

**FAIRBORN CITY SCHOOL DISTRICT-GREENE COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2015, 2016 and 2017 ACTUAL
FORECASTED FISCAL YEARS ENDING
JULY 1, 2018 THROUGH JUNE 30, 2022**



**Forecast Provided By
Fairborn City School District
Treasurer's Office
Nicole Marshall, Treasurer/CFO**

October 26, 2017

Fairborn City School District

Greene County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2015, 2016 and 2017 Actual;
Forecasted Fiscal Years Ending June 30, 2018 Through 2022

	Actual			Average Change	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017		Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Revenues									
1.010 General Property Tax (Real Estate)	\$15,679,996	\$15,722,172	\$16,137,666	1.5%	\$15,775,050	\$15,824,483	\$15,867,650	\$15,936,009	\$15,998,836
1.020 Tangible Personal Property	920,980	919,545	958,962	2.1%	1,093,441	1,105,604	1,129,918	1,152,123	1,174,274
1.030 Income Tax	3,689,755	3,783,712	3,855,964	2.2%	3,913,803	3,972,510	4,032,098	4,092,579	4,153,968
1.035 Unrestricted State Grants-in-Aid	18,596,139	18,470,620	19,115,390	1.4%	20,044,742	19,945,454	19,133,909	19,055,315	19,031,065
1.040 Restricted State Grants-in-Aid	883,117	2,098,010	2,100,960	68.9%	1,693,696	1,708,483	1,723,418	1,738,502	1,753,737
1.050 Property Tax Allocation	2,288,507	2,275,128	2,223,950	-1.4%	2,200,584	2,230,609	2,237,719	2,251,586	2,265,359
1.060 All Other Revenues	2,206,606	3,168,253	1,740,930	-0.7%	1,719,772	1,725,979	1,732,734	1,740,017	1,747,811
1.070 Total Revenues	44,265,100	46,437,440	46,133,822	2.1%	46,441,088	46,513,122	45,857,446	45,966,131	46,125,050
Other Financing Sources									
2.040 Operating Transfers-In	-	-	6,000	0.0%	6,000	6,000	6,000	6,000	6,000
2.060 All Other Financing Sources	2,223	25,291	48,802	565.3%	184,345	45,000	45,000	45,000	45,000
2.070 Total Other Financing Sources	2,223	25,291	54,802	577.2%	190,345	51,000	51,000	51,000	51,000
2.080 Total Revenues and Other Financing Sources	44,267,323	46,462,731	46,188,624	2.2%	46,631,433	46,564,122	45,908,446	46,017,131	46,176,050
Expenditures									
3.010 Personal Services	20,565,716	20,783,024	20,853,237	0.7%	21,821,918	22,650,915	23,403,664	24,182,176	24,987,335
3.020 Employees' Retirement/Insurance Benefits	8,152,931	8,331,106	8,243,179	0.6%	8,796,152	9,231,571	9,745,054	10,358,700	11,100,113
3.030 Purchased Services	8,168,711	8,747,017	9,023,037	5.1%	9,237,692	9,633,345	10,050,948	10,492,097	10,958,526
3.040 Supplies and Materials	1,330,293	1,478,302	1,290,254	-0.8%	1,390,609	1,449,331	1,490,190	1,532,669	1,576,835
3.050 Capital Outlay	1,418,164	1,077,028	771,144	-26.2%	1,866,170	1,486,979	1,508,828	1,531,769	1,555,857
4.300 Other Objects	290,592	279,958	282,258	-1.4%	289,311	296,548	303,973	311,591	319,408
4.500 Total Expenditures	39,926,407	40,696,435	40,463,109	0.7%	43,401,852	44,748,689	46,502,656	48,409,001	50,498,074
Other Financing Uses									
5.010 Operating Transfers-Out	500,000	350,000	1,357,798	129.0%	956,000	956,000	956,000	956,000	956,000
5.020 Advances-Out	-	-	-	-	-	-	-	-	-
5.030 All Other Financing Uses	-	-	44,796	-	-	-	-	-	-
5.040 Total Other Financing Uses	500,000	350,000	1,402,594	135.4%	956,000	956,000	956,000	956,000	956,000
5.050 Total Expenditures and Other Financing Uses	40,426,407	41,046,435	41,865,703	1.8%	44,357,852	45,704,689	47,458,656	49,365,001	51,454,074
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	3,840,916	5,416,296	4,322,921	0	2,273,581	859,433	(1,550,210)	(3,347,870)	(5,278,024)
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	7,829,629	11,670,545	17,086,841	47.7%	21,409,762	23,683,343	24,542,777	22,992,567	19,644,697
7.020 Cash Balance June 30	11,670,545	17,086,841	21,409,762	35.9%	23,683,343	24,542,777	22,992,567	19,644,697	14,366,673
8.010 Estimated Encumbrances June 30	974,928	739,999	1,463,796	36.9%	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Reservation of Fund Balance									
9.010 Textbooks and Instructional Materials	-	-	-	0.0%	400,000	400,000	400,000	400,000	400,000
9.020 Capital Improvements	-	-	-	0.0%	800,000	800,000	800,000	800,000	800,000
9.050 Debt Service	-	-	-	0.0%	-	-	-	-	-
9.080 Subtotal	-	-	-	0.0%	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
10.010 Fund Balance June 30 for Certification of Appropriations	10,695,617	16,346,842	19,945,966	37.4%	21,483,343	22,342,777	20,792,567	17,444,697	12,166,673
Revenue from Replacement/Renewal Levies									
11.010 Income Tax - Renewal	-	-	-	0.0%	-	-	-	-	-
11.020 Property Tax - Renewal or Replacement	-	-	-	0.0%	-	-	-	-	-
11.300 Cumulative Balance of Replacement/Renewal Levies	-	-	-	0.0%	-	-	-	-	-
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	10,695,617	16,346,842	19,945,966	37.4%	21,483,343	22,342,777	20,792,567	17,444,697	12,166,673
Revenue from New Levies									
13.010 Income Tax - New	-	-	-	0.0%	-	-	-	-	-
13.020 Property Tax - New	-	-	-	0.0%	-	-	-	-	-
13.030 Cumulative Balance of New Levies	-	-	-	0.0%	-	-	-	-	-
14.010 Revenue from Future State Advancements	-	-	-	0.0%	-	-	-	-	-
15.010 Unreserved Fund Balance June 30	10,695,617	16,346,842	19,945,966	37.4%	21,483,343	22,342,777	20,792,567	17,444,697	12,166,673

Fairborn City School District – Greene County
Notes to the Five Year Forecast
General Fund Only
October 26, 2017

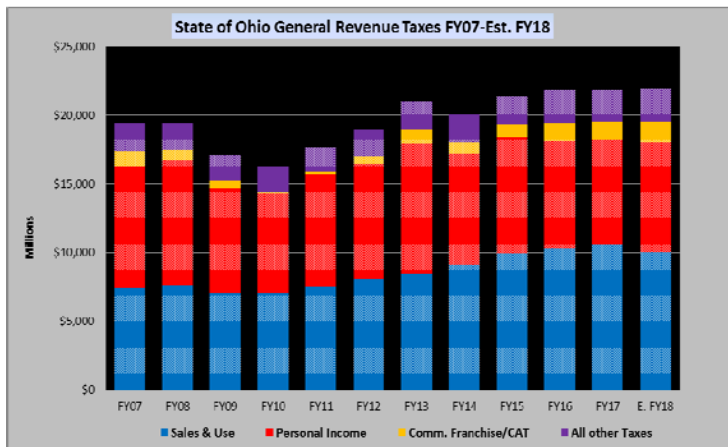
Introduction to the Five Year Forecast

All school districts in Ohio are required to file a five (5) year financial forecast by October 31, and May 31, in each fiscal year (FY). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2018 (July 1, 2017-June 30, 2018) is the first year of the five year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the October 2017 filing.

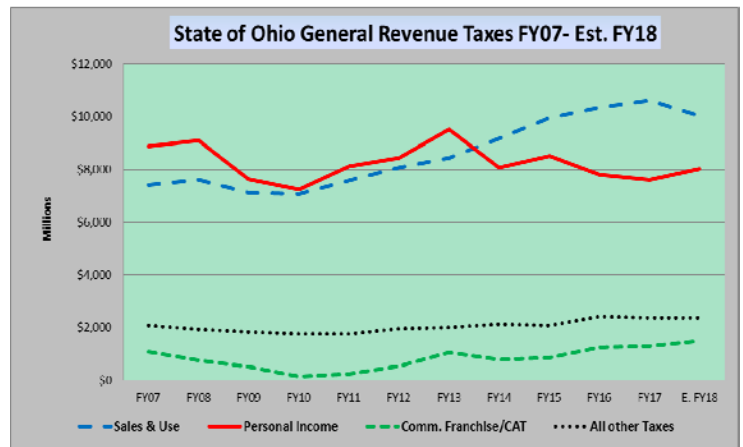
State Economic Variables Affecting the Five Year Forecast

It is prudent in long range forecasting to consider the economic climate in which projections of revenues are made. Below are significant statewide economic data which suggests that the economy for the FY18-22 period is slowing substantially and will be relatively flat for FY18 and 19. It is important for our school district to consider the statewide economic data for two important reasons. First, our state funding is directly affected by state revenue collections and the health of the state budget. The effects of the 2008 recession required the State of Ohio to make nearly \$8 billion in reductions in the FY12-FY13 state biennium budget which translated into flat funding and/or funding reductions for nearly every school district in Ohio. Second, the same economic forces driving state tax revenues are also generally affecting the underlying economics of most communities across Ohio, which impacts the ability to collect local tax revenue. Generally speaking, local school district economic viability is tied to the same fundamental economics that drive the state’s economic viability.

The graphs below note that the State of Ohio revenues through FY17 have recovered in spite sharp personal income tax cuts in FY15 and FY16. State revenue was flat from FY16 to FY17 and is expected to remain flat in total for FY18. The state economy is not expected to tip into a recession during FY18 or FY19 but long term that could be a concern. The decline in personal income tax in FY15 is due to an 8.5% rate reduction from HB59 and the drop in FY16 and FY17 is due to a 6.3% rate reduction in HB64. No new personal income tax cuts were legislated in HB49 the current state budget bill. Notwithstanding these reductions income tax would have grown steadily since FY13. Baring further legislative cuts personal income should continue to grow.

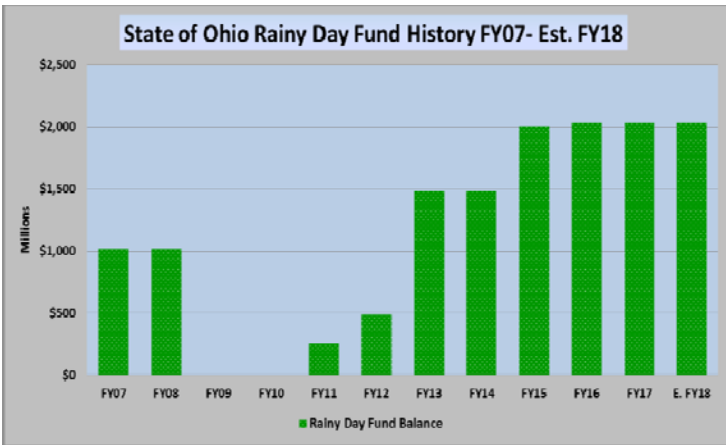


Source: Ohio Legislative Service Commission

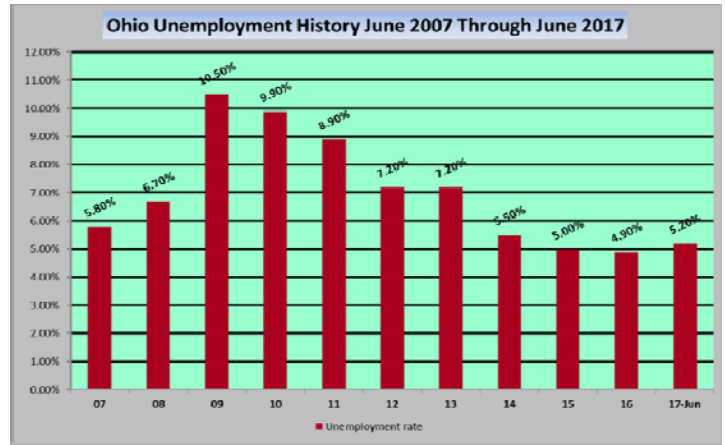


Source: Ohio Legislative Service Commission

The recovery of the labor market which began in 2010 continues in 2017 as noted in personal income tax but sales tax collections dipped in 2017. Flat state revenue is an indication that the economy is slowing and that there is concern about slowing growth for future years. The state rainy day fund (RDF) has been steady since FY15 with no new additions made since then or anticipated for FY18. The recession depleted the RDF in FY09. FY11 began the recovery of the economy and enabled the state to contribute excess revenues to the RDF. As noted, the RDF balance in FY17 has reached an all time record high deposit of \$2.034 billion thanks to a higher statutory balance allowed by HB64. This cushion should continue to help ensure that funding for schools approved in state biennium budget HB49 will be met through FY19 and could be continued into the future even if a brief slow down in the economy occurs as some economist anticipate.



Source: Ohio Legislative Service Commission

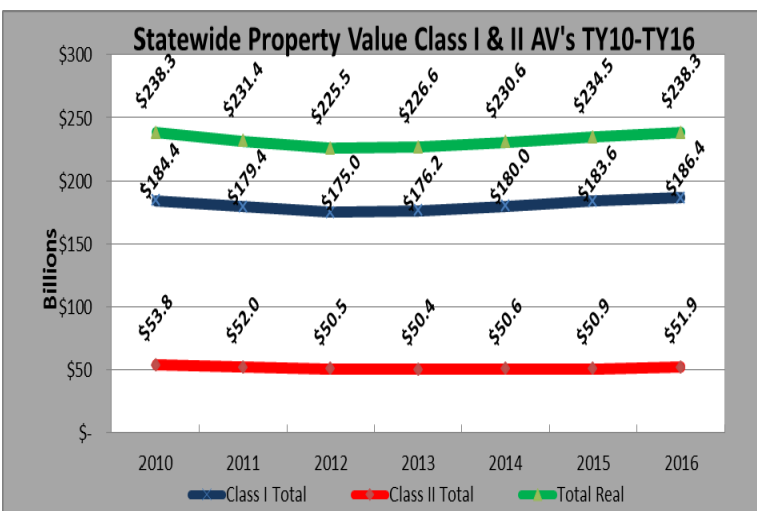


Source: U.S. Bureau of Labor Market Information

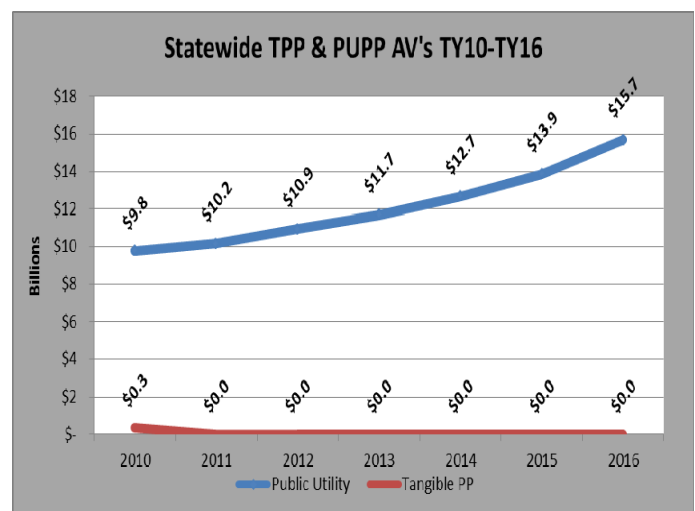
Over the past 12 months ended June 2017 Ohio's unemployment rate increased slightly by .3% to 5.2% at the end of June 2017. This is a significant measure to monitor for continued economic growth and viability. As noted above, personal income taxes and sales tax are highly correlated to employment and have been the two major drivers of the recent recovery. As of July 2017, the unemployment rate in Greene County was 4.8% which is below the 5.2% state average.

For school districts, real property values are another important piece of economic data. In the 2016 Tax Year, 23 of Ohio's 88 counties experienced a reappraisal or update for Class 1 (Residential and Agricultural Property) and Class 2 (Commercial, Industrial and Mineral Property). From Tax Year 2007 to 2012, Class 1 and 2 property values declined by \$10.8 billion, a reduction of 4.6%. In 2016 Class 1 values rose by \$2.81 billion or 1.53% statewide, while Class 2 property increased for the third and highest amount since 2009 by \$1.06 billion or 2.1% statewide. Property values in Tax Year 2016 have fully recovered back to pre-recession losses. Home values for the 12 month period ending in June 2017 were up statewide by 5.9%. May 2017 recorded the highest number of homes sales in one month in Ohio history.

The final category of property is Public Utility Personal Property (PUPP) values. The graph on the following page shows that Tangible Personal Property (TPP) was eliminated for all categories of TPP in tax year 2011 by HB66, which became effective July 1, 2005. PUPP values on the other hand continued to grow throughout the Great Recession and into Tax Year 2016 due in part to continued new construction, reinvestment in aging infrastructure due to historic low interest rates and development of natural gas and petroleum transmission lines across the state. PUPP values are of higher worth as they are taxed at the full gross tax rate. PUPP values grew \$1.8 billion or 12.9% statewide in Tax Year 2016.



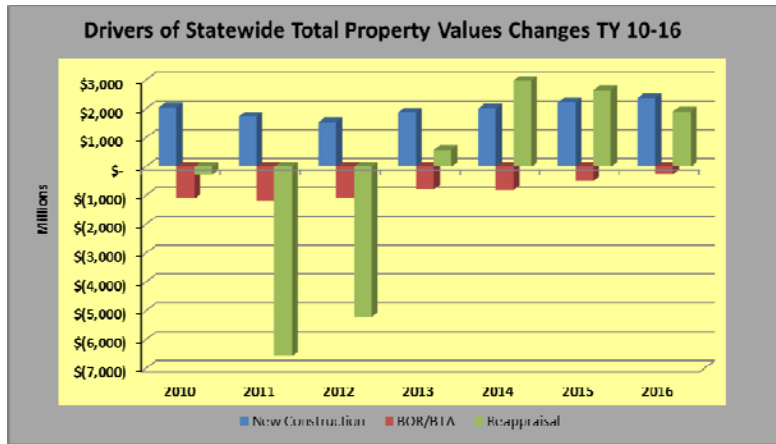
Source: Ohio Department of Taxation



Source: Ohio Department of Taxation

The graph below sums up the main drivers of real property value changes across the state for Tax Year 2010 through 2016. The changes noted below are for Class 1 and 2 property values. Note that new construction is picking up, reappraisal and update values

have moved from negative to positive for the last four tax years and Board of Revision/Board of Tax appeals continue to trend down from record levels from 2010 through 2012.



Overall, we believe the economy of the state is stable and should continue to grow slightly during the forecast period. This should provide a stable basis for which to make projections of state revenues to the district as noted in HB49 through FY19 and continuing through FY22 in future state budgets. The improved labor market is also providing for steady property tax collections in this forecast by: 1) increasing and stabilizing property values; 2) increasing current property tax collections; and, 3) liquidating prior delinquent tax collections.
Source: Ohio Department of Taxation

Forecast Risks and Uncertainty:

A five year financial forecast has risks and uncertainty not only due to economic uncertainties but also due to state

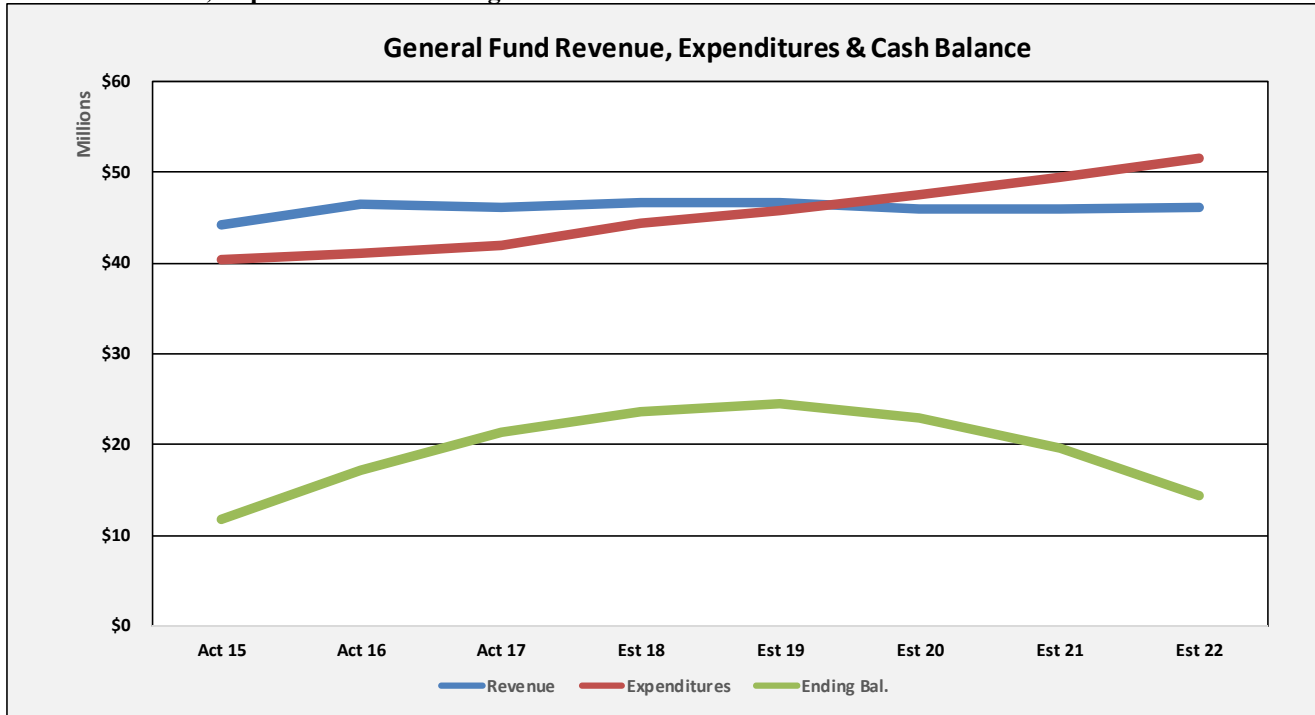
legislative changes that will occur in the spring of 2019 and 2021 due to deliberation of the next two (2) state biennium budgets for FY20-21 and FY22-23, both of which affect this five year forecast. We have estimated revenues and expenses based on the best data available to us at the time of this forecast. The items below give a short description of the current issues and how they may affect our forecast long term:

- I. The State Budget represents 51.5% of district revenues, which means it is a significant area of risk to revenue. The risk comes in FY20 and beyond if the state economy worsens or if the funding formula in future state budget reduces funding to our district. There are two future State Biennium Budgets covering the period from FY20-21 and FY22-23 in this forecast. Future uncertainty in both the state foundation funding formula and the state’s economy makes this area an elevated risk to district funding long range through FY22.
- II. The district is located in three counties: Greene 93.07%, Montgomery 6.79%, and Clark 0.14%. Greene County and Montgomery County experienced a reappraisal update in the 2014 tax year when values decreased by \$19.2 million or 3.2% to be collected in 2015. An update will occur in 2017 for collection in 2018 for Greene and Montgomery Counties. We are estimating an overall increase of 1.16% for collection in 2018. Again in 2020 the district will experience a reappraisal in and we anticipate overall value increases of 2.6% for collection in 2021. Property values are slowly coming back to 2008 levels in our district. There is however always a minor risk that the district could sustain a reduction in values in the next appraisal update but we do not anticipate that at this time.
- III. The district was eligible for a new U.S. Department of Agriculture program in FY16 called Community Eligibility Provision (CEP). This program allows districts with 40% eligible students to certify free and reduced price lunches via Direct Certification. The Ohio Department of Education (ODE) has used this information to certify Economically Disadvantaged students for state funding purposes. In FY16 and FY17 if a school building was CEP eligible then 100% of their students were reflected at Economically Disadvantaged even if some of the students in the building were not. ODE believes this inflates our Economically Disadvantaged count, which greatly increased funding to our district in FY16 and FY17. For FY18 and FY19 this program is supposed to continue as it did in FY16 and FY17. We believe the new coding may be effective in FY20 and have made provisions to reduce our state economically disadvantaged funding percentage from 67% in FY19 to 54% in FY20-22 in anticipation of this change. We will keep a close watch on this as the ODE could look into different EMIS codes to report students as Economically Disadvantaged that would not then result in 100% of the students in an eligible building being counted in the program. This would reduce state funding if this were to happen. We will watch this very carefully as any new budget deliberations occur in the future.
- IV. There are many provisions in the current state budget bill HB49 that will continue to draw funds from our district through continuing school choice programs such as College Credit Plus and increases in amounts deducted from our state aid in the 2017-18 school years. The cost of each Peterson Special Needs voucher and Autism Scholarship Program increased sharply FY16 from \$20,000 to \$27,000 each, a 35% increase. College Credit Plus costs continue to increase as this program becomes more understood. These are examples of new choice programs that cost the district money. Expansion or creation of programs such as these exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely.

- V. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges we face. We believe as we move forward, our positive working relationship will continue and will only grow stronger.

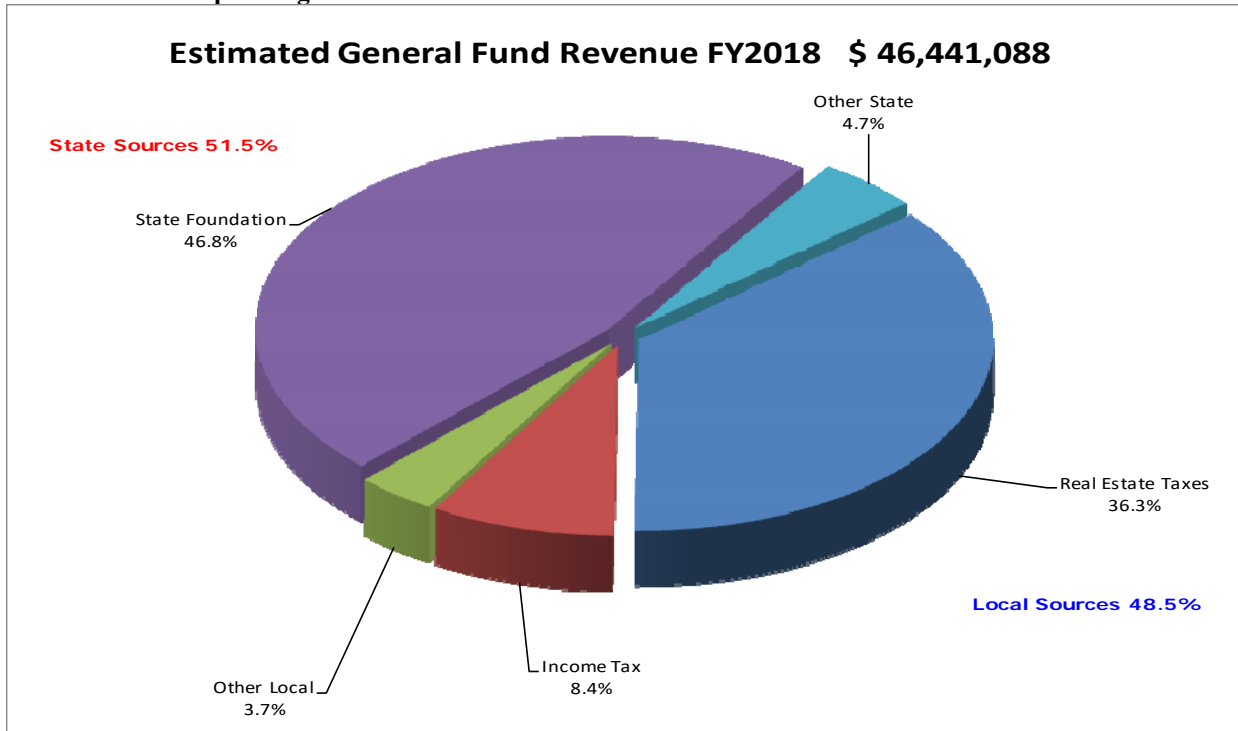
The major categories of revenue and expenditures on the forecast are noted below in the headings to make it easier to reference the assumptions made for the forecast item. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Nicole Marshall, Treasurer/CFO of Fairborn City School District at 937-878-3961.

General Fund Revenue, Expenditure and Ending Cash Balance:



Revenue Assumptions

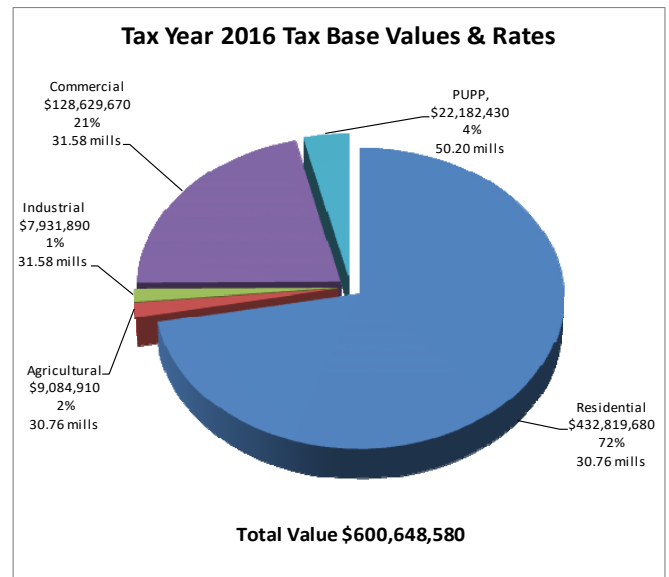
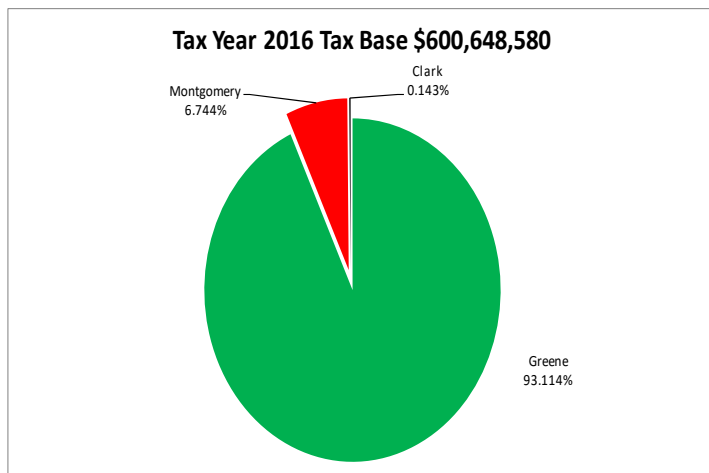
Estimated General Fund Operating Revenues FY18:



Real Estate Value Assumptions – Line # 1.010

The district has property value in Greene, Montgomery and Clark Counties. The graph below shows the amount of property value in each county as of 2016. Property values are established each year by the County Auditor based on new construction and complete reappraisal or updated values. A complete reappraisal occurred in 2014 for taxes to be collected in 2015. As a result of the reappraisal, Class I property decreased 3.7% which leads a drop of \$17.1 million in value, and a Class II property value decreased \$2.1 million or a drop of 1.4%. The district will experience another update in 2017 for collection in 2018. We have estimated 1% growth in Class I and 0% growth in Class II property for that update which is an overall increase of 1.16%. In addition to reappraisals and updates, values also change for new construction, demolitions, BOR/BTA activity and other reclassification of property values. We have estimated changes in values for these items inline with several years of trend data.

When values fall, reduction factors are lowered and House Bill 920 increases effective tax rates so the district tax revenues are held harmless. The district also has a fixed sum emergency levy which adjusts in response to value changes but yields a fixed sum of \$5 million in tax revenue even if values decline. These factors are reflected in the flat property tax revenues on Line 1.01 since fiscal year 2012.



ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

	Estimated	Estimated	Estimated	Estimated	Estimated
	TAX YEAR2017	TAX YEAR2018	TAX YEAR2019	TAX YEAR2020	TAX YEAR2021
Classification	COLLECT 2018	COLLECT 2019	COLLECT 2020	COLLECT 2021	COLLECT 2022
Res./Ag.	\$448,223,636	\$450,073,636	\$451,923,636	\$467,331,345	\$469,181,345
Comm./Ind.	137,606,600	137,756,600	137,906,600	138,056,600	138,206,600
Public Utility Personal Property (PUPP)	21,787,390	22,287,390	22,787,390	23,287,390	23,787,390
Tangible Personal Property (TPP)	0	0	0	0	0
Total Assessed Value	<u>\$607,617,626</u>	<u>\$610,117,626</u>	<u>\$612,617,626</u>	<u>\$628,675,335</u>	<u>\$631,175,335</u>

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY18	FY19	FY20	FY21	FY22
Est. General Property Taxes Line #1.010	<u>\$15,775,050</u>	<u>\$15,824,483</u>	<u>\$15,867,650</u>	<u>\$15,936,009</u>	<u>\$15,998,836</u>

Property tax levies are estimated to be collected at 96% of the annual amount. This allows a 2.25% delinquency and 1.75% auditor and treasurer fees. Typically, 53% of the new residential/agriculture (Res/Ag) and commercial/industrial (Comm/Ind) is expected to be collected in the February tax settlements and 47% is expected to be collected in the August tax settlements. Because of the sluggish local economy, we have seen property values decline in recent years. Tax year 2015 values were stable with no loss, but also no recovery of our lost tax base of the past 8 years. Delinquent collections were up during FY17, which would include revenues from prior years, which slightly inflated General Property Taxes during FY17. We do not foresee any significant growth in our tax base long-term and subsequently, tax collections will only grow slightly during the forecast.

Estimated Tangible Personal Tax – Line#1.020

The phase out of tangible personal property tax (TPP), as noted earlier, began in fiscal year 2006. The TPP was eliminated after fiscal year 2011. Any revenues received in fiscal year 2016 and beyond are delinquent TPP taxes from 2011 and earlier. Public utility tax settlements (PUPP) are estimated to be received 50% in February and 50% in August. As previously noted, tangible personal property tax (TPP) is no longer collected but Public Utility Personal Property Taxes are still collected and reflected on this line of the forecast. PUPP values have continued to climb slightly, even through the 2008 recession.

Source	FY18	FY19	FY20	FY21	FY22
Public Utility Personal Property (PUPP)	<u>\$1,093,441</u>	<u>\$1,105,604</u>	<u>\$1,129,918</u>	<u>\$1,152,123</u>	<u>\$1,174,274</u>
Total Line # 1.020	<u>\$1,093,441</u>	<u>\$1,105,604</u>	<u>\$1,129,918</u>	<u>\$1,152,123</u>	<u>\$1,174,274</u>

School District Income Tax – Line#1.03

The district collects a ½% (0.5%) Traditional School District Income Tax on the qualifying income of district residents. The SDIT is a continuing tax and is estimated to grow by 2.25% annually which has been the recent trend.

Source	FY18	FY19	FY20	FY21	FY22
SDIT Collection	\$3,855,964	\$3,913,803	\$3,972,510	\$4,032,098	\$4,092,579
Adjustments	<u>57,839</u>	<u>58,707</u>	<u>59,588</u>	<u>60,481</u>	<u>61,389</u>
Total to Line #1.030	<u>\$3,913,803</u>	<u>\$3,972,510</u>	<u>\$4,032,098</u>	<u>\$4,092,579</u>	<u>\$4,153,968</u>

Renewal and Replacement Levies – Line #11.02

The district currently has a \$5 million emergency that was set to expire on December 31, 2017. The levy was renewed by voters on March 15, 2016, preventing the levy from expiring in 2017. The emergency levy will now expire on December 31, 2022.

New Tax Levies – Line #13.030

No new levies are modeled in this forecast.

State Foundation Revenue Estimates

A) The Unrestricted State Foundation Revenue– Line #1.035

HB49 largely retains the current funding formula used to determine the amount and allocation of state aid to school districts, however there were various changes made to the formula for FY18 and FY19. The amounts estimated for state funding are based on component computations from the Legislative Service Commission (LSC) July 7, 2017 funding simulation of HB49 for FY18 and FY19. The

ODE **has not** updated all of the State Foundation Payment Report (SFPR) formulas for the various changes made. The ODE is not expected to have the SFPR completely recomputed until after our forecast is required to be filed. If the LSC simulations are correct, then our state foundation estimates should be accurate. Changes to our forecasted data could occur if there are large adjustments made by ODE based on the final FY17 SFPR reconciliation and the actual formulization of the HB49 variables. **We are projected to be on the Formula in FY18 & FY19.**

HB49 continues to use the State Share Index (SSI) as a key district wealth measure. The SSI is the formula's measure of a district's capacity to raise local revenue. The higher a district's ability to raise taxes based on wealth the lower the SSI will be, and vice versa. The index is derived from a district's wealth index, which is based on a valuation index, and for certain districts, an income index. Property wealth per pupil is still the major factor in the SSI. Generally, the higher the property valuation per pupil, the lower a district's SSI and therefore the percentage of state aid. The SSI for FY18 and FY19 will be calculated using Tax Year 2014, 2015, and 2016 average assessed values for the district. It will be calculated once for both fiscal year 18 and 19. The SSI is applied to the per pupil opportunity grant calculation and many of the other categorical funding items in the state foundation formula as noted below:

- 1) Opportunity Grant – Per pupil amount increased .17% from \$6,000 in FY17 to \$6,010 in FY18 and .17% to \$6,020 in FY19. Well below inflation rates.
- 2) Targeted Assistance – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value. Higher the percentage of agricultural value, higher the targeted assistance.
- 3) Special Education Additional Aid – Based on six (6) weighted funding categories of disability.
- 4) Limited English Proficiency – Based on three (3) funded categories based on time student enrolled in schools.
- 5) Economically Disadvantaged Aid- Based on number and concentration of economically disadvantaged students compared to state average.
- 6) K-3 Literacy Funds - Based on district K-3 average daily membership and two funded Tiers.
- 7) Gifted Funds –Based on average daily membership at \$5.05 in FY18 & FY19.
- 8) Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in. Funding guaranteed at FY17 levels individually and is in addition to the Cap in FY18 and FY19.
- 9) Transportation Aid – Funding based on total ridership rather than qualifying ridership in determining statewide cost per rider. Reduces state minimum share from 50% to 37.5% in FY18 and 25% in FY19.

HB49 continues additional funds that can be earned by a district or is intended to help a district who has an undue burden or inability to raise local revenue; however, some items are now included in CAP district payments:

- 1) Capacity Aid – Provides additional funding for districts where income generated for one mill of property tax is below the state median for what is generated. Included in FY18 and FY19 Guarantee payments and moved to be inside the Cap amount for districts. Not in addition to the Cap payments.
- 2) Transportation Supplement – Provides additional funding for districts with rider density (riders per square mile) less than 35 students in FY18 and 50 in FY19. Provides additional funding based on rider density and the number of miles driven by the school buses. Included in FY18 and FY19 Guarantee payments and moved to be inside the Cap amount for districts. Not in addition to the Cap payments.
- 3) 3rd Grade Reading Proficiency Bonus - Provides a bonus to districts based on third grade reading results, is included in FY18 & 19 guarantee at FY17 levels and is in addition to the Cap payments.
- 4) High School Graduation Rate Bonus - Provides a bonus to districts based on high school graduation rates up to approximately \$450 per student and is included in FY18 & 19 guarantee at FY17 levels and is in addition to the Cap payments.

Transitional Guarantee Phase-Out- For the first time HB49 includes a phase-out of funding for districts on the guarantee. If a guarantee district's average daily membership (ADM) over three (3) years from FY14-FY16, on average fell by 10% or more, they will lose 5% of their funding from FY17 levels. If the average ADM loss is less than 5% then they will be guaranteed at 100% of FY17 levels. If average ADM loss is between 5% and 10% loss then funding is cut on a sliding scale of loss up to 5%. We are anticipated to be a cap district in FY18, a formula district in FY19 and then a guarantee district beginning in FY20 at 100% funding level.

Gain Cap Funded Districts- For the first time HB49 has created tiers of funding for districts that are on the funding cap (or limit) based on the amount of student ADM growth. Generally, if a district is a "Cap" district the state formula calculates that a district is owed more than they are being paid. The Cap grew 7.5% in FY16 and FY17 from the FY15 levels. There are now funding tiers established for Cap district's based on three (3) year average ADM growth for the period FY14-FY16. The Cap will generally be 3% additional funding in FY18 and FY19 from the FY17 levels, with the following exceptions:

- 1) If average ADM from FY14 to FY16 is 5.5% or greater in FY18 or 6% greater in FY19, the gain cap is set at 5.5% or 6% respectively, of the district's previous year's state aid. Cap limits will include Capacity Aid and Transportation Supplement payments which limit the state's increased payment.
- 2) If average ADM from FY14 to FY16 is between 3% and 5.5% in FY18, or between 3% and 6% in FY19, the gain cap is set at a scaled amount between 3% and 5.5% and 3% and 6% respectively, of the districts previous year's state aid. Cap limit will include Capacity Aid and Transportation Supplement payments which limit the state's increased payment.

We are projected to be a Formula funded district in FY18 and FY19.

Our current SFPR estimates for FY18 are using FY17 year-end SFPR average daily membership (ADM) and subtracting 25 students each year from FY19 through FY22. Beginning in FY16, the state changed the way it measures student ADM. Student counts are now supposed to be updated October 31, March 31, and June 30 of the fiscal year. The ODE is updating payment information on a bi-monthly basis, which still results in adjustments after the fiscal year is completed.

In FY16 and FY17 our district was a Formula Funded district. Our estimate of state aid is based on the most current data we have available to us at this time. We have estimated state aid to remain relatively flat in FY18-FY19 and then decrease for FY20-FY22 due. As we model FY20 through FY22 looking forward we project we become a Guarantee Funded district depending on our student ADM counts and if the economic disadvantaged student count is returned to the FY15 levels as opposed to using the Community Eligibility Provision (CEP) count. Currently HB49 continues a guarantee for districts which is based on FY17 final funding. We have projected our FY18 and FY19 funding as a formula district respectively. We are projecting to become a guarantee district FY20 - FY22 as noted above.

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. As of March 4, 2013 all four (4) casinos were open for business and generating Gross Casino Tax Revenues (GCR). Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year which began for the first time on January 31, 2013.

The state indicated recently that revenues from casinos are not growing robustly as originally predicted but are still growing slowly as the economy has improved. Actual numbers generated for FY17 statewide were 1,799,220 students at \$49.66 per pupil. For FY18-22 we estimated another 3 tenths of 1% decline in pupils to 1,793,800 and GCR increasing to \$90.3 million or \$50.34 per pupil. We will increase estimates for years when actual casino revenues show signs of stronger increases.

A) Unrestricted State Foundation Revenue – Line #1.035

Source	FY18	FY19	FY20	FY21	FY22
Basic Aid-Unrestricted	\$19,220,477	\$19,119,860	\$18,306,981	\$18,227,047	\$18,201,452
Additional Aid Items	<u>615,235</u>	<u>615,235</u>	<u>615,235</u>	<u>615,235</u>	<u>615,235</u>
Basic Aid-Unrestricted Subtotal	\$19,835,712	\$19,735,095	\$18,922,216	\$18,842,282	\$18,816,687
Ohio Casino Commission ODT	<u>209,030</u>	<u>210,359</u>	<u>211,693</u>	<u>213,033</u>	<u>214,378</u>
Total Unrestricted State Aid Line # 1.035	<u>\$20,044,742</u>	<u>\$19,945,454</u>	<u>\$19,133,909</u>	<u>\$19,055,315</u>	<u>\$19,031,065</u>

B) Restricted State Revenues – Line # 1.040

The current FY16-17 state budget, HB64, includes a large increase in funding for Restricted State Revenues to our district due to the district's economically disadvantaged percentage increasing by approximately 17%. The two restricted sources of revenues to our district are Economic Disadvantaged Funding and Career Technical Education funding. We have incorporated this amount into the restricted aid amount in Line # 1.04 for FY18-22.

Source	FY18	FY19	FY20	FY21	FY22
Economically Disadvantaged Aid	\$1,478,695	\$1,493,482	\$1,508,417	\$1,523,501	\$1,538,736
Career Tech - Restricted	<u>215,001</u>	<u>215,001</u>	<u>215,001</u>	<u>215,001</u>	<u>215,001</u>
Total Restricted State Revenues Line #1.04	<u>\$1,693,696</u>	<u>\$1,708,483</u>	<u>\$1,723,418</u>	<u>\$1,738,502</u>	<u>\$1,753,737</u>

State Taxes Reimbursement/Property Tax Allocation

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10%

and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66, the FY06-07 budget bill, previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are also credits paid to the district from the state of Ohio for qualified elderly and disabled persons. In 2007, HB119 expanded the Homestead Exemption for all seniors over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who did not have their Homestead Exemption already approved or those who did not get a new application approved for tax year 2013, and who became eligible thereafter, only received a Homestead Exemption if they met the income qualifications. Taxpayers who had their Homestead Exemption as of September 29, 2013 did not lose it going forward and did not have to meet the new income qualification. This has slowed the growth of homestead reimbursements to the district, and as with the rollback reimbursements above, increase the taxes collected locally on taxpayers.

b) Tangible Personal Property Reimbursements – Fixed Rate/Fixed Sum

School districts were to be reimbursed for the TPP tax losses by the state of Ohio at varying levels through 2026 but those reimbursements were severely curtailed by HB153 effective July 1, 2012. Our funding was reduced from \$1,874,726 in FY11 to \$54,484 in FY12. HB64 the new state budget eliminated funding to our district after FY16.

Summary of State Tax Reimbursement – Line #1.050

Source	FY18	FY19	FY20	FY21	FY22
a) Rollback and Homestead	\$2,200,584	\$2,230,609	\$2,237,719	\$2,251,586	\$2,265,359
b) TPP Reimbursement - Fixed Rate	0	0	0	0	0
Total Tax Reimb./Prop. Tax Allocations #1	<u>\$2,200,584</u>	<u>\$2,230,609</u>	<u>\$2,237,719</u>	<u>\$2,251,586</u>	<u>\$2,265,359</u>

Other Local Revenues – Line #1.060

The district has a number of other income items which provides needed non tax revenue for the district. These amounts are estimated based on historical trends and any other data available to us at the time of the forecast.

Source	FY18	FY19	FY20	FY21	FY22
Tuition	\$191,944	\$193,863	\$195,802	\$197,760	\$199,738
Interest	201,960	203,980	206,020	208,080	210,161
Student Activity and Class Fees	167,687	169,364	171,058	172,769	174,497
Medicaid (CAFS) and ROTC	613,382	619,516	625,711	631,968	638,288
TIF	80,879	81,688	82,505	83,330	84,163
Mobile Home Tax	173,392	175,126	176,877	178,646	180,432
US DOE PL847 Impact Aid and FDA reimb	161,713	153,627	145,946	138,649	131,717
Catastrophic Aid, Rentals, E-rate	<u>128,815</u>	<u>128,815</u>	<u>128,815</u>	<u>128,815</u>	<u>128,815</u>
Total Line # 1.060	<u>\$1,719,772</u>	<u>\$1,725,979</u>	<u>\$1,732,734</u>	<u>\$1,740,017</u>	<u>\$1,747,811</u>

Short-Term Borrowing – Lines #2.010 & Line #2.020

There is no short term borrowing planned for in this forecast at this time from any sources.

Transfers In / Return of Advances and Other Financing Sources – Line #2.040, Line #2.050 & Line 2.060

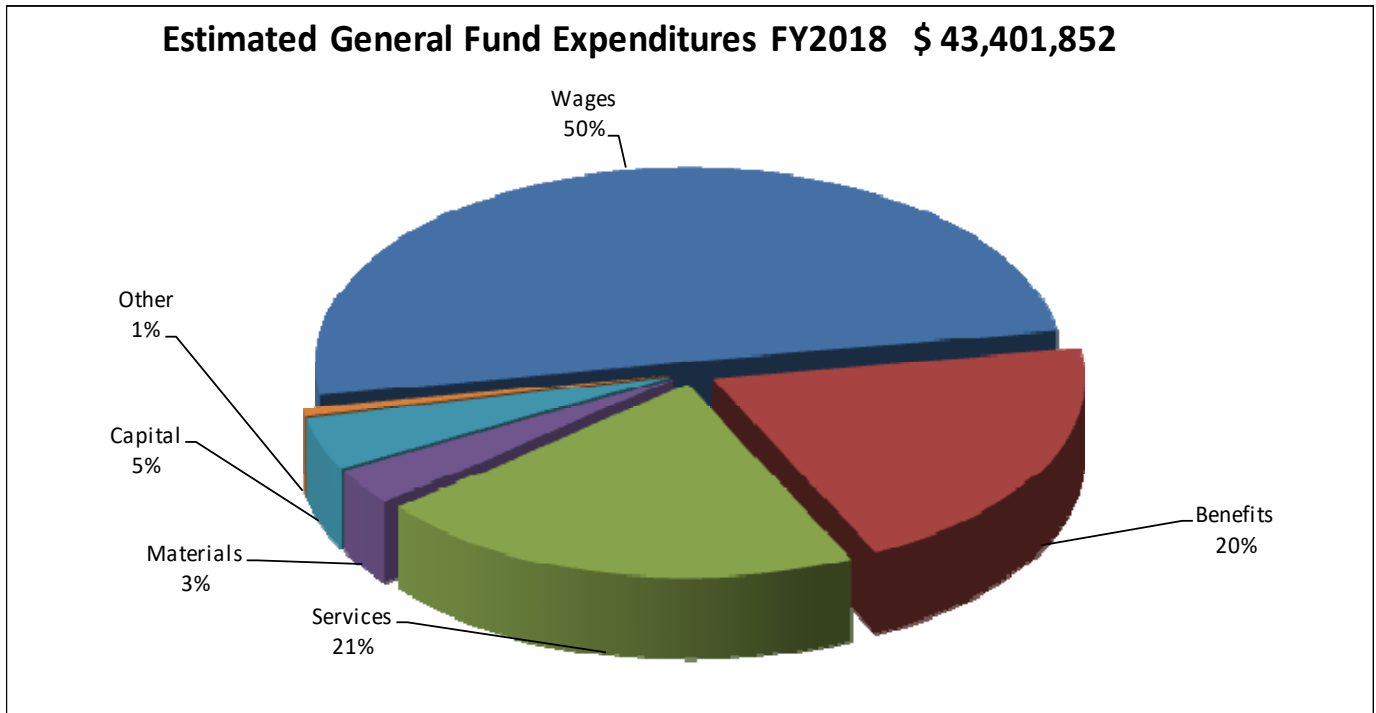
These are non-operating revenues which are the repayment of short term loans to other funds during the previous fiscal year and reimbursements for expenses incurred in the previous fiscal year.

Source	FY18	FY19	FY20	FY21	FY22
Transfers In - Line 2.040	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Advance Returns - Line 2.050	0	0	0	0	0
Total Transfer & Advances In	<u>\$6,000</u>	<u>\$0</u>	<u>\$6,000</u>	<u>\$6,000</u>	<u>\$6,000</u>

Source	FY18	FY19	FY20	FY21	FY22
Refund of prior years expenditures	<u>\$184,345</u>	<u>\$45,000</u>	<u>\$45,000</u>	<u>\$45,000</u>	<u>\$45,000</u>

Expenditures Assumptions

Estimated General Fund Operating Expenditures for FY18:



Wages – Line #3.010

This forecast assumes increases for salaries in accordance with negotiated agreements and assumptions for the future. Minor staff adjustments are expected to be made in FY18. The district has negotiated agreements with its three unions for the period of July 1, 2017 through June 30, 2020.

Fringe Benefits Estimates Line 3.02

This area of the forecast captures all costs associated with benefits and retirement costs, which all, except health insurance, are directly related to the wages paid. The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

A) STRS/SERS

As required by law, the BOE pays 14% of all employee wages to STRS or SERS.

B) Insurance

The estimated increases for medical and dental insurance are 5% in FY18. These rates have been set by the EPC. We are projecting 7% increases in FY19 through FY22. The increases include adjustments for inflation and the function of the health insurance committee to maintain control of costs. We have made an allowance for possible Affordable Care Act costs beginning in FY20 and continuing to increase in FY22.

Patient Protection and Affordable Care Act (PPACA) Costs- the Patient Protection and Affordable Care Act (PPACA) commonly called Obamacare or the Affordable Care Act (ACA), is a United States federal statute signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education Reconciliation Act, it represents the most significant regulatory overhaul of the country's healthcare system since the passage of Medicare and Medicaid in 1965.

It is uncertain to what extent the implementation of PPACA will cost our district in additional funds especially since it is being reviewed carefully at the federal level for amendment or repeal. There are numerous new regulations that potentially will require added staff time, at least initially due to increased demands, and it is likely that additional employees will be added to coverage that do not have coverage now. We are not certain what these added costs may be but there are “taxes” mandated by the act which we are aware of. The Transition Reinsurance fee due January 15, 2015 is a fee due the IRS for \$5.25 per covered member per month for the prior year (2014). This will be \$63 for each employee who had a full year of coverage in the prior year. Longer-term, a significant concern is the 40% “Cadillac Tax” that could be imposed in 2018 for plans whose value of benefits exceed \$10,200 for individual

plans and \$27,500 for family plans. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district.

C) Workers Compensation & Unemployment Compensation

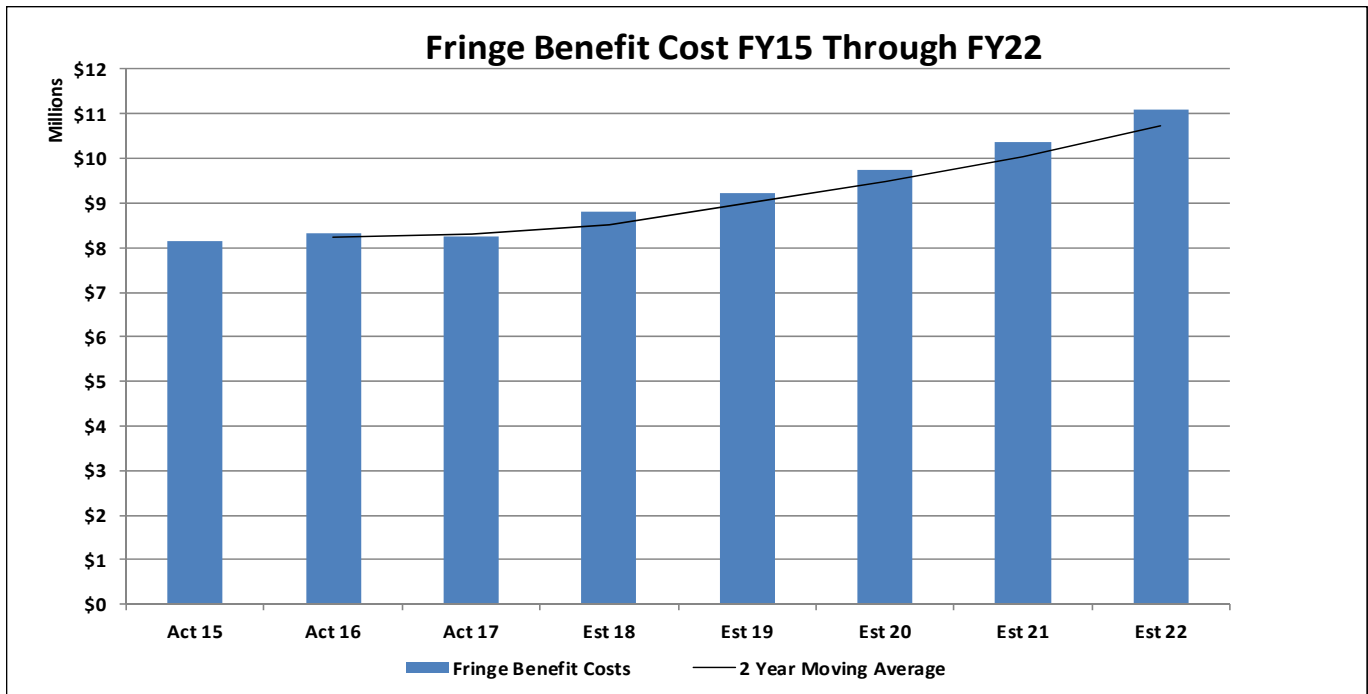
Workers Compensation is expected to remain at about 1.1% of wages after fiscal year 2017, due to a moderated claim experience over prior years. Unemployment Compensation has been negligible and is anticipated to remain as such as we plan our staffing needs carefully.

D) Medicare

Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Fringe Benefits Actual Fiscal Year 2015 through Fiscal Year 2017 and Estimated Fiscal Year 2018 through Fiscal Year 2022

The graph on the following page notes that health care is an area of expenditures that are outpacing inflation. The federal Affordable Care Act and the increase in claims will require management to control the cost of health care short and long term.



Purchased Services – Line #3.030

Overall inflation of 3% is projected FY18-21. One of the largest expenses in this area is school choice for Open Enrollment, Community and STEM school deductions and Scholarship transfers. We are anticipating the costs will be \$3.8 million in FY18 for these school choice costs. ESC costs are the second largest expense in this category which is expected to grow in FY18 and cover special education costs. Property maintenance is also expected to increase for upkeep on the district’s aging facilities.

Source	FY18	FY19	FY20	FY21	FY22
Base Services	\$335,793	\$369,372	\$406,309	\$446,940	\$491,634
Professional	560,317	588,333	617,750	648,638	681,070
Property Maintenance	930,890	1,023,979	1,126,377	1,239,015	1,362,917
Utilities	608,815	627,079	645,891	665,268	685,226
ESC Services/Sp. Ed. Tuton/College Credit	3,072,151	3,164,316	3,259,245	3,357,022	3,457,733
Community/STEM School	3,729,726	3,860,266	3,995,376	4,135,214	4,279,946
Total Line 3.030	\$9,237,692	\$9,633,345	\$10,050,948	\$10,492,097	\$10,958,526

Supplies and Materials – Line #3.040

An overall inflation of 3% is being estimated for textbook and instructional materials and 5% for transportation fuel and supplies and maintenance costs.

Source	FY18	FY19	FY20	FY21	FY22
Educational and other Supplies	\$1,015,406	\$1,055,368	\$1,076,529	\$1,098,325	\$1,120,774
Transportation Fuel & Supplies (Repairs ar	375,203	393,963	413,661	434,344	456,061
Total Line 3.040	<u>\$1,390,609</u>	<u>\$1,449,331</u>	<u>\$1,490,190</u>	<u>\$1,532,669</u>	<u>\$1,576,835</u>

Equipment – Line # 3.050

The district has a replacement plan for busses and other vehicles which is the major portion of the expenses in this category. Technology improvements are being budgeted in FY18 – FY22 to help pay for the needed technology for students and the ability to conduct student assessments.

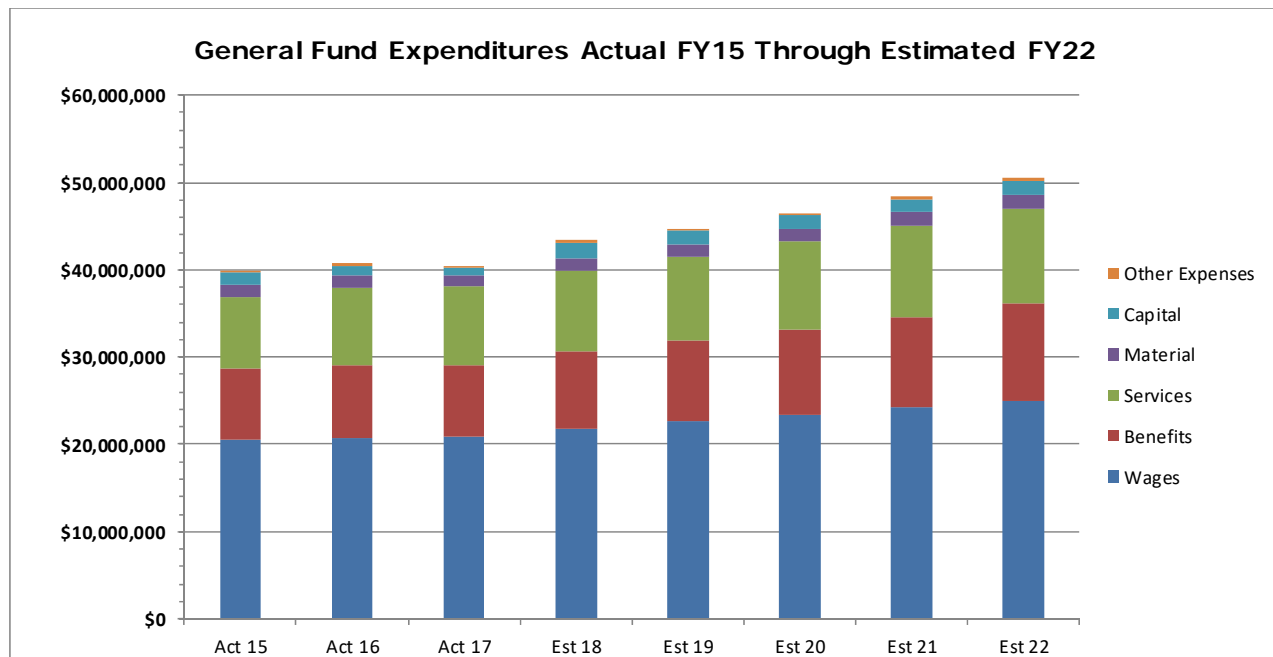
Source	FY18	FY19	FY20	FY21	FY22
Capital Outlay	\$416,170	\$436,979	\$458,828	\$481,769	\$505,857
Repairs and Maintenance	0	0	0	0	0
Bus and Vehicle Replacement	450,000	450,000	450,000	450,000	450,000
Technology	1,000,000	600,000	600,000	600,000	600,000
Total Line 3.050	<u>\$1,866,170</u>	<u>\$1,486,979</u>	<u>\$1,508,828</u>	<u>\$1,531,769</u>	<u>\$1,555,857</u>

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the County ESC deductions for normal dues for services provided to the District and Auditor & Treasurer (A&T) fees. Other items include annual audit costs, OSBA dues, district liability insurance and other miscellaneous costs.

Source	FY18	FY19	FY20	FY21	FY22
County Auditor & Treasurer Fees	\$144,293	\$147,179	\$150,123	\$153,125	\$156,188
Other expenses	145,018	149,369	153,850	158,466	163,220
Total Line 4.300	<u>\$289,311</u>	<u>\$296,548</u>	<u>\$303,973</u>	<u>\$311,591</u>	<u>\$319,408</u>

Total Expenditure Categories Actual Fiscal Year 2015 through Fiscal Year 2017 and Estimated Fiscal Year 2018 through Fiscal Year 2022



Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfers and end of year short term loans from the General Fund to other funds until they have received reimbursements to repay the General Fund. The district uses transfers out to a 035 Fund to pay for severance payments to staff as opposed to using the salary line on the forecast and to build reserves for 27 pays that will happen in FY23. This helps the district build reserves to pay for this long term obligation which can be substantial. The district established a permanent improvement fund through transfers from the general fund beginning in FY17 and has budgeted to transfer \$500 thousand annually to help build reserves for aging infrastructure, which can be a substantial cost to the district..

Source	FY18	FY19	FY20	FY21	FY22
Operating Transfers Out Line #5.010	\$956,000	\$956,000	\$956,000	\$956,000	\$956,000
Advances Out Line #5.020	0	0	0	0	0
Total	<u>\$956,000</u>	<u>\$956,000</u>	<u>\$956,000</u>	<u>\$956,000</u>	<u>\$956,000</u>

Encumbrances –Line#8.010

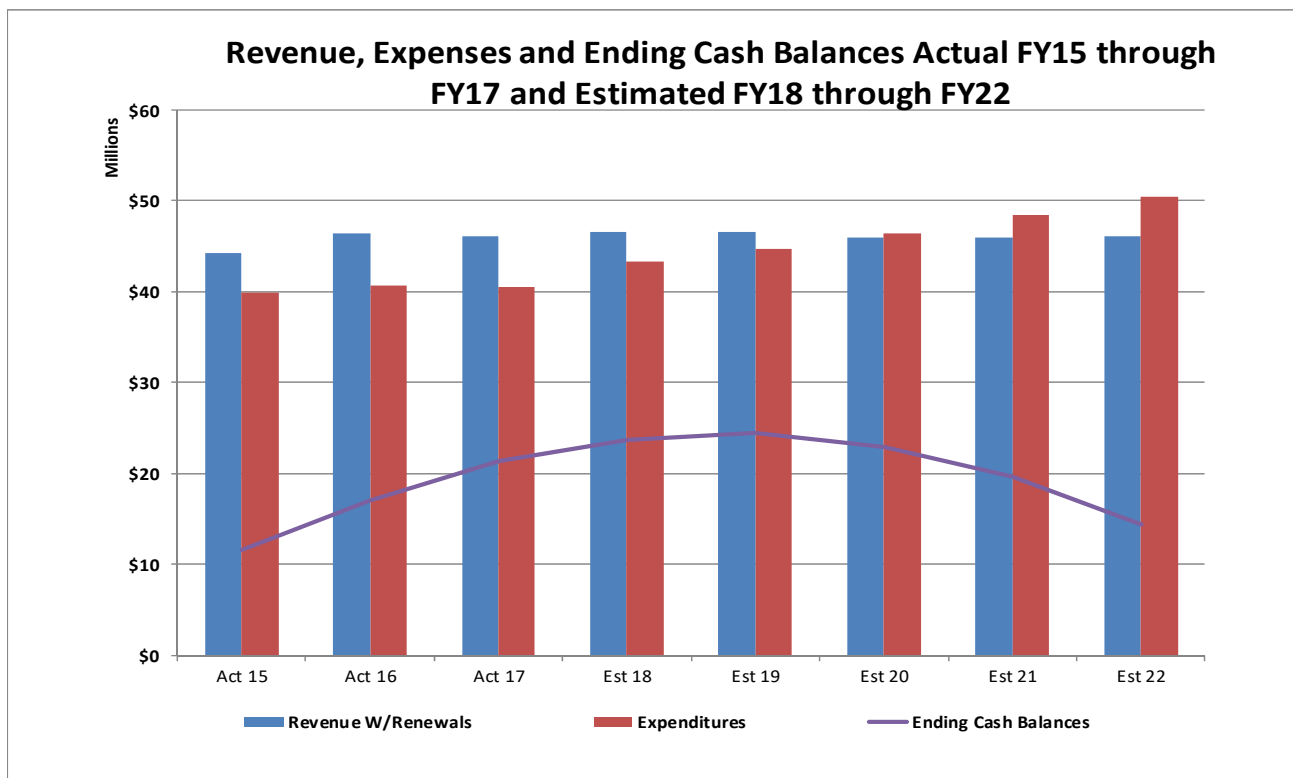
These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

	FY18	FY19	FY20	FY21	FY22
Estimated Encumbrances	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>

Ending Unencumbered Cash Balance “The Bottom-line” – Line#15.010

This amount must not go below \$-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of Ohio Revised Code section 5705.412, punishable by personal liability of \$10,000, unless an alternative “412” certificate can be issued pursuant to House Bill 153 effective September 30, 2011.

	FY18	FY19	FY20	FY21	FY22
Ending Cash Balance	<u>\$21,483,343</u>	<u>\$22,342,777</u>	<u>\$20,792,567</u>	<u>\$17,444,697</u>	<u>\$12,166,673</u>



True Cash Days Ending Balance

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 Expenditures/365 days) = number of days the district could operate with out additional resources or a severe resource interruption. The Government Finance Officers Association recommends no less than two (2) months or 60 days cash is on hand at year end but could be more depending on each districts complexity and risk factors for revenue collection. The Fairborn City School District strives to have 90 days cash on hand. Expenditures are calculated, including transfers, as this is a predictable funding source for other funds. The graph indicates the district will need to stay focused on FY20 and beyond as adequate reserves are estimated to be diminishing at that time.

