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Financial Update

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We are at a Critical Juncture

- We have outstanding, dedicated teachers and staff that do an excellent job educating and supporting our children.
- The district is consistently recognized for this effort and ranked among the best locally and across the state.
- The single most important issue facing our schools right now is our budget.

Background Information

- Summer 2018 - \$500,000 in budget reductions
- May 2019 - 7.5 mill replacement levy fails
- June 2019 - Phase I Budget Reductions - \$813,000
- Summer 2019 - Additional Reductions - \$168,000
- July 2019 Performance Audit from State Auditor's Office
- Did not put levy on Nov 2019 ballot
- Nov 2019 - Phase II Reductions - \$1,000,000
- Total Budget Reductions -- Over \$2.3 million
 - (20 staff positions eliminated, 10 certified)

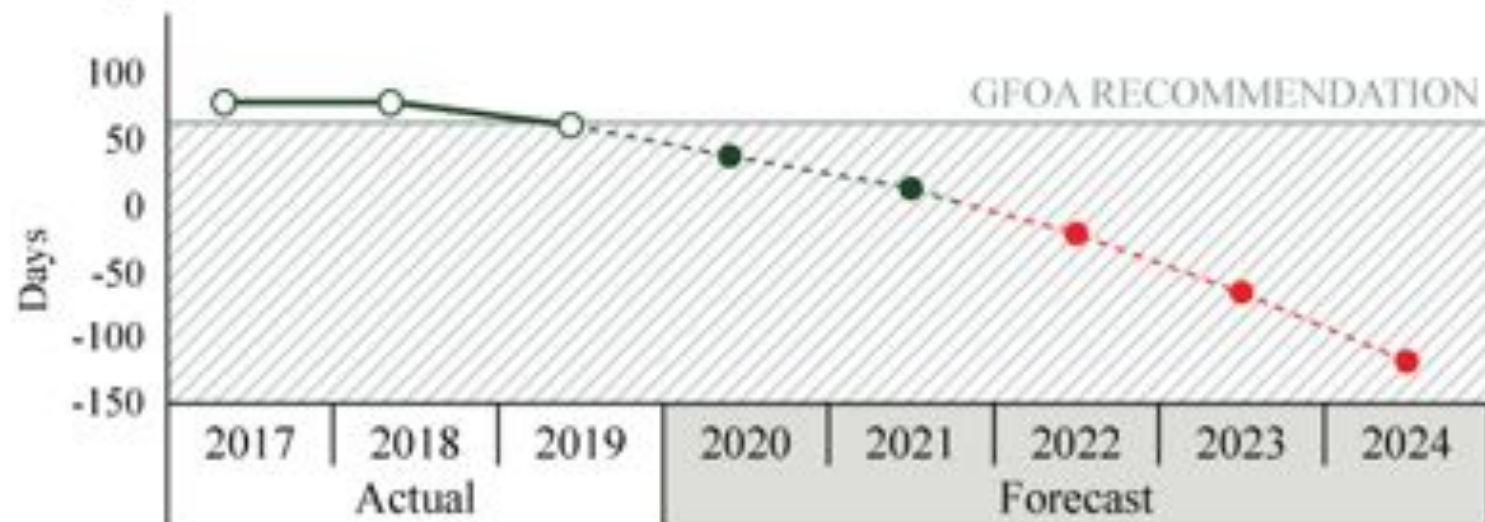


Table A-4: November 2019 Five-Year Forecast

	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Total Revenue	\$28,751,000	\$29,312,000	\$29,633,000	\$29,958,000	\$30,288,000
Total Expenditure	\$30,567,475	\$31,133,916	\$32,800,260	\$34,251,555	\$35,754,801
Result of Operations	(\$1,816,475)	(\$1,821,916)	(\$3,167,260)	(\$4,293,555)	(\$5,466,801)
Beginning Cash Balance	\$4,912,025	\$3,095,550	\$1,273,634	(\$1,893,626)	(\$6,187,181)
Ending Cash Balance	\$3,095,550	\$1,273,634	(\$1,893,626)	(\$6,187,181)	(\$11,653,982)
Encumbrances	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$3,095,550	\$1,273,634	(\$1,893,626)	(\$6,187,181)	(\$11,653,982)

Source: BSLSD and ODE

Days Cash on Hand



Facts about Issue 9

The district is on
the ballot for a

5.7-mill
operating levy.

The district last
passed a levy for new
operating dollars in

2015.

An operating levy helps
fund the district's
day-to-day operations,
such as staffing, utilities,
transportation, maintenance
and supplies.

Only
27%
of the district budget comes
from the state—compared
to the state average of 44%.

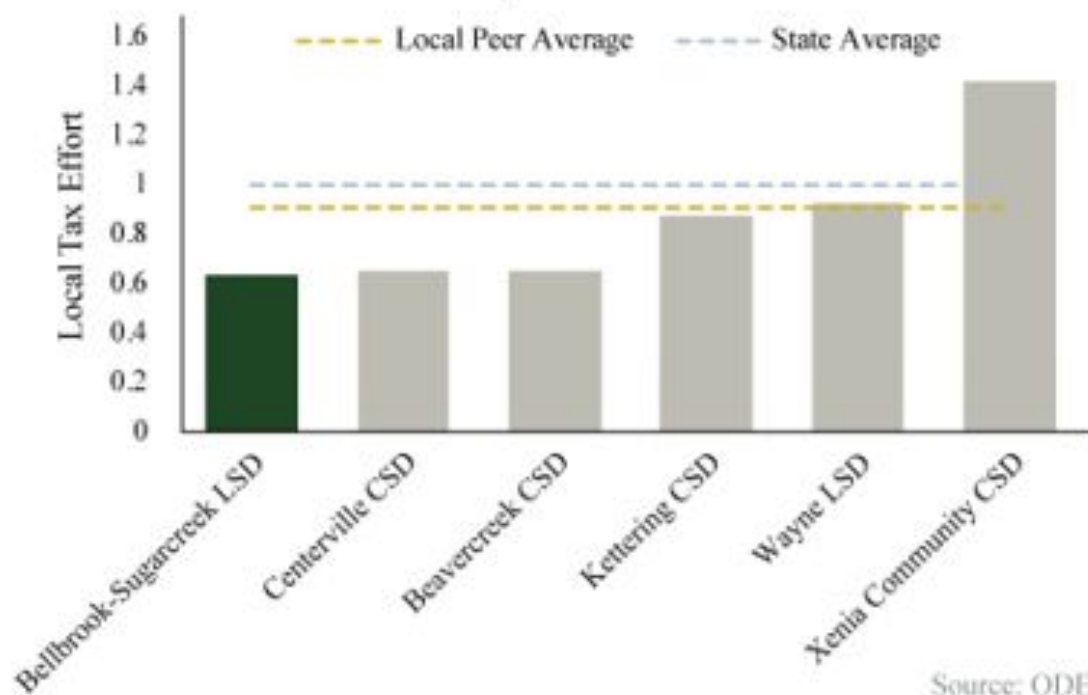
The district has made over
**\$2.3 million in budget
reductions**
between the summer of
2018 and Phase I and II
reductions in 2019.

If passed, the levy would cost
district taxpayers
\$16.60
per month per \$100,000
appraised market value.

Other facts

- ◉ Levy will raise \$3.3 million / year starting in Jan 2021.
- ◉ Unfunded mandates = \$3.6 million in 2018-19.
- ◉ Additional money from new construction, reappraisals, inside millage, & Cornerstone = about 2% of our budget

Local Tax Effort Comparison



¹ Beavercreek CSD and Centerville CSD passed new money levies in 2019 which are not reflected in this data.



Bellbrook-Sugarcreek Schools

2018 Area Tax Costs

How do the costs of real estate taxes, school district income taxes and city income tax compare in surrounding districts?

City/Village/Township	(1) Real Estate Taxes	(2) City Income Tax	(3) School District Income Tax	Total
Sugarcreek Township	\$2,334.29	0	0	\$2,334.29
Bellbrook City	\$2,385.90	0	0	\$2,385.90
Beavercreek City	\$2,429.39	0	0	\$2,429.39
Fairborn City	\$1,954.49	\$ 750.00	\$250.00	\$2,954.49
Xenia City	\$1,718.81	\$1,125.00	\$250.00	\$3,093.81
Yellow Springs	\$2,132.55	\$ 750.00	\$500.00	\$3,382.55
Centerville City	\$2,505.96	\$1,125.00	0	\$3,630.96
Kettering City	\$2,648.19	\$1,125.00	0	\$3,773.19
Oakwood City	\$3,046.44	\$1,250.00	0	\$4,296.44

(1) Home value of \$100K. Real Estate includes taxes for county, City/Village, School, Twp, /Board of Health & Vocational School.

(2) Estimated earned income \$50K in the city/Village of residence. (If income is earned in other than the place of residence, that City's earnings rate would apply and thus change the total cost.)

(3) This is if the school district imposes an income tax above the property tax amount. Based on \$50K with one personal, one spouse, and one dependent exemption.

Income and school district averages are based on the number of the cities/villages with taxes.

Taxes are based on the 2017 property tax rate paid in 2018.

2017 Tax Rates--Montgomery County--http://www.mcoho.org/Taxation_Rate_2017__payable_2018_.pdf

2018 Tax Rates--Greene County--<http://www.co.greene.oh.us/DocumentCenter/View/17279/2017-Tax-Rate-Sheet-PDF>

Information compiled from City of Beavercreek Spring 2019 Newsletter and/or Greene and Montgomery Co. Tax documents



5-Year Forecast with Levy Passage

	Forecast FYE 20	Forecast FYE 21	Forecast FYE 22	Forecast FYE 23	Forecast FYE 24
Original Ending Fund Balance	\$3,095,550	\$1,273,634	(\$1,893,626)	(\$6,187,181)	(\$11,653,982)
Estimated New Levy Revenue	\$0	\$1,661,000	\$3,322,000	\$3,322,000	\$3,322,000
Cumulative Balance of New Levy Revenue	\$0	\$1,661,000	\$4,983,000	\$8,305,000	\$11,627,000
Revised Ending Fund Balance	\$3,095,550	\$2,934,634	\$3,089,374	\$2,117,819	(\$26,982)

Performance Audit

What led to this audit by the State of Ohio Auditor's Office?

- Five year forecast in May 2019 projected the school budget deficit to grow to nearly \$11 million in FYE 2023.
- May 2019 levy failure
- State of Ohio Auditor's Office chose to conduct a performance audit to identify potential cost savings measures which would address the projected deficit balances

What did they find?

- The district took proactive measures to address its forecasted deficit as identified in its Five Year Forecasts in May 2019 and Nov 2019.
- Audit identified 11 recommendations related to operations that could lead to cost savings or improved management practices. These recommendations would not fully resolve the projected deficit.
- Additional measures would need to be implemented in order to address the remaining deficit. These measures, outlined in Recommendation 12, could drastically change service levels within the district and would need to be reviewed by district leadership.
- Other areas were examined but no recommendations were warranted.

Performance Audit (cont...)

- We welcomed the State Of Ohio auditor's office
 - Unbiased 3rd party to examine our practices and budget
 - Process timeline July-December 2019
 - No cost due to our financial situation (\$80K)
 - Comparisons: peer district, local districts and state
 - Recommendations are non-binding
 - No assumption of a levy passing within 5-year forecast


Performance Audit (cont...)

- Due to an already lean budget, the auditors found it very challenging to find many areas to reduce without striking at the core of our schools and forever changing the well-rounded and high-caliber educational experience our students deserve and our community expects.
- We will begin to implement some recommendations...others will be looked at long-term

Audit Summary


Recommendation 1 The District should reassess its strategic plan and delay future technology purchases until the fiscal condition has improved, saving \$250,000 annually beginning in FYE 2022.

Recommendation 2 To better plan for large capital purchases the District should develop and implement a formal, multi-year capital plan.



Recommendation 3 To save an estimated \$703,000 annually, the District should eliminate the General Fund subsidy of extra-curricular activities beginning in FYE 2021.

Recommendation 4 By bringing technical support and central office support positions in line with peers, the District could save an average of \$63,600 annually beginning in FYE 2021.



Recommendation 5 By bringing career-technical educator, counseling, nursing, and library staffing in line with peers, the District could save an average of \$325,600 annually beginning in FYE 2021.

Recommendation 6 Renegotiating collective bargaining agreement provisions could save the District an average of \$196,800 annually beginning in FYE 2022.

Recommendation 7 The District could save \$12,600 annually if it reduced the employer cost of vision insurance to be in line with the Greene County average for public school districts beginning in FYE 2022.

Recommendation 8 To better plan for the future replacement of school buses, the District should develop and implement a fleet replacement strategy.

Recommendation 9 The District loses money by maintaining the Sugarcreek Elementary building. This building should be sold, or rents should be increased to cover the full cost of ownership, saving \$27,200 annually beginning in FYE 2021.

Recommendation 10 To avoid costly repairs or replacements, the District should develop and implement a formal facilities preventative maintenance plan.

Recommendation 11 To avoid overpaying for facility maintenance services, the District should develop a formal purchasing process.

Recommendation 12 In order to fully address the projected deficits, the District will need to review additional options including a continued pay freeze or further staffing reductions, totaling an additional \$1,451,400 in annual savings.



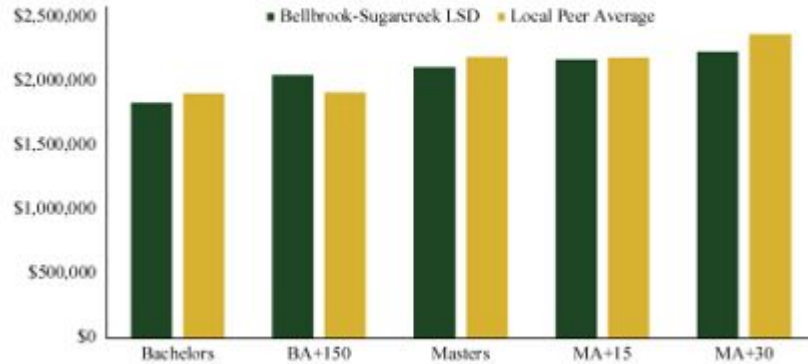
Performance Audit: Recommendations Review

- No recommendations for...
 - Salaries, medical insurance, transportation, staffing-maint/custodial, administrative, general educational teachers, K-8 specials teachers, building clerical and food service.
- We have already begun to work on...
 - Bus fleet replacement strategy, facilities preventative maintenance plan, multi-year capital plan, formal purchasing process

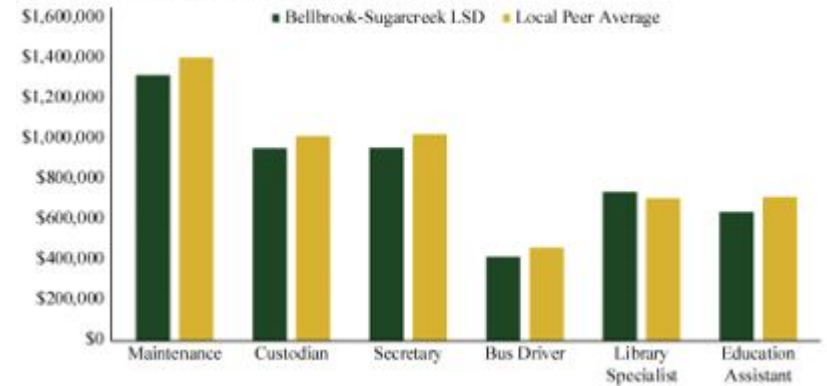


Salary Comparison Review

Certificated Career Salary Comparison



Classified Career Salary Comparison



**Table 2: Financial Forecast with Performance Audit
Recommendations**

	Forecast FYE	Forecast FYE	Forecast FYE	Forecast FYE	Forecast FYE
	2020	2021	2022	2023	2024
Original Ending Fund Balance	\$3,095,550	\$1,273,634	(\$1,893,626)	(\$6,187,181)	(\$11,653,982)
Cumulative Balance of Recommendations 1-11	\$0	\$1,093,178	\$2,661,868	\$4,248,119	\$5,848,691
Revised Ending Fund Balance with R.1-R.11	\$3,095,550	\$2,366,812	\$768,242	(\$1,939,062)	(\$5,805,291)
Cumulative Balance of Recommendation 12	\$0	\$1,451,400	\$2,902,800	\$4,354,200	\$5,805,600
Revised Ending Fund Balance with All Recommendations	\$3,095,550	\$3,818,212	\$3,671,042	\$2,415,138	\$309

Note: Although the District should seek to implement recommendations as soon as practicable there may be a reasonable delay in doing so. As a result, cost savings for **R.3, R.4, R.5, R.9, and R.12** are assumed implemented in FYE 2021. Cost savings for **R.1** is assumed for FYE 2022-FYE 2024, the forecasted years with the technology upgrades included. Cost savings for **R.6 and R.7** assume implementation in FYE 2022, as that is the first year following expiration of the Memorandum of Understanding extension of the collective bargaining agreements.



BELLBROOK-SUGARCREEK SCHOOLS

"Soaring Toward Excellence"

January 2020

Dear Auditor Faber,

Bellbrook-Sugarcreek Local Schools is at a critical juncture. Our school district has outstanding, dedicated teachers and staff that do an excellent job educating and supporting our children. The district is consistently recognized for this effort and ranked among the best locally and across the state. There is so much we have to offer to provide all of our students a high-quality and well-rounded educational experience. I am proud each and every day of what is accomplished in our schools. The district has received a "B" and an "A" on the last two State Report Cards, the high school has been recognized by The Washington Post, US News and Newsweek as one of the top high schools in the nation; and the middle school has been named an "Ohio Schools to Watch."

The single most important issue facing our schools right now is our budget. The districts 5-year forecast in May 2019 projected a \$1.5 million deficit in the 2020-21 school year. That, along with a levy failure in May of 2019, triggered your office, in consultation with the Ohio Department of Education, to work collaboratively to conduct a performance audit of Bellbrook-Sugarcreek Schools. In the summer of 2019, we were already in the process of making reductions. By the fall of 2019, we had made \$1.8 million reductions (we had already made \$500,000 in 2018) for a total of \$2.3 million. These cuts included the reduction of 20 staff positions, half of which are teaching positions, in addition to a pay freeze for all employees in the 2020-21 school-year.

Your report has been released and we have reviewed your recommendations. Due to an already lean budget, the auditors found it very challenging to find many areas to reduce without striking at the core of our schools and forever changing the well-rounded and high-caliber educational experience our students deserve and our community expects. Without additional funds - such as the passage of the March levy - these reductions will be devastating; however, even if the levy does pass, the finances in the district are still very perilous. *Your recommendations are in addition to the \$2.3 million in reductions we have already made.* The following are a list of your recommended reductions.

Recommended reductions starting in the 2020-21 school-year (Reductions = \$2,544,578)

Eliminate 16 regular education teachers or 10% across the board staffing reduction
Eliminate 1/2 career tech teacher
Eliminate 1 counselor
Eliminate 1/2 library staff
Eliminate 1.5 nurses
Eliminate 1 computer support person
Eliminate the General Fund subsidy for extra-curricular activities and sports
Increase rental revenue or sell/donate Sugarcreek Elementary

Recommended reductions (in addition to 2020-21 reductions) starting in the 2021-22 through 2023-24 school-year (Reductions = \$3,020,090/year)

Renegotiate negotiated agreements, which includes pay freezes and no steps
Reduce cost of vision insurance
Delay the purchase of student computers for 1 year

The reductions stated in the above sections would eliminate over 20 more positions and, if implemented, "these options would eliminate the deficit each year of the forecast; however, each option *could drastically change service levels within the District.*" For example, the elimination of 20 or more teacher positions will dramatically increase class sizes and could eliminate many - if not all - of the specials and electives (such as art, STEM, music, A.P. classes, advanced courses, etc...) that we offer. Eliminating the General Fund subsidy for extra-curricular activities could increase the cost to nearly \$1,000 or more per sport per student athlete.

Additional reductions would be necessary going into the 2023-24 school-year because even with all of these cuts, over the next three school years the district's ending budget balance is projected to be \$309 at the end of school-year 2023-24.

Regardless of how you feel about school funding, these reductions are a devastating and a grim reality for Bellbrook-Sugarcreek Schools. Over the years, the district has seen inflationary increases that are outside the district's control that include unfunded and underfunded state mandates in addition to the increase in the cost of doing business, plus district funding from the state has generally been flat-lined with very little increases. Only 27% of our funding is from the state. We take fiscal responsibility very seriously, but we cannot spend what we do not have. We believe that this report demonstrates that balancing the district budget is not a spending issue, it is a revenue issue. *As shown in the report, our community's tax burden, when taking in consideration the income level and property wealth and the actual taxes being paid, is lower than the state, local districts and peer districts' averages.*

Also noteworthy are the areas where there were not any recommendations. These areas were considered and evaluated by the State Auditor's Office but no savings could be found. For example, our transportation practices and routes were found to be extremely efficient. *Our teacher and support staff salaries are below peer districts and will be even lower due to their pay freeze for the 2020-21 school year.* Our maintenance and custodial staffing is well below peer districts, which is remarkable considering the great shape our facilities are in!

Due to the financial situation that we are in and the timing of the March 17 levy on the ballot, we will begin to examine and implement some of the recommendations from the State Auditor's office Performance Review. Additionally, we plan on forming a community-based committee to look at these recommendations long term and provide further input to our Board of Education.

The Bellbrook-Sugarcreek Local Schools Board of Education and administration would like to thank you for conducting this performance audit. We appreciate the very thorough and professional work of Mark Ingles and his team. We are always looking for ways to be as efficient as possible so we can continue to be good stewards of taxpayer dollars.

Sincerely,

Douglas A. Cozad, PhD
Superintendent
Bellbrook-Sugarcreek Local Schools

Financial Status Update

ODE Fiscal Pre-Cautions

- According to our Fall 2019 five-year forecast, the district is projecting a \$1,893,625 deficit in school year 2021-22
- Reduction plan needs to be submitted to ODE

Next Steps

- ◉ Focused on addressing the \$1,893,625 deficit in school year 2021-22 starting in FY 2021
- ◉ Submit reduction plan to ODE by March 31
- ◉ There will be reductions if the March levy fails
 - Reductions will be publicly announced no later than Feb 19 (the first day for early voting)
 - Phase III-regardless of levy passage
 - Phase IV-if levy fails

Staff Reductions

- = less staff
- = less programs
- = less opportunities for our students
- = less well-rounded educational experience for our students



What You Can Do

- Read the Performance Audit
 - <http://ohioauditor.gov/performance/Bellbrook-Sugarcreek-2019.html>
- Get involved to actively obtain the facts
 - Attend meetings - Community Info Meeting on Feb 17, Coffee With Supt. @ Winans Feb 11 (5:30&7 PM)
- Check out our website for additional dates and more information.



**Bellbrook
Sugarcreek**
SCHOOLS



Home of the Golden Eagles

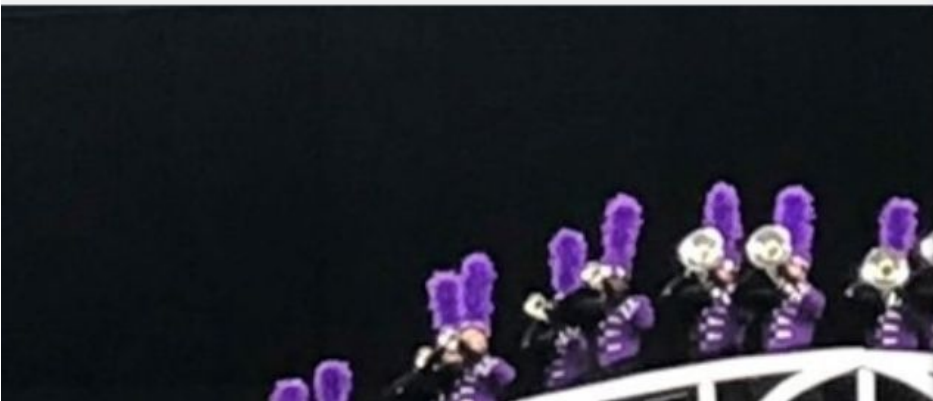
About Us

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Levy Info



The Bridge

Coffee Chats

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Quality Profile

Social Media

Staff Directory

Tip Line

Levy Information

Frequently Asked Questions

Meetings/Chats

Press Releases

Voting Info



For More Information

- Dr. Douglas Cozad, Superintendent: 937-848-5001 (option 5 then 2)
- Mr. Kevin Liming, Treasurer: 937-848-5001 (option 5 then 3)
- David A. Graham, Greene County Auditor: 937-562-5065