

SHAKER HEIGHTS BOARD OF EDUCATION
SHAKER HEIGHTS, OHIO

February 8, 2005

TO: Members, Shaker Heights Board of Education
FROM: Bryan C. Christman, Treasurer
SUBJECT: Financial and Miscellaneous Briefs

I. GENERAL FUND (As of January 31, 2005)

A. REVENUE

1. **Real Estate Taxes:**

\$5,081,208 or 17.0% more than taxes received as of January 2004. 67.3% of estimated real estate tax collections have been received to date. Last year at this time, we had received 61.8% of the estimated taxes. The increased collections are due to the new 9.6 mill operating levy, which began in January 2004.

The \$1.2 million favorable budget variance for January YTD consists of two pieces. The \$610,000 shortfall from budget for the six-months ended December 31, 2004, offset by a \$1.8 million favorable variance for the month of January. The January variance is simply due to timing of the amount of tax advances received this year vs. the prior year (which is what the budget was based upon).

Of more concern to me is the County Budget Commission's estimated tax revenue report, Fiscal Year Schedule A, which indicates a continuing slide in collections due to an increasing delinquency rate. If the County projection is correct, we would fall short of total tax collections in the second half of the current fiscal year by nearly \$1.2 million. We are continuing to analyze the situation and will have a more complete picture after receiving information about the third tax advance that is scheduled for February 18th.

We will continue to monitor the situation and report as additional information becomes available.

2. **Personal Property Taxes:**

\$159,254 or 8.6% less than taxes received at this time last year. 81.4% of the estimated tangible tax has been received to date. Last year at this time, we had received 84.5% of the estimated taxes. The variance is due to a higher portion of the first half personal property taxes being received in the settlement in July this year, coupled with the new 9.6 mill operating levy, offset by a significant reduction in 2004 collections, primarily from one large taxpayer. Consequently the actual revenues are about \$160,815 below budget.

Additionally, the exempt personal property tax received in December 2004 was \$27,200 less than the prior year due to the 2nd year of implementation of the ten-year phase-out in accordance with the provisions of House Bill No. 95, the state's biennial budget bill legislated in June 2003.

3. Investment Earnings:

\$166,624 received this year, which is \$10,292 or 5.8% less than received at this time last year. 57.0% of estimated interest income has been received to date. Last year at this time, we had received 44.2% of the estimated interest. Cash-basis interest income varies month-to-month and year-to-year due to the varying maturity dates of the investment portfolio. Consequently, the monthly variances may swing from positive to negative throughout the year.

As expected, the Federal Reserve raised targeted short-term interest rates a quarter point to 2.50% on February 2nd. The Federal Reserve is anticipated to increase rates at future meetings, possibly at both their March 22nd and May 3rd meetings.

4. Other Local:

This category is below both prior year and budget due primarily to a \$100,000 lower tuition settlement for the second half of 2004 as compared to the prior year.

5. State Sources:

State Foundation program receipts are \$115,241 or 1.5% more than those of one year ago. 58.8% of estimated Foundation receipts have been received to date compared to 58.5% for last year. It should be noted that the State Foundation payments are merely estimates until the ADM counts are finalized and adjusted starting in January, with final adjustments through May.

Other State Sources for the fiscal 2004 month and year-to-date include \$508,919 for reimbursement of fiscal 2003 special education catastrophic costs. The reimbursement in 2005 is not expected to be received until March or April due to a different State timeline for processing such payments.

Other State Sources for the current and prior year-to-date amounts include a semi-annual public utility property tax reimbursement of \$388,468 and \$388,739 respectively, which as you may recall, is to help offset the reduction in real estate taxes collected due to the lower assessed value applied to the electric and natural gas industry properties.

6. Federal Sources:

Medicaid reimbursements total \$292,177 through the end of January, which represents 142.5% of estimated federal sources as compared to only 35.6% received through January 2004. The primary difference is due to the state's delay in processing in the last half of fiscal 2004, thereby resulting in delayed payments in excess of \$170,000 being received in the current fiscal year.

January 2005 receipts include \$23,839 representing the CAFS final settlement for fiscal year 1997. (See note 2 in Section III, Other Items.)

The efforts (as detailed in my November 8, 2004 memo) of the collective group of school districts to maintain the current Medicare reimbursement rates for fiscal 2005 were successful. The State recently announced that they would not reduce such rates thereby avoiding what would have been a significant reduction in revenue to the District. However, a new Medicaid reimbursement program for schools must be implemented by July 1st in order to maintain the existing rate reimbursement model. The cost of such implementation will be allocated to the participating school districts. There is no update to this issue as of the date of this memo.

7. Total Revenue:

\$4,956,226 or 11.1% more than the amount received during the prior fiscal year-to-date. 64.0% of estimated income has been received to date compared to 60.6% last year. The variance is primarily attributable to the increased tax collections.

B. EXPENDITURES

1. Salaries & Wages:

Payroll expenses as of January 31 represent a 2.9% increase over last year's payrolls for the same number of year-to-date pay dates. Payrolls averaged \$1,973,639 for the year-to-date vs. \$1,917,561 for the prior year. The rising average reflects the cumulative effect of the contractual increases that went into effect on January 1 and July 1, as well as the step increments that went into effect on September 1. Total salaries and wages are 3.3% above the prior year due to timing of other fund chargebacks.

Included in YTD salaries and wages expense are sick leave severance payments for YTD fiscal 2005 totaling \$455,160, which represent a \$177,105 or 63.7% increase over the prior YTD total of \$278,055.

2. Fringe Benefits:

Fringe benefit expenses are \$437,464 or 5.0% higher this fiscal YTD vs. the prior year, primarily due to a 10.0% YTD increase in health insurance.

3. Utilities:

Utility payments are \$106,936 or 12.4% lower this fiscal YTD vs. the prior year due primarily to a natural gas payment holiday in September in this fiscal year resulting from the overpaid position at June 30, 2004, combined with higher electricity budget adjustments in F04 than in this year.

4. Out-of-District Tuition:

Out-of-district expenditures YTD are \$371,964 or 31.8% greater than the prior year, but remain about \$210,000 below the current YTD budget estimate. This positive variance is due to timing at this point.

5. Total Expenditures:

On a cash basis, total expenses were \$1,479,296 or 3.5% more than the YTD expenditure level for the prior fiscal year. This represents 57.4% of the estimated fiscal 2005 expenses with 57.7% of the budget year elapsed. Last year at this time, we had spent 58.0% of estimated annual expenses. The cash basis budget to actual variance is a positive \$226,291. This variance is believed at this time to be a timing difference in payments of expenses. Besides the increase in salaries of \$873,000, the variance vs. the prior year is primarily due to the following:

- \$401,000 increase in total health insurance costs;
- \$63,000 increase in retirement expense;
- \$372,000 increase in out-of-district tuition payments;
- \$107,000 decrease in utility payments due to reasons discussed above;
- \$75,000 decrease in other purchased service line items; and
- \$93,000 decrease in materials and supplies.

The encumbrances (\$5,005,447 at January 31, 2005), which include \$2,737,866 for out-of-district tuition, are \$85,174 lower than the prior year, primarily attributable to a \$423,630 decrease in tuition encumbrances, partially offset by a \$111,247 increase in materials and supplies, and a \$150,193 increase in all other purchased services. These differences are considered due primarily to timing at this point.

II. CONCLUSIONS

1. Cash balance reflects an increase of \$3,953,363 from that of one year ago. This is due to the \$.5 million higher beginning-of-year balance, coupled with the \$3.5 million larger excess of revenue over expenditures for the current YTD vs. the prior YTD.
2. The \$4,264 cash deficit in Fund 020, Shaker Merchandise, is due to the purchase of merchandise for resale.
3. The \$978 cash deficit in Fund 460 and the \$19,206 cash deficit in Fund 463 are due to a delay in the receipt of State cash reimbursements.
4. The \$337 cash deficit in Fund 516 is due to a delay in the receipt of a federal fund cash request from the State.

III. OTHER ITEMS

1. **Forms W-2 and 1099 Statements:**

In compliance with federal law, the Treasury Department issued in January 1,559 Forms W-2 and 100 Forms 1099, Miscellaneous Earnings Statements. W-2's are required to be issued for all employees who earned wages during calendar 2004, including all substitute employees. 1099's are required to be issued for all accounting payments in excess of \$600 for services rendered that were made to non-corporate entities during calendar 2004.

2. **CAFS (Medicaid Billing) Final Settlement for Fiscal 1997:**

The current system is based upon a cost-recovery methodology that reimburses the District an estimated amount for the various eligible services being provided during the service (school) year. At the end of each fiscal year, the District files a cost report, which serves as the basis for final settlement. Even though the program began in the early 1990's, the State to date has executed a final settlement with Shaker Heights for only the 1998 fiscal year (\$24,119 received in August 2002).

After signing an authorization nearly a year ago, we finally received the fiscal 1997 final settlement of \$23,839 in January 2005. Prior and subsequent years will also be subject to final settlement, most of which should mean additional payments to the District. The timetable for such future settlements is still not available at this time.

3. Special Education Catastrophic Aid Reimbursement Submission:

Last month we submitted our request for reimbursement of special education catastrophic costs for fiscal 2004. The total estimated reimbursement approximates \$861,000, which represents a \$352,000 or 69% increase over the fiscal 2003 reimbursement of 509,000, which was the third highest reimbursement district in the State for fiscal 2003. The District was the fourth highest in the prior year with a total reimbursement of \$320,000.

Unfortunately, due to the State budget crisis, it is expected that all catastrophic aid reimbursement requests will be “haircutted” by as much as 50% due to submissions totaling an amount in excess of the State’s total line appropriation of \$15 million.

4. Bond Issuance:

As my February 2nd memo included in the Wednesday packet indicated, we are proceeding with the first issuance of long-term debt under the voter-approved \$23.5 million authorized bond issue. Three resolutions requiring Board approval are included on the agenda for the February 15th Board meeting.

The first resolution is the authorization to issue debt for the “new” bond money in the amount of \$10 million, while the 2nd and 3rd resolutions authorize the issuance of debt in order to “refinance” the 1993 and portions of the 2000 series of outstanding debt (currently outstanding \$1,475,000 and \$2,818,544, respectively).

While the 1993 series is a definite go for the “refinancing” transaction, the 2000 series is still in question and will not be decided until we get closer to the target issue date (late March). The 1990 series (\$2,315,000 currently outstanding) is not callable and thus no interest rate savings can be achieved with a refinancing transaction. A fourth series dated 1999 (\$5,895,000 currently outstanding) is not currently economical to refinance, but will be reexamined at the next debt issuance under the \$23.5 million bond issue.

While the 1993 issue could have been refinanced earlier, the relatively small outstanding balance did not warrant incurring the issuance costs when done as a stand-alone transaction. When the refinancing is packaged with the new debt issuance, we save on certain of the fixed issuance costs.

All issuance costs will be paid from premiums received from the issuance proceeds, thereby providing the maximum amount available for capital projects, \$23.5 million.

5. Depository Contract:

Included on the agenda for the February 15th board meeting is a resolution to authorize the awarding of depository contracts to Charter One Bank. Charter One, who is not currently included as one of our authorized depository institutions (they did not have a significant public funds presence in Cuyahoga County at the time we approved our last depository list in 2000), is currently offering a fed funds plus 25 basis points savings account. The account, if we choose to deposit interim funds there, would be collateralized in accordance with Ohio Revised Code for public fund deposits. This resolution would allow the District to place interim funds on deposit with Charter One in order to increase our current rate of return on our portfolio.

The length of the term for Charter One is until June 30, 2005, at which time all of our depository contracts must be renewed. Such renewal process will take place at board meetings in the April-June time frame.

6. Substitute House Bill No. 362-Withholding Consent:

Also included on this month's board meeting agenda is a resolution withholding the District's consent for the remission of taxes on real property that has been submitted for a property tax exemption.

The referenced legislation, among other things, provides for a general amnesty with respect to the payment of taxes, penalties, and interest (and possibly special assessments) in connection with property that is (or was) subject to a successful real property tax exemption request. Unfortunately, it also includes providing amnesty for unsuccessful, untimely, and improperly filed exemptions. By withholding consent, the District prevents the forgiveness of properly assessed taxes that were not paid, but should have been because they were assessed in a time period either prior to the available exemption period or during a period for which the exemption was rejected by the Ohio Department of Taxation.

It is not known whether there are even any situations in the District to which this exemption issue applies, however this resolution provides coverage in case it does arise.

7. Levy Results:

Of the 63 Ohio school district funding issues (58 school districts) on the February 8th ballot, 38.1% or 24 passed. Only 40.4%, 19 of the 47 operating levies were approved, while 31.3%, 5 of 16 of the capital issues passed. The capital issue statistics include 28.6% (2 of 7) combined issues that passed. These results were substantially worse overall than last November when 50.3% of 286 levies passed, including 47.5% (86 of 181) of the operating levies, 58.8% (47 of 80) of the capital levies, and 42.1% (8 of 19) of the combined issues passed. The recent results were also somewhat worse overall than last March, a combined special and primary election, when 46.9% of the 228 levies passed.

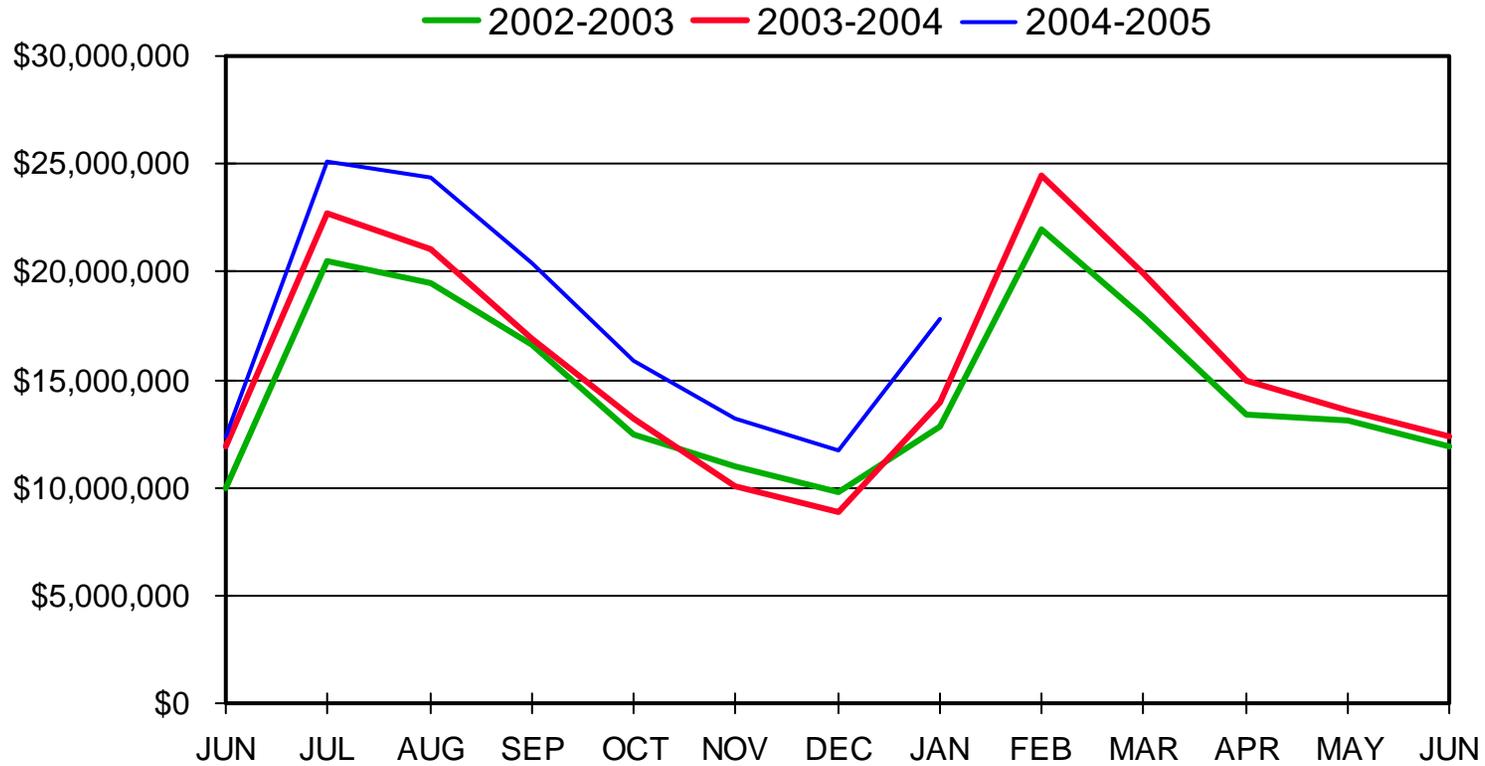
Cuyahoga County issues fared better than the overall State results with 3 out of 5 or 60.0% passing, including 2 of 3 (Independence and Parma), or 66.7% of operating levies (Berea failed); and 1 of 2 or 50% of capital/combined issues (Fairview Park) passing (Parma's combined levy failed).

I have attached a copy of the ODE statewide results by levy type and by district for your reference.

8. Blue Ribbon Task Force Report:

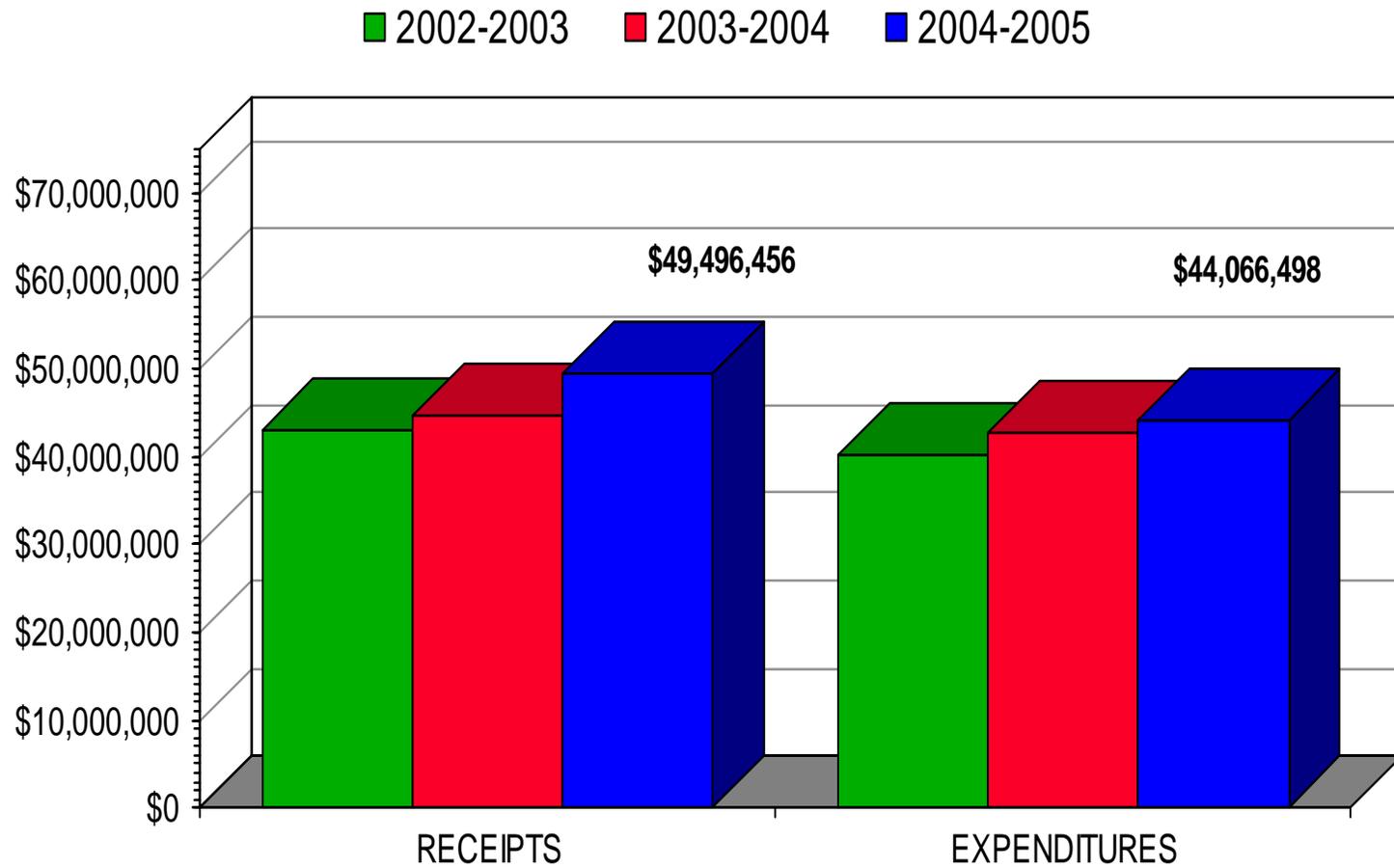
The final report was issued by the Governor's Blue Ribbon Task Force on February 2nd. I have attached a copy of the recommendation section of the report for your reference. The full report is available along with a joint BASA, OASBO, ODE and OSBA briefing report (including a taped web cast of the briefing), on the OSBA website at www.osba-ohio.org/brtfbriefing.

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND CASH BALANCE



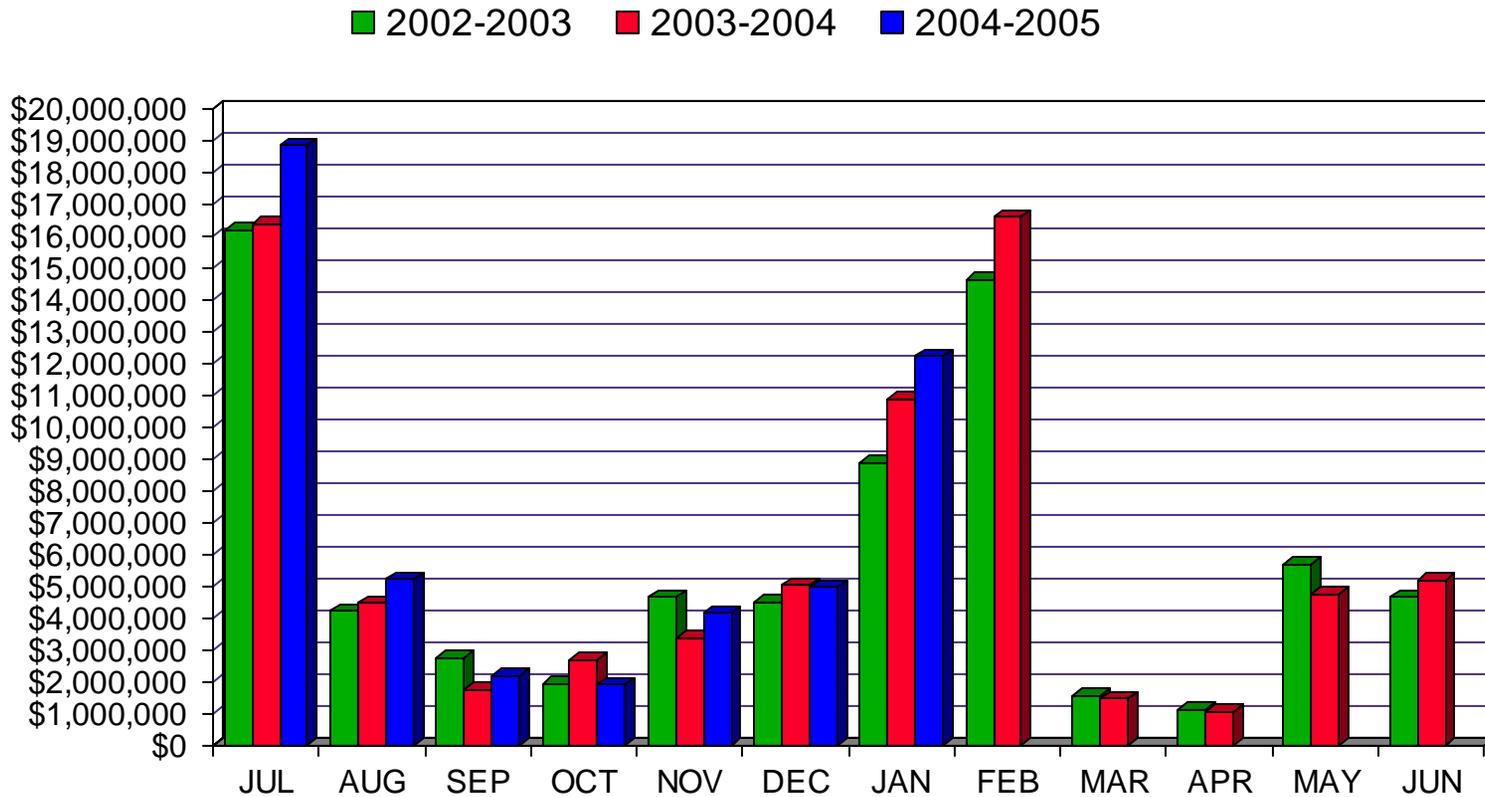
January 31, 2005

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND



January 31, 2005

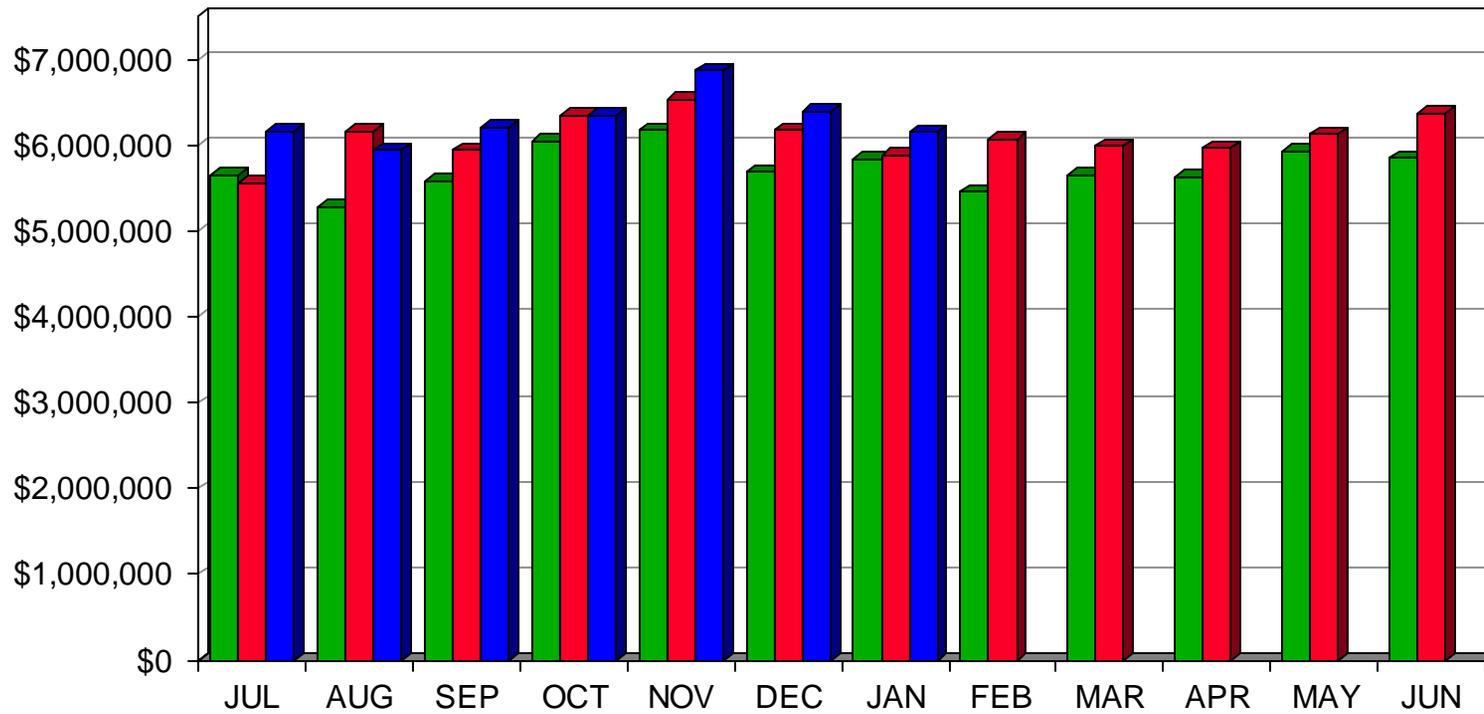
SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND RECEIPTS



January 31, 2005

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND EXPENDITURES

■ 2002-2003 ■ 2003-2004 ■ 2004-2005



January 31, 2005

SHAKER HEIGHTS CITY SCHOOL DISTRICT
General Fund-Financial Statement
Fiscal Year Ending
June 30, 2005

FS07Jan05Web/SummaryFYE2005
3/17/2005

	Month of January				Year-To-Date January				Year-To-Date January		
	Actual F05	Actual F04	\$ Inc(Dec)	%Inc(Dec)	Actual F05	Actual F04	\$ Inc(Dec)	%Inc(Dec)	YTD Bud.F05	\$ Inc(Dec)	%Inc(Dec)
REVENUE:											
Real Estate Taxes	\$11,006,594	\$9,276,984	\$1,729,610	18.6%	\$34,885,601	\$29,804,393	\$5,081,208	17.0%	\$33,688,687	\$1,196,914	3.6%
Personal Property Taxes	0	0	0	#DIV/0!	1,699,185	1,858,439	(159,254)	-8.6%	1,860,000	(160,815)	-8.6%
Investment Earnings	13,531	12,294	1,237	10.1%	166,624	176,916	(10,292)	-5.8%	167,000	(376)	-0.2%
Other Local	2,332	3,699	(1,367)	-37.0%	602,410	726,920	(124,510)	-17.1%	690,000	(87,590)	-12.7%
State Foundation	1,185,061	1,056,147	128,914	12.2%	8,013,696	7,898,455	115,241	1.5%	7,950,000	63,696	0.8%
Homestead Exemption & RollBack	0	0	0	#DIV/0!	3,390,014	2,951,650	438,364	14.9%	3,150,000	240,014	7.6%
Other State	0	508,919	(508,919)	-100.0%	446,749	964,675	(517,926)	-53.7%	476,478	(29,729)	-6.2%
Federal-primarily Medicaid	23,958	22,937	1,021	4.5%	292,177	158,782	133,395	84.0%	180,000	112,177	62.3%
Transfers & Advances In	0	0	0	#DIV/0!	0	0	0	#DIV/0!	0	0	#DIV/0!
TOTAL REVENUE	12,231,476	10,880,980	1,350,496	12.4%	49,496,456	44,540,230	4,956,226	11.1%	48,162,165	1,334,291	2.8%
	0	0	0		0	0	0		0	0	
EXPENDITURES:											
Salaries & Wages	4,056,777	4,011,978	44,799	1.1%	27,714,605	26,841,932	872,673	3.3%	27,662,577	52,028	0.2%
Fringe Benefits:											
Health Insurance	615,687	578,121	37,566	6.5%	4,408,999	4,007,873	401,126	10.0%	4,390,000	18,999	0.4%
Retirement Expense	575,723	579,877	(4,154)	-0.7%	4,134,339	4,071,498	62,841	1.5%	4,186,000	(51,661)	-1.2%
All Other Fringes	150,212	184,773	(34,561)	-18.7%	678,241	704,744	(26,503)	-3.8%	720,000	(41,759)	-5.8%
Total Fringe Benefits	1,341,622	1,342,771	(1,149)	-0.1%	9,221,579	8,784,115	437,464	5.0%	9,296,000	(74,421)	-0.8%
Purchased Services:	0	0	0		0	0	0		0	0	
Utilities	114,175	99,400	14,775	14.9%	752,611	859,547	(106,936)	-12.4%	811,000	(58,389)	-7.2%
Out-of-District Tuition	162,780	132,257	30,523	23.1%	1,541,326	1,169,362	371,964	31.8%	1,751,000	(209,674)	-12.0%
Pupil Transportation	99,578	440	99,138	22531.4%	699,998	680,466	19,532	2.9%	756,000	(56,002)	-7.4%
All Other Purchased Services	124,583	162,561	(37,978)	-23.4%	1,758,699	1,833,887	(75,188)	-4.1%	1,759,000	(301)	0.0%
Total Purchased Services	501,116	394,658	106,458	27.0%	4,752,634	4,543,262	209,372	4.6%	5,077,000	(324,366)	-6.4%
Materials & Supplies	181,299	89,479	91,820	102.6%	1,318,502	1,411,356	(92,854)	-6.6%	1,248,000	70,502	5.6%
Capital Outlay	31,111	18,284	12,827	70.2%	321,325	279,813	41,512	14.8%	272,000	49,325	18.1%
Other-primarily Cty.Aud.&Treas.Fees	34,177	25,099	9,078	36.2%	527,641	514,512	13,129	2.6%	527,000	641	0.1%
Transfers & Advances Out	0	0	0	#DIV/0!	210,212	212,212	(2,000)	-0.9%	210,212	0	0.0%
TOTAL EXPENDITURES	6,146,102	5,882,269	263,833	4.5%	44,066,498	42,587,202	1,479,296	3.5%	44,292,789	(226,291)	-0.5%
	0	0	0		0	0	0		0	0	
Net Revenues/(Expenditures)	6,085,373	4,998,711	1,086,662	21.7%	5,429,958	1,953,028	3,476,930	178.0%	3,869,376	1,560,582	40.3%
Cash, Beginning of Period	11,765,588	8,898,887	2,866,701	32.2%	12,421,003	11,944,570	476,433	4.0%	12,421,003	0	0.0%
Cash, End of Month	17,850,961	13,897,598	3,953,363	28.4%	17,850,961	13,897,598	3,953,363	28.4%	16,290,379	1,560,582	9.6%
	0	0	0		0	0	0		0	0	
Less O/S Encumbrances	5,005,447	5,090,621	(85,174)	-1.7%	5,005,447	5,090,621	(85,174)	-1.7%	5,091,000	(85,553)	-1.7%
Less Budget Reserve	353,070	353,070	0	0.0%	353,070	353,070	0	0.0%	353,070	0	0.0%
Fund Balance, End of Month	\$12,492,444	\$8,453,907	\$4,038,537	47.8%	\$12,492,444	\$8,453,907	\$4,038,537	47.8%	\$10,846,309	\$1,646,135	15.2%
	0	0	0		0	0	0	0.0%	0	0	0.0%
Total General Obligation Debt Outstanding					\$12,675,939	\$13,867,774					