

**Mansfield City Schools
Richland County
Forecasted Fiscal Years Ending June 30, 2015 through 2019
5 Year Budget Forecast Assumptions May 31, 2015**

District Summary

Mansfield City School District 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. A reduction of force was implemented and operation of the district has changed. A financial recovery plan was created April 22, 2014 by the Financial Planning and Supervision Commission based on enrollment, operation requirements, levy renewals, and legislation approved by the Ohio General Assembly, State Auditor Office, and the Ohio Department of Education.

The following are some factors and general significant overall assumptions used in preparing this forecast:

- General property real estate tax collection and delinquencies
- Additional loss of tangible personal property tax (HB 64)
- Loss of State property tax allocation
- Additional loss of economic disadvantaged funding
- Negative adjustments on the monthly ODE foundation settlement report (353,216)
- FTE of 5,106 students
- School Finance Payment Report (Substitute HB59 new foundation funding components and caps)
- Outgoing Open Enrollment students (2,405,249)
- Community School students (6,284,262)
- Ed Choice vouchers and Scholarships (1,873,857)
- Vocational funding remaining flat
- Debt: Principal note payments, State loan payments, HB264 payments, and bond retirement payments (002 account)
- Purchased Services
- Capital outlay

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 26% 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 last sexennial revaluation for Richland County property was in tax year 2011 collectible in 2012 and the next triennial revaluation will be in tax year 2014 collectible in 2015. 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. 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. Voters approved a new levy in November 2013 that will generate \$4,000,000.00 per year and expire spring 2019. The Richland County Auditor estimated outstanding delinquent real estate taxes as of 6/30/14 in the amount of \$5,879,743.

Report: Richland County Auditor Settlement Appropriation Sheet

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. Commercial Activities Tax (CAT) collection is the only component of the category's collection. (HB66) authorized the phase out of all types of personal property over four years ending in 2009. The State will hold harmless for the loss of revenue for the first seven years, net of any additional revenue received through the State foundation formula due to the reduction in the tax base. The hold harmless payments from the State are included in the Property Tax Allocation revenue line on the forecast. In June 2011, (HB 153) amended the hold harmless phase out process. The phase out reduction will occur in 2012 and 2013, but thereafter the hold harmless payments will be frozen at the 2013 amount until 2016. The Richland County Auditor estimated outstanding delinquent tangible personal property taxes as of 6/30/14 in the amount of \$177,414.

Report: Richland County Auditor Settlement Appropriation Sheet

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 Substitute 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 School Finance Payment Report (SFPR). The new foundation formula sets a cap for fiscal year 2015 at 10.5% above fiscal year 2014 levels.
- Casino revenue started flowing into State collections early fiscal year 2013.
- Foundation monies will be reduced by \$1,842,500 in each year of 2015 and 2016 to begin payment for the State Emergency Loan received in the 2013-2014 school year.
- The reader should be aware that State Funding for schools is subject to deliberations and approval of the Ohio General Assembly.

Report: Ohio Department of Education Foundation Settlement Report FY15

Line 1.04 Restricted State Grants-in-Aid

This category includes restricted state aid for Career Tech students and Poverty Based Assistance funds. For purposes of this forecast it is assumed that in fiscal years 2016 through 2019 the state of Ohio will not have any significant growth in this area.

Report: Ohio Department of Education Foundation Settlement Report FY15

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. State law grants tax relief in the form of a 10% rollback reduction in real property tax bills. In addition, a 2.5% rollback is granted on residential property taxes. Effective with tax collection year 2008, additional tax relief was expanded to include all senior citizen homeowners and all permanently and totally disabled homeowners, regardless of income, to be able to shield \$25,000 of the market value of their home from property taxes. The State reimburses the school district for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Effective with any future tax levies, the State of Ohio will not pay the 10% rollback on the new levy. Starting with new levy passed November 2013 the reader should be aware that it will not qualify for state guaranteed tax allocations to the District, there will be no reimbursement. Also, FY13 and beyond the complete loss of TPP (Tangible Personal Property) (HB66 phase out) 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.

Report: Richland County Auditor Settlement Appropriation Sheet

Report: Ohio Department of Education Foundation Settlement Report FY15

Line 1.06 All Other Revenues

Estimates for this category encompass tuition income, fee collections, rental income, energy rebates, and all other local income sources. One 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 2014 and beyond are that our numbers will be fairly constant. 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. Mansfield City School district will cease sponsorship and operation of the conversion schools (IMAC, Elective Academy, and Enhancement Academy) beginning the 2014-2015 school year.

Report: Ohio Department of Education Foundation Settlement Report FY15

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 was 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 represent salaries and wages paid to certified, classified, and administrative staff. In addition to regular salaries it includes payment for supplemental contracts, substitute costs, severance pay, student workers, and Board members' costs. Due to the projection of a general fund deficit for the 2013-2014 school years a reduction in force of 63 certified and 39 classified positions was implemented for the 2014-2015 school years. Future adjustments of employees will be considered as the teacher to student ratios is determined to meet State required mandates. Certified and classified salaries are based on contracts with their respective bargaining units. The negotiated agreement for MSEA is effective through June 30, 2015, MSEA School Support Personnel is effective through June 30, 2015, and the Teamsters Local Union No. 40 is effective through July 31, 2015. Administrative salaries are set by the Board of Education.

***Incentive Bonuses** – A fund of \$70,000.00 is established annually by the Board for incentives that are for teachers and \$30,000 for school support staff who go above and beyond their regular duties.

***Severance Pay** - Upon retirement, the School District offers severance pay to its employees based upon their unused accumulated sick leave days. Severance Pay will be granted for 26% of a certified staff member's accumulated but unused sick leave. The maximum accrual of sick leave days for certified is 200 or more days of which 30% would be paid as severance. Severance is paid at the certified employee's current per diem rate in the year they retire.

Line 3.02 Employees' Retirement/Insurance Benefits

Employees' Retirement/Insurance Benefits include employer contributions to the State pension systems, health care, Medicare, workers' compensation, and other benefits arising from the negotiated agreements.

***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 based upon salary estimates and actual payments in the prior year. Pending pension reform legislation could impact this line item.

Report: Ohio Department of Education Foundation Settlement Report FY15

***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 district participates in a fully insured comprehensive major medical plan with Medical Mutual of Ohio and Ohio Schools Benefits Consortium (O.S.B.S.). The consortium affords the district to continue the same plan with the buying power of a large group purchasing cooperative. The Board implemented a 30% increase in Board provided insurance premiums to maintain adequate reserves to pay all claims in medical, dental, prescription and vision costs effective January 1, 2015. A 5% increase in benefit costs can be seen FY years 2016 – 2019 due to inflationary cost of living purposes. Health care costs continue to remain a real concern. A continuous review of the benefits 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.

***Life Insurance** – The Board pays full cost for term life insurance in the amount of \$40,000.00 for each employee.

***Unemployment** – Costs have increased due to the R.I.F. implemented in the 2014-2015 school year. Sheakley Uniservice Inc. is currently the outsourced administrator that processes liability claims for unemployment payments.

***Workers compensation** – Effective 2014 the School will no longer be allowed in the Workers' Compensation Group Rating Program due to a large claim. The School District participates in a Group Retrospective Rating Program that Sheakley Uniservice Inc. is the 3rd party administrator. Manage Care Operators 888-Ohio Comp. manages the investigations and claims through their group of nurses and Doctors.

***Tuition reimbursement** – Each year the Board appropriates \$50,000.00 for tuition reimbursement to be distributed in accordance to the negotiated agreement to teachers.

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 2015 payment 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. Please note that the Board approved a copier purchase service agreement in lieu of a lease agreement that resulted in all new scanner/copy machines and a per month savings that is still being realized. The district belongs to the Board approved Metropolitan Educational Council (M.E.C.) cooperative for bus purchasing, utility monitoring, electricity and gas purchasing. M.E.C. cooperative has helped the district realize a reduction in utility costs that include electricity, water, and gas amounting to approximately \$190,598 FY14. The Board approved outsourcing the technology department to City Mills Technology. City Mills Technology has worked with the administration to upgrade technology in the district. This upgrade has brought the district into compliance and reduced costs with hardware and software upgrades, public records, wage and hour payroll mandates, and state mandated testing for students. For years 2014-2015 typical preschool is eliminated from the district.

Report: Ohio Department of Education Foundation Settlement Report FY15

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 2015 due to a fluctuating economy of higher fuel costs and level out in years 2016-2017 and have small increases 2018-2019 due to implementing cost saving measures and district-wide operating plans.

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 Metropolitan Educational Council (M.E.C.). Four (4) new buses were purchased FY12, one (1) handicapped bus FY13, two (2) buses FY14, and eight (8) buses which included one (1) handicapped bus FY15. In addition, one (1) delivery truck was purchased FY15. Purchasing two (2) buses a year is in a long range plan as feasible in the permanent improvement monies and general fund budget. The Board has been committed to increasing energy usage effectively and complying with compliance issues mandated by State and Federal regulations, therefore the financial forecast provides resources for technology upgrades and immediate needs that include, but are not limited to, new roofs,

condensate vacuum systems, boilers, electrical demand controls, and lights 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) of \$2,772,115.00. The note is for 5 years (2018). Principle and interest is paid semi-annually on April 1st and October 1st.

Line 4.04 Principal-State Advancements

Principal payments for State advancement of \$3,685,000.00 are deducted twice a month from the foundation payment which began August 2015 and will continue through June 2016.

Line 4.05 Principal-HB 264 Loans

Ohio House Bill 264 Energy Conservation Program principal payments.

The District completed a \$3,719,610 Energy Conservation Project in FY2014. The project scope included new light fixtures and controls, new boilers, new building controls, and other energy saving projects. The project is expected to save the district \$50,000 annually in energy costs net of the debt service costs. The note is for 15 years (2028). Principle is paid annually on December 1st and interest is paid semi-annually on June 1st and December 1st.

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, liability insurance, 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 11.02 Property Tax Renewals or Replacement

The proceeds from the voted levy renewal are located on this line item.

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