

Prepared Notes for Board Meeting

October 24, 2016

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The 5-year forecast as implemented in Worthington is essentially a reflection of the current budget with inflationary figures applied for each category. In other words, it succinctly demonstrates what happens when a large corporate budget is left on autopilot.

Over the years, our treasurer has put a level of importance on having revenues outpace expenditures each year. He's not wrong. In my opinion, it should be the goal of all government agencies to operate with a balanced budget.

But what happens when the goal of a balanced budget meets the reality of a budget that is essentially on autopilot.

Let's go to the 5th year of our forecast. Our treasurer correctly states that even at the 5th year, this forecast should be tighter than previous forecasts in their 5th years because there are fewer variables. In our October 2016 forecast, the 5th year shows revenues of 129 million and expenditures of 145 million. To achieve a balanced budget requires around 15.8 million dollars or around an additional 8.8 mills of additional property tax, annually. Now, since we have a large cash balance that we committed to throw at the imbalance, the required number will be much lower, but we're talking concepts.

Our treasurer is creating levy scenarios that cover not just the next operating levy but the one after that. To get a peek at what might be required, we can stretch our forecast out 10 years (since we're on autopilot) and show an imbalance, expenses – revenues, of around 48 million dollars, or around 27 mills. This implies that to maintain a balanced budget with no expenditure deviations, we must levy a total of 27 mills within 10 years. For those keeping score, the resulting financial commitment would be around an additional \$2,000/year for the average Worthington house.

Now, of course, this only happens if you want to achieve a balanced budget, but I did want to highlight what happens if a budget remains on autopilot for a long time. Assuming we want to avoid it, there are two ways to do so. We can rely on what has worked well for us these last 6 years, a combination of luck, intense lobbying and favorable legislation or... we can... just once, try a zero-based budgeting approach and see what, if anything, can be done to alter the run rate and maintain that balanced budget with, perhaps, just those reasonable levies at reasonable intervals.

