

Milford Exempted Village School District
Five Year Forecast – Assumptions
Fiscal Year 2019

INTRODUCTION

Per the Ohio Revised Code, public school districts in the State of Ohio are required to submit a Five-Year Financial Forecast in October and May of the fiscal year. School Districts operate on a fiscal year running from July 1st – June 30th. The forecast includes revenues, expenditures, excess/deficit line items, estimated encumbrances, and the projected fiscal year end cash balance. The forecast includes three years of historical/actual data and five years of projected estimates.

The Ohio Department of Education’s purpose/objectives for the five year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district’s ability to sign the certificate required by O.R.C. 5705.412, commonly known as the “412 Certificate”.
3. To provide a method for the Department of Education and Auditor of State to identify the financial standing of the Milford Exempted Village School District.

Understanding the Forecast:

The forecast is a tool used by the Board of Education to illustrate the projected financial position of the school district in upcoming years. Due to the unknowns’ in future economic conditions and assumptions, the forecast is an ever changing document. Overall, the forecast needs to be reviewed based on future trends and percentages, rather than specific amounts. Many projections are based on the information provided by the County Auditor, State Auditor, Ohio Department of Taxation, Department of Education, and partnership companies.

Revenue unknowns and variables, include, but are not limited to; enrollment, property valuation, new construction, and interest rates. State funding is based on a biennium budget, which will change every two years (meaning state revenue cannot confidently be projected beyond the biennium budget). Expenditures unknowns include, but are not limited to; staffing levels, retirements, healthcare fluctuations, utility costs, special education cost, and tuition.

Fluctuations in revenues & expenditures in the current year of the forecast, do not only affect the current year, but substantially compound and affect the future years of the forecast.

EXECUTIVE SUMMARY:

The district closed FY ’18 with a cash balance of \$38,323,671; the equivalent of 203 true cash days. With increasing expenditures annually and moderate growth in revenues, the District anticipates expenditures to exceed revenues in FY ‘21 at which time, the cash balance will progressively decline. The last operating levy was passed May 2013 with a necessity to replace the revenue stream (Tangible Personal Property Tax) removed by ODE in 2014. This operating levy was speculated to last 4-5 years per the last campaign. The district was fortunate to receive

Milford Exempted Village School District
Five Year Forecast – Assumptions
Fiscal Year 2019

additional state funding dollars in the past two state biennial budgets; this increase in district revenue has permitted the district to maintain a positive cash balance.

REVENUES:

Line 1.01 General Property Tax (Real Estate)

Projections for general real estate are based on property valuations provided by the Clermont and Hamilton County Auditors. Property in Clermont County went through a sexennial valuation update in 2017. As a result, property valuations for Milford EVSD increased 15.24% in calendar year 2017 with a collection year of 2018. Prior year increases were .75% in 2016, .86% in 2015, and 3.76% in 2014 respectively. Projections for 2019 reflect a drop in real estate collections due to an increase in delinquencies. Future projected years of the forecast reflect a continued increase in real estate property valuation. The modest increases are based on new developments of residential and commercial property.

Line 1.02 Tangible Personal Property Tax

House Bill 66 eliminated tangible personal property tax on machinery, equipment and inventory used by businesses in the state of Ohio. This change is seen as an opportunity to promote economic development in Ohio. This source of income is eliminated by FY 2010.

Line 1.03 Income Tax

The District does not have an Income Tax.

Line 1.035 Unrestricted Grants-in-Aid

The State of Ohio funds public school districts on a two-year cycle, referred to as the biennium budget. Projecting state funds beyond the two-year budget is challenging since the reliance on these funds is based on future, unknown legislation. Funding public school districts in Ohio has been a controversial topic for decades, evident by the Ohio Supreme Court ruling school state funding unconstitutional on at least three different occasions.

State Funding has seen different funding “formulas” in three of the last four biennium budgets. Fiscal year 2019 through 2023 are based on the current state funding formula.

The State’s latest biennium budget, which was approved in June of 2017, increased the revenue per student from \$6,000 to \$6,010 for fiscal year 2018 and \$6,020 for 2019. The State also decreased the amount of funding for transportation over the next two years. It is projected that the District will experience a decrease in transportation funding in fiscal year 2019.

Casino gambling was approved by Ohio voters in 2009 with the passage of a constitutional amendment. The amendment allowed for four casinos to be located around the State. Thirty-four

Milford Exempted Village School District
Five Year Forecast – Assumptions
Fiscal Year 2019

percent (34%) of the gross casino revenue goes into the County Student Fund. Money is distributed from this fund to all school districts in Ohio based upon student populations as certified by the Department of Education. The Ohio Department of Taxation receives a student count by county and by district within the county. Money is remitted directly to the school districts. The District received \$334,827 in casino revenues in fiscal year 2016, \$331,970 in fiscal year 2017 and \$343,720 in fiscal year 2018. It is anticipated that the District will continue to see a similar amount of casino revenues in FY2019 through FY2023.

Line 1.04 Restricted Grants-in-Aid

Through the State funding formula the District receives funding for economically disadvantaged students and for the offering of career technical education programs. The funding received through these two items are restricted on how it can be spent. The District also receives restricted funds from the State through the catastrophic cost program.

Economically Disadvantaged Funding

Economically disadvantaged funding is provided by the State to address economic disadvantage (poverty) and its effects on educational outcomes. Funding is based on the number of students who qualify for the free or reduced lunch program. Those that qualify are considered economically disadvantaged. This represents students in poverty, but also students of families with low incomes.

The District has seen a decrease in the number of students considered economically disadvantaged. It is anticipated that number of will remain consistent.

The District received \$61,379 in economic disadvantaged funding in fiscal year 2018 and \$75,527 in fiscal year 2017.

Career Technical Education Funding

Career technical education funding is provides for additional state support for students who are in career technical programs.

It is projected that the District will see an increase in career technical education funding due to increases in enrollment.

The District received \$6,694 in career technical education funding in fiscal year 2018 and \$7,333 in fiscal year 2017.

Catastrophic Cost Reimbursement

Catastrophic cost reimbursement is additional State aid for special education students' whose individual educational costs exceed the statutory threshold limits. The current threshold amounts that must be exceeded are \$27,375 and \$32,850 based upon the severity of the student.

State aid is in the form of partial reimbursement of prior year expenses.

Milford Exempted Village School District
Five Year Forecast – Assumptions
Fiscal Year 2019

It is projected that the District will continue to receive catastrophic cost reimbursement at its current funding level.

The District received \$702,623 in catastrophic cost reimbursement in fiscal year 2018 and \$757,776 in fiscal year 2017.

Line 1.05 Property Tax Allocation

The State provides reimbursement to the District for property tax relief given to residential taxpayers through the Homestead & Rollback program.

Line 1.06 All Other Operating Revenue

Other local income includes investment income, tuition from other districts, rental of school facilities, donations, open enrollment, Tax Increment Financing (TIF) payments, All Day Kindergarten tuition, student fees and other miscellaneous revenues. The collections from the Union Township TIF began in FY12. The district also receives TIF funding from Miami Township and the City of Milford.

Line 2.04 Operating Transfers In

During construction of Boyd E. Smith and Seipelt under the OFCC project, the funding awarded was less than the construction bids received, forcing MEVSD to pay for excess costs. The board voted in June 2015 to transfer from the General fund to the Building fund \$4,000,000 to cover this short fall. The OFCC then responded by asking \$195,323 be placed in a School Facilities fund opposed to a Building fund per the necessary calculation of LFI & OFCC portions of various aspects of the Segment One revision to the contract for abatement and demolition of Main as well as site safety allowances for both Boyd E. Smith and Seipelt. These construction projects were financial completed in FY18 with a transfer in to the general fund for the balance of \$1,607,144 and out to the permanent improvement fund for the same amount.

Line 2.06 All Other Financing Sources

All other financing sources include refunds from expenditures made in the previous fiscal year.

EXPENDITURES:

Line 3.01 Personal Services

Educational institutions in the state of Ohio, including public school districts, are service based industries. As a result of being a service based industry, the majority of expenditures for school districts are salaries and benefits.

Staffing is projected to remain at their current levels through the length of the forecast. The current MEA and MCEA union contracts run through June 30, 2020.

Milford Exempted Village School District
Five Year Forecast – Assumptions
Fiscal Year 2019

The personnel services have been adjusted to reflect the step increases for the length of the forecast as well as raises 2.5% and 2.5% for FY 2019 and FY 2020 respectively. Projected raises of 1% are reflected in FY 2021 – FY 2023.

Line 3.02 Employees' Retirement/Insurance Benefits

Benefits are projected using two categories. The first category is based off of State or Federal government mandates. The second category is based off of employee voluntary benefits.

The first category included retirement benefits. The State mandates 14% on an employee's salary are contributed to the retirement system by the District. This category also includes Medicare payments which is 1.45% of an employee's salary. The final expenditures in this category included unemployment claims and workers compensation claims.

The second category includes health, dental, and life insurance. Expenditures for these items are based on enrollments and rates. Employee enrollment is project to stay at its current level throughout the life of the forecast. The District is part of the Southwest Ohio Organization for School Health (SWOOSH) consortium. SWOOSH is a self-funded model for health and dental insurance. Life insurance is fully insured.

The District's health insurance rate will increase 10.5% beginning in January of 2019. It is projected that the District will experience an annual increase of 8% in the remaining years of the forecast. The District's dental insurance rate will decrease by 1% beginning in January of 2019. It is projected that the District will experience and annual increase of 4% in the remaining years of the forecast. The District does not anticipate an rates changes to the life insurance through the remaining years of the forecast.

Line 3.03 Purchased Services

Purchased Services projections are based on numerous variables such as inflation, enrollment, staffing, and the weather. Major purchased services items include maintenance costs, utilities, contracted services, professional meeting expenses, property and vehicle insurance, student transportation services, tuition to other districts and communication expenditures. Projections are increased at the rate of four percent (4%).

Line 3.04 Supplies and Materials

Supplies and materials projections are based on inflation estimated at three percent (3%). Supply expenditures include instructional materials such as textbooks, software, and computer supplies. It also includes expenditures for office and custodial supplies, as well as fuel for the buses.

Line 3.05 Capital Outlay

Milford Exempted Village School District
Five Year Forecast – Assumptions
Fiscal Year 2019

This area is used to fund equipment purchases from building and departmental budgets. This mainly included expenditures for technology. The District chose to implement a 1:1 technology initiative beginning in 7th grade starting FY17. To put this in place, the BOE chose to approve purchasing new devices as well as switches and access points to support additional usage on campus. Capital outlay projections are based on inflation estimated at three percent (3%).

Line 4.30 Other Objects

This area includes such items as auditor and treasurer fees paid to the County Auditor, membership fees, liability insurance and fees for the annual district audit. Any increase for this line item is projected to be minimal.

Line 5.01 Operating Transfer-out

This reflects FY15 Board approved transfer from the General Fund to the Building Fund to cover the cost of potential LFI (locally funded initiatives) for the two Elementary Buildings through the OFCC project for GMP exceeding estimated costs covered by OFCC. These construction projects were financial completed in FY18 with a transfer in to the general fund for the balance of \$1,607,144 and out to the permanent improvement fund for the same amount.

8.01 Estimated Encumbrances

Encumbrances are funds that have been set aside for payment of goods or services that have been ordered but have not yet been expensed at the end of the fiscal year.

CONCLUSION:

While the forecast projects an excess of revenue over expenditures for the current fiscal year, the Board of Education will have to closely monitor future fiscal years, as the forecast indicates potential deficit spending.

DISCLAIMERS:

Professional Diligence Notice and Disclaimer:

Reasonable professional diligence and care has been exercised in the preparation of this forecast. It is a public record pursuant to Ohio law. Public dissemination is required by State law and enabled by Resolution of the Milford Exempted Village School District Board of Education. A variety of sources and methods are used to develop the forecast data. Various assumptions and projections are employed in developing the data that may or may not be timely, accurate, complete or correctly interpreted. All forecast data is subject to change or correction at any time without notice. If any notice is subsequently provided, such notice may be limited to the filing of a revised forecast within the parameters of the statutory filing schedule. This forecast document is designed solely to provide a general indication of the probable future financial position of the Schools

Milford Exempted Village School District
Five Year Forecast – Assumptions
Fiscal Year 2019

District based on information currently available to the School district. The legitimacy or accuracy of any specific assumption, number or the forecast total, while deemed reliable, cannot be guaranteed. In many cases, a relatively small change in one forecast number will have the effect of materially changing forecast data and trends, positive or negative.

Therefore, professional discretion, diligence and caution are required when using and interpreting forecast information. Current fiscal year forecast data does not necessarily reflect current School District appropriations, budgets, certifications or other data maintained in the files of the School District, including the Office of the Treasurer of the Board of Education. Future forecast fiscal year data is compiled from public sources to the extent possible and reasonable. Historical data is based on fiscal year-end data filed by the Treasurer of the Board of Education. Questions from the community and other users of this data are encouraged. The contact person is Brian Rabe, Treasurer, Board of Education.