483.00	4,273,701.00	Est. \$3,977,000.00	4,058,989.00	40%
<b>Total</b>	\$2,965,115.00	\$4,554,700.00	\$4,389,085.00	Est. \$4,100,000.00	\$4,184,174.00	

The agency built a beautiful facility that provides a clean and safe environment. A lot of thought went into utilizing the facility for purposes besides transportation. A fueling station and a commuter parking lot are two of the components included in the facility that were paid for with grant funds.

The SCSSA JPA currently has no debt incurred.

The SWTA will be required to recognize the long-term obligations directly associated with the post-employment benefits provided to the retirees for health and welfare benefits. The SWTA issues audit reports under the GASB statements, which require agencies that follow these guidelines to implement the new statements that are issued by the GASB. GASB 45 will be implemented in 2009-10 for both JPAs. The SCSSA currently does not employ personnel, so no health benefits are provided to retirees in this agency. However, the SWTA JPA has employees that receive, or will receive, retiree health benefits after they retire from the SWTA JPA. The SWTA should obtain an actuarial study or work with its independent auditors to determine the JPA’s obligation under GASB 45. An analysis should be completed to determine the effect on the future financial statements based on the decision to fund or not fund the retiree liability. The recognition of the liability without funding the obligation will impact the net assets. The impact could be negative regarding attempts to obtain outside financing or maintain a low interest rate on current obligations that are scheduled for payment into the future.

## Transportation Costs

The following table shows the state allocation and approved costs as reported by SWTA and their associate members or contract districts. In addition, it shows the cost per mile and per student.

In the 2005-06 school year SWTA reported some data that should have been reported by the contracted school districts, so it reflects an inaccurate and lower cost per mile and a higher and inaccurate cost per student. It appears that the data was reported correctly in the 2006-07 school year.

SWTA’s cost per mile and cost per student is higher than many of the other school districts it serves on contract. West Fresno has a very high cost per mile, but that reflects the compact geography of the district. The low per-rider cost reveals that many students are

transported on very full buses. Since the cost per mile and cost per student are ratios, the relative size of the divisor affects the result.

For home to school transportation SWTA's cost per mile and cost per student is slightly higher than the statewide averages.

<b>SOUTHWEST TRANSPORTATION AGENCY / SOUTH COUNTY SUPPORT SERVICES AGENCY</b>				
<b>School Transportation Revenue and Costs as Reported on the TRAN</b>				
<b>2004-05</b>				
<b>DISTRICT</b>	<b>REVENUE</b>	<b>APPROVED COSTS</b>	<b>COST/MILE</b>	<b>COST/STUDENT</b>
Southwest T.A.	\$1,128,618.00	2,298,966.00	2.79	\$1,098.00
American Union	\$148,332.00	188,144.00	5.86	\$699.00
Burrel	\$79,081.00	99,294.00	4.48	\$993.00
Kingsburg	\$312,300.00	493,704.00	5.50	\$363.00
Orange Center	\$93,127.00	118,127.00	4.93	\$362.00
Pacific Union	\$159,742.00	163,228.00	3.26	\$611.00
Raisin City	\$118,874.00	177,625.00	6.42	\$1,161.00
Washington Union	\$332,792.00	349,745.00	5.26	\$799.00
West Fresno	\$194,506.00	292,997.00	9.67	\$627.00
West Park	\$122,101.00	133,074	6.17	\$516.00
<b>2005-06</b>				
<b>DISTRICT</b>	<b>REVENUE</b>	<b>APPROVED COSTS</b>	<b>COST/MILE</b>	<b>COST/STUDENT</b>
Southwest T.A.	\$1,096,909.00	\$4,192,783.00	\$3.75	\$1,897.00
American Union	\$144,164.00	\$231,139.00	\$4.73	\$906.00
Burrel	\$76,859.00	\$95,373.00	\$3.80	\$1,083.00
Kingsburg	\$303,526.00	\$505,535.00	\$6.07	\$396.00
Orange Center	\$90,511.00	\$110,285.00	\$2.85	\$444.00
Pacific Union	\$155,254.00	\$180,733.00	\$3.64	\$539.00
Raisin City	\$115,534.00	\$153,909.00	\$5.95	\$765.00
Washington Union	\$323,442.00	\$367,895.00	\$3.94	\$594.00
West Fresno	\$189,041.00	\$291,670.00	\$10.87	\$465.00
West Park	\$118,671.00	\$166,628.00	\$3.84	\$674.00
<b>2006-07</b>				
<b>DISTRICT</b>	<b>REVENUE</b>	<b>APPROVED COSTS</b>	<b>COST/MILE</b>	<b>COST/STUDENT</b>
Southwest T.A.	\$1,254,596.00	\$3,493,061.00	\$6.25	\$1,698.00
American Union	\$164,889.00	\$267,853.00	\$4.61	\$1,102.00
Burrel	\$87,908.00	\$109,350.00	\$4.31	\$1,301.00
Kingsburg	\$347,159.00	\$587,633.00	\$6.87	\$591.00
Orange Center	\$103,522.00	\$150,105.00	\$3.17	\$590.00
Pacific Union	\$177,573.00	\$218,305.00	\$3.98	\$653.00
Raisin City	\$132,143.00	\$203,570.00	\$6.76	\$946.00
Washington Union	\$369,938.00	\$419,992.00	\$4.46	\$760.00
West Fresno	\$216,217.00	\$324,257.00	\$11.75	\$560.00
West Park	\$135,730.00	\$329,076.00	\$7.46	\$1,316.00

Members of SWTA inquired as to whether the agency provides a more favorable arrangement for non-members. Although it is true that non-members or associate members contribute more than their actual costs to the agency, SWTA's costs have risen as a result of providing service to other school districts and adding a new facility. There are additional expenses to maintain and staff a larger facility, which makes it difficult to ascertain whether offering services to non-member districts is a positive endeavor for SWTA.

The Board of Directors has taken specific action over the years to provide service to other school districts and allow the CEO to charge rates that, in his determination, generate revenue for the agency. These rates are approximately equal to what it would cost each district to provide its own service, and cover increased staffing and the construction of a facility to support this larger organization. The board also formed a separate joint powers agreement, the SCSSA, to isolate non-member transactions, generate revenue to support its transportation operations and provide other services to members. The board has also taken action to aggressively pursue grant opportunities through local, state and national entities to fund various needs for the agency.

## Recommendations

*The Southwest Transportation Agency should:*

1. Develop a mission statement and review it annually to determine if any changes are required based on changes in the services provided or organizational structure.
2. Schedule budget workshops beginning in January each year for the subsequent fiscal year's budget adoption. Continue the workshops through the budget adoption. Conduct a new board member workshop, with follow-up sessions as necessary until the board members become comfortable with the budget data.
3. Review and update all board policies, job descriptions, employee titles and responsibilities.
4. Establish a board policy to establish a minimum reserve level as part of the ending fund balance.
5. Memorialize a detailed listing of revenues and expenditures for the adopted budget document to ensure that budget assumptions and board goals are clearly identified.
6. Provide a monthly cash flow statement in the board packet for review at the board meeting.

7. Ensure that an actuarial or calculation is completed to determine the full liability of retiree benefits to the JPA under the GASB 45 standard. Once the information is known, discuss funding options at the board level to address the unfunded liability.

## Staffing and Personnel

FCMAT was asked to provide recommendations for an appropriate staffing level and organizational structure for each JPA as it relates to the participating school districts. The stated objective was to determine if each JPA is a cost efficient model for each participating district utilizing comparisons with district departmental operations regarding productivity and efficiency.

The Southwest Education Support Center provides transportation, computer technology support, and construction management services. This study carefully examined staffing and personnel.

The SWTA has the following 15 position classifications:

- Chief Executive Officer
- Administrative Assistant
- Receptionist
- Director of Fiscal Services
- Payroll/Human Resources (title missing)
- Director of Transportation
- Transportation Supervisor
- Dispatcher (2.0 FTE)
- Trainer
- Drivers (65)
- Janitor (4 hours paid hourly as a subcontractor)
- Grounds Maintenance Worker (4 hours paid hourly as a subcontractor)
- Planning Supervisor
- Mechanics (5 FTE)
- Planner/Bus Driver (0.5 Planner/0.5 bus driver)

The SCSSA has the following five position classifications:

- Director of Information Systems
- Administrative Assistant
- Network Administrator
- PC Tech II
- PC Tech I (2.0 FTE)

The combined JPAs have 20 position classifications intended for 90 employees.

According to Board Policy 4002 and the CEO's employment agreement, the CEO is responsible to recommend for board approval the creation or abolishment of classified positions. The CEO also sets the number of employees in existing positions and the initial salary for new positions. An accurate annual organizational chart is necessary to meet these expectations and to follow best business practices, thus allowing the CEO and board to ensure cost efficiency and effective organization. The Southwest Education Support Center, comprised of the SWTA and the SCSSA, has an undated organization chart with incorrect employee titles, incorrect reporting relationships, and missing positions. No functional organizational chart is available.

The CEO should provide the board annually with an organizational chart, listing the major functions for each position. For example, it was determined that the position called Payroll/Personnel is not responsible for all of the traditional personnel functions. The position handles much of the transactional personnel tasks, while the CEO and the Administrative Secretary handle development of job descriptions, recruitment, compensation, and other strategic areas of Personnel. In addition, the Receptionist also serves as the office assistant for the Director of Fiscal Services. For a board to know, understand, and approve the budget of an organization, it must have a clear, concise and accurate picture of the organizational structure.

### **Adequacy of Staffing**

The Southwest Transportation Agency operates 55 school bus routes daily and performs more than 1,000 activity trips annually, traveling over one million miles on member and associate member routes. The current staffing of two dispatchers is reasonable for an operation of this size. One Dispatcher should open in the morning and one should work into the evening, with their shifts overlapping mid-day. The shortage of bus drivers means both dispatchers cover routes almost daily, which interferes with the overlapping schedule described above.

Fully staffed, the SWTA should have 52 school bus drivers and six cover drivers. There are 1.5 school bus driver Instructor positions. An operation of this size should have two full-time instructors. With the severe driver shortage, the instructors drive routes and do not have sufficient time to train new drivers and perform all the related instructor tasks.

Two and a half employees do the routing and scheduling, which is adequate staffing. However, the staff of mechanics may need to be increased. The agency owns 95 school buses, some of which are not in service. The agency will be receiving new buses to augment the fleet. While the statewide norms indicate that the agency is appropriately staffed with mechanics for its 55 routes, the total number of buses may warrant an additional mechanic, or the agency should reduce the number of spare buses it maintains. Typically, school transportation operations maintain a spare bus ratio of 10%-20%. However, many school districts keep their oldest buses certified and in service, even if they are not driven, to qualify for upcoming bus replacement grant programs.

The positions of Transportation Supervisor, Director of Transportation, and the remaining office support staff appear to be reasonable and adequate to provide school transportation service and administrative support for the agency.

Quarterly reports regarding the service level of the SCSSA should be presented to the board. A Director of Fiscal Services is responsible for budgeting and accounting for the dual JPAs and for oversight of Payroll/Human Resources. Payroll duties are completed by the Payroll/Personnel position, but recruiting, hiring, compensation and discipline are handled in the office of the CEO.

The CEO's position is a hybrid of directors of transportation and superintendents but cannot be compared effectively with either one of those positions alone. The CEO's Employment Agreement states that part of the job is to lead an organization whose focus is "to be proactive and aggressive in procuring business, which is advantageous to the member districts and the agency, but does not negatively affect services provided."

## Compensation

FCMAT found a severe shortage of bus drivers, with only 57 of the 65 positions currently filled. Bus drivers who were interviewed knew of people who had left the agency due to the lack of health and welfare benefits and lower relative salaries.

The following table illustrates that the bus driver salaries are lower at both the minimum and maximum levels than six districts in Fresno County that provide their own transportation.

### Bus Driver Salary Comparison (Sorted By Minimum Salary)

Organization	Minimum Salary	Maximum Salary	Number of Steps
Central USD	\$15.58	\$18.99	5
Fresno USD	\$15.07	\$18.33	5
Clovis USD	\$14.02	\$18.31	12
Selma USD	\$13.93	\$17.83	5
Sanger USD	\$13.81	\$17.63	6
Kings Canyon USD	\$13.60	\$21.11	10
<b>SWTA</b>	<b>\$12.74</b>	<b>\$16.62</b>	<b>10</b>
<b>*SWTA 7%</b>	<b>\$13.63</b>	<b>\$17.78</b>	<b>6</b>

\*Reflects SWTA salary including PERS contribution by SWTA

As a comparison, Kings Canyon has a salary schedule that essentially pauses at Step 5 (\$16.54) and then begins Step 6 at 10 years of service, Step 7 after 15 years, and so on

at 20 years, 25 years and 30 years. However, after 10 years, when an SWTA bus driver reaches \$12.62, the Kings Canyon driver would reach \$17.36 and would have outearned the SWTA bus driver during the entire period of time.

The Southwest Education Support Center pays the 7% PERS that would otherwise come out of an employee's check. If the agency put that 7% back into salary and allowed the PERS to be paid by the individual with pre-tax dollars, all employees, including the bus drivers, would immediately take home a larger paycheck (see last row of the table above). Adding the 7% into the salary schedule would cost the agency approximately 1.35% more in other statutory benefits that would automatically increase because of the larger salary base. This would be a modest increase for the agency but would allow salaries to be more competitive with other local districts. Additionally, if the salary schedule were reconfigured into six steps, bus drivers would move from the bottom to the top in just six years, which is more competitive with the Central Valley marketplace. While the two largest districts, Central and Fresno, still outpace the salaries, these moves would make SWTA more competitive with the smaller districts such as Sanger, Selma and Kings Canyon (at Step 5).

Other suggestions for recruitment and retention of bus drivers include:

- Advertise in local papers (already done)
- Advertise in school newsletters
- Banner on agency fence (already done)
- Job fairs (already done)
- Job boards at Fresno State and City College
- Bus with a recruitment banner placed at busy locations
- Review the practice of paying less for piecework and pay a standard hourly rate (e.g., \$10 per bus with hourly rate of \$12.50)
- Ensure that duties that are consistent with the employees' job description are paid at time-and-a-half for overtime **or** negotiate a straight time overtime standard rate
- Schedule all driver contract work at a minimum of four hours and consider a pro-rated health and welfare package beginning with four hours
- Perform a driver salary comparison study to determine the need for an increase

Staff positions are extremely difficult to compare. School districts in the Central Valley vary dramatically in size and in resources. While there are always similar jobs from district to district and common basic prerequisite skills and abilities to perform the work, size and scope will vary. However, the Southwest Education Support Center is not a school district, and the board can set salaries based on the CEO's recommendations. The data on three of the staff benchmark positions may help the board to determine salaries.



**Director of Transportation Salary Comparison (Sorted By Maximum Salary)**

<b>Organization</b>	<b>Minimum Salary</b>	<b>Maximum Salary</b>	<b>Number of Steps</b>
Kings Canyon USD	\$53,223	\$82,293	10
<b>SWTA</b>	<b>\$66,096</b>	<b>\$66,096</b>	<b>1</b>
Clovis USD	\$50,544	\$63,144	12
Fresno USD	\$48,830	\$59,574	5
Central USD	\$44,289	\$53,833	5
Selma USD	\$45,4170	\$52,513	6

The job description for the Director of Transportation SWTA matches most closely with job descriptions for a transportation manager or supervisor in a larger district. The chart above is based on the job descriptions rather than the titles. Once again, Kings Canyon is the highest but includes steps based on 25 years of longevity and acquisition of a master's degree. The SWTA position ranks highest in maximum pay for this type of position. The agency recognizes that the current job description does not match the duties and responsibilities of the Director of Transportation.

**Administrative Assistant Salary Comparison (Sorted By Maximum Salary)**

<b>Organization</b>	<b>Minimum Salary</b>	<b>Maximum Salary</b>	<b>Number of Steps</b>
Selma USD	\$43,080	\$54,852	6
Clovis USD	\$34,068	\$44,424	12
Kings Canyon USD	\$34,020	\$46,766	10
Fresno USD	\$35,998	\$43,736	5
<b>SWTA</b>	<b>\$32,136</b>	<b>\$40,147</b>	<b>6</b>
Central USD	\$35,088	\$42,648	5

The job descriptions and definitions for the administrative assistants/secretaries among districts are quite disparate and difficult to compare. Selma Unified has both school secretaries for high schools and administrative assistants serving assistant superintendents in this classification. Clovis Unified has a 12-step salary schedule and the salary does not exceed the Step 5 level of the SWTA administrative assistants until Step 8. Comparison with Kings Canyon Unified is again problematic, as Step 5 is \$41,352 but Step 6 is not reached until the 10th year of service.

If the agency were to put the 7% PERS contribution on the salary schedule as suggested previously in this report, the high end of the Administrative Assistant range would be \$42,957, which approximates Central Unified, Fresno Unified, Clovis Unified (outpacing it in earlier steps) and Kings Canyon up to Step 5. Only Selma remains as an outlying

high salary level. Thus, the salary levels of this position at the agency are competitive and comparable with some school districts in the Central Valley area.

During initial discussions with members of the board, specific reference was made to the reasonableness of the CEO's compensation package. FCMAT began by reviewing the current Employment Agreement, which was being used to set compensation even though it had expired on June 30, 2007. On December 12, 2007, during the FCMAT field visit, the board approved a successor Employment Agreement, which was made retroactive to July 1, 2007. Thus, the increase in compensation will require six months of retroactive pay and benefits. The Employment Agreement contains an "evergreen" clause, which states that the board may terminate the agreement by giving the CEO written notice before December 31 of any year. Failing to do so automatically extends the agreement for an additional year. It is unclear whether this statement refers to termination within the Employment Agreement time frame, or supersedes the time frame, as was the case in 2007, and renews the agreement for another year. If the latter is the case, it is unclear why the board would make the provisions of the new agreement retroactive rather than effective for the second half of the year and beyond. The Employment Agreement presented on December 12 was approved without the physical document present for the board members to review. The board should always review employment agreements before taking a vote, as this is one of its most important duties.

Following is a comparison of the previous Employment Agreement with the agreement approved on December 12.

#### Cost of CEO Compensation Package

Compensation Type	Monthly 2004	Annual 2004	Monthly 2007	Annual 2007	Percent Change
Salary	\$8,227	\$99,334	\$8,567	\$102,811	+3.5%
Health and Welfare		\$13,482		\$13,000	
Transportation	\$375	\$4,500	\$588	\$7,056	+56.8%
Annuity		\$2,400		\$2,880	+20%
7% PERS		\$6,953		\$7,196	+3.5%
Retiree Benefits		\$134,820*		\$130,000*	-3.7%
Vacation		\$9,134		\$9,453	+3.5%
Sick Leave		12 days		12 days	
Residual Vacation		\$52,806*		\$37,815**	0

\*If the CEO retires at age 55 and the agency pays \$13,000/year for ten years then the total cost is \$130,000. Had the contract continued to pay the full annual cost of benefits, the 10-year cost would have been \$134,820 plus the cost of any increases.

\*\*As of July 1, 2007, the CEO had a vacation balance of 138.75 days. The board bought out 42.75 days at a cost of \$16,270, leaving a remaining balance of 96 days. The 96 days of residual vacation are worth \$37,815 based on his 2007 salary. Should that salary be increased, which the Employment Agreement says the board can do at any time, the \$37,815 would increase to the new daily rate times 96.

The above table approximates the cost of the CEO’s compensation package based on the 2007 Employment Agreement. It does not take into account any increased costs due to salary increases or retirement before age 55, which would result in a longer period of time that benefits would be paid to the CEO. The value of the December 12, 2007 contract is approximately \$310,000 if the CEO were to retire at the end of the contract and received health benefits for 10 years. The board did cap the contribution to health and welfare benefits at \$13,000 annually. The CEO will have to pay \$915 annually out of pocket and will absorb any future increased cost.

The following table compares the compensation of the member district superintendents and the CEO of SWTA. This perspective was requested of FCMAT, but does not mean that the jobs are comparable. Superintendents and CEOs negotiate their compensation with their boards. Boards must compensate a Superintendent based on the need to attract and retain a high-performing, high-quality leader. It is good business practice for boards to be aware of compensation within the broad area of the district or organization, but also to understand what is fair and reasonable with respect to all employees and to remain accountable to the public that supports the institutions.

<b>Superintendent Contracts 2007-08</b>													
District/Org Supt./CEO	Base Salary	Vac. Days	Sick Leave Days	Health/ Welfare	Vehicle Allow.	Incidentl Allow.	TSA	Member Dues	Retiremt Contrib.	# Students	# Cert Staff	# Class Staff	Total Staff
Alvina	\$73,000	20	12	No	\$150/mo.			Yes		200	12	11	23
Caruthers	\$105,447	20	12	Yes	\$500/mo.	\$300/mo.				1,461	190	76	266
Laton	\$110,725	24	12		\$500/mo.	\$250/mo.		Yes		764	52	33	85
Monroe	\$80,000	22	12	Yes						190	13	12	25
Riverdale	\$112,900	22	15	Yes	\$575/mo.	\$100				298	19	17	36
SWTA*	\$102,811	24	12	\$13,000 /yr.	\$588/mo.		\$2,880 /yr.		\$7,196 /yr.	Potential 11,000	0	91	91
<p>*CEO and his family will have benefits paid at \$13,000/year for a total of \$130,000 over 10 years.                      *CEO will receive pay for all unused vacation annually for a potential of \$9,453/year.                      *CEO will receive vacation payoff for 96 accrued and carried vacation days on retirement for a lump sum of \$37,815 based on current salary.</p>													

The board should carefully monitor the annual vacation of the CEO to ensure that vacation is used rather than incurring an annual cost. The board should also exercise extreme caution in the future in negotiating retirement benefits, since it will have to pay a new incumbent while paying the costs of a previously negotiated benefit. Finally, the board should pay close attention to the overall cost of the compensation package, which, in this case, currently exceeds \$310,000 if the CEO were to retire at the end of the contract and received health benefits for 10 years.

The board must carry out its responsibility of reviewing the salary levels of all positions in the agency. During the budget process, the board and its financial advisors can assess the reasonableness of the agency's salaries with respect to any comparable salaries in the individual districts. This can be accomplished by reviewing position control records.

## **Fringe Benefits**

The SWTA health benefits plan offered is SISC plans A, B, D and Kaiser. The board has capped the annual contribution for drivers eligible for fully paid benefits at \$11,064, so drivers must contribute approximately \$2,851 annually. The capped contribution for support staff is \$12,750, so support staff must contribute \$1,165 annually. As indicated earlier, the SWTA contribution to the CEO's health benefits is capped at \$13,000 annually, with a \$915 annual contribution from the CEO.

Except for bus drivers that fall into certain grandfathered provisions for fully paid benefits and drivers who qualify for one of the 13 slots for fully paid benefits by seniority, bus drivers must work six or more hours per day to receive prorated JPA contributions. Thus, newer drivers hired for less than six hours per day receive no contribution for health benefits.

The graded contribution system results in the lowest paid employees paying the greatest out-of-pocket expense while the highest paid employees, who also work consistent eight-hour days, have the smallest out-of-pocket expense, prorated hours notwithstanding. The core business of SWTA is bus transportation. The agency and its clients could gain if benefits were revamped in a manner that would attract and retain more drivers, even if it means a somewhat greater out-of-pocket contribution from the staff.

Board Policy 4026 outlines sick leave provisions that are consistent with Education Code Sections 45136, 45191, and 45193. Sick leave balances are maintained and may be carried over from year to year with no cap. Accumulated sick leave is not considered a liability to the agency. It may be rolled into the PERS retirement, and the agency has no obligation to pay it off on termination or retirement. It was stated that most of the drivers never retire into PERS, so they may not be concerned with saving their sick leave or transferring it to another PERS organization. Accumulated sick leave, however, signals that the employees are using it for the appropriate reasons.

The collective bargaining agreement (Article III, 3.4) provides for vacation accumulation for bus drivers and mechanics. There is no cap for bus drivers and only a cap during a single year, not a cumulative cap, for mechanics. Board Policy 4029 provides for 15 days of vacation per year for management and confidential employees with no cap. The CEO's employment agreement provides 24 days of vacation per year with no cap. Uncapped accumulation of vacation is a financial liability for the agency.

Review of the vacation and sick leave balances for all employees showed that only six employees other than the CEO had vacation balances over 25 days. Two of those had

vacation balances of over 40 days. The board should explore a cap for accruing vacation. A reasonable cap might be 25 days after which the employee would not accrue additional days until he/she used enough days to fall below the 25 days. The board must be careful to craft the language to avoid an illegal “use it or lose it” formula but should ensure that accrual ceases at some predetermined cap. The board’s decision regarding a cap should be reflected in a board policy containing appropriate language regarding vacation accrual balances.

## **Personnel Policies, Procedures, Job Descriptions and Salary Schedules**

Board Policy 4011 places responsibility with the CEO for developing and maintaining a statement for each job that reflects its purpose, duties, and minimum requirements. These statements are to be kept in a manual and reviewed annually by the board. Board Policy 4011 is not consistent with Education Code Sections 35020, 45109, 45103, and 45101, which together require board-approved job descriptions with specified elements for all positions in the classified service.

Existing job descriptions are written in many formats, do not all show a board approval/revision date, are not compliant with the above-mentioned Education Code sections and do not contain legally compliant information such as Americans with Disabilities and appropriate Fair Labor Standards Act (FLSA) designations. Titles on job descriptions do not match titles in Payroll, and one position lacks a title. Eight positions have no job descriptions.

The board should adopt an appropriate policy, and staff should develop a procedure, for the development and approval of new, legally sound job descriptions for all positions (20 job classifications). The agency should review the designation of “FLSA exempt and non-exempt positions,” since the laws in California have very recently changed and have become more stringent and the “exempt” status may no longer be applicable. All changes in job descriptions, including titles, should be approved by the board.

The 2007-08 salary schedule contains titles that do not match titles in job descriptions or on the organizational chart. Job titles are represented that have been abolished and some job titles are missing. The salary schedules should be regularly updated with any changes that are made in job descriptions.

The 4000 Series of the board policies do not appear to have been systematically reviewed and updated. A few of the policies have been updated since 1988, driven by a specific event/need. Staff and the board should review and revise all board policies in the 4000 Series and develop a periodic review schedule that keeps policies current, such as reviewing all odd-numbered policies in odd numbered years.

General rules and regulations governing the employment conditions of the bus drivers and mechanics reside in a collective bargaining agreement that expired in 2004, which still bears the name of the exclusive representative that has been decertified. A

separate Employee Handbook, published in 2006, contains rules and regulations under the headings of Personnel Procedures, Operating Procedures, Safety Procedures, Pupil Management, Emergency Procedures, Field Trips, Employee Discipline Procedures and Accounting Procedures. This manual contains information that is either redundant or inconsistent with the previous collective bargaining agreement. Staff should create a comprehensive document, perhaps called Rules and Regulations of Classified Employment, which contains all of the provisions and working conditions from the previous collective bargaining agreement plus any of the relevant portions of the Employee Handbook. The document should be board-approved as the guide that governs employment and working conditions in the agency.

## Recommendations

*The Southwest Transportation Agency should:*

1. Update the Southwest Education Support Center organizational chart with correct job titles and reporting relationships for all positions.
2. Maintain a list by position that includes the major functions for each position, and update it annually.
3. Review the practice and schedules for paying bus drivers. Review the practice of paying the PERS employee contribution versus another salary methodology to attract and retain staff.
4. Provide written employment agreements and job descriptions to the board one week before voting on them.
5. Carefully monitor the annual vacation of staff members to ensure that vacation is used rather than accruing. Evaluate the long-term costs in negotiating retirement benefits. Pay close attention to the overall cost of the compensation package.
6. Review the graded contribution system for all employees that results in the lowest paid employees paying the greatest out-of-pocket expense. Consider a prorated health benefit contribution at four hours instead of the current six hours.
7. Review and update board policies for all applicable sections for the Personnel Section (4000 Series).
8. Fill the vacant bus driver positions, as this affects other organizational operations.
9. Develop a comprehensive document that contains all of the provisions and working conditions for classified employees. Include any of the relevant portions of the Employee Handbook. Submit the document for board approval.

## Transportation Program

Southwest Transportation Agency provides home to school transportation service as follows:

<b>District</b>	<b>Number of Routes</b>	<b>Average Ridership</b>
Alvina	1 Morning, 1 Afternoon	65
Caruthers	7 Morning, 7 Afternoon	604
Laton	4 Morning, 4 Afternoon	279
Monroe	2 Morning, 2 Afternoon	114
Riverdale	9 Morning, 9 Afternoon	881

The SCSSA provides home to school transportation service as follows to the listed associate or non-members:

<b>District</b>	<b>Number of Routes</b>	<b>Average Ridership</b>
American Union	4 Morning, 4 Afternoon	218
Burrel	1 Morning, 1 Afternoon	99
Kingsburg	8 Morning, 8 Afternoon	1,143
Orange Center	4 Morning, 4 Afternoon	231
Pacific Union	3 Morning, 4 Afternoon	318
Raisin City	3 Morning, 3 Afternoon	206
Washington Union	7 Morning, 7 Afternoon	632
West Fresno	3 Morning, 3 Afternoon	614
West Park	3 Morning, 3 Afternoon	257

Additional routes for after-school programs, either four or five days per week are provided by SCSSA for Alvina, Caruthers, Monroe, Riverdale, American Union, Burrel, Orange Center, Raisin City, Washington Union, West Fresno and West Park.

### Service Strategy

In its efforts to provide transportation service under contract to non-members, create an associate member status, and build a facility, the agency needs to consider what strategies it can use to mitigate its costs.

The agency could charge higher rates to non-members or associate members for regular route service and field trips. This would generate more revenue but would risk a loss of business, as school transportation can be highly competitive, with contract companies earning very thin margins.

Declining to contract with non-members and eliminating the associate members would most likely result in much higher costs.



Part of the rationale for creating SCSSA was to provide services to districts and generate additional revenue over expenses to support the transportation services of members. There may be other services that this JPA can pursue to realize this strategy, but it is clear that new types of services will require administrative support and possibly physical infrastructure to be successful. Any new ventures should be carefully calculated to ensure that they generate revenue and do not negatively affect member school districts.

One strategy that the agency has considered is converting associate members to full members to spread fixed costs over a larger number of full members. Agency staff report that a buy-in arrangement as new members would be well beyond the financial capabilities of the non-member districts given the high book value of its assets.

It may not be necessary for new members to buy into the agency at a high level. This concept is based on the potential claim that members have on agency assets upon dissolution or withdrawal. Ownership of assets could be limited to only what members have contributed. Amending the withdrawal section of the JPA could address this issue.

The value of this concept is that the agency would no longer question whether contract members were getting a better deal, as everyone would contribute equally. From the point of membership on, new districts would contribute to all of the agency's assets. In addition, the fixed costs of the agency would be fairly, identifiably, and equitably spread to each member and over a broader base of members.

FCMAT interviewed a large percentage of the associate members and contract entities. Nearly every district is extremely pleased with the level of service they receive from the agency. Most noted that the transportation service is timely and professional. A couple stated that communication could be improved.

Most of the districts felt that the costs they were paying to the agency were reasonable. Some felt they were getting a good value. At least one articulated that they understand the challenges of providing school transportation and are glad they no longer have direct responsibility for their own service. One district felt that the associate members or contract entities should pay a set, consistent rate approved by the board.

Some of the representatives were aware of the Fresno COE legal opinion relative to going to bid for the service; some were not very familiar with this issue. Some felt confident that the alternate legal opinion that SWTA received was sufficient. Two districts agreed with the opinion and therefore went to bid for their transportation service.

Not all of the districts understood that they were paying more than it cost to provide the service and that they were subsidizing SWTA members. In nearly every case, the districts would be interested in becoming full members of the agency if the membership or initiation fee was reasonable. A number noted that they felt their costs would decrease if they



became a member. Others felt it would be beneficial to have a vote on the board and some level of control over the program. One district would rather keep its options open and perhaps not explore membership.

A couple of the districts interviewed use SCSSA for their IT service. These school districts are interested in transparency regarding rates and in exploring participation in the governance and responsibilities of the agency.

## **Contract with Bus West**

The agency has a contract with Bus West, a bus sales company. The contract provides Bus West with office and shop space to work on buses, sell parts and perform the necessary administrative work and documentation related to these tasks. While Bus West provides warranty service on SWTA buses, most of its mechanical and sales activities are for school districts and other entities outside the SWTA. Bus West pays SWTA \$50,000 per year for this arrangement.

Bus West is using its own equipment and tools exclusively to perform its work. However, bus parts for Bus West are in an open area with SWTA parts and should be segregated. There is concern about this arrangement, as the ownership of some stock could come into question. Separate office space, shop and parts areas for Bus West would be most advisable, but that does not appear to be physically possible in the present facility.

The SWTA reported that it had reduced its parts stock to less than \$7,000 in value, but a recently printed stock report indicated over \$60,000 in SWTA stock still on the shelves.

## **School Transportation Operations**

The agency provides safe and timely school transportation service that relieves school district administrators of the burden of these responsibilities. School district members are very pleased with the service they receive. The agency operates out of a modern and very functional facility that serves current needs and could potentially expand to address any new demands. Buses are clean, relatively new and reportedly well-maintained. FCMAT reviewed the relevant school transportation operational functions for their efficiency and compliance with the law.

## **Routing and Scheduling**

SWTA employs a Planning Supervisor and 1.5 planners. It was reported that several of the after-school routes need to be individually routed daily to ensure that students are delivered properly to the correct side of the road. The agency utilizes a computerized routing program. All students and bus stops are entered into the database. Planners design the routes and the program prints comprehensive route sheets that are very useful for drivers.

## Dispatch

Two dispatchers work from 5:30 a.m. to 5:30 p.m. and cover the routine span of the workday for the agency. These dispatchers determine what routes need to be covered, arrange for cover drivers or licensed staff members to drive those routes, book and assign drivers to field trips, answer telephone calls, and coordinate with drivers. It appears that the dispatch office is a very functional workspace and is equipped with all the necessary communication devices. The agency employs a global positioning system that can be used to determine the exact location of every bus on the road.

## Driver Training

There are only 1.5 driver trainers. Although other members of the staff have been certified driver instructors or are currently certified, they do not actively train drivers. Driver trainers should be actively involved in recruiting and retaining drivers. Driver training documentation is a critical task of a school bus driver instructor. An audit of driver training records indicates that the records are all up to date and maintained according to law. Because driver trainers have been driving bus routes as substitutes, they are not able to accomplish some of the necessary tasks. The agency does not have an active safety committee, and driver retraining after accidents may not be uniformly addressed. Vehicle accident records are not sufficiently comprehensive. Ideally, a spreadsheet should be used to note the date, involved parties, primary collision factor, determination of fault and preventability.

## Vehicle Maintenance

FCMAT did not perform physical mechanical inspections of buses but did audit vehicle maintenance records. The records comply with all aspects of the law. Additionally, the California Highway Patrol's motor carrier inspectors annually inspect vehicles, vehicle maintenance records, driver training records, and employee drug and alcohol testing records. They produce a terminal grade report on which SWTA has consistently received the highest grade, which is "Satisfactory."

## Employee Supervision

The agency appears to have a reasonably supportive structure, with adequate supervision, dispatchers and driver instructors to direct and support the primary work of school bus drivers.

## Recommendations

*The Southwest JPA should:*

1. Continue to review the associate member versus member status and strategies for future memberships.

2. If possible, provide for better separation of Bus West operations in the SWTA facility.
3. Include any necessary changes in the financial reports to reflect changes in warehouse parts as inventory.
4. Review the vehicle accident records to ensure they are as comprehensive as necessary to meet compliance guidelines.



## Appendices

Appendix A - Organizational Chart

Appendix B - Study Agreement



# APPENDIX A

## Southwest Education Support Center Southwest Transportation Agency South County Support Service

