

Brecksville-Broadview Heights City School District

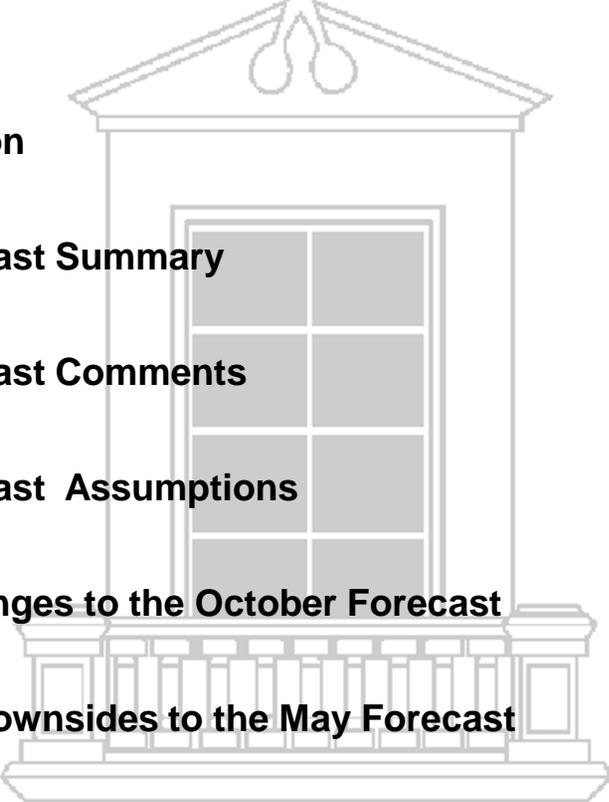


“where fine education is a heritage”

Five-Year Financial Forecast

May 19, 2014

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Introduction

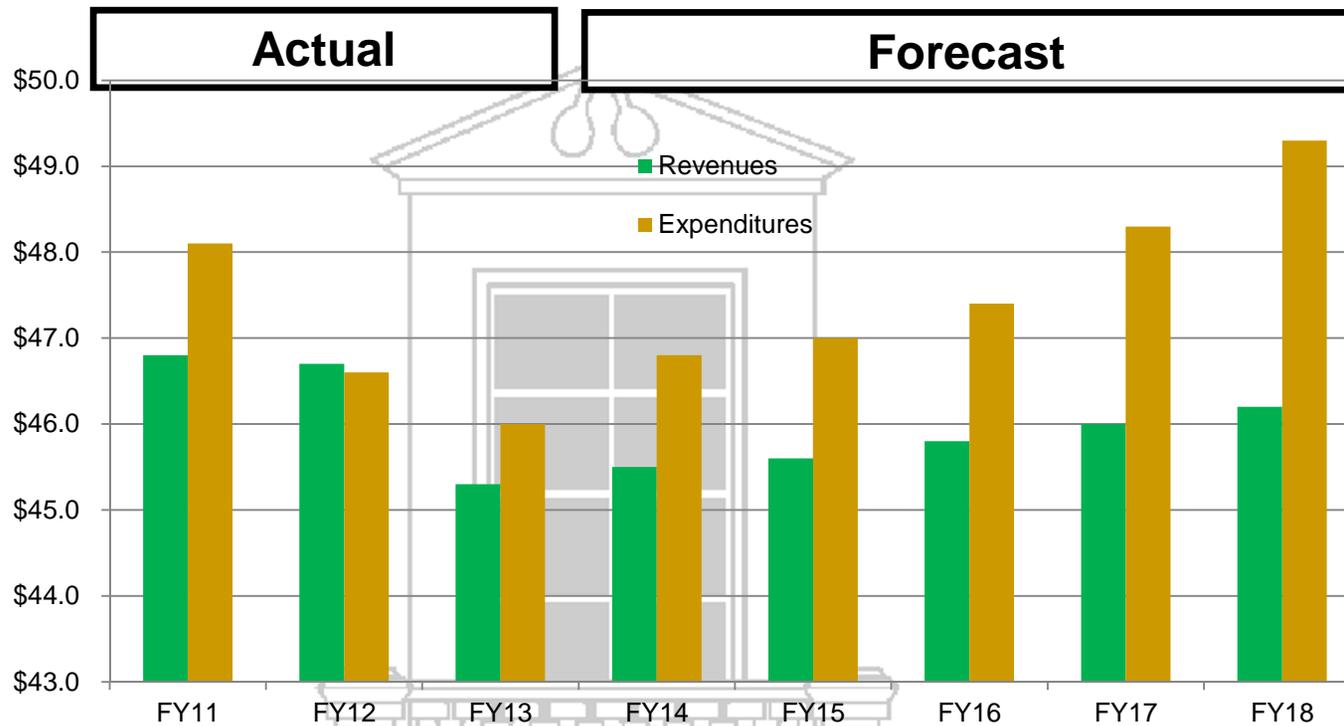
- **The May Five-Year Forecast (FCST)**
 - Is a semi-annual update required by the State.
 - Is a public document intended to represent the District's financial condition to support both the near term and long term decision making.
 - Provides supporting information to certify the District's ability to meet its current and potential future contractual obligations.
- A Forecast, by its nature, is based on Assumptions of what will occur in the future. These Assumptions should be neither overly optimistic nor pessimistic.
- It is essential to note that Assumptions do not reflect the Board's future negotiating position.
- The resulting certainty of a Forecast therefore decreases with an increasing time horizon and should be interpreted in light of what may change rather than an absolute of future events.

Note: *The convention used throughout this presentation is that numerical values are shown in millions of dollars (\$M). Values that are negative, represent a variance that negatively impacts the Cash Balance, or create a Deficit Spend are shown in red brackets: (\$1.2). Prior year values are often shown for reference.*

Introduction

- **Cash Balance**, the amount of cash on hand on June 30 which is the end of each Fiscal Year (FY), is the ultimate measure of the District's solvency. As a practical minimum, the District requires two months or \$8M of cash on hand to operate the District smoothly.
- The **Deficit or Surplus spend** in any given year is another important metric and is the difference between Revenues and Expenditures in a FY. A Deficit occurs when Expenditures exceed Revenues and a Surplus occurs when Revenues exceed Expenditures.
- The annual Deficit or Surplus indicates how quickly the Cash Balance is being decreased or increased.
- Taken in tandem, the Forecasted Cash Balance and Deficit Spend figures provide an indication as to the net Revenue increases and Expenditure reductions needed by the District.
- The magnitude of the Deficit Spend provides an indication as to the amount of Expenditure reduction and/or Revenue increase to maintain a neutral Cash Balance.

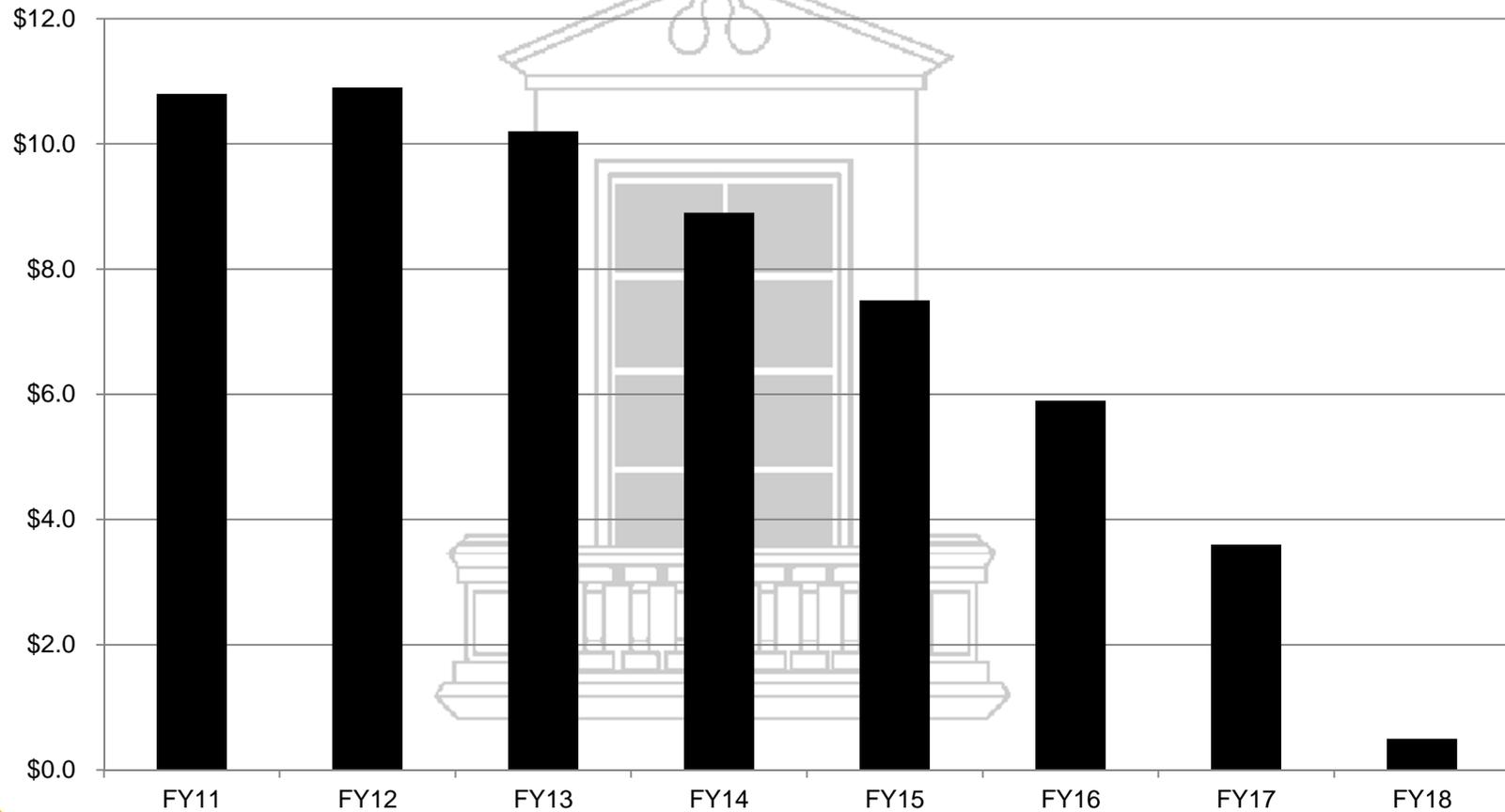
May Forecast Summary



(\$ in millions)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Revenues	\$46.8	\$46.7	\$45.3	\$45.5	\$45.6	\$45.8	\$46.0	\$46.2
Expenditures	\$48.1	\$46.6	\$46.0	\$46.8	\$47.0	\$47.4	\$48.3	\$49.3
Deficit Spend	(\$1.3)	\$0.1	(\$0.7)	(\$1.3)	(\$1.4)	(\$1.6)	(\$2.3)	(\$3.1)
Cash Balance	\$10.8	\$10.9	\$10.2	\$8.9	\$7.5	\$5.9	\$3.6	\$0.5

May Forecast Summary

Cash Balance



May Forecast Comments

- BBHCSD was in a Deficit Spend situation from FY09 to FY11 and, based on cost reductions, broke even in FY12. This followed 4 years of surpluses after passage of the previous new money levy in August 2004. This pattern of surpluses shortly following passage of a levy followed by deficits until the next levy is passed is typical in Ohio due to HB920.
- With the current Assumptions (no new levies and no further cost reductions), the District's Fund Balance would be \$163K at June 30, 2018 (FY18).
- The Forecasted decline in Revenue through FY13 is due to reduced State funding which makes the District more dependent upon local (commercial and residential) tax revenue.
- The FY14 May FCST Fund Balance of \$8.6M is the same as the October FCST.
- In BBHCSD, one mill of new levy money represents approximately \$1M in Revenue.
- The Forecast does not reflect the Board of Education's negotiating position with its employees.
- October 2013 Forecast is used as basis for May 2014 Forecast.

May Forecast Assumptions

- Renewal levies are renewed, no new levies included, and collection year 2014 tax collections at 99% after 97.7% in 2013 and 99% over prior four years.
- State foundation aid forecast to remain flat for FY14/15 per State budget bill.
- TPP State reimbursement maintained at FY13 levels.
- The terms of the August 2012 contract negotiations apply through 2016.
- Strategic Vision Plan (SVP) initiatives approved by BOE for FY14, FY15, and out years included.
- FY17/18 assume zero Base Pay increase and a resumption (not catch-up) of experience steps.
- Staff attrition savings of \$240K in FY14 after SVP positions included, and future retirement savings estimated at \$200K annually for FY15 and thereafter.
- Insurance costs increase at 10% per year.
- Purchased services include “normal” winter severity, SVP, special education services, and other educational program costs.
- Supplies and Materials include higher fuel costs, SVP, textbooks and other instructional supplies, and maintenance/custodial supplies.

Major Changes to the October FCST

(\$ in thousands)	FY14	TOTAL
Increased Real Estate Tax Collections	\$330	\$900
Increased Unrestricted Aid	\$70	\$900
Increased Restricted Aid	\$10	\$50
Increased Other Revenues	\$0	\$50
Increased Purchased Services	\$0	(\$350)
Increased Employees' Retirement/ Insurance Benefits	(\$100)	(\$800)
Increase Personnel Services	(\$270)	(\$1,300)
TOTAL CHANGE (SAVINGS)	\$40	(\$550)

- The changes to the October FCST are listed in order of their five year impact on the FCST.
- The impact of each change is shown for current FY14 and as a Total for the entire FCST period.

Upsides/Downsides to MAY Forecast

- Given that Assumptions are not 100% certain and that circumstances change, the Board makes every effort to be aware of alternate fiscal outcomes that are possible and even probable.
- While not included in the Forecast, an “Upside” is an event that could occur making the financial outcome more favorable than what is reflected in the Forecast. An example of an “Upside” could be receiving a federal stimulus grant that is currently not anticipated.
- Conversely, an event resulting in a financially unfavorable outcome is referred to as a “Downside” to the Forecast. An example of a “Downside” could be the loss of State funding that is currently included in the Forecast.
- Some events that could occur are shown on the following page listed in order of the dollar impact and showing the perceived probability of each event occurring.

Upsides/Downsides to MAY Forecast

ITEM	UPSIDE	DOWNSIDE	PROBABILITY	COMMENTS
5 Mills (Place Holder) New Money Levy Passed	\$5,000			\$2.5M in FY passed, \$5M thereafter
1% Base Salary Change (includes fixed fringes)	\$350	\$350		Current contracts expire 6/30/16
Pay to Participate Fees Revert to 80%		\$110		Currently 100% user paid with student cap of HS \$1,000/MS \$600
10% Change in Longevity Steps (includes fixed fringes)	\$53	\$53		Current contracts expire 6/30/16
1% Change in Real Estate Tax Collection Rate	\$300	\$300	High	CY12 was 98.81%, CY13 was 97.74%, CY14 estimate is 99%
Strategic Vision Plan Initiatives		\$100	High	Amount TBD as Plan reviewed by BOE, \$100 is Place Holder Amount
1% Property Valuation Change	\$47	\$47	High	Inside Millage Only, Triennial Update in TY15(CY16)
1% Change in Insurance Premium	\$45	\$45	High	FCST uses 10% per annum

- “Upside” events represent financial outcomes favorable to those in the Forecast.
- “Downside” events would cause a financial outcome worse than the Forecast.
- Probabilities (Blank(unknown)/High/Medium/Low) reflect the likelihood of an event occurring.
- Several items above merely reflect the sensitivity to changes up or down.
- Dollars shown in thousands.

Upsides/Downsides to MAY Forecast

ITEM	UPSIDE	DOWNSIDE	PROBABILITY	COMMENTS
Each Teacher Retirement more/less than 6	\$40	\$40	High	
10% TPP Reimbursement Phase-out		\$171	Med	Impacts FY16 and beyond if more than projected 0% phase-out in next State budget
State Foundation Program Revisions	\$100	\$100	Med	2% or <2>% vs current no change in FY16 and beyond dependent on next State budget
10% Reduction in Student Activity Participation		\$55	Med	Due to 100% user paid (assumes \$550K total)
1% Change in Purchased Services	\$44	\$44	Med	
+/- 10% Casino Revenue Sharing	\$20	\$20	Med	Subject to legislation, casino success
1% Change in Supplies/Materials	\$12	\$12	Med	
1% Change in Other Expenditures	\$8	\$8	Med	
All-Day Kindergarten Becomes Unfunded Mandate		\$400	Low	Currently cost neutral

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Official State Forecast Submission

- Please visit the Ohio Department of Education website at <ftp://ftp.ode.state.oh.us/geodoc/5-yrForecast/>.
- Complete Forecast with assumptions available on BBHCSD website at <http://www.bbhcsc.org/blog/2014/05/19/five-year-forecast-may-2014/>.