Prepared Notes for Board Meeting – Forecast
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Tonight, I wanted to share some thoughts on our 5 year forecast.

Now – I know what you're thinking. You're thinking that the forecast doesn't matter, it's a snapshot in time and so on and so on and most years and most forecasts, I probably wouldn't take the time to argue with you, but this forecast is a little bit different because it is the accuracy of this forecast and the probability of the assumptions thereof that are being used to justify asking our fellow citizens for a tax increase and defining how big an increase it should be.

Before getting started, I wanted to call your attention to a relatively new publication from ODE called "How to Read a Five Year Forecast". In particular, I want to quote a passage from Page 1. It says:

Since the preparation of a meaningful five-year forecast is as much an art as it is a science and entails many intricacies, it is recommended that you contact the Treasurer/Chief Fiscal Officer or Board of Education (BOE) of the individual school district with any questions you may have. The Treasurer or CFO submits the forecast, but **the BOE is recognized as ultimately responsible for the development of the forecast and the official owner.**

In addition to this document, ODE started publishing, in addition to the five year forecasts of every district in the state, the assumption documents for many districts. Folks, I have to tell you – as much as I may quibble with our treasurer from time to time, objectively, the materials provided to the public in the way of the assumption document and the revisions page is far and above what many other districts provide, but don't take my word for it – the assumptions documents across the state make for some fascinating reading on a warm summer night.

Speaking of quibbling with our treasurer, I want to list some concerns I personally have about the forecast.

So let's start with casino money. The Legislative Service Commission published an estimate that Worthington will see around $800K on the low side and 1.2 million dollars on the high side each year. This forecast assumes one of two things – either that the money won't appear or, if it does appear, the state will simply reduce other funding to make up the difference despite a constitutional prohibition against doing just that. This money, all by itself, could reduce the amount of the levy by around ½ mill. I'm not asking that we include the money in the forecast, but I am asking for some transparency with regard to the assumptions. The Treasurer of Hilliard City Schools is including around a million dollars a year in Casino money in their May forecast but he is explicitly saying that the state will, in fact, cut Hilliard's allocation by exactly that amount. If that's what we believe than let's say it – but let's not pretend that the Casino's don't exist and I will add anecdotally that with state revenues up, it would be completely illogical for the state to act as we are assuming they will act.

More interesting, perhaps, is our stance on the reimbursement of the Tangible Personal Property Tax. We are assuming it will be phased out using a straight line approach between now and 2018 and we are using that phase out, in large part, to justify the levy. It's worth noting that both Dublin City Schools and Hilliard have decided that their forecasts will assume that the current language in state law, essentially perpetual reimbursement at FY13 levels, will stay in state law. If they are correct, we would see a revenue increase in the tens of millions of dollars. We can't just let that go as we're talking about some pretty significant millage that we would then be overcharging and before my colleagues accuse me of being a bit melodramatic this evening, allow me to point out that 3 of us have seen this movie before. In 2006, a forecasting error in the tens of millions of dollars resulting in this district placing an unnecessary operating levy on the ballot and that also had to do with TPP reimbursements. Now, that said, I agree with our treasurer that the scenario in the forecast is a higher probability than perpetual reimbursement, but what if we're wrong? I've suggested some kind of board guarantee that if we are wrong about TPP reimbursement, we don't see it as a license to spend money but rather, we use the money to extend the life of the levy or to lower the millage amount of the next levy. It's my hope that we have those discussions next week.

Moving on to other points of disagreement I have with this forecast – we seem to have adapted a philosophy that if item "x" and item "y" cancel each other out, we do not have a responsibility to document in the forecast either "x" or "y". I'll use two example to illustrate the point. First, we believe that Casino money will be cancelled out by changes to foundation aid. If we believe that, we should document it. The second is a bit more troubling. This forecast assumes that no teacher is going to retire in the next 5 years. When I inquired about this, I was told that retirements and education-based step increases cancel each other out. Honestly, I find that a little hard to believe but in any event, it is impossible to vet without the numbers. This year, we had 42 retirements at a savings in the millions of dollars. With pension changes on the way and dozens, perhaps hundreds of teachers eligible for retirement within the timeframe documented by the forecast, we know there will be savings there. Why can't we forecast and document both this and education based step increases based on historical averages?

Another point of disagreement is a reversal of our philosophy of cost shifting items into the bond fund to free up operating dollars for other purposes. I've heard two arguments against the continuation of the cost shifting policy. The first is that we were cost shifting items that are not allowed to be cost shifted, but clearly, there are items that are eligible that can be cost shifted, the obvious example being textbooks. The second argument is that we shouldn't pay for immediate needs with 15 year borrowed money, however, this is no different than we are doing with any other aspect of the bond issue. After all, it is the weighted average of all of the capital goods being purchased that determines the maximum bond maturity dates and state law sets the minimum time that the purchased item must be used for. We know that some Worthington families are in economic distress today – if we can lower this levy by a mill by a continuation of this cost shifting policy, we should do it.

All of that said, I'll go back to the beginning. The forecast is important only so far as it informs the levy decisions and the decision is a philosophical one. Clearly, the forecast is not out on the fringe. Most districts are not including casino revenue and a significant minority of districts are not following state law with regard to TPP. What we should not do, in my opinion, is vote to approve a levy amount based on these assumptions without some representation to the community that if reality turns out to be millions of dollars better than the forecast, the district will take those excess funds and use them to extend the life of this levy or lower the millage requirement on the next one.