

James Ohrn Testimony to the State Senate Education Committee – May 12, 2017

My name is James Ohrn, I am the Vice President and Chief Financial Officer of Custom Engineering Company located on the southeast side of the City of Erie. I have worked in the fields of public accounting and manufacturing accounting over the past 40 years and I have always supported many and various service organizations as both a volunteer and a financial supporter.

Before I go further, I wish to take the opportunity to sincerely thank this State Senate committee for coming to Erie to learn more about the challenges that this school district has faced and continues to face and the opportunities for the future. Thanks also to Dr. Badams and all the Central High School staff for their hospitality today.

In 2010 I was recruited by Dr. Badams to serve on a newly formed Financial Advisory Committee of Erie Public Schools along side about six other financial professionals. Our mission was to learn the financial challenges faced by the District, discuss options, explore opportunities, ask questions and make recommendations to both the School administrative staff and to the School Board representative at our monthly meetings. This process has been very enlightening to all of the volunteer participants given that Dr. Badams, as the new Erie Public Schools Superintendent, and his staff faced a daunting array of challenges. Among those challenges were:

- The district was facing a multimillion dollar operating deficit
- The district had aging school buildings in need of costly upgrades
- There were three years remaining on the educator contract that guaranteed a 4% annual adjustment
- The Charter School annual subsidy payments were approaching \$16MM per year
- There were \$1MM+ annual increases for pension reimbursement to the state

My fellow financial advisors and I were provided detailed information on the aforementioned issues in addition to other financial and operating challenges that the district faced, or would soon face. After long discussion, questioning, and study, we would recommend and/or confirm a particular course of action that we all believed would be in the best interest of the district in the long term. Many of these recommendations were both difficult and painful to execute, but they were necessary if the district would ever have any chance of breaking the grip of financial distress.

The direct results of these financial challenges were reduced opportunities (both curriculum and other activities) for students and staff, aging text books, insufficient funds for library resources, crumbling buildings, etc. One reality that we all understood was the existence of a high poverty rate in this urban area as well as a high non-profit presence within the city limits and a high property tax rate for city residents – a combined property tax rate (city, county and school) of over \$33.00 per \$1,000 of assessed valuation. That rate is 50% higher than most of the larger surrounding townships.

As I look back over the past eight years that this Financial Advisory committee has had the opportunity to listen, learn and recommend – the following are just some of the substantive changes that the district has made to improve the financial and operating conditions:

- There were three elementary school closures with two more planned in 2017
- District administrative and supervision staffing was reduced by more than 50%
- The instructional staff was reduced by 22% and support staff by 11%
- Receipts of real estate taxes for the schools were accelerated by adjusting due dates
- The Philadelphia firm Public Resources Advisory Group (PRAG) was hired to analyze the district finances, suggest opportunities to deal with bonding issues and create financial projections
- Lower rates on Tax Revenue Anticipation Notes (TRAN) were negotiated
- New financial auditors with broad experience with public schools were hired
- New experienced financial talent to support the district was hired

There is no question that these and other recent changes have certainly helped move the needle at Erie Public Schools.

Now I would like to close my comments on a personal note. I can't stress enough the importance of an effective, vibrant school system in this city for the simple reason that this is where our business is located, where most of our employees live and where their children are raised and educated. In addition, this is where we strive to recruit new employees. These realities motivate me to assist this district in any way that I can including serving on the Financial Advisory Committee. These realities motivated my company to help finance a new playground at the Diehl Elementary School which is located across the street from our plant, and these realities compelled me to address this committee today. The Erie city leaders are now planning and executing bold strategies to refocus and re-energize this community – we all know that an essential component of that renaissance is a stable, effective public education system.

Thank you very much for this opportunity today

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