



Bethel Local Schools

November 2019 Five Year Forecast

Reasons for School District preparing a Five-Year Forecast

- ▶ To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
- ▶ To serve as a basis for determining the school district's ability to sign the certificate required by ORC 5705.412, commonly known as the "412 certificates"
- ▶ To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

- ▶ The forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variable can change multiple times throughout the fiscal year and while cash flow monitoring helps to identify unexpected variances, no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.

Five Year Forecasts Layout - Includes General Fund and Substitute Emergency Fund

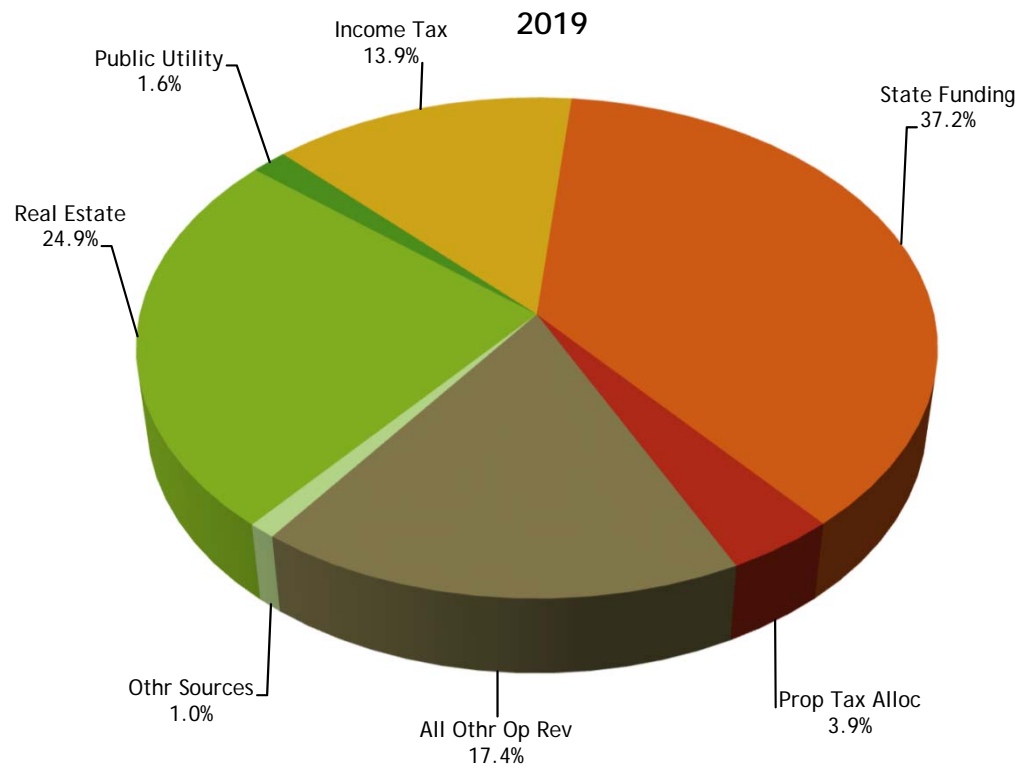
Revenues

- ▶ Real Estate Taxes
- ▶ Income Taxes
- ▶ State Funding (Foundation)
- ▶ All other Revenue (TIF, interest, rental, etc.)

Expenditures

- ▶ Salaries
- ▶ Benefits
- ▶ Purchased Services
- ▶ Supplies and Materials
- ▶ Capital Outlay

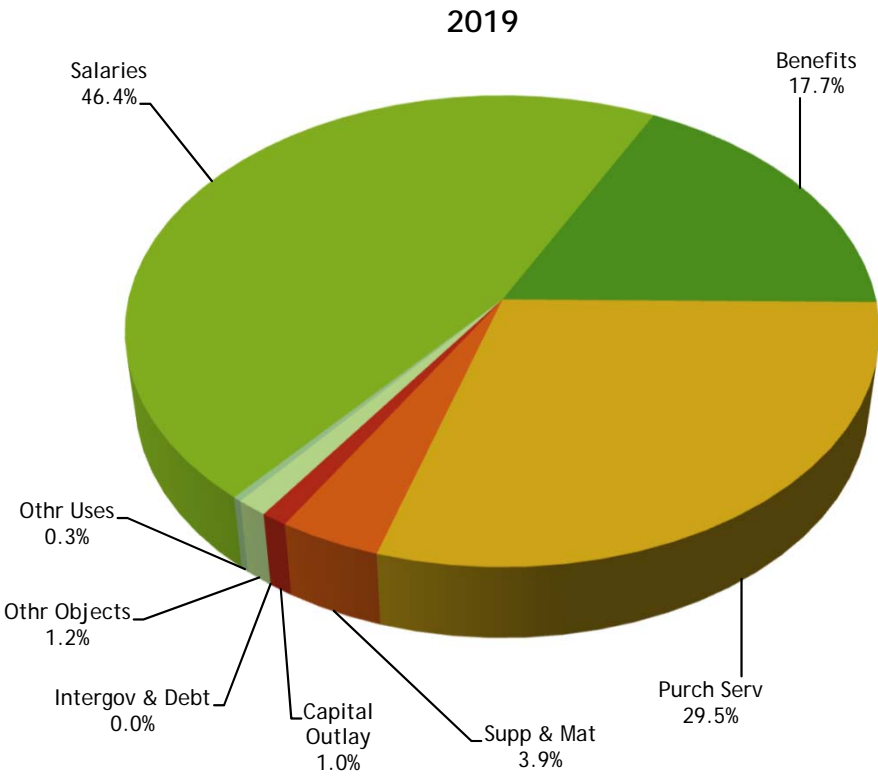
Breakout of Revenues



Revenues

- ▶ **Real Estate Taxes** - District passed Substitute Emergency Levy in November 2018. It is a 10 year Levy (2018-2027). District also has an Operating Levy that will need to be renewed. Expires on December 2022 (Collection Year). Miami County is currently under a reappraisal for 2019.
- ▶ **Income Tax** - 0.75% -Earned Income Only. The Earned Income Tax Levy is expiring on December 31, 2020 and will need to be renewed. It is on the November 2019 Ballot. This revenue source is approx. 13.9% (est. \$1.8million) of the total revenues received by the District for General Fund for FY20.
- ▶ **State Funding** - State Foundation Funding is flat for FY 20 and FY21 based on what each District received in FY19. Schools that are growing do receive additional funding. For growing schools, districts will receive additional \$20 per pupil for FY 20 and \$30 per pupil for FY21. Bethel is projected to receive additional \$273,466 in FY 20 and \$410,199 in FY 21. However this is no where the amount the District should be receiving based on the formula - District lost approx. \$4.2million by being cap District in Fiscal Year 2019
- ▶ **All Other Revenue** - TIF payments included here. Base on history of growth, revenue is estimated to increase between 15% next four years. TIF in FY 20 is expected to generate \$1.975 million for General Fund after 30% were posted in Capital Projects fund. Interest, tuition, and rental property income are also included here.

Breakout of Expenditures



Expenditures

- ▶ **Personnel Services** - FY 20 - Hired 6 additional teachers, 1 school counselor, and 1 bus driver. FY 21-24, projected to hire 4 certified staff, 1 aide and 1 bus driver.
- ▶ **Benefits** - Increase in cost due to additional staff needs. Health Insurance rates went up 17% for FY 20. Due to significant increase, the District is projecting approx. 10% for FY 21-24. Dental and Vision rates are to remain the same for FY 20 and only anticipated to increase 2% for FY 21-24.
- ▶ **Purchased Services** - Approx. 29% of the operating budget. Majority of cost are for services through ESCs, utilities, repairs, maintenance, and legal services. Projected increase for each year is between 3-6% due to increasing enrollment, staff, and operational needs.
- ▶ **Supplies and Materials** - Expected to increase due to increase staff and enrollment. FY20 will be lower due to the District plans to have an off year and not adopt and purchase new textbooks. However, some textbooks will be bought due to increase enrollment.
- ▶ **Capital Outlay** - Costs here included chromebooks, laptops, equipment, furniture for students, teachers, and staff. Also equipment for maintenance and operation. District has two Permanent Improvement levies that each generate funds that total approx. \$513,000 that is to be used for capital projects and improvements. Depending on direction the District takes, additional costs could be projected in future to accommodate the immediate needs of the District.

Five Year Outlook

Financial Forecast	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Beginning Balance	3,499,682	3,531,682	3,300,226	2,788,228	2,054,617
+ Revenue	13,343,536	13,960,616	13,339,159	13,234,010	13,463,924
+ Proposed Renew/Replacement Levies	-	117,161	1,510,597	2,395,967	2,658,199
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(13,311,536)	(14,309,233)	(15,361,754)	(16,363,588)	(17,383,484)
= Revenue Surplus or Deficit	32,000	(231,456)	(511,998)	(733,611)	(1,261,361)
Ending Balance with renewal levies Note: Not Reduced for Encumbrances	3,531,682	3,300,226	2,788,228	2,054,617	793,256

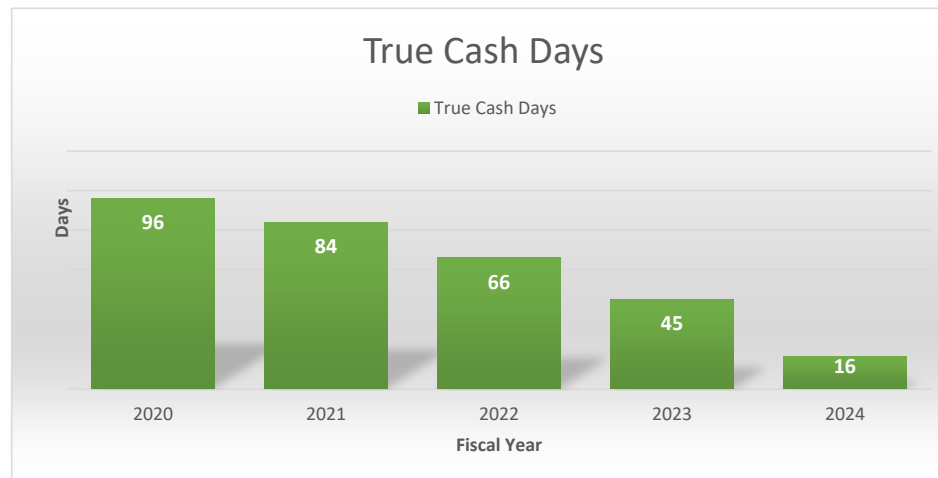
Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	32,000	(348,617)	(2,022,595)	(3,129,578)	(3,919,560)
Ending Balance w/o Levies	3,531,682	3,183,065	1,160,471	(1,969,107)	(5,888,667)

* Ending Balance does not include encumbrances

True Cash Days

- ▶ Another way to look at ending cash is to state it in "True Cash Days." In other words, how many days could the district operate at year end if no additional revenues were received. This is the Current Years Ending Cash Balance divided by (Current years Expenditure/365 days) = number of days the district could operate without additional resources or a severe resource interruption. The Government Finance Officers Association(GFOA) recommends no less than two (2) months or 60 days cash to be on hand at year end but could be more depending on each district's complexity and risk factors for revenue collection.



Conclusion

- ▶ The District is projected to have deficit spending 4 out of the 5 years of the forecasts but will still have a positive ending cash balance at the end of FY 24 as long as income tax levy and operating levy are renewed by voters.
- ▶ **Items to Monitor**
 - ▶ Income Tax Levy - renewal will be needed in 2019 or 2020
 - ▶ State biennial budget - Spring/Summer 2021 - Foundation Formula
 - ▶ Student Enrollment Growth
 - ▶ Facilities - How will the District address the need for more space/buildings to accommodate the increase student enrollment?
 - ▶ TIF revenue