Madison-Plains Local School District

FIVE YEAR FORECAST ASSUMPTIONS

2016 - 2020

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 2012 for an additional 5 years beginning Calendar 2013.

Historically, our tax base has grown each year. 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%. We project Residential/Ag values to grow by less than 1%. With the revaluation 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 0 % increase, and zero gains projected for the remainder of the forecast.

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 line 1.050 Property Tax Allocation. The TPP Reimbursement was reduced by approximately 50% 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

HB64 realized an approximate $300,000 increase in 2016 and an additional $200,000 increase projected in 2017 for Madison-Plains for the budget biennium. This gain was offset by the phase-out of the TPP Reimbursement in 2016 and the complete elimination of the TPP Reimbursement in 2017. 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. We have projected the funding in FY18, FY19 and FY20 at FY17 levels.

Restricted State Grants - Line 1.040

Career Tech per pupil funding has increased, and is no longer under the state funding cap, 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 2016 and 2017.

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.

Legislation was passed to hold school districts harmless for any losses due to the phase out of the Personal Property Tax. This reimbursement from the state is accounted for in line 1.050. The state budget calls for this amount to be phased-out from $455,623 for FY2015 to $190,155 for FY16 and $0.00 for FY17, and eliminates this reimbursement from any future years of the forecast.

Other Revenue Line - 1.060

Other revenue consists of interest income, student fees, 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 leading to a 13% increase in 2016 and a 14% projected increase in 2017. We have projected the funding in FY18, FY19 and FY20 at FY17 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 and 2020.

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 and 2020.

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” reduced our projected insurance cost increases from 12% to 8% in fiscal year 2017-2020.

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.

In FY13 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 FY15 this GAP insurance was provided through the use of an HRA. This reduced the cost 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 from 95% in FY15 to 90% in FY16, 80% in FY17 and 80% in FY18. This results in a savings to the District that is reflected in this forecast. In FY14 and a portion of FY15 the expense for the GAP

EXPENDITURES (Continued)

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

insurance 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 employee’s and 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 FY14, FY15 and FY16; however, the increase in open enrollment payments to other districts hit a high in 2015, and has grown slightly since, but now appears to be stable. The expense for open enrollment has increased due to increases in state per pupil funding amounts in 2016 and 2017 leading to a 2% increase in 2016 and a 1% projected increase in 2017. We have projected a 1% increase in expenditures in FY18, FY19 and FY20. Finally, the District contracted with an interim Special Education director in FY15 for $45,000; this expense was not required in FY16 and thereafter.

Supplies and Materials - Line 3.040

The district had made a commitment to increase curriculum supplies provided to the classrooms. This commitment was evidenced by an increase in curriculum supplies purchased in FY14, FY15 and FY16. The district continues to be committed to providing adequate supplies and materials; however, a projected negative cash balance in 2019 has resulted in a projected 14% decrease in supplies and materials purchased from FY16 to FY17. After this decrease, we have projected a 1% increase in expenditures in FY18, FY19 and FY20.

Capital Outlay - Line 3.050

In order to maintain the aging facilities in the district, capital outlay expenditures increased in FY15 and FY16. The majority of these expenditures were shifted to the Permanent Improvement fund. This, along with a projected negative cash balance in 2019 has resulted in a projected 35% decrease in capital outlay expenditures from FY16 to FY17. After this decrease, we have projected a 1% increase in expenditures in FY18, FY19 and FY20.

Debt Service - Line 4.050

The District has a HB264, Energy Conservation Program debt outstanding of $30,000.

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.