

What Treasurers Want Board Members to Know About Financial Forecasting

- Out of intense complexities intense simplicities emerge.

- Winston Churchill

Presented by
Ernie Strawser
April 29, 2011
OSBA Board Member
Leadership Institute

School Board Member

Forecast Finance-to-Know

- GLOBAL Indicators
- SUSTAINABILITY
- Structural/Underlying Trends

School Board Member

Forecast Finance-to-Know

- GLOBAL Indicators
 - State Revenue & Economy (OBM Reports)
 - State Commitment (Exec Budget)
 - State Education Funding Philosophy (Blue Book)
 - Local Property Values
 - Per Pupil Expenditures
 - Local Revenues Vs. Expenditures

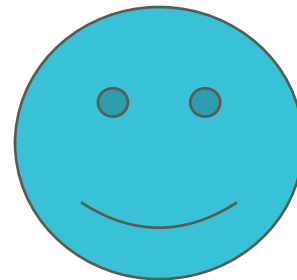
Global Indicator – Ohio's Tax Revenue

An eighth consecutive month of better-than-expected receipts across most tax sources resulted in a March performance that exceeded estimates by \$157.1 million (13.0%). Tax receipts through the first three quarters of the fiscal year are now \$627.2 million (5.4%) above the estimate. On a year-over-year basis, total tax receipts for March were \$172.6 million (14.4%) greater than they were in March 2010. **For the year-to-date, tax collections in fiscal year 2011 are \$939.2 million (8.3%) higher than for the same period a year ago.** The largest contributors to this year-over-year growth are the non-auto sales tax and personal income tax receipts. Personal income tax receipt growth has been driven by strong performance in both the withholding and the quarterly estimated payment components, which are \$377.6 million (7.3%) and \$101.0 million (15.7%) above those at the same point in fiscal year 2010.



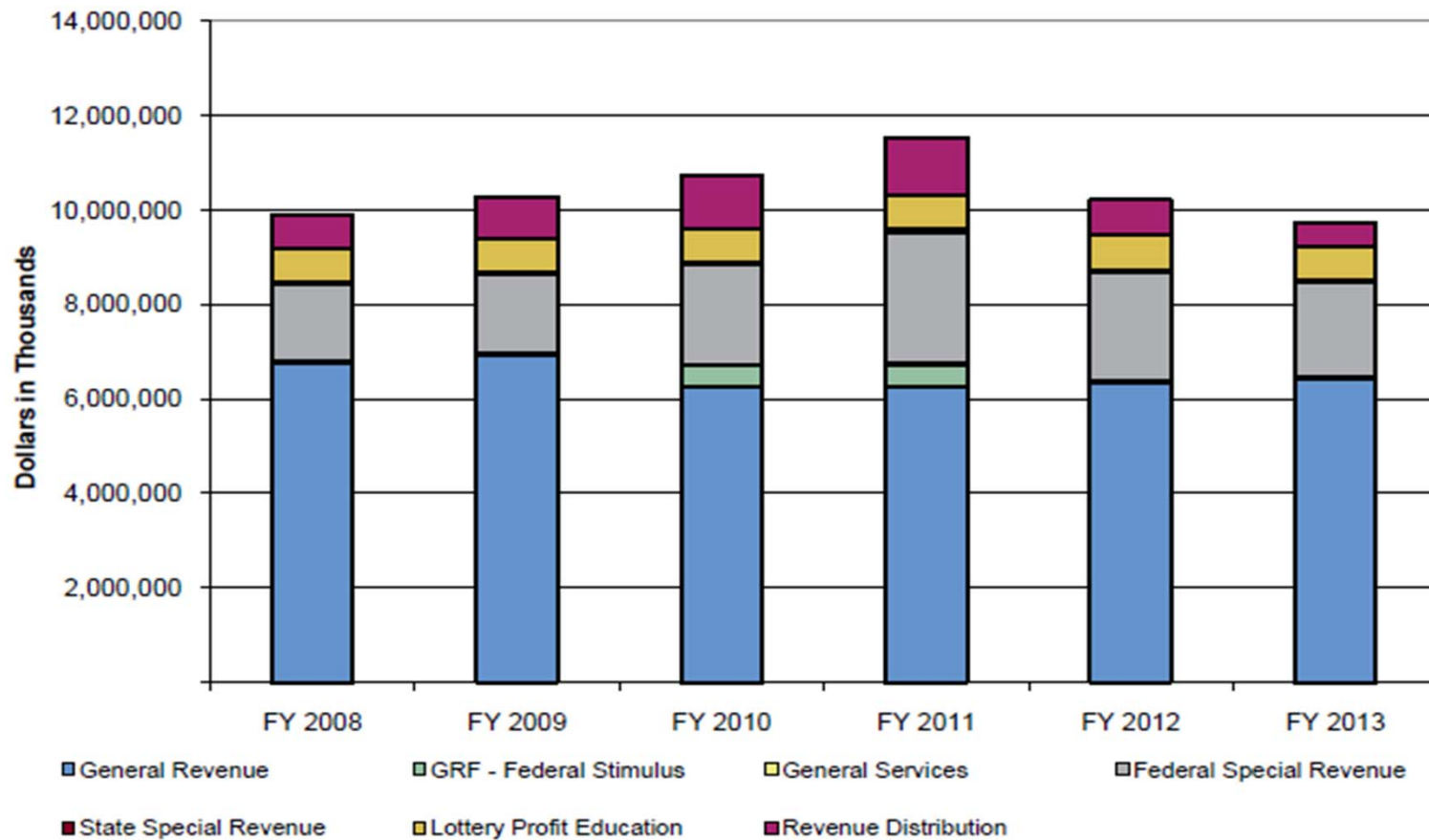
OBM

Source: OBM Director's Report, April 2011



Global Indicator –

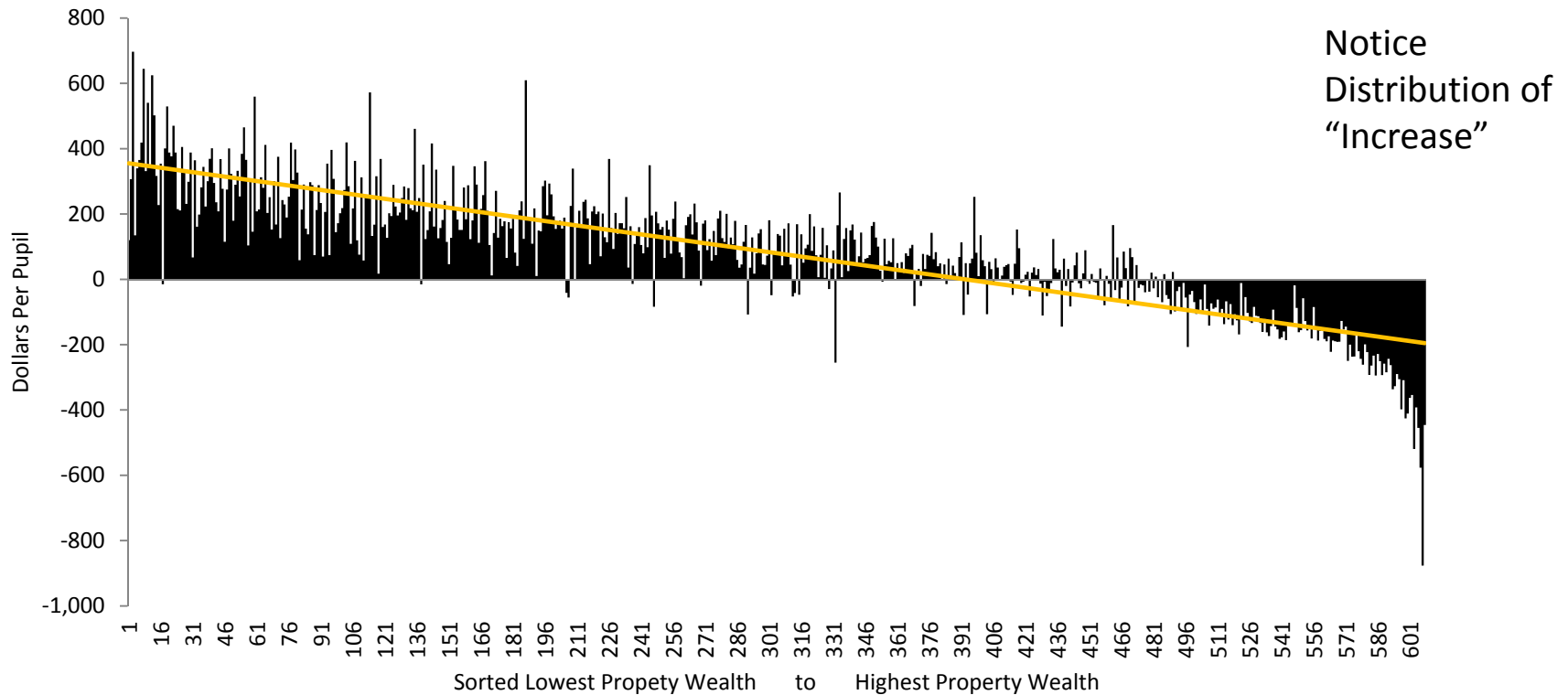
XB Education State Funding Commitment for Ohio Schools



Global Indicator? – State “Philosophy”

“2012 Increase in Per Pupil State School Funding” 3 /15 /2011

F.Y. 2012 Basic Aid Change (Per Pupil)

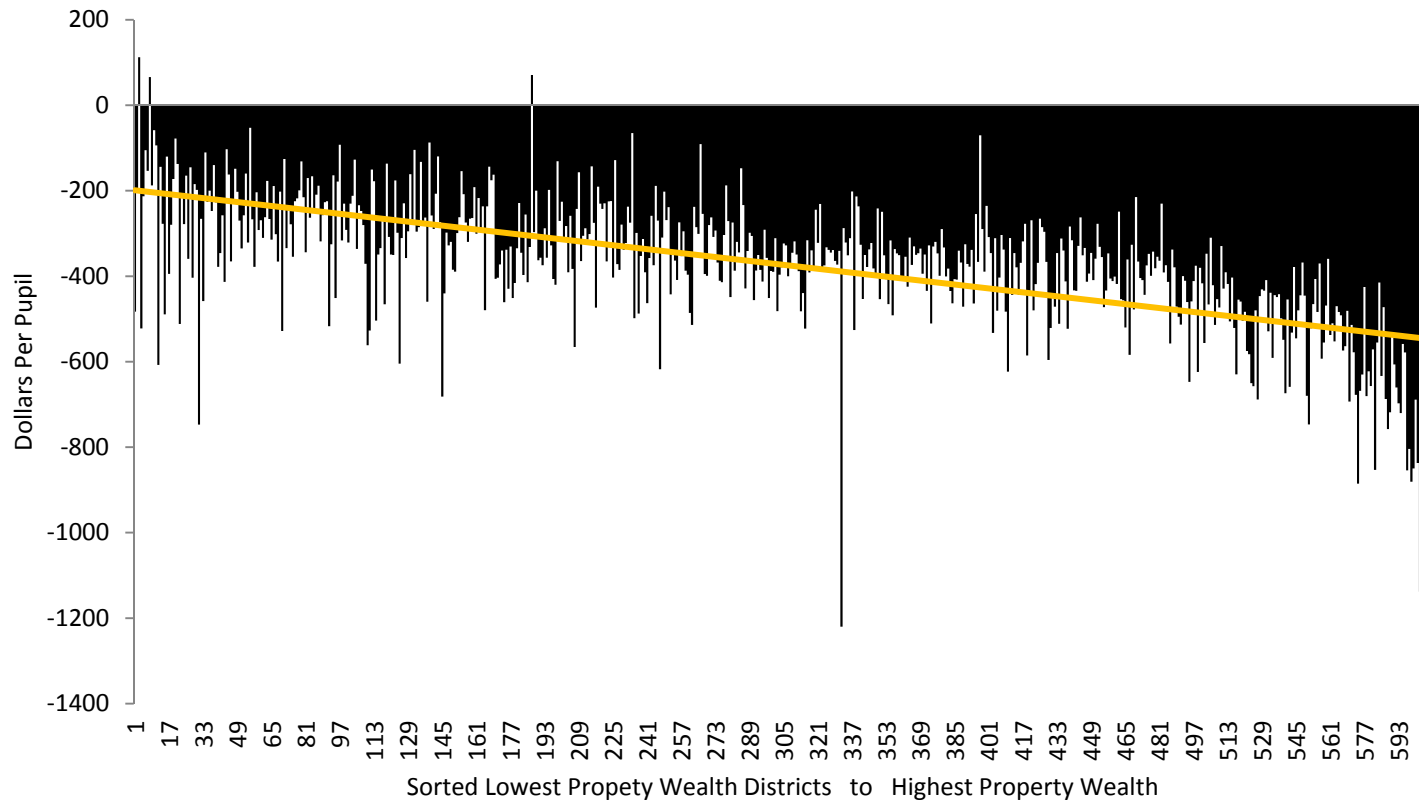


Global Indicator – State “Philosophy”

Reality Check **\$1.8 Billion Reduction** to Ohio’s Schools

F.Y. 2012 State Funding Change (Per Pupil)

The "Rest of the Story"



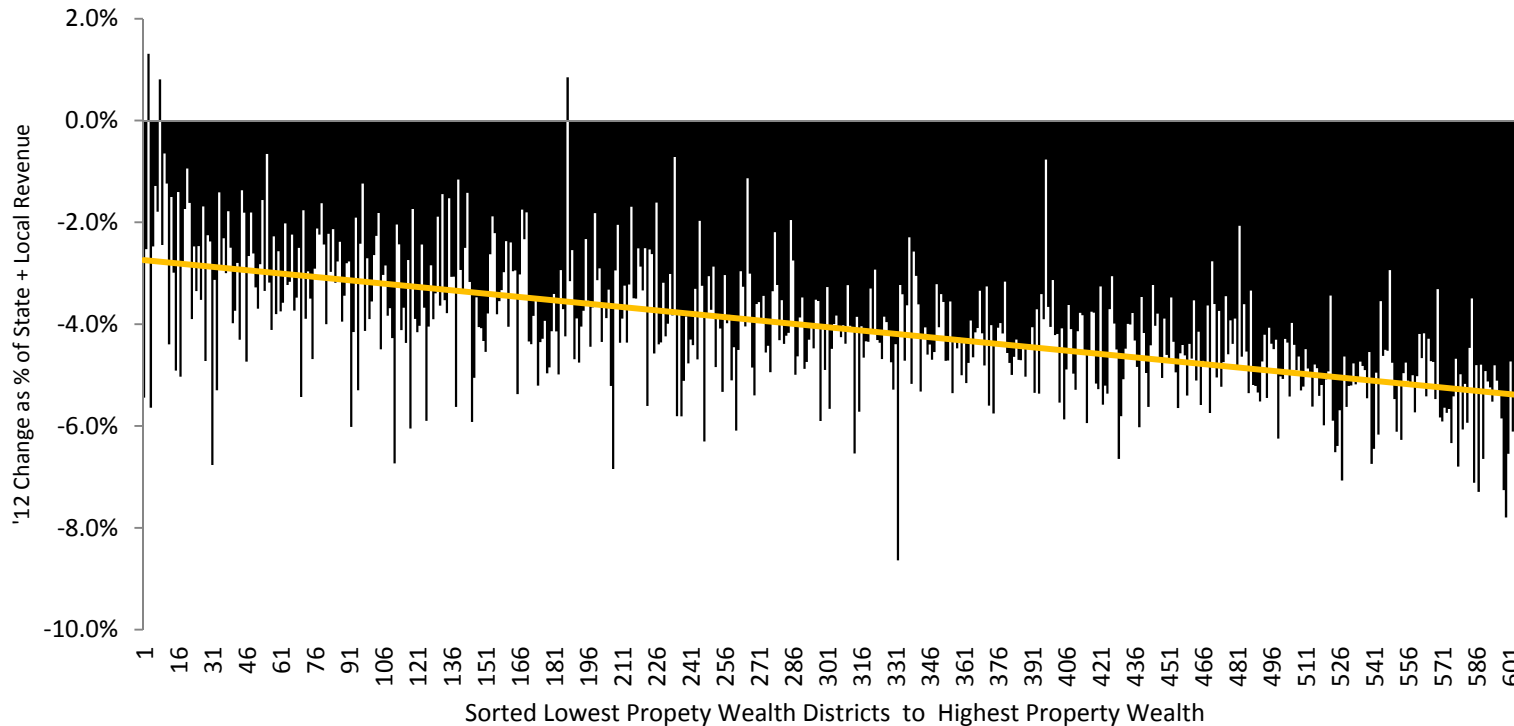
Forecasting Checkup

- Less Per Pupil
- “Wealth” Factor
- Total State Support

Global Indicator – State “Philosophy”

Wealth-Based Distribution Reductions

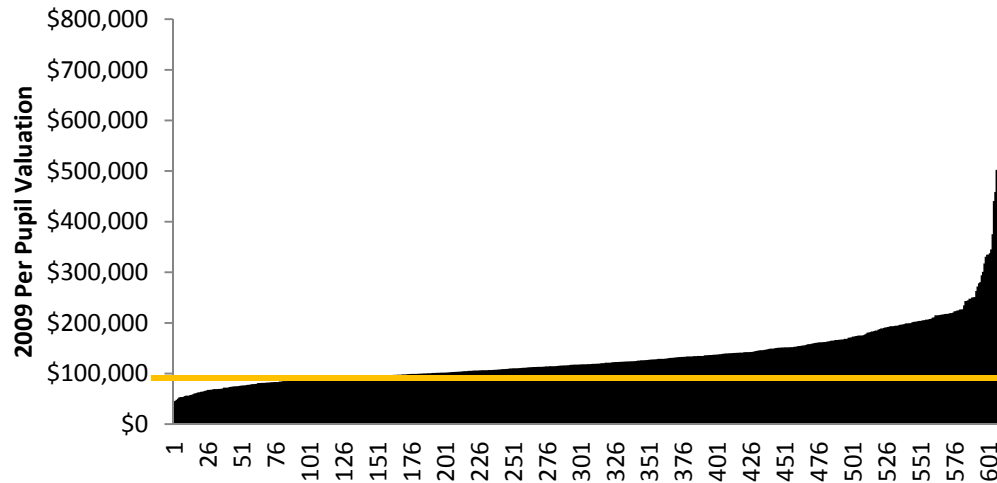
F.Y. 2012 State Funding Change % of Rev.



Global Indicator – State “Philosophy”

Valuation-Ratio Distribution of “Shortfall”

Per Pupil Valuation by District



Residual Budgeting Shortfall
 \$184 PP in 2012
 \$136 PP in 2013

F.Y. 2012 State Funding Change
 (Per Pupil)

The "Rest of the Story"



Global Indicators – Recap

- \$1.8 Billion Reduction in Education Funding Over Two Years
- Wealth-based Distribution of Cuts
- F.Y. '13 Funding Less than F.Y. '08
- District Capacity and State Funding Reductions
- District Cash Balance Declines
- Housing Values and Local Capacity
- Income Tax 😊

Global Indicators – Recap

- Permanent Removal of Commercial Activity Tax Earmark for Education
- Other:
 - Performance and Expenditure Ranking
 - Benchmarking Non-instructional Cost Savings
 - Health Insurance Pooling
 - Pension Contribution Reduction
 - Layoff Procedures
 - Increase Competition
 - S.B. 5?

School Board Member Forecast Finance-to-Know

- Sustainability Indicators
 - Local Property Values
 - Per Pupil Expenditures
 - Local Revenues Vs. Expenditures

RESIDENTIAL SALES DATA FOR COUNTIES GOING THROUGH REAPPRAISAL OR UPDATE IN 2011

93%

County-wide Sales Ratio Data '08 - '10

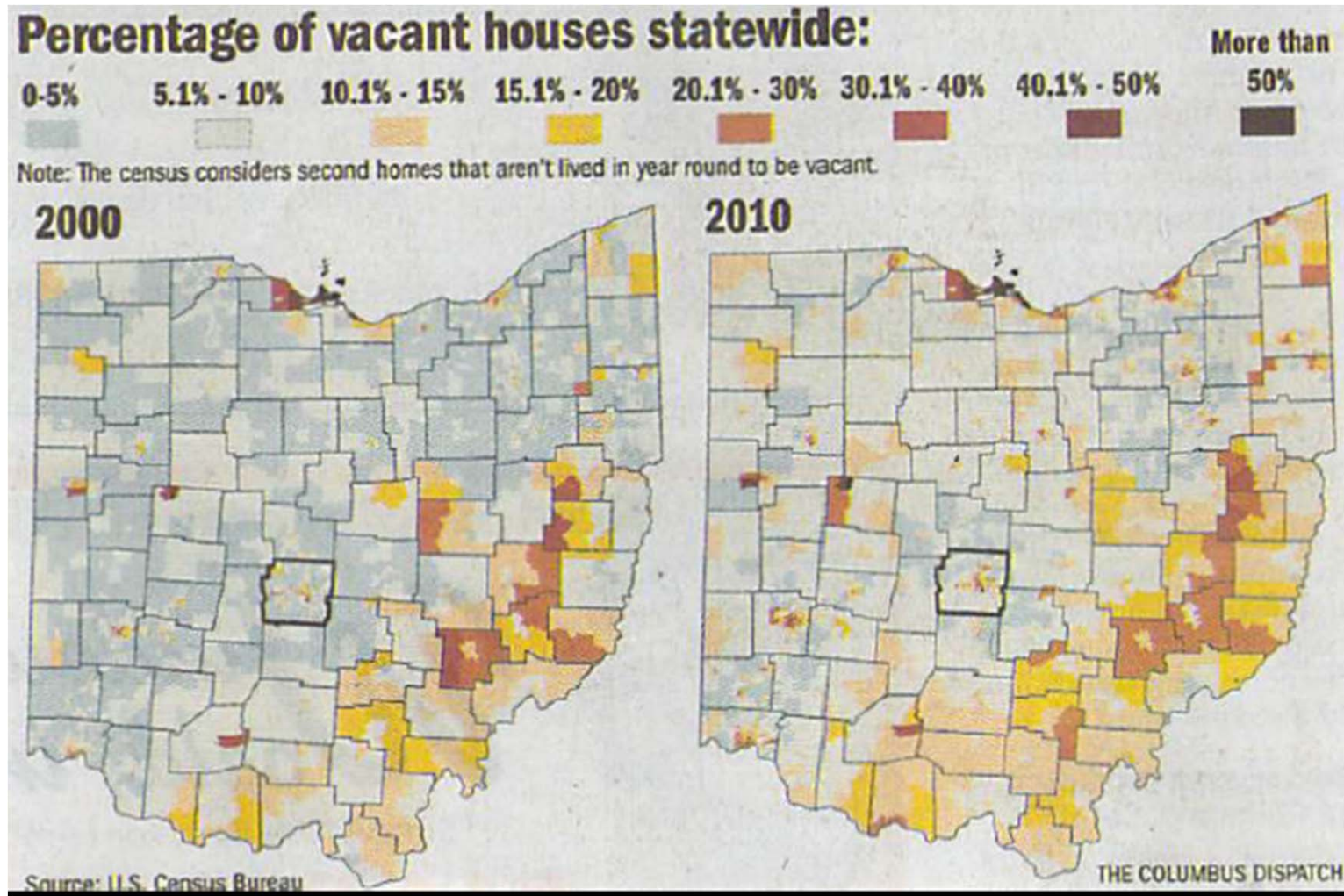
County	Jurisdiction Name	Jurisdiction Type	Through Year-End 2008			Through Year-End 2010			2008 Vs. 2010 Change	2010 Status to 93%
			Number of Sales	Median Sales Price	Median Market to Price Ratio	Number of Sales	Median Sales Price	Median Market to Price Ratio		
ASHLAND	ASHLAND	County	335	\$98,000	94.74%	264	\$112,000	100.17%	-5.43%	-7.17%
ASHTABULA	ASHTABULA	County	566	\$92,500	95.20%	476	\$92,000	102.09%	-6.90%	-9.09%
ATHENS	ATHENS	County	405	\$108,000	93.80%	291	\$122,000	92.12%	1.68%	0.88%
AUGLAIZE	AUGLAIZE	County	401	\$98,000	89.75%	296	\$98,350	93.44%	-3.69%	-0.44%
BUTLER	BUTLER	County	2,511	\$149,000	93.89%	2,122	\$145,000	95.34%	-1.45%	-2.34%
CLERMONT	CLERMONT	County	1,345	\$143,500	93.09%	1,156	\$142,000	98.18%	-5.09%	-5.18%
CLINTON	CLINTON	County	241	\$114,000	91.55%	182	\$121,000	101.10%	-9.55%	-8.10%
DARKE	DARKE	County	312	\$95,000	92.70%	292	\$96,300	100.01%	-7.32%	-7.01%
DEFIANCE	DEFIANCE	County	210	\$95,000	93.15%	183	\$99,900	99.27%	-6.13%	-6.27%
DELAWARE	DELAWARE	County	1,829	\$234,900	98.08%	1,829	\$235,000	101.71%	-3.63%	-8.71%
FRANKLIN	FRANKLIN	County	8,596	\$153,500	98.61%	6,849	\$158,000	103.09%	-4.48%	-10.09%
FULTON	FULTON	County	177	\$124,500	96.64%	153	\$118,450	102.38%	-5.73%	-9.38%
GALLIA	GALLIA	County	144	\$75,000	89.68%	117	\$62,000	91.92%	-2.24%	1.08%
GEAUGA	GEAUGA	County	574	\$210,000	94.61%	505	\$200,000	100.47%	-5.85%	-7.47%
GREENE	GREENE	County	1,335	\$143,500	97.58%	1,217	\$141,000	99.84%	-2.25%	-6.84%
HAMILTON	HAMILTON	County	6,127	\$137,850	100.00%	4,809	\$141,000	101.71%	-1.71%	-8.71%
HARDIN	HARDIN	County	137	\$79,000	97.55%	142	\$78,850	96.31%	1.24%	-3.31%
HARRISON	HARRISON	County	95	\$48,000	91.88%	64	\$51,000	98.38%	-6.50%	-5.38%
HENRY	HENRY	County	154	\$96,000	97.32%	109	\$98,900	99.59%	-2.27%	-6.59%
JACKSON	JACKSON	County	182	\$70,000	83.78%	153	\$70,000	96.76%	-12.98%	-3.76%
KNOX	KNOX	County	452	\$107,250	92.33%	409	\$97,000	98.35%	-6.02%	-5.35%
LICKING	LICKING	County	1,241	\$135,000	99.68%	1,001	\$139,000	99.56%	0.12%	-6.56%
MADISON	MADISON	County	247	\$128,500	92.88%	194	\$135,000	94.52%	-1.64%	-1.52%
MAHONING	MAHONING	County	1,619	\$88,000	94.95%	1,240	\$99,900	100.02%	-5.08%	-7.02%
MERCER	MERCER	County	340	\$94,450	88.30%	273	\$99,500	91.86%	-3.56%	1.14%
MONTGOMERY	MONTGOMERY	County	3,865	\$119,000	93.28%	3,050	\$121,700	99.90%	-6.62%	-6.90%
MORROW	MORROW	County	206	\$114,250	97.05%	189	\$110,000	100.00%	-2.95%	-7.00%
NOBLE	NOBLE	County	59	\$68,000	87.53%	58	\$65,000	97.41%	-9.89%	-4.41%
PERRY	PERRY	County	173	\$78,700	88.39%	142	\$95,500	89.43%	-1.04%	3.57%
PICKAWAY	PICKAWAY	County	353	\$127,603	95.12%	257	\$129,000	99.03%	-3.91%	-6.03%
PIKE	PIKE	County	124	\$85,000	90.39%	89	\$85,000	83.47%	6.92%	9.53%
PREBLE	PREBLE	County	299	\$101,500	94.43%	259	\$104,500	100.98%	-6.55%	-7.98%
PUTNAM	PUTNAM	County	180	\$100,500	88.29%	158	\$97,750	92.24%	-3.95%	0.76%
RICHLAND	RICHLAND	County	632	\$93,000	97.53%	494	\$105,000	106.60%	-9.08%	-13.60%
SENECA	SENECA	County	262	\$89,000	94.45%	225	\$89,900	99.37%	-4.92%	-6.37%
SHELBY	SHELBY	County	332	\$119,184	89.09%	241	\$113,000	95.09%	-6.01%	-2.09%
SUMMIT	SUMMIT	County	3,505	\$132,000	94.60%	3,113	\$134,000	100.89%	-6.29%	-7.89%
TRUMBULL	TRUMBULL	County	1,057	\$89,875	96.34%	785	\$88,500	103.57%	-7.23%	-10.57%
VAN WERT	VAN WERT	County	185	\$78,500	97.96%	161	\$80,000	95.63%	2.33%	-2.63%
WAYNE	WAYNE	County	688	\$120,000	94.87%	539	\$120,000	100.95%	-6.08%	-7.95%
WOOD	WOOD	County	763	\$148,900	95.57%	701	\$147,000	100.29%	-4.72%	-7.29%

Sustainable?

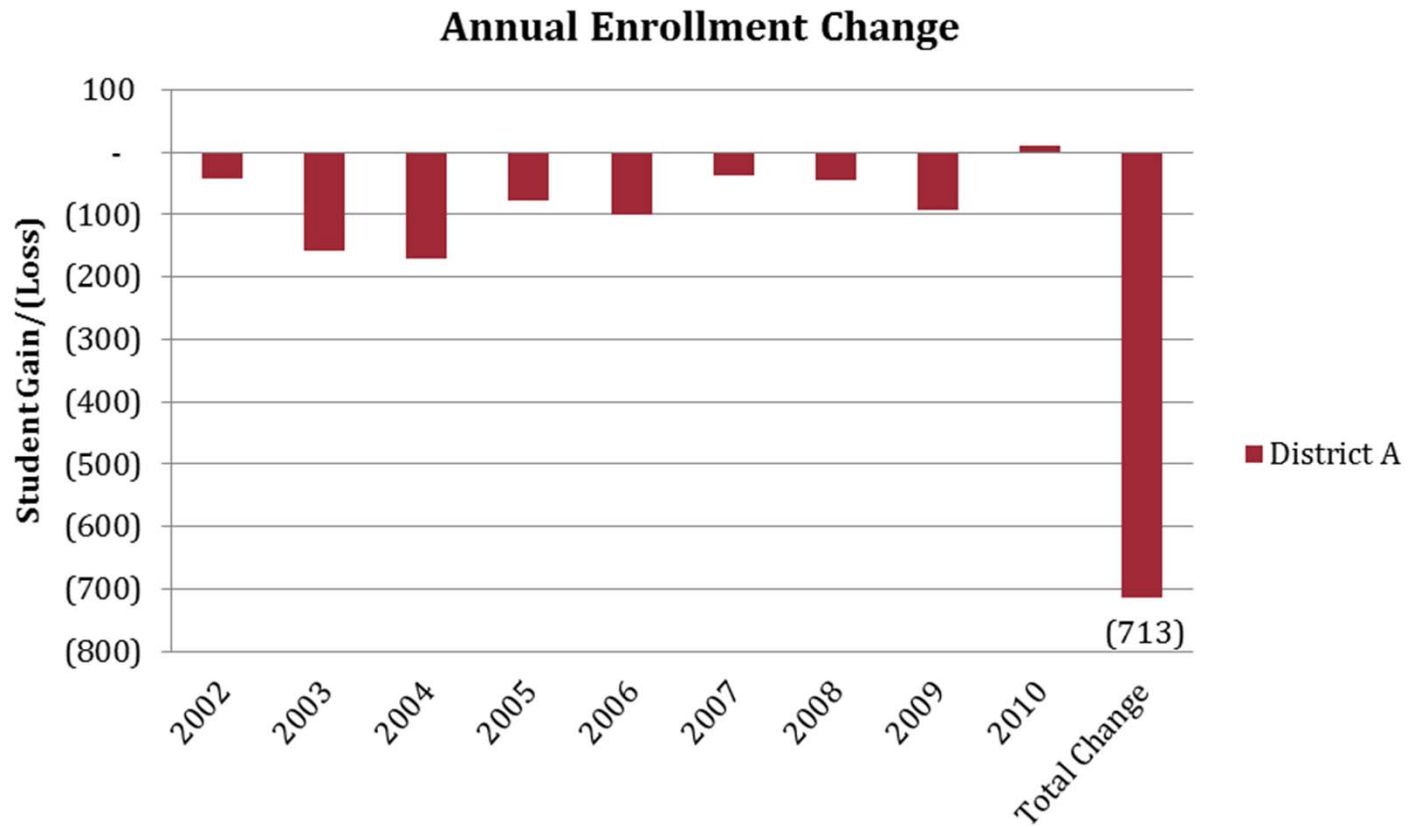
Property Reappraisal

BOR's Class II Ag

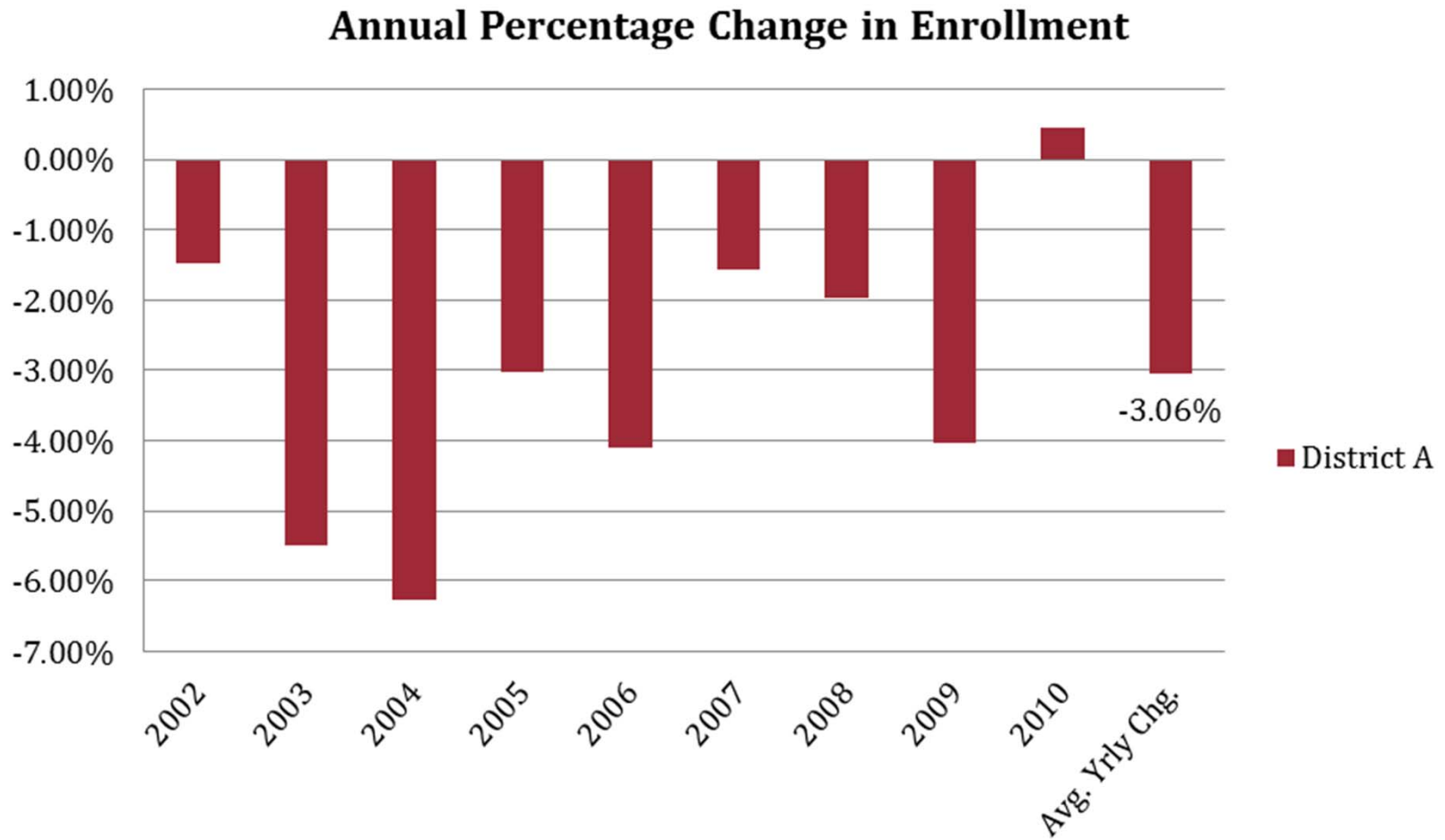
Sustainability? – Vacant Houses



Sustainability Indicator – Enrollment

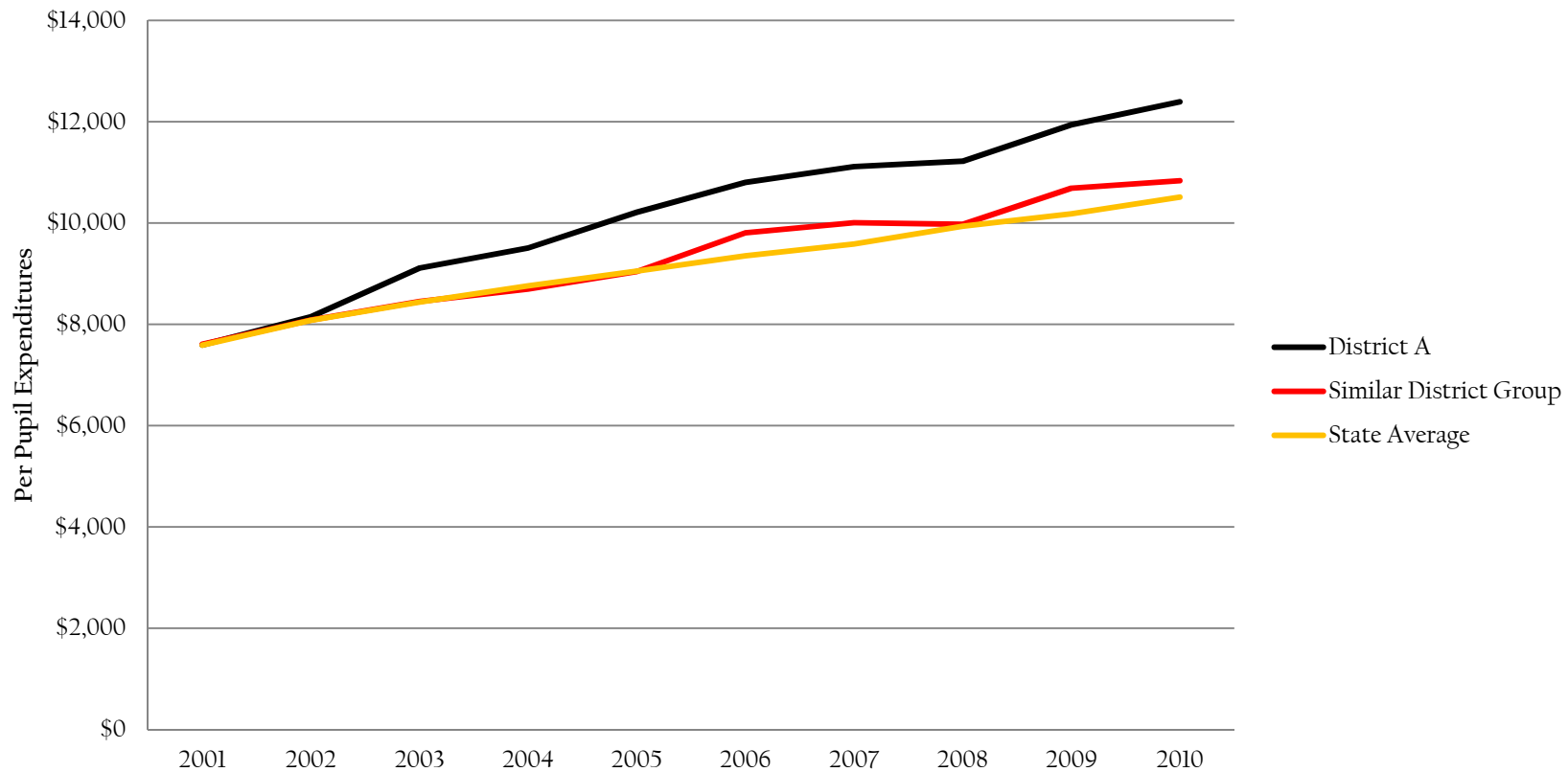


Sustainability Indicator – Enrollment

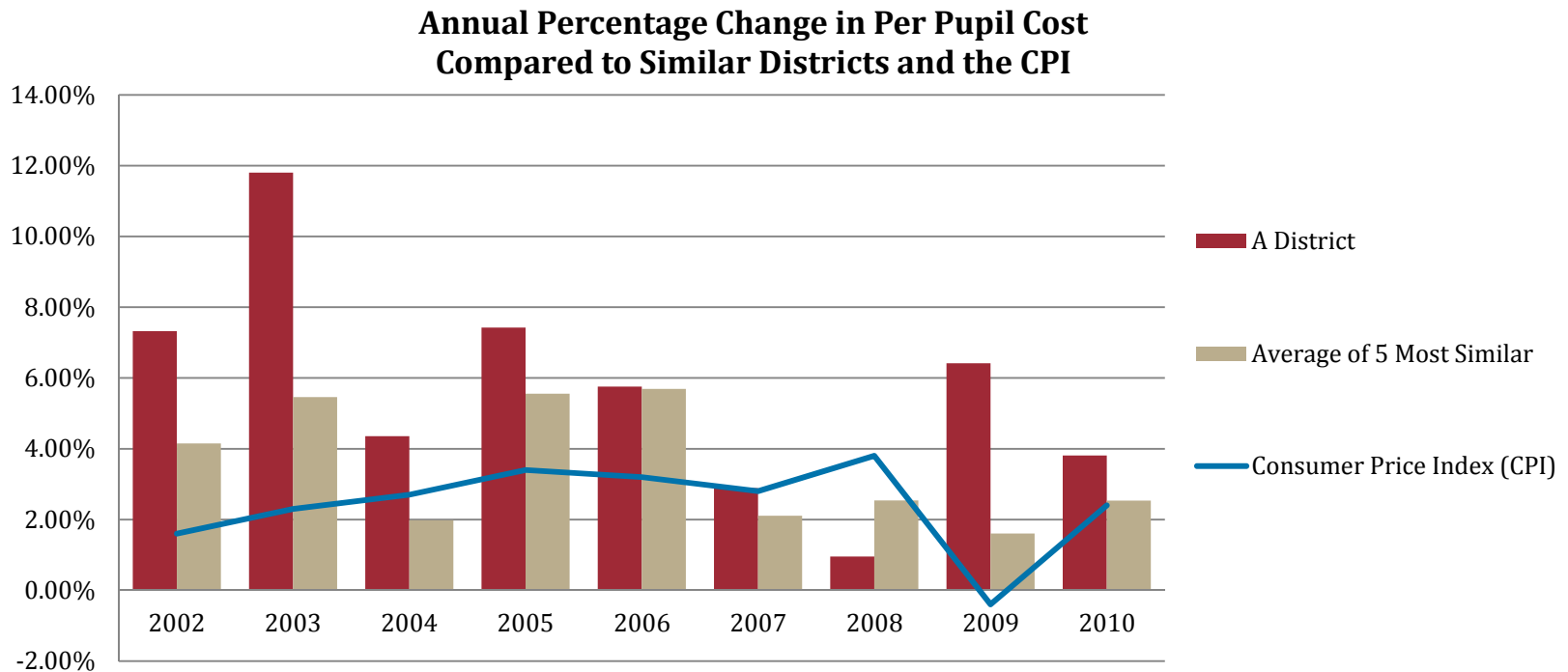


Sustainability Indicator – Per Pupil Expenditure Over Time

Total Per Pupil Expenditure Comparison



Sustainability Indicator – Historical Cost vs. “Benchmark”



Redbook CPI Quote
Funding up 54.8% CPI
up 28.6%

Average Annual % Change: 2001 - 2010	
A District	5.64%
Average of 5 Most Similar	3.51%
Consumer Price Index (CPI)	2.42%

Sustainability Indicators

- Enrollment
- Per Pupil Expenditure Benchmarks
 - CPI
 - Similar Districts
- Projected Enrollment and Per Pupil Financial Impact

School Board Member

Forecast Finance-to-Know

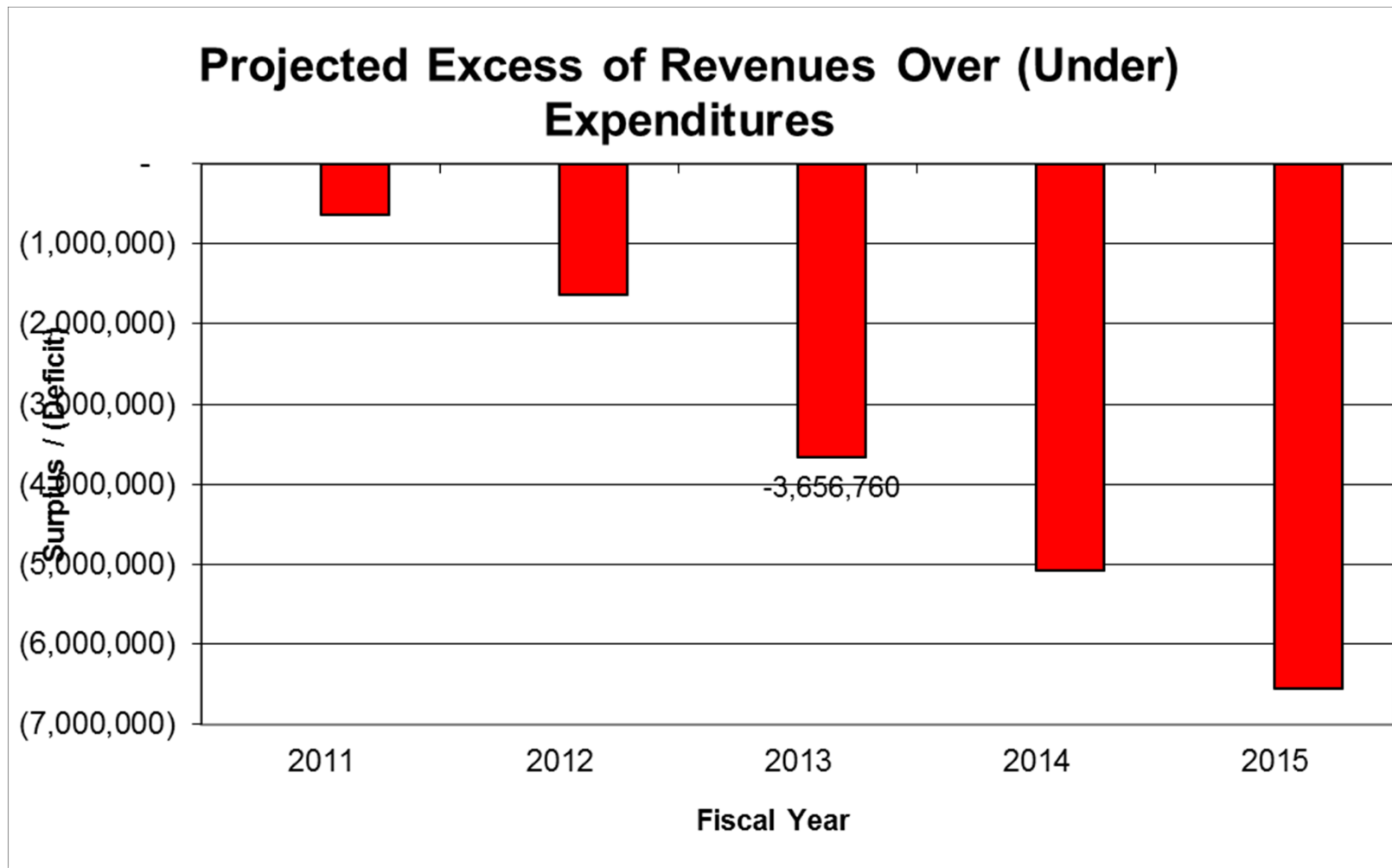
- Structural/Underlying Trends (Model/Forecast)
 - Revenue Vs. Expenditure
 - Enrollment
 - Capacity
 - Per Pupil Per Pupil Expenditure Benchmarks
 - CPI
 - Similar Districts
 - Projected Enrollment and Per Pupil Financial Impact

Revenue Vs.
Expenditure

The complex...

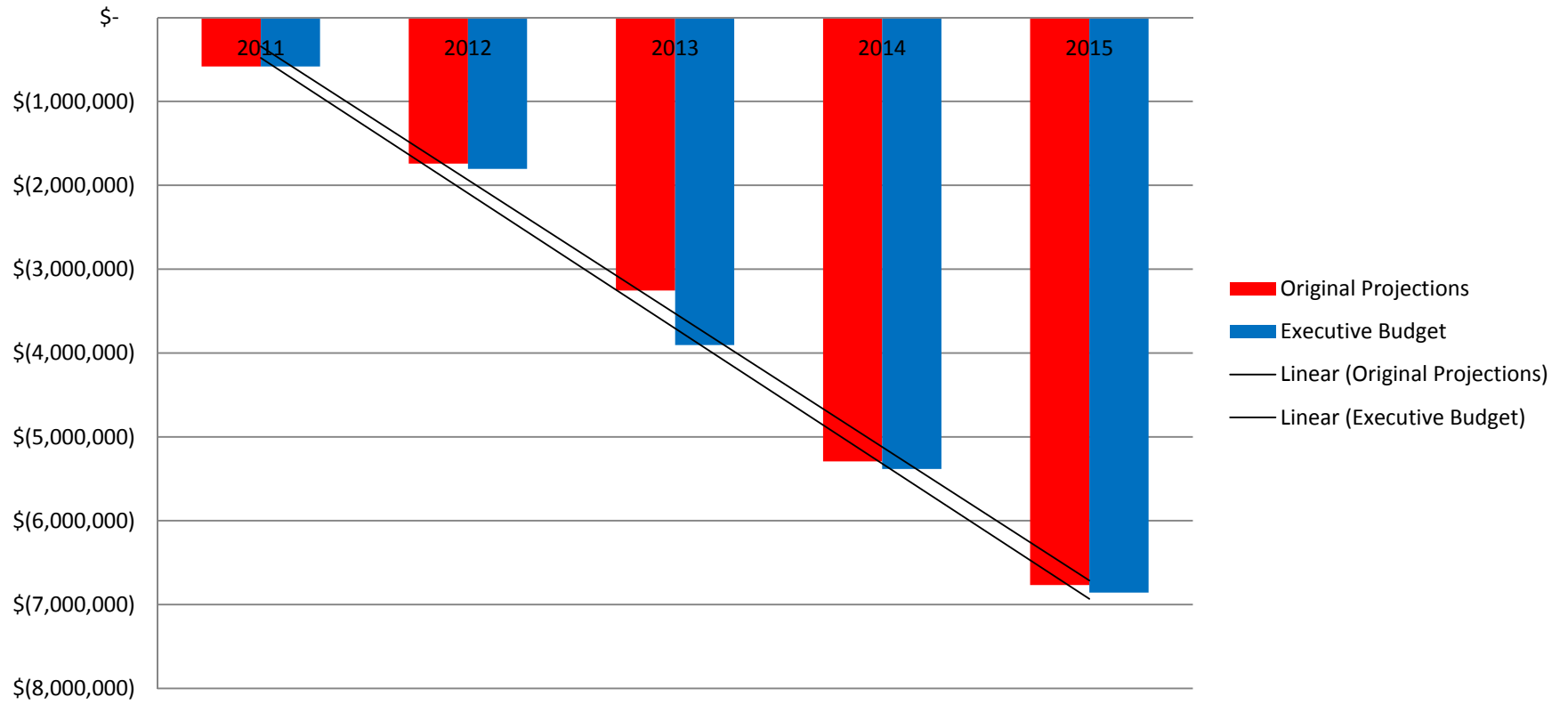
NORWOOD CITY SCHOOL DISTRICT									
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES									
ACTUAL AND FORECASTED OPERATING FUND									
	Actual			Forecasted					
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	
Revenue:									
1.010	General Property Tax (Real Estate)	10,958,235	10,186,696	10,210,485	10,529,179	10,346,690	10,437,485	10,511,606	10,654,619
1.020	Tangible Personal Property Tax	1,920,094	1,529,461	726,488	450,718	481,921	481,921	481,921	481,921
1.030	Income Tax	0	0	0	0	0	0	0	0
1.035	Unrestricted Grants-in-Aid	6,611,596	6,648,291	7,437,331	7,242,291	7,063,131	7,182,234	7,533,134	7,588,955
1.040	Restricted Grants-in-Aid	1,447,603	1,416,065	568,615	542,790	363,750	2,750	2,750	2,750
1.050	Property Tax Allocation	2,942,769	2,977,434	4,412,443	3,960,794	3,969,586	3,980,087	2,696,188	2,355,869
1.060	All Other Revenues	633,934	676,975	544,853	459,853	459,853	459,853	459,853	459,853
1.070	Total Revenues	24,514,231	23,434,922	23,900,215	23,185,626	22,684,931	22,544,330	21,685,452	21,543,966
Other Financing Sources:									
2.010	Proceeds from Sale of Notes	0	0	0	0	0	0	0	0
2.020	State Emergency Loans and Advancements	0	0	0	0	0	0	0	0
2.040	Operating Transfers-In.	0	531,581	296,363	0	0	0	0	0
2.050	Advances-In	1,137,990	129,783	0	401,502	0	0	0	0
2.060	All Other Financing Sources	2,017	22,283	0	0	0	0	0	0
2.070	Total Other Financing Sources	1,140,007	683,647	296,363	401,502	0	0	0	0
2.080	Total Revenues and Other Financing Sources	25,654,238	24,118,569	24,196,578	23,587,128	22,684,931	22,544,330	21,685,452	21,543,966
Expenditures:									
3.010	Personal Services	13,265,230	13,529,361	13,532,840	12,705,357	13,026,698	13,718,415	14,446,863	15,213,992
3.020	Employees' Retirement/Insurance Benefits	4,625,267	4,598,777	5,006,716	5,236,778	5,077,848	5,481,771	5,920,571	6,397,443
3.030	Purchased Services	4,672,101	5,293,709	5,104,794	4,962,943	4,937,387	5,011,448	5,086,619	5,162,919
3.040	Supplies and Materials	716,517	704,831	625,889	581,889	590,617	749,477	760,719	772,130
3.050	Capital Outlay	236,613	169,005	373,272	248,272	248,272	398,272	398,272	398,272
3.060	Intergovernmental	0	0	0	0	0	0	0	0
Debt Service:									
4.010	Principal-All (History Only)	0	0	0	0	0	0	0	0
4.020	Principal-Notes	0	0	0	0	0	0	0	0
4.030	Principal-State Loans	0	0	0	0	0	0	0	0
4.040	Principal-State Advancements	0	0	0	0	0	0	0	0
4.050	Principal-HB 264 Loans	0	0	0	0	0	0	0	0
4.055	Principal-Other	0	0	0	0	0	0	0	0
4.060	Interest and Fiscal Charges	0	0	0	0	0	0	0	0
4.300	Other Objects	355,306	311,357	310,750	298,073	298,073	298,073	298,073	298,073
4.500	Total Expenditures	23,871,034	24,607,040	24,954,261	24,033,311	24,178,894	25,657,455	26,911,117	28,242,827
Other Financing Uses									
5.010	Operating Transfers-Out	90,000	576,859	1,016,563	195,000	80,000	80,000	80,000	80,000
5.020	Advances-Out	1,156,584	0	0	0	0	0	0	0
5.030	All Other Financing Uses	0	0	0	0	0	0	0	0
5.040	Total Other Financing Uses	1,246,584	576,859	1,016,563	195,000	80,000	80,000	80,000	80,000
5.050	Total Expenditures and Other Financing Uses	25,117,618	25,183,899	25,970,824	24,228,311	24,258,894	25,737,455	26,991,117	28,322,827
Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses									
6.010		536,620	-1,065,330	-1,774,246	-641,184	-1,573,963	-3,193,125	-5,305,665	-6,778,861
7.010	Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies	4,259,929	4,796,549	3,731,219	1,956,973	1,315,789	-258,173	-3,451,298	-8,756,963
7.020	Cash Balance June 30	4,796,549	3,731,219	1,956,973	1,315,789	-258,173	-3,451,298	-8,756,963	-15,535,824
8.010	Estimated Encumbrances June 30	259,139	625,584	0	0	0	0	0	0
Reservation of Fund Balance									
9.010	Textbooks and Instructional Materials	0	0	0	0	0	0	0	0
9.020	Capital Improvements	0	0	0	0	0	0	0	0
9.030	Budget Reserve	0	0	0	0	0	0	0	0
9.040	DPIA	0	0	0	0	0	0	0	0
9.050	Debt Service	0	0	0	0	0	0	0	0
9.060	Property Tax Advances	0	0	0	0	0	0	0	0
9.070	Bus Purchases	0	0	0	0	0	0	0	0
9.080	Subtotal	0	0	0	0	0	0	0	0
10.010	Fund Balance June 30 for Certification of Appropriations	4,537,410	3,105,635	1,956,973	1,315,789	-258,173	-3,451,298	-8,756,963	-15,535,824

Structural Trend = Operating Deficit

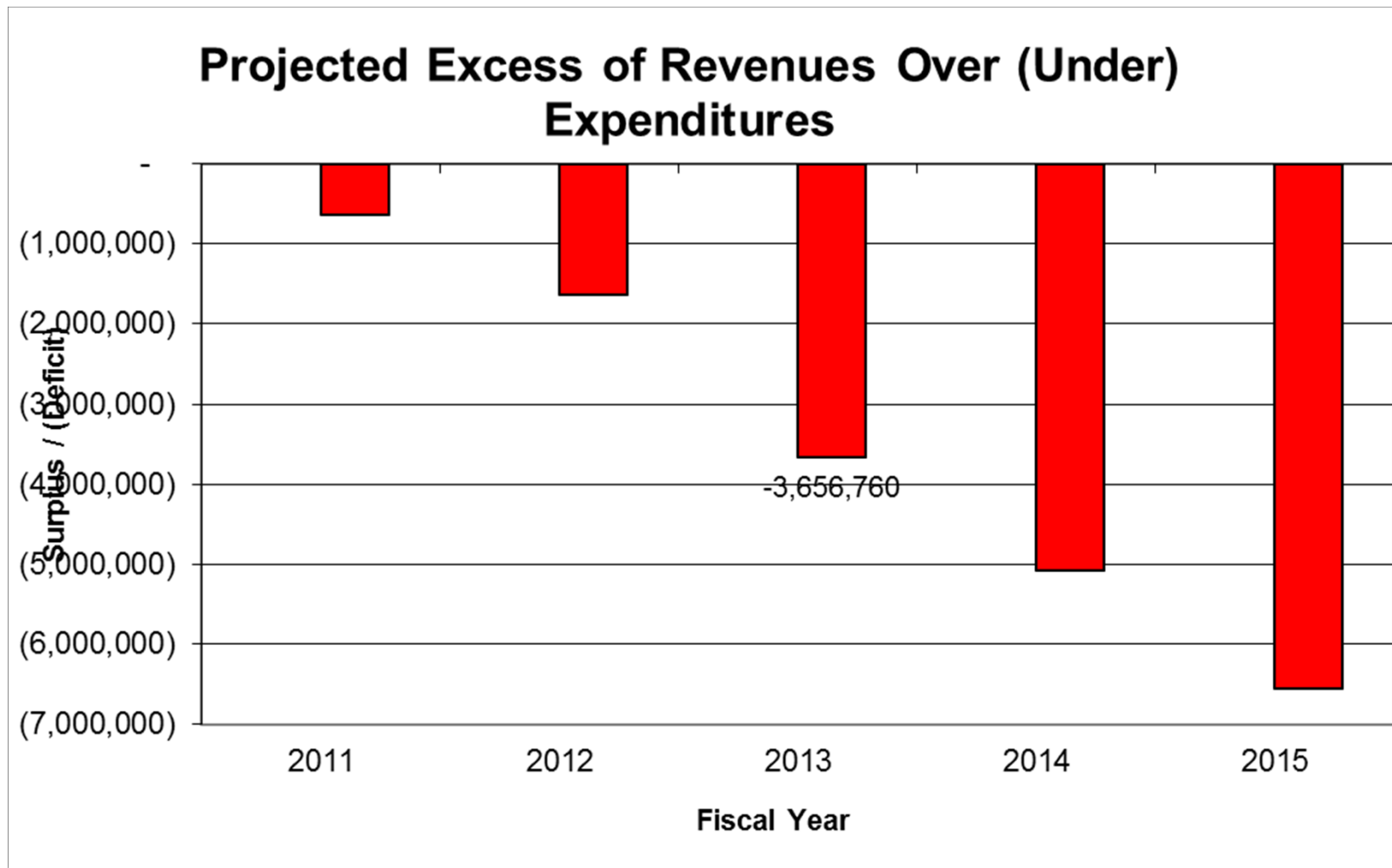


Model XB = Operating Deficit

Revenue Shortfall Comparison
Original Projections Vs. Executive Budget



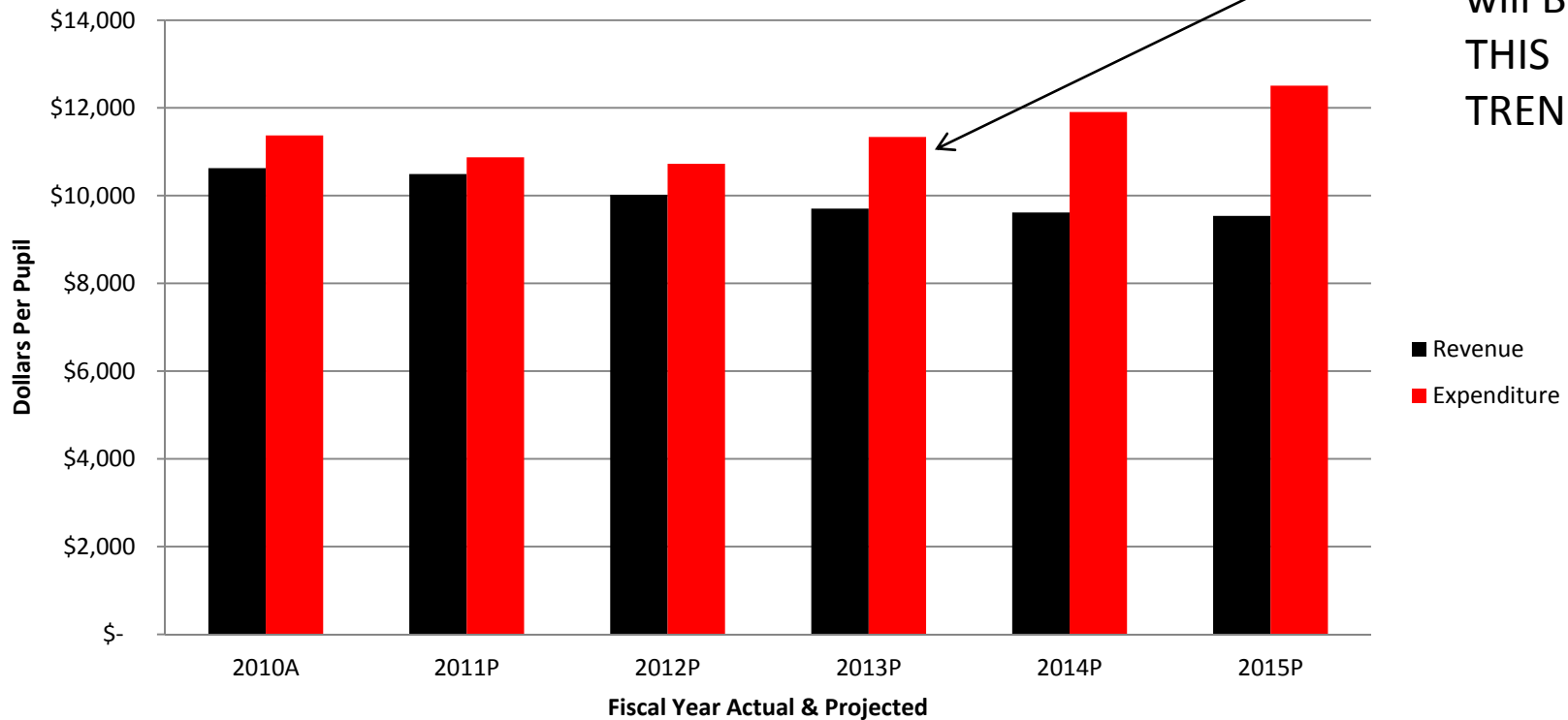
Structural Trend = Operating Deficit



Structural Indicator – Past is Prologue?

Forecast PP Revenues & PP Expenditures

Comparison of Financial Forecast Per Pupil Revenue and Expenditures



Decisions you make today that will BEND THIS TREND?

School Board Member

Forecast Finance-to-Know

- Structural/Underlying Trends
 - “What If” Modeling Vs. Forecasting
 - Structural/Underlying Trends
 - Operating Deficit?
 - Bend the Trend

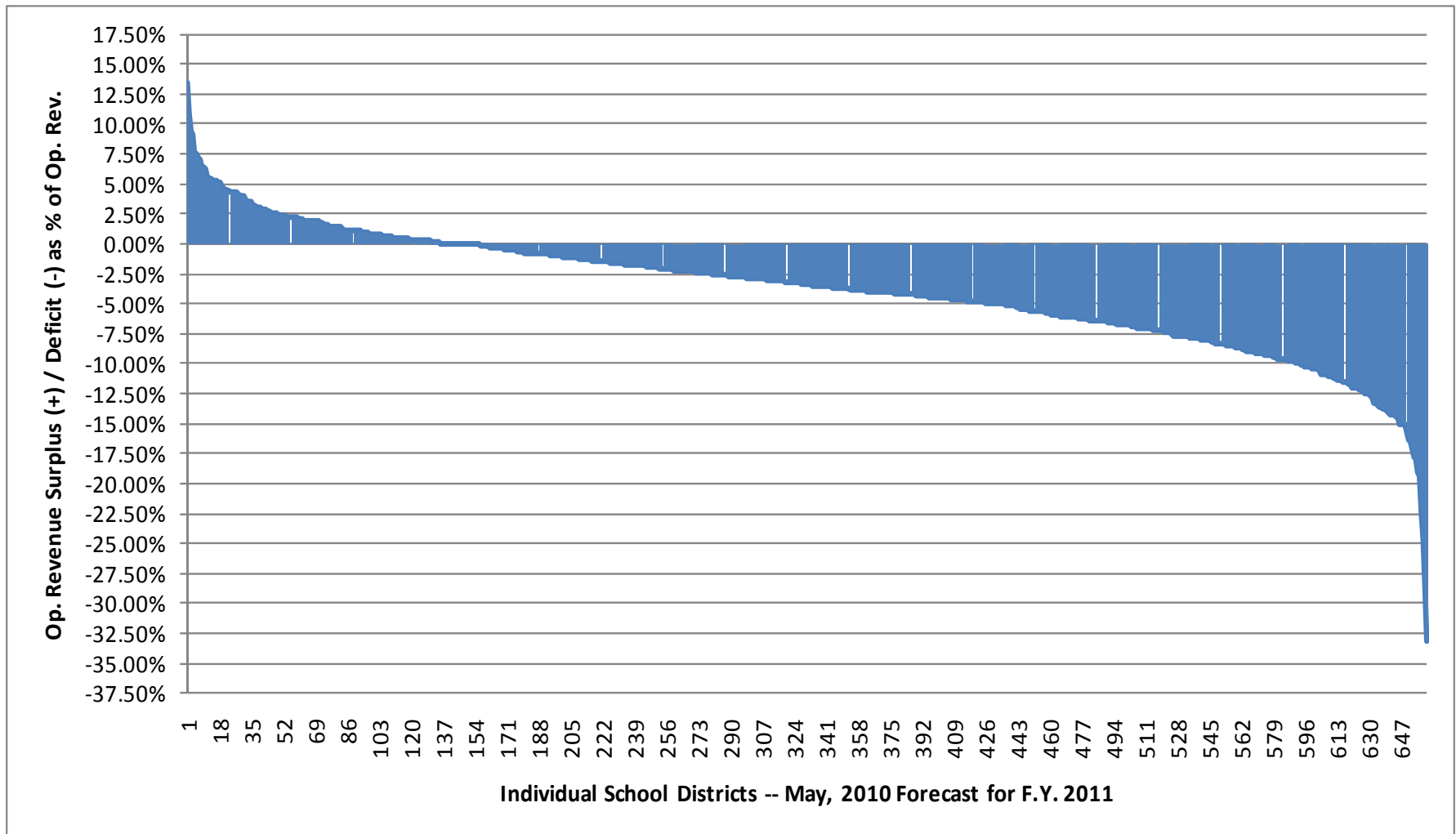
Planning & Decisions to “Bend the Trend”

“The best way to avoid a deficit is five years ago.”

- Global Indicators
- Sustainability
- Forecasting Structural Trends
 - Ask What Changed
 - Look two years ahead for next year’s direction
- Scenario Planning Vs. “Precision”
 - Model Vs. Forecast
 - Order of Magnitude “Does It Matter?”
 - Structural Deficit May Emerge

Lots of “Company”?

500+ Districts Project Revenue Shortfall for 2011



For Board Members – A “*Thankless*” Task

I have nothing to offer but blood, toil, tears and sweat.

- **Winston Churchill**

Additional Resources

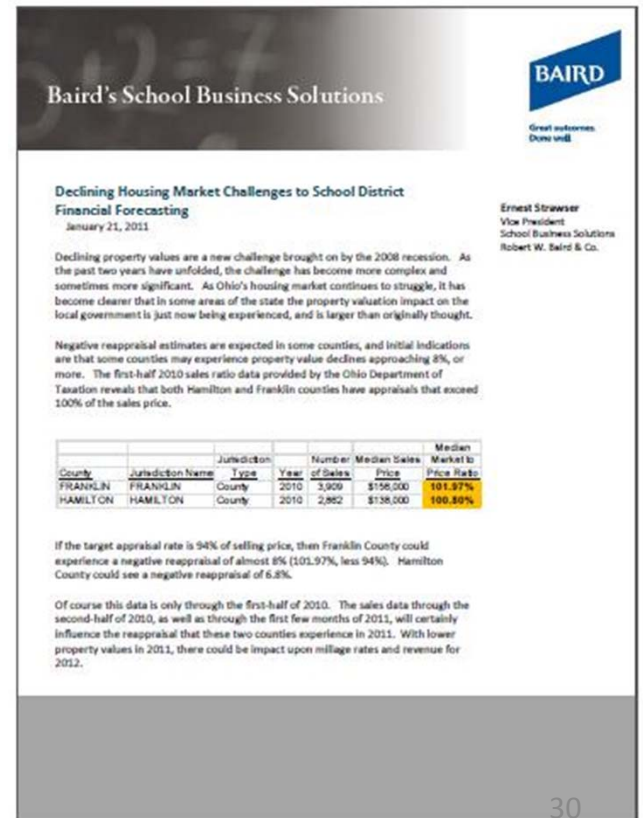
To obtain a copy of the “Declining Housing Market Challenges to School District Financial Forecasting” Or “Less = Less” article

➤ **Online:**

www.BairdSBS.com, the article can be found under the “Information/Articles” section of the website

Also, Visit OBM Monthly Financial Reports:

<http://obm.ohio.gov/MiscPages/MonthlyFinancialReports/>



The image shows a page from Baird's School Business Solutions. The header includes the Baird logo and the text "Great outcomes. Done well." The main title is "Declining Housing Market Challenges to School District Financial Forecasting" dated January 21, 2011, by Ernest Strawser, Vice President of School Business Solutions at Robert W. Baird & Co. The text discusses the impact of the 2008 recession on property values and the resulting challenges for school districts. It mentions that negative reappraisal estimates are expected in some counties, with some counties experiencing declines of 8% or more. A table provides data for Franklin and Hamilton counties in 2010, showing the number of sales, median sales price, and market-to-price ratio. The table indicates that Franklin County's market-to-price ratio is 101.97% and Hamilton County's is 100.80%. The text concludes by noting that if the target appraisal rate is 94% of selling price, Franklin County could experience a negative reappraisal of almost 8% (101.97%, less 94%), while Hamilton County could see a negative reappraisal of 6.8%. The page also mentions that this data is only through the first-half of 2010 and that sales data through the second-half of 2010, as well as through the first few months of 2011, will certainly influence the reappraisal that these two counties experience in 2011.

County	Jurisdiction Name	Type	Year	Number of Sales	Median Sales Price	Median Market to Price Ratio
FRANKLIN	FRANKLIN County	County	2010	3,909	\$196,000	101.97%
HAMILTON	HAMILTON County	County	2010	2,882	\$138,000	100.80%

Today's Presenter

[Ernie Strawser](#)

Ernie Strawser is a part-time treasurer for the Norwood CSD Board of Education. Ernie has served over 29 years in public finance and is also a Public Finance Specialist for the Robert W. Baird Company in Ohio. Ernie has been active in professional organizations including a term as president of the Ohio Association of School Business Officials. Ernie earned a BBA in Finance from the Ohio University and a Master's in Administration from Central Michigan University.

With his business partner, Stacy Over, Ernie has helped to develop financial forecasting tools for Ohio schools. Over 300 of Ohio's districts use the tools and attend annual seminars on school finance and projections.

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Thank you.