

**REPORT HIGHLIGHTS**  
**PERFORMANCE AUDIT**

**Our Conclusion**

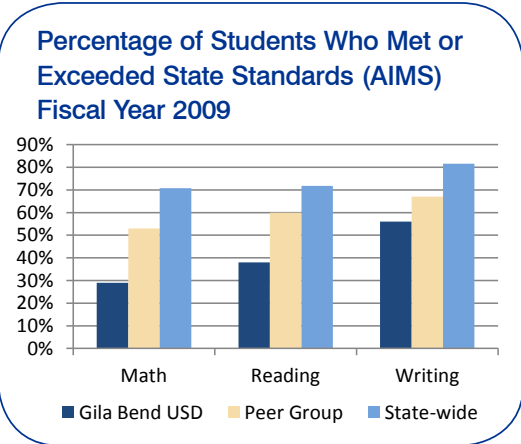
In fiscal year 2009, Gila Bend Unified School District's student achievement was far below both the peer districts' and state averages. However, the District compared favorably with peer districts in operational efficiencies. The District's per-pupil administration, food service, and transportation program costs were similar to or lower than peer averages. The District is working to address its high plant operations costs. To help, the District entered into a solar power contract. However, the contract does not appear likely to produce cost savings. Further, a district error and the State's funding formula resulted in \$98,000 in transportation program overfunding over a 4-year period.



2011

**Lower student achievement and efficient operations**

**Student achievement lower than peer and state averages**—In fiscal year 2009, Gila Bend USD's student AIMS scores were far below the peer districts' and state averages. Both district schools met "Adequate Yearly Progress" (AYP) for the federal No Child Left Behind (NCLB) Act, but one school is involved in an NCLB school improvement process because it did not meet AYP in fiscal year 2008. The District's graduation rate was also below both the peer districts' and state averages.



**District operates efficiently with most costs lower than or similar to peers**—In fiscal year 2009, Gila Bend USD operated its administration, food service, and transportation programs efficiently with per-pupil costs that were similar to or lower than the peer districts' average. Its per-square-foot plant operations costs were higher than peer districts', primarily because of higher electricity costs. Further, the District spent almost \$1,000 less per pupil in the classroom than its peers, primarily because it received less Maintenance and Operation Fund monies and federal monies.

**Expenditures by Function Fiscal Year 2009**

Per Pupil	Gila Bend USD	Peer Group Average
Classroom dollars	\$4,218	\$5,216
Administration	1,485	1,466
Plant operations	1,401	1,458
Food service	417	467
Transportation	138	472

**District is addressing high plant operations costs**

**Plant operations costs higher due to high electricity costs**—Gila Bend USD's \$6.47 per square foot plant operations costs were 14 percent higher than the peer districts' average of \$5.69. Almost \$2 of that cost is for electricity compared to a little over \$1 for peer districts. The higher cost can be attributed to the District's 40- to 90-year old buildings, which are less energy efficient than new buildings. Most windows are single-paned, and most heating/cooling system units are over 15 years old.

**Energy assessment recommended \$2 million of needed improvements**—In 2009, the District's energy provider conducted an energy assessment, recommending new heating/cooling systems, double-paned windows, upgraded lighting, and an energy management system to improve energy use. However, the District has been unable to raise the \$2 million to make the improvements.

**Recommendation**—The District should continue its efforts to fund facility upgrades to reduce energy usage and lower its costs.

## Questionable savings from solar power contract

**District entered into 20-year solar power contract**—In April 2010, in an effort to reduce the cost of energy and better control future energy costs, the District entered into a 20-year contract for a solar power system. At the end of the 20 years, the District can purchase the system at its appraised fair market value. The system became operational in December 2010.

**Contract has high initial rates, and price escalator reduces likelihood of future cost savings**—The District pays the solar power system vendor 13.4 cents per kilowatt hour for the electricity that the solar power system generates. We reviewed 11 other Arizona school districts' solar power contracts and found that those districts pay between 7 cents to 16 cents per kilowatt hour. In addition, Gila Bend USD's rate will increase 5 percent each year, reaching 34 cents per kilowatt hour in the 20th year. One district pays only 9 cents per kilowatt hour for the 15-year term of its contract with no rate increase, and 4 other districts have no rate increases. The other 6 districts pay a 2- to 3-percent increase over the terms of their contracts.

**Demand and transmission charges result in unexpected costs**—Although at times the solar power system will provide more than the District's electricity needs, there will still be other times, such as during peak demand periods or on cloudy days, when the District will need to purchase electricity from its current energy provider. The demand and transmission costs for these periods are not

accounted for in the District's solar contract and will diminish its savings. For example, in February 2011, the District's solar power system produced enough electricity to sell 95,000 kilowatt hours to its energy provider, but the District also had to purchase 49,000 kilowatt hours from its provider, costing over \$3,000.

**District will likely lose money on sale of excess solar power**—In addition, the excess electricity the District has remaining at the end of the year will be purchased by the District's regular energy provider at only 6 cents per kilowatt hour. Because it currently costs the District 13.4 cents per kilowatt hour to produce this electricity according to its solar contract, the District will lose 7.4 cents on each kilowatt hour. For example, as of June 2011, the District had accumulated over 340,000 kilowatt hours in credits from excess solar production. If it has this amount of credits at the end of the year, it will likely lose over \$25,000 when it sells them to its regular energy provider. Further, the losses on sales of excess electricity will increase by 5 percent every year thereafter, unless it can adjust its contract to cut back on the solar power it generates, thereby reducing its costs and losses.

**Recommendation**—Because savings appear unlikely, the District should monitor its total energy cost, compare that to what electricity would have cost without solar power, and consider modifying its solar contract as necessary.

## Transportation program overfunded by \$98,000

In fiscal year 2005, the District over-reported bus route mileage by about 9,900 miles, or 26 percent. As a result, it received about \$24,500 more in transportation funding in fiscal year 2006 than it should have. The State's statutory transportation funding formula increases funding for increases in miles driven, but does not decrease funding for decreases in mileage. Because of this, Gila Bend USD's fiscal year 2005 mileage over-reporting error has resulted in the District's continuing to receive an additional \$24,500 in state transportation funding each year even though its reported route mileage in

subsequent years dropped almost 31 percent. In total, through fiscal year 2009, the District has received \$98,000 more than it should have.

### Recommendations—

- The District should correct its transportation funding report and ensure that it reports correct route mileage in the future.
- The Legislature should consider modifying the transportation funding formula to limit the impact from one-time increases in reported mileage and prior reporting errors.