

## DISTRICT FINANCIAL UPDATE

It has been some time since I have written about this topic. You may recall that back in the spring of the 2008-2009 school year, an issue of spending outpacing revenue was made more acutely aware to us. The major factors contributing to the problem were, as usual, an increase in the cost of doing business and a decrease in overall revenue flowing to the district from the state. As with most school districts, payroll and benefits account for approximately 85% of our total budget. Therefore, if you are going to make real savings, this is one area where any organization, company, school district, etc. has to take a look.

In May of 2009, Treasurer Tina Hageman submitted to the Board of Education for their approval a revised Five-Year Forecast or projection for the financial stability of the school district. This projection, which is required by law and is a “living document,” showed our district facing a deficit in excess of \$2.5 million by the end of FY2011 (2010-2011 school year). Armed with all of the above information, the district has been actively engaged in a cost-cutting campaign to stretch our dollars since last spring.

To date, we have managed to reduce costs by close to \$950,000.00 through savings from both hard and soft costs. What are hard costs? Hard costs are associated closely with personnel costs and, perhaps, a large or high-priced item that you wouldn't normally purchase. What are soft costs? Soft costs are connected to purchased services or service agreements. One such example of a soft cost might be the pricing on janitorial/cleaning supplies.

To be sure, 90% of our cost reductions to date have come through reducing hard costs. Many positions that have been vacated through resignations or retirements have gone unfilled, whenever possible. Some positions have been shifted from the general fund to ARRA or stimulus funds for the next couple of years. Every single possibility for cutting costs to the general fund is being considered. Fortunately, to date, we have not been forced to formally implement a reduction in force.

A financial consultant from the Ohio Department of Education has been working with the district to determine how much help or impact our voluntary cost reductions have made on our Five-Year Forecast. Working through this process only validated the figures on the May 2009 Five-Year Forecast, and gave us an indication of how much more we need to do to keep the budget “in the black” for as long as possible. The ODE Financial Consultant has determined that our cost-cutting has been successful to a point. Instead of looking at a projected deficit of approximately \$2.5 million at the end of FY2011, that number now appears to be in the \$650,000.00 range.

The analogy to the average person from all of this might be something like this. You owe \$5,000.00 on a credit card and you have to pay it off within the year. You send in a payment for \$1,000.00. The good news is that you have reduced your debt. The bad news is that you must continue paying until that negative balance is \$0.00. That is the way that it is for the school system. We have made great progress in reducing our projected debt. However, there is still work to be done in order to balance the FY2011

budget. At some point to be determined, cuts will no longer be a viable option. At that time, the board will need to consider asking our voters for new operating money—something that our district has not done since 1998.

#### NEW BUILDING PROJECT PICTURES

We have new pictures to share with you on the progress of our new elementary buildings. Please check them out at [www.ovsd.us](http://www.ovsd.us) and click on “Building Project Updates” to view these newest pictures.

If you have any questions about this article, please feel free to contact me at 544-5586.

Thank you.

Charles P. Kimble

Superintendent