October 24, 2017

TIFFIN CITY SCHOOLS
ACCOMPANYING SUMMARY OF FORECAST ASSUMPTIONS

Revenues

1.010 General Property Tax (Real Estate)

Forecasted fiscal year 2018 is based on county auditor estimates, prior actual collection rates, and allowances for delinquencies, complaints, and fluctuations in valuation. All succeeding fiscal years conservatively assume no economic increases. Fiscal year 2020 also reflects the expiration of the district's $1,640,000 emergency levy in the second half of the fiscal year, for a loss of $820,000. Fiscal year 2021 reflects the full annual loss. It is assumed the emergency levy will be renewed on line 11.020 of the forecast.

1.020 Tangible Personal Property Tax (Public Utility)

All forecasted fiscal years, from 2018 to 2022, are based on county auditor estimates, prior actual collection rates, allowances for delinquencies, complaints, and fluctuations in valuation, and no economic increases.

1.030 Income Tax

The District does not have a voted income tax.

1.035 Unrestricted State Grants-in-Aid

State funding payments in 2015 through 2017 reflect increases from HB 59 and HB 64. In 2015, the district's increase was capped at 10.5% with more than $1.7 million unrealized. In 2016, it was capped at 7.5% with more than $700,000 unrealized. The increase cap was removed in 2017 when the district's student population declined. The new biennial budget for 2018 and 2019 maintains per-pupil funding levels with no significant increases. Due to the historical uncertainty of biennial budget increases, it is assumed that funding levels will remain the same from 2020 to 2022 as well.

Casino tax revenues are also shown on line 1.035, which began in 2013 when $59,400 was received from the opening of several new casinos in Ohio. The taxes are distributed to public schools each January and August based on student population. Approximately $140,000 is now received annually by the district.

1.040 Restricted State Grants-In-Aid

Restricted state funding for economically disadvantaged and career technical students is estimated by the State to be about $335,000 in 2018. This line also includes state reimbursements for catastrophic special education costs, which historically average about $82,000 for Tiffin City Schools. Fiscal years 2019 thru 2022 assume constant levels of all restricted funding.

1.045 Restricted Federal Grants-In-Aid (SFSF)

All federal SFSF funding expired in 2014.

1.050 Property Tax Allocation

This line consists of state reimbursements for real property tax rollbacks & homestead exemptions as well as lost TPP (tangible personal property) taxes that were eliminated by House Bill 66 in 2007. Rollbacks and exemptions are estimated to total about $1.4 million annually, which is about 15% of real estate property taxes and assumes the same regularity from year to year. Annual TPP reimbursements of $189,669 from the district's current expense levies was eliminated in 2016 by HB 64. Additionally, the annual hold-harmless TPP reimbursement of $67,929 from the emergency levy will begin to phase-out in 2018 at a reduction of 20% per year. This is a decrease of $13,586 annually until no reimbursement is received in 2022. Before TPP taxes were eliminated by state legislation, the district was collecting over $2.1 million annually from this resource.

1.060 All Other Revenues

This line includes tuition from non-resident open-enrolled & foster-placed students, reimbursements from other districts for excess special education costs, pay-to-participate fees, interest income, facility rent, Medicaid reimbursements, non-public auxiliary administration, tax abatement agreements, transportation fees collected from other organizations, insurance proceeds, and other miscellaneous items. Beginning with fiscal year 2016, approximately $25,000 was added annually for typical student tuition at the new pre-K program. The same amount was removed that year for classroom rental that is no longer collected from the contracted MD program. Most other revenues are expected to remain fairly constant from 2018 through 2022 but conservatively estimated at 95% of actual receipts in 2017 with the exception of a $46,000 tax abatement agreement that ends in 2019.

2.050 Advances-In

Fiscal year 2018 includes the repayment of one advance provided by the general fund to the mental health and recovery fund at the end of fiscal year 2017. No other advances or repayments are anticipated.

2.060 All Other Financing Sources

This line may include refunds and adjustments of prior-year expenditures such as e-rate discounts, fuel tax exemptions, Medicaid settlements, excess retirement contributions, workers' compensation rebates, college credit plus tuition, private scholarship reconciliations and state funding corrections. All forecasted fiscal years assume a constant annual amount of $32,000 from regular e-rate and fuel tax refunds. 2018 also includes actual amounts received to date from irregular sources.

Local property taxes comprise 40% of forecasted revenues in 2018. State funding comprises 54%. All other revenue sources comprise 6%.

Expenditures

3.010 Personal Services

Actual salaries in 2015 reflect an annual average step increase of 1.5% plus a negotiated 2% base increase in all salary schedules and additional personnel for summer school, guidance, math, marketing, secretarial, and supplemental positions. Actual salaries in 2016 reflect the average step increase plus a negotiated 1.5% base increase in addition to new staffing from opening 3 pre-K classrooms and 4 low incidence (MD) units. These programs resulted in a reduction of purchased services on line 3.030. Actual salaries in 2017 reflect the average step increase plus a negotiated 1% base increase and the addition of K-1 classroom aides, part-time custodians, preschool personnel for one new classroom, middle school career-tech instruction, girls' soccer, bowling, and high school busing.

Forecasted salaries for 2018 through 2022 include average annual step increases of 1.5% for years-of-experience and continuing education. 2018 also includes a 3% negotiated base increase with the collectively bargained & administrative steps restored and the non-represented pay scales redesigned. 2019 and 2020 also include 3% negotiated base increases annually.

3.020 Employee's Retirement/Insurance Benefits

Actual and forecasted benefits include mandatory contributions for retirement (14%), Medicare (1.45%), and workers compensation (0.6%), all of which are based on forecasted salaries. Negotiated contributions for the district's group medical, dental and life insurance plans are also included on this line. All fringe benefits average about 32.5% of annual salaries.

2018 includes a medical premium increase of 6.5% at the beginning of the fiscal year. Premium increases of 5% annually are forecasted from 2019 through 2022 based on historical trends. Dental premiums remained the same in 2018 but future years anticipate 5% increases annually. Life insurance premiums increased $0.35 per employee in 2018 to equalize age brackets and are also projected to increase 5% annually in future years. By 2022, total health insurance costs are forecasted to exceed $2.4 million annually.

Other expenditures on this line include incidental unemployment compensation of about $5,000 per year and negotiated tuition reimbursements of $15,000 per year.

3.030 Purchased Services

Vocational, post-secondary and special education, professional services, travel, meetings, repairs, maintenance services, copier leases, utilities, outgoing community school and open enrollment, foster-placed and youth center tuition, and independent contracts are all included on this line.

Actual fiscal years 2015 and 2016 include additional expenditures of $22,900 and $33,806 respectively for regular utilities and other start-up costs at Lincoln Pre-K, which began operating in school year 2015-2016. Fiscal year 2016 also includes an additional $21,200 for district-wide psychology services due to a staff retirement. Contracted services for special education were reduced $625,287 in 2016 when in-house MD and preschool programs were established and work study and SECIMS were eliminated. A deferred payment of $203,011 for 2016 contracted preschool services is reflected in 2017. Fiscal year 2017 also includes the expiration of a former capital improvements lease that formerly cost $86,000 annually and the addition of school nurse services for approximately $40,000.

Forecasted fiscal year 2018 reflects the expiration of a one-year special education agreement, a new one-year psychological services agreement for two vacated positions, new curriculum consultation from the ESC, and one additional student at the Seneca County Opportunity Center. All forecasted years assume historical annual inflation of 8%.

3.040 Supplies and Materials

Consumable supplies for instruction, administration and maintenance, as well as software, textbooks, fuel and bus parts are all included on this line. Fiscal year 2018 is based on a five-year historical average, 5% annual inflation, an annual textbook allocation of $100,000 and the addition of $25,000 for leveled literacy intervention in the elementary buildings. All subsequent forecasted years include the same annual inflation and textbook allocation.

3.050 Capital Outlay

Annual capital outlay typically included $200,000 for 2 new buses and $250,000 for new or replacement technology. Actual fiscal year 2015 also includes additional technology costs for classroom upgrades purchased with 2016 and 2017 allocations and the Lincoln renovation contract with ACI Const. Co. for the new preschool program. Actual 2016 includes additional classroom furnishings at Lincoln. Actual 2017 includes a sprinkler system at Lincoln and the deferral of two bus payments.

Forecasted fiscal year 2018 includes $185,000 for the deferred bus payments from 2017, $185,000 for two additional new buses, $250,000 for the annual technology budget plus $15,000 unspent and carried over from 2017, and $38,000 for an additional classroom at Lincoln. Beginning in fiscal year 2019, the cost of replacing buses and other capital outlay will be provided by the district's original $200,000 permanent improvement levy, which was renewed by the voters in the fall of 2016 with an increase of $600,000. The general fund will continue to provide $250,000 annually for technology needs.

4.050 Principal-HB 264 Loans
4.060 Interest and Fiscal Charges

In the second half of fiscal year 2014, annual interest payments starting at $22,500 were added for the district's new energy conservation project. The corresponding annual principal payments starting at $35,000 were added in 2015. The payments will expire in fiscal year 2029. In the meantime, guaranteed energy savings from the project total about $70,000 annually, which reduces costs on line 3.030 Purchased Services.

4.300 Other Objects

Tax collection and auditing fees, membership dues, commercial insurance and miscellaneous expenses not classified elsewhere are forecasted on this line. Fiscal year 2015 includes a one-time refund while fiscal year 2016 includes a one-time settlement. All forecasted years assume annual inflation of 5%.

Other Financing Uses

5.010 Operating Transfers-Out

Typical annual transfers from the general fund include approximately $70,000 to the uniform supplies fund to subsidize fees that are mandatorily waived by state law for students receiving free lunches and $5,000 to the International Cultural Center for the district's 20% match to the community based program. Fiscal years 2016 and 2017 were inflated from uniform supplies purchases that will be utilized over multiple years.

5.030 All Other Financing Uses

Actual expenditures made for the purpose of refunding monies received in a prior fiscal year are shown on this line. 2016 and 2017 included repayments to the State for recalculated per-pupil funding.

Salaries & benefits comprise 65% of forecasted expenditures in 2018. Purchased services comprise 28%. All other expenditures comprise 7%.

6.010 Excess of Revenues over (under) Expenditures

The district's budget is balanced through fiscal year 2018. Due to stagnant revenue forecasts and tax levy expirations, deficit spending is projected to begin in fiscal year 2019.

8.010 Estimated Encumbrances June 30

Outstanding purchase orders at the end of each fiscal year are projected as 2% of total expenditures.

Reservation of Fund Balance

9.020 Capital Improvements

This line sets aside $500,000 annually beginning in fiscal year 2017 to accommodate major renovations and/or new construction.

10.01 *Fund Balance June 30 for Certification of Appropriations*

The district's unencumbered cash balance at the end of each forecasted fiscal year ranges from $13.6 million in 2018 to a $(5.3 million) deficit in 2022 when the emergency operating levy is fully expired.

Revenue from Replacement/Renewal Levies

11.02 Property Tax – Renewal or Replacement

This line assumes the district's 5-year, $1,640,000 emergency operating levy will be renewed by the voters by 2019, which offsets revenue lost on line 1.010 in the second half of forecasted fiscal year 2020. The renewal will, however, be insufficient to offset deficit spending on line 6.010.

15.01 *Unreserved Fund Balance June 30*

Contingent upon renewal of the emergency operating levy, the district's adjusted unencumbered cash balance at the end of each forecasted fiscal year ranges from $13.6 million in 2018 to a $(1.2 million) deficit in 2022.