

Milford Exempted Village School District
Five Year Forecast – Assumptions
Fiscal Year 2023

INTRODUCTION

Per the Ohio Revised Code, public school districts in the State of Ohio are required to submit a Five-Year Financial Forecast in November 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 22 with a cash balance of \$40,920,183; the equivalent of 194 true cash days. With increasing expenditures annually and moderate growth in revenues, the District anticipates expenditures will continue to exceed revenues in FY 23 at which time, the cash balance will progressively decline. The last operating levy was passed in May of 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

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was fortunate to receive additional state funding dollars as well as real estate tax dollars over the past several years; 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 values increased 1.42% in tax year 2021 with a collection year of 2022. Property in Clermont County went through a full reappraisal in 2020 and a triennial valuation update in 2017. Prior year property value increases were 6.82% in 2020, 1.38% in 2019, and .75% in 2018 respectively. Projections for fiscal year 2023 reflect an increase in real estate collections due to an increase in overall property values. 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 was eliminated in 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 the state's funding of schools as unconstitutional on at least three different occasions.

State funding has seen different funding "formulas" in four of the last five biennium budgets. The most recent biennium budget passed by the State in 2021, instituted a change in how districts are funded. Prior funding formulas-based funding on the number of resident students. The recently passed formula bases funding on students attending the District. The State anticipates that the formula will be fully funded after six years by increasing the budgeted amount by 16.66% each year. However, the State's biennium budget only guarantees funding for the fiscal year 2022 and 2023.

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With the change of philosophy on how schools are funded by the State, some districts would have experienced a decline in State funding. The State instituted a guarantee in the formula, ensuring that districts would not receive less in the current fiscal year than they had in fiscal year 2021. The District is currently on the guarantee. It is projected that the district will remain on the guarantee in fiscal year 2023. Future years of the forecast project flat funding being received from the State due to the State's biennium budget ending on June 30, 2023.

Beginning in fiscal year 2022, the State did make several changes regarding the funding for tuition payments made to community schools and scholarship payments for special education students. Community school and scholarship students will now be funded directly by the State. In past years, districts would receive the per pupil allocation for these students, which would be reflected in the Unrestricted Grants-in-Aid line on the forecast. There would then be an offsetting expenditure reflected in the purchase services line of the forecast. These are now being directly funded by the State, resulting in a decrease in revenues as well as a decrease in expenditures.

Also beginning in fiscal year 2022, the new funding formula also effected the way open enrollment students, both coming to districts and leaving districts, are recorded. Prior to the current year, funding for students who were open enrolled into the district were reflected in the 1.06 All Other Operating Revenue line item. The expenditure for students who were open enrolling to another district was reflected in the purchase services line item. The funding formula, beginning this year, has the net difference from open enrollment reflected in 1.035 Unrestricted Grants-In-Aide. This results in forecasted lines 1.06 All Other Operating Revenue and 3.03 Purchase Services to be reduced while increasing line 1.035 Unrestricted Grants-in-Aid.

The State's 2020 revenue collection was severely impacted by the slowing economy due to the stay-at-home order. With the State required to have a balanced budget by the end of its fiscal year, the State was forced to make expenditure reductions. As such, the State reduced the foundation funding to all public schools. This reduction resulted in the loss of \$1,243,819 in State funding for the District in fiscal year 2020 and an additional \$561,661 in fiscal year 2021.

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 percent (34%) of the gross casino revenue goes into the County Student Fund. Funds are 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. Funding is remitted directly to the school districts. The District received \$411,567 in casino revenues in fiscal year 2022, \$276,601 in fiscal year 2021 and \$361,342 in fiscal year 2020. The decrease in casino gambling revenues for fiscal year 2021 are due to the Ohio Governor's stay at home order. Revenues from casino gambling are projected to increase in future years.

Line 1.04 Restricted Grants-in-Aid

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With the new State funding formula, the State placed restrictions on how certain categorical funding could be spent.

Student Wellness

Student wellness funding can be used for student services including mental health, homeless, and dropout prevention. The District received \$840,162 in student wellness funds in fiscal year 2022 and is projected to receive \$768,401 in fiscal year 2023.

Disadvantage Pupil Impact Aid (DPIA)

DPIA funding is provided by the State to address economic disadvantage (poverty) and its effects on educational outcomes. Funding was 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 received \$58,820 in DPIA funds in fiscal year 2022 and is projected to receive \$57,821 in fiscal year 2023.

English Learners

English learners funding is provided to offer services to those students who English is not their native language. The District received \$26,280 in English learner funds in fiscal year 2022 and is projected to receive \$24,795 in fiscal year 2023.

Gifted

Gifted funding is provided for the identification of students, coordinator services, intervention specialist services, or other service providers approved by the Ohio Department of Education, and gifted professional development. The District received \$325,746 in gifted funds for fiscal year 2022 and is projected to receive \$313,911 in fiscal year 2023.

Career Technical Education Funding

Career technical education funding is provided for additional state support for students who are in career technical programs. The District did not receive funds for career technical education in fiscal year 2022 is project not to receive funds in fiscal year 2023.

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.

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

The District received \$1,342,658 in catastrophic cost reimbursement in fiscal year 2022, \$582,846 in fiscal year 2021, and \$474,491 in fiscal year 2020 respectively.

Line 1.05 Property Tax Allocation

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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, 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, with the district receiving 25% of the school district TIF amount collected. Beginning with the second payment in FY 19, the district is now receiving 100% of the school district TIF amount collected. The district also receives TIF funding from Miami Township. The second of two TIF payments from Miami Township, has in the past been received in June. The FY 22 June payment of \$1,350,996, was not received until July, which resulted in it being received in FY 23.

The District is also expected to see a decrease in interest income caused by the current market rates for investments.

As stated above, the recording of revenues for tuition from open enrollment students coming to the district has been adjusted beginning in fiscal year 2022 to be reflected in Unrestricted Grants-in-Aide. The District received \$1,042,436 from open enrollment in fiscal year 2021.

The Milford Athletic Boosters, along with a donation from FC Cincinnati, and a grant from the Cincinnati Bengals, will be used to install field turf at the Charity Lucas Soccer Complex. This donation and grant will amount to \$747,000. \$497,000 was received in fiscal year 2022, with the remaining \$250,000 to be received in fiscal year 2023.

Line 2.04 Operating Transfers In

The district received funds for hosting state sponsored athletic events. These funds have been transferred into the general fund. These funds were then transferred out to the athletic fund.

Line 2.05 Advances In

The District's extended day program was financially impacted by the State's shutdown due to the coronavirus. In fiscal year 2020 the District approved to advance the extended day program \$150,000 from the general fund. In fiscal year 2022, the extended day program was able to return the advance of monies to the general fund.

Line 2.06 All Other Financing Sources

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

EXPENDITURES:

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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 in the area of salaries and benefits.

Staffing is projected to remain at their current levels through the length of the forecast. The current MEA contract runs through June 30, 2026 and MCEA union contract runs through June 30, 2024.

Personnel services have been adjusted to reflect the step increases for the length of the forecast as well as raises of 2% in FY 2023 through FY 2026 for MEA members and a raise of 2% in FY 2023 through FY 2024 for MCEA members. Projected raises of 1% are reflected in fiscal years not covered by the MEA or MCEA contracts.

Line 3.02 Employees' Retirement/Insurance Benefits

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

The first category includes retirement benefits. The State mandates 14% on an employee's salary be 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 include 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 projected 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 increased 8.3% in January of 2023. It is projected that the District will experience an annual increase of 10% in the remaining years of the forecast based upon prior rate increases. The District's dental insurance will not increase for 2023 and 2024 due to a multiyear contract. This contract has a maximum rate increase of 7% in 2025 and 9% in 2026. The District does not anticipate a rate change to 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 purchase service items include maintenance costs, utilities, contracted services, professional meeting expenses, property and vehicle insurance, student

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transportation services, and tuition to other districts. Projections are increased at the rate of three percent (4%).

The District has made several capital improvements and upgrades over the past several years. The District has spent \$1,855,472 in fiscal year 2022, \$2,285,681 in fiscal year 2021 and \$573,213 in fiscal year 2020 on capital improvements and upgrades. The District is projected to spend \$4,066,293 million capital improvements and upgrades in fiscal year 2023 and \$2,100,000 in fiscal year 2024.

Through the donations and grant from the Milford Athletic Boosters, FC Cincinnati, and the Cincinnati Bengals, the District will be installing field turf at the Charity Lucas Soccer Complex. \$183,250 of this projected was paid in fiscal year 2022 with the remaining \$563,750 being paid in fiscal year 2023.

The State's school closure order, which began in mid-March of 2020 and ran through the end of the 2020 school year, impacted several service contracts. As a result, the District saw a reduction in expenditures in a number of service contracts in fiscal year 2020.

As stated above, beginning in FY 2022, the State will begin directly funding tuition payments for students attending community schools, as well as, for students receiving special education scholarships. Open enrollment funding was also affected by the change in the State funding formula. This change will result in a decrease in purchase services. The District expensed \$663,112 for community school tuition, \$562,833 for special education scholarships, and \$589,891 in open enrollment tuition in fiscal year 2021.

Line 3.04 Supplies and Materials

Supplies and materials projections are based on inflation estimated at three percent (4%). Supply expenditures include instructional materials such as textbooks, software, and computer supply. It also includes expenditures for office and custodial supplies, as well as, fuel for the buses. Due to the rising fuel prices, it is projected that in fiscal year 2023 the district will see an increase of \$300,000 in fuel costs.

The State's school closure order, which beginning in mid-March of 2020 and ran through the end of the 2020 school year, impacted the purchase of supplies and materials in fiscal year 2020.

Line 3.05 Capital Outlay

This area is used to fund equipment purchases from building and departmental budgets. This mainly includes expenditures for technology and furniture. The District chose to implement a 1:1 technology initiative beginning in 7th grade starting in fiscal year 2017.

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The State’s school closure order, which beginning in mid-March of 2020 and ran through the end of the 2020 school year, impacted the purchasing of capital outlay. As a result, the District saw a reduction in expenditures in fiscal year 2020.

The District spent \$160,000 in fiscal year 2021 on equipment related to the major repairs.

Line 4.30 Other Objects

This area includes such items as county auditor and treasurer fees, membership fees, liability insurance, and fees for the annual district financial audit. Any increases for this line item are projected to be minimal.

Line 5.01 Operating Transfer-out

The district receives funds for hosting state sponsored athletic events. These funds have been transferred into the general fund. These funds were then transferred out to the athletic fund.

The District has two outstanding loans for the purchase of land and the bus garage. The principal and interest on these loans is currently being paid out of the permanent improvement fund. However, the balance in the permanent improvement fund at the end of fiscal year 2019 was not sufficient to cover the remaining payments on these loans through maturity. In fiscal year 2020, the Board approved the transfer of funds from the general fund, into the permanent improvement fund to cover the remaining payments on these outstanding loans.

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:

The District will need to closely monitor its revenues and expenditures since deficit spending is projected to continue through the years in the forecast. The State’s legislative change to the funding formula will also need to be evaluated on a biennium basis.

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

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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 School 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.