Prepared Notes for Board Meeting (Forecast)
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103 Million Dollars. 103 Million dollars represents the difference between the FY17 cash balance projection in this forecast, which is 64 million dollars and the FY17 cash balance projection that was used to size and run the operating levy in 2012, which was negative 39 million dollars. To be sure, around half of that figure, 47 million dollars represents the new levy money but the rest of it, over 55 million dollars in the period between FY13 and FY17, represents what happens when you use the most conservative possible assumptions in the creation of a forecast, use that forecast to size a levy and pass the levy. The 2012 levy was designed to provide us with a 30 day cushion in FY17. We wound up with approximately 6 times that amount. I know that many, perhaps most people in this room consider this a good thing. Heck, it might even result in our first ever coveted AAA bond rating. I think it is important, however, to just take a second and articulate how we got here. Essentially, while presenting a financial projection in 2012 that was undeniably on the conservative side, we convinced tens of thousands of people to give us tens of millions of dollars on the strength of arguments that, in the fullness of time, turned out to be somewhat pessimistic – limited TPP, no savings from retirements, no increases in foundation, enormous annual health care increases just to name a few. I bring this up as a cautionary tale about the importance of forecast assumptions in determining levy amounts. We can, through the assumptions in a forecast, paint as draconian a picture as required to scare the bejesus out of our residents, most of whom care deeply about education, or we can present a balanced view of what is most likely to happen and risk from time to time coming up a bit short. Come 2017 (or 2016 depending on who you talk to), this Board is going to have to make that determination.

As far as the current forecast, all I can say is "Yay". With the inclusion of a realistic retirement model, this document presents one of many scenarios that can be deemed as likely. There is both upside risk and downside risk. The treasurer's assumptions can speak for themselves, I'll just highlight a few areas that I find significant.

In the area of state funding, there is upside against the Treasurer's prediction of flat foundation funding. The powers that be have a stated goal of eliminating all guarantees and all caps, preferring that the state establish a formula and stick with it. Under the formula contained in the last biennial budget, Worthington would receive another 4.7 million dollars annually. Unfortunately, this is balanced against the potential loss of 10 million dollars annually in TPP funding, a revenue source that is getting harder to defend as the number of members of the Ohio general assembly who even remember what the Tangible Personal Property tax was dwindles with each passing year. There is both upside and downside risk in the forecast to TPP reimbursements. It wouldn't shock me to see permanent reimbursement (some TPP funds would be added to the formula) and it wouldn't shock me to see TPP funds eliminated and I've heard both possibilities from members of the General Assembly. Time will tell.

The forecast includes savings from a good number of prospective retirements. There is, again, both upside and downside risk here but the treasurer's estimate is a good, middle of the road guess as to what will actually happen.

In the area of health care, there is potential downside risk in that if premiums continue to increase at historical rates, we will hit the "Cadillac Tax" statute of the affordable care act. Essentially, beginning in 2018, a 40 percent excise tax will be imposed on the value of health insurance benefits exceeding a certain threshold. The thresholds are $10,200 for individual coverage and $27,500 for family coverage and we will be perilously close to those limits with even a historically modest rise in health care costs. 40% is a big number and it would only take 3 years in the high single digits to get there.

There is also upside potential if the district would consider applying a zero based budgeting approach to purchased services and supplies. Currently, we are simply assuming, and always have, "inflationary" increases of 5% for utilities and 3% in other areas such as supplies, but we act like this is not under our control. We just automatically assume, for example, the supply budget goes up year in and year out. Presumably, there are checks and balances along the way, but from the perspective of the forecast, we just see a steady increase forever which artificially plays into long term budget conversations, levy planning and other aspects of school district planning exercises.

To the surprise of no one, I'm going to conclude these comments by renewing my call to have the administration commit that we will not run a new property tax levy prior to November of 2017 and that we amend our resource management goal to say so in writing. In June of 2018, the forecast predicts we will have cash in the bank totaling 57 million dollars and this is with the Treasurer's assumption of adverse legislation. If we run the levy a year earlier, in FY17 which would be the only reason why no such commitment has been forthcoming from our administration, we would have cash in the bank totaling 63 million dollars. These are some fairly big numbers and we still have some upside potential for those numbers to get even bigger. With purposeful management and conservative budgeting, there is no reason why a levy would be required prior to November of 2017 if we only have the collective will to make this a management objective. As to this forecast and as with most documents produced by financial services, it is a quality piece of work representing one of many possible scenarios, not ultra conservative but not off the charts in the other direction either and is clearly worthy of support.