



**PUBLIC
FINANCE
RESOURCES**

EMPOWERING THE PUBLIC'S FINANCIAL LEADERS

Get the most from the Five-Year Forecast

What are the key items a Board Member needs to understand about their district Five-Year Forecast?

November 14, 2016



Get the most from the Forecast by knowing ...

- Revenue compared to Expenditures
 - What Forecast lines matter?
 - Which years give the best clue?
 - What trend do these years reveal?
- Analyze with other financial indicators (PFR Report Card)
 - How does spending compare?
 - What about taxes?



Finding The District's Forecast

- Forecast: <http://fyf.oecn.k12.oh.us/>
- Assumptions: <ftp://ftp.ode.state.oh.us/geodoc/5-yrForecast/>



Your Forecast on ODE

A District Forecast								
Line	Actual			Forecasted		>>>>>>>>		
	2014	2015	2016	2017	2018	2019	2020	2021
1.010 General Property (Real Estate)	6,956,591	7,261,773	7,530,155	7,541,838	7,603,804	7,672,392	7,113,811	6,492,098
1.020 Tangible Personal Property Tax	357,763	374,660	196,946	363,699	387,227	392,222	370,381	347,394
1.035 Unrestricted Grants-in-Aid	5,511,532	5,549,888	6,044,067	6,722,509	6,619,324	6,639,270	6,727,348	6,828,769
1.040 Restricted Grants-in-Aid	82,834	89,326	89,617	98,575	97,579	97,519	97,479	97,419
1.050 Property Tax Allocation	2,807,063	2,872,821	2,545,324	2,348,111	2,135,871	1,890,324	1,463,098	1,090,391
1.060 All Other Operating Revenue	1,516,168	1,532,898	1,817,108	2,026,859	2,021,752	2,041,970	2,062,390	2,083,013
1.070 Total Revenue	17,231,951	17,681,366	18,223,217	19,101,591	18,865,557	18,733,697	17,834,507	16,939,084
2.050 Advances-In				321,043	25,000	25,000	25,000	25,000
2.060 All Other Financial Sources	201,985	115,631	16,886	28,456	10,000	10,000	10,000	10,000
2.070 Total Other Financing Sources	201,985	115,631	16,886	349,499	35,000	35,000	35,000	35,000
2.080 Total Revenues and Other Financing Sources	17,433,936	17,796,997	18,240,103	19,451,090	18,900,557	18,768,697	17,869,507	16,974,084
3.010 Personnel Services	9,369,608	9,410,743	9,572,005	10,031,341	10,332,282	10,642,251	10,961,518	11,290,364
3.020 Employees' Retirement/Insurance Benefits	3,297,829	3,417,261	3,668,716	3,866,611	4,011,888	4,163,499	4,321,732	4,486,890
3.030 Purchased Services	3,009,709	2,961,724	2,945,391	3,378,547	3,479,903	3,584,301	3,691,830	3,802,585
3.040 Supplies and Materials	608,338	614,304	647,895	680,342	700,753	721,776	743,429	765,731
3.050 Capital Outlay	206,218	191,655	816,159	856,333	861,926	502,287	508,221	514,332
4.300 Other Objects	239,062	234,956	249,839	258,658	263,831	269,108	274,489	279,980
4.500 Total Expenditures	16,730,764	16,830,643	17,900,005	19,071,832	19,650,583	19,883,222	20,501,219	21,139,882
5.010 Operational Transfers - Out	90,000	432,000	102,354	100,000	45,000	45,000	45,000	45,000
5.020 Advances - Out			346,043	100,000				
5.040 Total Other Financing Uses	90,000	432,000	448,397	200,000	45,000	45,000	45,000	45,000
5.050 Total Expenditure and Other Financing Uses	16,820,764	17,262,643	18,348,402	19,271,832	19,695,583	19,928,222	20,546,219	21,184,882
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	613,172	534,354	(108,299)	179,258	(795,026)	(1,159,525)	(2,676,712)	(4,210,798)
7.010 Beginning Cash Balance	4,575,932	5,189,104	5,723,458	6,514,364	6,693,622	5,898,596	4,739,071	2,062,359
7.020 Ending Cash Balance	5,189,104	5,723,458	5,615,159	6,693,622	5,898,596	4,739,071	2,062,359	(2,148,439)
8.010 Outstanding Encumbrances	117,555	75,000	75,000	75,000	75,000	75,000	75,000	75,000
10.010 Fund Balance June 30 for Certification of Appropriations	5,071,549	5,648,458	5,540,159	6,618,622	5,823,596	4,664,071	1,987,359	(2,223,439)
11.010 Income Tax - Renewal or Replacement							898,229	1,795,660
11.020 Property Tax - Renewal or Replacement							898,229	2,693,889
11.300 Cumulative Balance of Replacement/Renewal Levies							898,229	2,693,889
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	5,071,549	5,648,458	5,540,159	6,618,622	5,823,596	4,664,071	2,885,588	470,450
15.010 Unreserved Fund Balance June 30	5,071,549	5,648,458	5,540,159	6,618,622	5,823,596	4,664,071	2,885,588	470,450



Revenue compared to Expenditures

What Lines Matter?

Line 6.010 = Are you spending more than you are Receiving.

A District Forecast					
		Forecasted	>>>>>>	>>>>>>	>>>>>>
Line		2017	2018	2019	2020
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing		179,258		(1,159,525)	(4,210,798)

There is a small Revenue Surplus in 2017.

Two years later a \$1.1 million Revenue Shortfall in 2019.

Followed two years later by a \$4.2 million Revenue Shortfall in 2021

Conclusions:

The trend is toward revenue shortfall.

Is the story complete? What about renewal/replacement levies?

Would you make decisions based upon a trend toward \$4.2 million?

Now for the rest of the story...



Revenue compared to Expenditures

What Lines Matter?

A District Forecast

Line	Forecasted >>>>>>> >>>>>>> >>>>>>> >>>>>>>				
	2017	2018	2019	2020	2021
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	179,258		(1,159,525)		(4,210,798)
11.010 Income Tax - Renewal or Replacement					
11.020 Property Tax - Renewal or Replacement					1,795,660
Adjusted Line 6.010	179,258		(1,159,525)		(2,415,138)

Tip: Including the renewal levy amount, gives a more realistic picture of the district's revenue versus expenditure for trend analysis and decision making.

Did the trend toward revenue shortfall change?

But did it improve?

How do you use this information.



Revenue compared to Expenditures

What Lines Matter?

Line 15.010 = Remaining Cash Balance.

A District Forecast

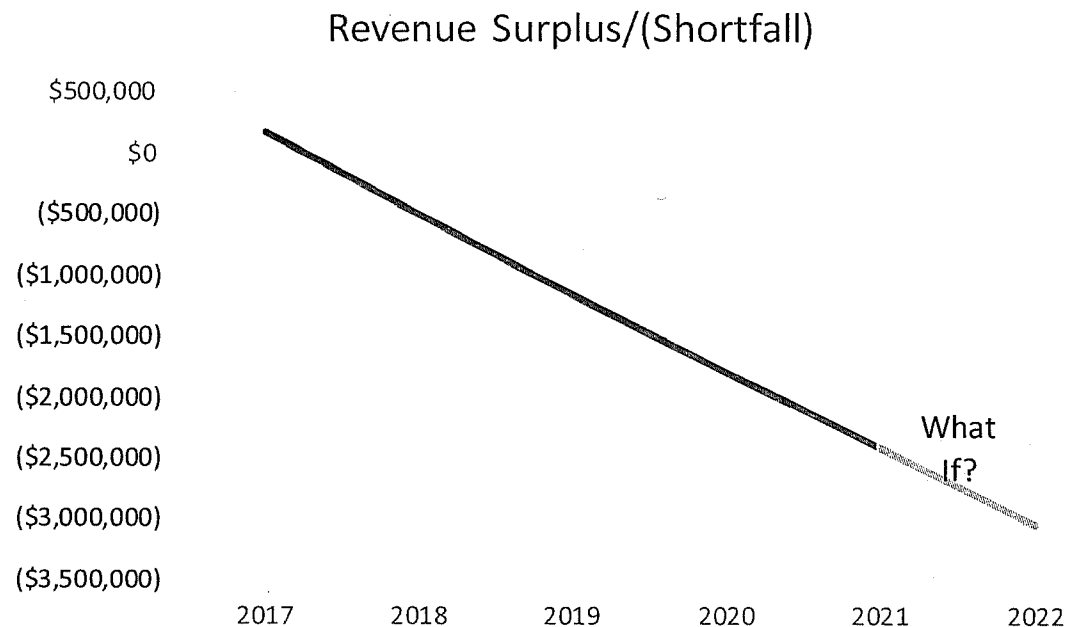
Line	Forecasted >>>>>>> >>>>>>> >>>>>>> >>>>>>>				
	2017	2018	2019	2020	2021
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	179,258		(1,159,525)		(4,210,798)
11.010 Income Tax - Renewal or Replacement					
11.020 Property Tax - Renewal or Replacement					1,795,660
Adjusted Line 6.010	179,258		(1,159,525)		(2,415,138)
15.010 Unreserved Fund Balance June 30	6,618,622		4,664,071		470,450

By 2021 the Revenue Shortfall on Line 6.010 grows to \$4.2 million.
Adding Line 11.020 improves the Shortfall by \$2,415,138
Line 15.010 now shows a projected Cash Balance of only have
\$470,450 in Cash.

What would you anticipate 2022 might look like??



Know Trends



Clear trend toward annual budget shortfall? FY 2022 Not Better – worse.

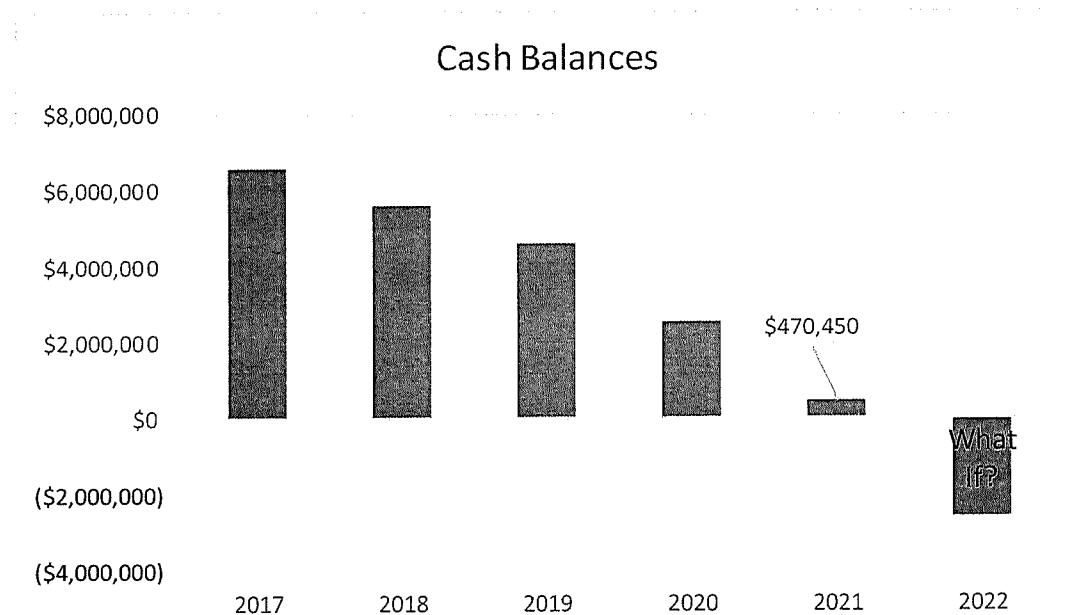
1. Know what matters.
2. Accept the trend (if not specific amounts – doubt?).
3. Chip away at the challenge:
“compound interest is a wonderful thing?”



Cash Reserves...

Clear trend toward annual budget shortfall? FY 2022 Not Better – worse.

1. Know what matters.
2. Accept the trend (if not specific amounts – doubt?).
3. Chip away at the problem
“compound interest is a wonderful thing.”



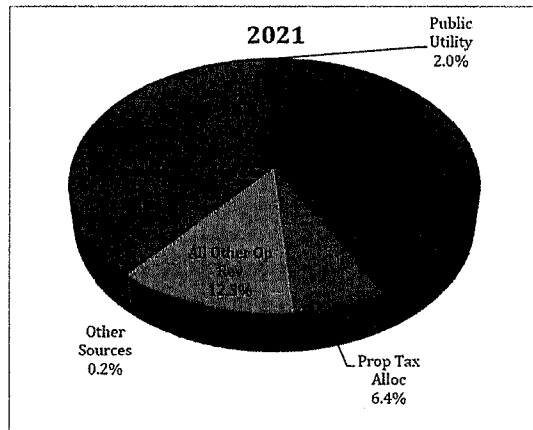
Revenue shortfall will deplete the cash balance.

If the board member stops at FY 2021 ending cash balance it can provide a false sense of “in the black.”

What if the revenue shortfall trend continues?

FY 2022 = Negative Cash Balance

Revenue - What Lines Matter?



Line 11.020 is actually the calculated annual amount(s) for renewal and/or replacement levies that has been subtracted from the three Revenue lines highlighted in yellow.

Per the ODE required format, levies up for renewal and/or replacement cannot be included in those lines until/if it has been passed by the voters.

Where did Line 11.020 come from if I have to **add** it to line 6.010?

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	Forecasted	>>>>>>	>>>>>>	>>>>>>	>>>>>>
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1.020 Tangible Personal Property Tax	363,699	387,217	392,222	370,381	347,394
1.050 Property Tax Allocation	2,348,111	2,135,871	1,890,324	1,463,098	1,090,391
11.010 Income Tax - Renewal or Replacement					
11.020 Property Tax - Renewal or Replacement				898,229	1,795,660



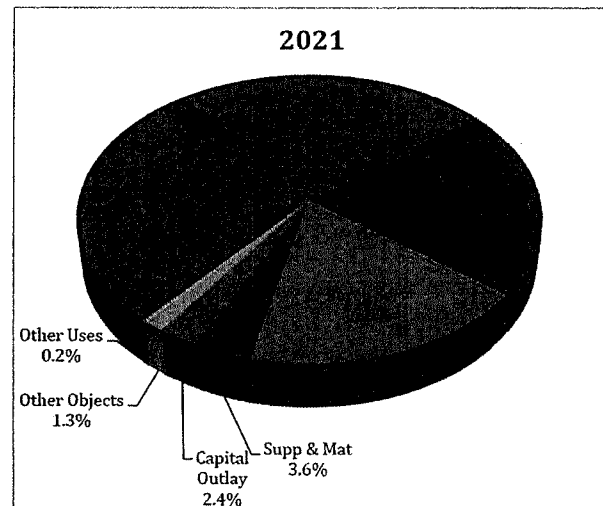
Revenue Trend, Up or Down?

A District Forecast			
	Actual	Forecasted	
Line	2014	2017	2021
1.010 General Property (Real Estate)	6,956,591	7,430,382	6,396,156
1.035 Unrestricted Grants-in-Aid	5,511,532	6,623,162	6,727,851
1.070 Total Revenue	17,231,951	18,819,300	16,688,753
11.020 Property Tax - Renewal or Replacement			1,795,660
Total Revenue With Renewal Levies	17,231,951	18,819,300	18,484,413
		↑	↓

- What contributed to revenue growth from 2014 to 2017?
- Why did real estate property tax revenue increase from 2014 to 2017
- Why is real estate property tax revenue projected to decrease from 2017 to 2021? Or is it?
- Is there sufficient growth to sustain current service levels?
 - What about - Inflation? Health Care Costs? Salaries?



What Is The Forecast Telling You Matters (Expenses)?



A District Forecast			
Line	Actual	Forecasted	
	2014	2017	2021
3.010 Personnel Services	9,369,608	9,883,095	11,123,511
3.020 Employees' Retirement/Insurance Benef	3,297,829	3,809,469	4,420,581
3.030 Purchased Services	3,009,709	3,328,618	3,746,389
4.500 Total Expenditures	16,730,764	18,789,983	20,827,469

What are the trends?

Are expenditures growing faster than revenue?



Other Tools

PFR Financial Report Card

www.PFRCFO.com



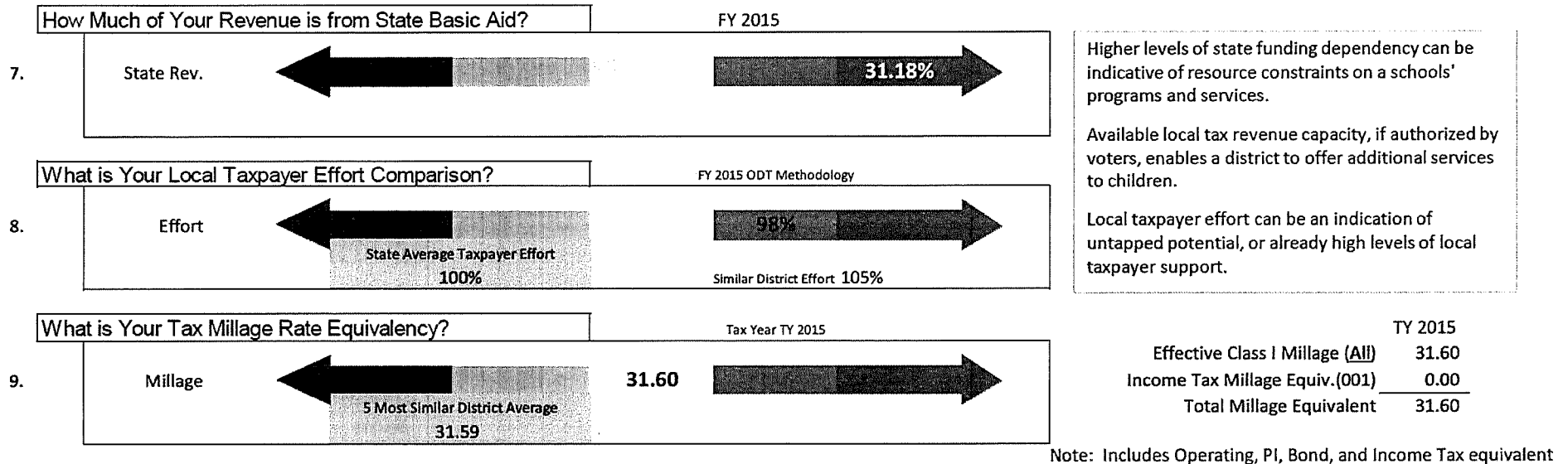
Key Board Member Items

- Districts have certain key items that drive the majority of revenue and expenses in common. A Board Member should know their:
 - State % vs Local % of Funding
 - State Funding Outcome (Guarantee/Formula/Capped)
 - Staffing FTE's
 - Enrollment Trends



Resources: What Matters, Who Pays

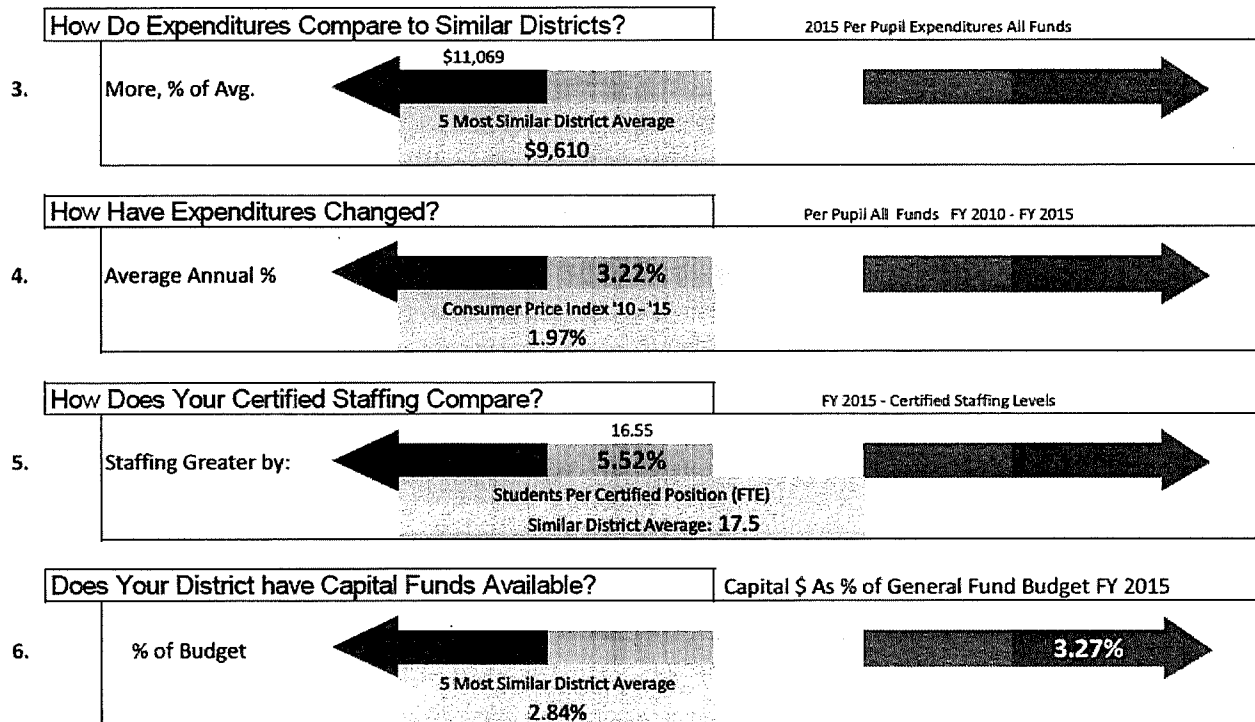
Resource Analysis





Spending Patterns and Trends

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	2011	2015	Change
EFM (Head Cnt) Enrollment	1,816.0	1,673.4	-7.9%
230 Code Reg Teacher (FTE)	115.5	101.1	-12.5%
Students / Regular Teacher	15.7	16.6	

Average Annual:	FY 2015
Gen Fund Capital Exp (3Yr Avg.)	\$145,818
PI Levy	\$419,306
Average Annual Capital	\$565,124
As % of Gen Fund Budget	3.27%



Once you've asked the Questions:

- What are our revenue versus expenditure trends?
- Do we have renewal/replacement levies to factor into the equation?
- What assumptions are supporting our significant (what matters) revenue and expense categories?
- If there are issues, how are we addressing them?
- Will state funding help? (See Mike Sobul and Ryan Ghizzoni. Tomorrow at 4:00 p.m.)
- What are we doing?
- If there are opportunities, how are we taking advantage of them?
- What is our message?



Services www.PFRCFO.com

- 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

The Public Finance Resources Team



Matt Bunting, Consultant, has over 30 years of experience in the public finance sector. This includes 20 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 helped develop financial forecasting tools, and providing instruction and training opportunities attended and used by over two hundred of Ohio's public school treasurers. Matt works with clients to help determine a long-term operating strategy for the organization. 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.



PFR Contact Information

Matt Bunting

Consultant

Public Finance Resources, Inc.

PO Box 1822

Columbus, OH 43216

matt@PFRCFO.com

Phone: 614-732-5948

Debra Hoelzle

Chief Operating Officer

Public Finance Resources, Inc.

PO Box 1822

Columbus, OH 43216

debra@PFRCFO.com

Phone: 614-732-5948

www.PFRCFO.com