

**Mansfield City Schools  
Richland County  
Forecasted Fiscal Years Ending June 30, 2014 Through 2018  
5 Year Budget Forecast Assumptions October 31, 2013**

**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. Should the District's financial status not improve for fiscal years where an unencumbered fund deficit is currently being projected it is reasonable to assume staff cuts would be implemented, employees would need to contribute a percentage for insurance costs, and there would be a negative impact on the forecast. A financial recovery plan will need to be implemented depending on enrollment, levy renewals, and legislation that will be approved by the Ohio General Assembly, State Auditor Office, and the Ohio Department of Education.

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

- General property real estate tax decrease in collection
- Loss of tangible personal property tax paid by business on equipment and inventory
- Loss of State property tax allocation
- Passage of the following levy November 2013:
  - 10.1 mill Emergency Tax Levy (4,000,000) expires spring 2019
- FTE of 5,091 students
- Bridge Funding Formula and School Finance Payment Report (HB59)
- Net outgoing students and funding:
  - 302 Open Enrollment students (1,088,287)
  - 1,071 Community School students (7,367,386)
  - 301 Ed Choice vouchers (1,306,338)
  - 21 Jon Peterson scholarships (215,532)
  - 21 Autism scholarships (361,375)

- 55 students other adjustments (62,475)
- Vocational funding remaining flat
- Elimination of Ed Jobs funding (963,000)
- District having 660 employees in FY14
- 1,489 employees and their dependents participating in board provided health insurance
- Legislation for Medicaid and the Affordable Care Act
- Purchased services

## **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 19.6% 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 has estimated a lower amount for tax collections for the 2013-2014 school year on the Official Certificate of Estimated Resources due to the downturn in the real estate market and delinquencies. With continued slow economic growth in Richland County at this time the estimates for real estate taxes are conservative. If voters approve a new levy in November 2013 it will generate \$4,000,000.00 per year and expire spring 2019. The first settlement payment would be received around May 2014 minus any delinquencies.

### **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. For purposes of this forecast it is assumed that in Fiscal Year 2013 through 2017 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 for 2013-2016. Ed Jobs money was received in FY12 and has been phased out 2013-2016.

**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 (see real estate note 1.01). 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. There will be no reimbursement from the State on any new levies. 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 is investments for the district that include CD's and money market agency accounts. Investment earnings are a function of cash on hand and interest rates. Given the extremely low rates currently available and declining cash on hand the forecast estimates small changes of revenue in each of the next four years. 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. The accounting system shows revenue for incoming students under "Other Revenue" and expenses for outgoing students under "Purchased Services".

**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.

**Line 2.07 All Other Financing Sources**

This includes all sales of property, fixed assets, and any refunds of prior year expenditures (which includes 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.

### **Line 3.02 Employee Fringe Benefits**

#### **\*Workers compensation, unemployment, 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 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. Health care costs continue to increase and remains a real concern. Legislation for the Affordable Care Act will impact costs January 2015 for insurance.

### **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 non-public schools tuition, 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 for electricity and gas. The Board approved a technology upgrade for its software by out sourcing its' technology department. This upgrade has brought the district into compliance with state software, public records, payroll mandates, and state mandated testing for students.

### **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 stabilize 2015-2018 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. 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 immediate needs that include new roofs, condensate vacuum systems, boilers, and lights FY14 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 – New**

Property tax for a new levy

**Line 15.01 Unreserved Fund Balance June 30**

Unreserved fund balance June 30