



# Financial Readiness for Board Members

OSBA Capital Conference

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November 9, 2015



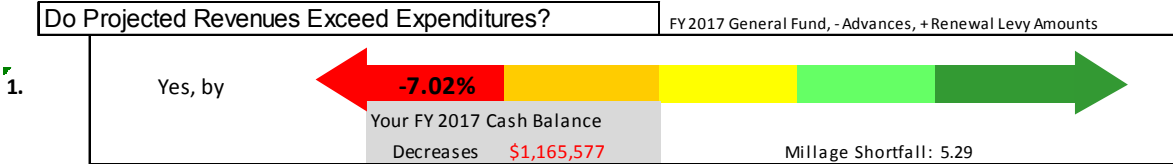
# Introduction

- An overview of your fiscal conditions
- What questions are being asked by your residents
- Preparing yourself to answer those questions



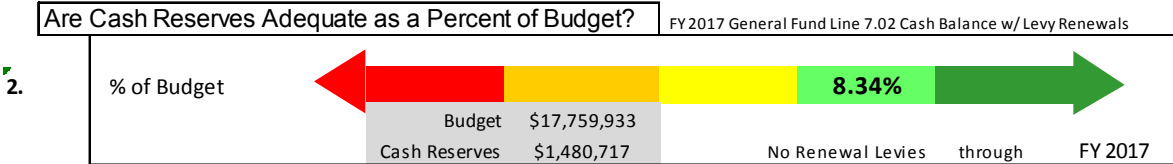
# Financial Readiness Report Card

## Balanced Budget Analysis, Financial Forecast as of May 2015



District financial stability improves when expenditures are in balance with revenue. Look forward two years to reveal the balanced budget trend.

Note: Analysis excludes advances in and out, includes renewal levies.



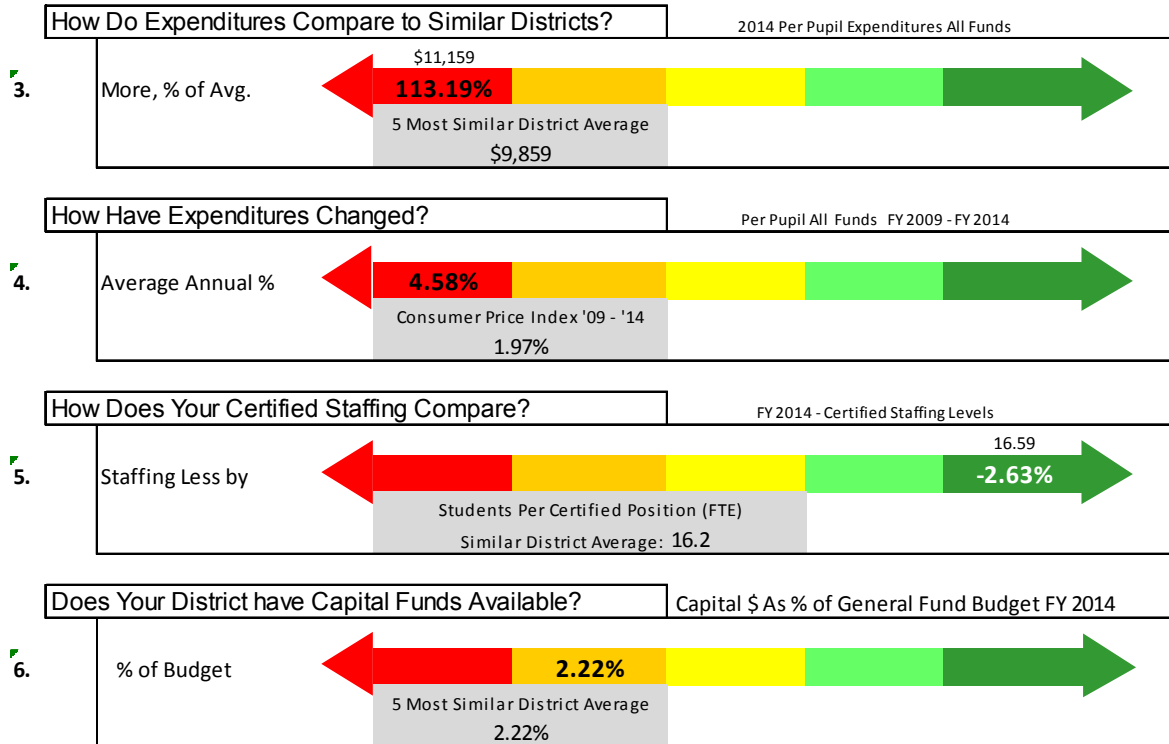
For cash stability trend compare the rate of shortfall or surplus with the cash balance.

F.Y. 2017 Shortfall **(\$1,165,577)**  
 F.Y. 2018 Shortfall **(\$1,831,291)**



# Expenditure Analysis

## Expenditure Analysis



Comparable district expenditures can provide a benchmark on cost, especially when compared to another benchmarks such as Consumer Price Index (CPI).

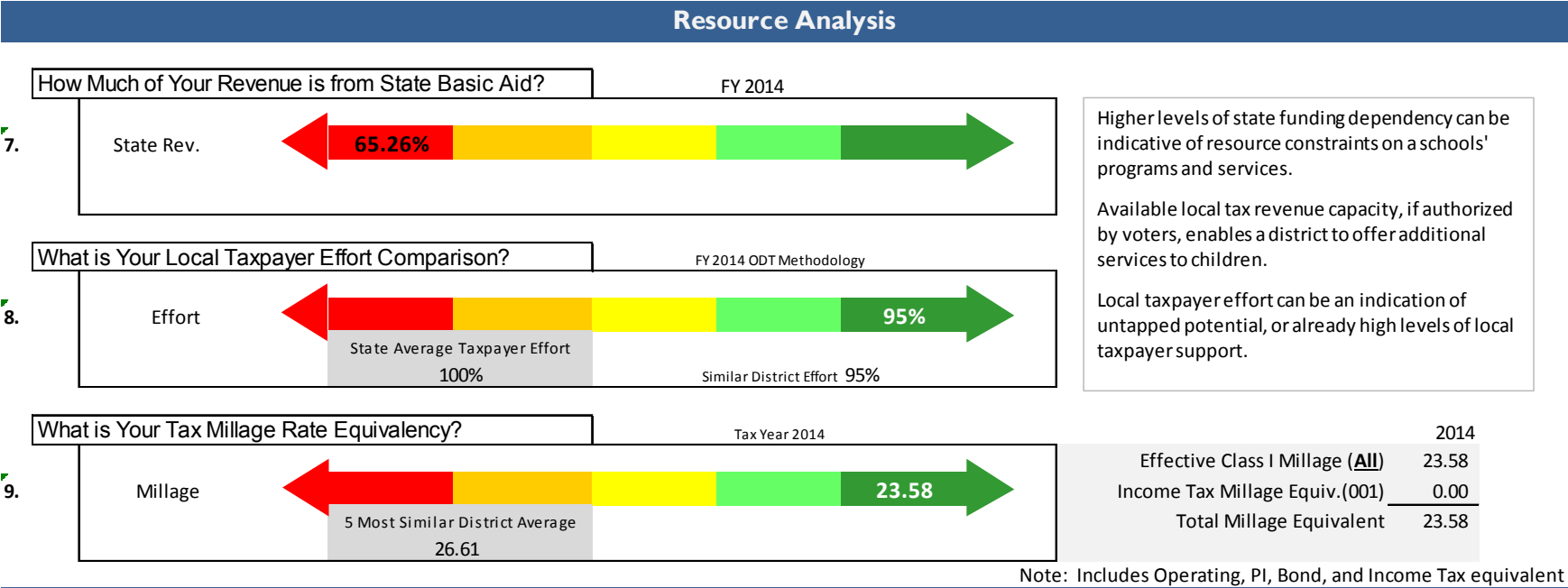
Student enrollment trends are an indicator of staffing needs. If staffing levels change disproportionate of enrollment, then services can suffer, or budgets can be busted.

District Data	2010	2014	Change
EFM (Head Cnt) Enrollment	2,006.0	1,630.5	-18.7%
230 Code Reg Teacher (FTE)	123.6	98.3	-20.5%
Students / Regular Teacher	16.2	16.6	

Average Annual:	FY 2014
Gen Fund Capital Exp (3Yr Avg.)	\$41,498
PI Levy	\$318,601
Average Annual Capital	\$360,099
As % of Gen Fund Budget	2.22%



# Resource Analysis





# What Should Board Members Be Asking?

- What is the current status of the district's finances?
- Where are the current spending patterns taking the district?
- How long can resources maintain the district's spending patterns?
- **Pay attention to Line 6.01- Income vs. Expenses**



# Line 6.01 and Cash Balance

	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Beginning Balance	3,560,129	2,996,425	2,937,981	3,247,122	3,186,715	2,852,925	2,088,382	637,501	(1,540,926)
+ Revenue	16,684,770	16,174,482	16,572,460	16,688,146	16,453,161	16,430,471	16,375,468	16,313,255	16,252,558
- Expenditures	(17,248,474)	(16,232,926)	(16,263,319)	(16,748,553)	(16,786,951)	(17,195,014)	(17,826,349)	(18,491,681)	(19,189,597)
= Revenue Surplus or Deficit	(563,704)	(58,444)	309,141	(60,407)	(333,790)	(764,543)	(1,450,881)	(2,178,426)	(2,937,039)
Ending Balance	2,996,425	2,937,981	3,247,122	3,186,715	2,852,925	2,088,382	637,501	(1,540,926)	(4,477,964)



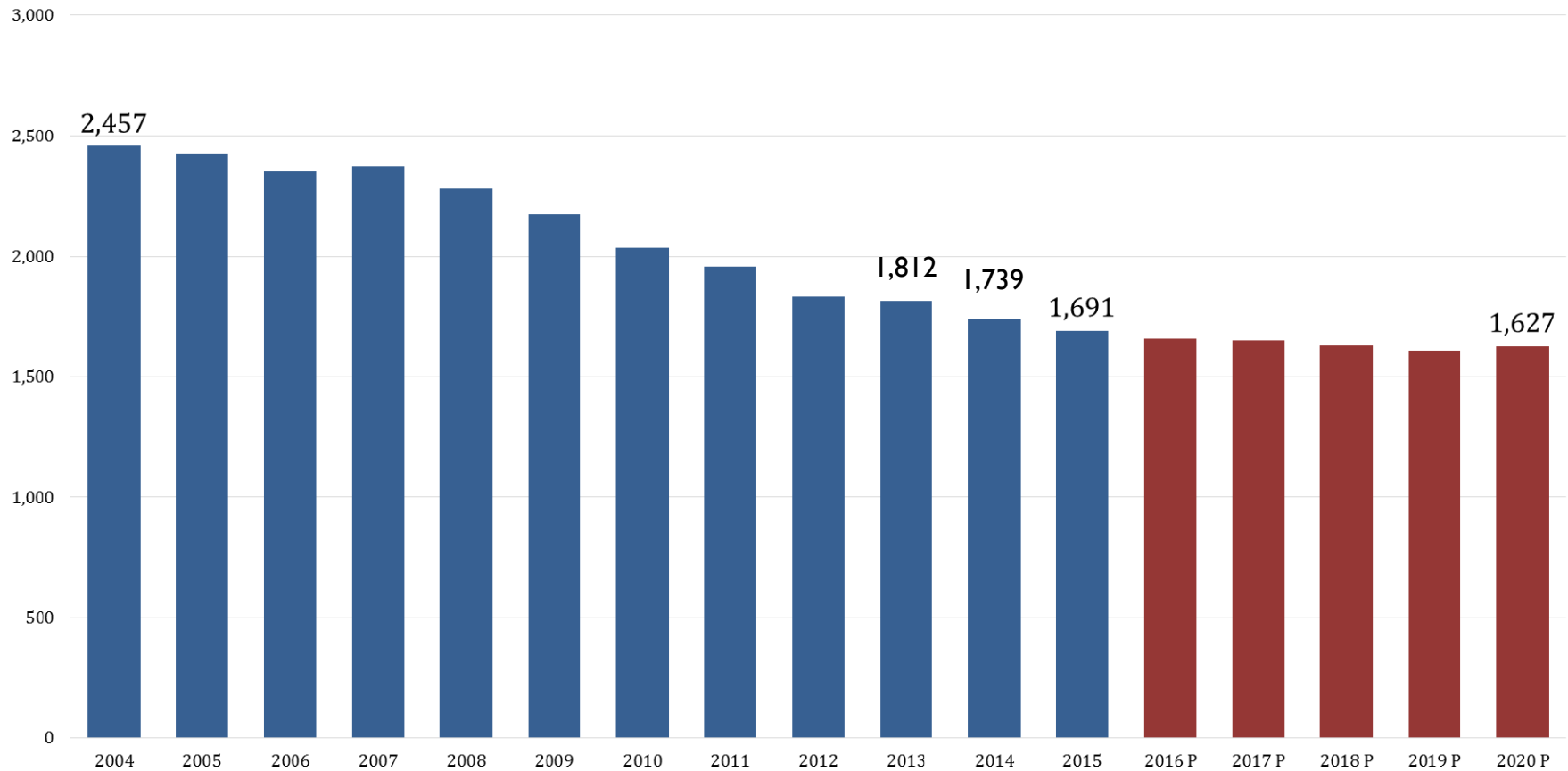
# Are You Ready to Answer These Questions?

- What is happening to the size of the district - enrollment?
- Why does the district spend so much money?
- Teachers and administrators are overpaid—and there are too many of them!



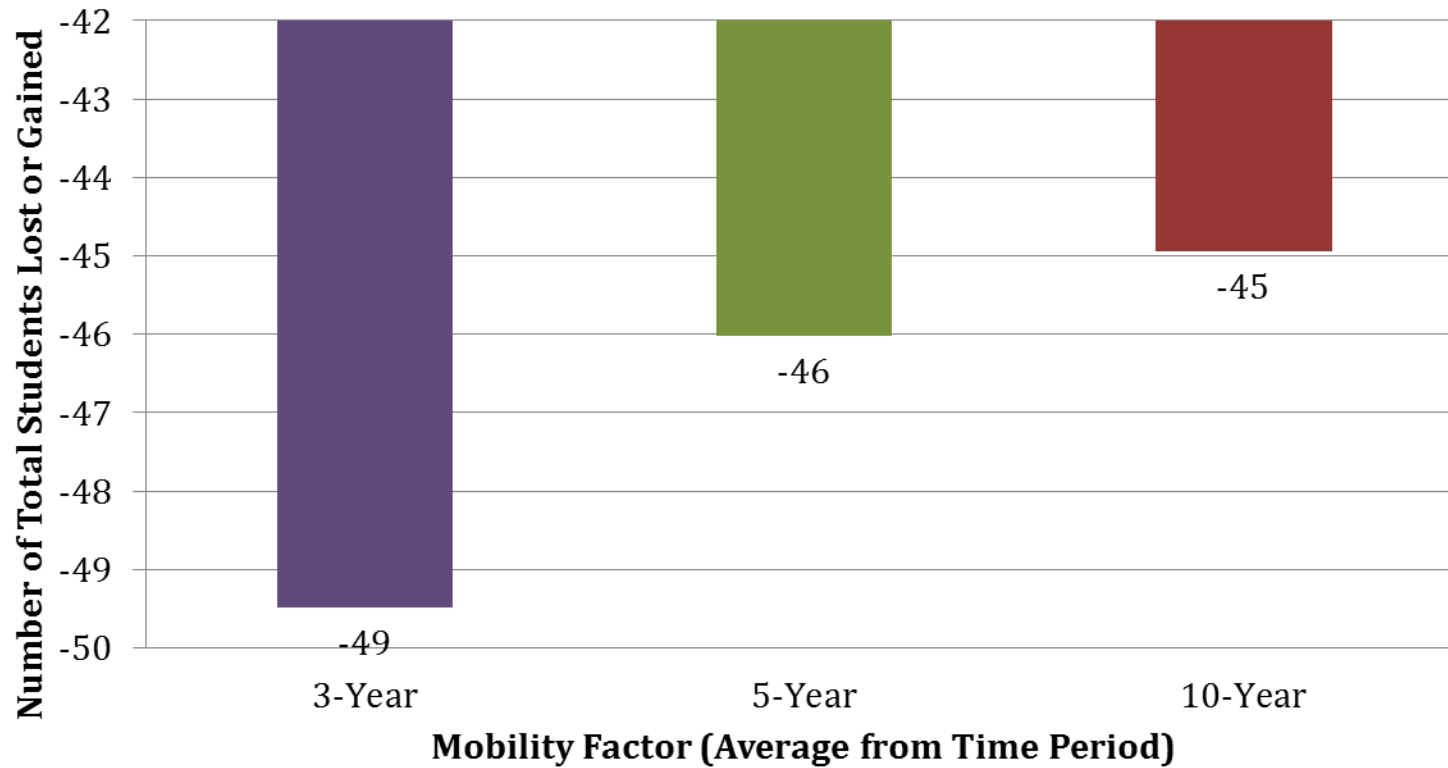


# Historic vs. Projected Enrollment





# Enrollment Mobility Trends



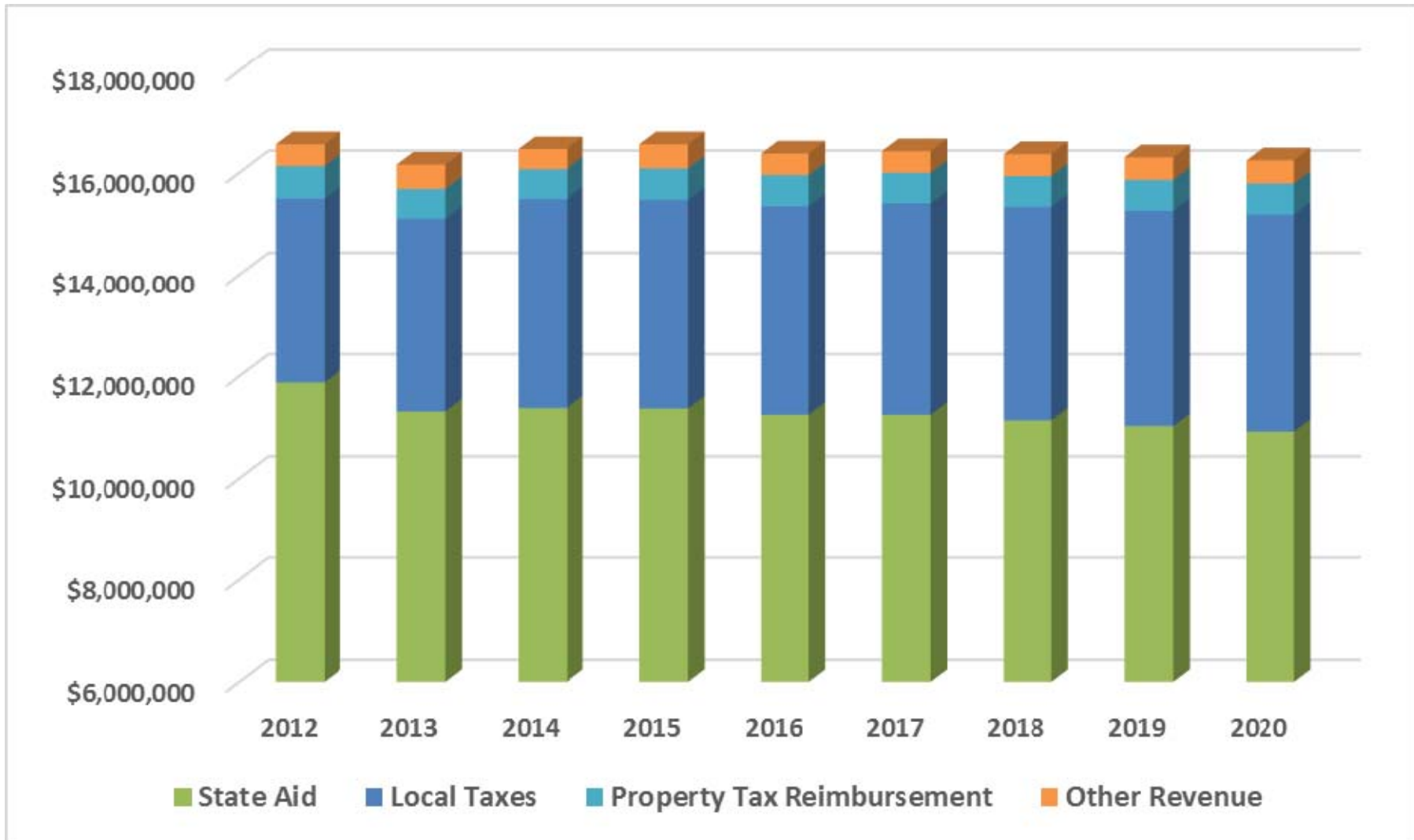


# Projecting Enrollment

	2016	2017	2018	2019	2020
Prior Year Actual/Estimated Enrollment (October Count)	<u>1,691</u>	1,659	1,650	1,628	1,607
<b>Projected Changes to Prior Year Enrollment</b>					
New Kindergartners In	126	148	154	154	154
Loss of Seniors from Prior Year	-136	-113	-124	-133	-93
Net Change in Outgoing and Incoming Pupils	-10	35	30	21	61
Net All-Grade Level Mobility Factor (Change) to Prior Year	-22	-44	-52	-42	-41
Total Change in Enrollment from Prior Year	-32	-9	-22	-21	20
<b>Current Year Estimated Enrollment (Simulated October Count)</b>	1,659	1,650	1,628	1,607	1,627



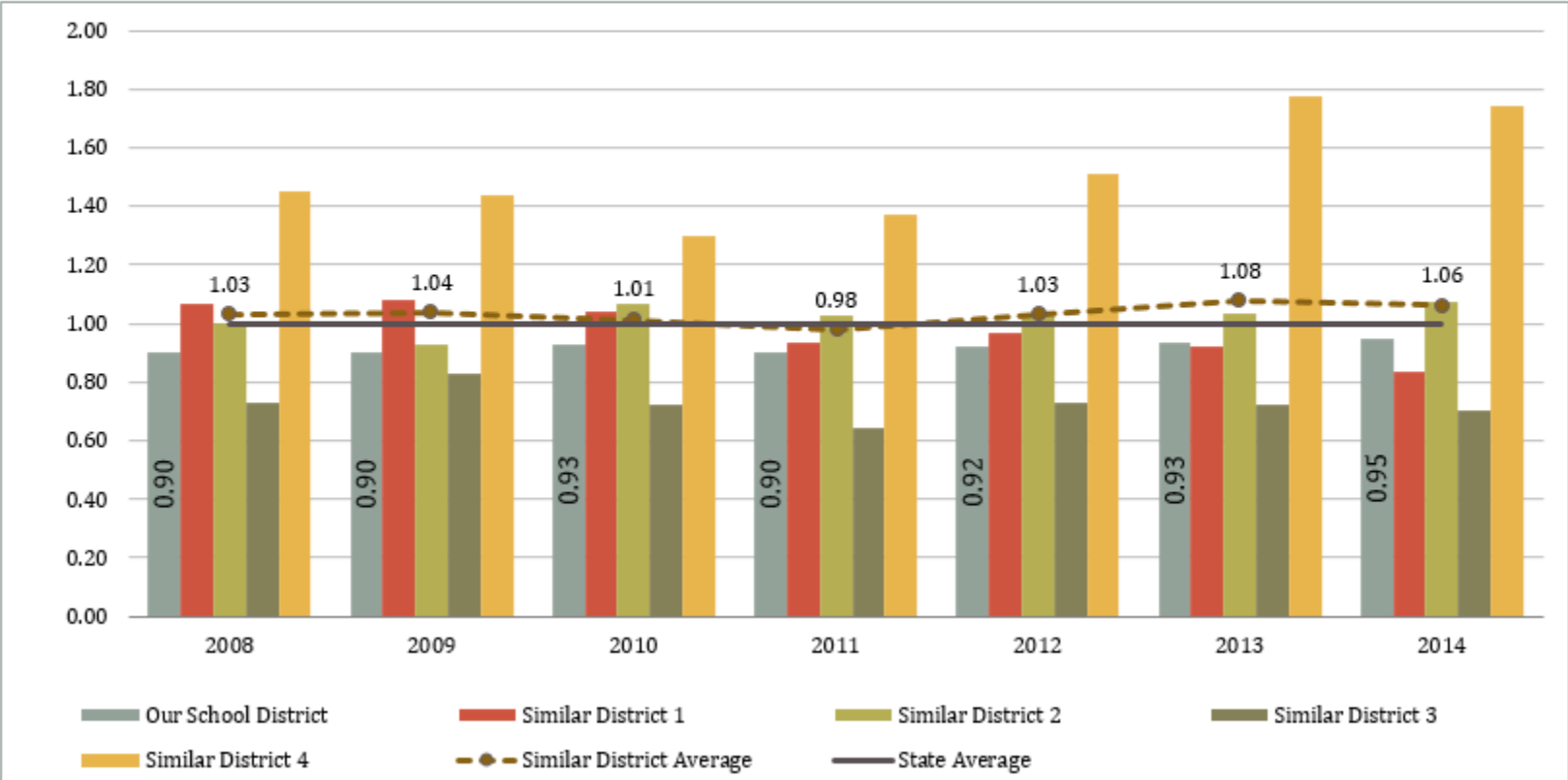
# Historic vs. Projected Revenue Trends





# Local Taxpayer Effort

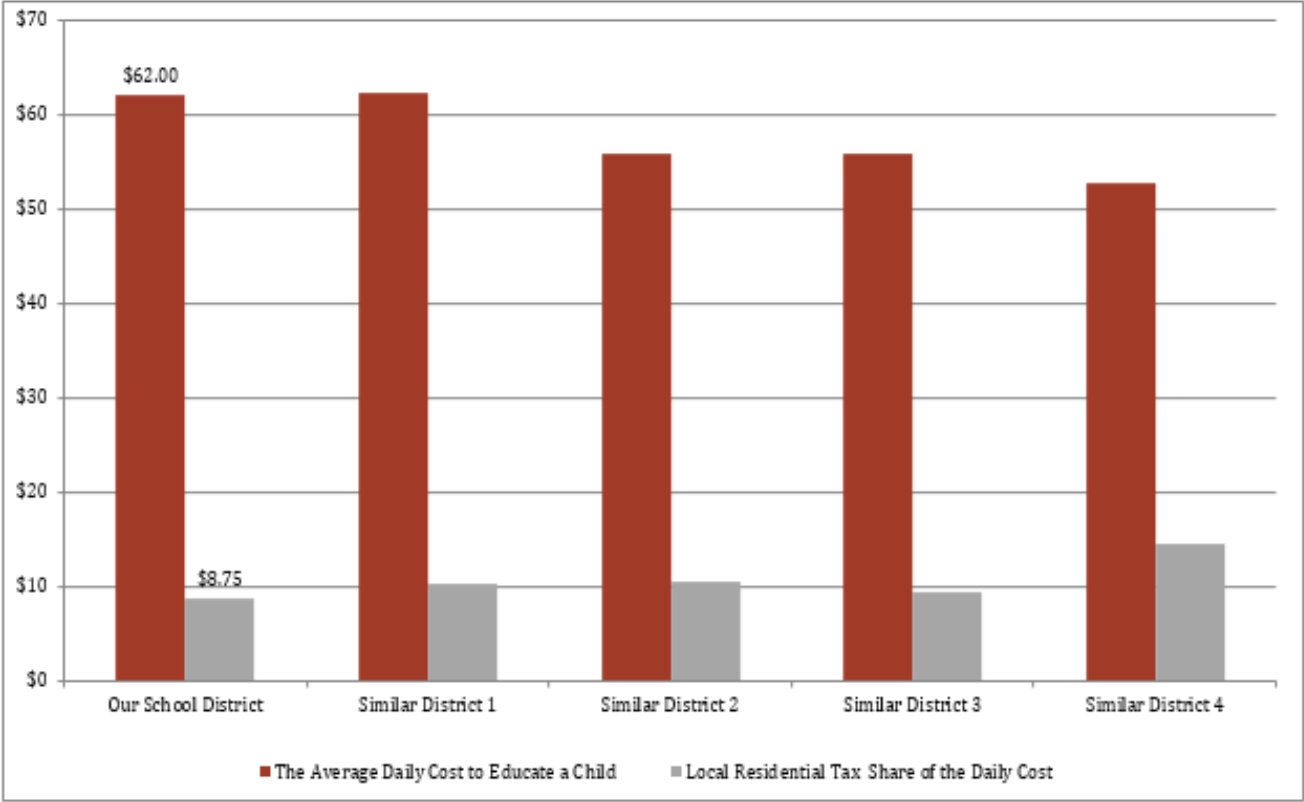
Local taxpayer effort is a comparison of local taxes relative to resident average district income. The effort provides a measurement of local school taxes as a % of income and is presented in a ratio relative to the state as a whole. The state ratio is 1.0. In a district with a Local Taxpayer Effort greater than 1.0 the residents are providing above state average local tax effort for its school. A Local Tax Effort less than 1.0 reflects less local tax effort than the state as a whole.





# Average Daily Cost to Educate a Child vs. Resident Share

Includes all costs associated with the operation of a school: heating, cooling, cleaning, teachers, aides, librarians, principals, secretaries, transportation, food service, technology, computers, textbooks, counselors, staff training, nursing, life safety, special education needs, printing, data processing, compliance, music, art, physical education, Etc. Costs are based upon a 180 day school year. Resident share includes local residential valuation multiplied by the district's operating tax millage divided by the EFM ADM, plus any income tax per pupil (Cupp Profile).

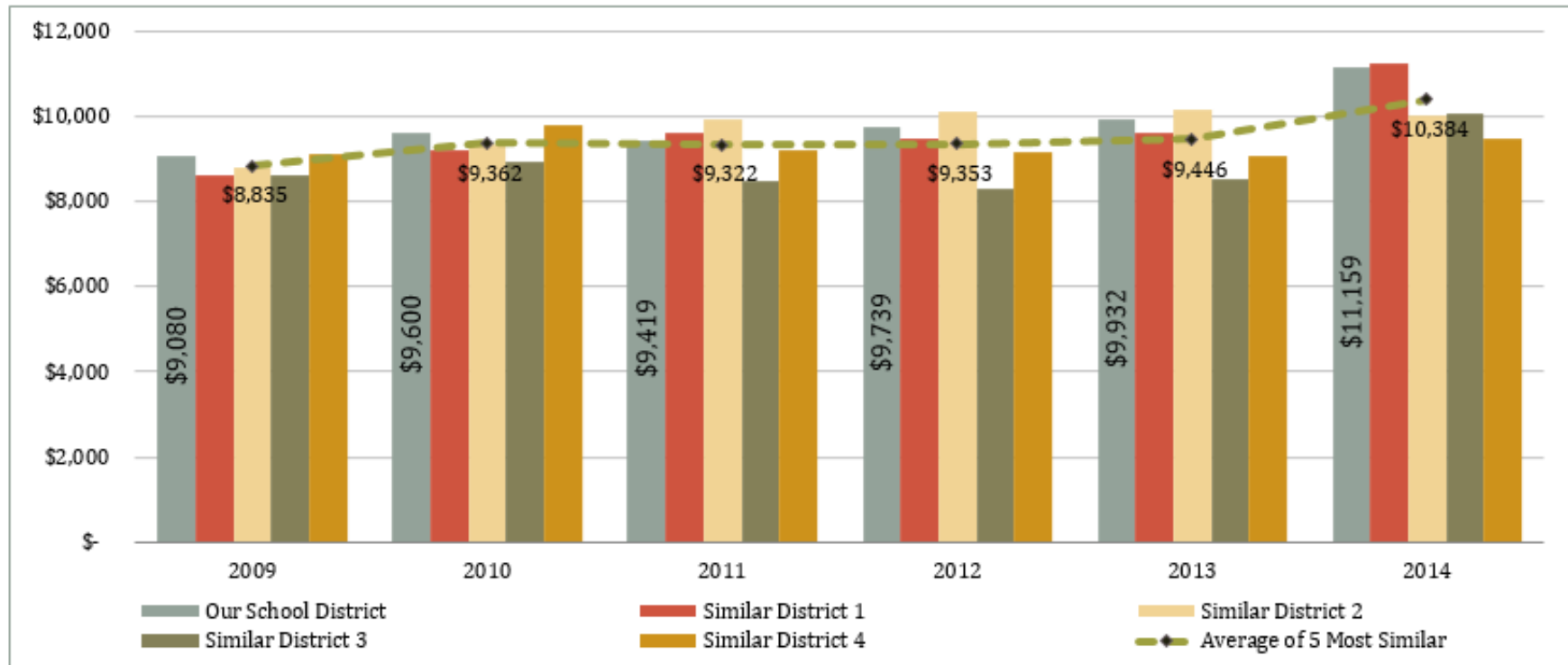




# Why so much Spending?

## Total Per Pupil Expenditures

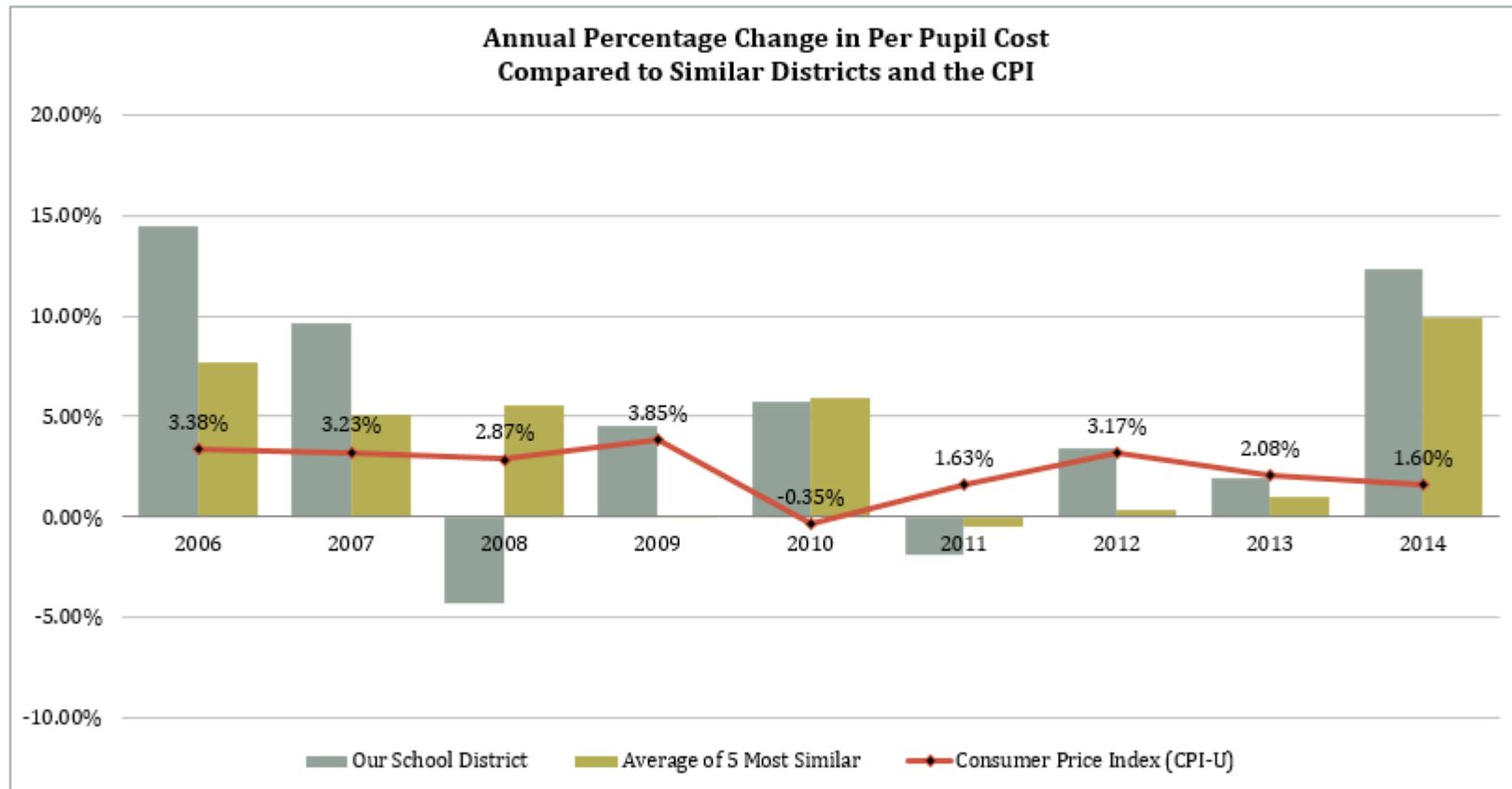
Total expenditures per pupil include all expenditures identified as related to per pupil educational and operating costs, and listed in the Ohio Department of Education's Expenditure Flow Model ("EFM") definitions. All funds are included except funds such as agency, rotary, debt service, etc. For a complete listing please reference the EFM manual. Similar districts used for the comparison are from the Ohio Department of Education's "Similar District Grouping."



### Consumer Price Index Comparison

Another important economic benchmark is the overall rate of inflation. The Consumer Price Index (CPI) provides an indicator of how the district's expenditure growth compares to a broader cost growth benchmark. CPI can also provide an indicator of capacity in that personal income can trend similarly.

The graph below combines the comparison of the specific district's expenditure change over time with two important benchmarks -- similar district average and CPI.



Average Annual Percentage Change: 2004-2014	
Our School District	5.10%
Average of 5 Most Similar	3.90%
Consumer Price Index (CPI-U)	2.33%

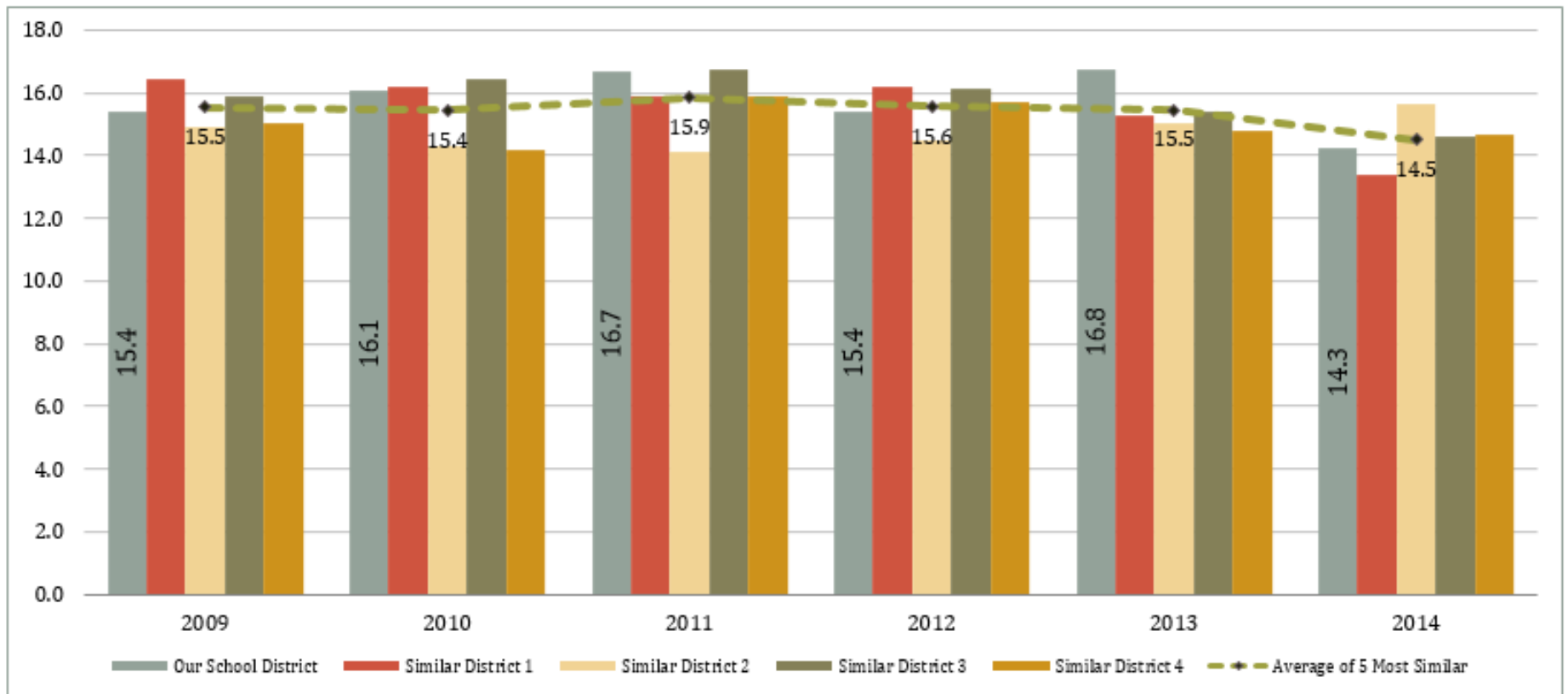




# What About Teachers and Administrators?

## Pupil Teacher Ratio

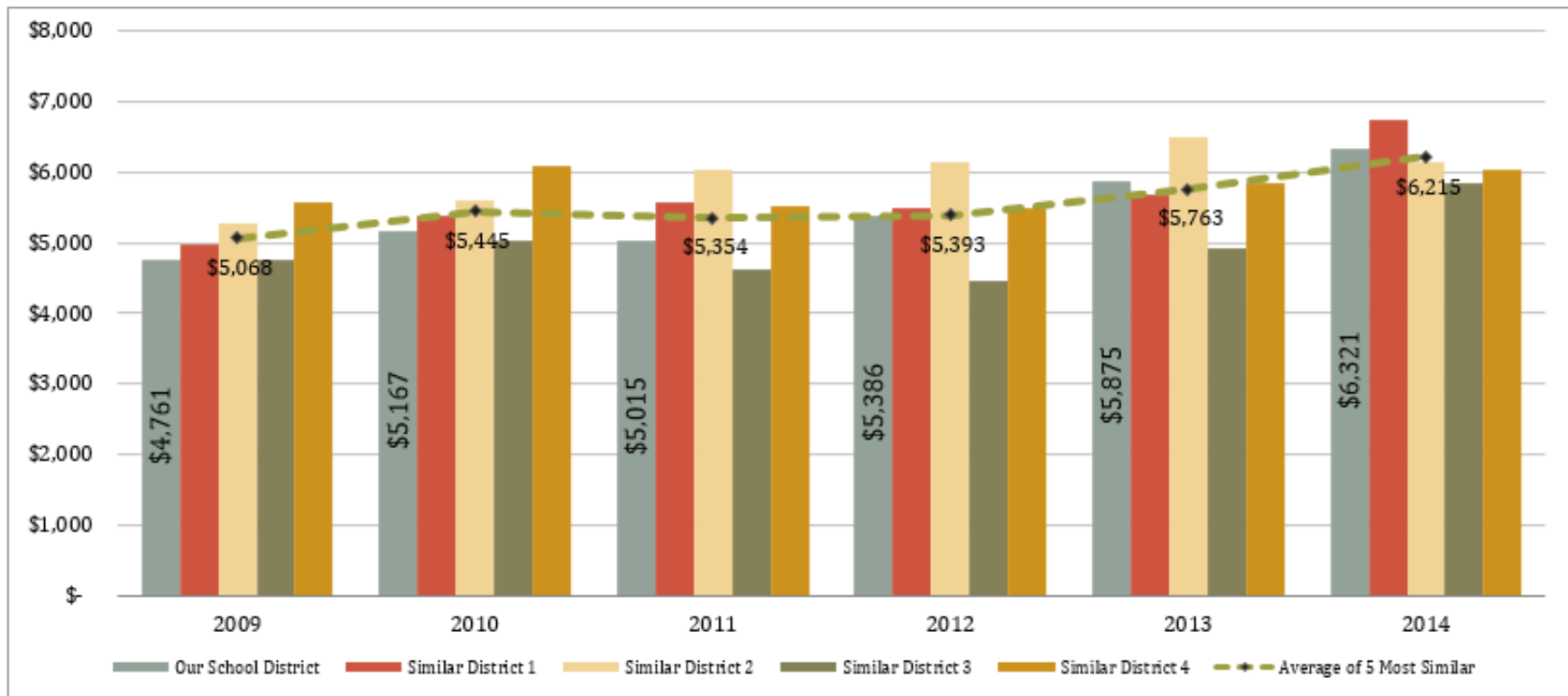
Using the FTE counts identified above, the ratio below is calculated using the districts' Expenditure Flow Methodology (EFM) expenditure ADM. This particular ADM count reflects actual students served by the district with teachers actually providing the service.





## Instructional Per Pupil Expenditures

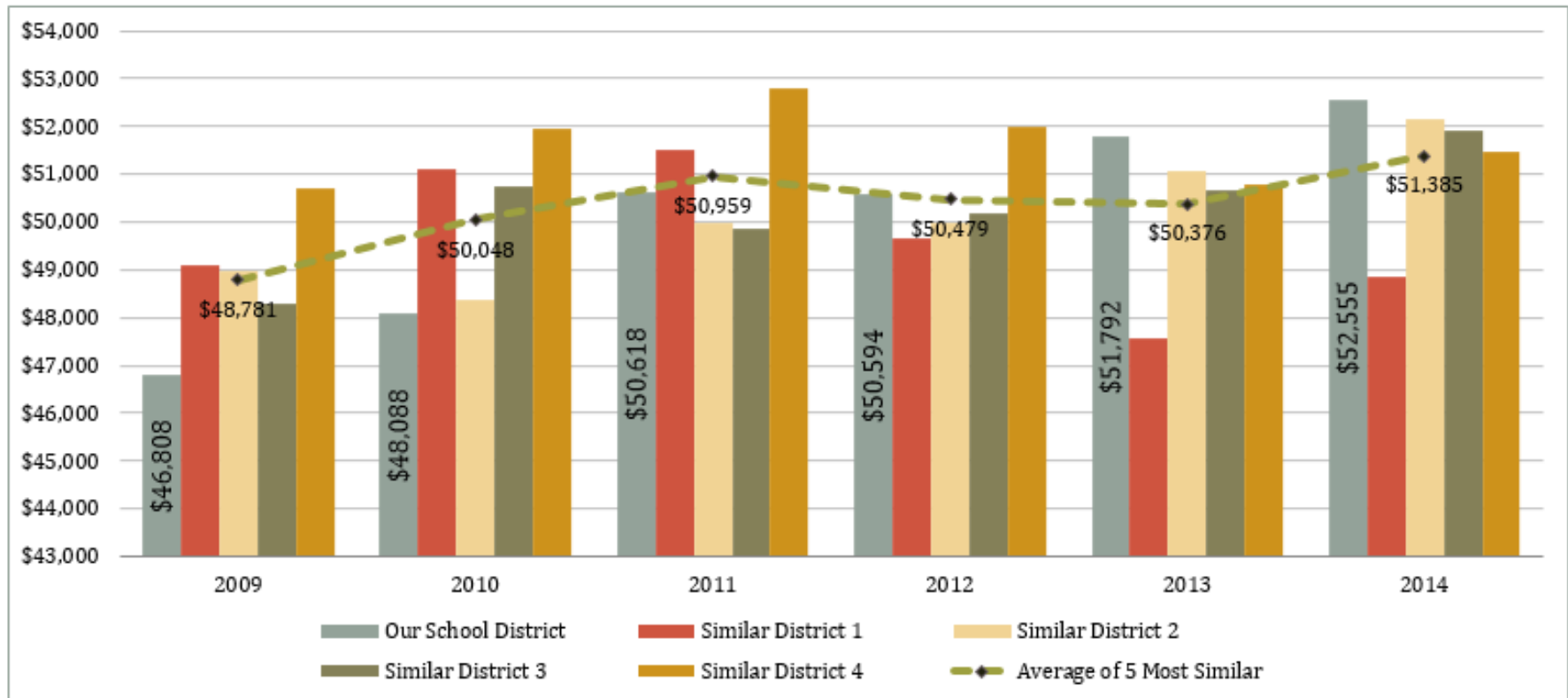
Includes regular, special, and remediation education teacher costs, textbooks, teaching supplies, software, and other materials.





## Average Teacher Salary

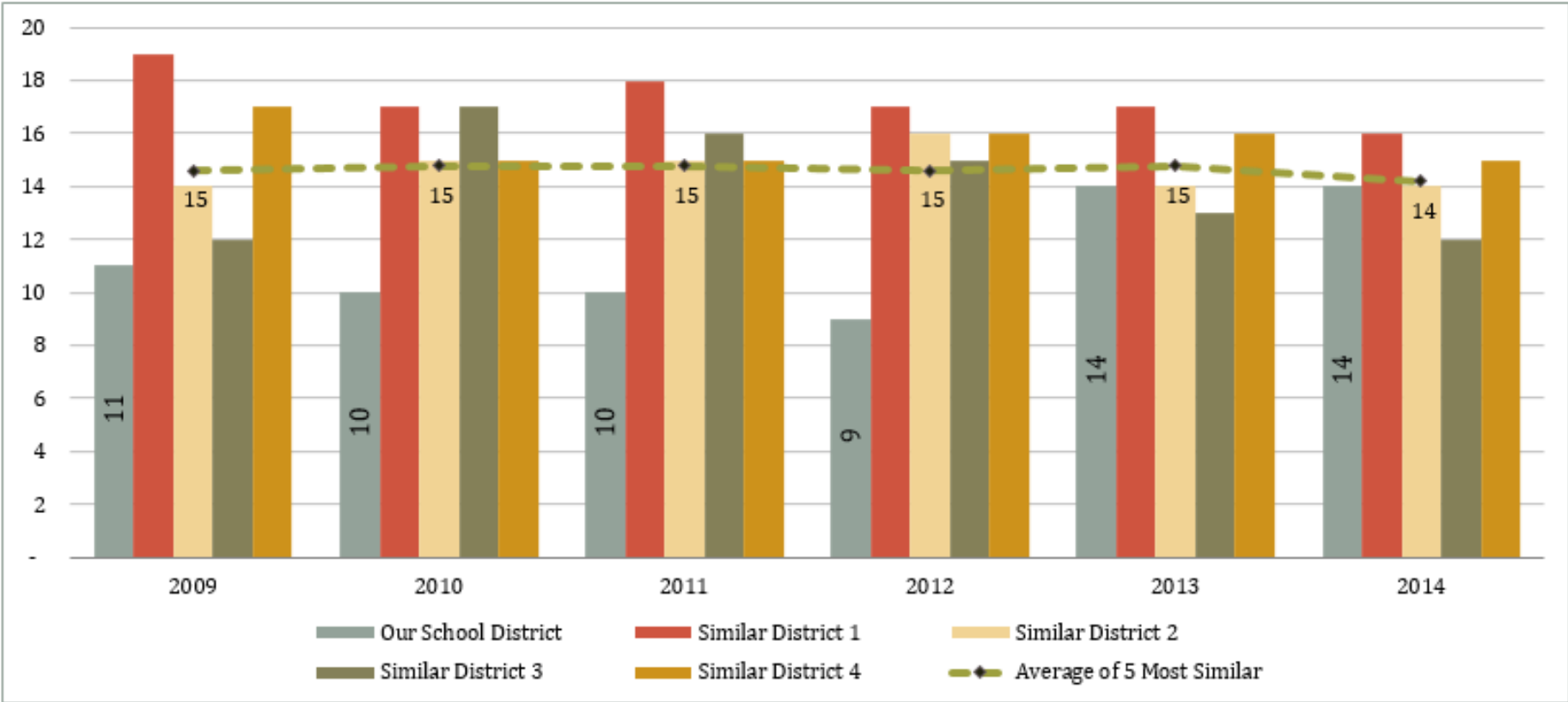
Teacher salaries vary from district to district. The data below reflects the average teacher salary comparison for the districts identified as most similar by the Ohio Department of Education. Additional comparisons by county or other geographic area may provide the district with additional insight as to cost.





### Average Years of Teacher Experience

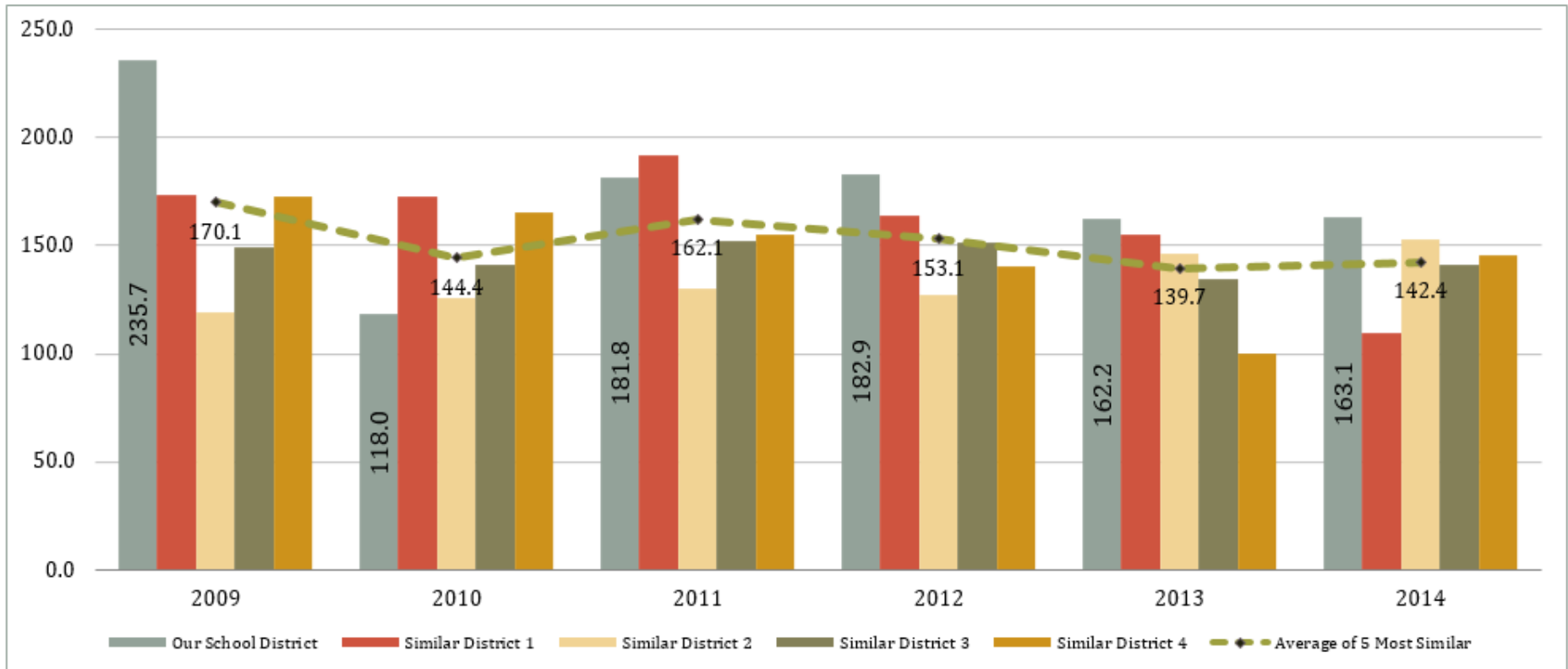
Teacher experience impacts average teacher salary. The data below shows the average years of service for the district's teaching staff.





## Students per Administrator

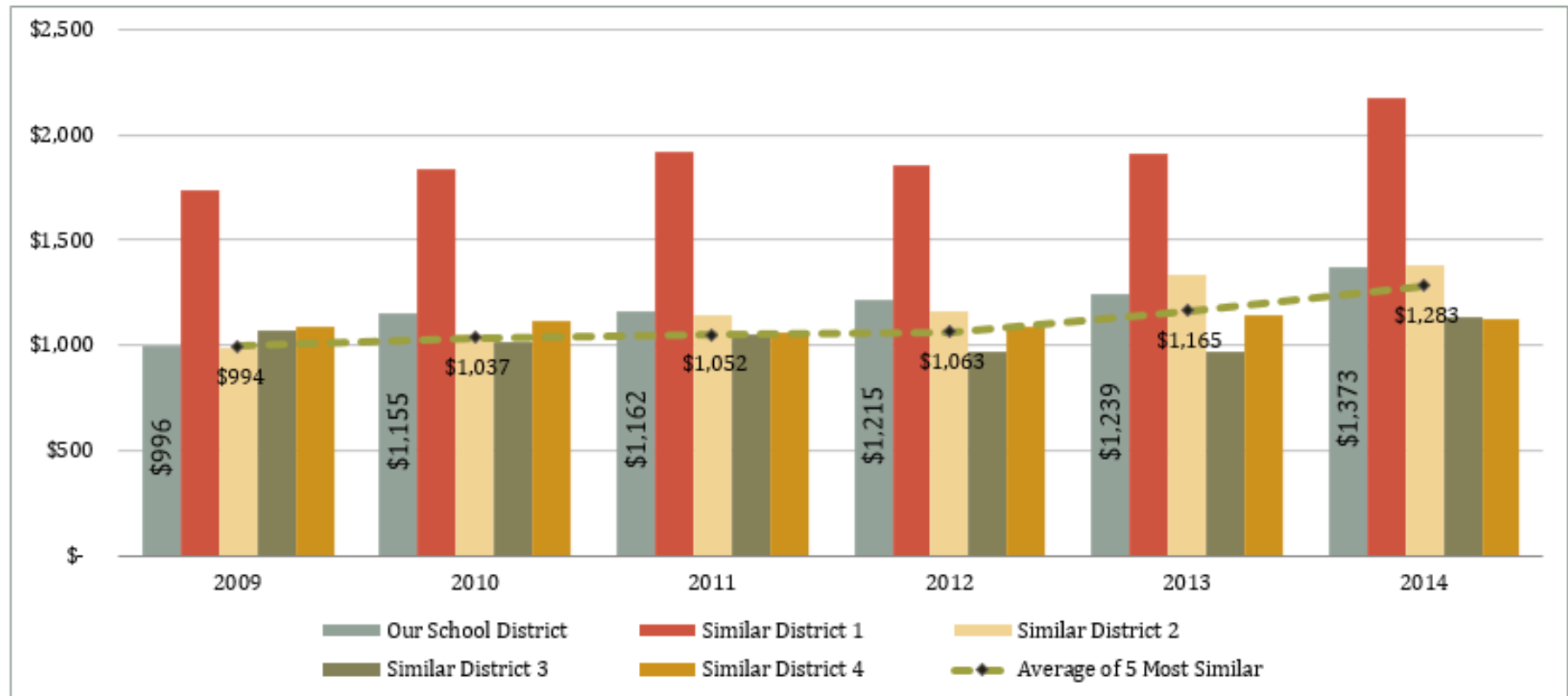
By comparing a district's administrator FTE with number of students served, the resulting students served per administrator ratio is helpful when comparing administrative staffing among districts.





## Administrative Per Pupil Expenditures

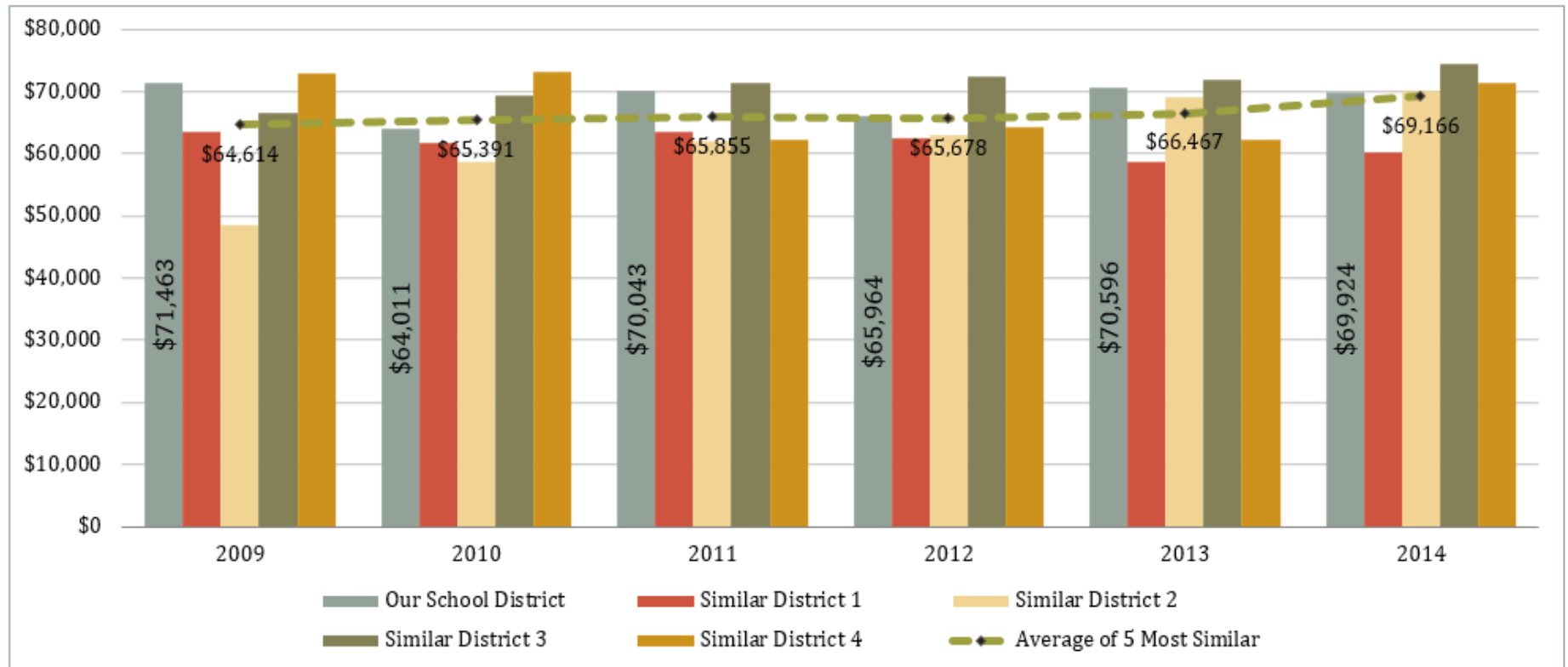
Includes superintendent, treasurer, board, business manager, and building principals and their staff. District technology services, networking, printing, information systems are also included. The application for and oversight of grant funds, special education services, county auditor fees, state audit compliance and fees are included.





## Average Administrator Salary

Each districts' average administrator salary is listed below and is compared the similar group average.





# What Is Your District's Response?



Now that you have identified the questions and reviewed the data, individual school districts must decide if the solution will be through:

- Increasing revenue
- Decreasing expenses
- Combination of both





# Additional Resources

- [www.PFRCFO.com](http://www.PFRCFO.com)
- Financial Readiness for Board Members (Top Story)
- Financial Readiness Report Card
- Financial Readiness Benchmark Indicator
  - Currently health insurance cost per pupil
  - Will be updated periodically
- Interested in current updates, follow us at:
  -  @pfrcfo
  -  Public Finance Resources, Inc.

# The Public Finance Resources Team



**Matt Bunting**, Consultant, has over 30 years of experience in the public finance sector. This includes 19 plus years as a school district treasurer, and 11 years with the Auditor of State where he led financial, legal compliance, and Federal single audits of government entities. Matt has served as interim school treasurer several times, as well as worked with Ernie and Stacy to test their forecasting software and instruct at their yearly seminars. He holds a Degree in Accounting from Hocking College, and is a Certified Government Financial Manager.



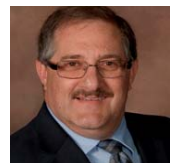
**Ryan Ghizzoni**, Consultant, began his career with the Auditor of State's Office and has served as a school district treasurer for the past 10 years. During his career, he has been the recipient of six Association of School Business Officials International Meritorious Budget Awards and was the recipient of the Ohio Association of School Business Officials 2011 Outstanding Treasurer of the Year Award. Ryan holds a Bachelors of Business Administration from the Youngstown State University, and is a Certified Administrator of School Finance and Operations.



**Debra Hoelzle**, Chief Operations Officer, provides direct services to clients, and oversees the day-to-day operations of PFR. She brings with her operational experience from both the public and private sectors, including a school district and multiple corporations in the financial services industry. Debra holds her Masters of Business Administration from Ohio University, and her Bachelors of Science in Business Administration from The Ohio State University.



**Stacy Overly**, Consultant, provides direct financial services to clients. He has over 20 years of experience serving as school district treasurer, including 15 plus years of developing financial forecasting tools, and providing instruction and training opportunities attended and used by over two hundred of Ohio's public school treasurers. Stacy works with clients to analyze trends and review local economic data to help determine a long-term operating strategy for the organization. He holds his Masters of Business Administration and his Bachelors of Business Administration in Finance from Ohio University.



**Mike Sobul**, Consultant, brings 30 years of experience in public finance and tax analysis. Currently a school district treasurer, Mike spent nearly 25 years with the Ohio Department of Taxation where he led revenue forecasting efforts and provided analysis, training, and fiscal services to schools and local governments. Mike holds a Masters Degree in Public Policy from the University of Michigan and a Bachelors Degree in Economics and Political Science from Wittenberg University.



**Ernie Strawser**, Consultant, provides direct services to our public finance clients. He has over 30 years of public finance experience as a CFO, consultant, and developer and instructor of financial forecasting techniques and tools which have been used by over two hundred Ohio school district CFOs. Ernie works with clients to facilitate their understanding of local financial results, trends, and strategies. He holds both a Masters of Science in Administration from Central Michigan University and a Bachelor of Science in Finance from Ohio University.



# Services

- Five Year Forecast Software → *More than a compliance document*
  - Cash flow monitoring
  - Modeling scenarios
  - Graphics and dashboards
  - Planning tool
- Consulting → *Maximize your effectiveness*
  - Financial consulting and cash flow monitoring
  - Forecast review and analysis, “what if” planning
  - Presentations to key stakeholders
  - Special Projects
- Data Interpretation → *Data driven decision making*
  - Multi-year data sets to identify trends
  - Benchmark analysis reports to see how you compare
  - Graphics that are easy to read, understand and explain
  - Data driven decision making



# PFR Contact Information

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