SHAKER HEIGHTS CITY SCHOOL DISTRICT
2014 OPERATING LEVY: FREQUENTLY ASKED QUESTIONS

The Shaker Heights Schools have a commitment to excellence. We have much to celebrate and areas for improvement, all of which requires revenues that keep up with increased expenses. The Board of Education studied District finances very carefully before asking voters for more revenue. We know many of you have questions. Here are responses to questions we frequently hear. This FAQ may be revised as Board members continue to interact with residents.

Why are you asking for a levy now?

Historically, the schools have been on a levy cycle averaging about three years to maintain operations and to provide for a prudent fund balance to absorb unanticipated expenses. For the last two cycles, the District has been able to stretch levies out to four years. The Finance & Audit Committee, an advisory group of citizens with expertise in business and finance, determined after thorough analysis that a levy is needed now to fund school programs and avoid a deficit over the next four or so years. (Link to F&A presentation slides http://www.shaker.org/Downloads/F%20and%20A%20Dec%2013.pdf.)

Why do we need to maintain a particular Fund Balance? Why can’t it be lowered to offset the need for a levy at this time?

Like a household or a business, a school district needs a fund balance to absorb unanticipated expenses, such as a weather event necessitating major building repairs. The Government Finance Officers Association, the leading national organization for public-sector financial professionals, recommends a fund balance of “no less than two months of regular general fund operating revenues or regular general fund operating expenditures.” (Link to GFOA document: http://www.gfoa.org/downloads/AppropriateLevelUnrestrictedFundBalanceGeneralFund_BestPractice.pdf) This translates to about 17%. The Board of Education’s Finance & Audit Committee recently recommended that the District maintain a Fund Balance of at least 12%-15%. Passage of the levy would provide for a Fund Balance within these parameters.

What will the money be used for?

It will be used to cover the daily operating costs of the School District – teachers, support staff, transportation, utilities, maintenance and upkeep of the buildings and grounds.

The forecast calls for expenditure increases in 2014-18 that are well below the 2.1% average inflation rate projected by the Congressional Budget Office. http://www.shaker.org/Downloads/F%20and%20A%20Dec%2013.pdf#page=8

Why do you need to have a levy? We just voted to increase the City income tax rate.

The City and the School District are fiscally independent of one another. The School District does not receive any funds from City income taxes. Likewise, the City does not receive funds from taxes that are designated for schools.
Why are our taxes higher than those in other districts?

Because of its predominantly residential nature, Shaker always has been and always will be a relatively high-tax community. With little commercial and industrial property to generate revenue and limited land on which to locate such property, taxes fall primarily on homeowners.

The Board of Education is mindful of the tax burden on Shaker residents. That is why it is committed to reducing the millage requested and lengthening the interval between levies. The District also aggressively seeks revenue from non-tax sources and cooperates with the City on economic development initiatives to grow the tax base.

How much will this levy cost?

The cost to property owners would be about $240 per $100,000 of valuation. Collection would begin in January 2015.

Will increasing the cost of living in Shaker drive residents away?

Because of its predominantly residential nature, Shaker always has been and always will be a relatively high-tax community. A national realtor study found homebuyers are willing to pay more in order to live within the school district of their choice. There is anecdotal evidence to suggest that taxes are a factor in the decision of some families to locate elsewhere, but this has not been quantified to our knowledge. However, there continue to be many new families who are willing to pay Shaker taxes because they value the educational opportunities available to their children, the diversity and involvement of residents, the community's proximity to University Circle and downtown, the distinctive homes, and the strong neighborhoods.

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What have the schools done to save money?

The District continues to take steps to achieve budget savings, with the objective of protecting instructional programs to the maximum degree possible. Even with passage of the levy, the aggressive search for expenditure reductions will continue.

Here are some examples of cost-saving measures already taken:

- Base salaries for all employees have been frozen since 2009 and step increases have been less frequent. (The Board recently negotiated a 1% increase in base salaries with the Shaker Heights Teachers’ Association, effective in January, after a freeze lasting nearly five years.)

- Employees have been contributing more toward health-care costs.

- Food service has been outsourced, eliminating 24 staff positions and a subsidy from District funds.
• 18 additional positions have been eliminated since 2010.

• Staffing patterns in the custodial and maintenance areas have been altered for greater efficiency, resulting in the elimination of three additional positions this year.

• Schedule changes and new procedures for approval of overtime are reducing overtime costs -- $31,000 between September and December 2013 alone, compared to the previous year.

• Bus routes have been streamlined to achieve greater efficiency, saving fuel and time.

• New temperature control systems and lighting are reducing energy costs.

What are teachers and the other unions doing to help pay their fair share?

• Base salaries for all employee groups have been frozen since 2009 and longevity increases have been less frequent. (The Board recently negotiated a 1% increase in base salaries with the Shaker Heights Teachers’ Association, effective in January 2014, after a freeze lasting nearly five years.)

• Employees have been contributing more toward health-care costs through increased premium share and higher deductibles, co-payments, coinsurance, and maximum out-of-pocket limits.

Is the levy really intended to pay for salary increases that the Board of Education already agreed to?

No. By law, the Board cannot enter into contracts without the Treasurer’s certification that funds are available to meet the obligation. Other than the recently negotiated 1% increase to teachers’ base salaries – the first raise in base pay for any employee group since 2009 – the Board has not agreed to any salary increases.

It seems like we just had a levy. When was the last one and how much did it cost?

The last operating levy, in the amount of 9.9 mills, was approved by the voters in 2010. The cost to property owners was $303 per $100,000 of county appraised valuation. Because property tax revenues do not rise with inflation, we anticipated in 2010 that another levy of similar size would be needed in 2013. Through solid fiscal management, the District was able to stretch the interval out to four years and reduce the millage requested by 30%.

RECENT LEVY HISTORY

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Will a levy of 6.9 mills be enough? Can we still maintain quality? Can we still address challenges like the achievement gap?

With a levy of 6.9 mills, the District will maintain a high-quality faculty, continue offering courses and co-curricular activities that challenge and engage students at all levels, and aggressively address areas of weakness. Reducing achievement and opportunity gaps between African-American and European-American students; between disadvantaged and more affluent students; and between students with and without disabilities is a top priority for the District. It will be a challenge to achieve these goals with limited resources, but the Board, Superintendent, and Finance & Audit Committee believe it is possible with fiscal discipline and a focus on efficiency. A thorough examination of the custodial/maintenance function is under way and is expected to result in savings through greater efficiency. In other cases, funds and/or positions may be repurposed for maximum impact. The new strategic plan, which will be developed this spring, will explicitly consider the cost of recommendations.

What is the District doing to include more STEM (Science, Technology, Engineering, and Math) classes in the curriculum?

In recent years, the District has:

- Added a third year of laboratory science and constructed a new science lab at the High School
- Infused technology into the International Baccalaureate units of study at all grade levels
- Revamped the technology curriculum at Woodbury and the Middle School, introducing engineering concepts through project-based learning
- Introduced an elective engineering applications course at the High School
- Modernized the high school planetarium, which hosts field trips for younger students as well as courses for high school students

The upcoming strategic plan will include an increased focus on STEAM (Science, Technology, Engineering, Arts, and Math) at the middle school and high school levels.

What will happen if the levy does not pass?

If the levy fails, the District would lose $5.3 million of revenue (assuming no further erosion of the District’s total assessed value in calendar 2015); this is equivalent to more than 50 teachers and other staff members. If voters do not approve the levy, the District will have to consider increasing class sizes and eliminating courses that are not mandated by the State, such as arts curriculum.

How do Shaker’s staff salaries compare with those of other districts?

Shaker’s average teacher salary is near the average for all comparison districts, but lower than the average salaries in Solon, Orange, and Beachwood. Shaker’s starting salaries are also lower than those in Solon, Orange, and Beachwood, potentially putting Shaker at a disadvantage in recruitment and retention of teachers.
Shaker’s administrative salaries are on the low end of the comparison districts and are the lowest of the eastern suburbs. There is a national shortage of public school administrators, and Shaker is potentially at risk of losing highly capable administrators and competing for talent.

AVERAGE ADMINISTRATOR SALARY
Why don't the schools operate more like a business?

There are multiple factors that explain why school districts don't operate more like a business. As a political subdivision of the State of Ohio and a non-profit educational institution, the District does not operate with the intent of making a profit, but rather with a mission of educating its students. The District is subject to multiple and significant regulations at the Federal, State and local levels, including numerous unfunded mandates and collective bargaining.

Nonetheless, the District is continually reviewing and evaluating ways to provide the vast span of services it provides with increased efficiencies, always giving priority to protecting instructional programs. For example, the District is working with an outside consultant to analyze our custodial, grounds, maintenance and transportation services.

Why is part of Cleveland in the Shaker Heights School District? Are residents of that area eligible to vote on levies?

In Ohio, school district and municipal boundaries are not always coterminous. A one-square-mile section of the City of Cleveland around Shaker Square has been part of the Shaker Heights City School District for over a century. On September 9, 1912, the Shaker Heights and Cleveland school boards agreed to transfer the area to the Shaker school district as part of a land swap.

Property owners in the Cleveland portion of the Shaker Heights City School District pay the same school tax rate as those within the Shaker Heights City limits. They are entitled to vote in Shaker school board and levy elections and their children are entitled to attend the Shaker schools.

What is the District doing to ensure that only residents of the School District attend the Shaker Heights schools?

Illegal student enrollment is a constant concern. To reduce the number of improper enrollments within the District, new enrollees are required to provide multiple documents as proof of residency at the time of registration.

To ensure continuing compliance with residency requirements, the following procedures are in place:

- Periodic communication with landlords of apartment buildings and rental homes
- Collaboration with City officials on monitoring occupancy of rental property
- Investigation of all anonymous tips and investigation requests from staff and community members
- Part-time employment of a detective to assist with investigations as needed
- Analysis of returned mail and disconnected phone lines
- Use of public records to verify home ownership and locate landlords
- New proof of residency is required after a student is suspended or expelled.

Students who are improperly enrolled by their parents in the Shaker Heights City School District are immediately withdrawn and their parents are billed for tuition, as established annually by the State of Ohio Board of Education. The Registrar and District Treasurer, along with the local courts, pursue prosecution and tuition collection, and at times criminal prosecution, when illegal
enrollment is determined. Many situations that appear suspicious in fact relate to custody issues. In the 2012-13 school year, the registrar’s office conducted 229 investigations of residency, resulting in withdrawal of 44 students. Tips for investigation should be directed to our registrar; please provide a means of responding so that we can confirm to you we have in fact investigated.

Why do the schools sometimes hire staff members who have retired?

Ohio law provides for a retire-rehire option. This permits employees who have reached eligibility (as determined by age and years of service) to begin drawing on the pension funds that have already been set aside for them throughout the course of their career. It is similar to the common private-sector practice of beginning to draw one's 401(k) while still working.

The Shaker Heights schools use retire-rehire sparingly and selectively to keep valued employees whose particular skill set could make them difficult to replace.

Retire-rehire is not an entitlement. Relatively few employees request retire-rehire, and each request is considered individually. Management and the Board of Education have discretion in deciding whether to rehire a retired employee.

Eligible employees are free to retire from Shaker and seek employment in another school district. In such cases, retire-rehire may be the only way to keep a highly valued employee in Shaker.

Rehired teachers come back at a reduced salary, and they lose tenure and seniority. Teachers cannot be forced to retire. If the rehire option were not available, some would continue at the top of the salary scale.

On average, a teacher at the top of the salary scale who retires and is rehired costs the District about $20,000 less in salary and benefits than if he or she continued at the top of the scale.

Quality, not cost, is the driving factor in retire-rehire decisions.

How many Shaker Heights children attend private schools? Has this number increased?

In 2012-13, the last school year for which verified data are available, 1091 students residing in the Shaker Heights City School District were enrolled in private or community (charter) schools. This represents approximately 16.7% of all school-age children residing in the District.

Since 1979, when this information was first reported, the percentage of school-age children attending nonpublic schools has ranged from 14.1% in 2003 to 18.5% in 1984. Source: Shaker Heights City School District Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013; http://www.shaker.org/Downloads/F13%20Shaker%20CAFR%202012-31-132.pdf#page=178

How much extra has the International Baccalaureate program cost the district? How many students are participating?

The International Baccalaureate program emphasizes hands-on learning, critical thinking, community service, and a global outlook. The curriculum is written by District teachers, based on content standards adopted by the State of Ohio. Shaker Heights is poised to become the first PreK-12 International Baccalaureate district in Cuyahoga County. When the certification is
complete, every child in grades Pre-K through 10 will participate. Juniors and seniors may choose to continue. Shaker’s IB program is attracting new residents who want their children to have an IB experience.

In Shaker, IB is currently reaching more than 2,100 students and will soon serve all of our students.

- All students in grades Pre-K through 4 are currently full participants in the International Baccalaureate Primary Years Program.
- The transition to the Middle Years Program for all students in grades 5-10 is well under way, and its influence is evident in classrooms.
- 62 juniors and seniors are currently enrolled in the elective International Baccalaureate Diploma Program at Shaker Heights High School. Another 95 are taking at least one elective International Baccalaureate course.

Most expenses relate to training teachers in IB techniques. With full accreditation, the annual IB fees will be $61,010. The District also spends approximately $100,000 per year for professional development, an expense we would face even if not part of IB. The District sought and received $90,000 in foundation grant funds to help pay some of these expenses.

**What is the District doing to develop new revenue sources for the schools?**

- Aggressively identifying and pursuing federal, state, and foundation grants
- Encouraging the continued growth of private donations through the Shaker Schools Foundation
- Partnering with Huntington National Bank to bring revenue to the District and the Shaker Schools Foundation
- Exploring other opportunities for corporate support of the schools

**How is the quality of the schools?**

Assessing school quality is complicated, and even more so in a district like Shaker Heights where students’ needs and families’ expectations are highly diverse.

The new State Report Card has received a great deal of attention. Although it is based almost exclusively on student scores on state tests, it is different in format from former report cards and uses different measures of performance, so it is not possible to compare last year’s report card to this one. [http://www.shaker.org/statereportcard.aspx](http://www.shaker.org/statereportcard.aspx)

Shaker’s results on the new report card were mixed, with high grades in some areas and low marks in others. Overall, more Shaker students scored Proficient or better on the 2013 state tests than in past years, with the greatest improvement showing among African-American students, economically disadvantaged students, and students with disabilities. The District’s Performance Index, a measure of overall student performance, continued its trend of slow, steady improvement.
There are significant areas of challenge, most notably the persistent achievement and opportunity gaps between African-American and European-American students; between disadvantaged and more affluent students; and between students with and without disabilities. Reducing these gaps is a top priority for the District. At the same time, the Board is committed to maintaining strong academic offerings and rigor for students who are achieving in the middle and higher ranges.

While the Report Card may appear to be an easy way to evaluate our District’s work, it is important to remember that it is based on a single measure – state test scores – and is only one way to assess performance. Many other measures affirm that the Shaker Heights Schools have great strengths, including the scores our students receive on the SAT and ACT, our college admissions, the wide range of courses and co-curricular activities we offer, our accomplishments in the arts and many other awards. Shaker graduates earned 48 acceptances to Ivy League colleges in the past three years. For more information, see “Measuring What Matters,” a quality profile of the Shaker Heights Schools.


How does our spending on special-needs students compare with spending in other districts?

The Board believes that providing excellent services to students with special needs is not only a legal requirement, but a social good and a moral imperative. Appropriate education and supports enable students with disabilities to reach high levels of achievement, independence, productivity, and personal satisfaction as adults.

Spending for special education students varies among districts, just as regular education expenses per pupil vary. The first variable is the number and percentage of special-needs students in a district. Typically, the higher the proportion of special-needs students, the higher the expenses. According to the Ohio Department of Education’s District Profile, Shaker’s percentage of students with disabilities for fiscal year 2012 was 13.98%, while the state average was 13.41%.

The second variable involves the type of special services that are needed. Services will be more expensive if the majority of special-needs students have low-incidence conditions requiring intensive services (e.g., autism) as opposed to high-incidence conditions (e.g., speech & hearing). The mix of special-needs students is different in every district. Thus, to compare one district to another can be inapt.

Aren’t medical costs supposed to decrease under the Affordable Care Act? Why do projections show benefits increasing?

The provisions of the Affordable Care Act (ACA) have actually increased costs and mandates for the District. While the District has been successful in negotiating with its collective bargaining groups to increase the employees’ share of the health insurance program costs through instituting and/or increasing shared premium percentages, deductibles, co-pays, co-insurance and maximum out-of-pockets, at the same time the ACA has mandated that all plans provide all “preventive” services without any cost-sharing by the employees.

Other provisions that have resulted or will soon result in an increase to the District’s costs include various new mandated coverages, including for some individuals not previously eligible for health benefits, a mandate effective in 2014 to include previously excluded office visit, emergency room, and urgent care co-payments toward the annual maximum out-of-pocket limits, followed up in 2015 with prescription drug co-pays. Additionally, all employers are mandated to pay to the
federal government progressively increasing annual per-capita fees for all plan participants to help fund the ACA.

Separately, the District has negotiated three consecutive years of overall net reductions in our funding rates for our health insurance plans. Because the inflation rate in the health insurance industry is typically much higher than the general inflation rate, the projected expenses for District fringe benefits (which primarily consist of health insurance and retirement contributions) grow at a faster pace than other District expenses.

2/24/14