Madison-Plains Local School District

FIVE YEAR FORECAST ASSUMPTIONS

2018 - 2022

REVENUES

Replacement, Renewal and New Levies - Line 1.010

Our current levies are:

Voted Millage	Residential & Ag. Effective Millage	Levy Type	Year of Vote
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, and is currently on the November 2017 ballot for renewal for a five year period.

Estimated revenues include real estate and public utility personal property (PUPP). PUPP had previously been reported in Line 1.020, but is more appropriately classified in Line 1.010.

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 0.25% 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 a CAUV formula adjustment are expected to result in an estimated 0.25% 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. A 5.953 mill new emergency operating levy was placed on the ballot for the August 8, 2017 special election; however, the levy was not passed.

REVENUES (Continued)

Tangible Personal Property Tax - Line 1.020

Tangible personal property tax has been eliminated.

State Foundation Payments - Line 1.035

State foundation payments realized an increase of $319,018 in 2016 and an additional increase of $190,036 in 2017 for Madison-Plains for the budget biennium under 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, resulted in the District no longer being on the "funding guarantee" and being a formula funded district for 2016 and 2017.

This changed with HB49 and the enacting of the 2018 and 2019 biennial budget, which places Madison-Plains back on the funding guarantee, and sets our funding at 2017 levels for 2018 and 2019. This flat funding is a result of our State Share Index (SSI) decreasing significantly from 29% to 21% due mostly to an increase in the 3 year average total property valuation. The average valuation went from including one high valuation year (2015) to two high valuation years (2015 and 2016) which significantly increased our 3 year average total valuation by approximately 10%. The high valuation years are a result of the CAUV increases discussed in 1.010 above.

Despite growth in our formula Average Daily Membership (ADM), the changes in average total valuation, along with a statewide decrease in the percentage of transportation funding received (50% 2017, 37.50% 2018 and 25% 2019) has driven the district back onto the guarantee resulting in a Transitional Aid Guarantee amount of $746,296 just to maintain the level of funding received in 2017. Due to this large guarantee amount, future years in the forecast are projected at 2017 levels and remain flat.

Due to formula funding changes in HB49, the expected additional $345,307 in transportation funding from a move to two-tier busing has been removed from the forecast for 2018 and all future years. The district was forced to remain on a single tier schedule in order to not incur additional costs along with not receiving additional funding.

Restricted State Grants - Line 1.040

Career Tech per pupil funding has been placed under a separate guarantee within the state funding formula. 2018 and future years in the forecast are projected at 2017 levels and remain flat.

Economically disadvantaged funding is projected to increase due to an increase in our number of economically disadvantaged students, but due to being on the guarantee, overall state funding will remain flat. For this reason, economically disadvantaged funding for 2018 and future years is also projected at 2017 levels and remains flat.

REVENUES (Continued)

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 referenced above in 1.035 was accounted for in this line 1.050. The TPP Reimbursement was reduced by approximately $341,599 in 2016, and has been completely eliminated in 2017 and all future years of the forecast.

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 per pupil for open enrollment increased due to increases in state per pupil funding amounts in 2016 and 2017; however, an overall decrease was still realized from 2016 to 2017 in the amount of $16,794 resulting in projected decrease for 2018 based on the most recent available data. A .02% increase is projected for 2019 based solely on per student funding increasing from $6,010 per student to $6,020 per student. 2020 and future years in the forecast are projected at 2019 levels and remain flat.

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.

Savings through attrition and turnover in positions resulted in a net savings of $189,085 from 2017 to 2018.

EXPENDITURES (Continued)

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 2019-2022.

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 2018 is set at 5%.

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 25% savings to the District for 2018 that is reflected in this forecast.

The HRA and FSA portion of the health plan that used to be accounted for as operating transfers-out is now accounted for in line 3.020 as it more accurately assigns the costs to multiple accounts, as opposed to a one time transfer from the 001 general fund to the 024 fund. Line 5.010 Operating Transfers-Out has been reduced by the same corresponding amount to account for this change.

Savings through attrition and turnover in positions resulted in a net savings of $29,214 from 2017 to 2018.

Purchased Services - Line 3.030

Anticipated expenditures in this category are based on historical spending patterns. The largest expenditures in this category are for the district psychologist, speech therapist, utility bills (electric, gas, telephone) and auditor/treasurer fees. 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 2015, 2016 and 2017. A .02% increase is projected for 2019 based on per student funding increasing from $6,010 per student to $6,020 per student; 2020 and future years in the forecast are projected at 2019 levels and remain flat for open enrollment payments. We have projected a 4% increase in all Purchased Service expenditures for FY18 and a

EXPENDITURES (Continued)

Purchased Services - Line 3.030 (continued)

1% increase for FY19, FY20 and 2021 with the exception of electricity payments. We expect electricity payments to decrease in FY18 due to a decrease in kWh (kilowatt/hour) contract pricing for this period of 6%. New expenses in 2017 included College Credit Plus tuition, and bus driver services due to lack of coverage.

Supplies and Materials - Line 3.040

The district made a commitment to increase curriculum supplies provided to the classrooms. Supplies and Materials increased in 2015, and then a corresponding decrease in 2016. The district continues to be committed to providing adequate supplies and materials; however, due to a projected negative cash balance in 2019 the total amount spent on Supplies and Materials, while increasing an average of 7% in 2017 and 2018, has not returned to the level and amount spent in 2015. We have projected a 1% increase in these expenditures in 2019 and the remaining years of the forecast.

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 $129,078 decrease in capital outlay expenditures from 2016 to 2017. After this decrease, we have set the capital outlay expenditure amount at a conservative $63,450 (approximately 50% of our previous three year average) and frozen it there for the remaining years of the forecast.

Debt Service - Line 4.050

The District has no debt. A HB264, Energy Conservation Program debt was paid in full in 2017 and has been removed from the remaining years of the forecast.

ADM FORECAST

We have shown growth from 2017 to 2018 of approximately 1.9% (25 ADM). 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.