



Akron Public Schools

Financial Report Five-Year Forecast October 2015



Table of Contents

	<u>PAGE #</u>
Table of Contents	2
Executive Summary	3
Revenue Overview	4
1.010 - General Property Tax (Real Estate)	5
1.020 - Public Utility Personal Property	6
1.035 - Unrestricted Grants-in-Aid	7
1.040 & 1.045 - Restricted Grants-in-Aid	8
1.050 - Property Tax Allocation	9
1.060 - All Other Operating Revenues	10
2.070 - Total Other Financing Sources	11
Expenditures Overview	12
3.010 - Personnel Services	13
3.020 - Employee Benefits	14
3.030 - Purchased Services	15
3.040 - Supplies and Materials	16
3.050 - Capital Outlay	17
3.060 - 4.060 - Intergovernmental & Debt	18
4.300 - Other Objects	19
5.040 - Total Other Financing Uses	20
Forecast Compare	21
Five Year Forecast	22

Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.



Executive Summary

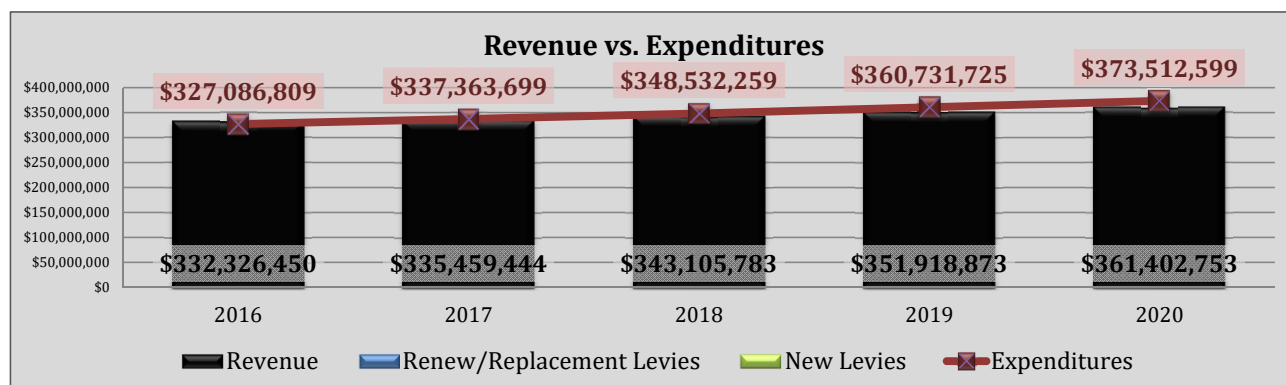
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Beginning Balance	34,806,656	40,046,297	38,142,043	32,715,567	23,902,715
+ Revenue	332,326,450	335,459,444	343,105,783	351,918,873	361,402,753
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(327,086,809)	(337,363,699)	(348,532,259)	(360,731,725)	(373,512,599)
= Revenue Surplus or Deficit	5,239,641	(1,904,255)	(5,426,476)	(8,812,852)	(12,109,847)
Ending Balance	40,046,297	38,142,043	32,715,567	23,902,715	11,792,868
Revenue Surplus or Deficit w/o Levies	5,239,641	(1,904,255)	(5,426,476)	(8,812,852)	(12,109,847)
Ending Balance w/o Levies	40,046,297	38,142,043	32,715,567	23,902,715	11,792,868

Executive Summary:

Recent state funding increases are not sufficient to stem the district's trend toward revenue shortfalls. By 2019 the inflationary pressures of salaries and fringe benefits are outstripping forecasted revenue growth by nearly 61%. In other words, for every \$1 in revenue growth, expenses are growing \$1.60.

While the district is maintaining a positive cash balance, the loss of nearly \$30 million dollars over the five-year period, if not averted, would leave the district with inadequate cash reserves to meet monthly cash flow fluctuation. This could lead the district to monthly cash flow borrowing to meet its obligations.

The current state funding formula does not show evidence of providing additional revenue to the district.



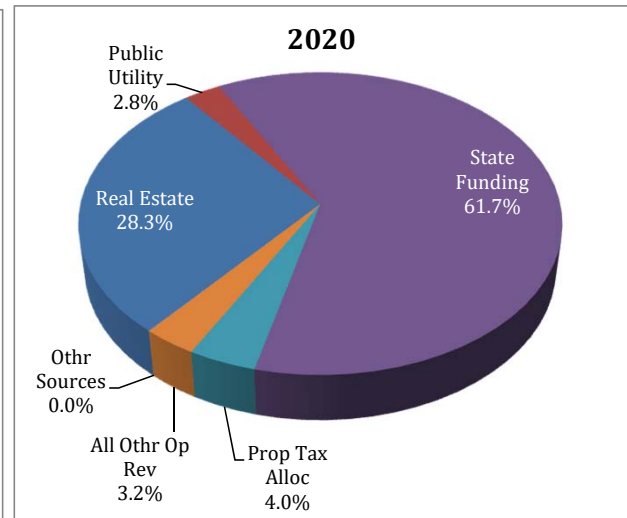
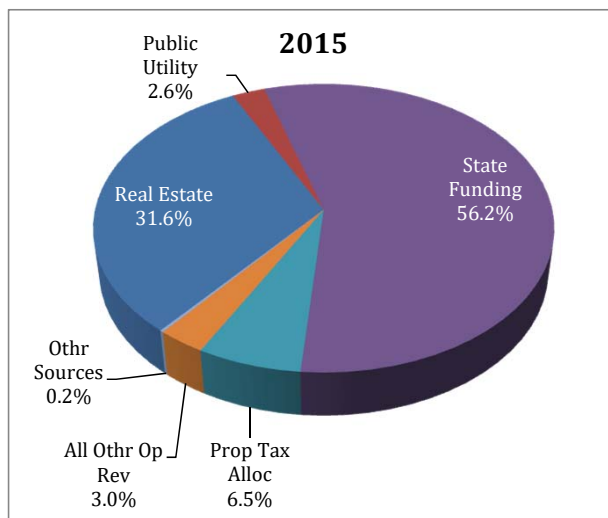
Revenue Overview

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	
		2016	2017	2018	2019	2020	
Revenue:							
1.010 - Real Estate	2.02%	-0.36%	-0.66%	0.28%	0.27%	0.59%	0.02%
1.020 - Public Utility	4.25%	4.59%	4.00%	3.75%	3.50%	3.25%	3.82%
1.030 - Income Tax	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1.035 - State Funding	2.02%	7.71%	3.60%	3.89%	4.25%	4.20%	4.73%
1.040 - Restr Aid	150.27%	-0.19%	-0.09%	0.36%	1.29%	1.76%	0.63%
1.045 - Restr Federal SFSF	-53.03%	n/a	n/a	n/a	n/a	n/a	n/a
1.050 - Property Tax Alloc	-6.26%	-17.39%	-15.79%	-0.13%	-0.07%	-0.13%	-6.70%
1.060 - All Other Operating R	-2.40%	11.51%	1.88%	1.93%	1.99%	2.04%	3.87%
1.070 - Total Revenue	1.85%	2.91%	0.94%	2.28%	2.57%	2.70%	2.28%
2.070 - Total Other Financing	226.78%	-95.48%	0.00%	0.00%	0.00%	0.00%	-19.10%
2.080 - Total Revenues and Ot	1.89%	2.70%	0.94%	2.28%	2.57%	2.69%	2.24%

Notes & Assumptions:

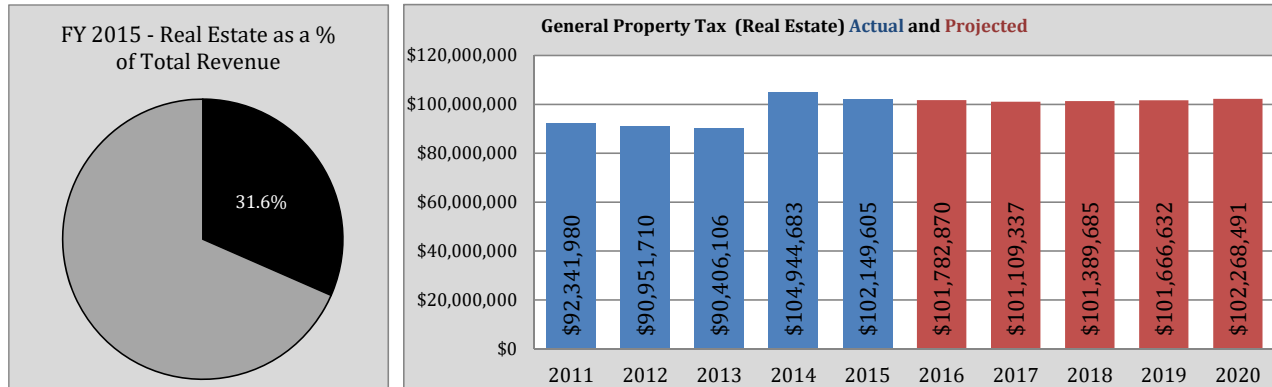
Real estate growth is stagnant because of property value decline from the Great Recession. The only contributor to increased real estate revenue growth in the past five years was the passage of a new tax levy in 2012. The new state funding formula continues to generate year-over-year revenue growth, but not at the pace of district expenditure growth.

Operating revenue average annual growth is projected to be 2.28% over the five-year forecast period.



1.010 - General Property Tax (Real Estate)

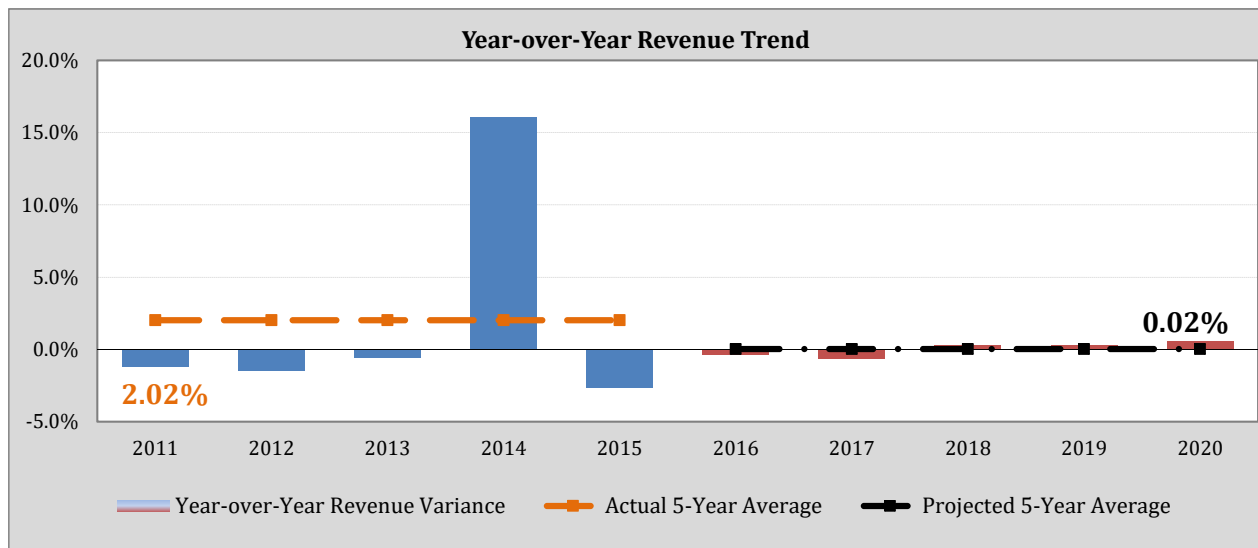
Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



Notes & Assumptions:

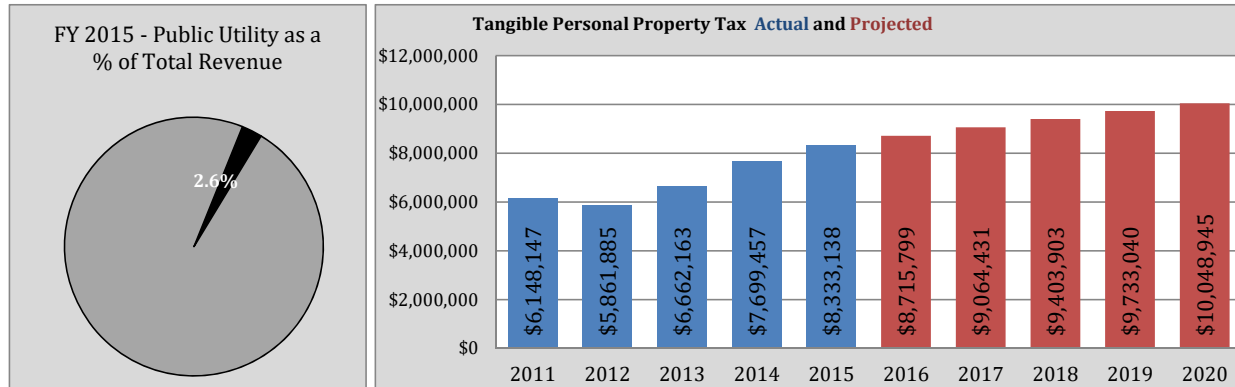
Local real estate taxes paid by residents and businesses provide almost 32 cents of every dollar in revenue. This revenue declined in 2012 and 2013 because of property valuation reductions. In 2012, the district's taxpayers approved a new levy. The valuation reductions have continued since 2013 and have negatively impacted revenue. Real estate valuations are projected to continue declining through calendar year 2018 with a small amount of growth projected for 2019 and 2020 calendar years.

The forecast includes a gross (including prior year delinquent, plus current taxes billed and paid) collection rate of 96.9% annually. This modeled gross collection rate is slightly above the recent history rate of 95.5%.



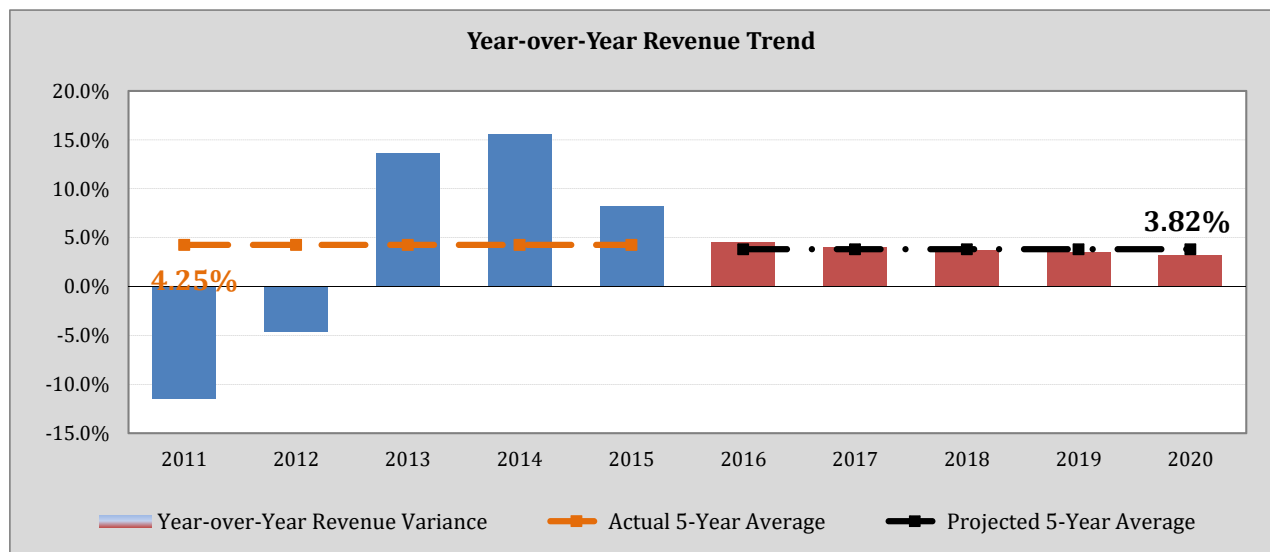
1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



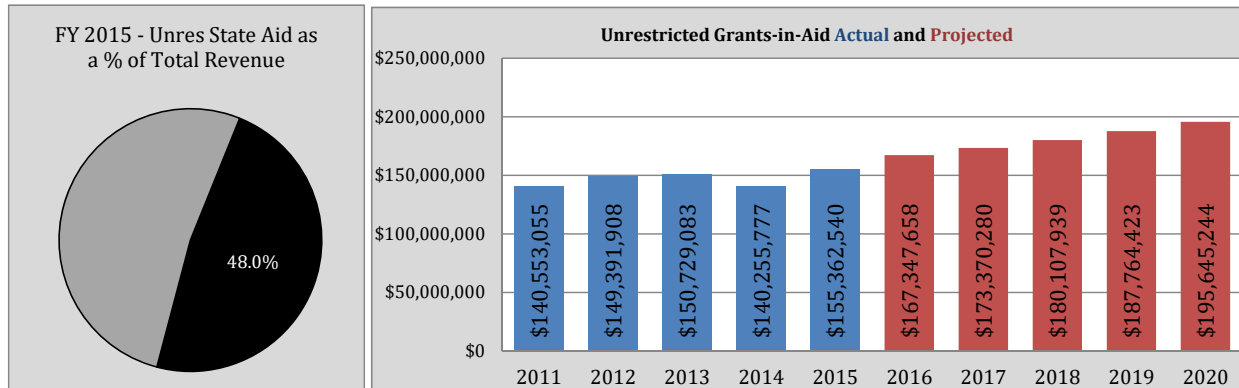
Notes & Assumptions:

Public utility tax revenue is less than 3.0% of the district's revenue, but is expected to grow consistently over the forecast period. The growth is attributable to ongoing infrastructure investment by power and gas companies.



1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.

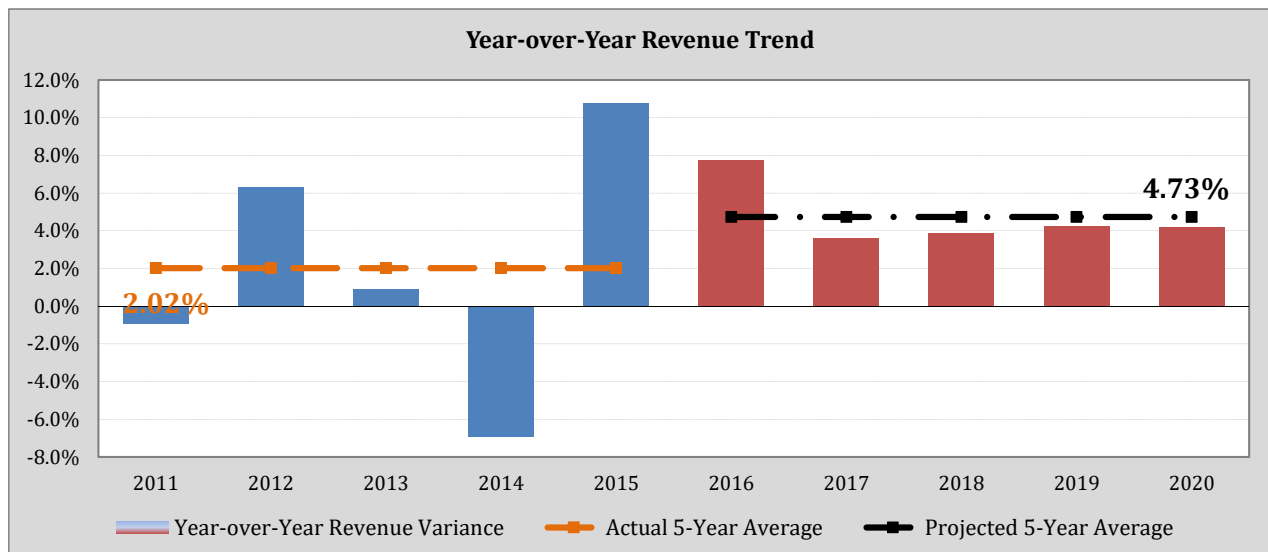


Notes & Assumptions:

The district's state revenue, also known as formula aid, comprises 48% of district revenue. This revenue has consistently grown since 2011. While the graph above shows a decline in 2014, this was due to a coding change that required more of the state formula dollars be designated as "restricted" from the current designation of "unrestricted."

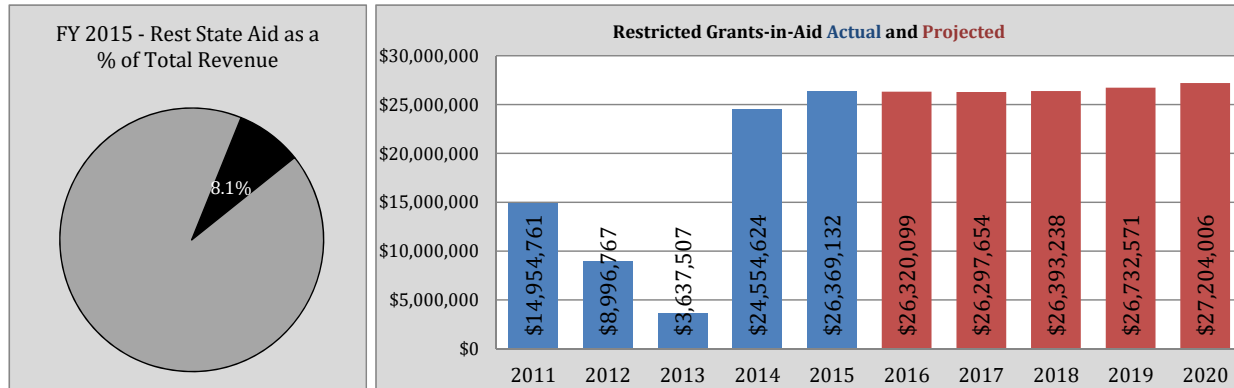
The district's state share of the per pupil funding (\$5,900 in FY 2016) is 70.1%, or \$4,139 per pupil. The state share is projected to increase slightly through the forecast period in response to distressed property valuations and limited growth. This per pupil funding is designated as "Core Funding," and is projected to total \$112 million in FY 2016.

The district's taxpayer income is 25% less than the statewide taxpayer income, and the district's per pupil valuation is only 62% of the average district's valuation per pupil. These parameters contribute to the district's high state share percentage, and also to its next most significant source of state funding which is Targeted Wealth Based funding at \$21.5 million.



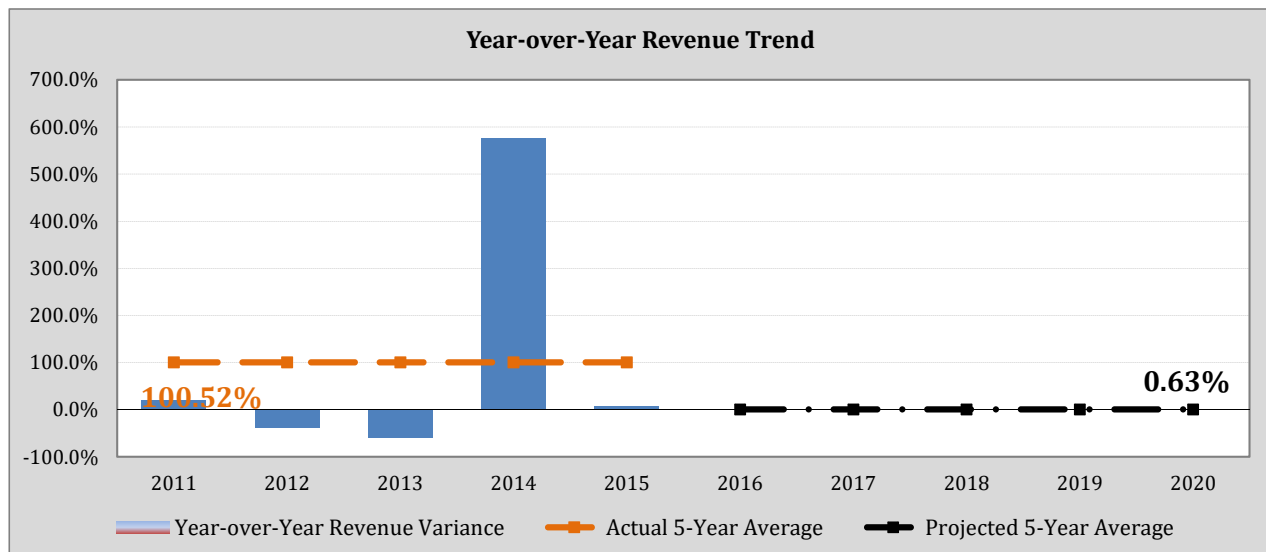
1.040 & 1.045 - Restricted Grants-in-Aid

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



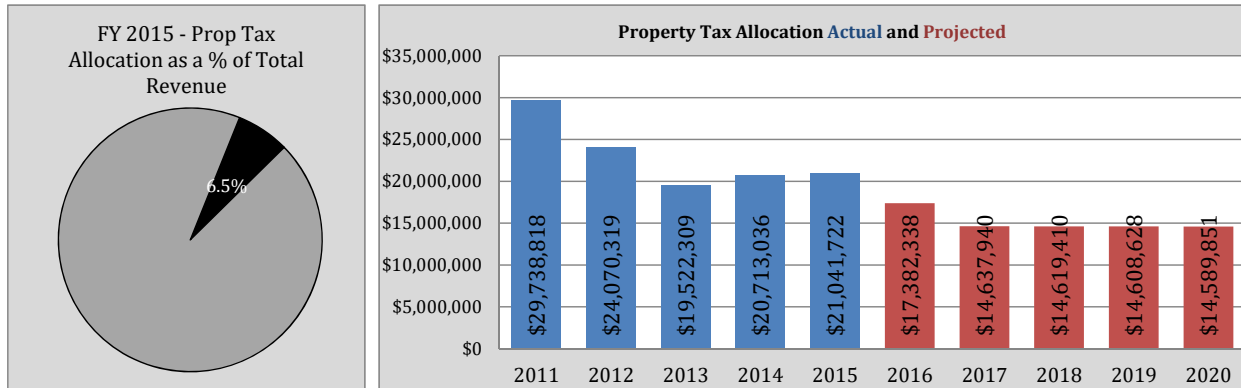
Notes & Assumptions:

Restricted state aid complements unrestricted state aid as it is the portion of the funding formula that must be designated as restricted; the restricted category is primarily 'economic disadvantaged' funding. Economic disadvantaged funding is expected to be \$22.7 million in FY 2016, and it is primarily driven by the district's relatively high student poverty level. In 2015, 90.6% of the district's students were identified as economically disadvantaged, compared to the state as a whole that has an average of 48.3% (FY 15).



1.050 - Property Tax Allocation

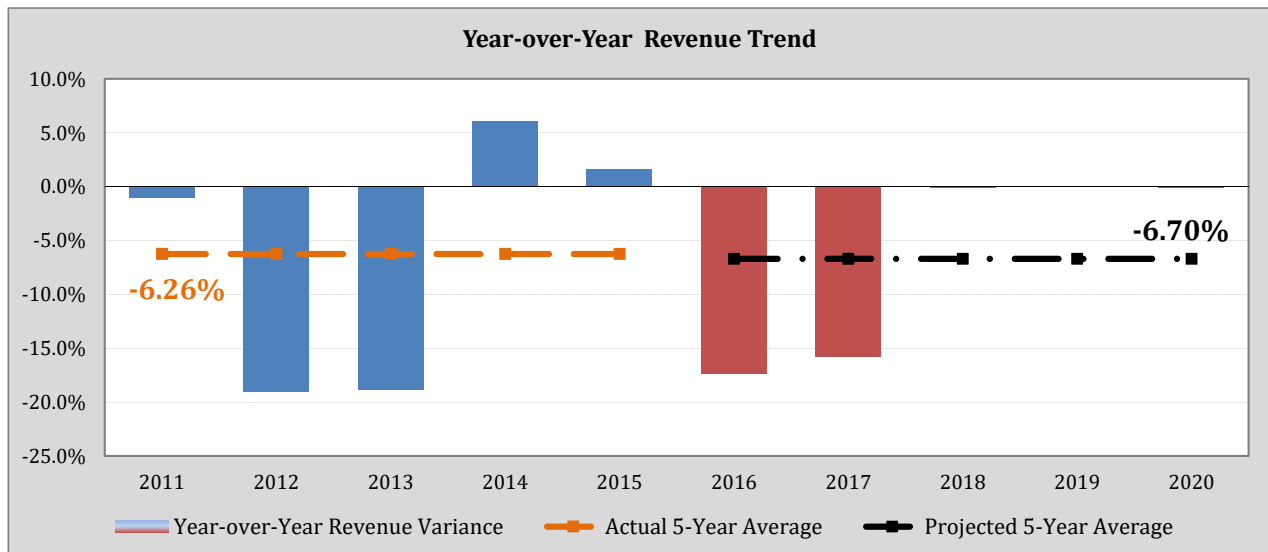
Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.



Notes & Assumptions:

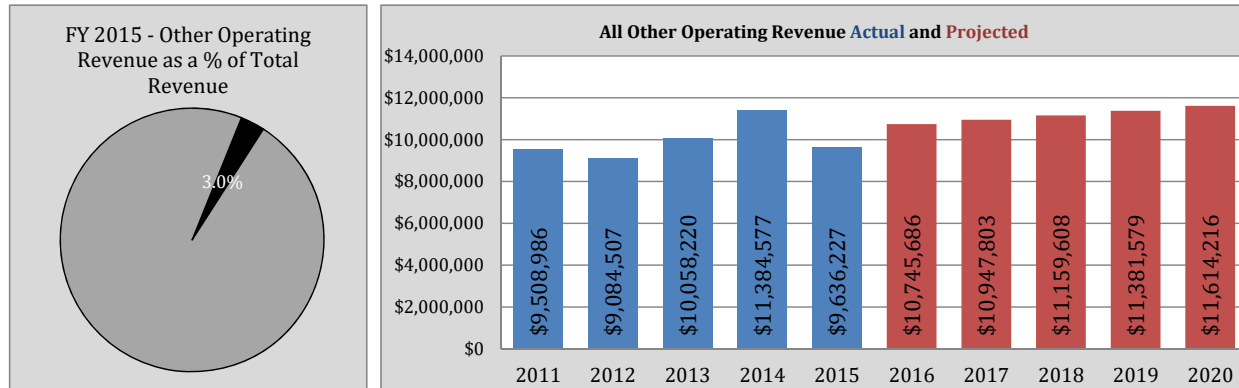
Property tax allocation is now just 6.5% of the district's revenue, but it has declined significantly from its 2011 level. This category includes the state's reimbursement known as "rollback" and "homestead." The reimbursement reduces local taxpayer real estate tax obligations.

In addition to reimbursement for local residential real estate taxes, Akron also receives reimbursement for Ohio's 2005 tax reform that eliminated local taxes on tangible personal property (equipment, inventory, etc.). This reimbursement was cut to \$5,652,518 in 2015, and is being phased-out to \$0 in FY 2017. It is this cut in state reimbursement that has partially offset initial funding gains from the state funding formula.



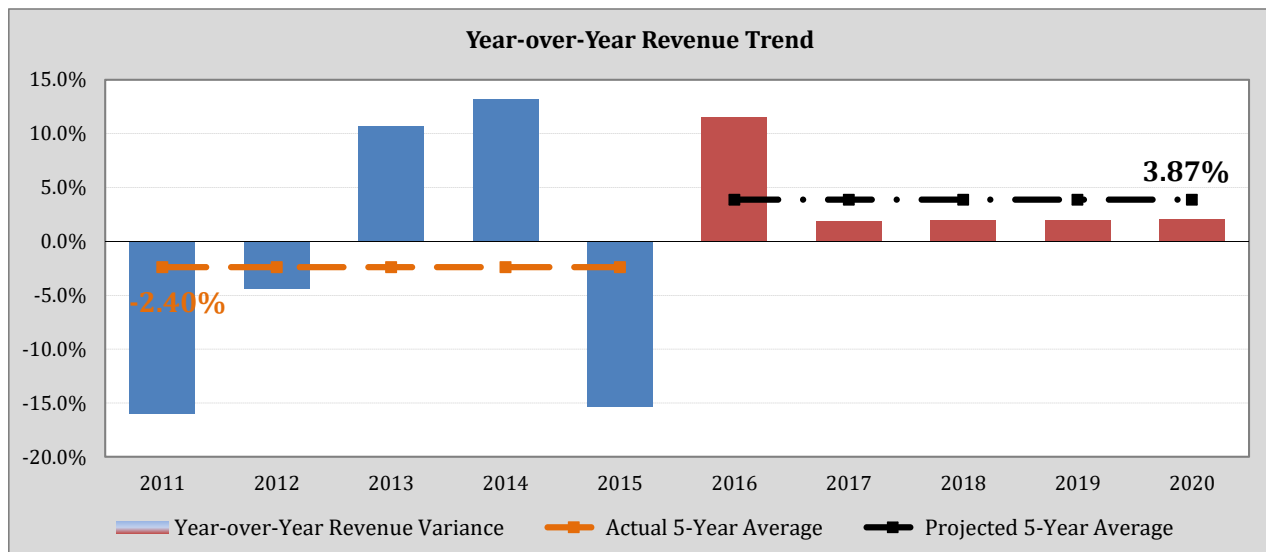
1.060 - All Other Operating Revenues

Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



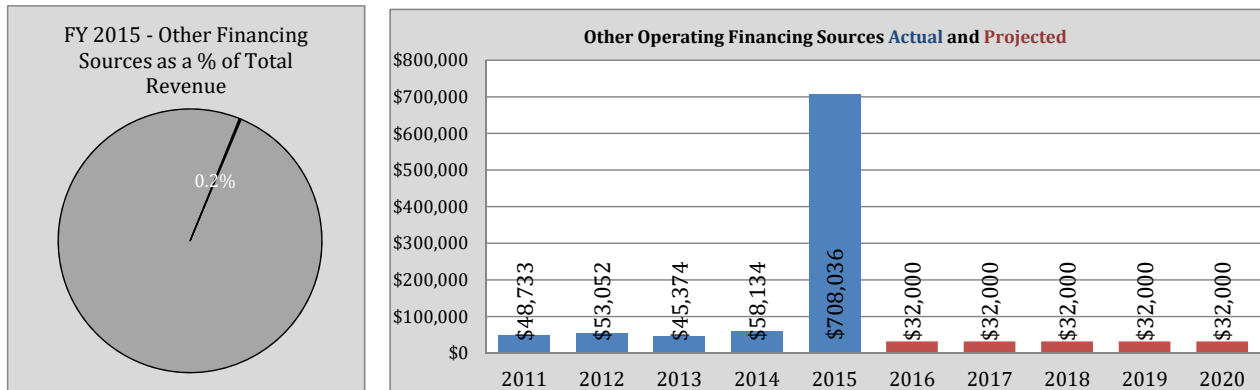
Notes & Assumptions:

At 3.0% of total revenue, the "other operating" category includes open enrollment tuition at \$3.6 million (35% of the total), and Medicaid reimbursement at \$2.5 million (approximately 25% of the total). Business and payments in lieu of taxes (abatements and Tax Incentive Financings) declined significantly from 2014 to 2015, and are projected to remain consistent at the 2015 level in 2016 and beyond.



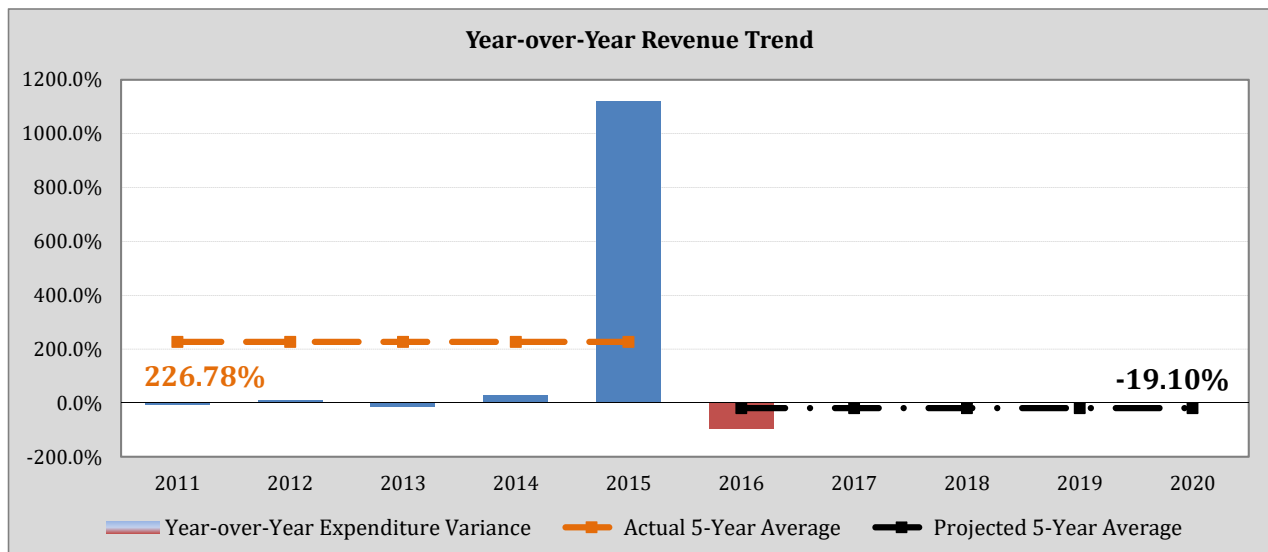
2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.



Notes & Assumptions:

This category includes advances (temporary loans) from the general fund that are repaid. The amount is projected to be consistent, and minimal from 2016 through 2020.

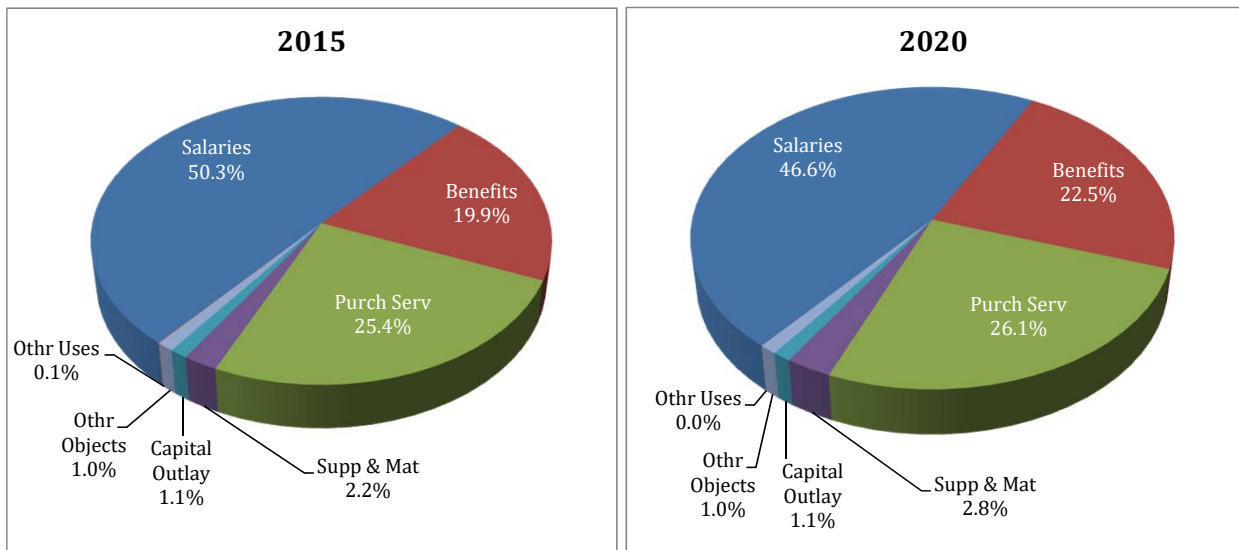


Expenditures Overview

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	
Revenue:							
3.010 - Salaries	-0.67%	2.47%	1.61%	1.96%	2.17%	2.15%	2.07%
3.020 - Benefits	0.59%	8.91%	5.15%	5.50%	5.76%	5.83%	6.23%
3.030 - Purchased Services	5.84%	5.46%	3.91%	3.80%	3.83%	3.86%	4.17%
3.040 - Supplies & Materials	0.27%	12.63%	9.94%	6.71%	6.93%	7.15%	8.67%
3.050 - Capital Outlay	57.50%	12.18%	1.07%	1.08%	1.09%	1.10%	3.31%
3.060 - Intergov	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.010 - 4.060 - Debt	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.300 - Other Objects	3.67%	5.23%	4.07%	4.10%	4.12%	4.15%	4.33%
4.500 - Total Expenditures	1.12%	4.87%	3.14%	3.31%	3.50%	3.54%	3.67%
5.040 - Total Other Financing	42.37%	-58.31%	0.00%	0.00%	0.00%	0.00%	-11.66%
5.050 - Total Expenditures and	1.12%	4.81%	3.14%	3.31%	3.50%	3.54%	3.66%

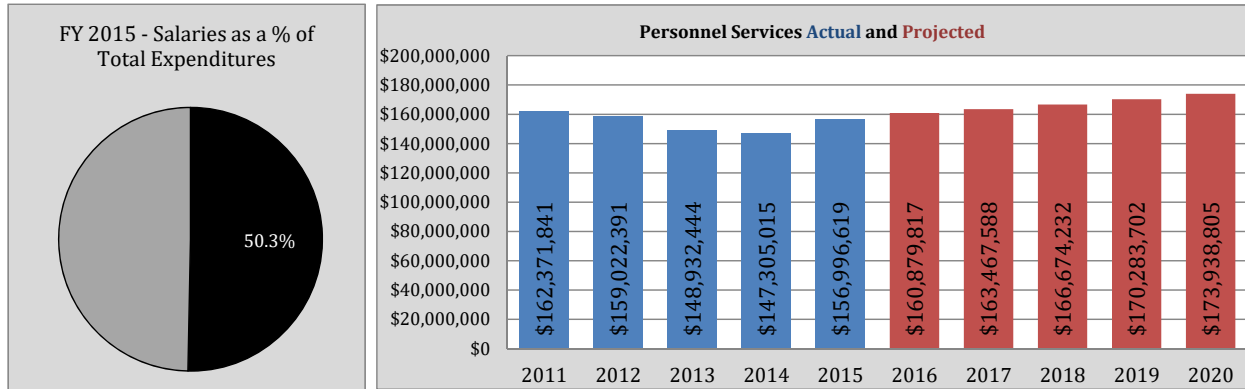
Notes & Assumptions:

Expenditures are projected to grow 3.67% annually on average over the forecast period. While not the highest individual percentage growth, salaries and benefits comprise 70% of the district's budget, and are the lead contributors to annual cost increases.



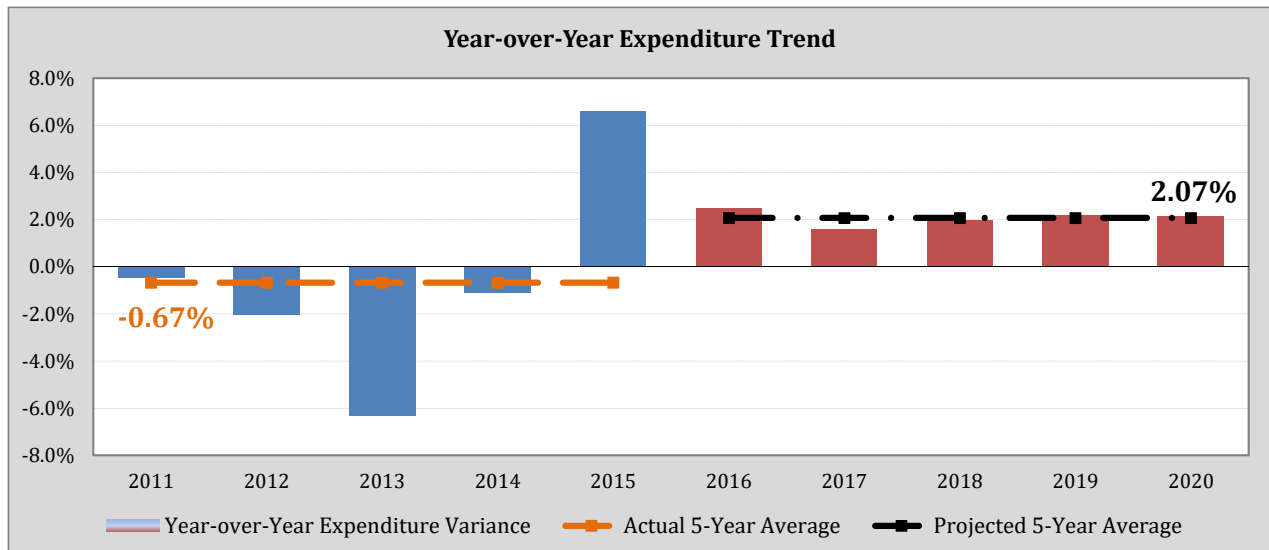
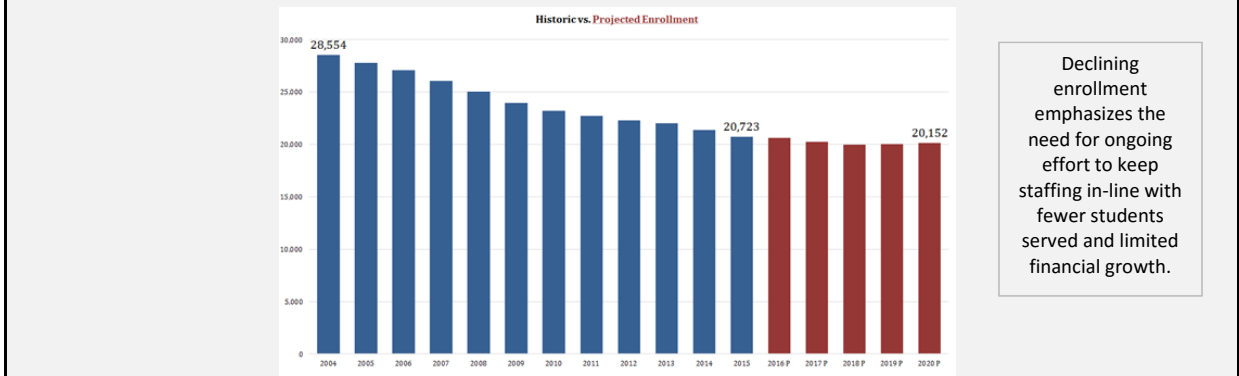
3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



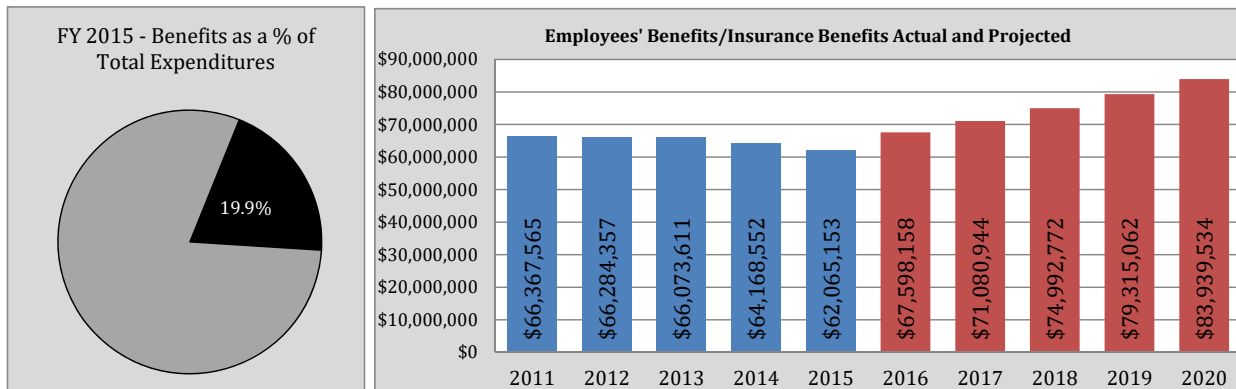
Notes & Assumptions:

Salaries are half of the district's budget. The district began to cut costs in FY 2012, and the decline in salary cost continued through FY 2014. In FY 2015 the district's salary costs increased by 6.58%. While cost remains below the FY 2011 level, the forecast reflects continued increases with slightly declining staffing levels. The average annual cost increase for the forecast period FY 2016 through FY 2020 is 2.07%. If historical student mobility results are an indicator, then the district's head count enrollment reveals the following trend:



3.020 - Employees' Benefits

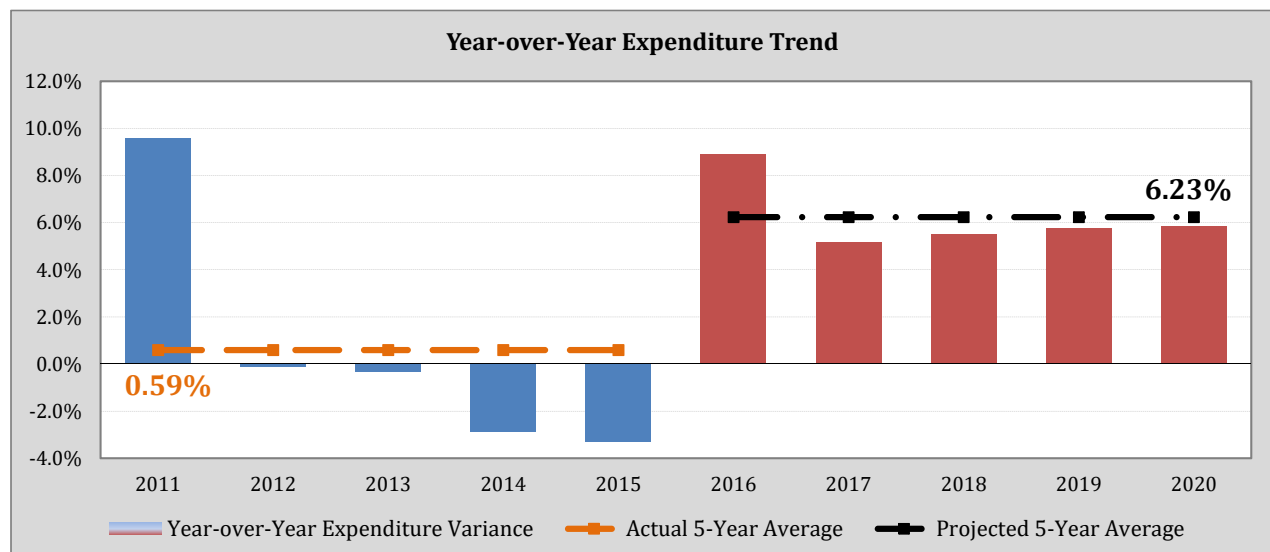
Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



Notes & Assumptions:

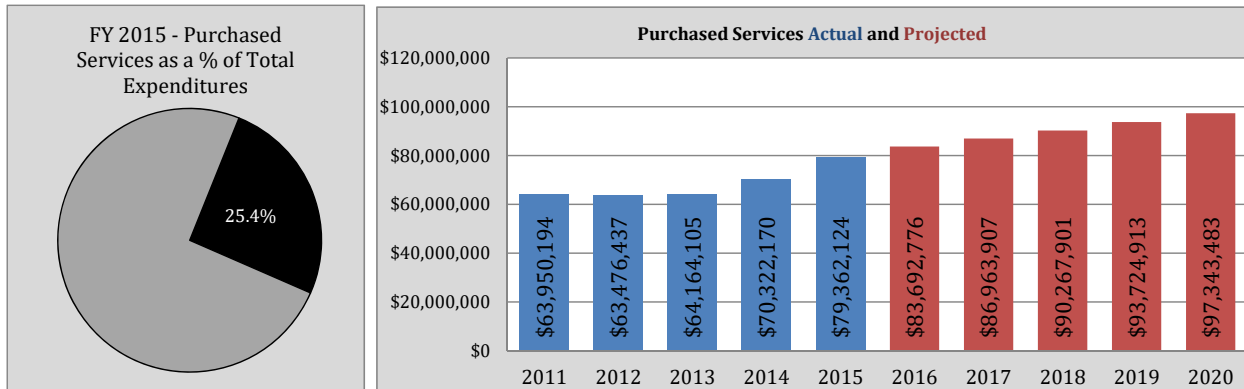
The third largest spending category is for fringe benefits at 25.4% of the district's budget. Fringe benefit costs have increased at a rate of 0.59% annually over the past five years. Increases in cost would have been greater had there not been staffing reductions. The single biggest contributor to increases is health insurance.

Fringe benefit costs are projected to increase 6.23% annually, on average, through FY 2020. The FY 2016 fringe benefit costs are projected to increase by 8.91% because actual financial results through September 2015 reveal steeper cost than originally planned. This line item will be researched, and if warranted, additional health insurance premium will be forecasted for FY 2016.



3.030 - Purchased Services

Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase.

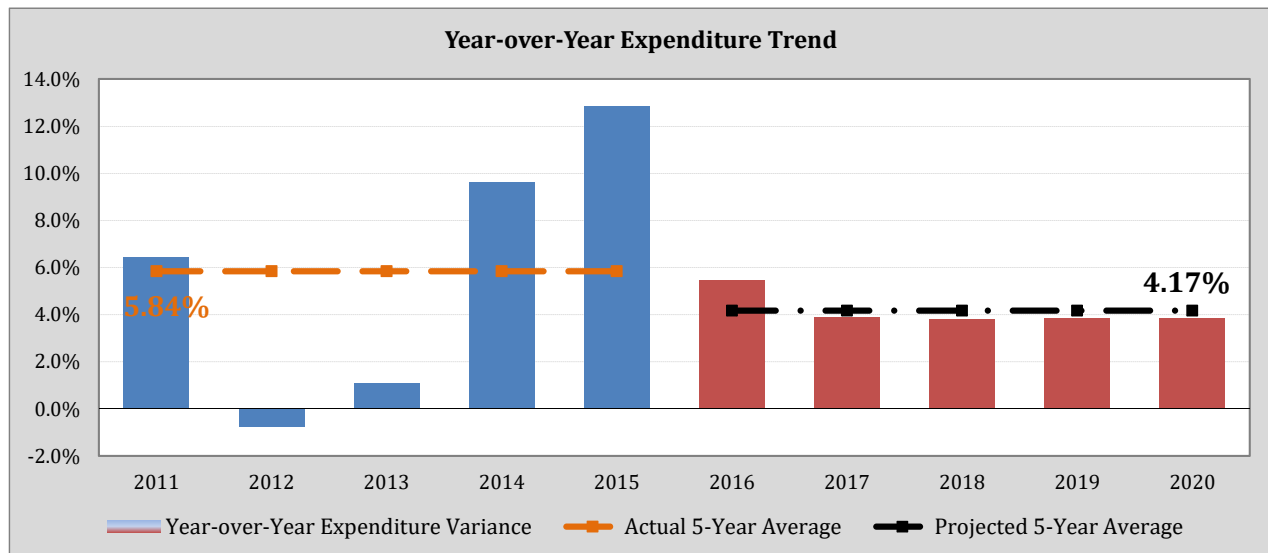


Notes & Assumptions:

Purchased services are one-fourth of the district's operating budget. Tuition paid to community schools and others make up 73% of the purchased services category. The district paid \$32,391,683 to community schools in FY 2015 which was an increase of 11.2% or \$3.2 million. Vouchers totaled \$6,797,490 in FY 2015 after a 30.3% increase over FY 2014.

College tuition payments for students totaled \$2,322,766 in FY 2015 and grew almost \$1.3 million over FY 2014.

Utilities totaled \$9,427,244 in FY 2015 and represent about 12% of purchased services. All other purchased services totaled \$10,967,387 in FY 2015 with van drivers at \$4,533,204, the largest single component after 20.1% increase over FY 2014.



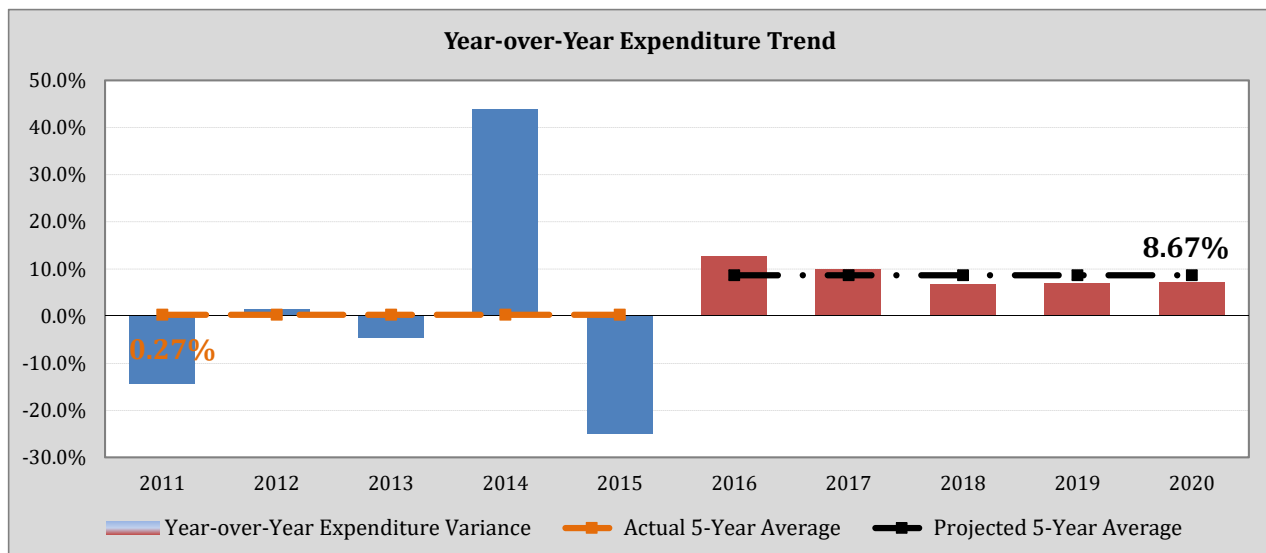
3.040 - Supplies & Materials

Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



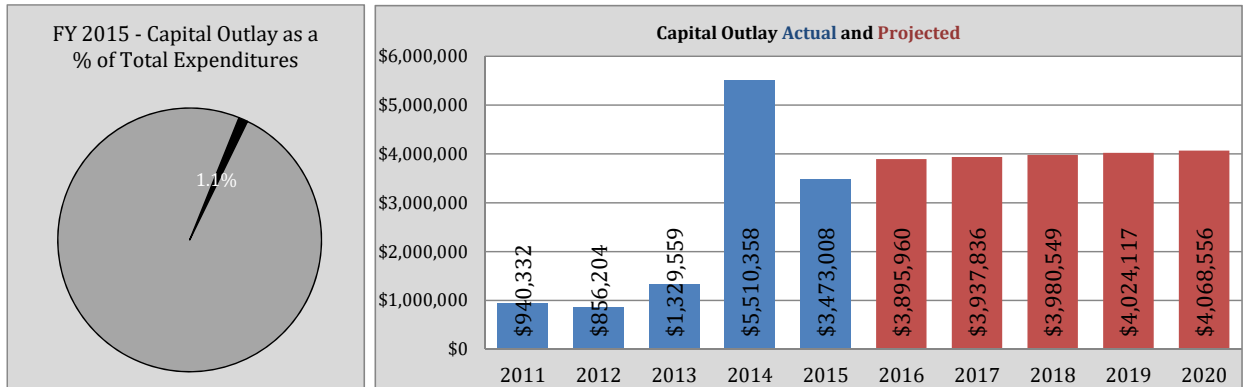
Notes & Assumptions:

The district maintained supplies (including instructional) at 2.2% of the district's budget in FY 2015. The forecast projects annual growth in this category in response to the deferral of costs from the Great Recession era and the desire to better meet student needs. The increase averages 8.67% annually through FY 2020.



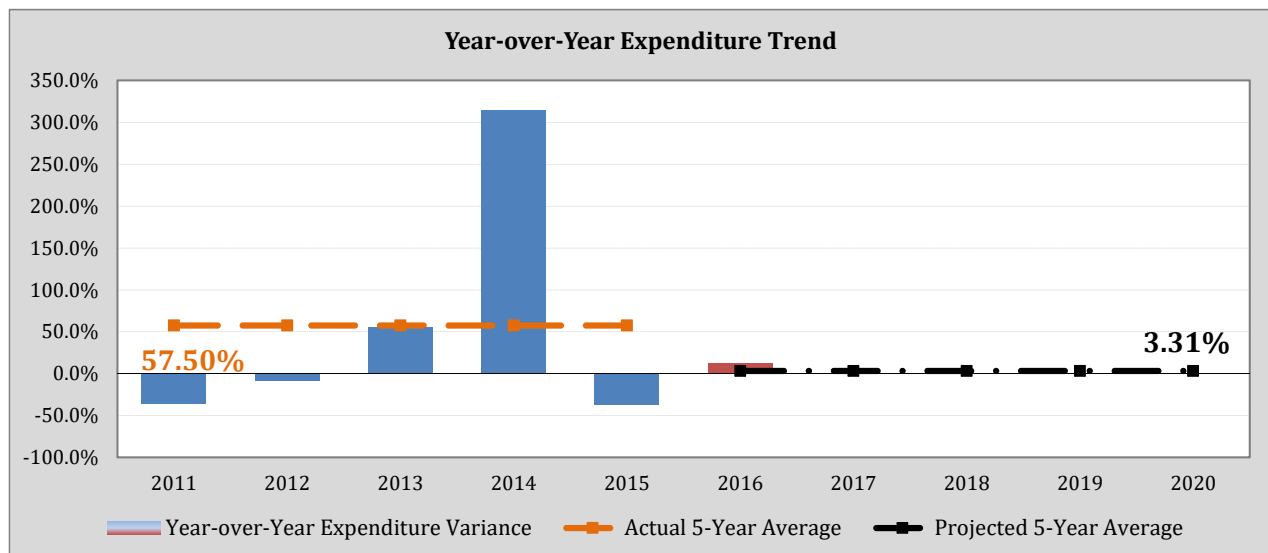
3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



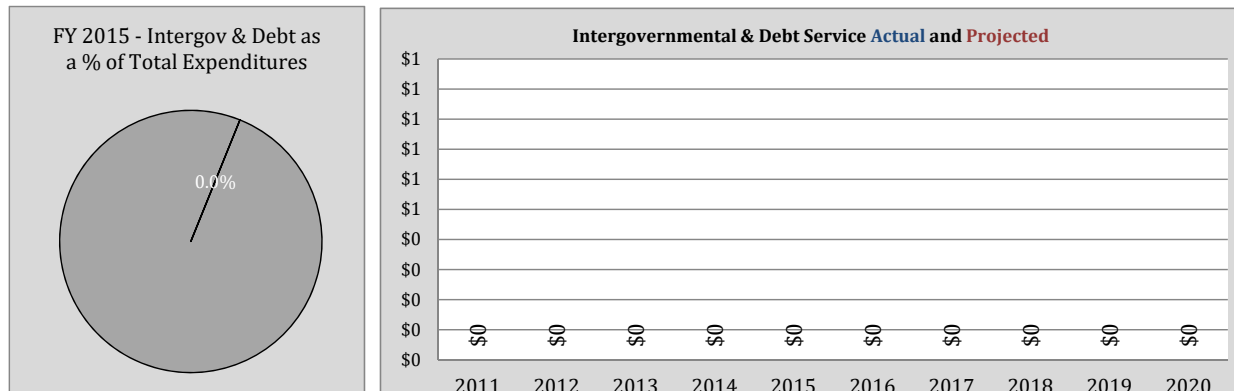
Notes & Assumptions:

Capital outlay is just 1.1 % of the district's budget and is projected to grow slightly from the FY 2015 level in response to inflationary pressures. Annual average growth is projected to be 3.31%.



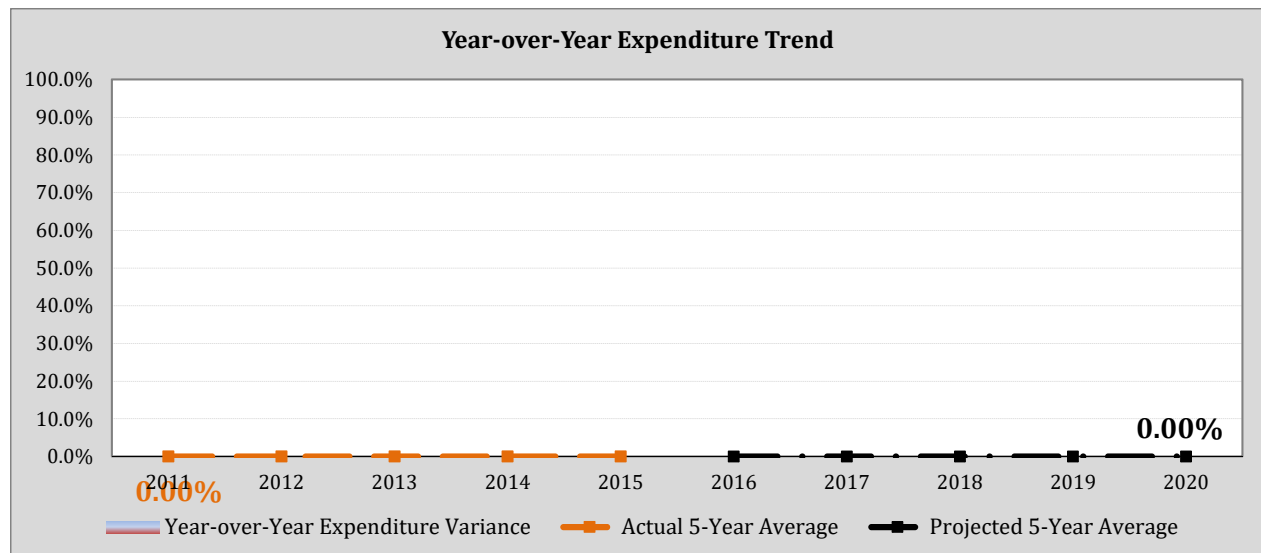
3.060-4.060 - Intergovernmental & Debt

These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



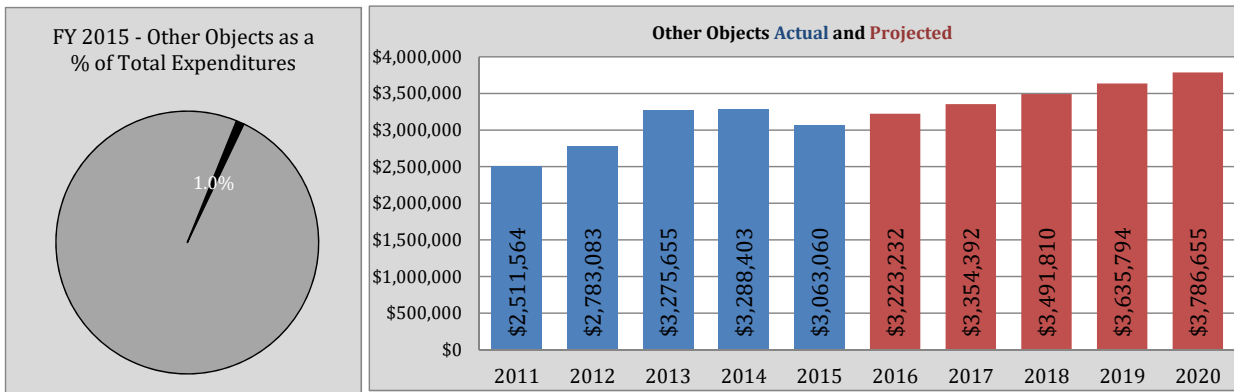
Notes & Assumptions:

The district has no general fund debt payments

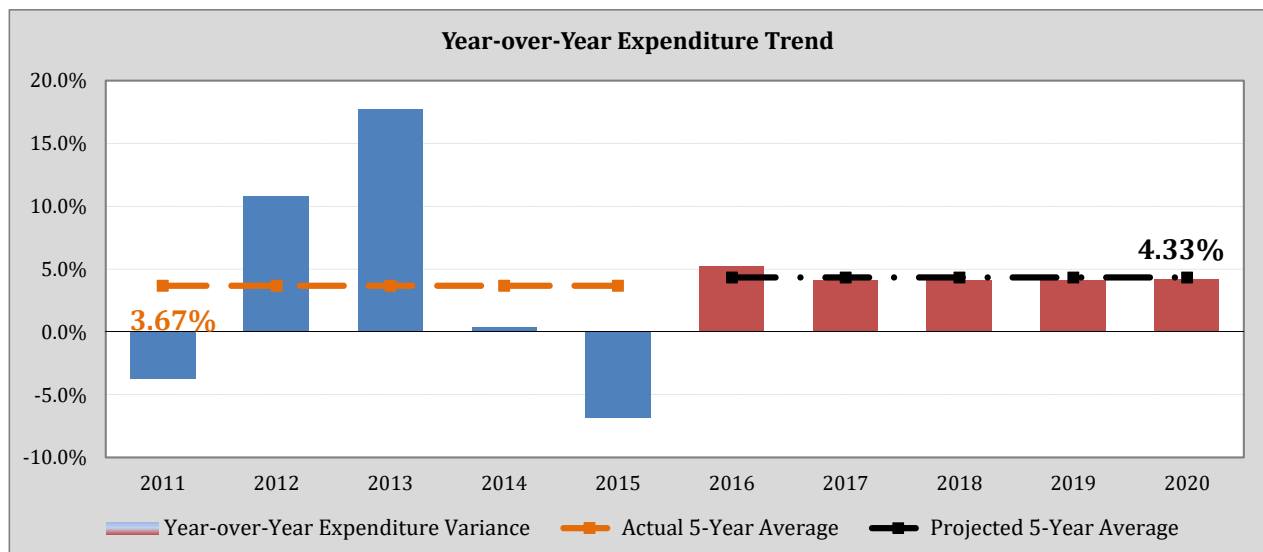
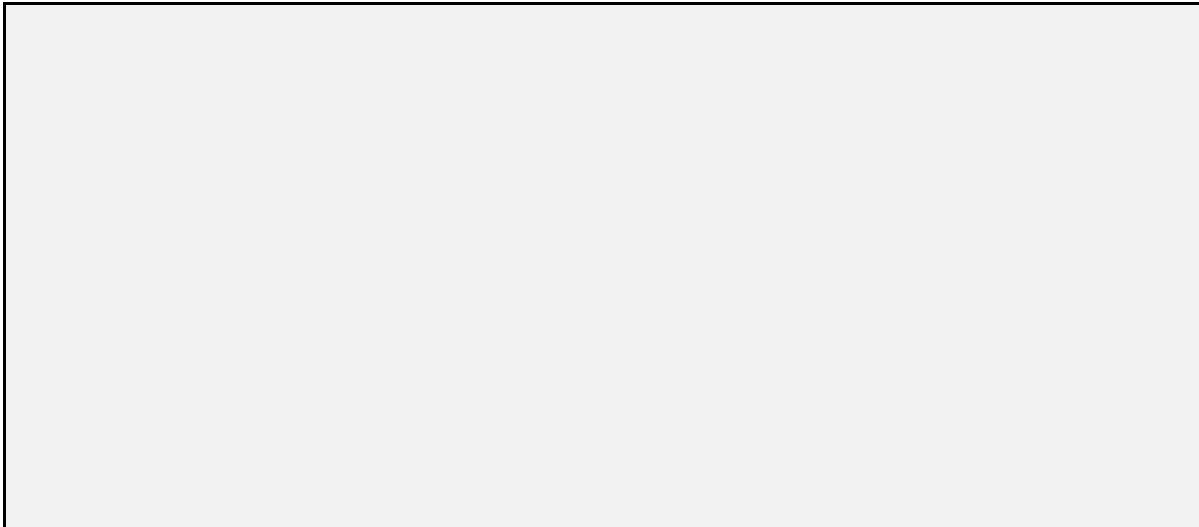


4.300 - Other Objects

Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.

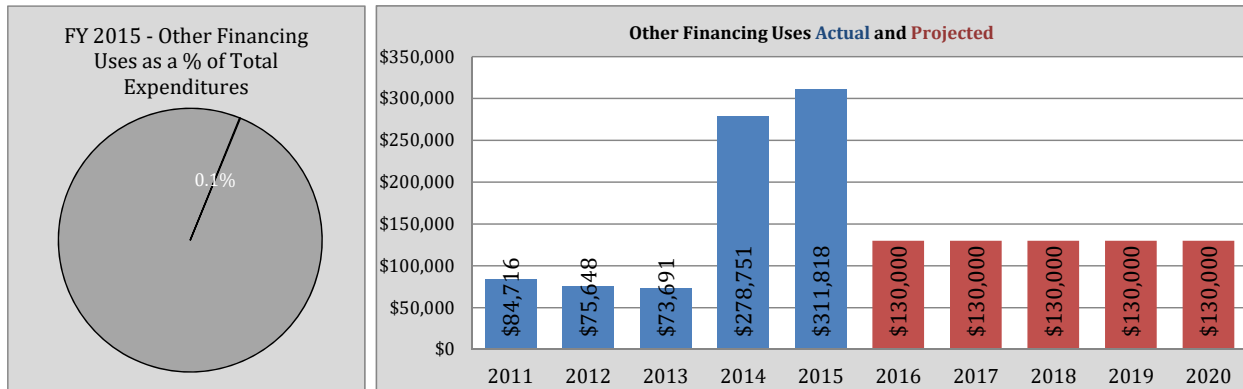


Notes & Assumptions:



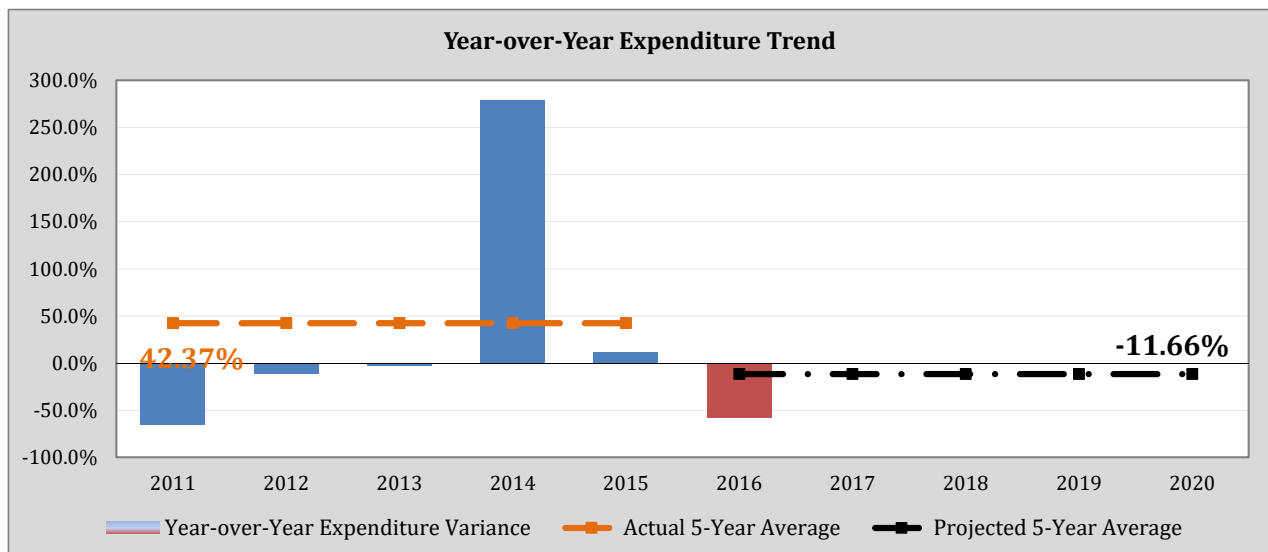
5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



Notes & Assumptions:

Other financing uses are transfers and/or temporary advances (loans) to other funds. The activity is projected to be minimal through the forecast period ending FY 2020.



Forecast Compare

Comparison of Previous Forecast Amounts to Current Forecasted Numbers
F.Y. 2016

		Column A	Column B	Column C	Column D
		Previous Forecast Amounts For F.Y. 2016 Prepared on: May Update, 2015	Current Forecast Amounts For F.Y. 2016 Prepared on: 10/19/2015	Dollar Difference Between Previous and Current	Percent Difference Between Previous and Current
Revenue:					
1	Real Estate & Property Allocation	\$121,559,540	\$119,165,208	-\$2,394,332	-2.0%
2	Public Utility Personal Property	\$8,630,350	\$8,715,799	\$85,449	1.0%
3	Income Tax	\$0	\$0	\$0	n/a
4	State Foundation Restricted & Unrestricted	\$189,791,584	\$193,667,757	\$3,876,173	2.0%
5	Other Revenue	\$10,805,407	\$10,745,686	-\$59,721	-0.6%
6	Other Non Operating Revenue	\$32,000	\$32,000	\$0	0.0%
7	Total Revenue	\$330,818,881	\$332,326,450	\$1,507,569	0.5%
Expenditures:					
8	Salaries	\$161,876,690	\$160,879,817	-\$996,873	-0.6%
9	Fringe Benefits	\$65,529,220	\$67,598,158	\$2,068,938	3.2%
10	Purchased Services	\$77,358,812	\$83,692,776	\$6,333,964	8.2%
11	Supplies, Debt, Capital Outlay & Other	\$17,711,882	\$14,786,058	-\$2,925,824	-16.5%
12	Other Non Operating Expenditures	\$130,000	\$130,000	\$0	0.0%
13	Total Expenditures	\$322,606,604	\$327,086,809	\$4,480,205	1.4%
14	Revenue Over/(Under) Expenditures	\$8,212,277	\$5,239,641	-\$2,972,636	-0.9%*
15	Ending Cash Balance	\$43,698,779	\$40,046,297	-\$3,652,482	-44.5%*

Notes:

The current forecast for FY 2016 reflects revenue within 0.5% of the May updated forecast. Expenses are projected to be 1.4% higher because of increases in purchased services (community school tuition increases experienced in FY 2015 did not occur until year-end), fringe benefits are trending higher in FY 2016, and supplies, capital, and other operating uses are trending lower.

Akron Public Schools

Fiscal Year:	Actual	FORECASTED				
	2015	2016	2017	2018	2019	2020
Revenue:						
1.010 - General Property Tax (Real Estate)	102,149,605	101,782,870	101,109,337	101,389,685	101,666,632	102,268,491
1.020 - Public Utility Personal Property	8,333,138	8,715,799	9,064,431	9,403,903	9,733,040	10,048,945
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	155,362,540	167,347,658	173,370,280	180,107,939	187,764,423	195,645,244
1.040 - Restricted Grants-in-Aid	26,369,132	26,320,099	26,297,654	26,393,238	26,732,571	27,204,006
1.045 - Restricted Federal Grants - SFSF	-	-	-	-	-	-
1.050 - Property Tax Allocation	21,041,722	17,382,338	14,637,940	14,619,410	14,608,628	14,589,851
1.060 - All Other Operating Revenues	9,636,227	10,745,686	10,947,803	11,159,608	11,381,579	11,614,216
1.070 - Total Revenue	322,892,364	332,294,450	335,427,444	343,073,783	351,886,873	361,370,753
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	21,884	32,000	32,000	32,000	32,000	32,000
2.050 - Advances-In	-	-	-	-	-	-
2.060 - All Other Financing Sources	686,152	-	-	-	-	-
2.070 - Total Other Financing Sources	708,036	32,000	32,000	32,000	32,000	32,000
2.080 - Total Rev & Other Sources	323,600,400	332,326,450	335,459,444	343,105,783	351,918,873	361,402,753
Expenditures:						
3.010 - Personnel Services	156,996,619	160,879,817	163,467,588	166,674,232	170,283,702	173,938,805
3.020 - Employee Benefits	62,065,153	67,598,158	71,080,944	74,992,772	79,315,062	83,939,534
3.030 - Purchased Services	79,362,124	83,692,776	86,963,907	90,267,901	93,724,913	97,343,483
3.040 - Supplies and Materials	6,807,083	7,666,867	8,429,033	8,994,994	9,618,138	10,305,566
3.050 - Capital Outlay	3,473,008	3,895,960	3,937,836	3,980,549	4,024,117	4,068,556
3.060 - Intergovernmental	-	-	-	-	-	-
Debt Service:						
4.010 - Principal-All Years	-	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	-	-	-	-	-	-
4.055 - Principal - Other	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	-	-	-	-	-	-
4.300 - Other Objects	3,063,060	3,223,232	3,354,392	3,491,810	3,635,794	3,786,655
4.500 - Total Expenditures	311,767,046	326,956,809	337,233,699	348,402,259	360,601,725	373,382,599
Other Financing Uses						
5.010 - Operating Transfers-Out	311,818	130,000	130,000	130,000	130,000	130,000
5.020 - Advances-Out	-	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	311,818	130,000	130,000	130,000	130,000	130,000
5.050 - Total Exp and Other Financing Uses	312,078,865	327,086,809	337,363,699	348,532,259	360,731,725	373,512,599
6.010 - Excess of Rev Over/(Under) Exp	11,521,535	5,239,641	(1,904,255)	(5,426,476)	(8,812,852)	(12,109,847)
7.010 - Cash Balance July 1 (No Levies)	23,285,121	34,806,656	40,046,297	38,142,043	32,715,567	23,902,715
7.020 - Cash Balance June 30 (No Levies)	34,806,656	40,046,297	38,142,043	32,715,567	23,902,715	11,792,868
8.010 - Estimated Encumbrances June 30	-	-	-	-	-	-
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	34,806,656	40,046,297	38,142,043	32,715,567	23,902,715	11,792,868
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Income & Property Tax-Renewal	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	34,806,656	40,046,297	38,142,043	32,715,567	23,902,715	11,792,868
Revenue from New Levies						
13.010 & 13.020 - Income & Property Tax-New	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	34,806,656	40,046,297	38,142,043	32,715,567	23,902,715	11,792,868



SUPPLEMENT A

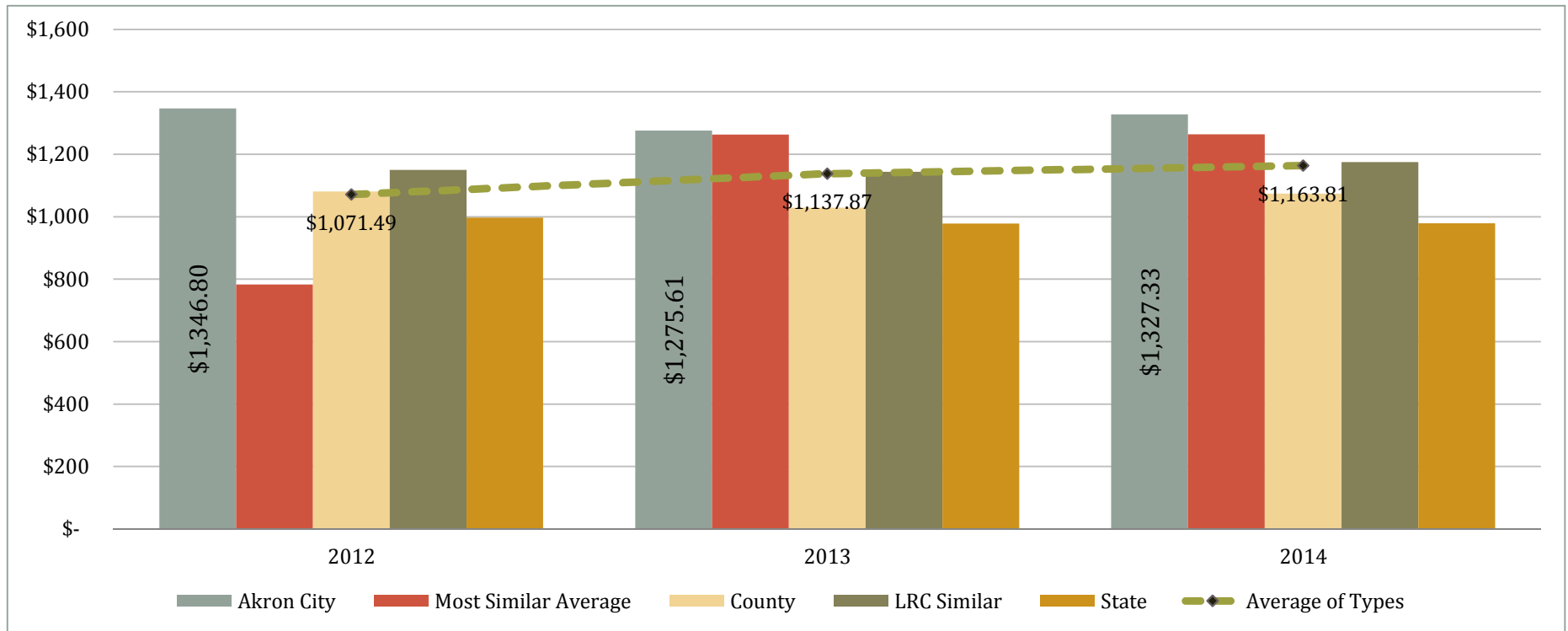
Enrollment Change Compared to Staffing Change					
		Student		Employee	
		ADM	% Change	FTE	% Change
History	2009	23,940		0	
	2010	23,210	-3.05%	0	0.00%
	2011	22,724	-2.09%	3,926	0.00%
	2012	22,317	-1.79%	3,491	-11.08%
	2013	22,008	-1.38%	3,492	0.03%
	2014	21,400	-2.76%	3,487	-0.14%
Projected	2015	21,096	-1.42%	3,554	1.92%
	2016	20,679	-1.98%	3,554	0.00%
	2017	20,073	-2.93%	3,554	0.00%
	2018	19,979	-0.47%	3,554	0.00%
	2019	19,724	-1.28%	3,554	0.00%

In Perspective:

Particular attention needs paid to staffing versus student enrollment. The decline in district enrollment should be a driving component of the strategic discussion regarding operating efficiencies and sustainability.

Total Building Operational Cost

Total building operational cost takes the EFM ADM and multiplies it by the square foot per pupil and the building operational cost per square foot to determine the total yearly building operational costs.



Building Square Foot per Pupil

EGBB 7? 7@F 5



Building square foot per pupil is calculated from EMIS building square footage (including central office) divided by EFM ADM.

