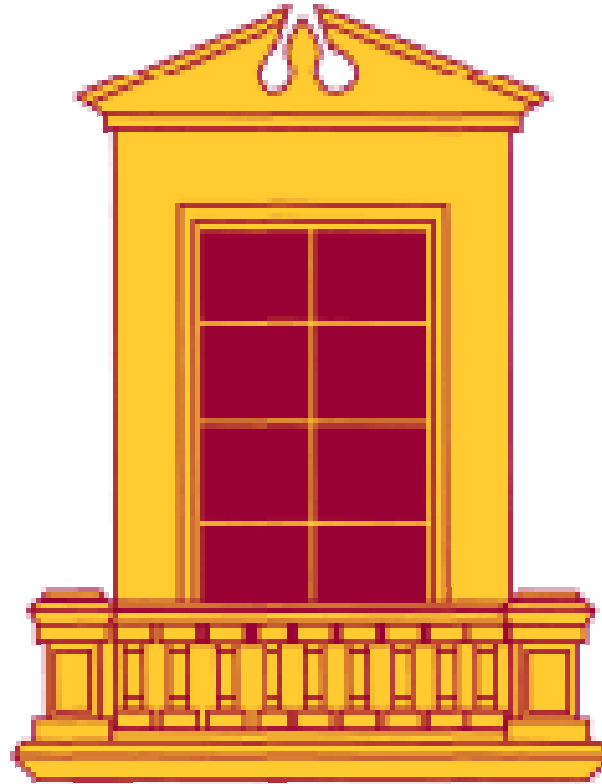


Brecksville-Broadview Heights City School District



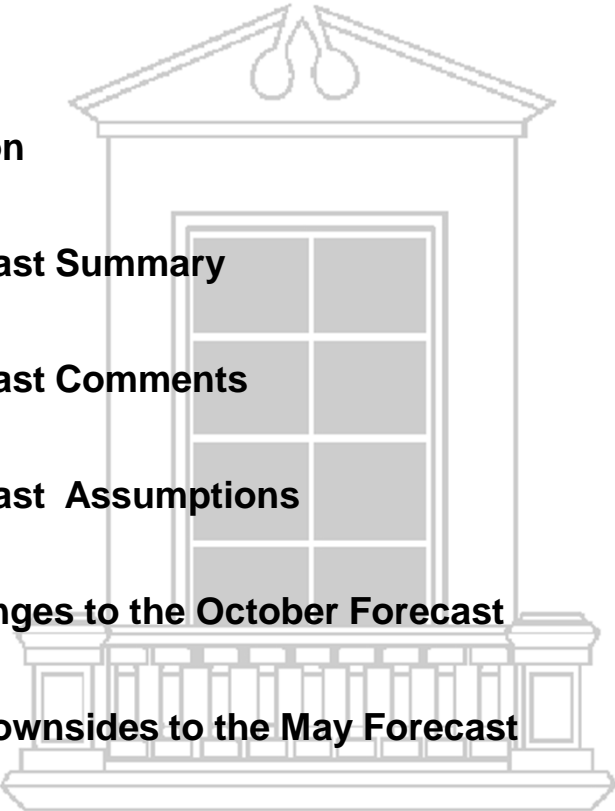
“where fine education is a heritage”

Five-Year Financial Forecast

May 23, 2016

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Introduction

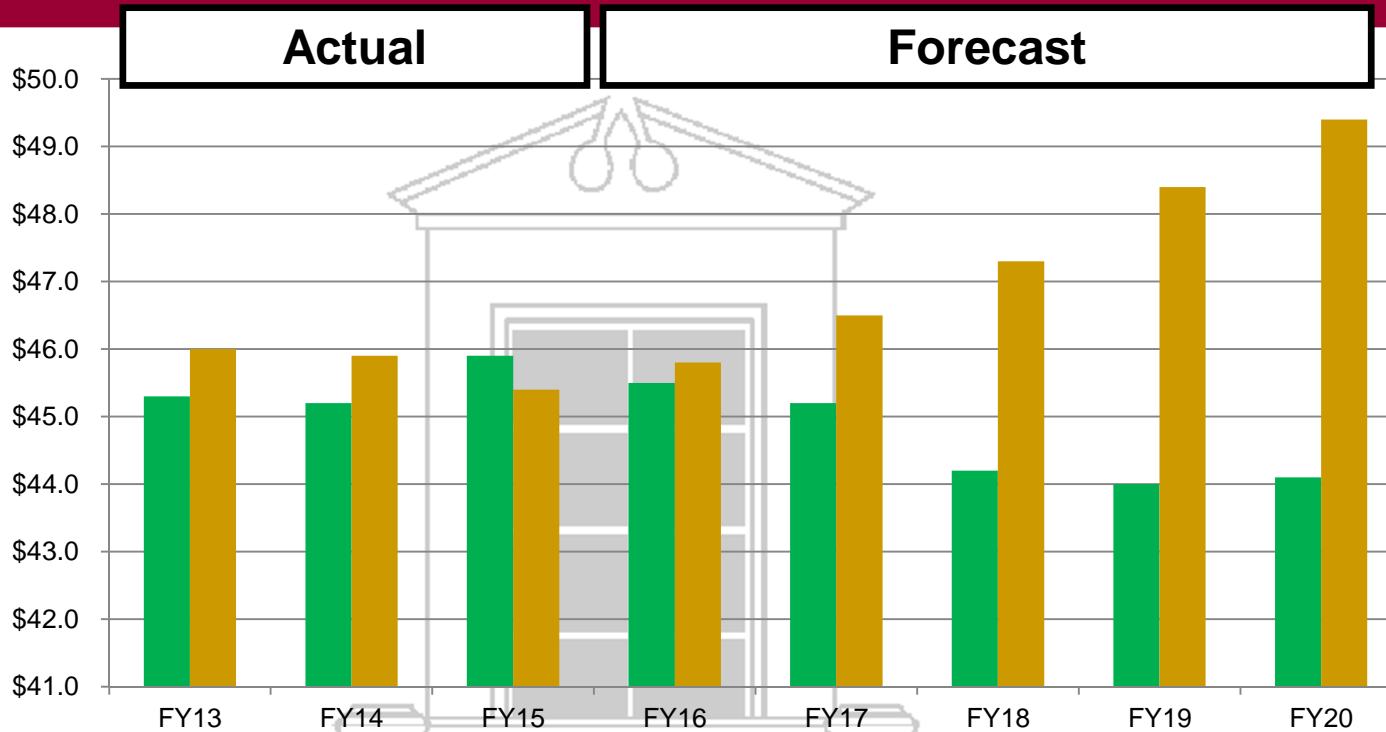
- **The May Five-Year Forecast (FCST)**
 - Is a semi-annual update required by the State.
 - Is a public document intended to represent the District's financial condition to support both the near term and long term decision making.
 - Provides supporting information to certify the District's ability 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

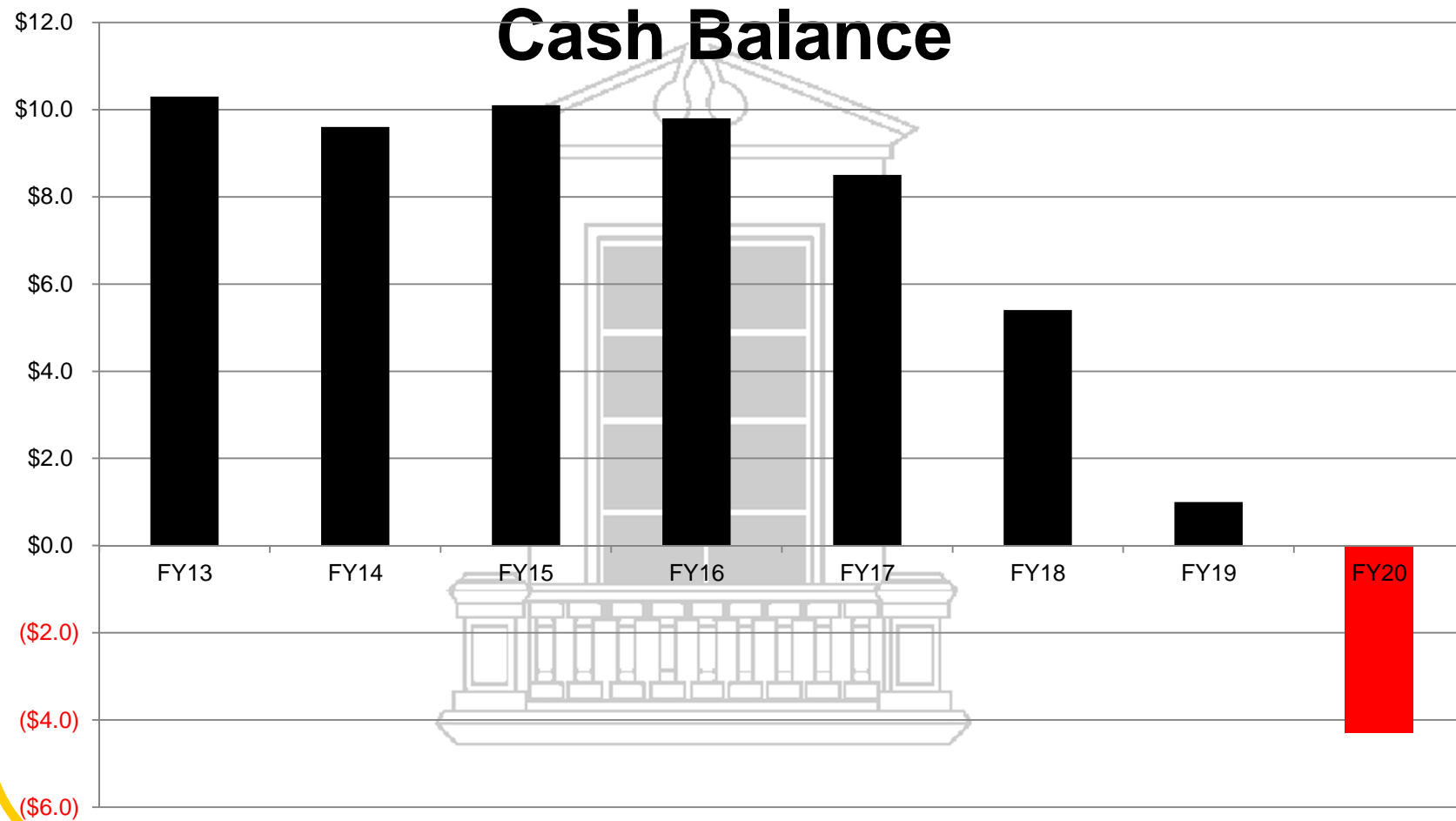
- **Cash Balance**, the amount of cash on hand on June 30 which is the end of each Fiscal Year (FY), is the ultimate measure of the District's solvency. As a practical minimum, the District requires two months or \$8M of cash on hand to operate the District smoothly.
- The **Deficit or Surplus spend** 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)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Revenues	\$45.3	\$45.2	\$45.9	\$45.5	\$45.2	\$44.2	\$44.0	\$44.1
Expenditures	\$46.0	\$45.9	\$45.4	\$45.8	\$46.5	\$47.3	\$48.4	\$49.4
Deficit Spend	(\$0.7)	(\$0.7)	\$0.5	(\$0.3)	(\$1.3)	(\$3.1)	(\$4.4)	(\$5.3)
Cash Balance	\$10.3	\$9.6	\$10.1	\$9.8	\$8.5	\$5.4	\$1.0	(\$4.3)

May Forecast Summary



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 **(\$4.3M)** at June 30, 2020 (FY20).
- The Forecasted decline in Revenue through FY13, and again in FY17 and out years, is due to reduced State funding which makes the District more dependent upon local (commercial and residential) tax revenue.
- The FY16 May FCST Fund Balance of \$9.8M is \$274K more than the October FCST.
- In BBHCSD, one mill of new levy money represents approximately \$1M in Revenue.
- The FCST does not reflect the Board of Education's negotiating position with its employees.
- October 2015 FCST is used as basis for May 2016 FCST.

May Forecast Assumptions

- All levies are continuing, no new levies included, and 2016 tax collection rate at 98.9% and out years of FCST at 97.8% (2012: 98.1%; 2013: 97.7%; 2014: 96.9%; 2015: 94.5%).
- 2015 property tax values only increased \$2M vs 3% (\$30M) estimate in October 2015 FCST (\$131K annual revenue).
- State foundation aid forecast to decline 2% for FY18/19 due to “guarantee” phase-out.
- TPP State reimbursement eliminated in FY18 and out years...\$1.7M annual loss!
- The terms of the August 2012 contract negotiations apply through 2016.
- FY17-20 assume zero Base Pay increase and a resumption (not catch-up) of experience steps.
- Staff attrition savings for 4 teacher retirees included for FY17 and out years.
- Insurance costs increase at 8% per year for medical/prescription, 3% for dental.
- Purchased services include utilities for “normal” winter severity, special education services, and other educational program costs, plus 2% inflation in FY17 and out years.

Major Changes to the October FCST

(\$ in thousands)	FY16	FIVE YEAR FCST TOTAL
Increased Property Tax Allocation (TPP)	(\$188)	\$1,467
Decreased Real & Tangible Tax Collections	\$445	(\$960)
Increased Personnel Services	(\$130)	(\$705)
Decreased Purchased Services/ Supplies/Capital Outlay/Other/Other Uses	\$95	\$146
Decreased State Unrestricted & Restricted Grants-In-Aid	(\$46)	(\$146)
Decreased Retirement/Insurance Benefits	\$65	\$110
Decreased All Other Operating & All Other Financing Sources Revenues	\$34	(\$19)
TOTAL CHANGE: FAVORABLE (UNFAVORABLE)	\$272	(\$107)

- 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 FY16 and as a Total for the five years of the FCST period through FY20 to align with the ending year of the October FCST.
- Slight variances may occur only due to rounding.

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

<u>Item (Impact shown is per year)</u>	<u>Upside</u>	<u>Downside</u>	<u>Probability</u>	<u>Comments</u>
5 Mills (Place Holder) New Money Levy Passed	\$5,000			\$2.5M in FY passed, \$5M thereafter
1% Base Salary Change (includes fixed fringes)		\$340		Current contracts expire 6/30/16
Pay to Participate Fees Revert to 80%		\$100		Currently 100% user paid with student cap of HS \$1,000/MS \$600 (assumes \$500K total)
10% Change in Longevity Steps (includes fixed fringes)	\$52	\$52		Current contracts expire 6/30/16
1% Change in Real Estate Tax Collection Rate	\$300	\$300	High	Actual collection rates for CY12: 98.1%; CY13: 97.7%; CY14: 96.9%; CY15: 94.5%. Estimate for CY 16 is 98.9% and 97.8% for CY17 and out years
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 TY18(CY19)
1% Change in Insurance Premium	\$45	\$45	High	FCST uses 8% per annum for medical and prescription, 3% for dental
Each Teacher Retirement more/less than 4	\$40	\$40	High	

- “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

<u>Item (Impact shown is per year)</u>	<u>Upside</u>	<u>Downside</u>	<u>Probability</u>	<u>Comments</u>
State Foundation Program Revisions	\$102	\$102	Med	2% or <2>% vs current 2% reduction for FY18/19 State budget
10% Reduction in Student Activity Participation		\$50	Med	Due to 100% user paid (assumes \$500K total)
1% Change in Purchased Services	\$47	\$47	Med	Impacted by utility rates, gas/fuel prices, special education and other educational services/providers
10% Change in Special Education Catastrophic Reimbursement from State	\$34	\$34	Med	Reimbursement amount increased significantly to \$408K for FY13 and reduced to \$341K for FY14
+/- 10% Casino Revenue Sharing	\$20	\$20	Med	Subject to legislation, casino success
1% Change in Supplies/Materials	\$11	\$11	Med	
1% Change in Other Expenditures	\$7	\$7	Med	
All-Day Kindergarten Becomes Unfunded Mandate		\$400	Low	Currently cost neutral
10% TPP Replacement Continuation by Ohio Legislature in FY18 and out years	\$171		Low	Impacts FY18 and out years if any continuation occurs as current law reduces this funding source to 0 in FY18 and out years

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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.