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

Thanks to the work of Jeff, TJ and our great financial office, there really aren't any questions about whether the numbers are correct. The numbers are correct if the assumptions are correct, so let's just go straight to the assumptions page and see what insights we can draw.

First, we see a projection that state funding will continue at the FY15 level after this biennium, this despite the fact that Worthington is entitled to millions of dollars per year more under the formula put in place by the legislature. Like many other similarly situated districts, Worthington was "capped out" in FY14 and FY15. We've been on various transitional guarantees for so long now that we have to remember that there's a difference between being capped, and being on the guarantee. When you're on the guarantee, your best case scenario is that you get what you got last year. When you're capped, you're best case scenario is that they lift the cap. It is the stated intention of the Governor that we get rid of caps and guarantees and should that happen, Worthington will experience yet another positive financial bump. It is therefore correct to say that the forecast is conservative in the area of foundation funding.

Second, we see a projection that our TPP reimbursement will be phased out starting in FY16, this despite state law to the contrary and despite the fact that state law also identifies a continuing funding source for the reimbursements through the Commercial Activities Tax. I strongly oppose this assumption because I think we should follow, to the extent possible, state law when it comes to our forecasts. The difference, for those keeping score, is around an extra 16 million dollars through FY18. I'd rather include the money in the forecast and remove it should state law change than pretend the law is something different than it is. For what it's worth, Rep. Duffey checked with both legislative leaders and officials in the Governor's office and at least for the moment, no one is talking about changing state law in this regard. In any event, this is also a very conservative projection.

Third, the salary and benefit projections continue to ignore the probability that dozens of staff members, as a result of the second phase of pension reform kicking in, will retire in 2015. This is not inconsequential. In the forecast on which we sized the 2012 levy, we had a conservative projection of 34 retirements. The number was close to 100 and the difference represents a considerable savings to the bottom line. In this forecast, we conservatively forecast zero retirements, however, we have close to 50 teachers who would have a powerful economic incentive to retire by 2015. Obviously, this is also a very conservative projection.

There are other areas where the forecast is dealing with conservative projections. I'll highlight one just to emphasize the point. In the "Tuition to other districts" category, in the forecast used to size the levy, the projection for FY14-16 was 17.6 million dollars. In this forecast, it's 16 million dollars for the same period. As the saying goes, a million here, a million there and sooner or later, you're talking about real money.

I raise this issue because at some point, perhaps we can have a discussion about the ramifications of always using the most conservative projections, potentially understating revenues and overstating expenditures in the five year forecast and then basing taxation on those projections. One downside that comes to mind immediately is that we appear (with perfect 20-20 hindsight) to have overtaxed the people of Worthington in the 2012 levy cycle, essentially taking money from their bank accounts to keep in our bank account, and our bank account is bulging. The question is – what to do about it now.

The numbers show that we will have some 51 million dollars in the bank at the end of FY17, and that is assuming adverse legislation. Even with the conservative projection, that's 18 million dollars higher than our bank balance when we sized the 2012 levy and 21 million dollars higher than our bank balance when we ran the 2009 levy. These numbers continue to suggest that it should be at least another 4 years before we even consider returning to the ballot. When we did our goal setting exercise a month or so ago, we agreed to reconsider the resource management goal when the official forecast was produced. Based on this forecast, I'm hoping we can revisit the issue at our next meeting and commit to extending the life of this levy until 2017 assuming the TPP reimbursements remain in state law.