

Madison-Plains Local School District

FIVE YEAR FORECAST ASSUMPTIONS

2017 - 2021

REVENUES

Replacement, Renewal and New Levies - Line 1.010

Our current levies are:

<u>Voted Millage</u>	<u>Residential & Ag. Effective Millage</u>	<u>Levy Type</u>	<u>Year of Vote</u>
5.10	5.10	Inside Mills	
16.00	4.40	Continuing Mills	1976
6.00	2.08	Continuing Mills	1994
5.85	2.03	Continuing Mills	1995
5.00	2.48	Continuing Mills	2003
8.00	3.97	Continuing Mills	2014
45.95	20.06		

* Our 2.5 Mill, Permanent Improvement Levy has been excluded from this table.
 This is because it is not included as part of the five year forecast.
 This levy was renewed in 2013 for an additional 5 years beginning Calendar 2014.

Historically, our tax base has grown each year; however, values decreased (0.2%) for the first time since 2009 in 2016. In calendar year 2015 Residential/Ag values jumped dramatically (41.7%) driven by the State of Ohio's revision to the CAUV agricultural values. Beginning in calendar 2010 Commercial Industrial values declined and continue to do so into calendar 2016. Commercial/Industrial values for 2016 dropped by -5.98%, but increased slightly by 1% in 2017. We project Residential/Ag values to grow by less than 1% for the years between updates and revaluations; this is supported by a less than 1% increase in 2017. With the update in 2017 we expect modest gains in Residential values, but offsetting declining values in Ag values due to an expected CAUV formula adjustment will result in an estimated 1 % overall increase. Following the same assumptions as the update year, we expect a minimal overall increase of 2% in 2020 due to the revaluation.

Our last new Operating Levy was passed in May 2005, when the voters of the Madison-Plains Local School District passed an 8.00 mill, 3 year, property tax. This operating levy was renewed May 6, 2014 for a continuing period of time.

Personal Property Tax Reductions Per HB283 - Line 1.020

In prior years there was some inconsistency in the Line the Tangible Personal Property (TPP) Tax Reimbursement was being recorded. Beginning in FY15 the TPP Tax Reimbursement will be recorded under

REVENUES (Continued)

Personal Property Tax Reductions Per HB283 - Line 1.020 (Continued)

line 1.050 Property Tax Allocation. The TPP Reimbursement was reduced by approximately \$341,599 in 2016, and has been completely eliminated in 2017 and going forward. This reduction is reflected in the forecast.

State Foundation Payments - Line 1.035

State foundation payments realized an approximate \$322,339 increase in 2016 and an additional \$225,558 (revised from initial State estimate of \$234,547) increase projected in 2017 for Madison-Plains for the budget biennium due to the passage of HB64. This gain was offset in part by the phase-out and complete elimination of the TPP Reimbursement in 2016. The decrease due to the TPP Reimbursement from 2015 to 2017 totaled \$531,754. Increases in the state funding formula to offset the loss of TPP Reimbursements, has resulted in the District no longer being on the “funding guarantee” and is now a formula funded district. The current biennial budget reflects an increase of \$100 per student per year in the formula. 2018 and 2019 will be under a new state biennial budget. We assume the \$100 per student per year increase will continue in the new formula for the next biennial budget and that all other factors will remain relatively unchanged resulting in a projected 1.6% increase for each of those years. 2020 and 2021 are projected at 2019 estimates.

In addition to the above, the district expects to receive an additional \$345,307 in additional transportation funding within the state foundation payments due to the move to two-tier busing which will increase the miles per day driven on routes, thereby increasing the associated state foundation per mile transportation funding.

Restricted State Grants - Line 1.040

Career Tech per pupil funding has increased, and is no longer under the state funding cap. Our initial estimate of \$56,786 has been reduced to \$49,691 due to a revised calculation from the State. This along with an increase in Economically Disadvantaged funding resulting from an increase in our number of economically disadvantaged students has resulted in a projected increase in 2017. The projected increase was not realized due to a significant decrease in student reported as economically disadvantaged in 2017 causing the funding estimate to decrease \$77,035 to the revised amount of \$117,039. Remaining years are projected at 2017 estimates due to uncertainty in the formula for the next biennial budget.

Rollback and Homestead Reimbursement - Line 1.050

Rollback and homestead reimbursement from the State of Ohio will generally grow with new construction, reappraisals, updates and new levies. In years when replacement and renewal levies go off the tax duplicate, revenues in this category will fall. Estimates of rollback and homestead reimbursement for replacement, renewal or new levies are included in the total revenues for the levy on the appropriate line of the forecast.

The TPP Reimbursement from the state was accounted for in line 1.050. The TPP Reimbursement was reduced by approximately \$341,599 in 2016, and has been completely eliminated in 2017 and any future years of the forecast.

REVENUES (Continued)

Other Revenue Line - 1.060

Other revenue consists of interest income, student fees, and open enrollment and tuition payments from other districts. The district has an active cash management policy that promotes growth of interest income. Interest rates have been and are projected to remain low throughout this forecast. From 2013 to 2014, the number of non-resident students attending Madison-Plains LSD through open enrollment decreased; however, open enrollment increased in 2015 and in 2016. The decline in open enrollment hit a low in 2014, and has grown since, but now appears to be stable. The revenue for open enrollment has increased due to increases in state per pupil funding amounts in 2016 and 2017; however, an overall decrease was realized from 2016 to 2017 in the amount of \$16,794 resulting in our revised estimate of \$760,489 for this revenue line. We have projected the same per pupil funding increases in 2018 and 2019 resulting in a 1.6% increase for both of those years. 2020 and 2021 are projected at 2019 levels.

EXPENDITURES

Personal Services - Line 3.010

This is the area of the budget which accounts for the salaries and wages of the District's employees.

The Board of Education approved new three (3) year agreements with both the Madison-Plains Education Association and the Ohio Association of Public School Employees OAPSE/AFSCME Local 4/AFL-CIO, Local 537. The new Master Agreements run from August 2015 through the summer of 2018.

Base pay raises for the term of the Madison-Plains Education Association contract were set at 1.00% effective for Fiscal Year 2016 and at 2.00% for Fiscal Years 2017 and 2018. We have projected a 1% increase for fiscal years 2019, 2020 and 2021.

Base pay raises for the term of the Ohio Association of Public School Employees OAPSE/AFSCME Local 4/AFL-CIO, Local 537 contract were set at 1.00% effective for Fiscal Year 2016 and at 2.00% for Fiscal Years 2017 and 2018. We have projected a 1% increase for fiscal years 2019, 2020 and 2021.

Step increases are anticipated to be an average of 1.85% for each year of the forecast.

Employees' Retirement /Insurance Benefits - Line 3.020

The Master Agreements between the Board of Education-MPEA and OAPSE made no changes to the current 80/20 split in premiums until fiscal year 2015. Beginning in fiscal year 2015 the following "cap" was agreed upon. If medical/drug insurance premium renewal increases exceed 10% then the unions will meet with the Insurance committee to approve insurance plan design changes that will reduce the premium increase to 10%. If no recommendation is made to change plan design then the Board of education may implement plan design changes that reduce the premium to 10%. If no plan design changes are made then the increase in premium above 10% will be split 50/50.

This "cap" sets our projected insurance cost increase at a maximum of 8% in fiscal year 2018-2021.

In 2015 the District joined the Southwestern Ohio EPC, a consortium of schools created to provide group purchasing power for the membership. The insurance consortium within the EPC is a self-insured pool.

Based on the renewal provided by Southwestern Ohio EPC our increase for 2016 is set at 0%, and 5% for 2017.

EXPENDITURES (Continued)

Employees' Retirement /Insurance Benefits - Line 3.020 (Continued)

In 2013 the insurance committee also recommended and the Board of Education approved the implementation of a "GAP" insurance program. The individual and family plan deductibles were raised to \$5,000 and \$10,000 respectively. This lowered our premiums considerably. With this savings the district purchased GAP insurance to help pay the much higher deductible for the employees. In 2015 this GAP insurance was provided through the use of an HRA. This reduced the cost of the GAP insurance by allowing the district to only pay for the expenses incurred as opposed to a fixed amount paid annually. This GAP insurance was not part of previous Master Agreements with MPEA or OAPSE; however, it was made part of the most recent agreement that runs from August 2015 through the summer of 2018. As part of the negotiation process, the amount of the HRA paid for by the District was decreased from 95% in 2015 to 90% in 2016, 80% in 2017 and 80% in 2018. This results in a savings to the District that is reflected in this forecast. In 2014 and a portion of 2015 the expense for the GAP insurance was paid out of the "Employees' Retirement /Insurance Benefits" section of the forecast; however, this expense is now reflected in the "Operating Transfers-Out" line of the forecast. This accommodates the expense for the District's portion of the HRA/GAP now being paid out of the 024 fund.

Purchased Services - Line 3.030

Anticipated expenditures in this category are based on historical spending patterns. The largest expenditures in this category are utility bills (electric, gas, telephone) and auditor/treasurer fees. Speech Therapist and Psychologist services that were being provided by the District as part of Personal Services are now being provided through Purchased Services. Also, the number of resident students open enrolled in other districts has continued to increase, resulting in an increase in open enrollment payments to other districts in 2014, 2015, 2016 and 2017. The expense for open enrollment has increased due to increases in state per pupil funding amounts in 2016 and 2017 leading to a revised 4.42% increase in 2017. We expect open enrollment to stabilize resulting in 0% projected increases in 2018 and 2019, and 0% increases in 2020 and 2021 for open enrollment payments. We have projected a 1% increase in all other Purchased Service expenditures in FY18, FY19, FY20 and 2021 with the exception of electricity payments. We expect electricity payments to decrease in FY18 and FY19 due to a decrease in the kWh (kilowatt per hour) contract pricing for this period of 14%. Finally, the District contracted with an interim Special Education director in FY15 for \$45,000; this expense was not required in FY16 and thereafter. A large additional expense in 2017 is the addition of College Credit Plus. The budget for 2017 has been set at \$40,000. Also, an addition of \$39,000 was required due to the utilization of purchased bus driver services as a result of a lack of subs and driver coverage. This need is projected to decrease by 50% in the forecast due to the district moving to two tier busing.

EXPENDITURES (Continued)

Supplies and Materials - Line 3.040

The district has made a commitment to increase curriculum supplies provided to the classrooms. Supplies and Materials increased in 2015. The district continues to be committed to providing adequate supplies and materials; however, due to a projected negative cash balance in 2019 we have projected a 1% increase in expenditures in 2018, 2019, 2020 and 2021.

Capital Outlay - Line 3.050

In order to maintain the aging facilities in the district, capital outlay expenditures increased in 2015. The majority of these expenditures were shifted to the Permanent Improvement fund in 2016. This, along with a projected negative cash balance in 2019 has resulted in a projected 12% decrease in capital outlay expenditures from 2016 to 2017. After this decrease, we have projected a 1% increase in expenditures in the remaining years of the forecast.

Debt Service - Line 4.050

The District has a HB264, Energy Conservation Program debt outstanding of \$30,000. This will be paid in full in 2017 and has been removed from the remaining years of the forecast.

ADM FORECAST

Our enrollment projections have been aligned with the projections from the Ohio School Facilities Commission as well as the judgment of the Administration and the Board of Education. Enrollment is believed to stay steady through the forecasted period.