Prepared Notes for Board Meeting (Forecast)
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Marc A. Schare
614 791-0067
marc9@aol.com

After a few years, it is easy to get comfortable with the content of a five year forecast, and my eyes generally go to the lower right hand corner to the monstrous debt that always seems to be looming 5 years out. The discussions are always similar – that the forecast is a snapshot and the looming debt never happens and essentially, don't worry, be happy because it all works out in the end.

So, last May, in the run up to the 2012 levy, we looked at the forecast and saw a looming 17 million dollar deficit in that lower right hand corner and based on that, we picked an amount and all but promised a three year levy cycle with the next levy scheduled for 2015. Frequent visitors to these proceedings might even recall the somewhat spirited discussions we had over making the 2012 levy larger so the 2015 levy might be "reasonable" in size.

Back in October when I spoke about the forecast prior to its approval, I mentioned a few items that I felt should be included in that version of the forecast, notably, employee retirements on the expense side and casino money on the revenue side. Since our Treasurer, as is his right and perhaps his obligation, leans on the conservative side, neither was included. Now that both have materialized, they are both included in this forecast iteration. There are also considerable savings off the projected rate of increase in health care. Together with the ebb and flow of items like utility costs (on the ebb side) and tuition (on the flow side), the variance between the October forecast and this one is a whopping, eye popping 63.7 million dollars of which around 75% is attributable to the passing of the November 2012 incremental levy.

Of course, there are risks, some of them brand new. The federal Affordable Care Act requires us to provide health care to employees who work more than 30 hours a week. Jeff has mentioned that there will be expense here, but he is still working through the calculations given the uncertainty and thus, that cost is not included in our forecast. The implementation of a performance pay system as suggested by ORC 3317.141 might also result in higher costs than the traditional STEP increases and while the forecast does include money for new staff, it's conceivable that our enrollment increases may outpace those additions.

As a result of the many revisions, FY17 unreserved ending cash balance is projected to be a healthy 24.3 million dollars, 27.4 million if you count the contingency fund. Moreover, we will be deficit spending at a rate of only 10 million dollars a year in FY17, thus suggesting that as a worst case scenario under current assumptions, our promised 3 year levy cycle will be extended to a 4th year. This also suggests that with perfect, rearview mirror 20-20 hindsight, our Board was correct is choosing the lower, taxpayer-friendlier levy a year ago.

This is, of course, only part of the story. Every time the treasurer does a forecast, he needs to make a best guess at state funding, including such issues in the past as whether the transitional aid guarantee will be continued and whether the Tangible Personal Property Tax will be phased out on the original schedule envisioned in 2005. This cycle is particularly challenging because in no version of the budget will Worthington be on the guarantee and in no version of the budget is the continued phase out of the Tangible Personal Property Tax mentioned. Indeed, the budgets presented to date look to possibly have upside for Worthington. Because our treasurer forecasts very conservatively, at least on the revenue side, he did not include these items in his forecast, however, I thought it might be fun to take a look at what is likely to happen based on what we've seen from the Governor and the Ohio House so far this cycle.

As far as foundation goes, I'm comfortable with the treasurer's estimate of leaving it alone because there is a great deal of uncertainty. Destructive legislation surrounding transportation could easily cancel out Worthington's projected increase and over time, tuition could eat into the rest with an expansion of vouchers in the out years of the forecast and no identified funding source other than, of course, local dollars. With tangible personal property tax reimbursements, the treasurer has forecasted a reduction starting in FY14. He could be right, and I've no problem with a conservative projection, but let's look at the alternative scenario – the one that will occur if current law is followed and TPP reimbursements are continued through the life of the forecast.

Under this scenario, our FY17 balance is 46.5 million dollars but even more significant than that, our annual budget is more or less balanced through the life of this forecast. Let me say that again. All other assumptions being correct, if TPP reimbursements continue in perpetuity as is current state law and in both the Executive and House passed budgets, our budget balances, more or less through 2017 when in that year, we have a small deficit. If your eyes, like mine, drift to the lower right corner of the forecast, you'll see a pretty significant positive number. Since our capital improvement and technology needs are being met through bond money, mathematically, we would not need to seek additional operating dollars until at least 2017 and possibly 2018 or 2019. To be sure, a lot can and will happen between now and then and vigilance is always required. In fact, before Worthington gets too excited about the possibility of a half decade with no levy, I'd remind us all that in 2009, A Democratic House and a Republican Senate agreed that TPP reimbursements should be extended in perpetuity, only to see Governor Strickland use a line item veto on that provision.

Regardless of TPP reimbursements and thanks in part to the generosity of our voters and the sacrifice of teachers, classified workers and administrators, Worthington City Schools appears to be in its best financial condition in years. We've gotten very good at dealing with austerity. The question before us now is – what is the best approach to deal with what could be a temporary, but very welcome, positive financial scenario.