



# Richmond Heights Schools Financial Condition Review

October 24, 2016



**ROCKMILL**  
Financial Consulting LLC

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[www.rockmillfinancial.com](http://www.rockmillfinancial.com)

- Governmental financial consultants
- Advise and consult on various matters, including:
  - Research and Analysis
  - Financial Budgets and Projections
  - Long Term Community Tax Strategies
  - Taxation Methodology and Options Development
- David Conley, 28 year governmental finance expert
- Ohio's only enterprise specializing in this field

# Rockmill Financial's Responsibilities



- Assess the financial condition and management of the district
- Identify future operating and facility challenges
- Communicate those options to the Board and the community
- Oversee the process of determining solutions
- By law, we must uphold the community's best interests at all times

# Rockmill's Financial Assessment



- The District is very well managed financially
- The Board of Education's policies and financial management are good
- The community's tax **cost** is relatively low when compared to the region\*
- The District's operating funds are below recommended levels
- Local factors are impacting the District's financial condition
  - Land, business and home assessed values have declined by 23% since 2009
  - Enrollment and population are declining – 4% since 2010
  - Loosing students due to open enrollment (29.87 in 2012 to 55.34 in 2015)

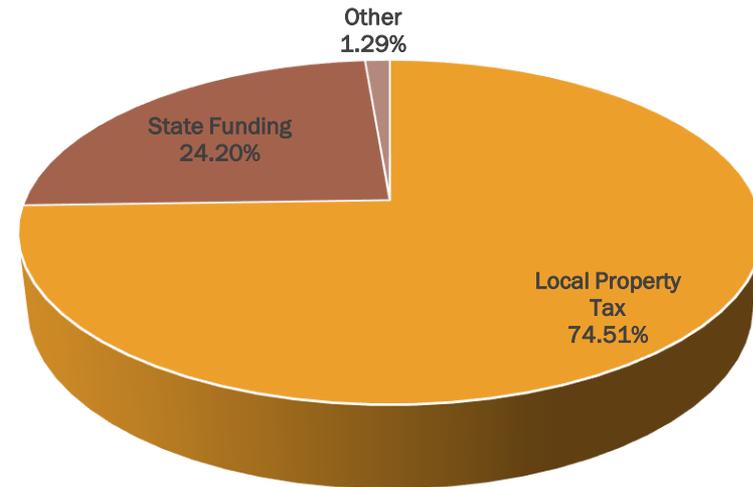
Source: US Census Bureau, Ohio Municipal Advisory Council, Ohio Department of Taxation

\* Based on the District's current tax rates vs 31 other regional school districts

# Rockmill's Financial Assessment

- District funding structure is heavily dependent on local taxpayers

- Property Taxes – 74.51%
- State Funding – 24.20%
- Other – 1.29%



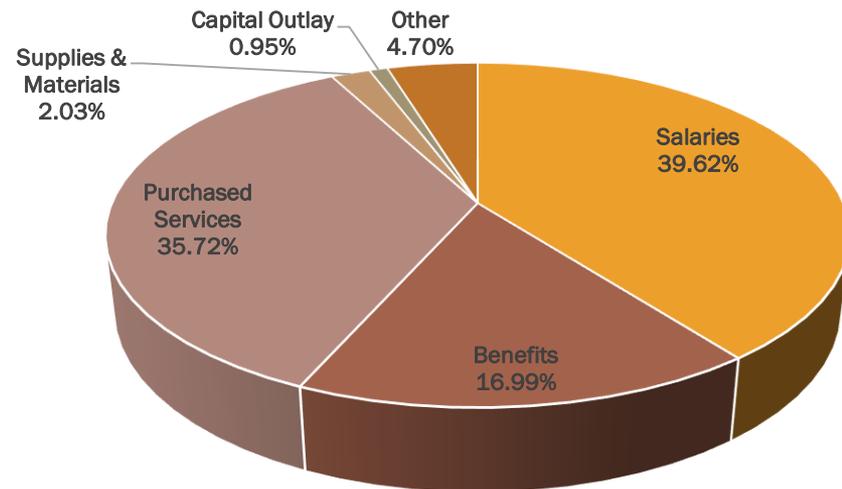
- State funding based on the wealth of the community
  - District is ranked 26<sup>th</sup> out of 612 Ohio school districts\*\*

Source: School District 2016 Year End Financial Report and \*\*The Ohio Department of Education

# Rockmill's Financial Assessment

- District spending structure weighed more toward “Purchased Services”

- Salaries – 39.62%
- Purchased Services– 35.72%
- Insurance & Benefits – 16.99%
- Supplies & Materials – 2.03%
- Capital – 0.95%
- Other – 4.70%
- Transfers – Not included



- Spending per pupil is above State average - 2015

- State Average - \$10,985.00
- Richmond Heights - \$14,388.00\*

Average for regional districts with same tax cost: \$11,949.00 (Lakewood, Garfield Hts., Parma, and Olmsted)

# Rockmill's Financial Assessment



- Current Five Year Forecast Projections
  - Deficit Spending in 2017, 2018, 2019, 2020, and 2021
  - Revenue averaging \$13,134,444
  - Expenses averaging \$13,656,087
  - Total projected deficit of \$2,630,185 over five year period
- Year-end 2016 operating cash was \$1,127,157
  - Equates to 32 days of operating reserves
  - Rockmill recommends at least 60 days
- In order to stabilize district operations, a new money levy is recommended
  - Rockmill recommends an operating levy in calendar year 2017
  - Seven to nine mills

# Operating Balances and Cash Needs

- There is no perfect “balance” or amount to keep in reserve
  - Smaller balances = more risk and fewer educational options
  - Larger balances = less risk and more educational options
  - Other concerns – condition of facilities (capital cost and maintenance)
  - P.I. Levy is only collecting .52 and .80 mills for Class I and Class II respectively
  - Maintenance funds of \$125,000 per year in our opinion is insufficient
- A long term solution is necessary

# Other considerations

- Overall condition of a school district matters
  - Home values improve
  - Business development growth
  - Personal income increases
  - Community make-up spreads the tax burden
  - Population increases

# Conclusions

- The district has managed taxpayer dollars very well over past several years
- Even so, the district's revenues will not keep up with expenditures
- A new operating levy will stabilize the operations of the district
- In addition, attention to the aging buildings and equipment is necessary
- A long term plan to invest in the schools will greatly benefit the community