October 25, 2016

TIFFIN CITY SCHOOLS
ACCOMPANYING SUMMARY OF FORECAST ASSUMPTIONS

**Revenues**

**1.010 General Property Tax (Real Estate)**

Actual fiscal year 2014 reflects the first full collection of $1,575,190 from the passage of 4.9 new mills in March of 2012.

Forecasted fiscal year 2016 includes a slight increase based on county auditor estimates, which is partially reduced to allow for delinquencies, changes in valuation, and complaints by owners. All other forecasted fiscal years reflect additional annual declines to allow for such fluctuations. 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.

**1.020 Tangible Personal Property Tax (Public Utility)**

Actual fiscal year 2014 reflects the first full collection of $102,308 from the new levy mentioned above. All forecasted fiscal years, from 2016 to 2021, allow for the same annual fluctuation as real estate estimates.

**1.030 Income Tax**

The District does not have a voted income tax.

**1.035 Unrestricted State Grants-in-Aid**

State funding payments for 2014 and 2015 reflect annual increases from HB 59. The 2014 increase was capped at 6.25% to limit funding growth, which meant $2.5 million of calculated funding was not received. The 2015 increase was capped at 10.5% with a $1.8 million increase unrealized.

The HB 64 biennial budget for 2016 and 2017 also provided increases. The 2016 increase was capped at 8.2% with $623,584 unrealized. 2017 is expected to receive a 6.6% increase when the district's growth cap is eliminated. Due to the historical uncertainty of State biennial budgets, it is assumed that funding levels will remain the same from 2017 thru 2021.

It should be noted that approximately $300,000 annually was added in 2014 for state funding that was formerly sent directly to the Educational Service Center for special needs preschool students. This revenue was offset by additional expenses on line 3.030 in 2014 and 2015 for purchased preschool services from the ESC. Beginning in 2016, the revenue also offset salaries, benefits, services, supplies and equipment expenditures directly incurred for operating a district pre-K program.

Casino tax revenues are also shown on line 1.035, which began in 2013 when $59,400 was received from the opening of 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.

**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 $275,000 in 2017. This line also includes state reimbursements for catastrophic special education costs, which historically average about $75,000 for Tiffin City Schools. Fiscal years 2018 thru 2021 assume constant levels of all restricted funding.

**1.045 Restricted Federal Grants-In-Aid (SFSF)**

All 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 tangible personal property (TPP) taxes that were eliminated by House Bill 66 in 2007. Rollbacks and exemptions are estimated to total about $1.3 million annually, which is about 14% of real estate property taxes and reflects the same anticipated change 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 reimbursement of $67,929 from the district's emergency levy will begin to phase-out in 2018 at a reduction of 20% per year, which is a loss of about $13,000 annually. Before tangible personal property 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 special education costs, pay-to-participate fees implemented in the spring of 2012, interest income, facility rent, Medicaid reimbursements, non-public auxiliary administration, tax abatement agreements, transportation fees collected from other entities, and other miscellaneous items. Beginning with 2016, $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 will no longer be collected from the contracted MD program. 2016 also reflects additional Medicaid reimbursements from prior year settlements. Most other revenues are expected to remain fairly constant from 2016 through 2021 with the exception of a tax abatement agreement that ends in 2019.

**2.050 Advances-In**

There are no outstanding advances from the general operating fund.

**2.060 All Other Financing Sources**

Includes refunds and adjustments of prior-year expenditures such as e-rate discounts, fuel tax exemptions, retirement contributions, workers' compensation rebates, private scholarship reconciliations and state funding corrections. Forecasted fiscal years 2017 through 2019 assume a constant annual amount of $120,444 from regular e-rate, retirement reconciliations, fuel tax, and workers' compensation refunds. 2017 also includes the return of $210,882 for state funding erroneously received in 2016.

*Property taxes comprise 39% of forecasted revenues in 2017. State funding comprises 55%. All other revenues comprise 6%.*

**Expenditures**

**3.010 Personal Services**

Actual salaries in 2014 reflect a negotiated years-of-experience step increase for all salary-schedule employees. 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 result in a reduction of purchased services on line 3.030.

Forecasted salaries for 2017 thru 2021 include average annual step increases of 1.5% for years-of-experience and continuing education. 2017 also includes a 1% negotiated base increase and the addition of 8 K-1 aides, 1 half-time custodian, 1 preschool classroom, 1 middle school career-tech teacher, 4 summer sweepers, 2 girls soccer coaches, 1 bowling coach, and 1 high school bus route.

**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. Fiscal year 2017 includes a monthly payment of $157,413 that was delayed from fiscal year 2016 for such insurance.

2017 also includes a medical premium increase of 5% at the beginning of the fiscal year. Premium increases of 5% annually are expected to continue from 2018 through 2021. Dental premiums decreased 3% in 2017 due to a change in carriers but future years expect 5% increases annually. Life insurance premiums did not increase in 2017 but are also projected to increase 5% annually. By 2021, total health insurance costs are forecasted to exceed $2.2 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, copier leases, utilities, outgoing open enrollment, foster-placed 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. An additional reduction of $223,950 for preschool services is estimated in 2017. (The forecast actually reflects a portion of the 2016 contract, $203,011, being paid in 2017.)

2017 also includes the expiration of a former capital improvements lease for ten months of the year that formerly cost $86,000 annually and the addition of school nurse services that will cost approximately $40,000.

All forecasted years from 2017 through 2021 assume annual inflation of 10%.

**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 2014 reflects additional textbook costs for a reading series purchased with 2015 and 2016 allocations. The annual textbook budget of $100,000 is then restored in 2017.

Forecasted fiscal year 2017 also includes additional fuel for one new bus route to accommodate high school students. A new implementation fee of $5,000 for employee compliance software is split between 2017 and 2018 with the annual cost of $7,170 beginning in 2019.

All forecasted years from 2017 through 2021 assume annual inflation of 5%.

**3.050 Capital Outlay**

Annual capital outlay typically includes $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. Inc. for the new preschool program.

Forecasted fiscal year 2017 also includes $25,000 for bus surveillance, $121,000 for the sprinkler system at Lincoln, and $60,000 for other needs. The district expects capital outlay needs to total approximately $800,000 annually with $200,000 covered by the permanent improvement levy, which was originally passed in 1977. $800,000 is the approximate inflationary equivalent of the original one-mill that has been renewed every five years at a stagnant amount. If the current $200,000 levy expires in 2017, the forecast will absorb its annual expenditures in the second half of fiscal year 2018. The full value of the levy will be absorbed in 2019. A renewal of the levy with an increase to equal the inflationary equivalent will be proposed on November 8, 2016. Successful passage is assumed on line 11.020 of the forecast.

**4.050 Principal-HB 264 Loans**
**4.060 Interest and Fiscal Charges**

In the second half of 2014, annual interest payments of approximately $20,000 were added for the district's new energy conservation project. The corresponding annual principal payments of $35,000 - $40,000 were added in 2015. The payments will expire in 2028. 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 audit refund of $(45,000). Fiscal year 2016 includes one-time special education expenditures totaling $43,786. All forecasted years assume annual inflation of 5%.

**Other Financing Uses**

**5.010 Operating Transfers-Out**

One annual transfer from the general fund to the uniform school supplies fund will subsidize fees that are waived by state law for students receiving free lunches. Based on current needs, all forecasted years assume annual transfers of $100,000.

**5.030 All Other Financing Uses**

Payments to the State for recalculated per-pupil funding for prior school years are shown on this line. 2016 included a repayment of $37,466. 2017 includes an expected repayment of $30,999.

*Salaries & benefits comprise 65% of forecasted expenditures in 2017. Purchased services comprise 27%. All other expenditures comprise 8%.*

**6.010 Excess of Revenues over (under) Expenditures**

The district's budgets are 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.

**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 $12.8 million in 2017 to $6.9 million in 2021 when the permanent improvement and emergency operating levies are fully expired. Based on forecasted annual expenditures, this amount of rainy day funds will provide for less than 3 months of regular operations by the end of 2021.

**Revenue from Replacement/Renewal Levies**

**11.02 Property Tax – Renewal or Replacement**

This line assumes the district's 5-year, 1-mill permanent improvement levy will be renewed with an increase by the voters in 2016, which offsets capital outlay expenditures on line 3.050 in the second half of forecasted fiscal year 2018.

It also assumes the district's 5-year, $1,640,000 emergency operating levy will be renewed by the voters in 2019, which offsets revenue lost on line 1.010 in the second half of forecasted fiscal year 2020.

Both of these renewals delay the district's deficit spending until fiscal year 2020.

**15.01 *Unreserved Fund Balance June 30***

Contingent upon renewal of the permanent improvement and emergency operating levies, the district's adjusted unencumbered cash balance at the end of each fiscal year ranges from $12.8 million in 2017 to $12.2 million in 2021 contingent upon renewal. Based on forecasted annual expenditures, this amount of rainy day funds will provide for at least 4 months of regular operations in the event of unexpected revenue fluctuations and unanticipated expenditures.