



Levy Needs & Options

January 12, 2009

Maintaining Excellence

- **Needs**
- **Financial Forecast**
- **Actions to Date**
- **Types of Levies**
- **Future Election Dates**
- **Recommendation**

January 12, 2009



Maintaining Excellence

Legal and Contractual Obligations

- **Ohio CORE curricula**
- **Intervention**
- **Class size and growth**

Best Practices of High Performing Districts

- **Early Intervention**
- **Choice**
- **Encore**



Master Facility Needs

Capital Improvements

- A capital improvements levy generates funds for capital expenses that have a life of five years or more (ex. curriculum materials, computers, buses, building equipment repairs/replacement)

Additional Facility Needs

- We have identified needs in the facility master plan that extend beyond current funding levels that are provided by the expiring capital improvement levy



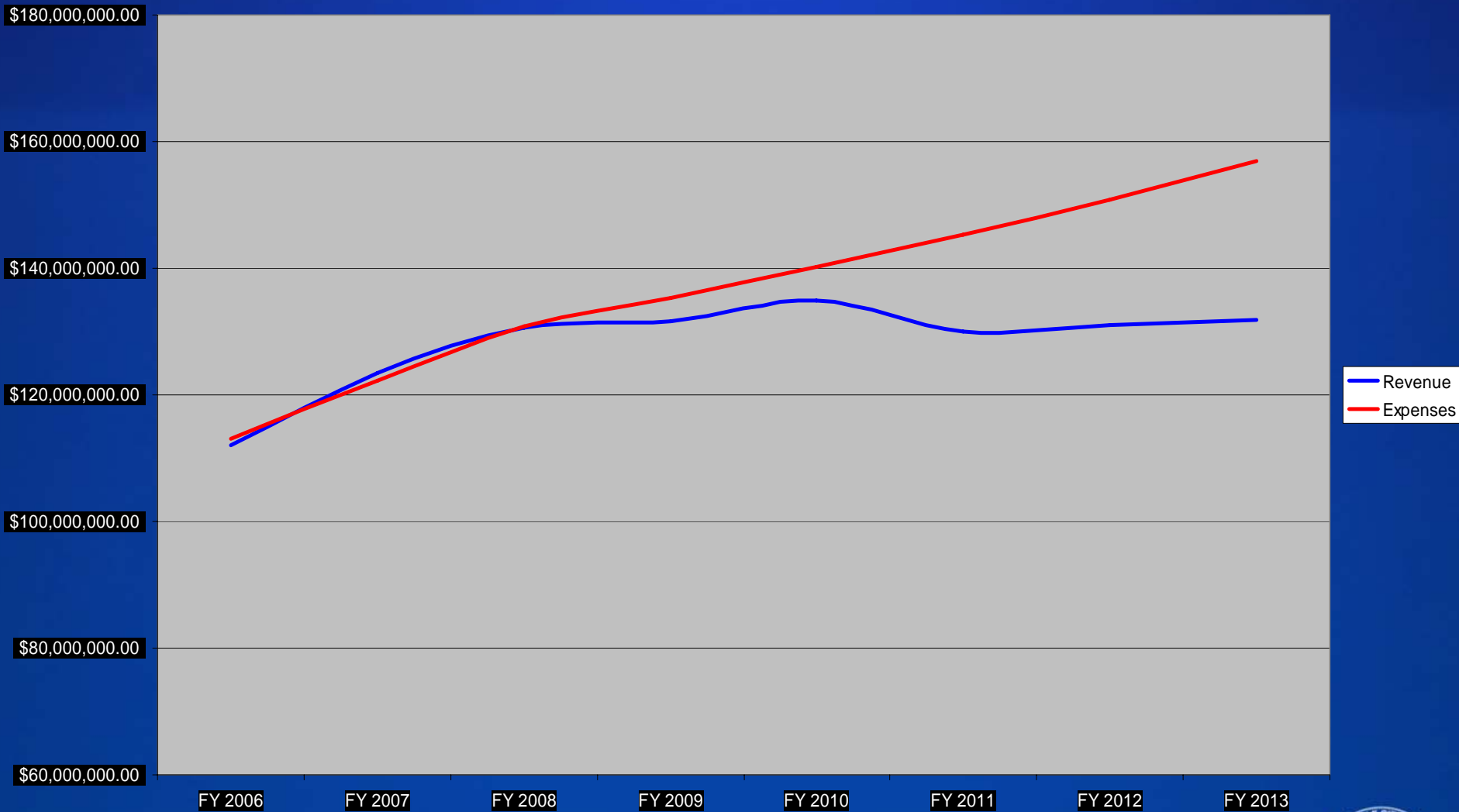
Maintaining Excellence

- **Operating** - As projected in 2006, additional operating dollars will need to be voted on in CY 2009 to begin collection in CY 2010
- **Capital Improvements** - The Capital Improvements levy will need to be voted on in CY 2009 to support continued investment in curriculum, instructional technology as well as bus replacement and facility maintenance and repair
- **Bond** - A bond issue will support additional facility needs

January 12, 2009



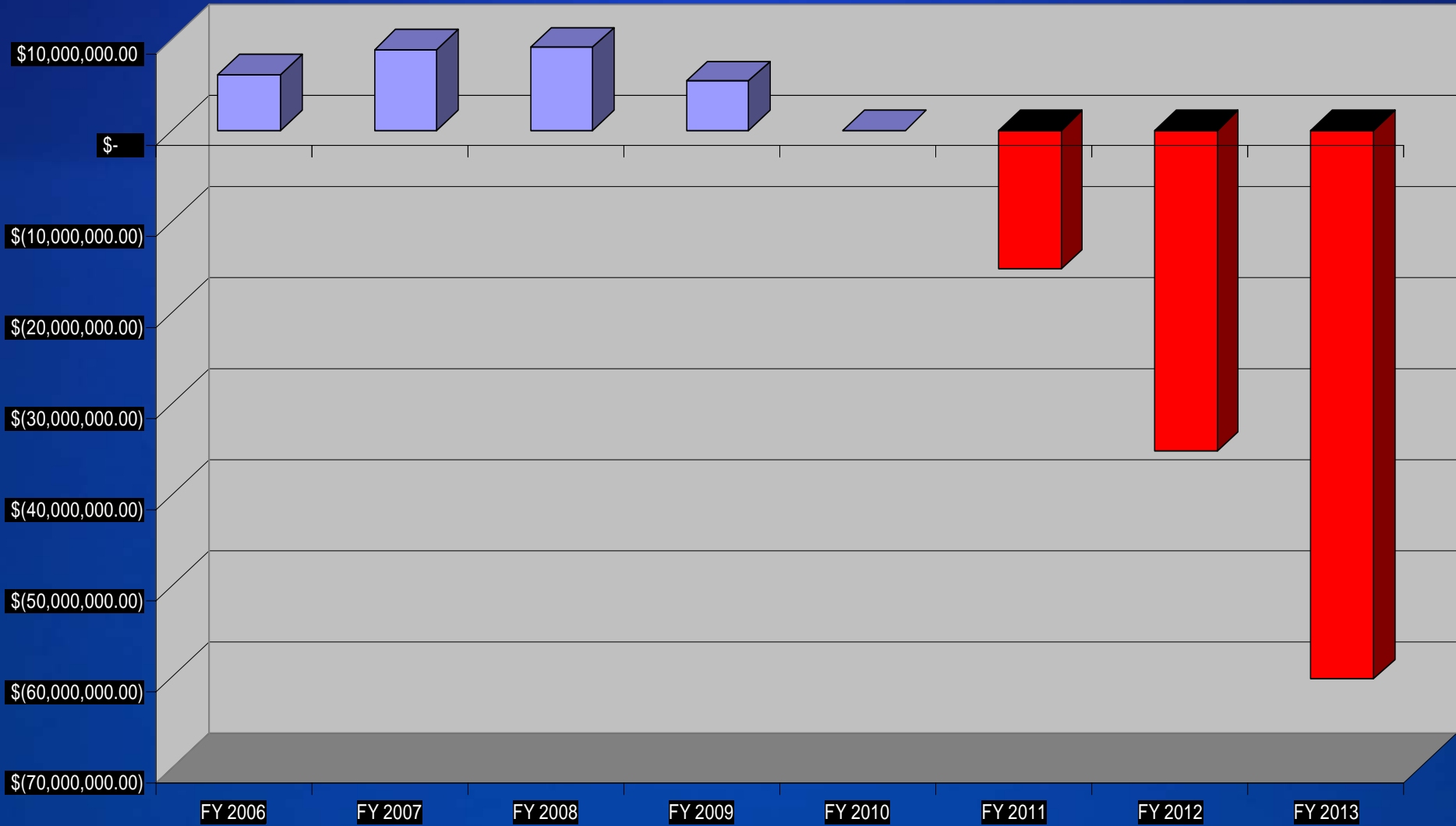
Financial Forecast



January 12, 2009



Unreserved Fund Balance



January 12, 2009



Actions to Date

- **Board planning and fiscal review**
- **Strategic planning**
- **Fiscal alignment to support approved Strategic Plan**
- **Forecast adjustments were made**
- **Budget reductions were recommended**
- **Received notification regarding possible fiscal caution designation from Ohio Department of Education related to projected deficits**



Tax Levies

Property Tax Levies

- Traditional
- Emergency
- Incremental
- Property Tax Levy
Increasing by Dollar or
Percentage
- State Funding Formula
Charge-off Property Tax
Levy

Income Tax Levies

- Traditional
- Earned Income



Future Election Dates

2009 Calendar Year

February 3, 2009

May 5, 2009

August 4, 2009

November 3, 2009

2010 Calendar Year

February 2, 2010

May 4, 2010

August 3, 2010

November 2, 2010



Recommendation

In order to maintain excellence, it is our recommendation that the Board of Education place a combined issue on the May 5, 2009 ballot for the following:

- New operating levy in the amount of 9.9 mills for a continuing period of time to begin collections in calendar year 2010**
- Renewal of the expiring 2.7 mill capital improvement levy (no new millage)**
- Bond issue in the amount of \$36 million (no new millage)**



Slide 1 –

President Hoffman, Members of the Board – Tonight’s presentation is a follow up to the presentation that was delivered to the Board and community on December 8, 2008 regarding the educational and fiscal progress of our Westerville City School District and a plan for carrying it forward. This presentation incorporates the academic and operational needs of the district and will end with a recommendation of the necessary funding to carry out these programs.

Most notably, I wish to reiterate for the board and public that our schools have spent an extensive amount of time seeking input from the community and field experts. You will see the impact of their work tonight. And, certainly, we wish to thank them for taking such ownership in the important work of this district. As you know, this type of work is never easy but it is critical to the planning of our school district.

Slide 2 –

The order for tonight’s presentation will be as follows:

- Share the needs of the district as presented on December 8, 2008
- Review the amended five year financial forecast that the Board just approved moments ago
- Review the actions that the district has taken to date to provide a quality education while maintaining fiscal accountability with a balanced budget through June 30, 2010
- Explain the different levy purposes and types
- List the future election dates for calendar years 2009 and 2010
- Present our funding recommendation that will meet the academic and operational needs that were presented

Slide 3 –

WCS have a strong reputation for preparing students to contribute to the competitive and changing world in which we live. It is why we exist, our commitment, our Mission. The programs that were in place in 2005 contributed to our Excellence and consequently, no academic programs have been reduced since that time.

While WCS can declare that we’ve kept our 2006 Campaign Promise of “Quality Education and Fiscal Accountability,” the question before us is how do we “Maintain Excellence?” “What do we anticipate in the future?” To answer that question we considered two drivers: “What does the law require?” and “What does our community expect?”

The primary legal driver is what is known as Ohio CORE which is intended to better prepare graduates to succeed, without remediation, in their post-secondary endeavors including entry-level jobs, apprenticeships, military service and college.

The notable difference will be in the number of mathematics, science, and elective credits that will be required, and some of those credits may be earned earlier in the student’s academic career. Separate statute requires the district to provide interventions to support

students who may be struggling with the mastery of content and to accelerate students who need more challenging learning experiences. The Ohio CORE and the Intervention “drivers” prescribe our WCS pre-K through 12th grade curriculum of the future.

The second driver is, “What does our community expect?” We have spent a considerable amount of time working with our community assess this so that we are representative and responsive to our community. The process was outstanding and very rewarding. Our collective work resulted in a community review and revision of the District’s Strategic Plan and the subsequent board adoption of five Goals for WCS. Stakeholders believe that achieving these Goals will help us “prepare students to contribute to the competitive and changing worlds in which they live,” our Mission. The processes or programs align to the district values of respect, inclusiveness, community, communication, collaboration, innovation, nurturance, trust and accountability.

Within the Goals are specific initiatives – some of which are realized when the district implements Ohio CORE and the Intervention requirements. However, our community has placed a high value on ideals such as Early Learning Intervention, Family’s School Choice, and Encore Curriculum opportunities.

It isn’t surprising that our citizens desire these programs. They are the hallmarks of some of the nation’s highest performing districts and are considered “best practices” in the industry. Westerville’s culture of aspiration is admirable, paralleled by their culture of benevolence and it is what makes our para and professional staff proud to call this our learning and working community now and in the future.

So, next we look at the capital needs to support our vision of “maintaining excellence” and upholding the community’s expectations for their schools.

Slide 4 –

A capital levy generates funds for replacement of curriculum materials, computers, buses, and building equipment that has a life expectancy of 5 years or more. In essence, capital improvement levies, called permanent improvement levies, are used by school districts to care for aging buildings and to update older equipment and buses.

The Capital Improvements Plan was initially approved in 1989 and has been replaced in 1994, 1999, and 2004 (every 5 years). To continue the cycle, the next five year plan would be scheduled for approval in calendar year 2009. We are currently completing the 4th year of the 5 year plan. The current capital improvement levy expires at the end of this calendar year.

We have also identified needs from the Facility Master Plan that extends beyond the current funding levels provided by the Capital Improvement Plan.

The Facility Master Plan includes:

1. Student enrollment projections
2. An analysis of building capacities

3. Recommendations for future facility needs based on enrollment growth and academic programs

Slide 5 –

Members of the Board, this evening we have presented two key messages. First, that the promise of Quality Education and Fiscal Accountability is fulfilled. WCS is indeed, an Excellent School District, making progress toward becoming the benchmark of educational excellence – our Vision. We are preparing our students to contribute to the competitive and changing world in which we live – our Mission. We honor the Values of our community and align our resources and operations to Goals generated by our stakeholders. We are keeping our promise!

Second, our school district is highly efficient and accountable to our public. We have worked hard to fulfill the promises made to our public and to educate them. This includes communicating with them on how we must allocate spending and that nearly our entire budget is comprised of non nondiscretionary items.

We will later share our recommendation for your consideration that will indicate the potential millage amount and timing of a ballot appearance to secure the funds necessary to meet projected operating expenses and facility needs of the district. Again, this recommendation is based on our extensive work with the community to assess their educational expectations for student achievement as driven by our Strategic Plan and the financial expectations which align to that and with other obligations.

Ohio School Districts, unlike Ohio municipalities, do not have “home rule” power. In matters of finance, School Districts are entirely subject to the control of the state legislature. The Ohio Revised Code (“R.C.”) strictly limits the ways in which School Districts can levy taxes and borrow money.

Despite these limitations, School Districts have a variety of options for funding both operating expenses and permanent improvements. There are three purposes for which a levy can be submitted to voters for approval.

Operating Levy

- Levy used primarily for the day-to-day operations of a school district such as teachers, utilities and supplies. Can be either for a continuing or limited length of time and can be a property or income tax.

Bond Levy

- Property tax levies used to provide the local revenue for construction purposes. Proceeds from the levy are used to pay the principal and interest on construction bonds. Offered for a specified dollar amount and a specified period of time.

Capital or Permanent Improvement Levy

- Limited or continuing levy used for maintenance and repair of school property, and, in some limited circumstances, for renovation and building projects. Can be a property tax or an income tax.

School districts are authorized to seek voter approval of a single combined ballot question involving:

- An operating levy and a permanent improvement levy;
- A bond issue and an operating levy or a permanent improvement levy, or both; or
- A bond issue and an income tax levy for School District purposes (operating, permanent improvement, or both).

Slide 6 –

We recognize that one of our commitments from the May 2, 2006 operating campaign was fiscal accountability and the pledge to have a balanced budget through June 30, 2010. We fully intend to continue fulfilling that promise and in order to do so will need to reduce operating costs.

We would now like to take a look at new assumptions, given the current economic realities that the Board approved as part of the amended five year forecast. These expenditure changes are significant because they represent reductions in planned expenses and the savings will have a compounding affect on our annual budget. They are borne out of an acknowledgement of these challenging times and reflect that our schools are feeling the added pinch from the economic conditions. They allow us to continue meeting our commitment to our community but certainly do make it much more challenging to do so, especially in meeting the needs of students.

The new assumptions are as follows:

- 0% = new construction growth annually
- 0% = Tax Year 2008 triennial update
- 0% = Tax Year 2011 reappraisal update
- Projected increase of 50 students per school year
- Hold unfilled staffing positions for 2008-2009
- Not projecting any new staff for 2009-2010
- Increased budgets for:
 - Community schools (charters)
 - Out of District enrollment
 - Utilities
 - Bus fuel

Reductions

- Hold the unfilled staffing positions for 2008-2009
- Freeze hiring any new staff for 2009-2010 (unless legally obligated)
- Reduce operating cost through attrition for 2009-2010
- Not replacing a vacant administrative position for 2009-2010
- No wage increases beyond current agreements

Slide 7 –

These new assumptions and budget reductions would result in an Unreserved Fund balances as follows:

- FY 2010 (June 30, 2010) = \$43,874
- FY 2011 = **(\$15,246,980)**
- FY 2012 = **(\$35,225,604)**
- FY 2013 = **(\$60,301,917)**

As you can see, proper planning now will allow us to continue on track with fulfilling our promise and commitment with the community.

There is never a good time to go on the ballot but our community and school district have worked hard to assess the educational and facility needs of our district and to provide appropriate planning of those. The needs are very real and are critical to our school district as we go forward.

Slide 8 –

WCS has a history of being very responsive to the community's wishes and is very fiscally conservative. Doing more with less is not new to us here at WCS and we remain committed to that always. Regardless, however these current economic challenges facing all of us are affecting our school district, too.

The sluggish economy has had a negative impact on property values and consequently the revenues of taxing entities that rely on property taxes as a major source of revenue.

The District is using one-time funds that will be transferred to the general operating budget to offset projected deficits in FY 2010.

Departmental budgets were decreased in FY 2009, which limits our ability to complete future facility repairs/renovations outside of those already underway or identified in the Capital Improvement plan.

In meeting the challenge of maintaining a balanced budget through FY 2010 (June 30, 2010), several projected staffing reductions were made on May 12, 2008:

- Removed 11.0 staffing FTE projections for teachers for enrollment growth – regular education
- Removed 2.0 staffing FTE projections for Educational Options for Success teachers
- Shifted the staffing FTE projection of 1.0 elementary guidance position from FY 2009 to FY 2010

Financial Accountability Task Force (FACT) Committee chair Mike McClinchie presented the committee's most recent report to the Board of Education. FACT was formed as a promise tied to the passing of an operating levy on May 2, 2006, and its purpose is to monitor the district budget related to the expenditure of the additional funds generated by that levy. McClinchie stated that due to the country's struggling economic climate, which could not have been predicted at the time of the last levy, the district may

need to reassess its immediate staffing needs in order to maintain its commitment of having a balanced budget through Fiscal Year 2010. Though the district at the time of the levy projected staffing needs through FY10, the committee's report urged Board members to consider delaying the proposed FTE hires in 2009 and 2010.

"Because it does not appear that the economy is going to recover any time in the near future, the (FACT Committee) members are of the opinion that the Board is going to have to make some tough decisions and should make those decisions sooner rather than later," reads one portion of the report. "Delaying the FTE hires in 2009 and 2010 would be viewed as responsible hiring and money management practices." The report further noted that taking such measures would ensure the Board's pledge of not putting a new operating levy on the ballot until 2009 to take effect in 2010.

We recently received notification from the Ohio Department of Education regarding our five year forecast that was submitted in October 2008 that indicated a negative unreserved fund balance in FY 2011. 27 districts showing a negative balance in FY 2010 and 80 districts showing a negative balance in FY 2011 received this letter. As required by section 5705.391 of the Ohio Revised Code, we must submit a proposal that will allow the district to avoid this deficit.

Slide 9 –

There are 5 types of property tax levies:

- Traditional Property Tax Levy
- Emergency Property Tax Levy
- Incremental Property Tax Levy
- Property Tax Levy Increasing by Dollar or Percentage
- State Funding Formula Charge-Off Property Tax Levy

Advantages

- Voter awareness and understanding
- Consistent revenue
- Homestead exemption

Disadvantages

- Increased burden on fixed income families
- Revenue does not grow

There are 2 types of income tax levies:

- Traditional Income
 - Ohio adjusted gross income includes both earned income (wages, salaries, tips, self-employment) and unearned income (interest, dividends, capital gains and retirement benefits).
- Earned Income
 - Earned income only includes wages, salaries, tips, self-employment and other compensation to the extent included in Ohio adjusted gross income.

Advantages

- Reduces burden on fixed income families
- Revenue grows with community economy

Disadvantages

- Businesses do not pay income taxes
- Higher cost and longer time to collect
- Revenue is subject to economy and more difficult to project

Slide 10 –

This slide will show future election dates for calendar years 2009 and 2010. Please remember how important the capital improvement levy is to our operations. The first is that the current capital improvement levy expires at the end of calendar year 2009. It currently provides \$6 million in capital funding yearly that we would have to account for in our general fund if this levy were not renewed or replaced. Any levy approved during this calendar year (2009) would not begin collections until calendar year 2010.

Slide 11 –

We now move to our recommendation. As mentioned before, we have identified the following academic and operational needs of the district:

- legal and contractual obligations
- best practices of high performing districts
- capital improvement needs
- master facility needs
 - Current Capital Improvement Levy generates \$29 million over 5 years
 - Total identified facility needs in excess of \$65 million

This work is due in large part to the engagement of our community and their expectations of our schools. The economic reality is that without additional funding, the district will be faced with significant deficits. It is simply how Ohio schools are funded and WCS is no different.

Without the renewal or replacement of the capital improvement levy, we would have to account for the \$6 million annual shortfall that this levy currently provides. This would bear additional pressure on the operating/general fund.

Further, without additional operating funds in CY 2010, the district would have to reduce operating costs in the amount of \$8 million dollars to balance the budget through December 31, 2010. The five year forecast that was just approved indicates a projected \$15 million deficit at the end of FY 2011 unless an operating levy is passed or drastic reductions are made. We will need to pass an issue in calendar year 2009 for collection in calendar year 2010.

It is our recommendation – based upon considerable planning, research and engagement with the community – is one made to maintain the academic and operational needs of the district. These needs are very real, but also very conservative as evidenced by the reductions to the five-year-financial forecast. Therefore, our recommendation is for a combined issue on the May 5, 2009 ballot for the following:

- New operating levy in the amount of approximately 9.9 mills for a continuing period of time to begin collections in calendar year 2010
- Renewal of the expiring 2.7 mill capital improvement levy (no new millage)
- Bond issue in the amount of \$36 million (no new millage)

We appreciate your attention and are pleased to respond to your questions as they pertain to “Maintaining Excellence” in Westerville City Schools.