

CFO/Treasurer – Q & A Responses:

1. What is the impact of charter schools on Westlake Schools' funding? And who determines how much money goes to charter schools?

Funds follow the student, so each time a student in our district chooses to attend a charter school the state takes away approximately \$6,000 per student (or up to \$25,000 depending on their type of disability) from our budget, which is a disproportionate amount of our funding. This would not be as big of an issue if the state funded the students who stay in the district at the same rate, but currently we only receive \$798 per student.

The state sets the formula for charter school funding.

2. Revenues vs. expenditures – Why are the expenses rising that much on slide 12? What happened in 2015 that makes the gap between those lines so large?

Expenses continue to increase based on forecasted assumptions. Changes in staffing, wages, etc. might lead to a change in the expense line, but right now we can only assume what we know to be true and the trajectory of that line reflects only speculation. If we keep approaching status quo, this chart reflects how the district would look. To close that gap, we will have further strategic discussions with the Board and use the forecast and assumptions as a guiding tool.

3. Looking at expenses over time and how they are accelerating. With energy costs low and flat enrollment, what is driving that increase?

This is just a forecast. But the first place you would look in the forecast to attribute such an increase is personnel services and health care costs, which represent 83% of the expenses. Additionally purchased services and contracts, capital expenditures, as well as supplies and materials are all areas where we would assume costs would increase over time.

4. On the last graph, if the district passed an operating levy, where would that put us compared to other districts?

Let's assume a 5.0-mill levy was passed to answer this question. In that case, our relative position in the County would not change much. We would be right below Strongsville at 41.05 mills.

5. For the employee health benefits on slide 11, there seems to be a 50% increase, which seems above market.

Westlake Schools are in a health care consortium. In fact, in the first year we joined the district saved \$1.2 million from what we were paying. Typically the inflationary rate for our healthcare costs have been 8-10% annually, which is under the market in general. While the implementation of the Affordable Care Act costs us more, there has been more stabilization in our rates over time when you break out those numbers.

6. How do you calculate employment increases?

Staffing is based on our current workforce. Recent changes by the State to the retirement systems have caused employees to work longer, so the forecast is conservative in that regard since we have limited knowledge of pending retirements. However, the projection does assume some retirements will occur. Obviously the forecast changes when additional information becomes available.

7. For the property tax forecast, we have a stable tax base, so why from last year to this year does it decrease?

The overall number for taxes is going up from last year to this year (\$38m to \$40m).

In the biennial budget we were scheduled to lose over \$1 million this year, but that has now changed with the passage of an amendment. With state funding, there are no guarantees. We don't know how much money will come from the state so we have to make assumptions about future revenue streams.

8. Did you assume step increases for all employees?

I am assuming some faculty are moving up on their experience steps due to service or additional education attainment. I also assume a small amount of attrition, but I am conservative. The new state laws encourage employees to stay longer. In some cases, some employees will retire, others whose portfolios have changed might decide to stay longer. Each time I have to refine the forecast. It's not a science, just a projection.

9. The last operating levy was 6.9 mills in 2006. Is the levy still generating 6.9 mills today?

No. The current rate is 6.5 mills. There is an effective millage and a voted millage. Because of HB 920, which freezes a district's income on voted mills, whenever a levy is passed, even if home values increase, the school district's revenue from that levy will remain relatively the same.