



# **Hilliard Board of Education**

**Audit and Accountability Committee**  
**October 10, 2011**



# Agenda

- **Unprecedented Changes / Challenges**
- **District's Response to Challenges**
- **A&A Committee's Perspective**
- **Levy Recommendation**

# Unprecedented Challenges

- **Reduced state financial support**
  - \$4.1 mm 2012 and \$8.6 mm in 2013
- **Property tax reappraisals**
  - Residential appraisals decreased - \$1 mm annually
- **Senate Bill 5**
  - Significant impact on most school operations
- **Failed levy in May**

# District's Response

- **New union agreements**
  - 2 ½ years to Dec 2013
  - Health insurance premium contribution to 15%
  - HEA: base frozen; steps in Feb and Sep 2013
  - OAPSE: base frozen to Jul 2012, then 1%
    - Steps frozen until Jul 2013
- **Recent cost saving measures**
  - Eliminated 40 positions - \$3.1 mm
- **Early retirement incentive savings**
  - 140 teachers offered \$40k over 5 years
  - Saves \$2.9 mm in 2013 if 75% accept

# District's Response

- **5 Year Forecast (Draft)**
  - **We reviewed Jul 27 draft 5 yr Forecast**
    - **Incorporates recent changes:**
      - **Property tax reappraisals; Ohio biennial budget**
    - **Comparable to Forecast to be filed in Oct**
  - **Assumptions appear reasonable to us**

# 5 Year Forecast Revenues

- **State funding decreases \$4.1mm in '12 and \$8.6mm in '13**
- **Residential property tax reappraisal:**
  - Decrease \$.5mm in 2012; \$1mm in 2013
- **Potential levy revenue: \$13.6mm annually**
- **If levy passes, revenue CAGR is 1.3%; if not, CAGR is negative .3% or decrease of \$2.7mm '11 to '16**



# 5 Year Forecast Expenses

- **Compensation represents about 88% of total expenses in the forecast**
- **Compensation CAGR of 2.3%**
  - **Salaries CAGR of 1.6%**
  - **Benefits CAGR of 4.2%**
    - **Driven by health insurance premium increases of about 8% annually**
- **Overall expenses CAGR of 2.4%**

# 5 Year Forecast Summary

- **Deficit assuming failure of levy  
(in millions)**

2012	2013	2014	2015	2016
(\$8.4)	(\$13.5)	(\$15.6)	(\$20.9)	(\$25.9)

- **Unreserved fund balance (in millions)**

2012	2013	2014	2015	2016
\$5.0	(\$8.5)	(\$24.4)	(\$45.4)	(\$71.2)

# 5 Year Forecast Summary

- **Deficit assuming passage of levy (in millions)**

2012	2013	2014	2015	2016
(\$1.6)	\$0.1	(\$2.4)	(\$7.3)	(\$12.2)

- **Unreserved fund balance (in millions)**

2012	2013	2014	2015	2016
\$11.7	\$11.8	\$9.4	\$2.1	(\$10.1)

- **Previous levy was supposed to last 2 years**
  - Personnel cuts and health insurance contribution rates enabled it to last 3 years
- **The 2011 levy should last three years**



# Cash Balance

- **Board policy: maintain 10% cash balance of revenues**
- **With passage of levy, cash balance will be 7.3% of revenues in 2012 and decrease thereafter**

# Proposed Cuts

- **\$10.3mm in cuts proposed if levy fails**
- **\$7.2mm represents 93 positions eliminated**
- **\$3.1mm cut from programs and operations**
- **Last chance to avoid cuts in the 2012 – 2013 school year**



# **A&A Comm. Perspective**

- **District has slowed cost growth**
- **Excellent w/ Distinction – 4 yrs**
- **Lowest cost of districts with this achievement**
- **Administrative costs are low in benchmark studies**
- **Work on cost control is not done**

# Endorsement

- **Levy deserves support**
- **Future stipulations:**
  - 1. Maintain cost / student increases within inflation level**
  - 2. Make progress to restoring cash balance to policy**
  - 3. Prepare for further state & federal cuts**
  - 4. Establish strategic objectives for financial performance**



**Questions?**