

**Mansfield City Schools
Richland County
Forecasted Fiscal Years Ending June 30, 2014 Through 2018
5 Year Budget Forecast Assumptions May 31, 2014**

District Summary

Mansfield City School District is a low income, high poverty District that serves over 5,000 students and continues to be committed to providing the opportunity for all students to be highly educated and prepared academically for personal success in life, their chosen careers, life-long learning, and contributing positively to their local, national, and global communities.

Purpose of the Five Year Forecast

The forecast is in accordance with mandates of House Bill 412 and its primary purposes are as follows:

- Planning tool for the District's Board of Education and administration to prepare and identify future funding issues.
- Provide the Ohio Department of Education and the Auditor of State a tool to determine the fiscal health of the District.
- Reporting tool to the District residents as to revenues and expenditures and provide responsible management of District resources.

Projections

The financial projection presents the expected revenues, expenditures, and fund balance of the General Fund (Fund 001).

General Assumption

This forecast is attempting to look five years into the future. Several significant assumptions have to be made that have major impact on the bottom line. Circumstances and conditions assumed in the projections frequently do not occur as expected and are based on information existing at the time projections are prepared. There will usually be differences between projected and actual results. The District's financial status has not improved. Expenditure reductions will be a part of the Recovery Plan that is being developed by the Financial Planning and Supervision Commission. Projected expenditure reductions will include a reduction in staff, building closures, elimination of certain supplemental contracts, and a change in operation of the district.

The following are some of the areas that were significant in preparing this forecast:

- General property real estate tax collection
- Necessity to Levy a Tax
- Loss of tangible personal property tax
- Loss of State property tax allocation
- FTE of 5,091 students
- Two funding models FY 2014-2015 1) Bridge Funding Formula and 2) School Finance Payment Report (HB59)
- Net outgoing students and funding:
 - Open Enrollment students
 - Community School students
 - Ed Choice vouchers
 - Jon Peterson scholarships
 - Autism scholarships
 - Students other adjustments
- Vocational funding remaining flat

- Elimination of Ed Jobs funding
- Projected R.I.F. FY15 : 100 certified and 55 classified
- Costs for Supplementals, severance, substitutes, unemployment, and staff tuition reimbursement
- Building Closures
- Legislation for Medicaid and the Affordable Care Act
- Purchase service costs

Revenue Assumptions

The following represents the significant assumptions made to create the revenue portion of the five year forecast.

Line 1.01 General Property Tax (Real Estate)

Property values account for approximately 22% of revenue for the Mansfield City School District. The property values are established each year by the County Auditor based on new construction and applicable appraisals. Every six years the County Auditor re-appraises properties in the county. The school's fiscal year runs from 7/1 through 6/30, tax revenues collected in a calendar year are reflected in two different fiscal years as reported by Richland County Auditor on the Official Certificate of Estimated Resources. In November 2012 the renewal for the 9.9 mill levy failed resulting in a \$4,000,000.00 loss of property tax to the Mansfield City Schools. In May 2013 the voters approved the renewal of a 9.8 mill levy that will generate \$3,900,000.00 for five years. The Richland County Auditor estimated a higher delinquency amount for tax collections for the 2013-2014 school years due to the downturn in the real estate market. With continued slow economic growth in Richland County at this time the estimates for real estate taxes are conservative. Voters approved a new levy in November 2013 that will generate \$4,000,000.00 per year and expire spring 2019. The first settlement payment will be received spring 2014.

Line 1.02 Tangible Personal Property Taxes

The state's biennial budget bill (HB153) eliminates tax generated on tangible personal property and does not replace revenue FY13. Public Utility Tangible collection is the only component of the category's collection. The forecast is based on information from the County Auditor's office on public utility values showing the elimination of the telephone and railroad values.

Line 1.03 Income Taxes

The district does not have an income tax.

Line 1.035 Unrestricted State Grants-in-Aid

- With the effects of House Bill 59 legislation and the elimination of the OEBM (Ohio Evidence Based Model) funding model, the forecast shows state foundation funding based on the state's Bridge formula for funding schools July 2013 – September 2013 and School Finance Payment Report effective October 1, 2013. The Mansfield City Schools (MCS) receives funding through the formula model and based on enrollment figures.
- Casino revenue started flowing into State collections early fiscal year 2013. The revenue is calculated at \$20.00 per student and a conservative amount has been calculated into this line item due to estimated low profits.
- The reader should be aware that State Funding for schools is subject to deliberations and approval of the Ohio General Assembly.

Line 1.04 Restricted State Grants-in-Aid

This category includes restricted state aid for Career Tech students and state poverty based assistance. For purposes of this forecast it is assumed that in Fiscal Year 2013 through 2018 the state of Ohio will not have growth in this area.

Line 1.045 Restricted Federal Grants-in-Aid-SFSF

Federal Stabilization money is phased out beginning in 2013. Ed Jobs money was received in FY12 and has been phased out beginning in 2013.

Line 1.05 Property Tax Allocations

Each of the fiscal year amounts are based on historical data, and represent rollback and homestead payments. These tax credits are reimbursed to the district through the state and are calculated by applying the appropriate percentages to residential property tax collections. This revenue grows at the same pace as residential real estate assessed valuation. Starting with this fall's election November 2013, new levies that are passed will not qualify for homestead and rollback state guaranteed tax allocations to the District. Also, FY13 and beyond the complete loss of TPP (Tangible Personal Property) reimbursement is reflected. The reader should be informed that State funding for schools is subject to deliberations and approval of the Ohio General Assembly and is set as part of the State's biennial budget.

Line 1.06 All Other Revenues

Estimates for this category encompass tuition income, fee collections, rental income, and all other local income sources. One primary source of revenue in this category was investments for the district that included CD's and money market agency accounts. Those investments were liquidated to provide cash on hand for payroll and purchase order payments. Another primary source of revenue received is students coming to our district from other public schools in the state of Ohio to be educated here through open enrollment. Projections FY 2013 and beyond are that our numbers will be fairly constant and may decrease. The accounting system shows revenue for incoming students under "Other Revenue" and expenses for outgoing students under "Purchased Services". Typical preschool units will not be offered in the district beginning the 2014-2015 school years which eliminates tuition revenue. Mansfield City School district will cease sponsorship and operation of the conversion schools (IMAC, Elective Academy, and Enhancement Academy) beginning the 2014-2015 school.

Line 2.01-2.06 All Other Financing Sources

It is assumed that transfers will be consistent with historical trends. Advances or appropriation per Ohio Revised Code of funds will be utilized through sound financial management of the other non General Fund accounts. A State Emergency Loan will be awarded in the 2013-2014 school year.

Line 2.07 All Other Financing Sources

This includes all sales of property, fixed assets, and any refunds of prior year expenditures that include eRate reimbursement.

Expenditure Assumptions

The following represents the significant assumptions made to create the expenditure portion of the five year forecast.

Line 3.01 Personal Services

Personal Services include salaries and wages, supplemental contracts, substitute costs, and severance pay. Due to the projection of a general fund deficit for the 2012-2013 school year the Board of Education approved paying the last pay for 2012-2013 in the salary projection for the 2013-2014 school year. Also, due to the projection of a general fund deficit for the 2013-2014 school years, 100 certified and 55 classified positions are being projected for a R.I.F beginning the 2014-2015 school years. Supplemental for 6th period classes and other Supplementals will be eliminated FY15 as determined. Future cost savings will be considered and certain positions will need to be posted after redistricting takes place.

Line 3.02 Employee Fringe Benefits

***Unemployment** – Costs will increase due to a R.I.F. in the 2014-2015 school year

***Workers compensation and tuition reimbursement to staff -**

***Retirement Benefits** - The Board contributes 14% on wages paid to each employee to the State Teachers Retirement System and to the School Employees Retirement System. The retirement contributions are deducted from the School Foundation payments received from the State of Ohio. The amount deducted changes every January for STRS and every July for SERS based upon salary estimates and actual payments in the prior year. Pending pension reform legislation could impact this line item.

***Medicare tax-** This is paid by all employees hired after April 1, 1986. The Board is required to match the 1.45% payment made by these employees.

***Insurance-**The district is self funded in insurances. The Board provided insurance implemented a 20% increase in premiums to maintain adequate reserves to pay all claims in medical, dental, prescription and vision costs effective January 1, 2011 and an additional increase for health and vision effective April 20, 2012. December 18, 2012 the Board of Education renewed the health insurance plan through Medical Mutual utilizing Ohio Schools Benefits Consortium (OSBC). The consortium allows the district to continue the same plan with the buying power of a large group purchasing cooperative. It also has provided protection from possible upcoming legislation that will impact health insurance care costs for school systems within the state of Ohio. Benefits will decrease due to the R.I.F. for the 2014-2015 school years. Health care costs continue to remain a real concern. A continuous review of the benefits plan will be conducted by the Board of Education and administration providing strong evidence that there are continued efforts to manage costs as best we can given the current climate in the health care industry.

Line 3.03 Purchase Services

Purchased services include utilities, consultants, rentals, copier service agreements, data processing services, repairs, trash collection, fleet and property insurance, legal costs, mileage, professional meeting expense, and tuition paid to other districts. FY 2014 deductions reflected in this line item include excess costs, special education costs, transportation costs, and costs for community schools, parochial schools, non-public schools, and their mandated related services provided. Please note that the Board approved a copier purchase service agreement in lieu of a lease agreement that resulted in all new copy machines and a per month savings that is still being realized. The district also realized a reduction in utility costs amounting to approximately \$300,000 FY13. The district belongs to a Board approved educational cooperative (MEC) for bus purchasing, utility monitoring, electricity and gas. The Board approved a technology upgrade by out sourcing its' technology department. The outcome of this upgrade will bring the district into compliance with software, public records, wage and hour payroll mandates, state mandated testing for students, and provide a long range technology plan for FY15-FY18 at different buildings. Future cost savings will be considered after redistricting takes place.

3.04 Supplies and Materials

This category includes amounts paid for material items of an expendable nature, instructional supplies, teaching aids, testing supplies, office supplies, building & grounds supplies, vehicle supplies, and fuel used for the vehicle fleet. The district supplies and materials will have a moderate increase for FY 2014 due to a fluctuating economy of higher fuel costs and decrease in years 2015-2018 due to implementing cost saving measures and a district-wide operating plan.

Line 3.05 Capital Outlay

This line item includes educational, administrative, maintenance equipment, and technology purchases. The district has an aging bus fleet and has assessed a replacement plan and is part of a Board approved bus purchasing cooperative. Four (4) new buses were purchased FY12, one (1) handicapped bus FY13 and two (2) buses FY14. Purchasing two (2) buses a year is in a long range plan as feasible in the budget. In addition, because our Board has been committed to increasing energy usage effectively and compliance issues mandated by State and Federal regulations, the financial forecast provides resources for technology upgrades and other immediate needs that include new roofs, condensate vacuum systems, boilers, lights, and a long range permanent improvement plan for FY15-FY18 at different buildings. Much progress has been made and the Board of Education is committed to sound stewardship over the taxpayer provided facilities.

Line 4.02 Principal-Notes

Principal payments for Emergency Tax Anticipation Notes, Series 2013 (Federally Taxable).

Line 4.05 Principal-HB 264 Loans

Ohio House Bill 264 Energy Conservation Program principal payments.

Line 4.06 Interest and Fiscal Charges

Emergency Tax Anticipation Notes, Series 2013 (Federally Taxable) Ohio and House Bill 264 Energy Conservation Program interest payments.

Line 4.30 Other Objectives

Generally this category includes amounts paid for goods and services not otherwise classified above, such as expenditures for the county auditor, audit fees, retirement of debt, the payment of dues and fees, and miscellaneous payments.

Line 5.01 Operating Transfers Out

This category accommodates transfers and advances of funds from the general fund to various local, state, and federal projects.

Line 6.01 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses

This line item represents the district's solvency and fiscal health.

7.02 Cash Balance June 30, 20XX

This is the district's actual cash balance before including any encumbrances as of June 30.

Line 8.01 Estimated Encumbrances Jun 30, 20XX

The District uses the encumbrance's method as part of formal budgetary and management control. Encumbrances outstanding at fiscal year-end represent planned expenditures which were budgeted in the fiscal year but which were not paid for as of fiscal year-end.

Line 10.01 Fund Balance June 30 for Certification of Appropriations

Fund balance June 30 for Certification of Appropriations. All reserved funds are “backed out” and therefore not available for the school district to use in school operations.

Line 12.01 Fund Balance June 30 for Certification of Contracts, Salary Schedules, and Other

Fund balance June 30 for certification of contracts, salary schedules, and other obligations.

Line 13.02 Property Tax –

Property tax for a new levy

Line 15.01 Unreserved Fund Balance June 30

Unreserved fund balance June 30