



FIVE-YEAR FORECAST

May 2017





Five-Year Forecast-Basics

- Required two times per year-
May & Oct.
- Last one approved Oct 2016
- Can amend/submit any time
throughout the year



Five-Year Forecast-Basics

- Basic Format-3 yrs of historical & 5 yrs. of projected data-General Fund
- Reflects actual rev. & exp. thru F16
- And projected rev. & exp. F17 thru F21 based upon final F16 data and F17 data YTD



Five-Year Forecast-Basics

- To be used as a planning tool in long-term strategic planning
- Designed to identify issues to be addressed in advance
- But one approach to balancing District's finances



Five-Year Forecast-Basics

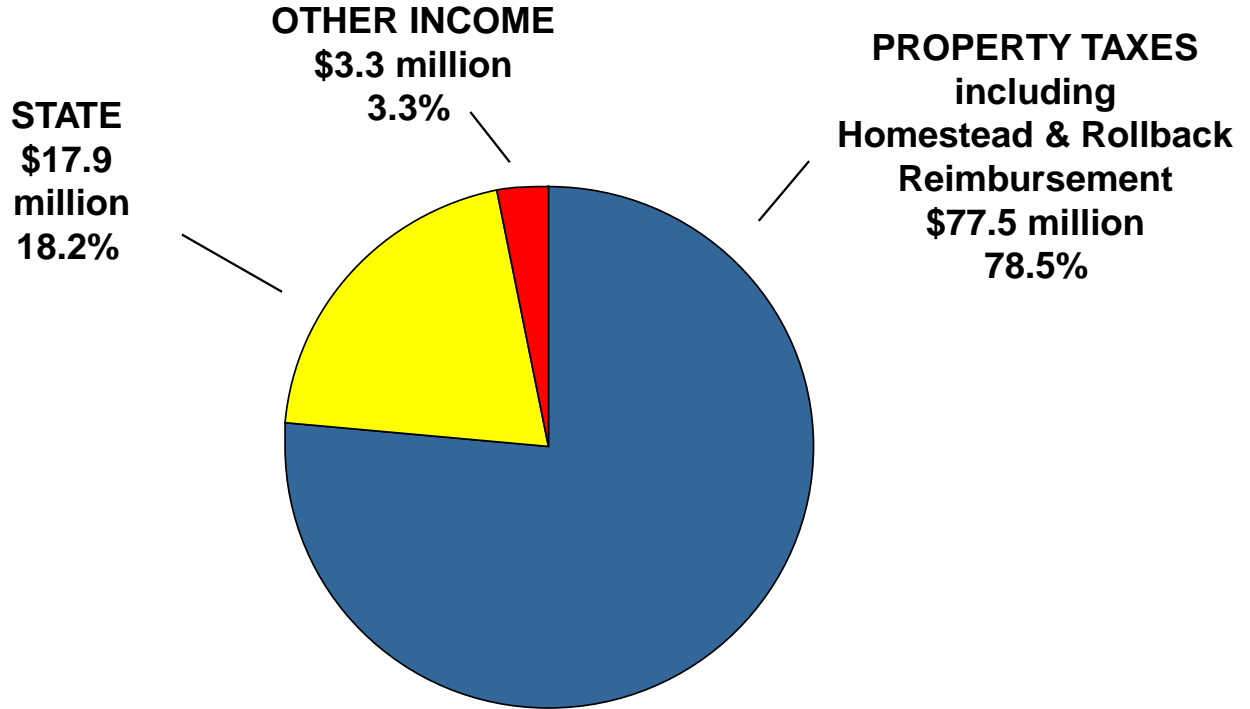
- Does not reflect the exact layout of future events, as other events will occur that will impact this forecast:
 - State Budget Bills
 - Continued recovery of Ohio economy
 - Continued recovery of real estate markets
 - Other market forces



Five-Year Forecast-Basics

- Only thing for sure, is that most of these numbers will be different!

General Fund Revenues 2015-16



Total = \$98.7 million



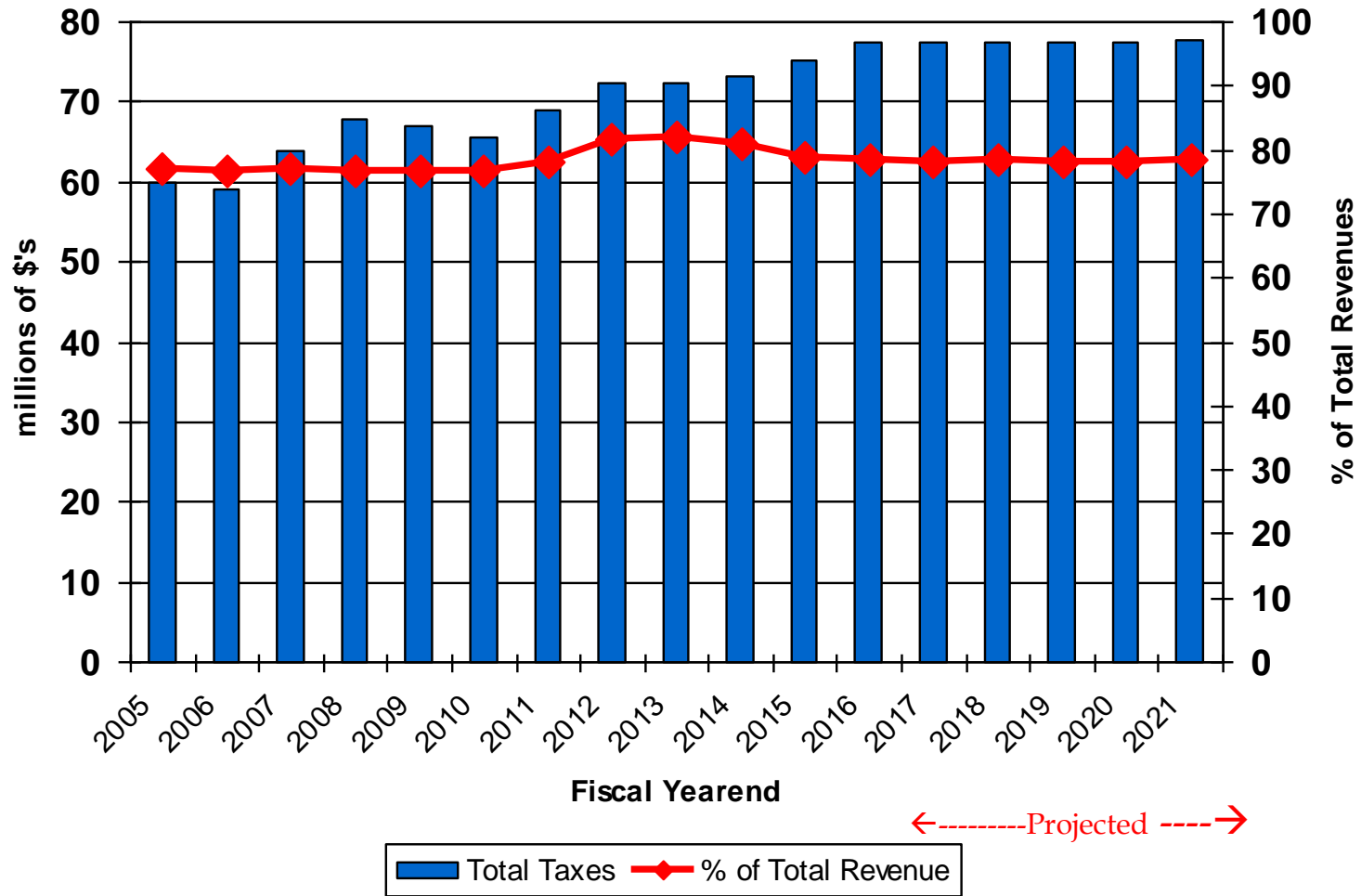
Key Revenue Assumption

Property Taxes

- Continued collection of existing level of property taxes-F2016 was first full fiscal year of the new 2014 levy
- No Decline in Property Tax Assessed Valuation during the forecast period

Revenues-Property Taxes

(including Tangible PP & Homestead Exemption & Rollback (HERB))



Note-F07, F08, F11 & F14 included one-time OfficeMax revenues.



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Shaker Heights, Ohio



Key Revenue Assumption State Support

- 3 Basic Funding Methods for State Foundation
 - Gain Cap
 - Formula
 - Guarantee



Key Revenue Assumption

State Support

- Gain Cap
 - District receives less than formula calculation
 - Increase in funding from prior year is limited by State to no more than 7.5% over last year-simply a budget balancing method utilized by the State
 - Shaker has been on for several years
 - Shaker amount not received under gain cap in F16 approximated \$1 million



Key Revenue Assumption State Support

- Formula

- District receives amount as calculated by the formula
- Shaker transitioned from Gain Cap to Formula method in F17 due to fact it was approaching the calculation combined with declining enrollment



Key Revenue Assumption

State Support

- **Guarantee**
 - District receives more than formula calculation
 - Guarantee is based upon 100% of current base amount
 - Shaker is expected to transition to the Guarantee funding method in F18



Key Revenue Assumption

State Support

- **Guarantee**

- Current Governor's proposal would reduce the Guarantee amount if >5% reduction in enrollment from F11 thru F16 for upcoming biennium by amount above 5% to a maximum of 5% reduction
- Shaker will not be affected by this in the upcoming biennium if adopted as proposed



Key Revenue Assumption

State Support

- Increase in F2017 State Foundation support based on 7.5% “gain cap” limitation under the funding formula in the current State biennial budget and was expected to increase by \$0.7 million over F16, but



Key Revenue Assumption

State Support

- Because of interaction of declining enrollment this year coupled with hitting our cap amount, we are on formula method this year and expect to be about \$350,000 below budget for F17 (reported several months ago)



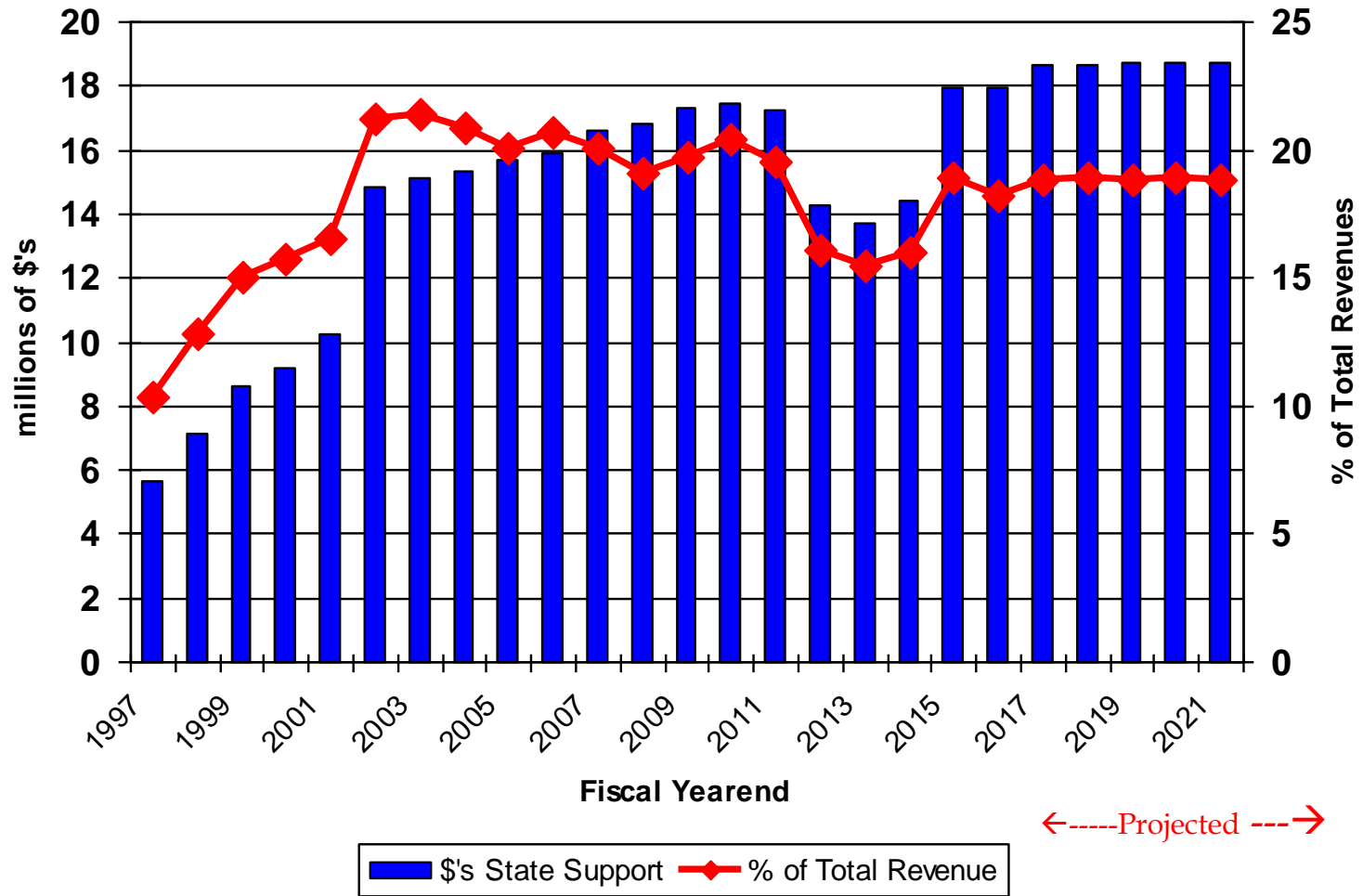
Key Revenue Assumption

State Support

- F2018 and beyond assumed to flatline at F17 levels due to transitioning to the “guarantee” funding method and accordingly
- No reduction for reduced enrollment beyond F2017 at this time

Revenues-State Support

(including State Foundation & Other State Support)

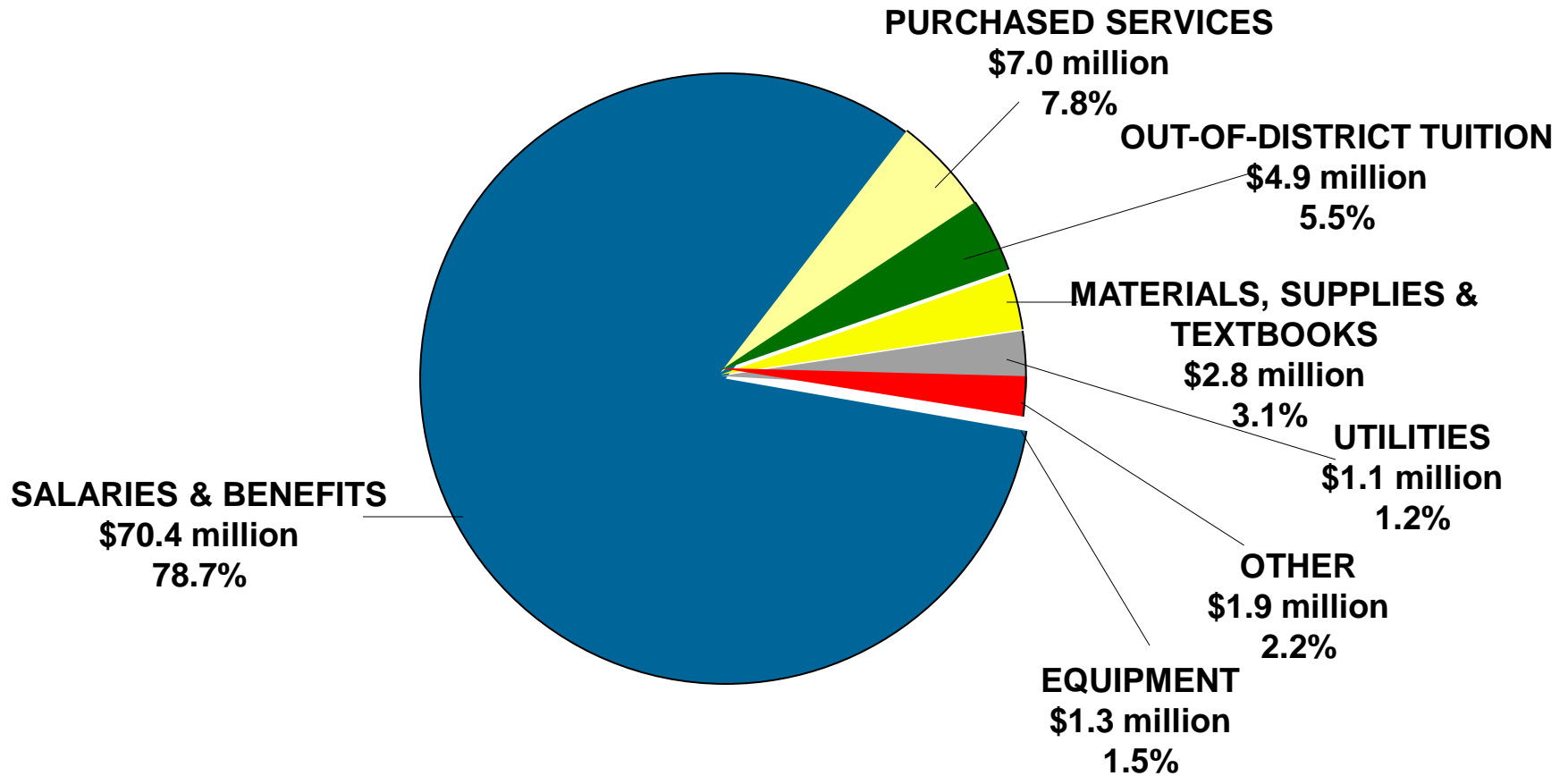


←-----Projected ----->



Shaker Heights Schools
Shaker Heights, Ohio

General Fund Expenses 2015-16



Total = \$89.4 million



Expenses-Controllable vs. Non-Controllable

	Controllable Features	Non-Controllable Features
Salaries&Wages	# of staff controllable by District	Amount of wages set by collective bargaining agreements
Fringe Benefits	FB's directly dependent on salaries controllable to extent # of staff controlled	Benefits driven by salaries and CBA requirements
Purchased Services	Items related to the extent of offerings and level of service are controllable by District	Repairs&Maint-subject to age of buildings; Utilities-subject to weather; Out-of-District Tuition-subject to pupil needs and related cost structure of necessary services



Key Expense Assumptions

- Reflects economic provisions of collective bargaining agreements, including approved SHTA (thru 12/31/17), SHTA-Support Teachers, OAPSE-Clerical, OAPSE-Security, Local 200-Custodial & latest OAPSE-Aides (thru 6/30/18)
- No reduction in expenses for projected declining enrollment

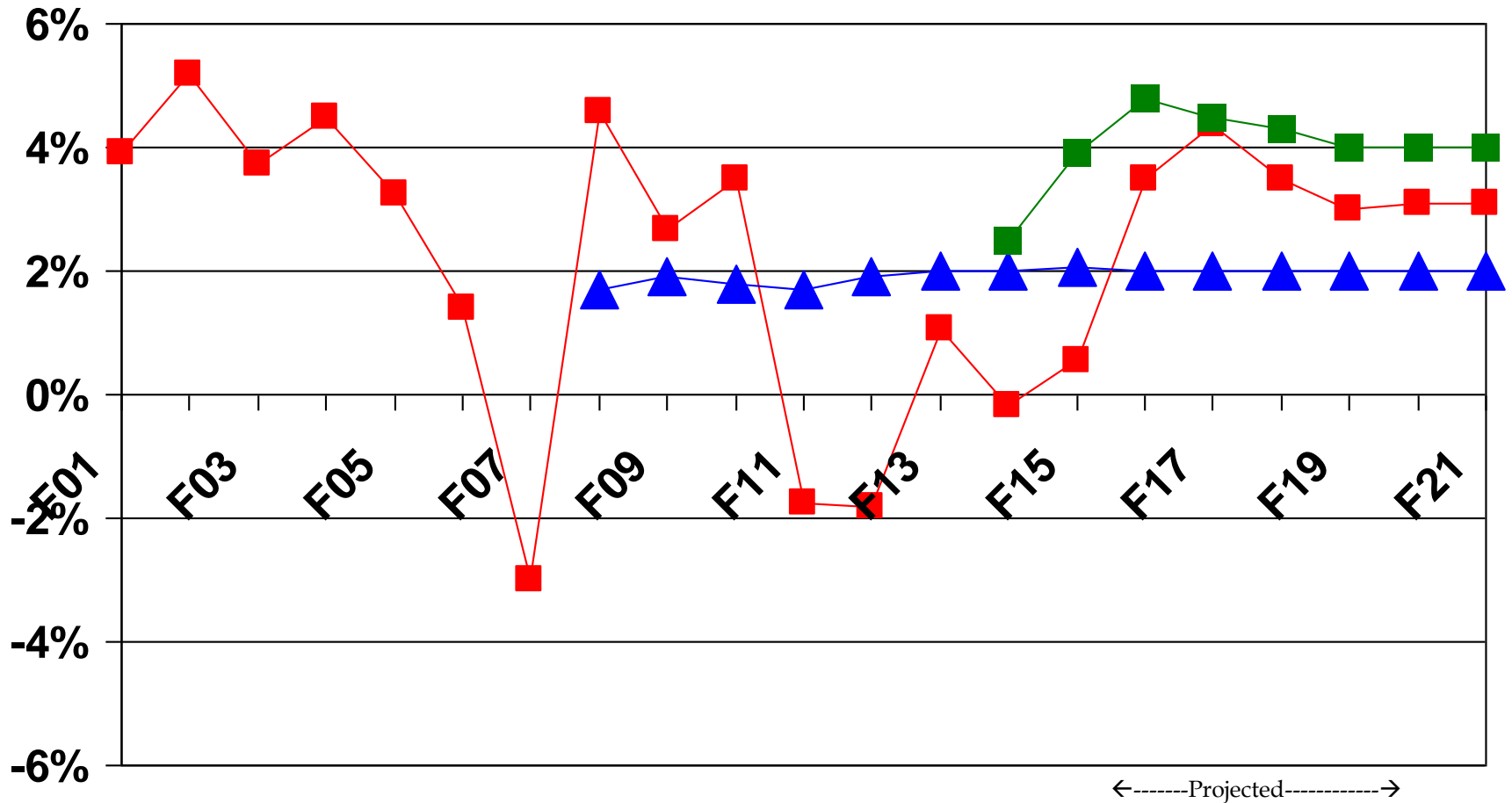


Key Expense Assumptions

- Major Growth Rates Used-Payroll
 - SHTA 3, 2.5, & 2.5% base salary increases eff. 1/1/15, 16 & 17, respectively + steps
 - SHTA-ST: same as SHTA effective 8/1/15, 16 & 17, respectively + steps
 - All Others 2, 2 & 2% base salary increases eff. 7/1/15, 16 & 17, respectively + steps
 - Beyond last year of contracts, assumed 2%/year base salary growth + steps

Salaries & Wages

growth rates-Overall, Steps & Contractual+Steps



←-----Projected----->

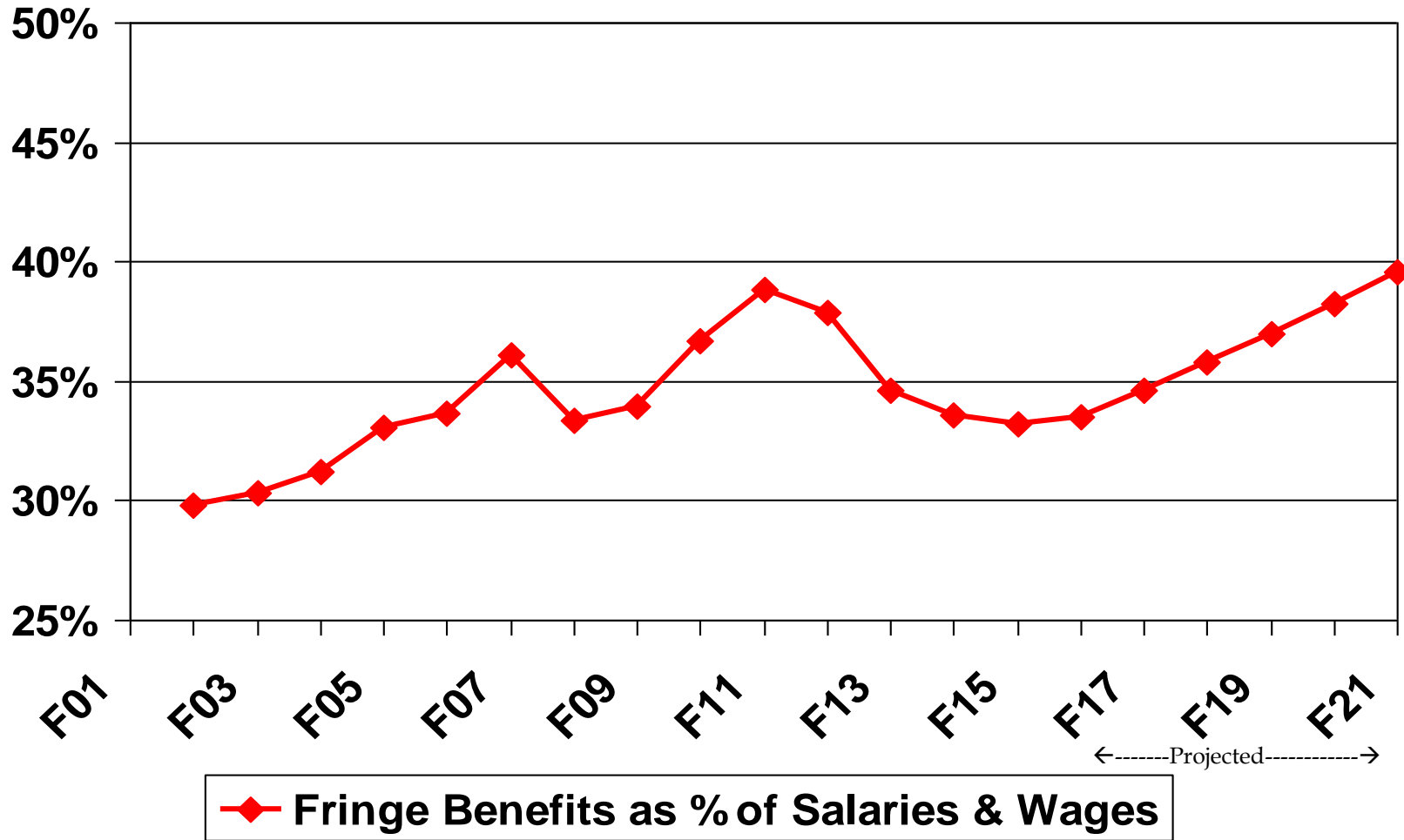
■ Overall ▲ Steps Only ■ Contractual+Steps % Increase



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Fringe Benefits

as % of Salaries & Wages





Key Expense Assumption

- Major Growth Rates Used
 - Health Care 10% in F17 and beyond
 - Out-of-District Tuition 5%
 - Out-of-District Transportation 5%
 - Repairs & Maintenance 4%



Sensitivity Analysis

- Sensitivity analysis scenarios calculated and reviewed and discussed with Finance & Audit Committee at our last meeting in conjunction with the Forecast review



Sensitivity Analysis

- The chart includes the individual impact certain changes to the assumptions would have on the forecast's bottom line.



Sensitivity Analysis

- If all were implemented, the actual savings would be less due to the interaction of the changes listed (e.g. a reduction in the growth rate of health insurance from 10% to 7.5% would reduce the amount of savings resulting from a reduced staff assumption).

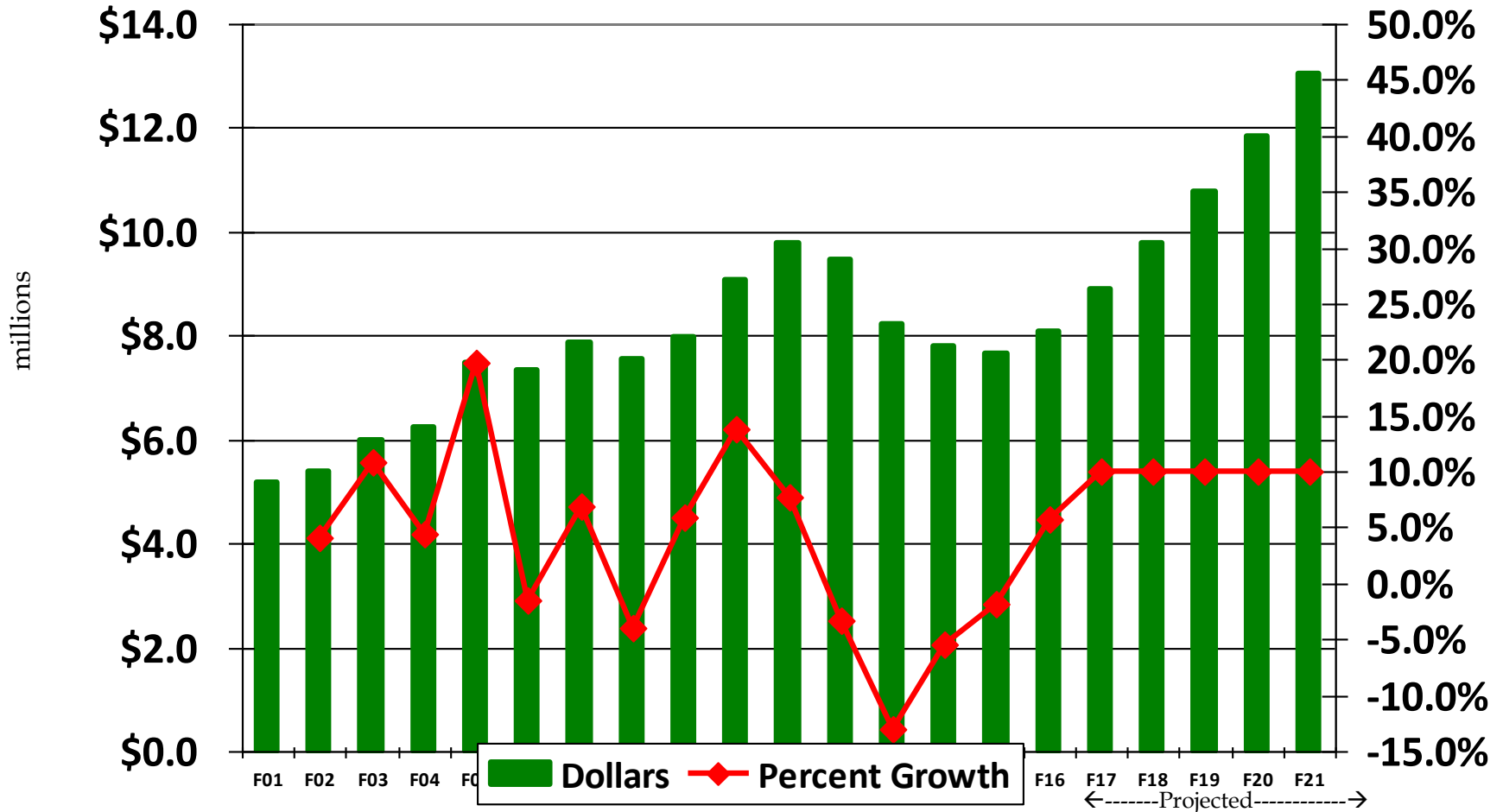
**Shaker Heights CSD
Forecast Sensitivity Analysis
April 2017**

	A	B	C	D	Y	Z	AA	AB	AC	AD	
1350					Sensitivity Analysis Summary Chart						
1351						Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Cumulative	
1352						2018	2019	2020	2021	Total	
1353											
1354	6.010		A	Base Proj.Excess of Rev.Over/(Under) Exp.	Per 04/19/17 forecast	\$1,705,270	(\$749,065)	(\$4,811,415)	(\$9,010,415)		
1355											
1356	12.010		B	Base Proj.Unenc.Fund Bal. b/4 New Levy	Per 04/19/17 forecast	\$42,914,008	\$42,164,943	\$37,353,528	\$28,343,113		
1357											
1358				Impact of change in growth rate of:							
1359		Change		Revenues Inc/(Dec):							
1360		0%		Other		\$0	\$0	\$0	\$0	\$0	
1361											
1362		0%		Other		\$0	\$0	\$0	\$0	\$0	
1363											
1364		0%		Other		\$0	\$0	\$0	\$0	\$0	
1365											
1366			C	Impact of Growth Rate Changes-Year-Rev.		\$0	\$0	\$0	\$0	\$0	
1367											
1368				Impact of change in growth rate of:							
1369		Change		Expenditures Inc/(Dec):							
1370		-1%		Repairs & Maintenance		(\$9,000)	(\$18,000)	(\$27,000)	(\$37,000)	(\$91,000)	
1371											
1372		1% vs 2%/yr		Salaries/Benefits		(\$205,000)	(\$850,000)	(\$1,522,000)	(\$2,284,456)	(\$4,861,456)	
1373											
1374		7.5% vs 10%		Health Insurance		(\$216,000)	(\$470,000)	(\$769,000)	(\$1,116,000)	(\$2,571,000)	
1375											
1376		Max \$1million		Capital Outlay		(\$740,000)	(\$827,000)	(\$918,000)	(\$1,014,000)	(\$3,499,000)	
1377											
1378		0%		Other		\$0	\$0	\$0	\$0	\$0	
1379											
1380		4 FTE/100 pupils		Reduced FTE for declining enrollment		(\$232,000)	(\$602,200)	(\$799,600)	(\$1,036,635)	(\$2,670,435)	
1381											
1382			D	Impact of Growth Rate Changes-Year-Exp.		(\$1,402,000)	(\$2,767,200)	(\$4,035,600)	(\$5,488,091)	(\$13,692,891)	
1383											
1384			E=+C-D	Net Inc/(Dec) in Excess Rev vs Exp of all Changes-Year		\$1,402,000	\$2,767,200	\$4,035,600	\$5,488,091		
1385											
1386			F=+Prior F+E	Net Inc/(Dec) in Excess Rev vs Exp of all Changes-Cumulative		\$1,402,000	\$4,169,200	\$8,204,800	\$13,692,891		
1387											
1388	6.010		G=A+E	Proj. Excess of Rev. Over/(Under) Exp.-with changes		\$3,107,270	\$2,018,135	(\$775,815)	(\$3,522,324)		
1389						0	0	0	0		
1390	12.010		H=B+F	Proj. Unenc. Fd Bal. b/4 New Levy-with changes		\$44,316,008	\$46,334,143	\$45,558,328	\$42,036,004		
1391						0	0	0	0		
1392				Net Inc/(Dec) in Unenc. Fd. Bal-Base vs. With Changes		\$1,402,000	\$4,169,200	\$8,204,800	\$13,692,891		
1393											

Health Care

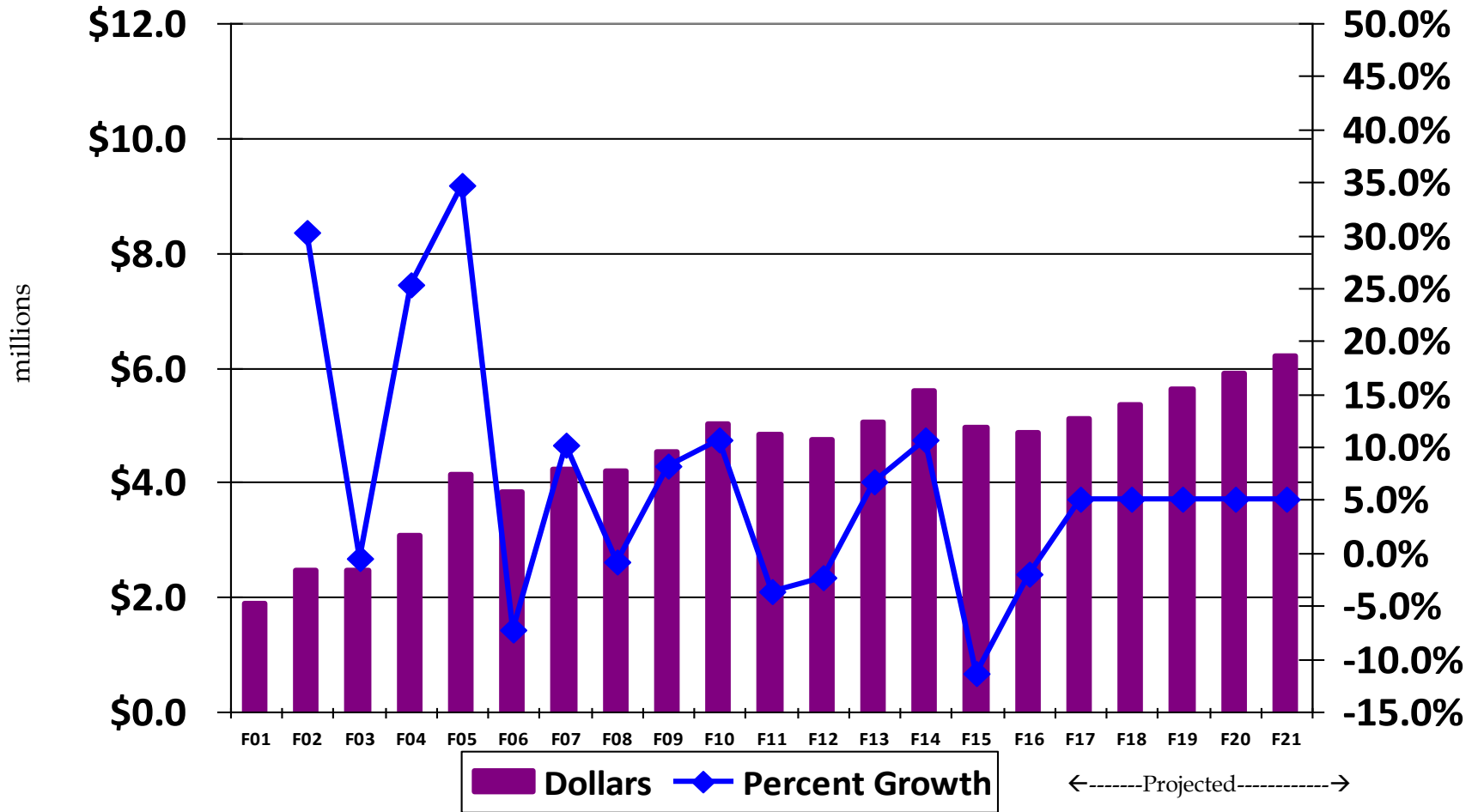
Costs & Growth Rates

(10% projected per Consultant)



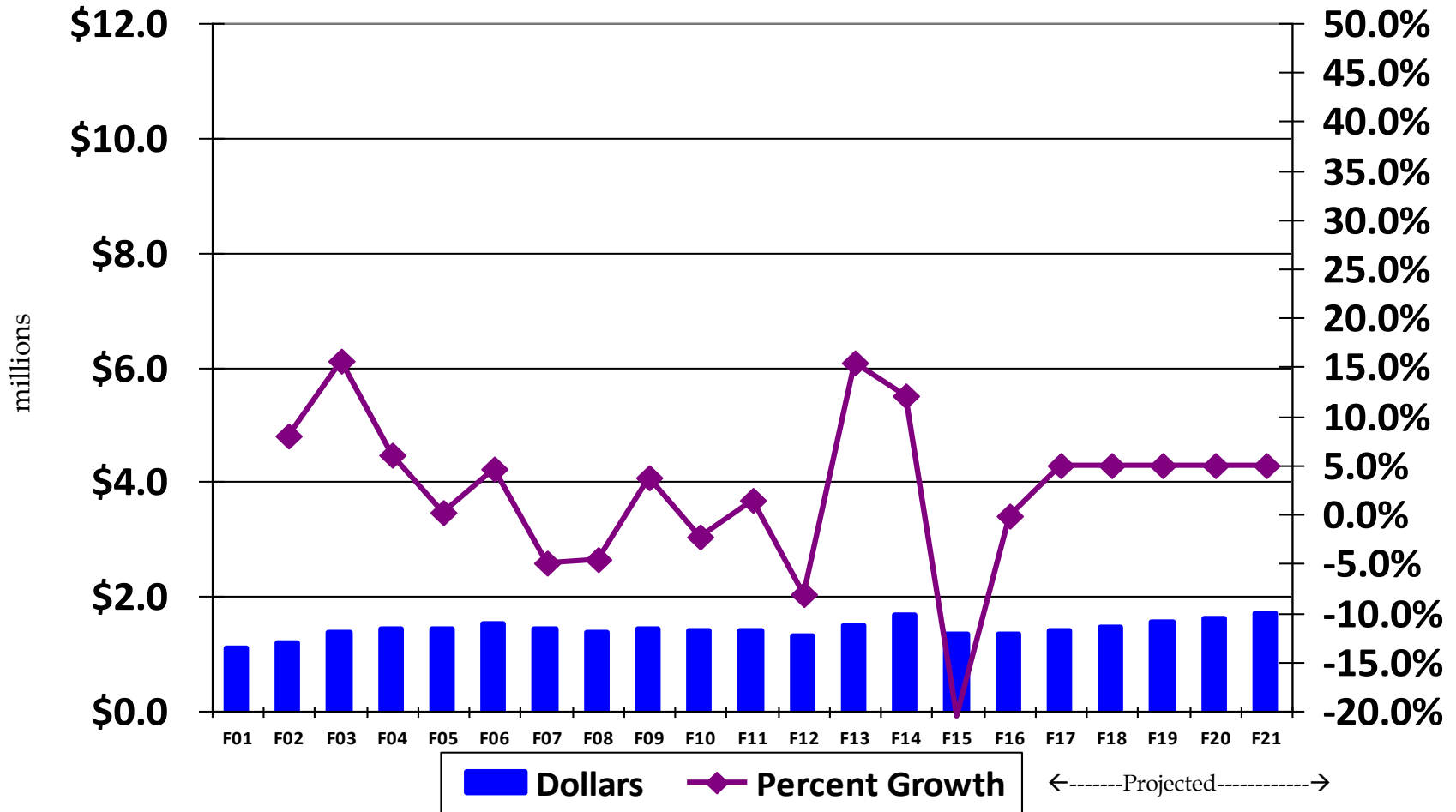
Out-of-District Tuition

Costs & Growth Rates



Out-of-District Transportation

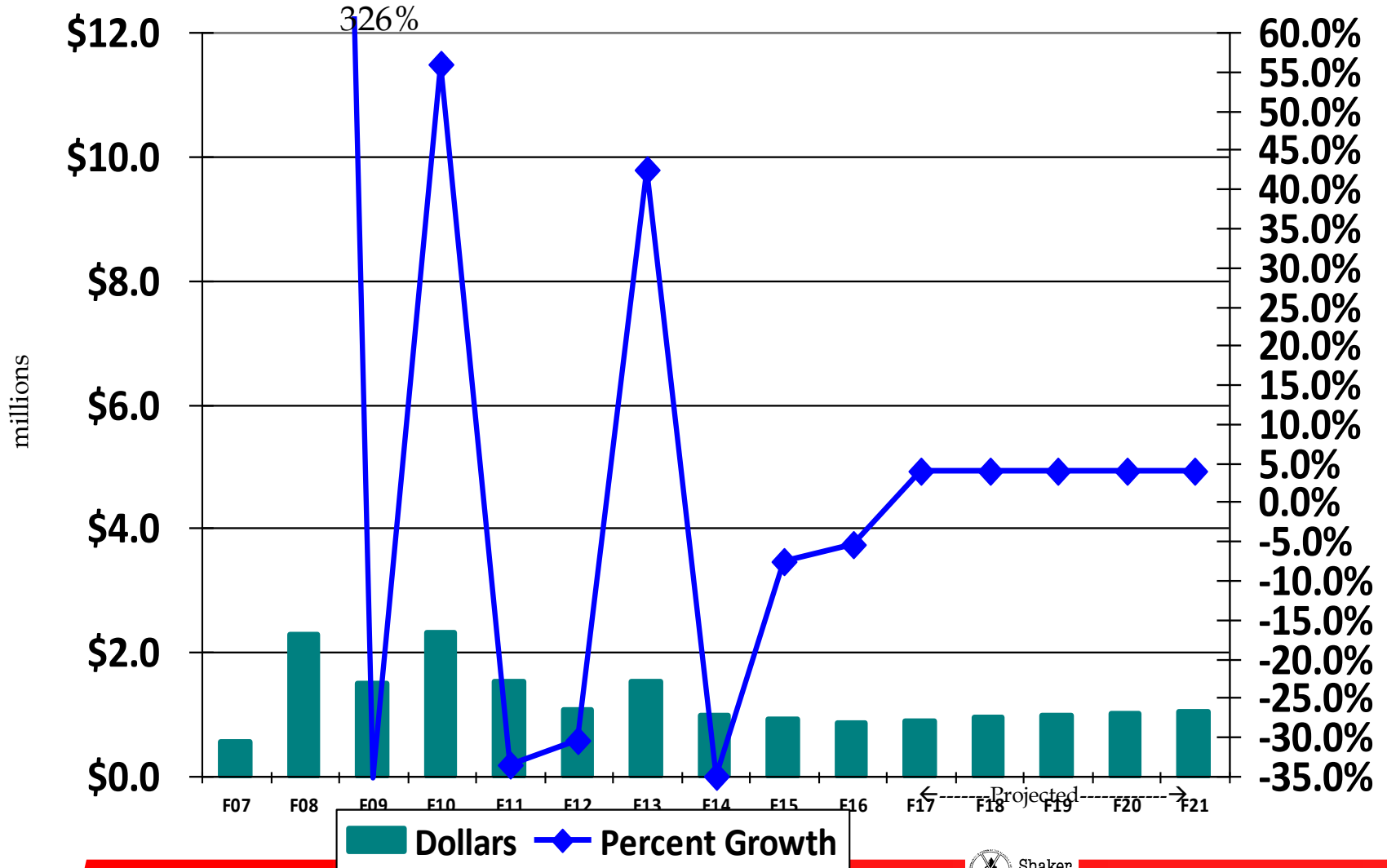
Costs & Growth Rates



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Repairs & Maintenance

Costs & Growth Rates

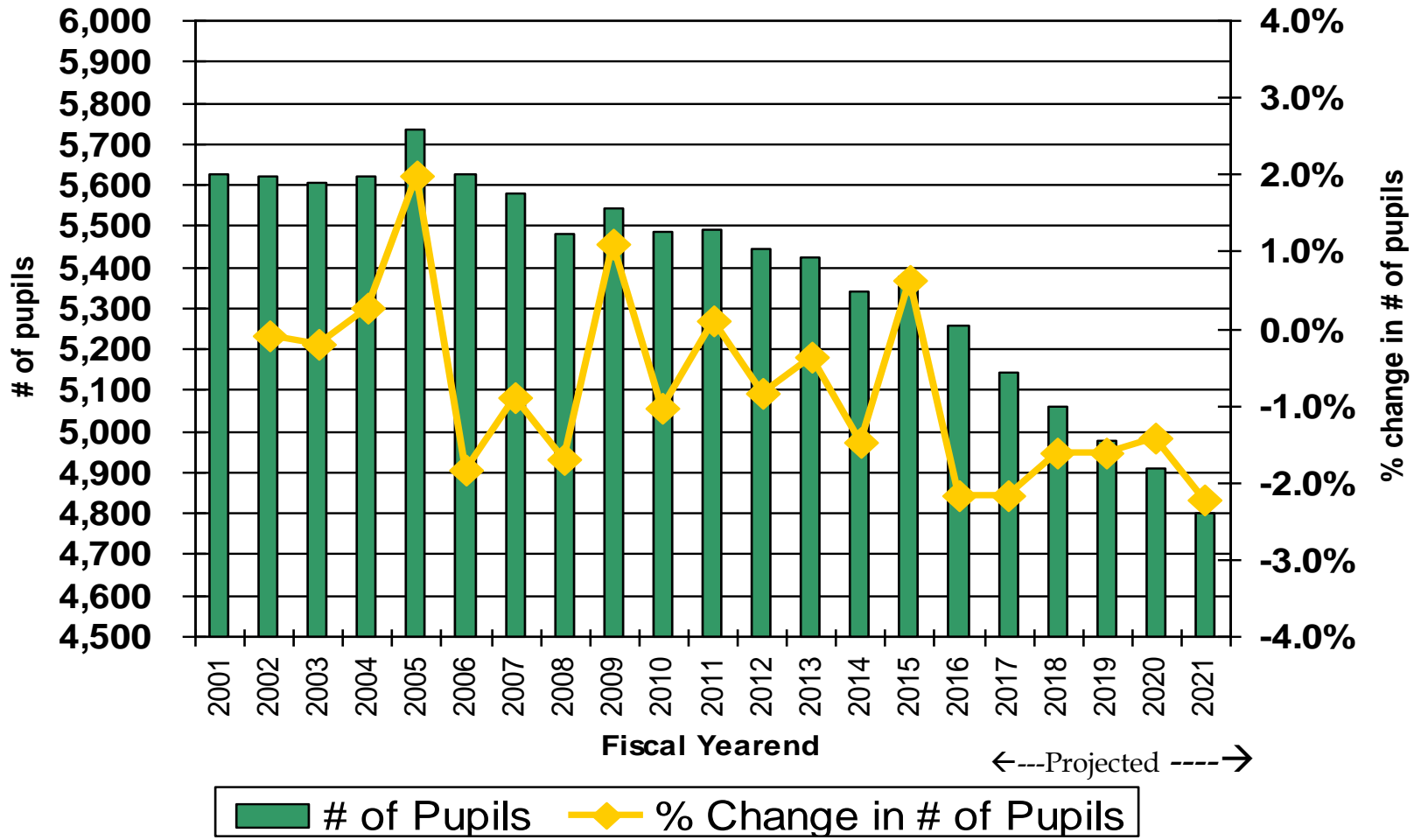




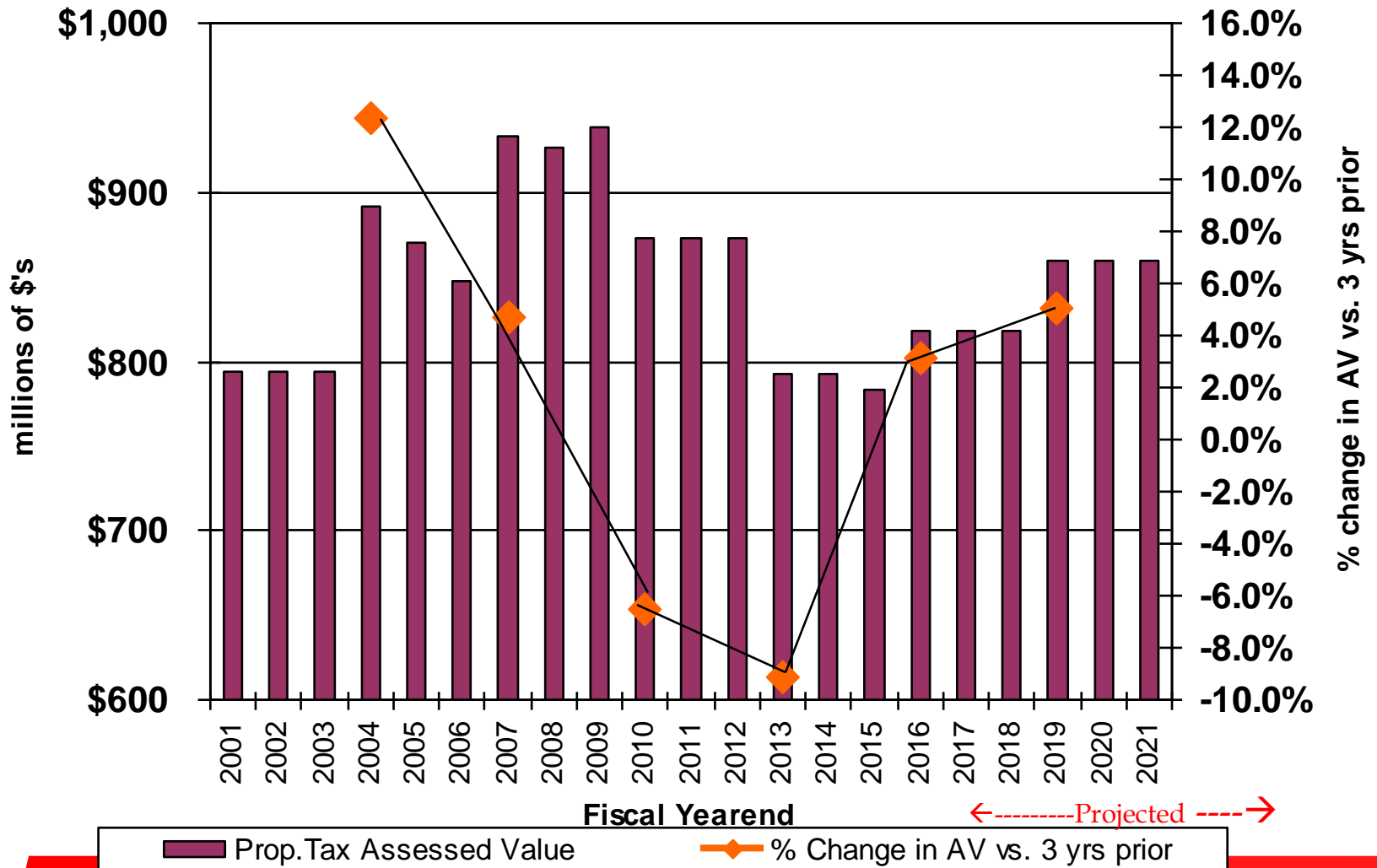
Other Key Assumptions

- Enrollment
- Property Tax Assessed Value
- Targeted Budget Savings
- Next Projected Operating Levy

Enrollment



Property Tax Assessed Value





Targeted Budget Savings

- A net annual budget savings of \$1.0 million in F19
 - (note-F18 savings have been identified and reflected in respective expense line items)

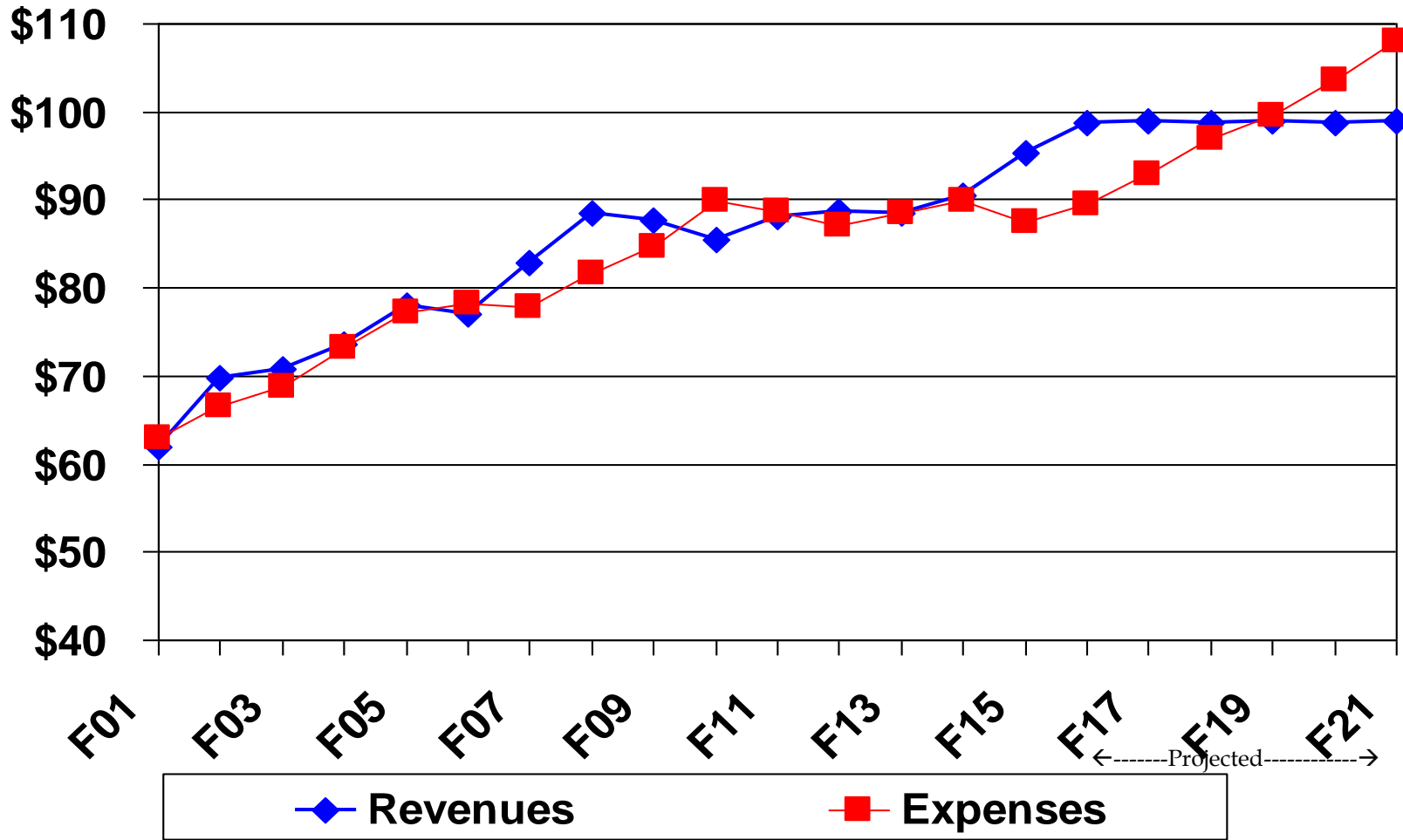


Next Projected Operating Levy

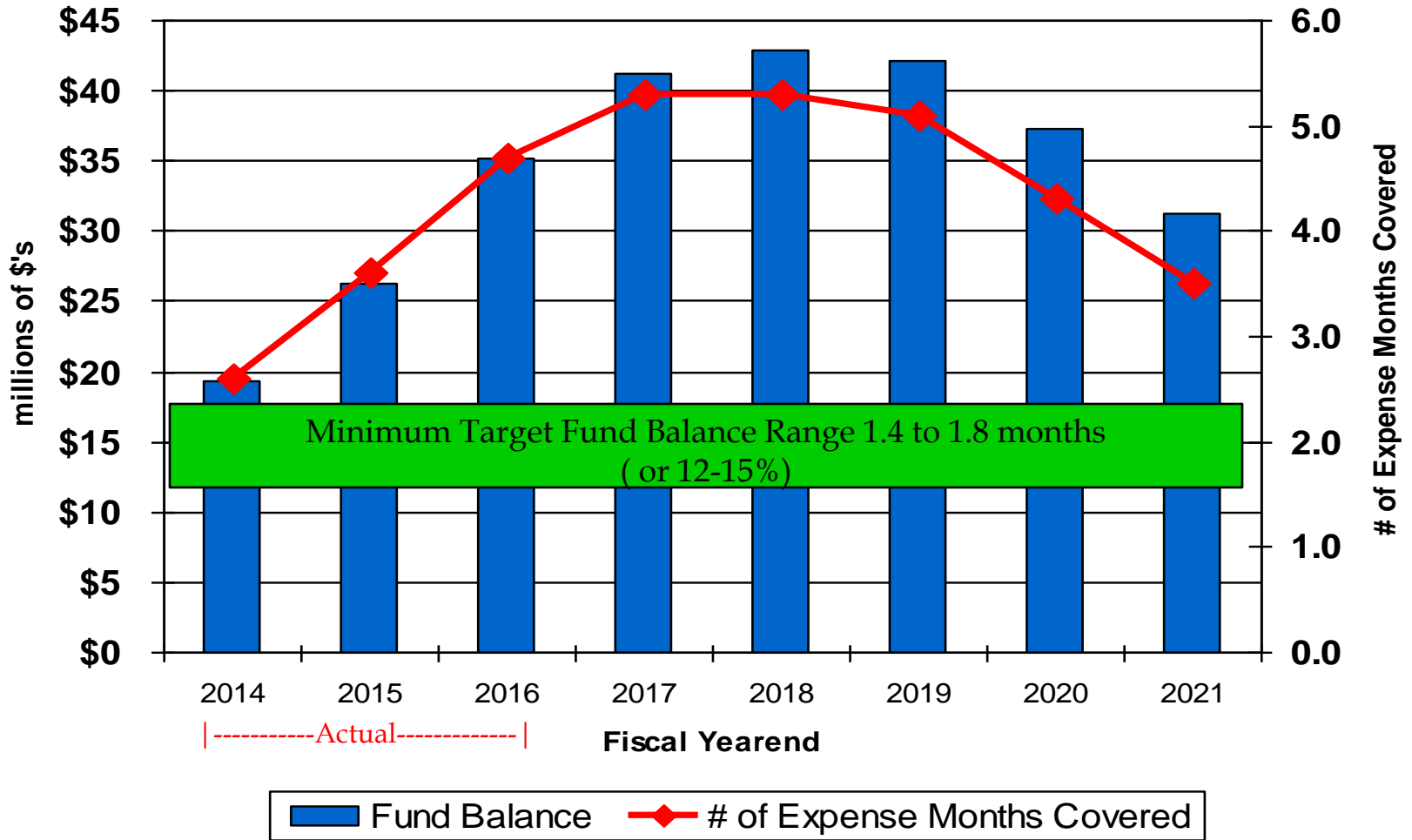
- At this time, an Operating Levy is not projected until 2020 to start collection in 2021

Revenues & Expenses

(millions of \$'s-without projected levy)



Fund Balance





Forecast Document Review



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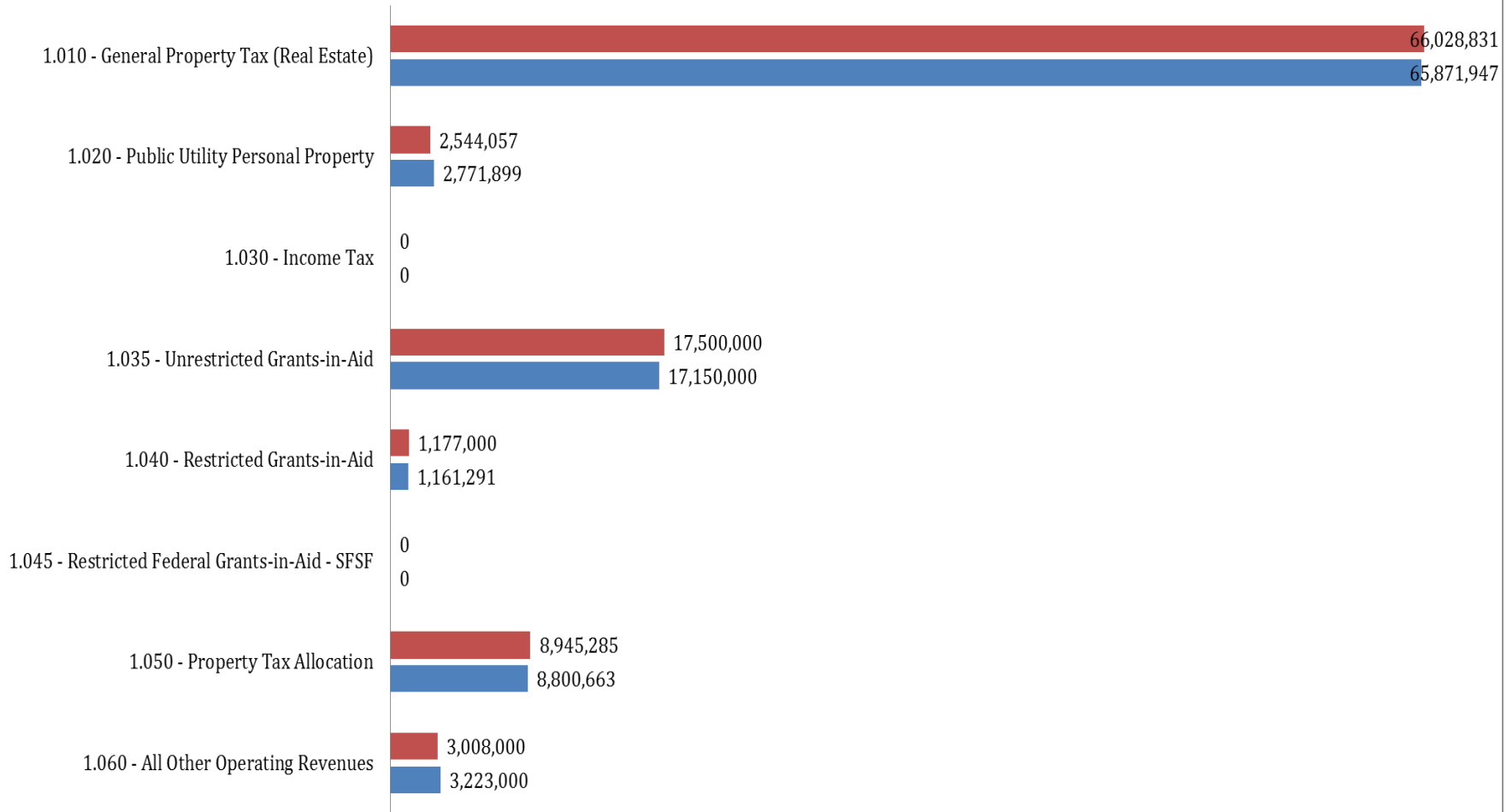
Significant Changes from Oct 2016 Forecast

- F2017 Revenue Variances:
 - State Foundation: \$350,000 Unfav.
 - Property Taxes & HERB: \$74,000 Unfav.
 - Other State: \$16,000 Unfav.
 - All Other Revenue: \$215,000 Fav.
 - Total Revenue Variances: \$224,000 Unfav.



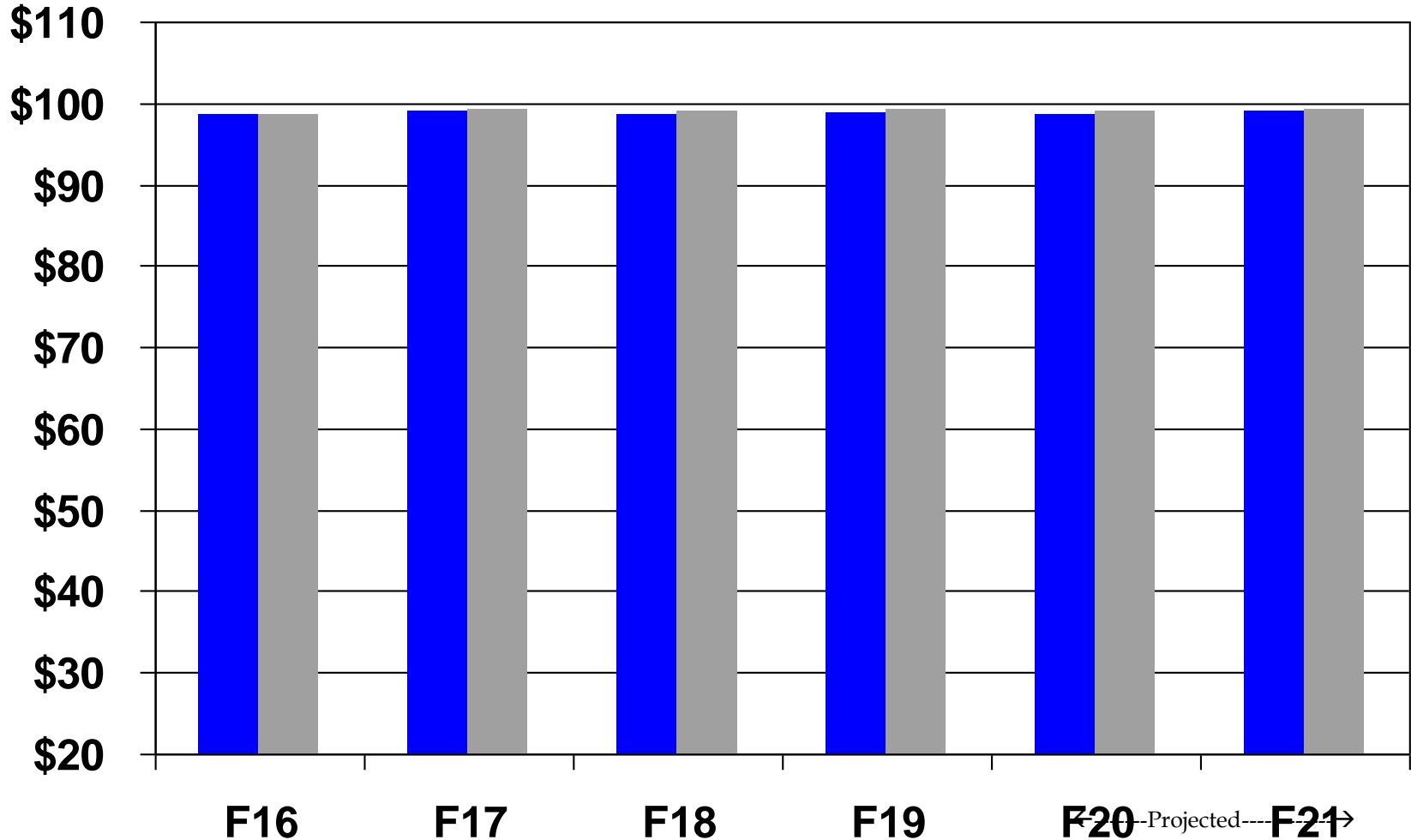
Current Fiscal Year Revenue Comparison Previous Forecast to Current Forecast

■ 10/8/2016 ■ 5/4/2017



Revenues

(millions of \$'s-without projected levy)



■ Revenues-May 2017

■ Revenues-Oct 2016



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Significant Changes from Oct 2016 Forecast

- F2017 Favorable Expense Variances
(as of forecast prep):
 - Salaries & Wages: \$684,000 (Sev.Pay)
 - Fringe Benefits: \$340,000 (Health Ins.)
 - Utilities: \$100,000
 - Out-of-District Tuition: \$200,000
 - Pupil Transportation: \$100,000
 - All Other Purch. Serv.: \$200,000
 - All Other: \$140,000



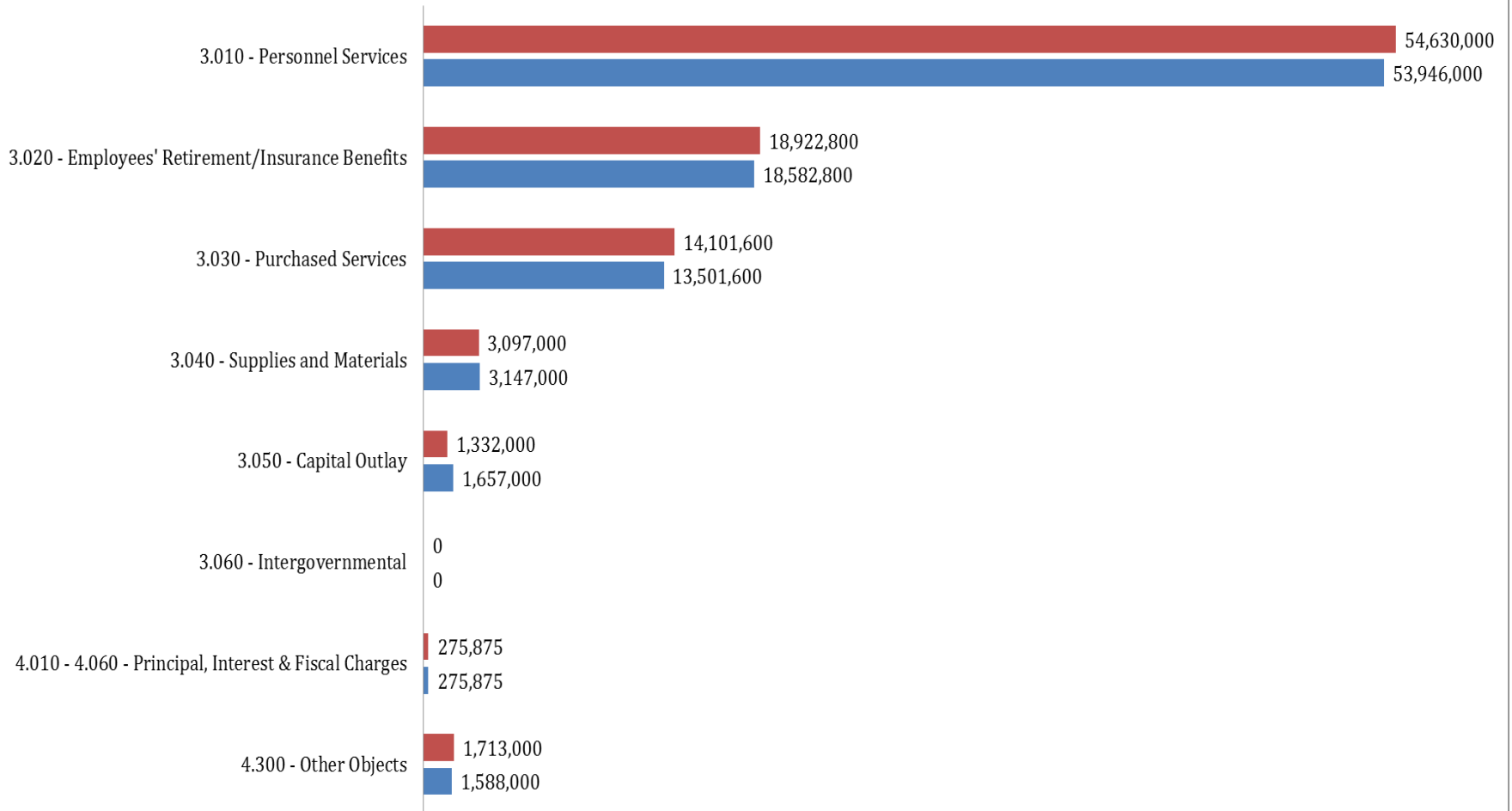
Significant Changes from Oct 2016 Forecast

- F2017 Unfavorable Expense Variances (as of forecast prep):
 - Textbooks, Materials & Supplies: \$50,000
 - Capital Outlay: \$325,000



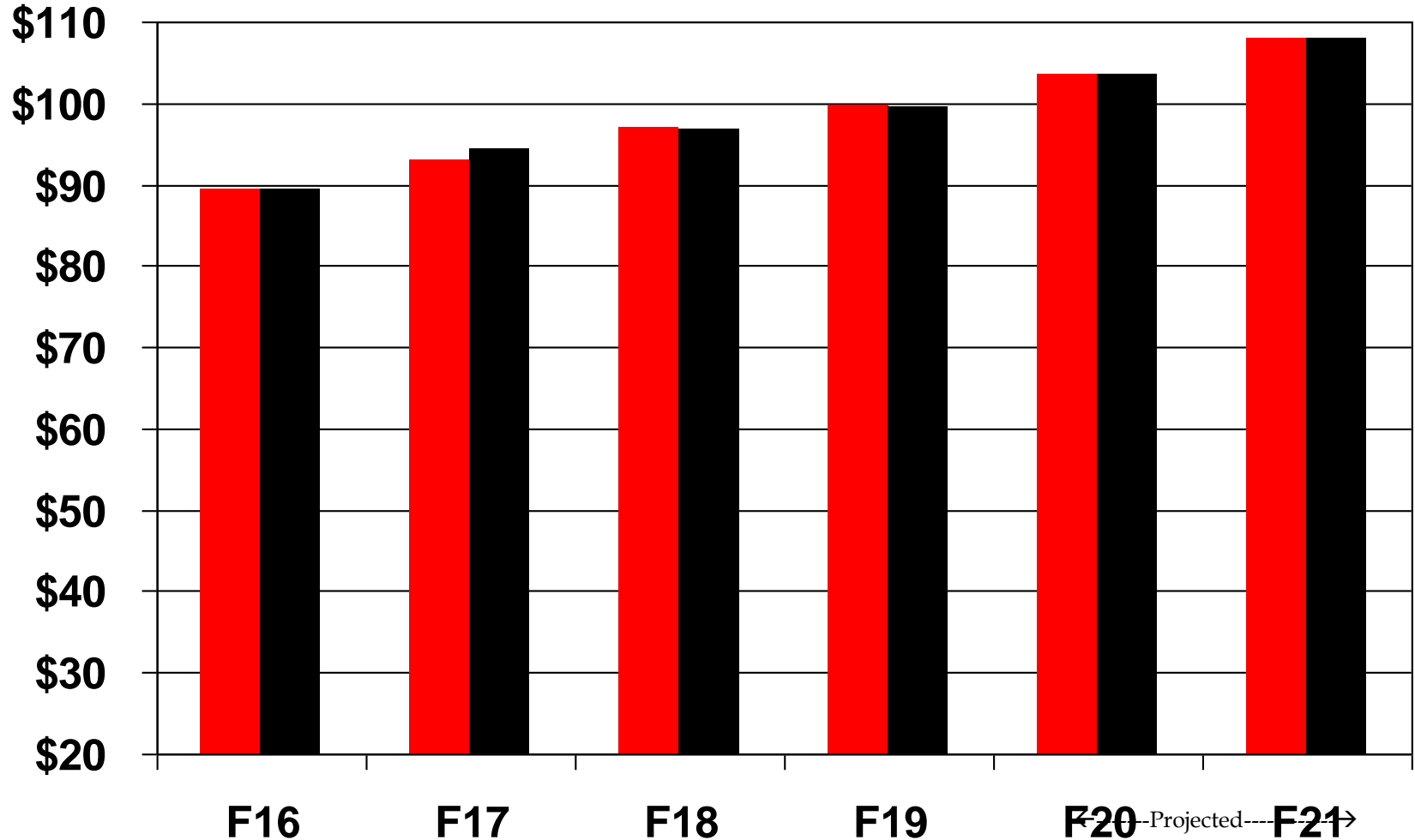
Current Fiscal Year Expenditure Comparison Previous Forecast vs. Current Forecast

10/8/2016 5/4/2017



Expenses

(millions of \$'s)



■ Expenses-May 2017

■ Expenses-Oct 2016



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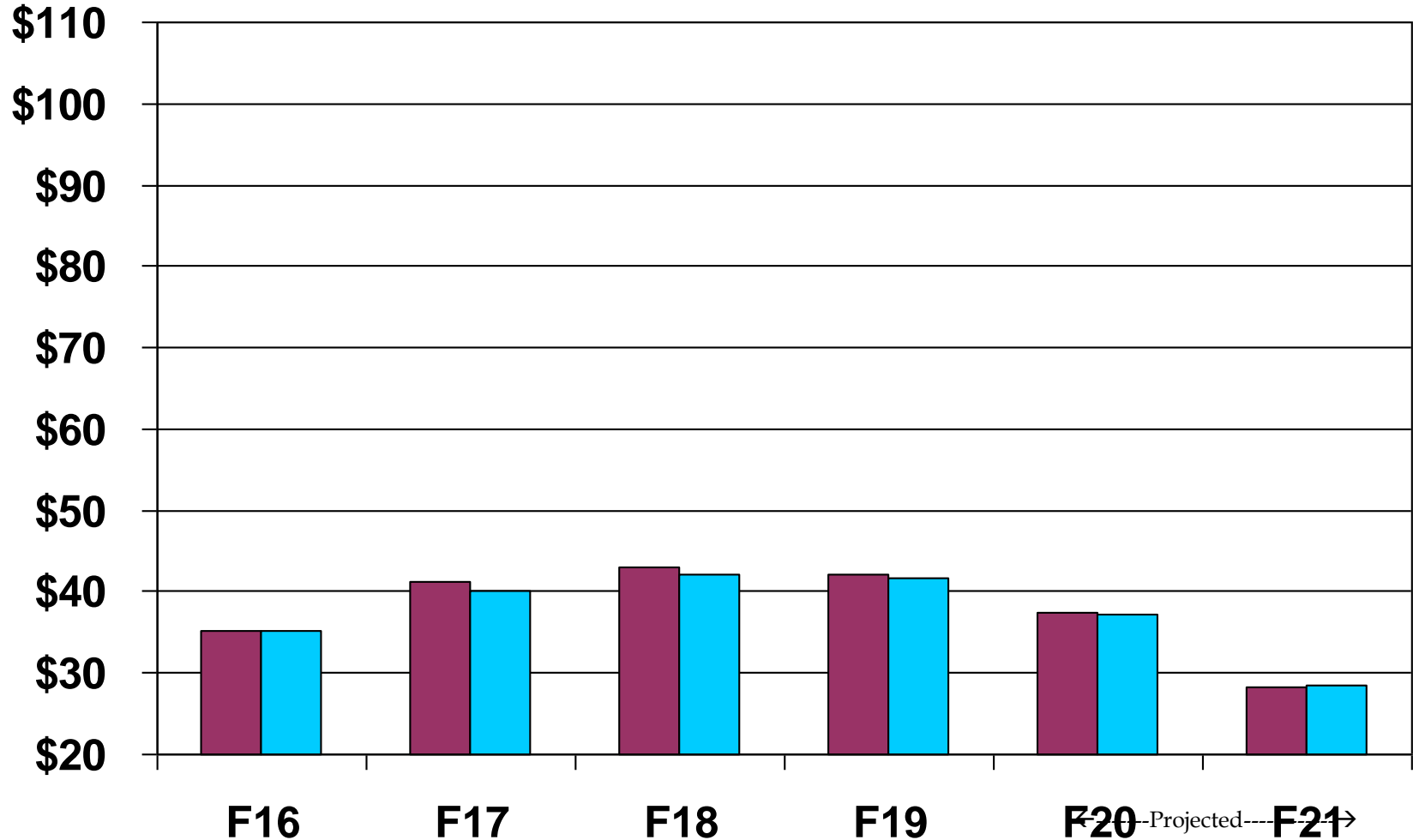


Significant Changes from Oct 2016 Forecast

- Continuation of Health Insurance rate increase of 10%
- Fund Balance variance as of 6/30/2021: \$250,000 Unfav.

Fund Balance

(millions of \$'s-without projected levy)



■ Fund Balance-May 2017

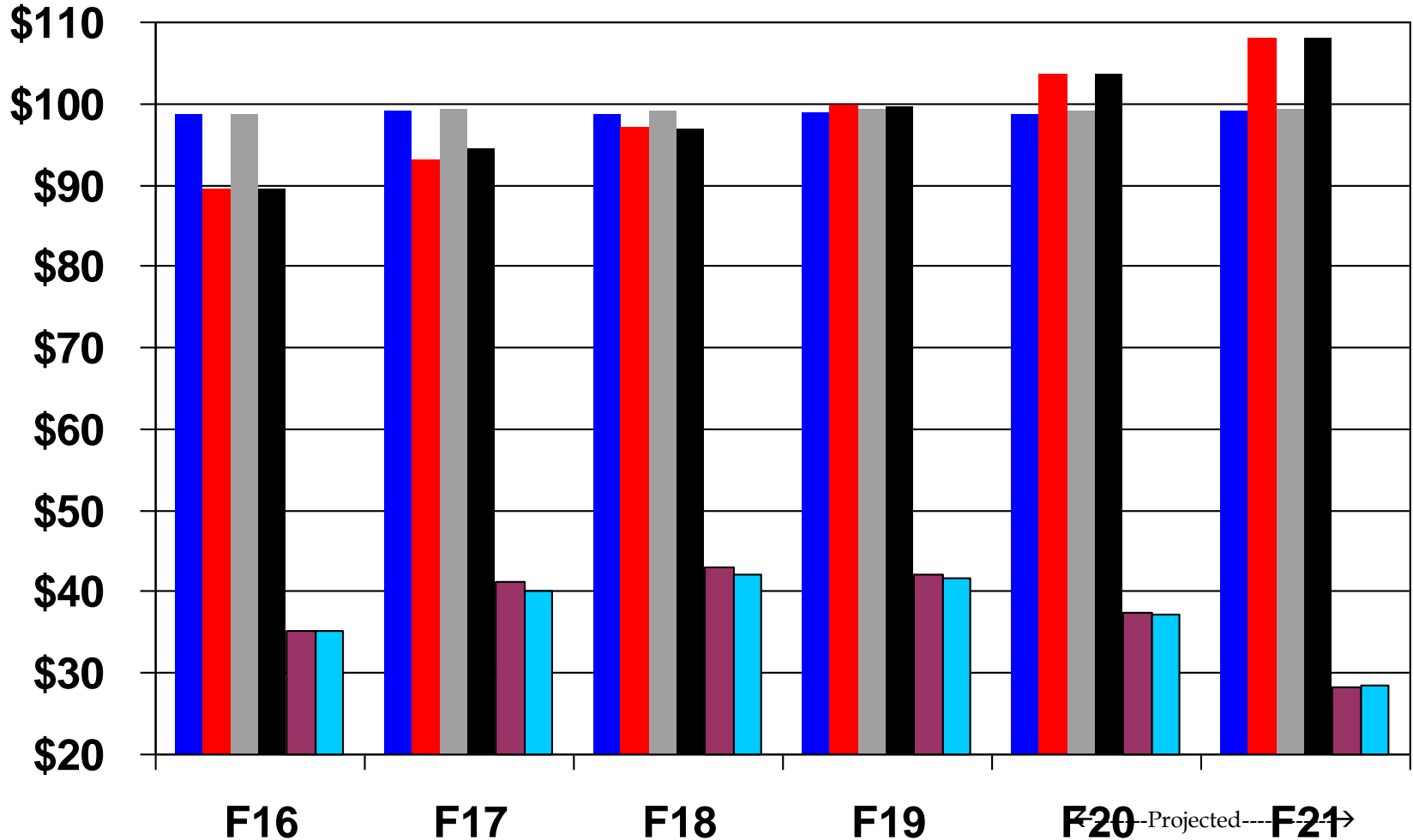
■ Fund Balance-Oct 2016



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Revenues & Expenses

(millions of \$'s-without projected levy)



■ Revenues-May 2017

■ Expenses-May 2017

■ Revenues-Oct 2016

■ Expenses-Oct 2016

■ Fund Balance-May 2017

■ Fund Balance-Oct 2016



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QUESTIONS?





The End

