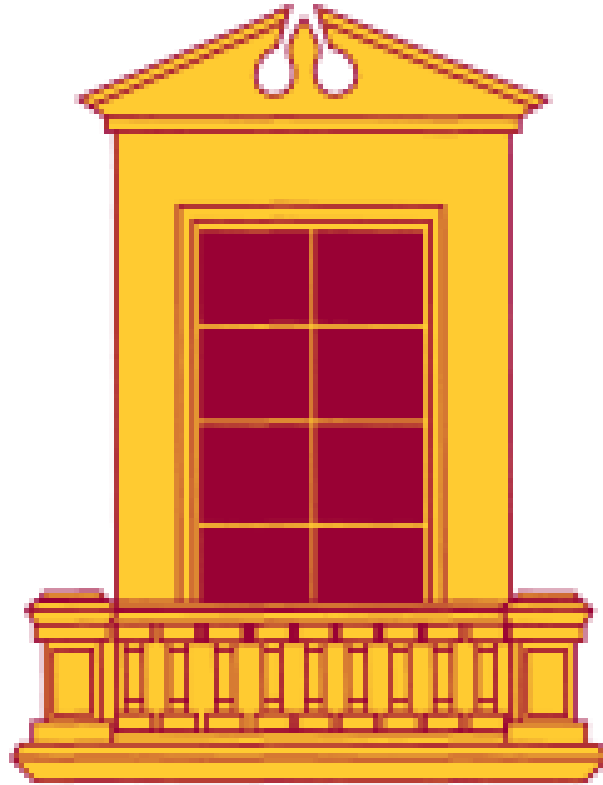


Brecksville-Broadview Heights City School District

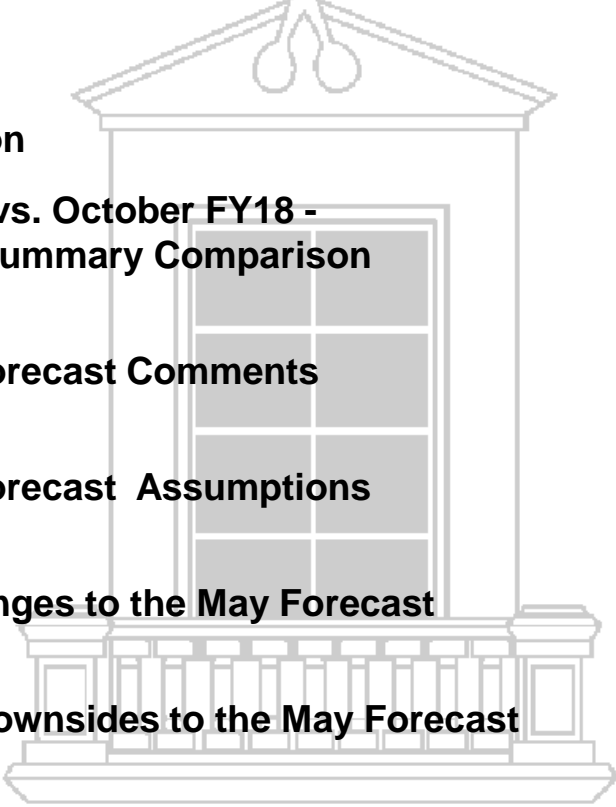


“Where fine education is a heritage.”

Five-Year Financial Forecast

November 20, 2017

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Introduction

- **The 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.

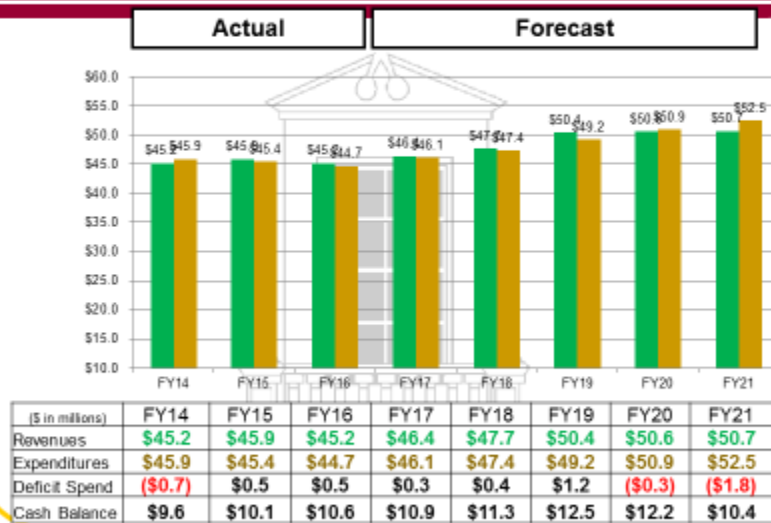
Note: *The convention used throughout this presentation is that numerical values are shown in millions of dollars (\$M). Values that are negative, represent a variance that negatively impacts the Cash Balance, or create a Deficit Spend are shown in red brackets: (\$1.2). Prior year values are often shown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

Introduction

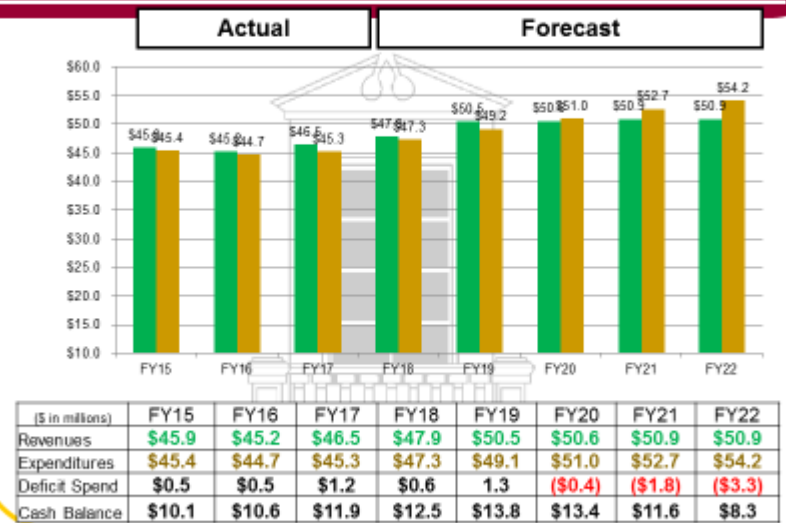
- **Cash Balance**, the amount of cash on hand on June 30 which is the end of each Fiscal Year (FY), is the ultimate measure of the District's solvency. As a practical minimum, the District requires two months or \$8M of cash on hand to operate the District smoothly.
- The **Deficit or Surplus** in any 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 the cash balance is being decreased or increased.
- Taken in tandem, the forecasted cash balance and any deficit spending figures provide an indication as to the net revenue increases and expenditure reductions needed by the District.
- The magnitude of deficit spending provides an indication as to the amount of expenditure reduction and/or revenue increase to maintain a neutral Cash Balance.

Forecast Summary Comparison

May FY17 Forecast Summary



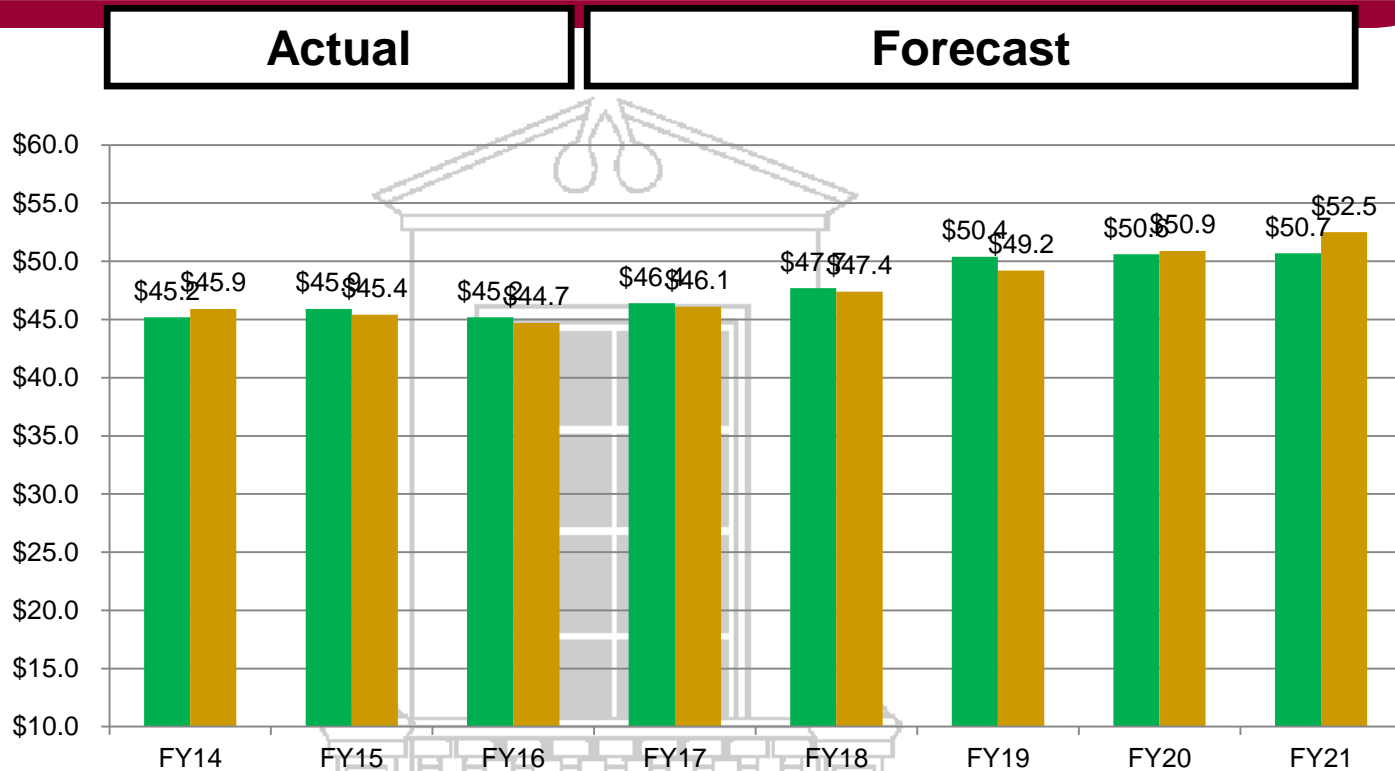
October FY18 Forecast Summary



Forecast Summary Comparison

(\$ in millions)	FY17	FY18	FY19	FY20	FY21	FY22
May - Revenues	\$ 46.4	\$ 47.7	\$ 50.4	\$ 50.6	\$ 50.7	
May - Expenditures	\$ 46.1	\$ 47.3	\$ 49.2	\$ 50.9	\$ 52.5	
May - Deficit Spend	\$ 0.3	\$ 0.4	\$ 1.2	\$ (0.3)	\$ (1.8)	
May - Cash Balance	\$ 10.9	\$ 11.3	\$ 12.5	\$ 12.2	\$ 10.4	
Oct - Revenues	\$ 46.5	\$ 47.9	\$ 50.5	\$ 50.6	\$ 50.9	\$50.9
Oct - Expenditures	\$ 45.3	\$ 47.3	\$ 49.2	\$ 51.0	\$ 52.7	\$54.2
Oct - Deficit Spend	\$ 1.2	\$ 0.6	\$ 1.3	\$ (0.4)	\$ (1.8)	\$ (3.3)
Oct - Cash Balance	\$ 11.9	\$ 12.5	\$ 13.8	\$ 13.4	\$ 11.6	\$ 8.3
Delta - Revenues	\$ 0.1	\$ 0.2	\$ 0.1	\$ -	\$ 0.2	
Delta - Expenditures	\$ (0.8)	\$ -	\$ -	\$ 0.1	\$ 0.2	
Delta - Deficit Spend	\$ 0.9	\$ 0.2	\$ 0.1	\$ (0.1)	\$ (0.0)	
Delta - Cash Balance	\$ 1.0	\$ 1.2	\$ 1.3	\$ 1.2	\$ 1.2	

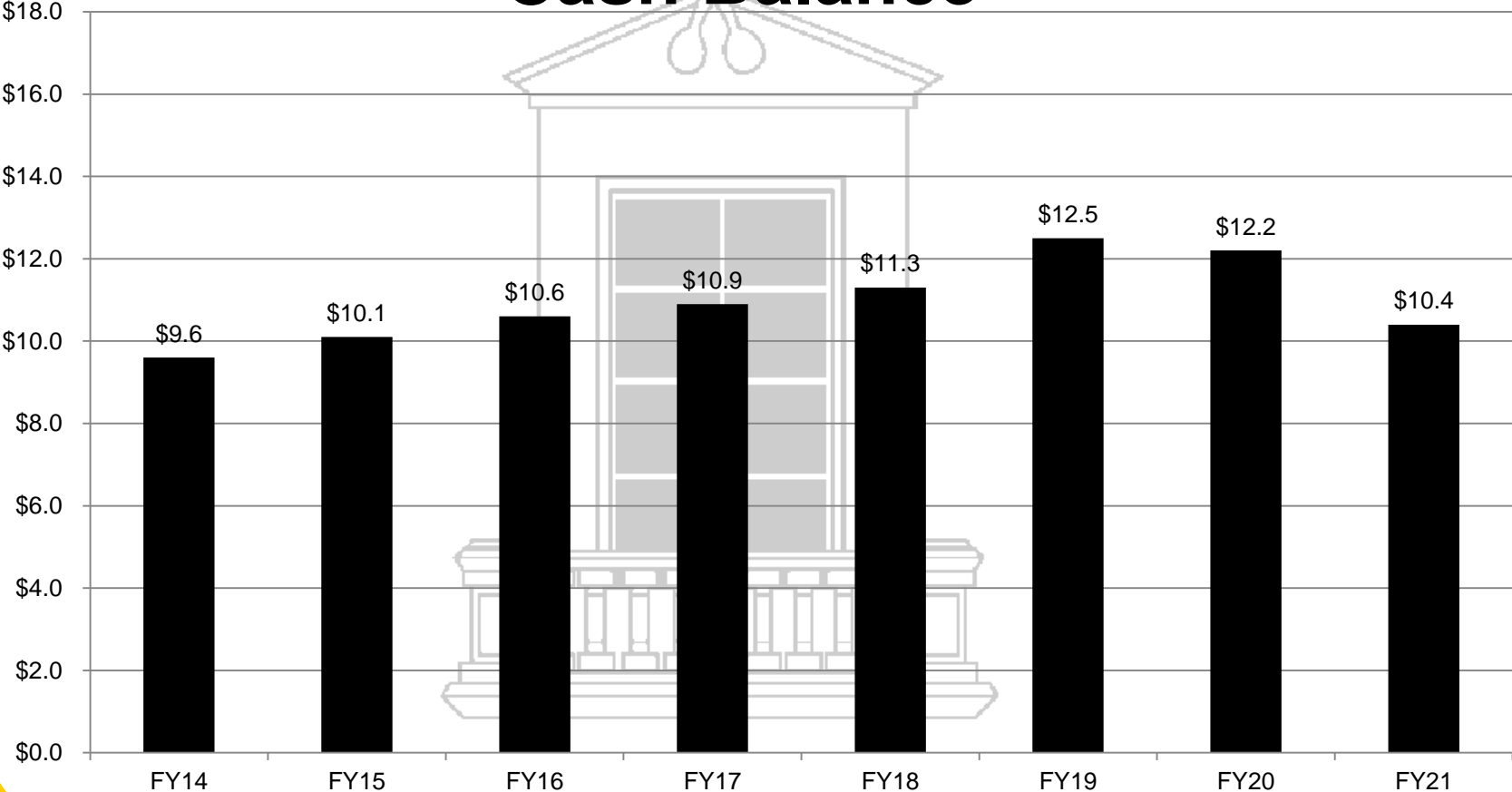
May FY17 Forecast Summary



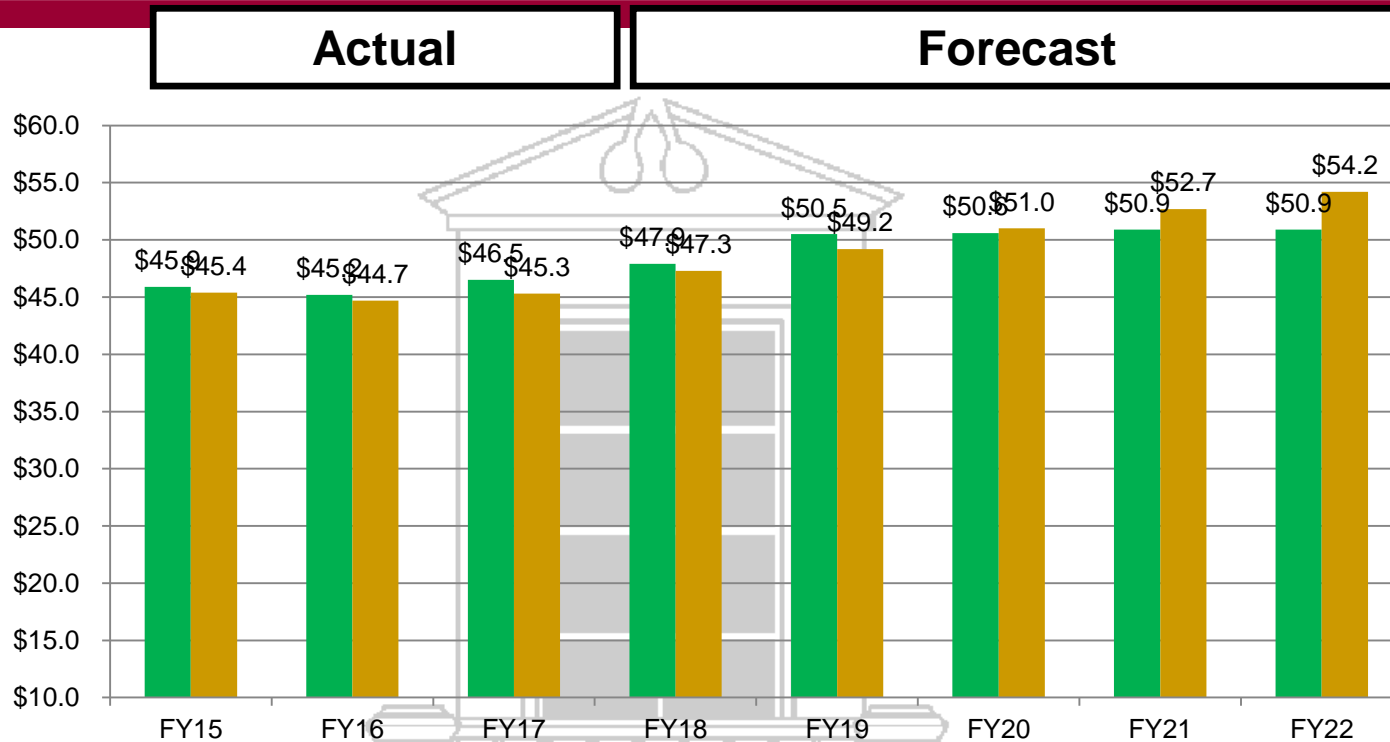
(\$ in millions)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Revenues	\$45.2	\$45.9	\$45.2	\$46.4	\$47.7	\$50.4	\$50.6	\$50.7
Expenditures	\$45.9	\$45.4	\$44.7	\$46.1	\$47.4	\$49.2	\$50.9	\$52.5
Deficit Spend	(\$0.7)	\$0.5	\$0.5	\$0.3	\$0.4	\$1.2	(\$0.3)	(\$1.8)
Cash Balance	\$9.6	\$10.1	\$10.6	\$10.9	\$11.3	\$12.5	\$12.2	\$10.4

May FY17 Forecast Summary

Cash Balance



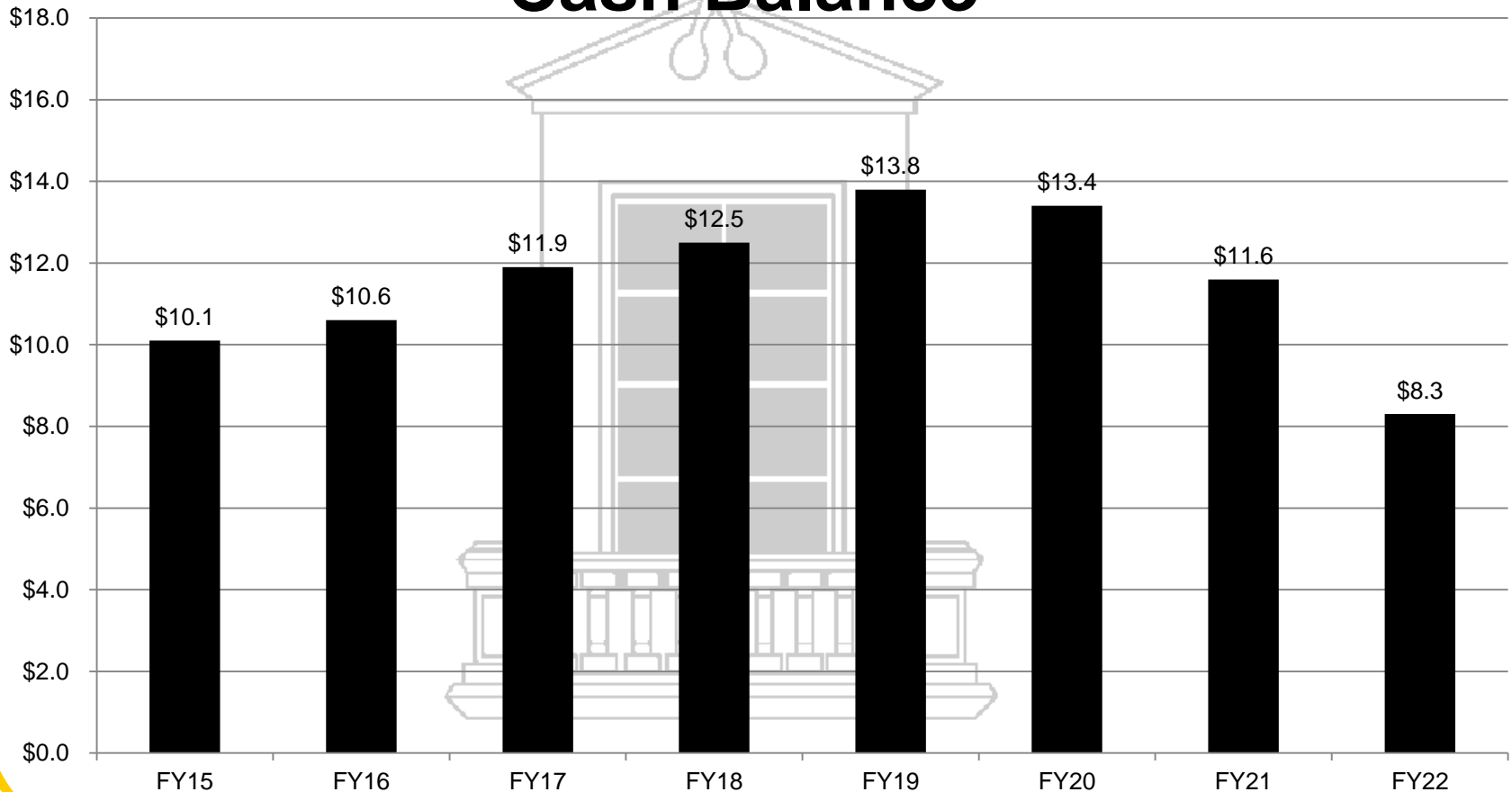
October FY18 Forecast Summary



(\$ in millions)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Revenues	\$45.9	\$45.2	\$46.5	\$47.9	\$50.5	\$50.6	\$50.9	\$50.9
Expenditures	\$45.4	\$44.7	\$45.3	\$47.3	\$49.1	\$51.0	\$52.7	\$54.2
Deficit Spend	\$0.5	\$0.5	\$1.2	\$0.6	1.3	(\$0.4)	(\$1.8)	(\$3.3)
Cash Balance	\$10.1	\$10.6	\$11.9	\$12.5	\$13.8	\$13.4	\$11.6	\$8.3

October FY18 Forecast Summary

Cash Balance



October Forecast Comments

- The May 2017 FCST is used as the basis for the October 2017 FCST.
- FY17 finished with \$1MM more cash balance than May FCST. May FCST projected \$780k more in FY17 actual expenditures and \$133K less in revenue.
- The October 2017 FCST Cash Balance of \$12.5M is \$1.2M more than the May 2017 FCST.
- The District passed a 5.99 mill operating levy in May 2017
- With the current assumptions (no new levies and no further cost reductions), the District's cash balance is estimated to be \$8.3M at June 30, 2022 (FY22).
- Passage of the May 2017 levy, coupled with a projected increase in assessed valuations from the FY18 triennial reappraisal, influences the forecast in determining the next deficit spending year, projected to begin in FY21.
- The OCT FY18 FCST projects a 3% increase in assessed valuations during the FY21 triennial reappraisal. Collection year FY22. FY22 was beyond the scope of the May FY17 FCST.

October Forecast Comments

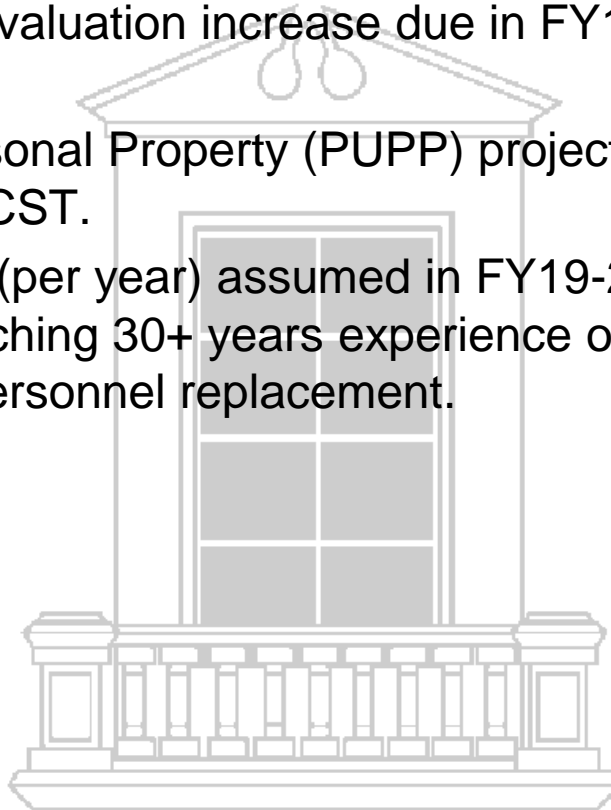
- Five year labor agreement ratified in FY17.
- The May FY17 levy is projected to generate approximately \$3MM in revenue in FY18 and approximately \$6MM annually thereafter.
- Further reductions in state aid, real estate collection rates and numerous other revenue or expense variables will influence the net cash balance five years in the future.
- 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.
- According to current FCST, the next new operating funds levy may be required in FY21 as deficit spend and the cash balances reach \$10MM or below.

October Forecast Assumptions

- All levies are continuing with the 5.99 mill levy passed in May 2017 included.
- This FCST is projecting a decreased tax collection rate of 98.6% to reflect the last half TY16/CY17 collection. Eight years removed from recession with recent annual collection rates fluctuating from 99.2% (CY16), 98.9% (CY17), to the current year.
- State foundation aid remained flat FY17-18, resulting in favorable outcome to May FCST assumption of 5% decline. 5% decline projected in next biennium.
- Assuming 3.2% salary growth FY18-21, followed by 2% growth in FY22.
- Insurance costs increase 12.48% (Medical) and 12.33% (RX) in FY18 with an 10% per annum increase for the remaining FCST years.
- Purchased Services, Supplies, and Other Expenditures, forecasted using FY17 actual expenses and multi-year averages plus 2% inflation adjustment. May FCST utilized percentage of unused budgets to estimate future expenses.

October Forecast Assumptions

- 3% real property valuation increase due in FY18 and FY21 triennial reappraisals.
- Public Utility Personal Property (PUPP) projected to increase 2.5% throughout the FCST.
- Four retirements (per year) assumed in FY19-22 of FCST. This includes certified staff reaching 30+ years experience over the next five years. Assume MA10 personnel replacement.



Major Changes to the MAY FCST

(\$ in thousands)	FY18	FY18-21 FCST TOTAL
Increased medical (12.52%) and prescription drug (12.33%) benefits with 10% annual increase	(214)	(1,444)
Decreased real property tax collection rate from 99.4% to 98.6%	(395)	(1,002)
Personnel Services	(183)	(856)
Property Tax Collection	(7)	(10)
Purchase Services	234	974
Actual FY17 closing cash balance favorable in May FCST	950	950
Supplies & Materials	180	742
PUPP	46	474
Other Operating Revenue: All Day Kindergarten Tuition, Pay to Participate Fees and Interest Income all adjusted upward vs. May FCST	108	465
Deferral of State funding formula decrease to next biennium budget	232	456
Other Expenditures	64	263
Other Revenue: BWC Retro Rebate Program FY18	180	180
TOTAL CHANGE to May FCST: FAVORABLE (UNFAVORABLE)	1,195	1,192

- The impact of each change is shown for current FY18 and as a total for the five-year FCST period through FY21 to align with the ending year of the May FCST.
- Slight variances may occur due to rounding.

Upsides/Downsides to OCT 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 and would lessen General Fund expenditures.
- 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 OCT Forecast

<u>Item (\$ in thousands)</u>	<u>Upside</u>	<u>Downside</u>	<u>Probability</u>	<u>Comments</u>
5 Mills New Money Levy	\$5,100			\$2.5M in FY18 (CY19), \$5.1M thereafter.
1% Change in Real Estate Tax Collection Rate	\$408	\$408	Med	98.6% collection rate to reflect the last half TY16/CY17 collection. Recent annual collection rates fluctuated from 96% (CY15) to 98.9% (CY16).
1% Base Salary Change (includes fixed fringes)		\$353		Current contract expires 6/30/2021
1% Change in Insurance Premium	\$61	\$61	High	FCST uses 10% per annum for medical & prescription drugs, 0% for dental
1% Change in State Aid - Unrestricted/Restricted	\$55	\$55	Med	Every 1% or <1>% adjustment in state aid equals \$55k annually. Project flat YOY state aid FY18-19 with 5% decrease FY20-21.

- “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.

Upsides/Downsides to OCT Forecast

<u>Item (annual dollars shown in 000s)</u>	<u>Upside</u>	<u>Downside</u>	<u>Probability</u>	<u>Comments</u>
1% Property Valuation Change	\$48	\$48	Med	Inside Millage (4.69) only, Triennial Update in TY18(CY19) and TY21(CY22) residential growth estimated at 3% in both reappraisals. \$1,023,000 * 1%=\$10,230,000/1000 * 4.69
Pay to Participate Fees Change 10% in "participation" and/or "rate"	\$25	\$25		Fees will be 50% user paid beginning FY18 w/student cap @ HS \$500 & MS \$300 (assumes \$252K total).
Each Teacher Retirement/Reduction more or less 4	\$25	\$25	Med	Approx. 26 Certified staff become eligible for retirement FY19-22.
1% Change in Purchased Services		\$42	Med	Impacted by utility rates, facility maintenance needs, special education services, etc.
10% Change in Special Education Catastrophic Reimbursement from State	\$23	\$23	Med	Reimbursement amount has averaged \$286K FY13 to FY17.
1% Change in Supplies & Materials		\$8	Med	Impacted by transportation expenses, maintenance, fuel, custodial services, instructional materials, etc.

- "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.

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.

