

**REPORT
 HIGHLIGHTS**
 PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2010, Higley Unified School District was similar to its peers in student achievement and compared favorably in operational efficiencies. The District operated its administration, plant operations, and food services efficiently with costs that were similar to or lower than peer district averages. These operational efficiencies were especially important for Higley USD as it received considerably less funding than peer districts and had one of the lowest per-pupil spending amounts in the State. However, the District's transportation program operated less efficiently than peer districts' on a per-mile and per-rider basis, and the District may be able to make some improvements in this area. Additionally, the District needs to closely monitor its solar power system contract as it is unlikely to meet expectations for saving energy costs. The District should also ensure it spends Classroom Site Fund monies appropriately.



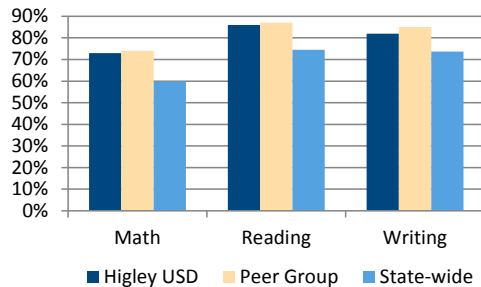
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Similar student achievement and efficient operations

Student achievement similar to peer districts' average—In fiscal year 2010, Higley USD's student AIMS scores were similar to the peer districts' averages and much higher than state averages. Additionally, all ten of the District's schools met "Adequate Yearly Progress" for the federal No Child Left Behind Act. The District's 87-percent high school graduation rate was lower than the peer group average of 92 percent but higher than the state average of 78 percent.

**Percentage of Students Who Met or Exceeded State Standards (AIMS)
 Fiscal Year 2010**



District operated efficiently overall—In fiscal year 2010, Higley USD operated efficiently overall with similar or lower per-pupil costs than its peer districts in all areas, including administration, plant operations, and food service. Although the District also spent less per pupil on transportation than its peers, it spent more per mile and per rider due, in part, to some inefficiencies in its program. The District also spent less money in the classroom than its peers primarily because it received less funding. In fact, the District's per-pupil spending of \$6,226 was one of the lowest per-pupil spending amounts in the State.

**Expenditures by Function
 Fiscal Year 2010**

Per Pupil	Higley USD	Peer Group Average
Administration	\$647	\$627
Plant operations	774	917
Food service	278	308
Transportation	264	326

Additional steps may help lower District's transportation program costs

District subsidized its transportation program, which had higher per-mile and per-rider costs than peer districts—In fiscal year 2010, Higley USD's cost per mile was 32 percent higher than the peer districts' average, and its cost per rider was 6 percent higher. Due to these higher costs and the District's receiving the lower per-mile funding rate from the State, the District subsidized its transportation program by more than \$1.2 million. More specifically, in fiscal year 2010, the District spent over \$2.4 million, or twice what it received in state transportation aid.

District employs various cost-savings methods, but additional steps may help control costs—To its credit, the District uses various methods to help control its transportation costs such as monitoring employee time and making use of some performance measures. However, the District had low bus capacity on some regular and shuttle runs, a high number of special needs route miles, and higher bus driver salaries than peer districts. Therefore, some additional steps may help the District further control its costs and reduce its subsidy, freeing up monies that could be used in the classroom.

Recommendations—The District should:

- Review its regular, shuttle, and special needs routes to increase efficiency.
- Contact nearby districts to determine whether special needs services or transportation can be provided cooperatively.
- Consider reviewing bus driver salaries.

District's solar power system contract unlikely to meet expectations

District entered into 25-year solar power system contract—In August 2010, to help lower its electricity costs, the District entered into a 25-year contract with a vendor to install solar power systems at two of its ten sites. During the contract term, the District is required to purchase all of the solar-generated electricity and at the end of the 25 years, the District can purchase the system at its fair market value. The systems became operational in July 2011.

Contract has high initial rates, and annual price escalators further reduce cost savings' likelihood—The District pays 9.6 cents per kilowatt hour for solar power at one site and 12 cents per kilowatt hour at the other site. Both of these rates are higher than the 5.7 cents per kilowatt hour that the District was paying for electricity generation before installing its solar power systems, and the 12 cents per kilowatt hour rate is among the higher rates of the 19 solar power agreements from other Arizona school districts we reviewed. In addition, Higley USD's rate will increase 2 percent each year at one site and 3 percent each year at the other site, reaching 19.51 cents and 19.3 cents, respectively, in the 25th year. Ten of the 19 other contracts did not have cost escalators.

Demand and transmission charges result in unexpected costs—Although at times the solar power systems will provide more than the District's

electricity needs, there will still be other times, such as nights or cloudy days, when the District will need to purchase electricity from its electric utility. The demand and transmission costs for these periods were not accounted for in the District's initial savings calculations.

District will likely lose money on the sale of excess solar power—In addition, the excess solar power the District has remaining at the end of each hour will be purchased by the District's electric utility at only about 3 cents per kilowatt hour. Because it currently costs the District 9.6 cents per kilowatt hour at one site and 12 cents at the other site to produce this power, the District will lose money on each excess kilowatt hour sold. For example, from July 2011 through March 2012, the District sold back 65 percent of the kilowatt hours of solar power that it produced, resulting in a loss of over \$32,000.

Recommendations—The District should:

- Work with its solar power system vendor to reduce the amount of excess solar power generated.
- Monitor its total electricity costs, compare that to what electricity would have cost without solar power, and consider modifying its solar power system contract as necessary.

Some Classroom Site Fund monies spent inappropriately

In fiscal year 2010, Higley USD spent nearly \$40,000 to pay stipends to 58 teachers who reportedly mentored other teachers. However, the District could not provide support showing that the Governing Board approved these performance-pay stipends and could not demonstrate that the teachers actually provided mentoring. Additionally, two schools failed to maintain documentation to show that their teachers fulfilled any of their performance pay requirements. Finally, the District

awarded performance pay to two ineligible employees.

Recommendations—The District should:

- Pay Classroom Site Fund monies in accordance with its Governing Board-approved plan.
- Ensure it retains documentation to demonstrate that performance pay goals were met.
- Ensure that it pays Classroom Site Fund monies only to eligible employees.