

SHAKER HEIGHTS BOARD OF EDUCATION
SHAKER HEIGHTS, OHIO

May 5, 2004

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

I. GENERAL FUND (As of April 30, 2004)

A. REVENUE

1. **Real Estate Taxes**

\$3,949,070 or 9.5% more than taxes received as of April 2003. 94.0% of estimated real estate tax collections have been received to date. Last year at this time, we had received 92.3% of the estimated taxes. As reported in previous months, the 2nd half collections were in fact down about \$120,000 from a year ago (even though total collections for calendar 2003 are \$164,000 higher than calendar 2002). The increased collections in January and February are of course due to the new 9.6 mill levy.

2. **Personal Property Taxes:**

\$430,576 or 18.8% less than taxes received at this time last year. 84.5% of the estimated tangible tax has been received to date. Last year at this time, we had received 120.5% of the estimated taxes. The variance is due to lower collections of tax revenues in July (\$114,000) and for the 2nd half 2003 settlement (\$289,000). While \$50,000 of the difference in the 1st half settlement was simply a timing difference (there was only a \$64,000 difference between the 1st half 2003 and 2002 settlements), the combined non-timing reduction of \$353,000 is primarily due to a \$228,000 reduction from OfficeMax, a \$106,000 reduction from Adelphia, and a \$40,000 reduction from Wild Oats, offset by other net increases. As you may recall last fiscal year's collections were inordinately high primarily due to a substantial increase in OfficeMax. This year's revenues are expected to be more in line with that of fiscal 2002.

Additionally, the exempt personal property tax received in December 2003 was \$27,508 less than the prior year due to the implementation of the ten-year phase-out in accordance with the provisions of House Bill No. 95, the state's biennial budget bill passed last June.

3. Investment Earnings:

\$245,449 received this year, which is \$73,014 or 22.9% less than received at this time last year. 61.4% of estimated interest income has been received to date. Last year at this time, we had received 66.5% 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. This year's investment income continues to suffer from the depressed interest rates. The Federal Reserve again left the target federal funds rate unchanged at 1.00% at their May 4th meeting. As previously reported, we will not meet the revenue target for investment earnings for the year.

4. Other Local:

With the receipt of \$594,000 in December for the payment from the State for the semi-annual exchange of SF-14, regular education tuition from other districts, this category is now ahead of last year, but slightly below budget for the year.

5. State Sources:

State Foundation program receipts are \$510,303 or 4.5% less than those of one year ago. 80.6% of estimated Foundation receipts have been received to date compared to 81.3% 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.

The State reflects the October fiscal year Average Daily Membership (ADM) counts in its 2nd January payment each year. The January 2004 adjustment reflected a decrease in excess of 200 pupils from the prior year. This decrease amounted to a gross loss of \$1.4 million offset by \$600,000 of transitional guarantee aid, for a net reduction of \$800,000.

As reported previously, we undertook extensive review procedures including a meeting with our ODE Area Coordinator, John Nairus, in order to analyze our ADM funding information and to maximize the District's funding from the State. Final reporting was completed in mid April, for which we just received an updated report from the State. The report indicates we will be slightly above my initial \$13.5 million estimated revenue, however, news reports indicate the State is now \$107 million over budget for State Foundation funding. Communication from the State Superintendent indicates the overage will be resolved without impacting the schools foundation funding. We will continue to keep you posted on the status of this issue.

Other State Sources for the year-to-date include \$508,919 for reimbursement of special education catastrophic costs for fiscal 2003, representing a 59.1% increase over the fiscal 2002 reimbursement of \$320,000.

Other State Sources year-to-date also include two semi-annual public utility property tax reimbursements of \$388,739 each, the second of which was received in March. You may recall, such payments are to 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:

Federal YTD receipts include primarily Medicaid and intervention program reimbursements. A processing dispute between the State and the Federal governments has resulted in a delay in Medicaid reimbursements for claims since January. The issue is anticipated to be resolved shortly which will reinstate the payment process before year end. Other changes including a conversion to a modified fee-for-service in lieu of a cost-reimbursement basis program are also in the works.

7. Total Revenue:

\$3,227,263 or 5.3% more than the amount received during the prior fiscal year-to-date. 86.6% of estimated revenue has been received to date compared to 87.0% last year. The variance from prior year and budget is primarily due to the increased real estate taxes due to the new levy, offset by decreased personal property tax collections in the 2nd half of 2003 and reduced State Foundation receipts.

B. EXPENDITURES

1. Salaries & Wages:

Payroll expenses as of April 30th represent a 4.5% increase over last year's payrolls for the same number of year-to-date pay dates. Payrolls averaged \$1,923,181 for the year-to-date vs. \$1,840,839 for the prior year. The rising average reflects the cumulative effect of the contractual increases that went into effect on January 1 and last July 1, as well as the step increments that went into effect on September 1. Total salaries and wages are 4.7% above the prior year due to timing of other fund chargebacks.

2. Fringe Benefits:

Fringe benefit expenses are \$914,251 or 8.1% higher this fiscal YTD vs. the prior year. The all other fringe benefits are \$409,059 or 73.6% higher, primarily due to the change to an “accrual” approach for the non-health fringe benefit expenses in concert with the change to the state software system for our payroll processing effective July 1, 2003. The “accrual” of these amounts is accumulated in Fund 22, District Agency, from which payments to the respective vendors are made (similar to how we have been reporting the health insurance expenses in Fund 24 for the last several years).

3. Utilities:

Utility payments are \$317,998 or 32.5% higher this fiscal YTD vs. the prior year due primarily to budget basis natural gas payments of \$54,000 per month in this fiscal year vs. \$0 per month last year (for the first five months) due to the “gas payment holiday” resulting from the overpaid position at June 30, 2002. Additionally, rates have risen this winter, but not nearly as steep as the highest months during the 2002-03 winter. Because of the high budget amounts this year, our expenses for fiscal 2004 will be significantly higher than fiscal 2003. We do anticipate at least one, and possibly two “gas payment holidays” in May and June, due to our current overpaid status resulting from a milder winter than what was expected.

The consumption in the February billing month was nearly identical to that of a year ago (15,502 mcf’s vs. 15,507 mcf’s last year) while the price actually decreased (from \$8.887 a year ago to \$6.965 this year). Both the consumption (11,194 mcf’s vs. 13,351 last year) and the rate (\$6.528 vs. \$12.132 for last year) were lower in March. We will continue to monitor the usage and pricing throughout the rest of the year.

4. Total Expenses:

On a cash basis, total expenses were \$3,630,436 or 6.4% more than the YTD expenditure level for the prior fiscal year. YTD expenses represent 82.6% of the estimated fiscal 2004 expenses vs. 82.9% of the budget year elapsed. Last year at this time, we had spent 82.9% of estimated annual expenses. The cash basis budget to actual variance is a positive \$224,200. This variance is considered a timing difference in payments of expenses. Besides the increase in salaries of \$1,732,000, the variance vs. the prior year is primarily due to the following:

- \$210,000 increase in retirement expenses;
- \$386,000 increase in workers' compensation due to discount program in the prior year coupled with the accrual method implemented this year;
- \$296,000 increase in total health insurance costs (net of \$43,273 contingent premium payment received from the Shaker Heights Public Library);
- \$117,000 increase in out-of-district tuition payments;
- \$318,000 increase in utility payments due to reasons discussed above;
- \$67,000 increase in pupil transportation costs; and
- \$466,000 increase in other purchased service line items, including a \$76,000 increase in legal fees.

The encumbrances (\$3.5 million at April 30, 2004), which include \$2.2 million for out-of-district tuition, are \$.7 million higher than the prior year, primarily attributable to a \$456,000 increase in tuition encumbrances. While a portion of this increase is due to timing at this point, the enormous increase in special education out-of-district tuition is causing a significant strain on the budget for the remainder of this and the ensuing fiscal years. We will continue to monitor and report the status in this critical area.

II. CONCLUSIONS

1. Cash balance reflects an increase of \$1.6 million from that of one year ago. This is due to the \$2.0 million higher beginning of year balance, offset by the \$403 thousand larger excess of expenditures over revenues for the current YTD vs. the prior YTD.
2. The \$2,019 cash deficit in Fund 020, Shaker Merchandise, is due to the purchase of merchandise for resale.
3. The deficit balances in Funds 460, 516, and 584 which amount to \$11,422, \$12,254, and \$11,569, respectively, are due to delay in receipt of State and Federal cash reimbursements.

III. OTHER ITEMS

1. **Board of Revision Action:**

Upon the recommendations of and with the assistance of Charles P. Braman and Co., Inc., we have filed five complaints with the Cuyahoga County Board of Revision, requesting increases of value for three apartment buildings and two commercial buildings. These requests were made based upon recent recorded sales. The total increased market value requested is \$3.8 million, which approximates \$1.3 million of assessed value, which would produce additional annual (or at least until the next reappraisal year when H.B. 920 would take effect) tax revenue approximating \$111,000 for the District.

Taxpayers filed 244 decrease complaints, 46 commercial and 198 residential, with the Cuyahoga County Board of Revision. The significant increase in filings is the result of the 2003 reappraisal update. The requested decrease in assessed value totals are not yet available. The normal District policy is to file counter-complaints only on commercial property (which includes apartment buildings). Because 145 of the residential complaints constitute a single condominium complex requesting an aggregate market value decrease approximating \$14.4 million, the District is currently evaluating possible settlement strategies.

Additionally, I have attached a copy of the reports prepared by Braman and Co. which summarize the activity at the Board of Revision and Board of Tax Appeals level during 2003. These reports indicate the amount of market and assessed value dollars protected. The estimated tax dollar savings from these efforts approximates \$248,000.

2. Tax Rates for Calendar 2005:

On this month's agenda is the tax rate resolution for the upcoming tax collection year (calendar 2005). As you may recall, the tax rates are required to be approved by the Board of Education, on at least an annual basis so as to provide authority to the County Budget Commission to levy the voter-approved tax rates.

The stated millage for the General Fund includes all previously voter-approved mills at their original amount. Unfortunately all of the operating voted mills are subject to reduction under the House Bill No. 920 provisions. Consequently, the 156.73 General Fund mills only generate approximately 63 effective mills after the impact of H.B. No. 920 for tax collection year 2004.

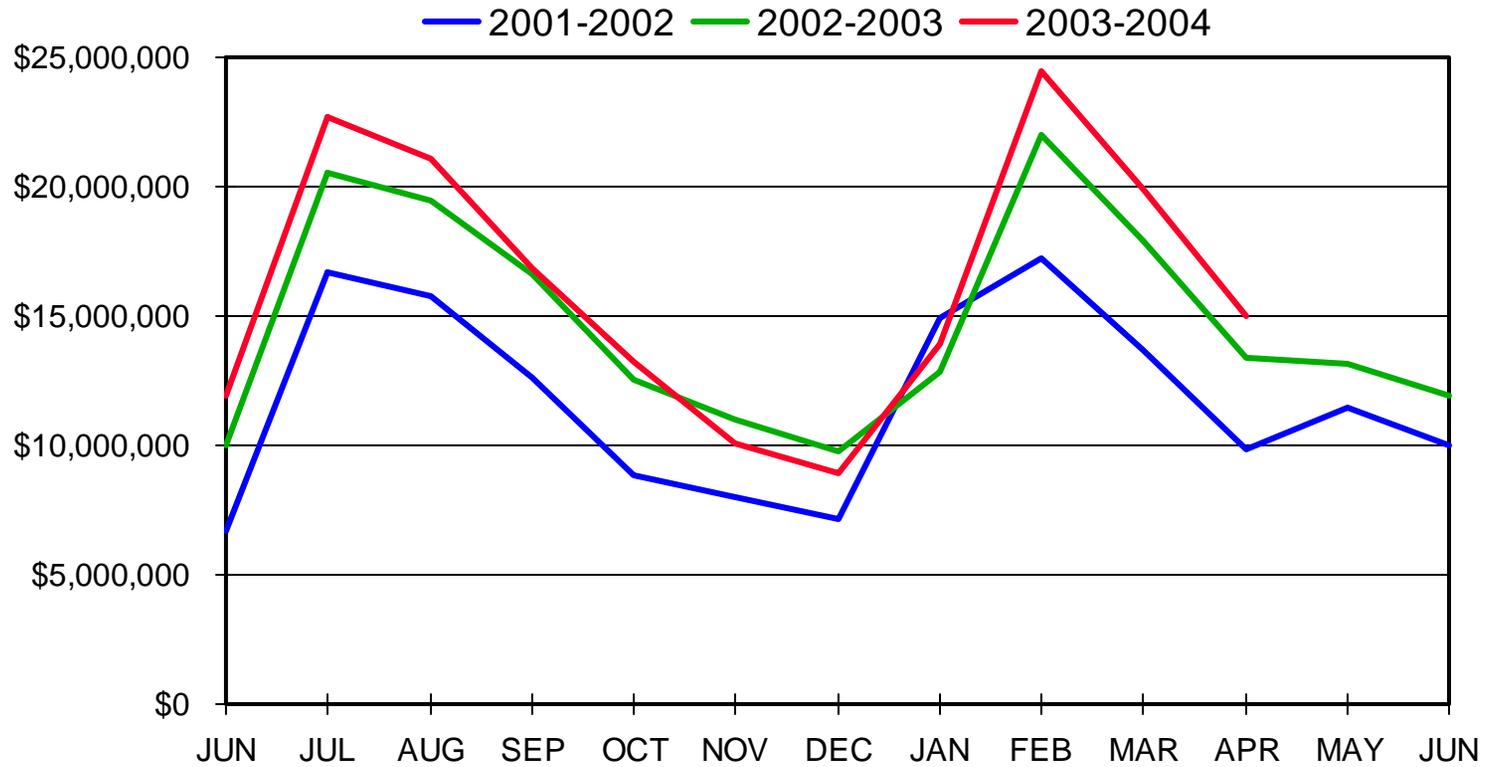
The assessed value increased by about 12.3% overall, as a result of the 3-year "reappraisal update" for tax collection year 2004. The assessed value for tax collection year 2005 is not expected to vary much from the current level.

The Bond Retirement Fund millage is not subject to H.B. No. 920, but is adjusted annually to reflect the rate necessary to generate sufficient taxes to cover the annual debt service requirements. The decrease from 2.17 mills for calendar 2004 to 2.07 mills for calendar 2005 is due to the minor fluctuations in the assessed value combined with the minor differences in the debt service requirement amounts for calendar 2005 as compared to calendar 2004.

3. Fiscal 2004 and 2005 Budgets:

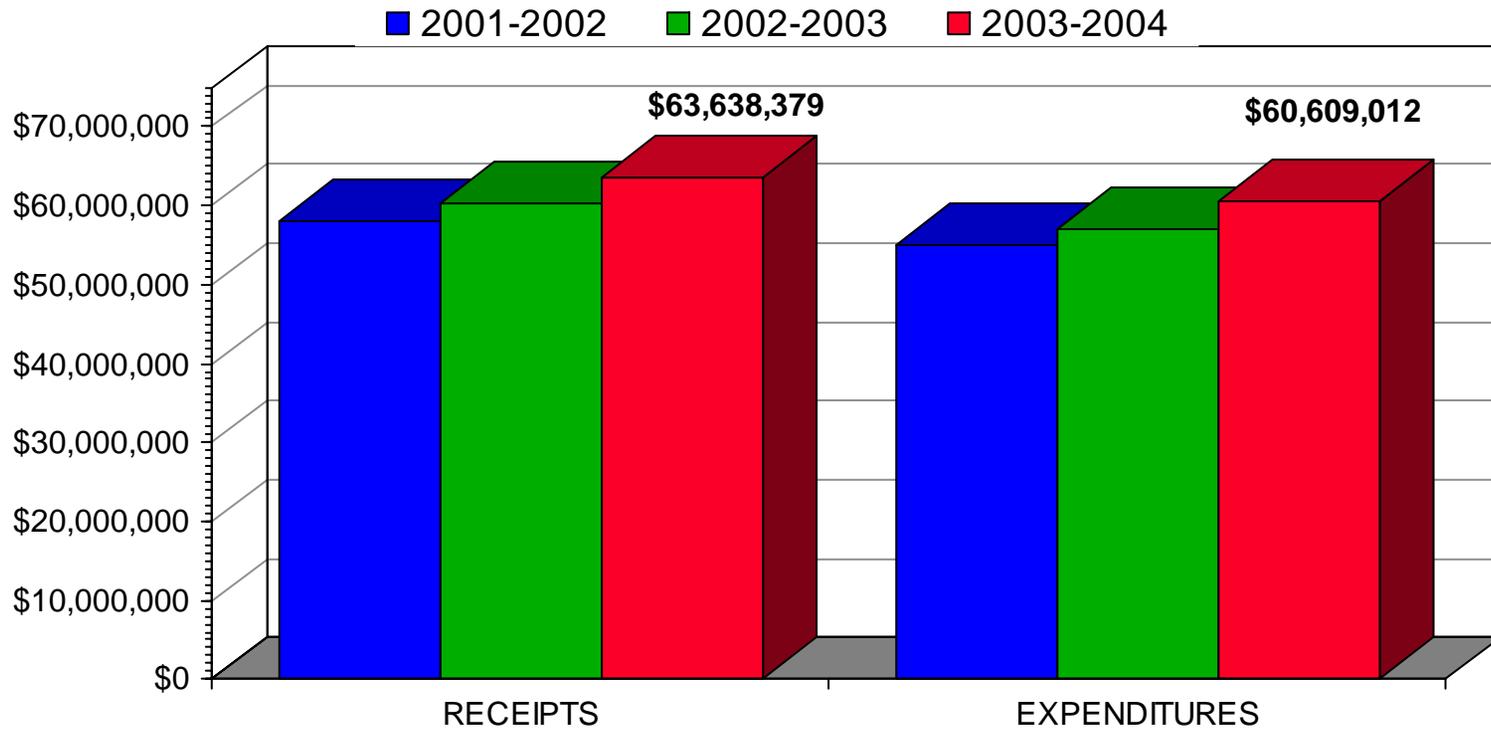
Although it will be very tight, we anticipate at this time that we will conform to the existing appropriation budget level for the current fiscal year ending June 30th. The expected significant increases for both out-of-district special education and health insurance will continue to exert substantial cost pressures on the District's budget in fiscal 2005 and beyond. We will keep you apprised of the situation as the process continues.

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND CASH BALANCE



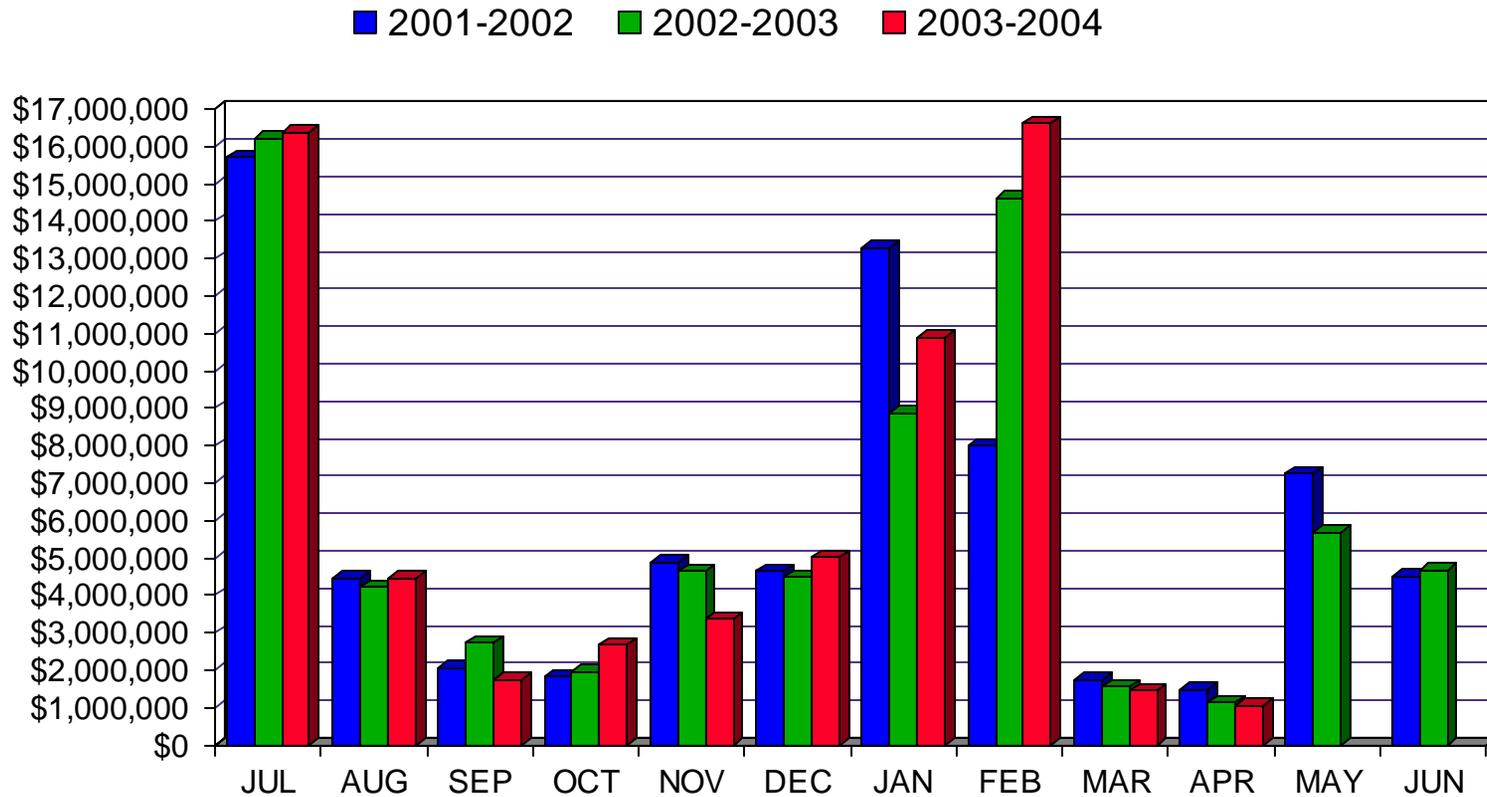
April 30, 2004

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND



April 30, 2004

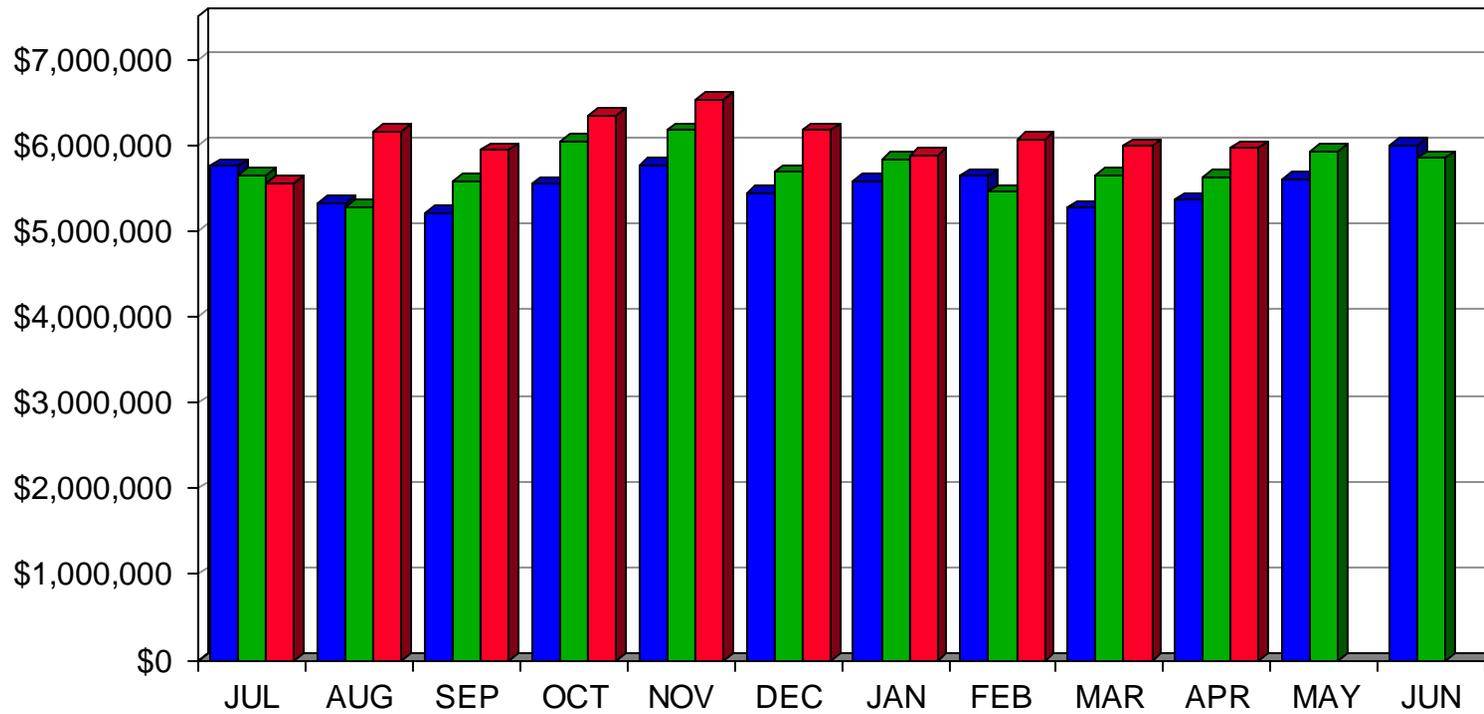
SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND RECEIPTS



April 30, 2004

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND EXPENDITURES

■ 2001-2002 ■ 2002-2003 ■ 2003-2004



April 30, 2004

SHAKER HEIGHTS CITY SCHOOL DISTRICT
General Fund-Financial Statement
Fiscal Year Ending
June 30, 2004

	Month of April				Year-To-Date April				Year-To-Date April		
	Actual F04	Actual F03	\$ Inc(Dec)	%Inc(Dec)	Actual F04	Actual F03	\$ Inc(Dec)	%Inc(Dec)	YTD Bud.F04	\$ Inc(Dec)	%Inc(Dec)
REVENUE:											
Real Estate Taxes	\$0	\$0	\$0	#DIV/0!	\$45,311,484	\$41,362,414	\$3,949,070	9.5%	\$44,167,000	\$1,144,484	2.6%
Personal Property Taxes	0	0	0	#DIV/0!	1,858,439	2,289,015	(430,576)	-18.8%	2,010,000	(151,561)	-7.5%
Investment Earnings	5,561	36,888	(31,327)	-84.9%	245,449	318,463	(73,014)	-22.9%	333,000	(87,551)	-26.3%
Other Local	21,886	8,116	13,770	169.7%	791,086	740,044	51,042	6.9%	792,000	(914)	-0.1%
State Foundation	1,015,492	1,049,038	(33,546)	-3.2%	10,875,769	11,386,072	(510,303)	-4.5%	11,250,000	(374,231)	-3.3%
Homestead Exemption & RollBack	0	0	0	#DIV/0!	2,951,650	2,911,920	39,730	1.4%	2,950,000	1,650	0.1%
Other State	0	0	0	#DIV/0!	1,374,119	1,124,920	249,199	22.2%	1,091,000	283,119	26.0%
Federal-primarily Medicaid	0	29,783	(29,783)	-100.0%	230,383	278,268	(47,885)	-17.2%	246,000	(15,617)	-6.3%
Transfers & Advances In	0	0	0	#DIV/0!	0	0	0	#DIV/0!	0	0	#DIV/0!
TOTAL REVENUE	1,042,939	1,123,825	(80,886)	-7.2%	63,638,379	60,411,116	3,227,263	5.3%	62,839,000	799,379	1.3%
	0	0	0		0	0	0		0	0	
EXPENDITURES:											
Salaries & Wages	3,804,971	3,688,032	116,939	3.2%	38,419,420	36,686,956	1,732,464	4.7%	38,310,000	109,420	0.3%
Fringe Benefits:											
Health Insurance	445,538	464,384	(18,846)	-4.1%	5,452,410	5,156,825	295,585	5.7%	5,974,000	(521,590)	-8.7%
Retirement Expense	576,041	563,806	12,235	2.2%	5,821,258	5,611,651	209,607	3.7%	5,823,000	(1,742)	0.0%
All Other Fringes	86,718	44,204	42,514	96.2%	964,980	555,921	409,059	73.6%	712,000	252,980	35.5%
Total Fringe Benefits	1,108,297	1,072,394	35,903	3.3%	12,238,648	11,324,397	914,251	8.1%	12,509,000	(270,352)	-2.2%
Purchased Services:											
Utilities	134,500	89,846	44,654	49.7%	1,296,491	978,493	317,998	32.5%	1,158,000	138,491	12.0%
Out-of-District Tuition	242,237	342,498	(100,261)	-29.3%	1,899,306	1,782,566	116,740	6.5%	2,175,000	(275,694)	-12.7%
Pupil Transportation	169,115	146,740	22,375	15.2%	1,127,195	1,059,989	67,206	6.3%	1,020,000	107,195	10.5%
All Other Purchased Services	318,998	165,715	153,283	92.5%	2,672,494	2,206,869	465,625	21.1%	2,617,000	55,494	2.1%
Total Purchased Services	864,850	744,799	120,051	16.1%	6,995,486	6,027,917	967,569	16.1%	6,970,000	25,486	0.4%
Materials & Supplies	148,545	111,204	37,341	33.6%	1,783,002	1,878,504	(95,502)	-5.1%	1,925,000	(141,998)	-7.4%
Capital Outlay	36,299	5,100	31,199	611.7%	383,673	389,393	(5,720)	-1.5%	448,000	(64,327)	-14.4%
Other-primarily Cty.Aud.&Treas.Fees	4,401	10,337	(5,936)	-57.4%	536,571	424,448	112,123	26.4%	389,000	147,571	37.9%
Transfers & Advances Out	0	0	0	#DIV/0!	252,212	246,961	5,251	2.1%	282,212	(30,000)	-10.6%
TOTAL EXPENDITURES	5,967,363	5,631,866	335,497	6.0%	60,609,012	56,978,576	3,630,436	6.4%	60,833,212	(224,200)	-0.4%
	0	0	0		0	0	0		0	0	
Net Revenues/(Expenditures)	(4,924,424)	(4,508,041)	(416,383)	9.2%	3,029,367	3,432,540	(403,173)	-11.7%	2,005,788	1,023,579	51.0%
	0	0	0		0	0	0		0	0	
Cash, Beginning of Period	19,898,361	17,904,270	1,994,091	11.1%	11,944,570	9,963,689	1,980,881	19.9%	11,944,570	0	0.0%
	0	0	0		0	0	0		0	0	
Cash, End of Month	14,973,937	13,396,229	1,577,708	11.8%	14,973,937	13,396,229	1,577,708	11.8%	13,950,358	1,023,579	7.3%
	0	0	0		0	0	0		0	0	
Less O/S Encumbrances	3,456,500	2,757,277	699,223	25.4%	3,456,500	2,757,277	699,223	25.4%	2,200,000	1,256,500	57.1%
Less Budget Reserve	353,070	353,070	0	0.0%	353,070	353,070	0	0.0%	353,070	0	0.0%
	0	0	0		0	0	0		0	0	
Fund Balance, End of Month	\$11,164,367	\$10,285,882	\$878,485	8.5%	\$11,164,367	\$10,285,882	\$878,485	8.5%	\$11,397,288	(\$232,921)	-2.0%
	0	0	0		0	0	0	0.0%	0	0	0.0%
Total General Obligation Debt Outstanding					\$13,867,774	\$15,235,247					