



Bethel Local Schools

Five Year Forecast - October 2018

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 Emergency Fund

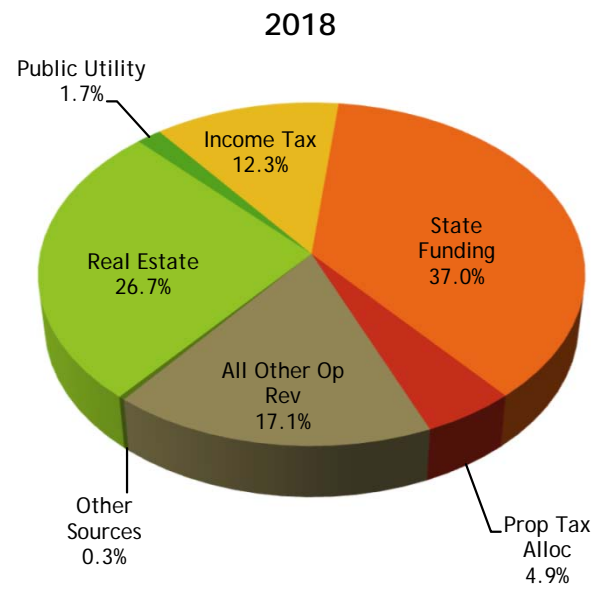
Revenues

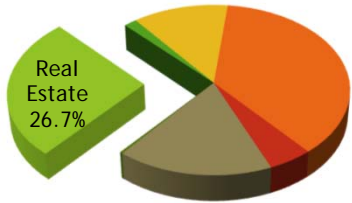
- ▶ Real Estate Taxes
- ▶ Income Taxes
- ▶ State Funding (Foundation)
- ▶ All other Revenue (TIF, interest, rental, etc.)

Expenditures

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

Breakout of Revenues

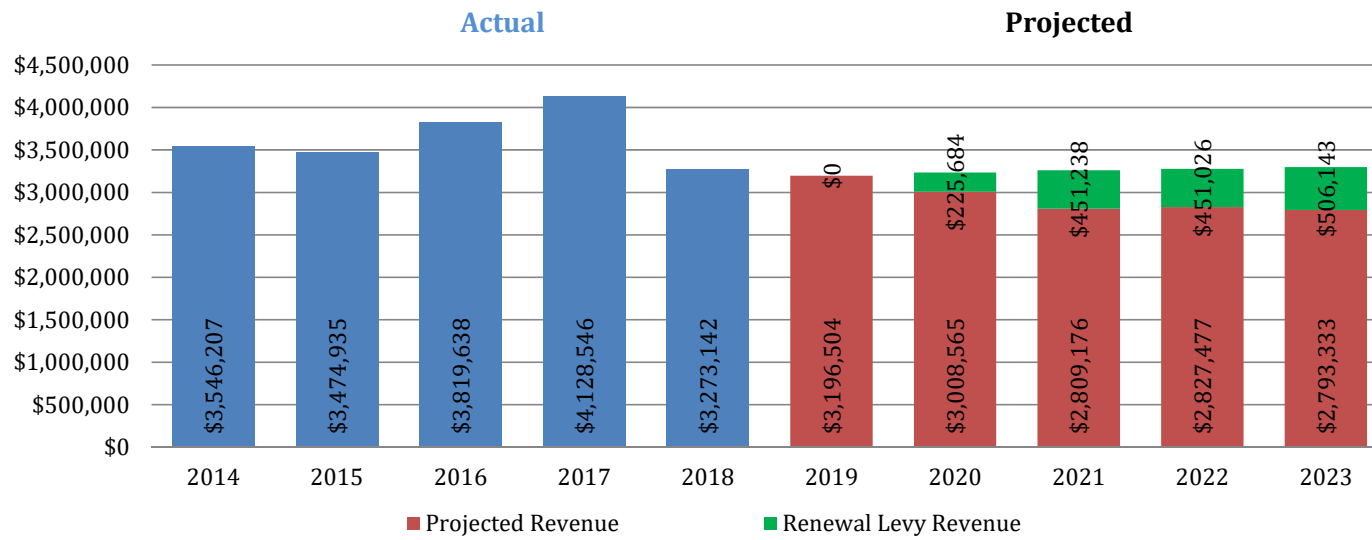


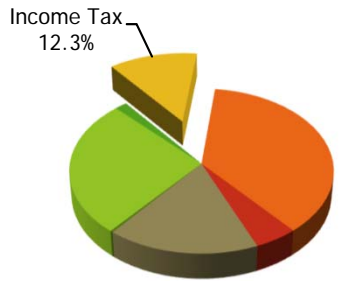


Real Estate Taxes

- ▶ District currently has two tax levies that are voted on
 - ▶ **Substitute Emergency Levy** - to be voted on in November 2018
 - ▶ It is a fixed sum levy - generate currently approx. \$531,000 per year
 - ▶ Substitute would allow District to collect on new construction within District
 - ▶ Levy is for 10 years
 - ▶ **Current Expense Levy**
 - ▶ It was renewed back in May 2017 and is for 5 years (expires in December 2022)
 - ▶ Generates approx. \$1,032,718 per year
- ▶ Items to look out for in regards to Real Estate Taxes:
 - ▶ Miami County will be doing a reappraisal of all property in 2019
 - ▶ HB49 - Current Agricultural Use Values (CAUV) - currently 8.3% of Class 1 Ag Values
 - ▶ Average seen is between 25-30% reduction in value
 - ▶ 20 Mill Floor -
 - ▶ Currently at 21.21 Mills - could reach the limit with 20 mills in near future
 - ▶ Ohio Law does not allow a District to fall below 20 mill floor
 - ▶ Levies for bonds, permanent improvement, and emergency do not count towards the floor
 - ▶ Only current expense millage (inside or outside) count towards it

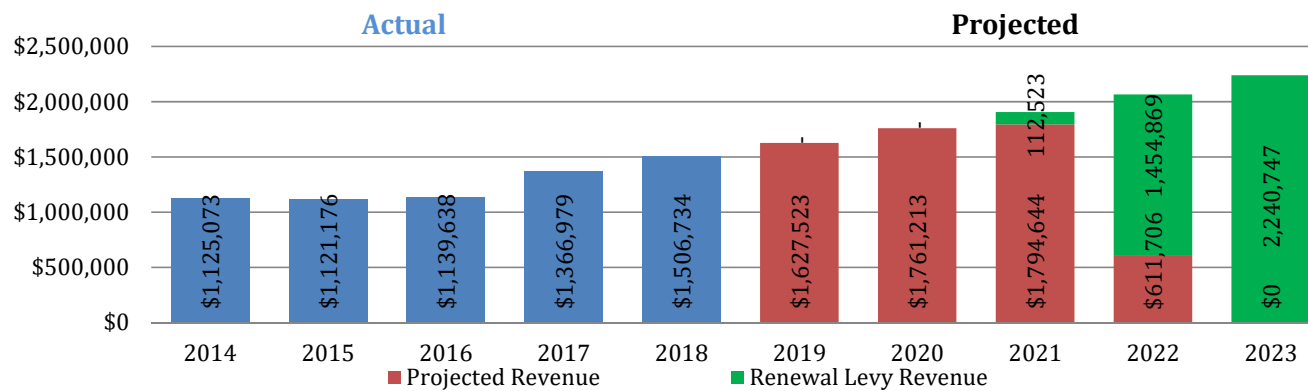
Real Estate Taxes

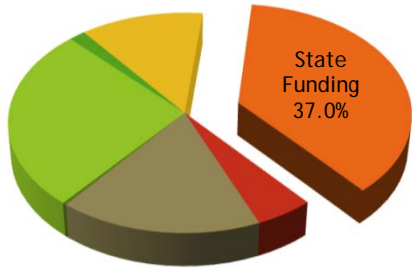




Income Tax

- ▶ The 0.75% income tax is based on wage earnings of district residents.
 - ▶ Non-Wage earnings (retirement, interest, etc.) are not subject to the income tax
- ▶ The Income Tax Revenue is expected to grow by 8% in each fiscal year based on new development with the district.
- ▶ The Earned Income Tax Levy is expiring on December 31, 2020 and will need to be renewed. The green in fiscal year 2021 through 2023 represents the revenue at stake if levy is not renewed.





State Funding

- ▶ The District currently has projected growth in its foundation receipts, but with a limit of a “Gain Cap”
- ▶ The state budget approved in June 2017 included a gain cap of 5.5% in 2018 and 2019
- ▶ Because of the Cap, the District is only receiving approx. \$3,535 per pupil. The current formula is calculated at \$6,020. It is estimated that the District is being unfunded \$3.2 million dollars in FY19. Because of this, the District has to find other sources to cover the loss of revenue because of the cap (i.e. income tax levy, current operating expense levy, emergency levy)
- ▶ The next state biennial budget will be established in spring 2019 for FY20 and FY21. The forecast assumes the same or similar funding formula will remain in place.
- ▶ Also recorded here is casino revenue. It is estimated the District to receive \$80K for FY 19 with an estimated growth of 5% each year.

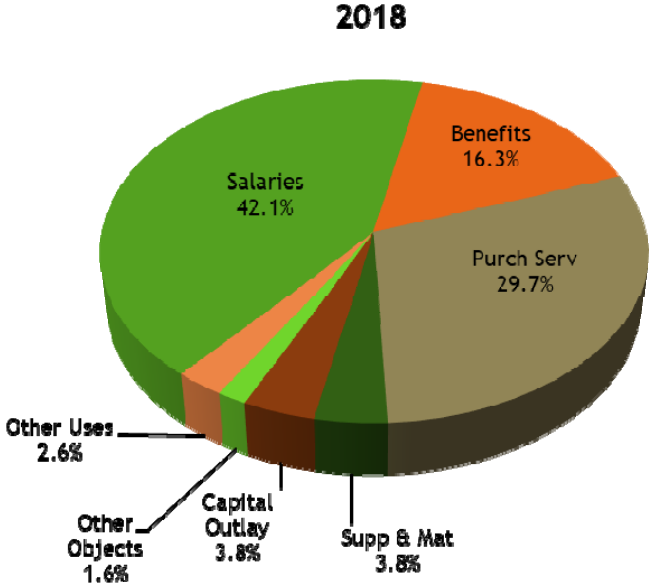


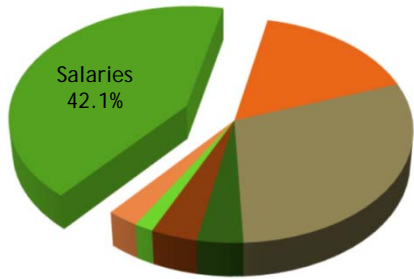
All Other
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17.1%

All Other Revenue

- ▶ Major revenue source is the TIF (also included here is tuition, interest earnings, and rental property)
- ▶ Board passed resolution in December 2017 that 30% of TIF money be put into capital projects fund and the remaining (70%) be put in General Fund.
- ▶ In FY 19 it is estimated that \$1.85 million will be provided to the General Fund after the 30% allocation to capital projects fund as the development continues to be completed.
- ▶ Based on history of the revenue growth, it is estimated that the revenue will increase between 15-25% during the next five years. It is anticipated that the development will be completed between 3 to 4 years from now and eventually the revenue will level off.

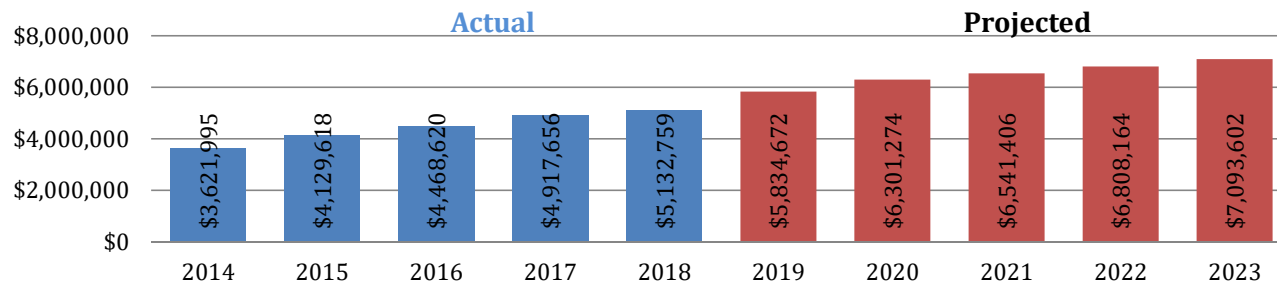
Breakout of Expenditures

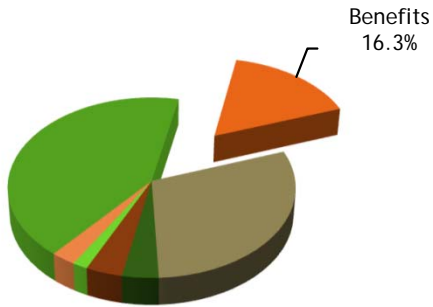




Salaries

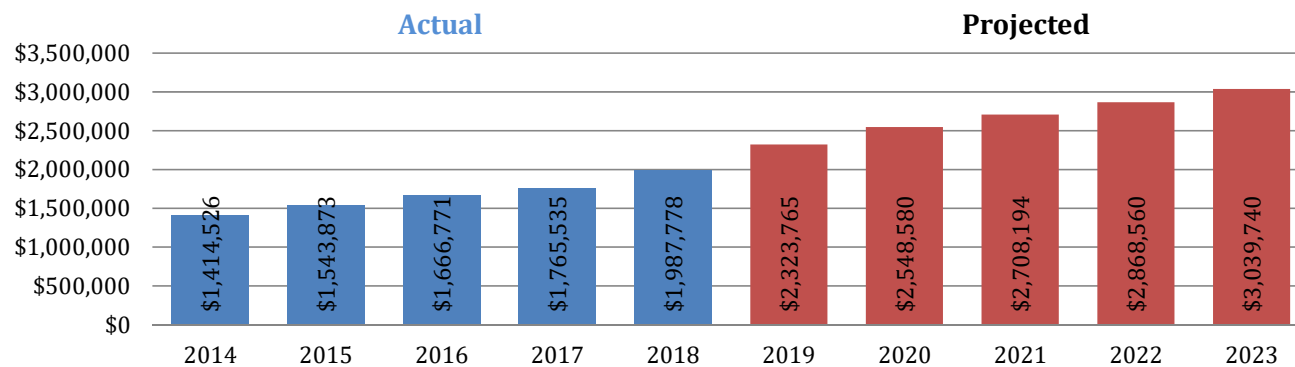
- ▶ Projected to increase between 4-13% from FY19-23
- ▶ Per Bethel Education Association negotiated agreement, six retro steps are being projected for FY19 through FY21.
- ▶ During FY 2018, the following increase were approved for FY19:
 - ▶ Certified Administrators - 2.3% base salary increase
 - ▶ Classified Administrators - 1.8% base salary increase
 - ▶ All Classified staff who qualify - 3 retro steps
- ▶ The District hired 5 new teachers, 1 counselor, and 1 administrator for FY19
- ▶ 4 additional teachers, 1 administrator, 1 paraprofessional, and 1 bus driver are being projected for FY 20
- ▶ 2 additional teachers, 1 paraprofessional staff, and 1 bus driver are being projected for FY21-23

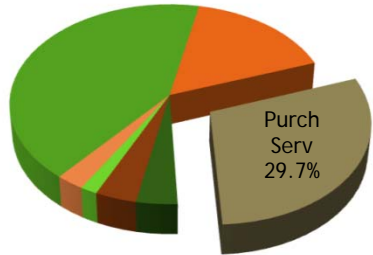




Employee Benefits

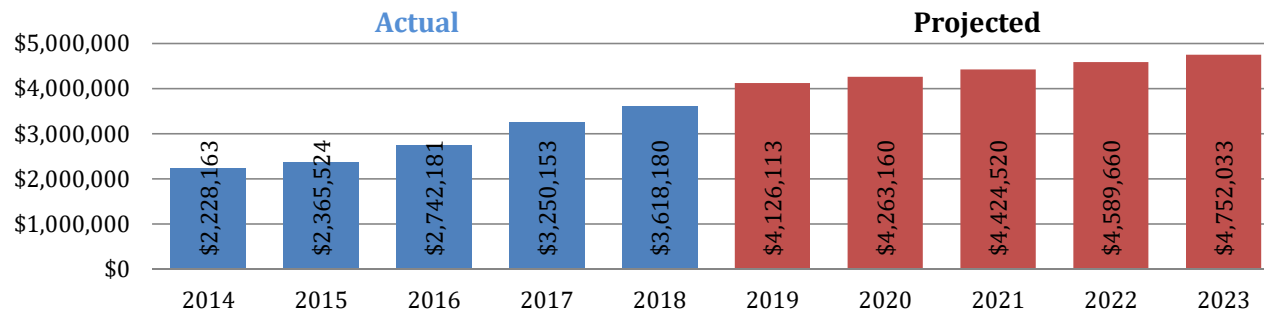
- ▶ Projected to increase between 6-10% from FY19-23
- ▶ Most of the increase in benefits is being driven by additional staff
- ▶ Insurance is projected to increase as followed:
 - ▶ Health - 5%
 - ▶ Vision - 2% (FY 19 first year offered to staff)
 - ▶ Dental - 2%
 - ▶ Life - 2%

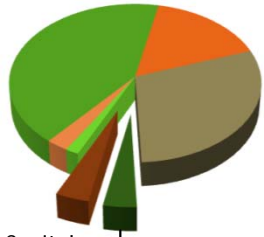




Purchased Services

- ▶ Projected costs are to increase approx. 3.5% each year
- ▶ Purchased Services can be broken into three categories which include instructional costs, utilities, and other purchased services
 - ▶ Instructional costs - cost associated to services provided through the ESC, costs deducted from District's foundation payments such as open enrollment, charter schools, tuition, college credit plus. Costs related to special education are also under this.
 - ▶ Utilities - cost associated for electricity, water, propane
 - ▶ Other purchased services - costs associated here include but not limited to legal services, repairs and maintenance, data processing





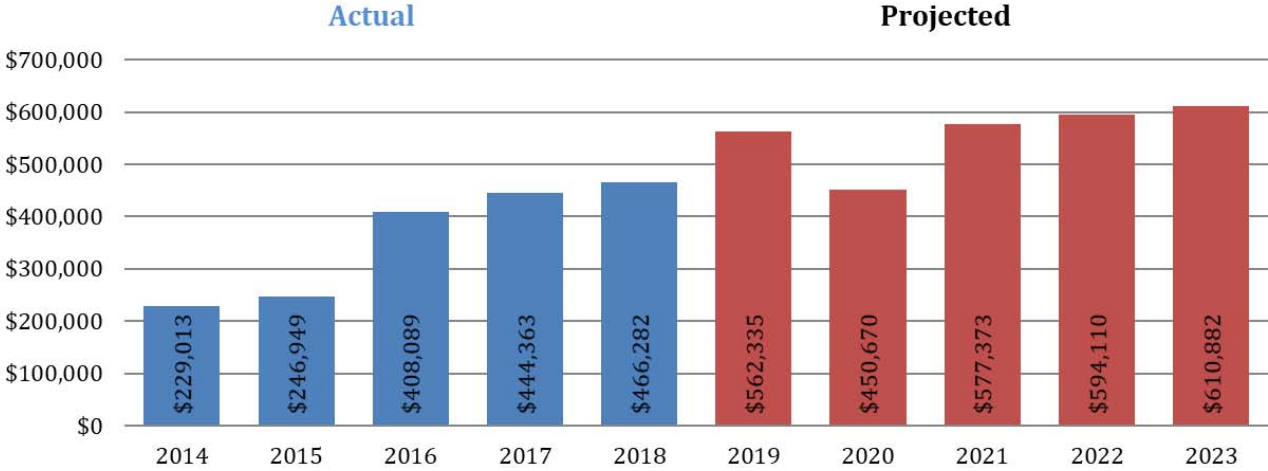
Capital
Outlay
3.8%

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3.8%

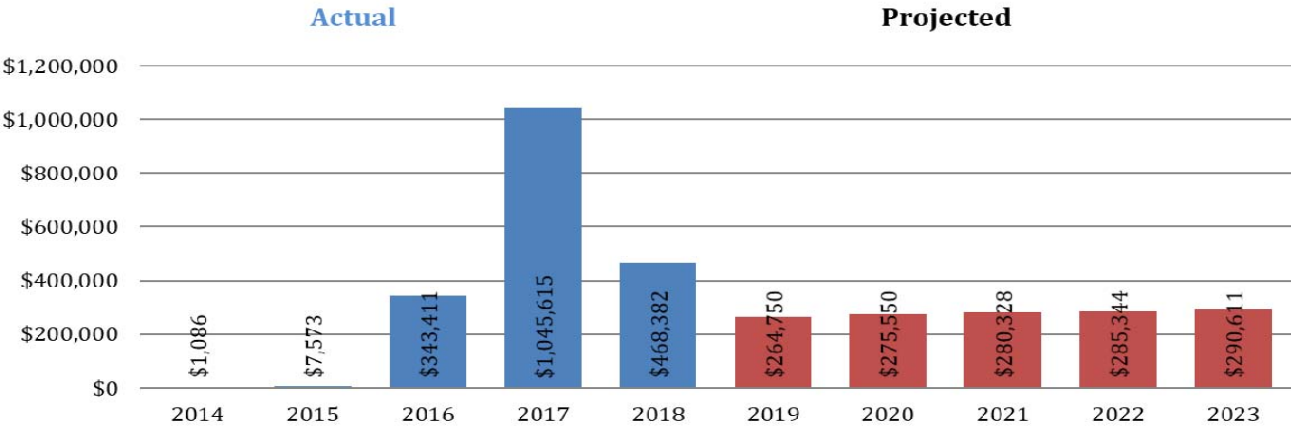
Supplies and Materials Capital Outlay

- ▶ Supplies and Materials projected to increase approx. 3% each fiscal year
 - ▶ Included expenditures in this category includes general and instructional supplies, textbooks, and maintenance/transportation supplies
 - ▶ FY 20 is projecting a decline as 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 projected to increase approx. 2% each fiscal year
 - ▶ Costs associated here include chromebooks/laptops/equipment/furniture for students, teachers, and staff. It also includes equipment for maintenance and transportation
 - ▶ The District also has two Permanent Improvement levies that each generate funds that total approx. \$510,000 that is to be used on capital projects and improvements (greater than 5 years)
 - ▶ Due to rapid growth of student enrollment, the District is nearing full capacity of its facilities. Depending on the direction the District takes, additional costs could be projected in future to accommodate the immediate needs of the District.

Supplies and Materials



Capital Outlay



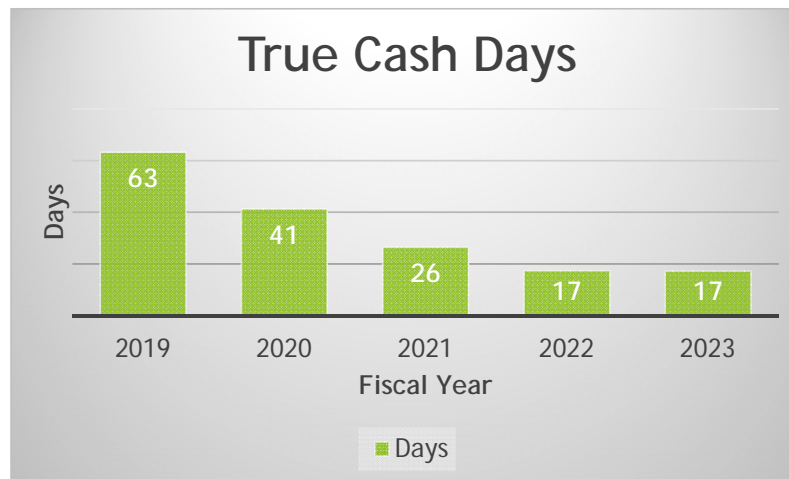
Five Year Outlook

	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Beginning Balance	2,902,531	2,305,882	1,591,041	1,067,375	730,074
+ Revenue	12,709,078	13,094,895	13,570,296	13,068,358	13,177,768
+ Proposed Renew/Replacement Levies	-	269,848	652,210	1,994,529	2,858,603
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(13,305,727)	(14,079,584)	(14,746,171)	(15,400,188)	(16,012,218)
= Revenue Surplus or Deficit	(596,649)	(714,841)	(523,665)	(337,301)	24,153
Ending Balance	2,305,882	1,591,041	1,067,375	730,074	754,228
Revenue Surplus or Deficit w/o Levies	(596,649)	(984,689)	(1,175,875)	(2,331,830)	(2,834,450)
Ending Balance w/o Levies	2,305,882	1,321,193	145,318	(2,186,512)	(5,020,962)

* 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 assumptions in the forecast we are able to balance the budget through FY2023.
- ▶ **Items to Monitor**
 - ▶ Substitute Emergency Levy
 - ▶ Income Tax Levy - renewal will be needed in 2019 or 2020
 - ▶ State biennial budget - Spring 2019 - 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