

2006-2015 FISCAL HEALTH PLAN
& Update as of Spring, 2014

“The mission of the Findlay City Schools, a community partnership committed to educational excellence, is to instill in each student the knowledge, skills and virtues necessary to be lifelong learners who recognize their unique talents and purpose and use them in pursuit of their dreams and for service to a global society. This is accomplished through a passion for knowledge, discovery and vision shared by students, families, staff and community.”

- Mission Statement of the Findlay City Schools

“We will develop and implement plans to ensure sufficient funding for current and future operations, programs and facilities.”

- Strategy 2 of the Findlay City Schools’

Purpose

Back in 2005, concerned with Findlay’s fiscal situation; the Ohio Department of Education directed that this plan be developed to assure the state that our district will operate in the black through 2008. More than simply complying with a state mandate, however, this Fiscal Health Plan is intended to provide practical and specific guidelines, which the Board of Education believes are necessary to improve the long-term financial stability of the Findlay City Schools.

2014 Update: The Board of Education in March 2006 adopted this plan as the guiding fiscal direction for the district. As the years have progressed, we have stayed true to the principles of this plan and on target with our financial goals even in light of some very challenging economic times. This latest update is again in bold to accentuate our continued focus on fiscal health targets. The original 2006-2010 plan continues to be updated to reflect present conditions including new buildings, change in legislation, economic changes, and future concerns.

Introduction

2014 Update: Over the past nine years, we have witnessed a record number of Ohio school districts being forced to go to the ballot time and time again, including Findlay City Schools. In accordance with the original Fiscal Health Plan Findlay voters passed a 2.5 mill continuous permanent improvement levy in May 2006. Findlay voters also replaced a 3-year 4.9 mill operating levy in 2007 making it a 5-year levy, as well as replaced a 5-year 5.9 mill operating levy in 2008. After making sure operational and routine maintenance revenues were in place, the Findlay Voters then passed a 28 year 4.3 mill bond levy to build two new middle schools and a unified career tech building all completed during the 2013-14 school year. In March of 2012, our voters passed a 4.9 mill renewal operating levy and in May 2014 passed a 5.9 mill operating levy on a continuing basis. This will be a way to help curtail “levy fatigue” that voters feel.

Nonetheless, this Fiscal Health Plan has been necessitated by the following four factors:

1. Over the years, the effective operating millage of our district has been reduced by state tax reduction factors from 58.25 mills to 30.10 mills. In just the last three years,

for example, our 2003 levy has been reduced from 5.9 mills to 5.28 mills and our 2004 levy has been dropped from 4.9 mills to 4.39 mills. **Presently, the effective operating millage of our district has been reduced by state tax reduction factors from 65.05 mills to 38.390 mills.**

2. The volatility of the state budget process has and will create numerous challenges for the Findlay City Schools. For example, over the next five years, the intangible personal property tax, which was paid by businesses for years, will now be completely phased out. In 2005, this tax represented more than 25% of our local tax revenue. The continuing stream of unfunded state and federal mandates makes the issue of inadequate state funding even more challenging. **Update: With the new biennium budget bill passed the summer of 2013, the state changed the funding formation. We will continue to see changes in our state funding based on Ohio's economic status and legislation.**
3. The cost of items outside our control -- particularly utilities, health insurance, workers compensation, and fuel -- is consistently increasing at rates that significantly exceed inflation. **With the present economic environment and student enrollment, we need to continue fiscal responsibility. There is continued need to reduce staff by attrition whenever possible as finances and student enrollment dictate in order to closely monitor our finances.**
4. In 2005, Findlay had no permanent improvement levy, and our school district's needs to repair buildings, replace buses, update technology, replace equipment, and update textbooks all have had to be paid from the district's General Fund. **A 2.5 mill Permanent Improvement Levy, passed in 2006, has greatly improved these repairs, replacements and new equipment. Examples of PT dollars spent in the 2013/2014 school year are security entrances at elementary schools, new busses, and the security entrance at FHS slated for the summer of 2014.**

The Board of Education has charged the district's leadership team with studying every aspect of our current operation. This Fiscal Health Plan has been carefully considered and is based on program observation, candid analysis of our operations and programs, and discussion with school leaders, employee groups, the school board's Business Advisory Council, and many others. **Over the last eight years, the leadership team has used the plan in their continued effort to streamline operations including consolidation of buildings and selling unused property.**

Key Considerations

The Findlay Board of Education has been entrusted to provide our students with the best education possible within the resources available to us. The primary consideration in the development of this plan, therefore, has been to minimize the negative impact of budget reductions on our students and staff. Priority has been given to not impact our students' program availability and quality any more than absolutely necessary.

While we would like to totally insulate our staff members from the effects of expenditure reductions, it is simply impossible to do so. No school district can make significant reductions in its expenditures without some adverse effect on its staff. In almost every district's budget, at least 75% is devoted to employee compensation, including salaries and fringe benefits. (in 2005, Findlay City Schools devoted 86.3% to salaries and fringe benefits.) The majority of the remaining costs are fixed expenditures, largely beyond the district's control, such as utilities, fuel, textbooks, etc. **Update: Over the past**

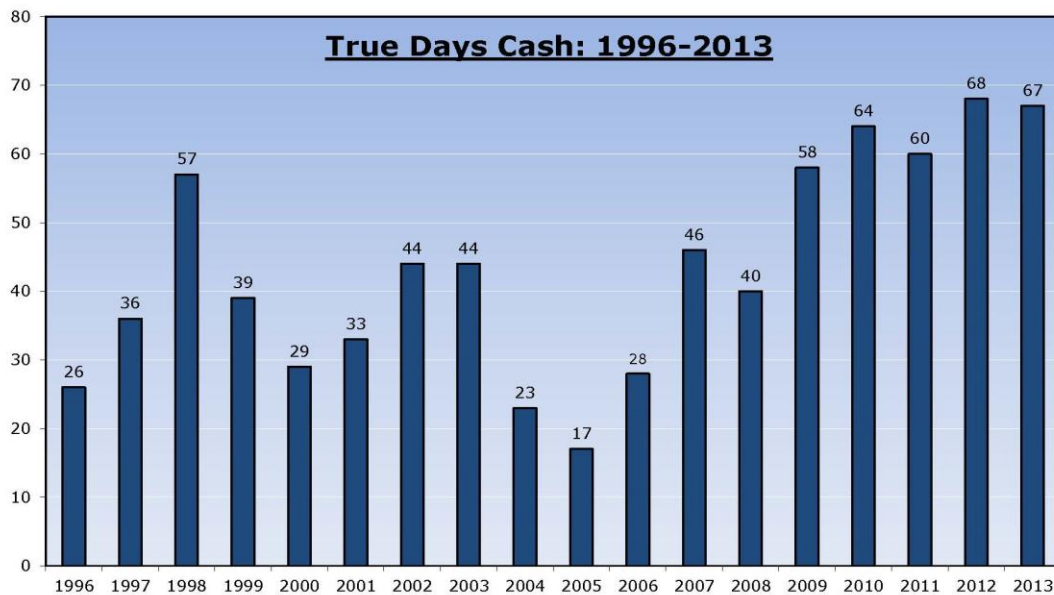
eight years, our salaries & fringe benefits have been reduced from 86.3% in 2006 to approximately 74.05% in FY 2013.

Clearly, the citizens and staff of the Findlay City School District have supported our schools for many years, and this support is tremendously appreciated. In developing the original Fiscal Health Plan and continue updating it, we reaffirm our commitment to working in partnership with our staff and community. We believe that it is important for our entire community and school staff to know the specifics about our cost containment efforts and our plans to restore our school district's fiscal health. **Update: By educating our staff and community about our district Fiscal Health over the last 8 years, we continue this focus.**

Fiscal Health Plan Goals

Goal I: Strategic Philosophy

We believe our goal should be to move slowly, but steadily, to restore the district's fiscal health to at least the level it was a few years ago. As the graph below illustrates, for Fiscal Years 1996-2013, Findlay's average True Days Cash -- a measure of fiscal health developed by the Ohio Department of Education -- was approximately forty (40) days. We believe it is essential to the long-term success and stability of the Findlay City Schools for us to restore our fiscal health to at least this level no later than the end of FY2010. This Fiscal Health Plan is an important first step toward achieving this goal. Accordingly, it has been and will continue to be the Board of Education's intent to utilize this Financial Health Plan into the total operation of the Findlay City Schools sustaining this philosophy over a long period of time. **We have made great progress since 2005 and have met and exceeded our short term goal of at least 40 to 50 true days cash. However; with the changes in our economy, reduced state funding, and new legislation, we must continue to focus on this "sustaining fiscal health philosophy".**



Goal II: Controlling Expenditures

Over the next few years, the interests of our students, staff, and taxpayers will all be inextricably tied to gaining better control over school expenditures and improving the long-term fiscal health of the Findlay City Schools. In our effort to make the Findlay City Schools a “leaner” operation, we must plan and implement a program of expenditure reductions. Further, we must implement this plan as quickly as possible. The sooner we implement some reductions, the fewer reductions will ultimately have to be made.

Working together in a constructive and creative partnership with our district’s three employee organizations, we must find fair approaches (1) to reduce costs, (2) maintain the quality of Findlay’s educational program, and (3) maintain an employment environment for our staff that is competitive with other area districts. Negotiations are about building relationships and working together to find constructive solutions. We embrace this process as a key to the achievement of these three objectives. **Update: In a collaborative effort with our certified and classified associations, the Board of Education has negotiated fair salary, fringe benefits and language contracts. By working together, following this Financial Health Plan, and working in an environment of transparency, we have made and continue to make great strides in controlling expenditures.**

Goal III: Planning District Revenue

As we all know, the community’s support for the Findlay Schools has been a major key to the success of our schools. Everyone associated with the school district tremendously appreciates the strong support our schools receive from the Findlay community. By replacing an expiring operating levy in 2003, approving a new operating levy in 2004, **Update passing a new Permanent Improvement Levy in 2006, a 4.9 mill Replacement Operating Levy in 2007, passing a 5.9 mill Replacement Levy in November of 2008, a 4.3 mill Bond Issue (to build three new buildings) in November 2009, a 4.9 mill renewal levy in 2009, a 4.9 mill renewal operating levy in March 2012, and passing a renewal 5.9 mill operating levy on a continuing basis, in May 2014.** Our taxpayers are already doing much to restore the Findlay City Schools’ fiscal health.

As we move toward the future, we will work hard to wisely plan for our schools’ future revenue needs, always bearing in mind an appreciation for the financial sacrifice our taxpayers are making to provide high quality schools for Findlay’s students, and a competitive compensation program for our district’s staff members.

2006-2015 Fiscal Health Action Plan Outline

Goal I: Strategic Philosophy

ACTION PLAN 1: *Establish Measurable Fiscal Goals*

ACTION PLAN 2: *Maintain a Focus on Customer Service*

ACTION PLAN 3: *Use Data to Guide Fiscal Planning*

Goal II: Controlling Expenditures

ACTION PLAN 4: *Staff Within Our Means* ACTION

PLAN 5: *Restructure Employee Benefits* ACTION

PLAN 6: *Control Staff Compensation Costs*

ACTION PLAN 7: *Reduce Transportation Costs*

ACTION PLAN 8: *Think Safety*

Goal III: Planning District Revenue

ACTION PLAN 9: *Pass a Permanent Improvement Levy*

ACTION PLAN 10: *Let Ohio's Tax Laws Work for Us*

Action Plan 1: Establish Measurable Fiscal Goals

“You achieve what you measure.” This familiar rule of organizational leadership certainly applies to school district financial management. Financially successful school districts realize that a district which has maintained a consistent year-end balance is actually *regressing* in terms of its fiscal health. As the district’s operation costs increase, the same dollar value the district carried as a year-end balance the previous year will be worth less the following year. For this reason, the Findlay Board of Education will use the statistic of “True Days Cash” as its primary measure of fiscal health. This statistic does an effective job of adjusting for inflation and evaluating the district’s year-end balance in terms of its current cost of operation:

True Days Cash Ratio

$$\text{True Day Cash} = \frac{\text{Unencumbered Year-end Balance}}{(\text{Total Expenditures} \div 365)}$$

Just as we set performance goals for our students’ achievement, it is important to establish performance goals for the district’s fiscal health. At the end of FY2005, Findlay had a year-end balance equivalent to 17 True Days Cash. In other words, our balance would operate the district for only 17 days. This was the lowest level of fiscal health our district has experienced in the past ten years. In our view, this precarious year-end balance was unacceptable. It was our goal to restore Findlay’s fiscal health to at least 40 True Days Cash by the end of FY2010. However, on the longer term, we believe that future consideration should be given to maintaining a measure of fiscal health equivalent to 60-80 True Days Cash.

Action Plan 2: Maintain a Focus on Customer Service

A public school district can only be as successful as the support it has from the public. In Ohio and many other states, for example, if a school district cannot pass its operating levies, it will generally be forced to significantly curtail its programs and cut its staff.

The need to pass levies, however, is only a part of Findlay’s need to place a priority on our relationship with the public. Our “customers” are every taxpayer, parent, and student. They deserve our daily respect, courtesy, and understanding. As we strive to continually earn our community’s confidence and support, we pledge our best efforts to communicate with the public at all times in a proactive, open, honest, and courteous manner. Further, the Board of Education directs the administration to develop procedures to measure the achievement of this action plan.

Action Plan 3: Use Data to Guide Fiscal Planning

In schools today, instructional decisions are increasingly data-driven. Just as data-driven decision making is applied in our instructional program, it must continue to be a key part of the way our district makes financial decisions.

For example, a key piece of financial data, of which we can probably take even greater advantage, is the Ohio Department of Education’s Cost Per Pupil report. This annual report analyzes school districts’ total per pupil expenditures in the following five categories. Examples of expenditures are listed with each category:

Instructional - teacher salaries and benefits, textbooks, classroom supplies

Pupil support - school libraries, counselors, instructional aides, nurses

Staff support – staff development and other in-service training

Administrative – administrators, office staff, and office supplies

Building operations - utilities, maintenance, custodial, transportation, food service

The following data compares Findlay City Schools’ expenditures in each of these categories with the twenty Ohio school districts the state considers the most similar districts to Findlay in terms of size, wealth, and demographics. This data is based on the FY 2013 Cost Per Pupil report.

Findlay’s FY11, FY12 & FY 13 (latest data from ODE) Cost Per Pupil Compared with 20 Most Similar Districts*

<u>Expenditure</u>	<u>Cost Per Pupil 11</u>	<u>Update FY12</u>	<u>Update FY13</u>	<u>*Rank (of 20 districts)</u>	<u>2012 update</u>	<u>Update FY13</u>
Instruction	\$6127.00	\$5962.00	\$6378.00	10 th	7 th	5 th
Pupil Support	986.00	951.00	962.00	16 th	10 th	1 st
Staff Support	439.00	416.00	358.00	11 th	8 th	5 th
Administration	1046.00	999.00	1041.00	15 th	14 th	14 th
Building Operations	1,779.00	1,941.00	1,862.00	13 th	4 th	6 th
Total Cost per Pupil	\$10,377.00	\$10,269.00	\$10,602.00	11 th	6 th	5 th

* *Findlay’s Twenty “Most Similar” Districts:* **Update:** ** Ranking is most expensive (1st) to least expensive (20th). The similar districts do change from year to year according to ODE’s criteria. We have lost wealthier districts in our comparison group and are picking up less wealthy districts – Fairborn City, Plain Local, Austintown Local, Troy, West Carrollton, Kent, Delaware, Huber Heights, Perry Local, Northwest Local, Wooster, Boardman Local, Miamisburg, Washington Local, Springfield Local, Mt. Vernon City, Xenia, West Clairmont, and Ashland.

The following data compares Findlay’s expenditures in each Cost Per Pupil category with other school districts of Hancock County:

Findlay’s FY11, FY12 & FY13 Cost Per Pupil Data Compared with Hancock County

<u>Expenditure</u>	<u>Cost Per Pupil 11</u>	<u>Update FY12</u>	<u>Update FY13</u>	<u>Rank (of 8 districts)</u>	<u>Update FY12</u>	<u>Update FY13</u>
Instruction	\$6127.00	\$5962.00	\$6378.00	1 st	2 nd	2 nd
Pupil Support	986.00	951.00	962.00	8 th	8 th	1 st
Staff Support	439.00	416.00	358.00	1 st	1 st	3 rd
Administration	1046.00	999.00	1041.00	7 th	8 th	9 th
Building Operations	1,779.00	1,941.00	1,862.00	4 th	4 th	6 th
Total Cost per Pupil	\$10377.00	\$10,269.00	\$10,602.00	2 nd	3 rd	2 nd

2014 Update: Over the last 8 years our cost cutting measures such as Middle School and High School teachers teaching at least six classes, reducing and consolidated staff as new buildings are built and consolidated an elementary due to student enrollment declines, we have made significant improvements in holding cost per student in line. These per pupil expenditures take into account our declining enrollment (which can raise cost per pupil expenditures) and addition of administrative costs of Findlay Digital Academy staff not employed in FY04.

Action Plan 4: Staff Within Our Means

In 2005-2006 the Findlay City School District employed 878 full and part-time regular employees (not including substitute employees). This number includes 510 certified employees and 368 support staff. Much of the success of the Findlay Schools is due in large part to the skill and dedication of these people.

Unfortunately, however, the hard fact of our district's current financial position is that we simply cannot afford to employ this many staff members. The Board of Education sincerely regrets this situation, but as detailed in the Introduction of this Fiscal Health Plan, a large portion of the revenue limitations and increasing costs, which have created much of our current fiscal dilemma, has been due to factors well beyond our local control.

Regrettably, prior to the start of FY 2007 (7/1/06) we reduced a minimum of 30-35 certified staff positions and 10-15 support staff positions. We are hopeful that most, if not all, of this staff reduction can be accomplished through attrition. The Board and administration are working hard to provide incentives for staff to provide us with early notification of any plans they may have to resign or retire at the end of this year. If attrition alone is insufficient to achieve the required level of staff reduction, we will have no choice but to implement reduction-in-force (RIF) procedures in compliance with both state law and our negotiated agreements. We remain hopeful that reductions can be accomplished without actual layoffs, and we pledge our continued efforts toward this end.

It must also be realized, that prior to Fiscal Years 2008, 2009, and 2010, further staff reductions may be necessary. Future staff reductions will depend on many factors, particularly state funding, levy passage, and collective bargaining decisions. However, at this point at least, we are confident that staff reductions in FY08-10 can be accomplished largely through attrition.

2014 Update: Over the last eight years, we have reduced staff (mostly by attrition) as our Fiscal Health Plan has outlined. We have become more operationally sound by reducing staff when enrollment dictates, consolidating middle schools and eventually some elementary buildings when appropriate, changes in curriculum, or Federal and State funding has been reduced. Our present staff includes 734 full and part-time regular employees (not including substitute, monitors, FABSS or Adult Education employees) reduction of over 130 full and part-time employees over a 7 year period. This number includes 432 certified employees (teachers and administrators) and 302 support staff. This number includes some curricular additions of all-day kindergarten, block scheduling of math and language arts in the middle school and intervention personnel funded through Special Education and Title I dollars, High School credit for some Middle School classes and Spanish at the 7th and 8th grade level. As we continue to see the needs of our students change we do continue to add different staff (elementary counselors) while reducing staff at other grade levels.

Action Plan 5: Restructure Employee Benefits

From FY2002 to FY2005, our district's cost for employee health insurance increased by almost \$2.3 million dollars. While this 51% increase in just three years certainly reflects a serious, nationwide problem, it underscores the fact that we must continue our efforts to restructure our insurance benefit program. In our most recent negotiations, progress was made toward this objective by eliminating our former traditional plan, making our preferred provider plan the only medical plan currently available to our staff. We also increased co-pays and maintained the employee's share of monthly premiums at approximately 7% of cost.

While the past year's actions have been helpful, it is clear that more must be done. The present rate of insurance cost escalation is consuming what little discretionary money can be found within our budget. While staff insurance benefits are certainly an important expenditure, so are salaries, textbooks, computer purchases, and the many other expenditures necessary to operate a large school district like Findlay.

A few examples of concepts which need to be fully explored within our negotiations with employee groups include the following:

- Consider moving to a fully insured plan, versus our current self-funded plan.
- Consider switching to a larger insurance provider or third party administrator with access to a much broader range of network discounts.
- Consider giving our staff two or three medical insurance programs from which to choose, including at least one high deductible and/or Health Savings Account option for which they would pay a lower monthly premium.
- If some employees desire to keep the current PPO plan, consider asking those employees to pay a higher proportion of the plan's monthly premiums.
- **Following the concepts above, we have:**
- **Switched insurance carriers and third party administrator to secure substantial savings over the last six years.**
- **Offered different insurance options to staff including a health savings account. (HSA)**
- **Have increased the employee's share of insurance cost through our negotiated agreements (20% on former PPO).**
- **Focus on wellness activities.**

Action Plan 6: Control Total Compensation Cost

Any school district runs a much higher risk of having financial problems if it commits too high a share of its available resources to staff compensation. It is certainly appropriate the staff salaries and benefits are the largest expenditures in a school district's budget. However, the district's General Fund must still pay for textbooks, fuel, equipment, workers compensation, supplies, school buses, copiers, etc.

In 2005-2006, approximately 86% of our district's total General Fund expenditures are being spent for salaries and benefits. If the Findlay City Schools are to achieve the financial goals set forth in this Fiscal Health Plan, we will need to slowly, but steadily, reduce this figure to a maximum of 80-83% of our General Fund expenditures. We will also need to keep our salary and benefit costs to 80-83% of General Fund revenue and to approximately 75% of our total of General Fund revenue and unencumbered balance. Meeting all three of these objectives will be necessary in order to achieve our district's fiscal goals by the end of FY2010.

2014 Update: Together with our staff, we have made great progress in reducing our General Fund expenditures. Over the last two rounds of negotiations, our employees agreed to 0% and no steps for year 1 and 0% with steps in year 2 of the contract. The latest 3 year contract includes a 2.25% year 1, 1 ½% year 2 and ? year 3. With the Permanent Improvement levy, many purchases such as buses, textbooks and technology now are funded through Permanent Improvement. Our percentage of salary and fringe benefits have been reduced from approximately 86% to 76.69%. We also continue to work cooperatively with Hancock County ESC, Millstream Schools and BVDD to consolidate and share services whenever possible as directed by our Governor.

Action Plan 7: Reduce Transportation Cost

The Ohio Department of Education each year provides a detailed report of school districts’ cost per mile for pupil transportation usually a year later. The following data indicates that Findlay’s transportation cost exceeds both the Hancock County and State of Ohio averages:

FY04, FY12 & FY13 Transportation Cost Per Mile

	<i>Findlay</i>	<i>Update FY11</i>	<i>Hancock County</i>	<i>Update FY11</i>	<i>State Average</i>	<i>Update FY11</i>
Total Cost Per Mile	\$3.68	\$4.94	\$2.79	\$3.24	\$3.17	\$4.36
Total Staff Costs	2.84	3.69	2.08	2.19	2.51	3.26
Total Operating Cost	.84	1.25	.71	1.04	.66	1.02

	<i>Findlay</i>	<i>Update FY12</i>	<i>Hancock County</i>	<i>Update FY12</i>	<i>State Average</i>	<i>Update FY12</i>
Total Cost Per Mile	\$3.68	\$4.99	\$2.79	3.24	\$3.17	4.54
Total Staff Costs	2.84	3.81	2.08	2.19	2.51	3.29
Total Operating Cost	.84	1.18	.71	1.04	.66	1.25

Most Pertinent Subcategories Related to Transportation Cost Per Mile

	<i>Findlay</i>	<i>Update FY11</i>	<i>Hancock Co.</i>	<i>Update FY11</i>	<i>State Average</i>	<i>Update FY11</i>
Bus Drivers	\$1.40	\$1.4	\$1.03	\$1.09	\$1.36	\$1.67
Mechanics	.25	.39	.15	.12	.17	.20
Fringe Benefits (other)	.88	1.35	.63	.68	.77	1.11
Maintenance/Repair	.35	.58	.21	.29	.18	.24
Fuel	.24	.52	.23	.48	.22	.52

	<i>Findlay</i>	<i>Update FY12</i>	<i>Hancock Co.</i>	<i>Update FY12</i>	<i>State Average</i>	<i>Update FY12</i>
Bus Drivers	\$1.40	1.51	\$1.03	1.06	\$1.36	1.69
Mechanics	.25	1.30	.15	.14	.17	.21
Fringe Benefits (other)	.88	1.42	.63	.70	.77	1.12
Maintenance/Repair	.35	.40	.21	.28	.18	.25
Fuel	.24	.67	.23	.52	.22	.60

We have worked together with our bus drivers’ union representatives to achieve more reasonable compensation cost for our transportation service. Another idea to reduce Findlay’s transportation costs is to take full advantage of new computer routing software to operate fewer routes with fuller buses and fewer stops.

One more factor driving up the cost of operating Findlay’s transportation program is the age of our bus fleet. Of our 51 buses, 33 are more than 10 years old. The average age of a Findlay bus is 13 years, and the average mileage on a Findlay bus is 166,506 miles. As the above data supports, a bus fleet as old as ours requires greater expense for maintenance and repair. If passed

by Findlay's voters, this spring's permanent improvement levy will allow us to begin replacing 3-4 school buses every year and eventually reduce our costs for maintenance and repair.

2014 Update: We have made great strides in reducing transportation cost to minimize the cost escalation of transportation over the last six years. Reducing three bus runs to two runs per morning and afternoon (2004-05 drove 411,480 miles per year and 2011-12 drove 337,600 miles), negotiating concessions in our bargaining agreement, purchasing 17 new buses out of Permanent Improvement dollars to help reduce maintenance costs, (while still focusing on student safety), reducing one (1) bus mechanic (will show in 2012 data) has made major impacts on transportation, even with the unprecedented rising cost of fuel. (Note: ODE transportation data now does not segregate fringe benefits but is incorporated in the other category.) Unfortunately, the cost and volatility of fuel continues to be extremely costly. Over the last two years, due to the flood, we have transported Millstream students to Millstream tech. We have also transported more students and changed bus runs due to the middle school transition plan. We also assumed busing for BVDD students. Therefore, we continue to study ways of reduction of bus routes, etc. whenever possible. Next year all transitions have been completed, so we will be consolidating some routes when possible.

Action Plan 8: Think Safety

We all want to have a safe environment at school because we genuinely care about our students, staff, parents, and visitors. However, there are also some very significant financial aspects to school safety about which we should be concerned. For example, as the following chart shows, Findlay's worker's compensation cost has skyrocketed recently:

Findlay's Worker's Compensation Costs

<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
\$36,686	\$79,617	\$455,943	\$481,490

As this data shows, Findlay's total cost for worker's compensation has increased by 1,212% in just 3 years. Part of the reason for this large increase lies with statewide worker's compensation insurance cost increases, which are certainly connected to the nationwide increase in health care cost.

Another big reason for Findlay's very large worker's compensation cost increase is that in 2003, the Bureau of Worker's Compensation reviewed our staff injury claims and determined that the Findlay City School District should be considered "penalty rated," giving us a higher worker's compensation premium than that of many other school districts.

As a district, we are working hard to increase staff safety and reduce worker's compensation claims, but we will not see any significant reduction in our worker's compensation costs until previous large claims cycle off of our rating period and our district again earns a "credit rated" classification. Every staff member, therefore, has a very real stake in increasing safety at work. If our district can be removed from penalty rated status prior to FY2010, this will significantly contribute toward achieving this plan's fiscal health goals.

It should also be mentioned that the safety of everyone at school, not just our staff, is a priority in keeping our district's liability insurance cost down also. Fortunately, however, we have not yet experienced the same degree of problems in this area as we have in worker's compensation. The passage of this spring's permanent improvement levy will also contribute to school safety by

giving us the money to effectively address the need to keep buildings, walkways, and playgrounds well maintained and safer for everyone.

2014 Update: Over the last few years, we have worked diligently to reduce our Worker's Compensation costs by numerous methods including hiring a Worker's Compensation Specialist, attending safety meetings, subcontracting substitutes, purchasing more safety equipment, and targeted monitoring of efficiencies from our HR dept. Workers Compensation costs are very hard to control from year to year but our seven year history from 2006-2013 has been significant. For example, the following figures demonstrate our focus on Worker's Compensation:

FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
\$714,249	\$269,502	\$344,892	\$340,631	\$228,653	\$185,515	\$251,514	\$194,375

Action Plan 9: Pass a Permanent Improvement Levy

A key indicator of any school district's financial health is the existence of an adequate permanent improvement levy. With such a levy, a school district has a much better chance of keeping its facilities in decent repair, thereby avoid more costly repairs or replacement in the future. A viable permanent improvement levy also permits the district to focus more of its General Fund on instruction, while keeping money needed for facilities repair and equipment acquisition outside the scope of union contract negotiations. This is because permanent improvement funds may not be used for staff salaries, benefits, and other day-to-day expenditures. *Currently, 298 Ohio school districts have a least one permanent improvement levy.*

The need for permanent improvement money is not short term, but rather is a continuing need. Findlay's ongoing need for facilities improvement and other capital expenditures, including updating technology, replacing school buses, and other capital expenditures is an annual need that will not go away. Therefore, the Board of Education has proposed a continuing term, 2.5-mill permanent improvement levy this spring. **Update: In 2006 our voters passed a 2.5 mill continuous Permanent Improvement Levy which has been utilized to purchase buses, improve the quality of our technology and renovate our aging buildings combined with the consolidation of 2 new middle schools and Millstream Career Center the PI levy has already demonstrated its power in helping us update and renovate. Projects are planned, budgeted, and carried out in a consistent manner developed for the safety and security of our students. This school year we purchased 6 new busses and security entrances at most elementary building entrances. Some examples of large PI expenditures for the summer and next year are FHS and Jacobs security entrances.**

Action Plan 10: Let Ohio's Tax Laws Work For Us

As we plan for the future revenue needs of the Findlay City Schools, the renewal or replacement of the operating levies scheduled to expire in 2007 and 2009 will be critically important. Deciding what to do with these expiring levies will need to be done carefully and wisely.

As mentioned in the Introduction, one of the biggest financial challenges Ohio's school districts face is the reduction of locally approved millage under HB920 and other tax reduction laws. The operation of these laws has reduced the millage our schools can actually collect from 47.45 mills to 30.10 mills. HB920 simply makes it impossible for local revenue to keep up with even a slight rate inflation without new tax levies.

An interesting paradox of Ohio school funding system, however, allows school districts who collect the state required minimum of 20 mills of local operating levies to be exempt from HB920 millage reductions. In other words, by maintaining its effective (actual) operating millage at what is called “20-mill floor,” a district can avoid much of the negative impact of HB920. However, the obvious problem is that all districts need more local revenue than 20 mills can provide. To overcome this shortfall while still remaining at the 20-mill floor, about half of Ohio’s school districts have turned to emergency levies or income tax levies to replace previously voted operating levies. By doing so, they keep their district’s millage at the 20-mill floor, and they see a modest growth in their operating revenue.

Prior to the expiration of Findlay’s two limited term operating levies, in 2007 and 2009, the Board of Education will need to carefully consider all of its options for replacing these levies. For example, if the district replaces the expiring operating levies with emergency levies and/or an income tax, the school district can gain some inflationary growth on its other existing operating levies. Our taxpayers could also expect to see fewer or smaller levies on the ballot in the future in this situation.

One possible scenario for replacing the district’s two expiring operating levies is detailed below. This example would offer the added advantage of allowing the consolidation of the two expiring levies into one levy in 2012.

Replacing Findlay’s Expiring Levies: One Possible Scenario

<u>Year</u>	<u>Expiring Levy</u>	<u>Future Levy</u>
2007	3-year, 4.9-mill operating levy	5-year, 4.9-mill emergency levy
2009	5-year, 5.9-mill operating levy	3-year, 5.9-mill emergency levy

Advantages:

- 1) No increase in voted millage.
- 2) Operating levy millage drops to the 20-mill floor, the state’s lowest allowable operating millage.
- 3) Schools receive modest inflationary growth of operating revenue.
- 4) Our two expiring levies can be consolidated into one levy in 2012.

Update: Our locally approved total millage has been reduced from 69.09 voted mills to 38.682 effective mills due to HB 920. We have analyzed this effect and negated it somewhat by passing 2 replacement levies instead of renewal levies. The modest inflationary growth has proved extremely helpful in maintaining our fiscal health. With the passage of House Bill I in the summer of 2009, (Evidence Based Model for funding schools), Findlay City Schools considered the “conversion Levy” as a possible option to replacing levies every five years. However, due to tough economic times in the last few years and the legislature changing levies, we continue to use renewal levies as they expire. By using renewal levies, voters are protected from losing their homestead and rollback exemptions.

Conclusion

This Fiscal Health Plan has been prepared to provide broad guidelines and concepts to help the Findlay City School District improve our fiscal health over the next four years. The ideas presented in this plan should not be considered to be “etched in stone,” but rather to be a “work in progress.” Financial conditions will most certainly change over the coming years, and some of the ideas included in this plan will certainly need to be modified.

The “bottom line” of this Fiscal Health Plan is that the fiscal health of the Findlay City School District is everyone’s business. Teachers, support staff, taxpayers, unions, administrators, school board members, and the children we all serve will benefit if our school district works together to achieve and maintain a strong, stable financial position. As school district leaders, we need to openly, honestly, and continually emphasize this point at every opportunity.

2014 Update: As you can see, the Board of Education, administration and staff have worked tirelessly in following this Fiscal Health Plan. Decisions at all levels take into consideration the philosophy and action steps of the Fiscal Health Plan. Our community has supported us by passing a continuing Permanent Improvement levy, 2 Replacement Operating Levies, a Bond Issue, a 4.9 renewal operating levy and a 5.9 mill renewal operating levy in May 2014. Most importantly, our public has supported our students and staff, and their support of us is greatly appreciated.