Olmsted Falls City Schools

Five Year Forecast Financial Report

May, 2017

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Table of Contents

	PAGE #
Table of Contents	**2**
Executive Summary	**3**
Revenue Overview	**4**
1.010 - General Property Tax (Real Estate)	5
1.020 - Public Utility Personal Property	6
1.035 - Unrestricted Grants-in-Aid	7
1.040 & 1.045 - Restricted Grants-in-Aid	8
1.050 - Property Tax Allocation	9
1.060 - All Other Operating Revenues	10
2.070 - Total Other Financing Sources	11
Expenditures Overview	**12**
3.010 - Personnel Services	13
3.020 - Employee Benefits	14
3.030 - Purchased Services	15
3.040 - Supplies and Materials	16
3.050 - Capital Outlay	17
3.060 - 4.060 - Intergovernmental & Debt	18
4.300 - Other Objects	19
5.040 - Total Other Financing Uses	20
Forecast Compare	**21**
Five Year Forecast	**22**

Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

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

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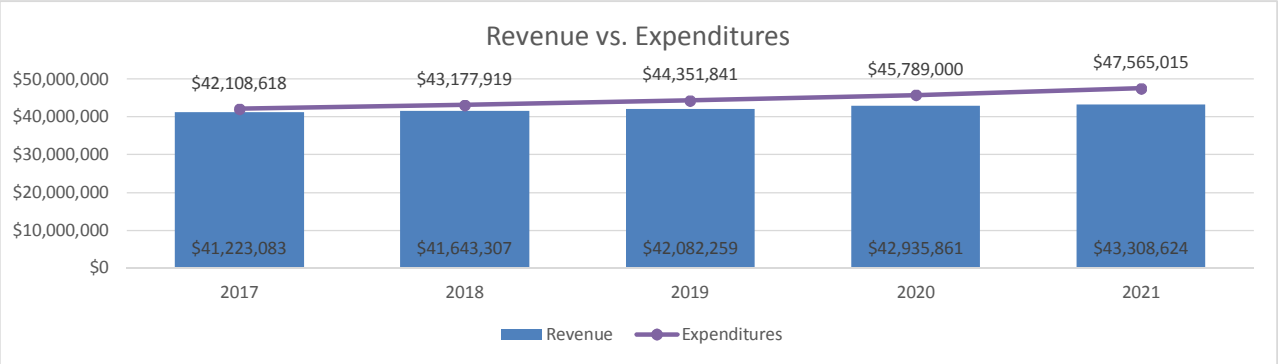
Five Year Forecast - Simplified Statement

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Beginning Balance	10,846,558	9,961,023	8,426,411	6,156,828	3,303,689
+ Revenue	41,223,083	41,643,307	42,082,259	42,935,861	43,308,624
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(42,108,618)	(43,177,919)	(44,351,841)	(45,789,000)	(47,565,015)
= Revenue Surplus or Deficit	(885,536)	(1,534,612)	(2,269,583)	(2,853,139)	(4,256,391)
Ending Balance	9,961,023	8,426,411	6,156,828	3,303,689	(952,702)
Revenue Surplus or Deficit w/o Levies	(885,536)	(1,534,612)	(2,269,583)	(2,853,139)	(4,256,391)
Ending Balance w/o Levies	9,961,023	8,426,411	6,156,828	3,303,689	(952,702)

Summary:

As Fiscal Year 2017 wraps up, the District looks to be in a sound financial position with an anticipated ending cash balance of $9,962,421 which $750,000 of encumbrances will carry over to Fiscal Year 2018. 2016-2017 was the 3rd year of the OFEA and OAPSE collective bargaining agreement, which both received a 2.75% base increase. These compounded salary increases along with other unanticipated operations expenditures are reflected in the Districts 5% increase in overall expenditures. The continued forecasted deficit spending has a serve negative impact on line 7.02 Ending Cash Balance. As explained further in this report, the District will be watching this closely and is ready to take appropriate measures if this financial picture does not change in the near future.

With 5 years of anticipated deficit spending the District will be looking to the tax payers for operational funding no later than May 2019, nearly ten years after the previously passed operational levy. Per the GFOA recommendations the District should keep two months worth of expenditures as a monthly cash balance. (approx. $7,000,000). This will be a struggle with a depleting cash balance as projected above.



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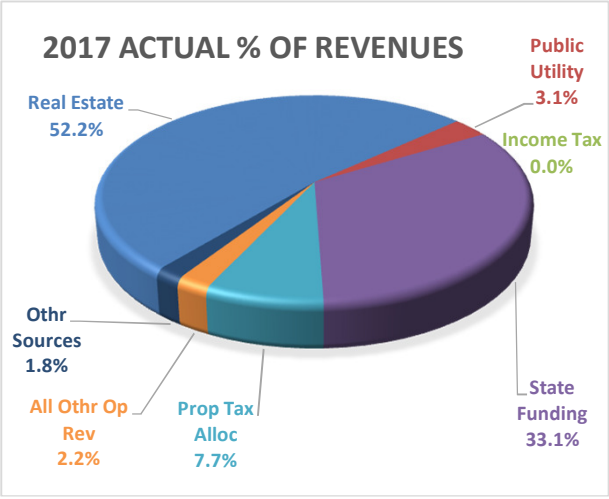
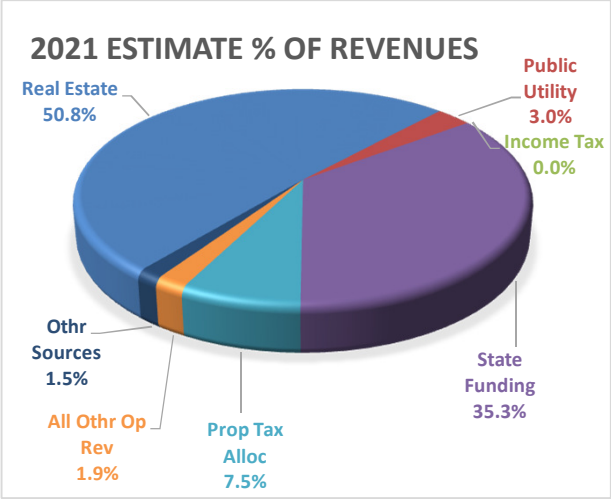
Revenue Overview

	ACTUAL		FORECASTED			
	2014	*% of Revenue*	**2017**	*% of Revenue*	**2021**	*% of Revenue*
1.010 - General Property Tax (Real Estate)	20,583,459	54.11%	21,342,655	52.17%	21,969,949	50.82%
1.020 - Public Utility Personal Property	1,156,903	3.04%	1,269,631	3.10%	1,283,432	2.97%
1.030 - Income Tax	-	0.00%	-	0.00%	-	0.00%
1.035 - Unrestricted Grants-in-Aid	11,895,709	31.27%	13,381,438	32.71%	14,871,880	34.40%
1.040 & 1.045 - Restricted Grants-in-Aid	40,544	0.11%	369,437	0.90%	369,812	0.86%
1.050 - Property Tax Allocation	2,844,329	7.48%	3,147,555	7.69%	3,246,052	7.51%
1.060 - All Other Operating Revenues	1,516,314	3.99%	1,400,160	3.42%	1,492,500	3.45%
1.070 - Total Revenue	38,037,258		40,910,876		43,233,624	

This three year comparison shows the District's revenues in 2014 compared to the current revenues anticipated at the end of 2017 and the forecasted revenues in 2021. The District has experienced an overall increase in revenues of 7% from fiscal year 2014 to fiscal year 2017. This increase was generated by two main sources, specifically an 11% increase in dollars received from the Ohio Department of Education through the State Foundation payments (Unrestricted Grant-in-Aide) and a 3% increase in Property Taxes (Real Estate tax). These are the two main sources of funding for the School District which is represented in the graphs below. Revenues in general are anticipated to climb upward at a slight increase each of the five years forecasted. This is a moving target that can be affected by a reappraisal of the District's assessed valuation, increase in student enrollment, or unexpected payment of delinquent property taxes.





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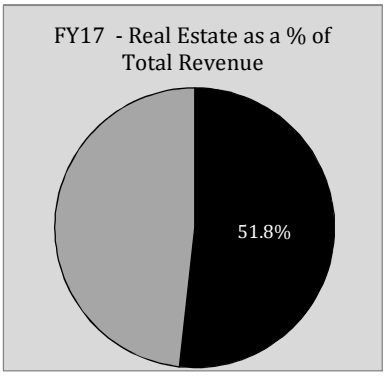
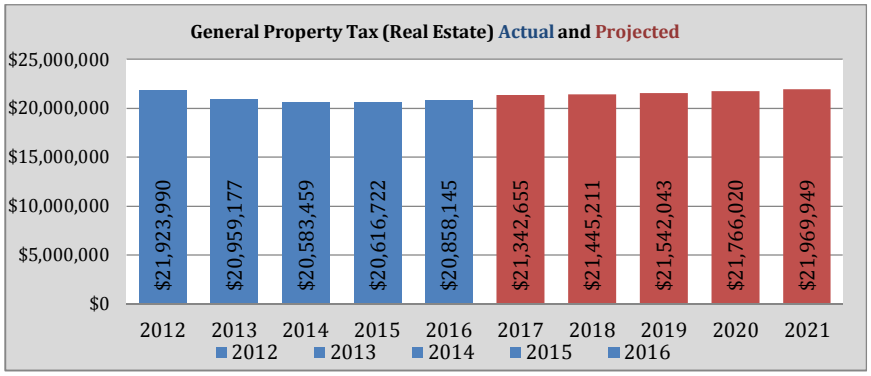
1.010 - General Property Tax (Real Estate)

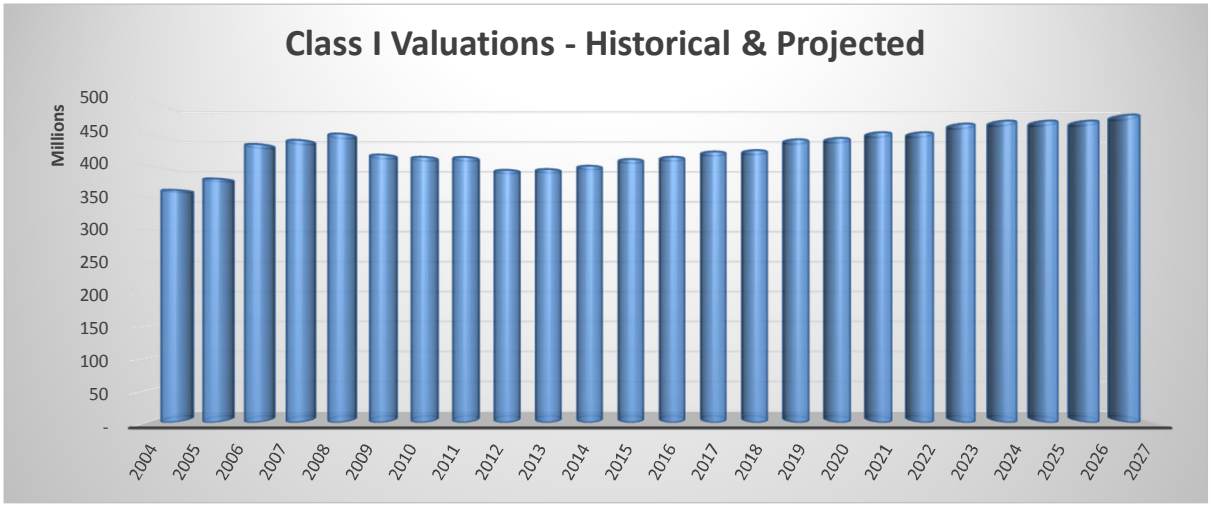
Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).





Now a year after the Triennial update, the District has seen a $5.2 million dollar increase in assessed valuation of particularly related to residential values throughout the community. Activity similar to this reflects the housing market effort to recover. This is apparent as you drive through Olmsted Falls. There are currently 4 housing developments under construction and multiple lots for sale with anticipation of additional housing. Increase in this residential development will result in an increase in property tax collections. The Forecast represents a steady increase in taxes over the next five years.

The District currently has over $3,000,000 in delinquent property taxes. Majority of these unpaid back taxes are associated to a parcel located in the Township called Eliza Jennings, Inc. There is a long outstanding history with this particular tax payer and the end result in 10 years of unpaid back taxes. The District is currently in mediation hoping to finalize a settlement before the end of the calendar year. These delinquencies are not reflected as anticipated revenue over the next five years.



**Projected % trends include renewal levies*

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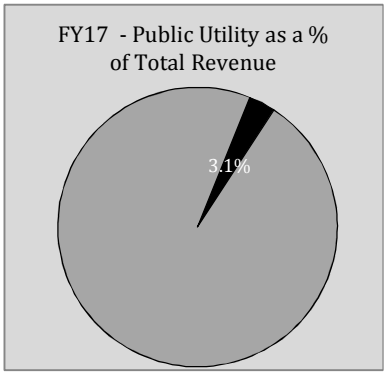
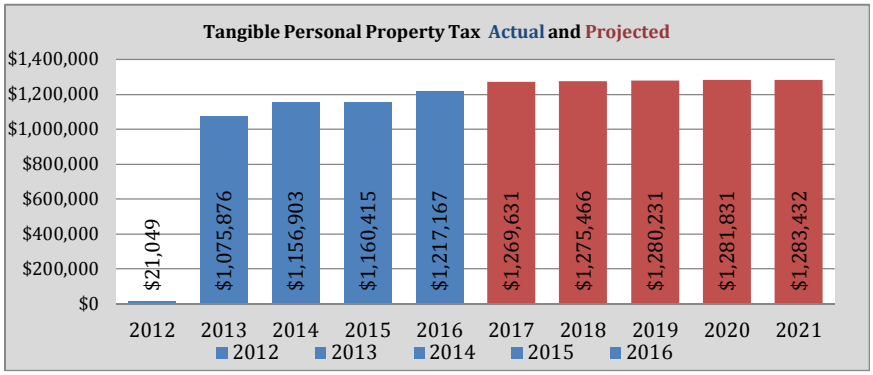
1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.

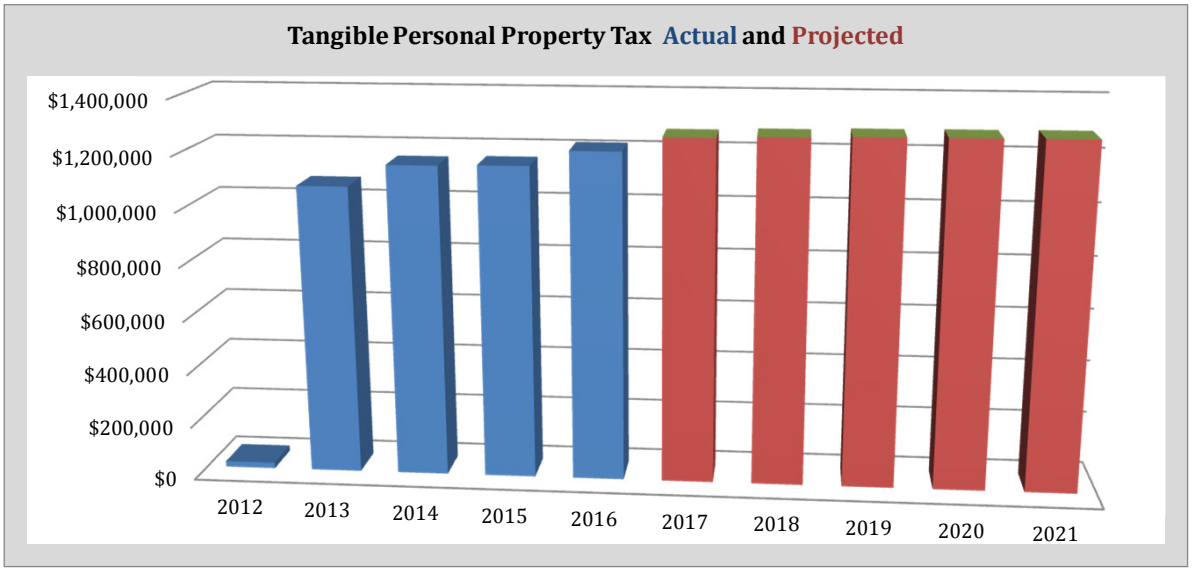




- Public Utility Personal Property (PUPP) taxes make up 3% of the District's overall revenues.

- PUPP tax (land with railroad or utility lines) trends with the valuation of the overall property tax rate increases/decreases.

- This specific tax was previously combined with real estate property taxes therefore not seeing the separation on the five year forecast, as shown above in 2012.



**Projected % trends include renewal levies*

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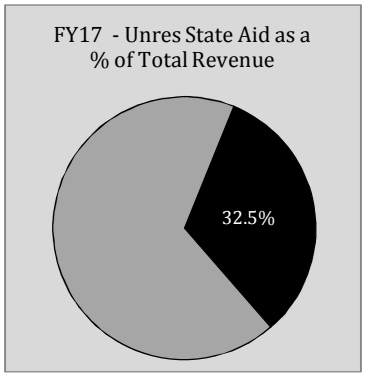
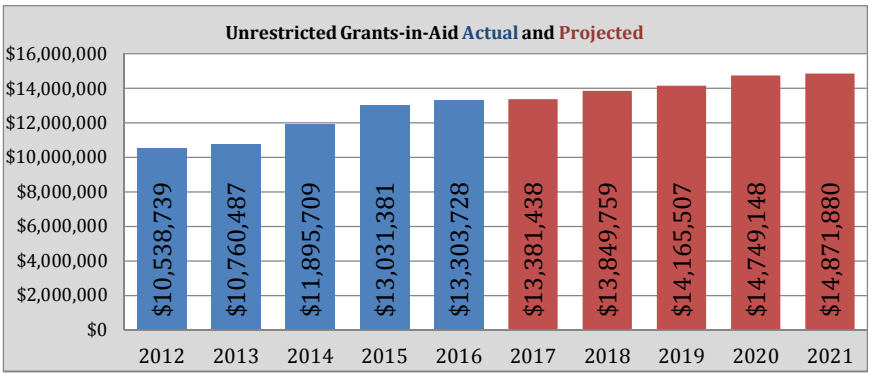
1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



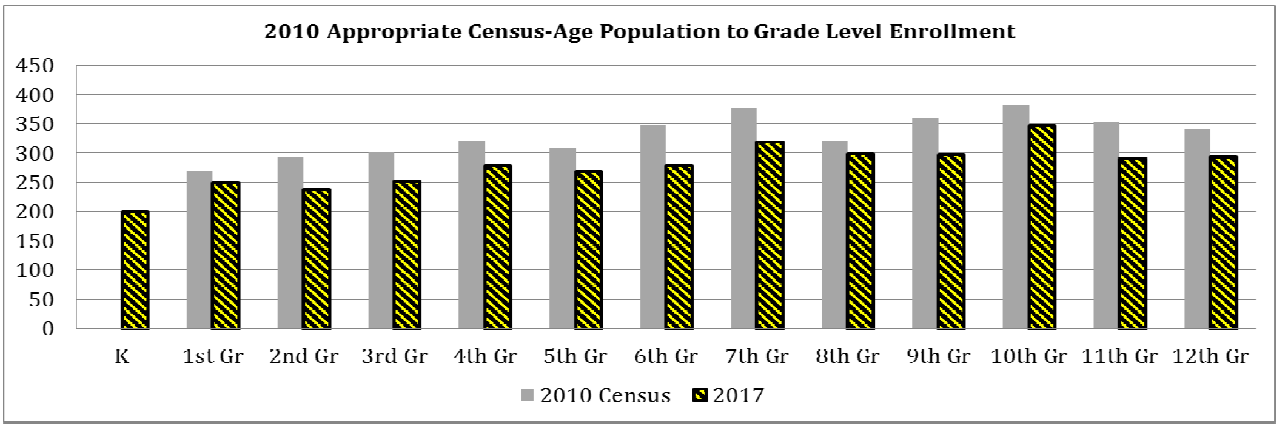


Unrestricted Grants-in-Aid are funding received from the State of Ohio. The State provides a funding formula used to calculate the annual funding. The current SFPR operating formula is based on the student enrollment within the District multiplied by the individualized State Share Index. The State sets a per pupil revenue amount multiplied by this State Share Index to achieve an actual per pupil amount. (i.e. $6,000 x 45.4% = $2,726 per pupil)

- Unrestricted Grants-in-Aid, also known as State Funding, make up 32.5% of the District's overall revenue.

- The District is on the funding formula meaning that they are funded for every student that is enrolled. The current SFPR changes did not have much effect on the District's revenue source.

- This new fomula will be implemented in July 1, 2017 and should be reflected in our first FY18 payment. Unlike other District's throughtout the State the funding formula is working well for us.



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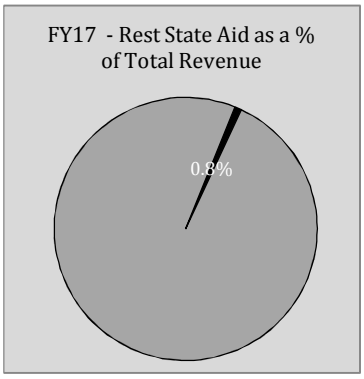
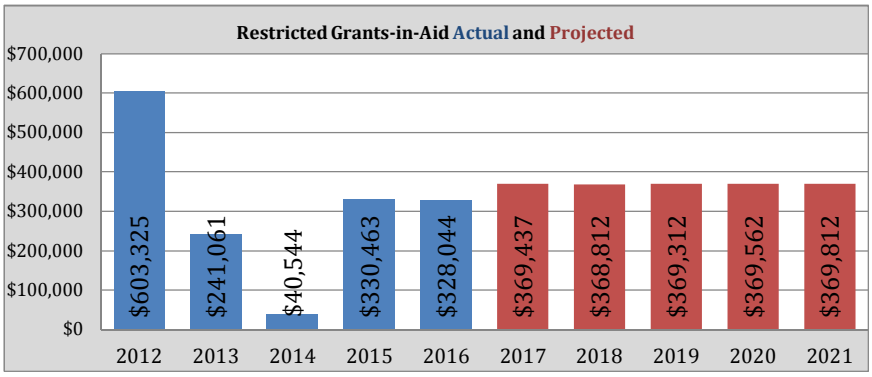
1.040 & 1.045 - Restricted Grants-in-Aid

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.





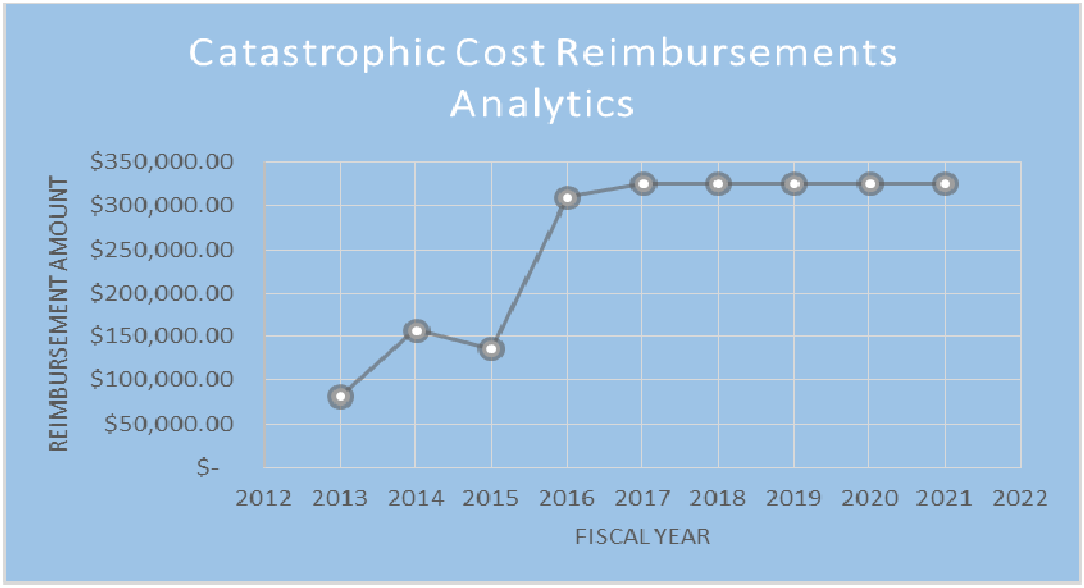
- Restricted Grants-in-Aid make up less than 1% of the overall revenue.

- Much like unrestricted grants-in-aid, restricted grants are also State funding which is earmarked for specific areas of spending.

- Currently the District receives earmarked resources for Economic Disadvantaged students and Catastrophic Cost reimbursement from the Ohio Department of Education.

- The variance in 2014 was due to the late arrival of the FY14 Catastrophic Aide reimbursement payment from ODE. This money was receipted in FY15 along with the current fiscal year payment, showing a larger than normal amount.

- Much like the previous fiscal year, During FY17 the District was able to submit additional special education student incurred expenses in return doubling the amount of reimbursement received from ODE.



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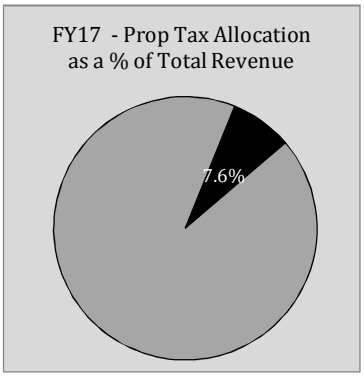
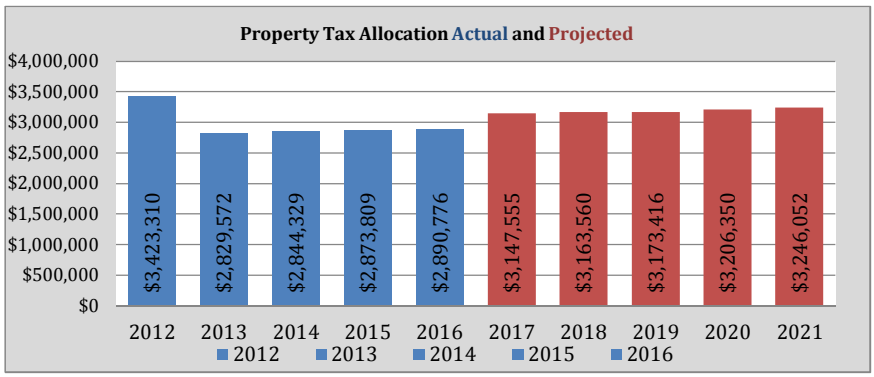
1.050 - Property Tax Allocation

Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.

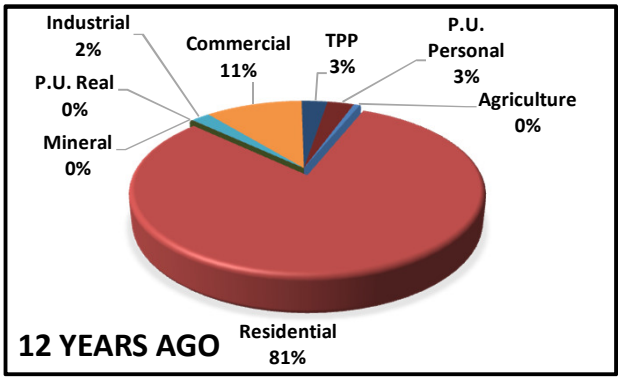


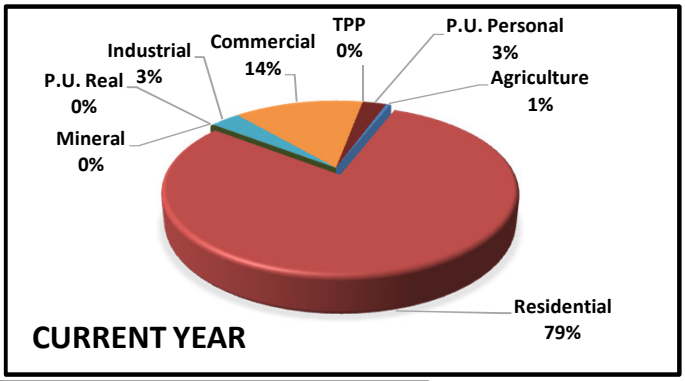


- Property tax allocation make up 7.69% of the overall revenues.

- In 1975, the state of Ohio provided a 10% tax credit (known as the "rollback") on real property taxes. In 1979, a 2.5% homestead rollback was added for owner-occupied residential property, meaning that most homeowners have 1/8th of their property taxes paid by the state.

- With the approval of HB.59 in 2013 all new or replacement levies passed in November 2013 or after will not qualify for the 10% & 2.5% rollback. All existing levies will retain rollback. This will not affect the collection rate for School Districts, due to taxpayers picking up the additional cost.





PROPERTY VALUATION COMPARISON IN OLMSTED FALLS/TOWNSHIP

**Projected % trends include renewal levies*

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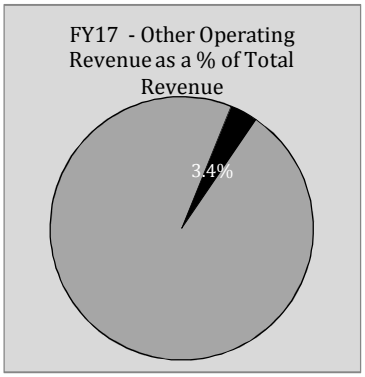
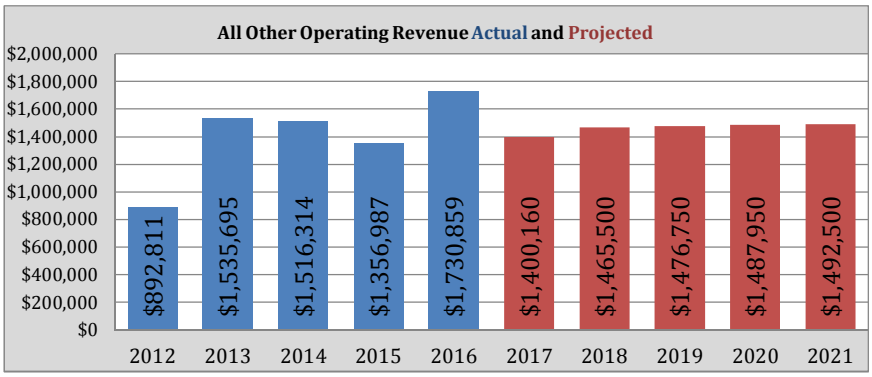
1.060 - All Other Operating Revenues

Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



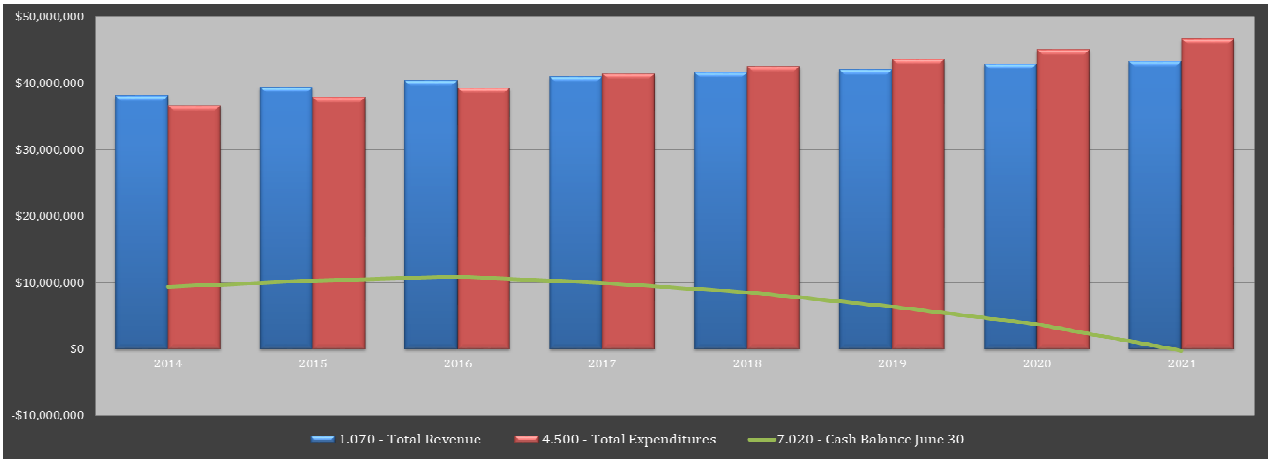


- Other operating revenues make up 3.4% of overall revenues.

- Collection of miscellaneous revenues are those which don't fit in the other listed categories. (i.e. Tuition, interest, rental fee's, transportation services, medicaid reimbursements)

- Implementing of All Day Kindergarten with tuition during fiscal year 2016/2017 increased the resources categorized as other operating revenues.

- A decrease is built in year 2018 due to the anticipated implications of moving to a full All Day Kindergarden program. This loss in revenue would be offset by the increase to State Funding during 2018 reflected on line.1.035 of the forecast.



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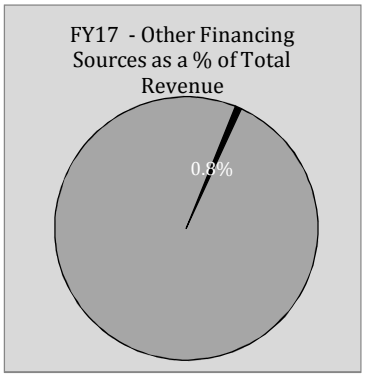
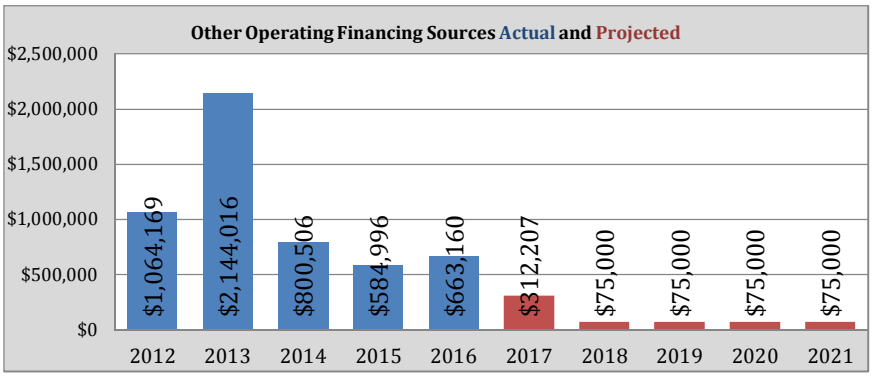
2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.





When the General fund subsidizes other funds, specifically and most commonly the federal grant funds, the repayment of that subsidized amount is referred to as a Return of Advance. Meaning General fund advances the money at the end of June so the federal grant funds close with a $0 cash balance. The federal grant funds repay the general fund in the following fiscal year creating an Advance In. Not all subsidized advances are repaid (i.e. Athletics).

- Due to various changes in operations the grant expenditures are being posted differently making less of a need to advance dollars. The grants are being spent closer to their entirety during the fiscal year leaving less of a carry over balance needing advanced.

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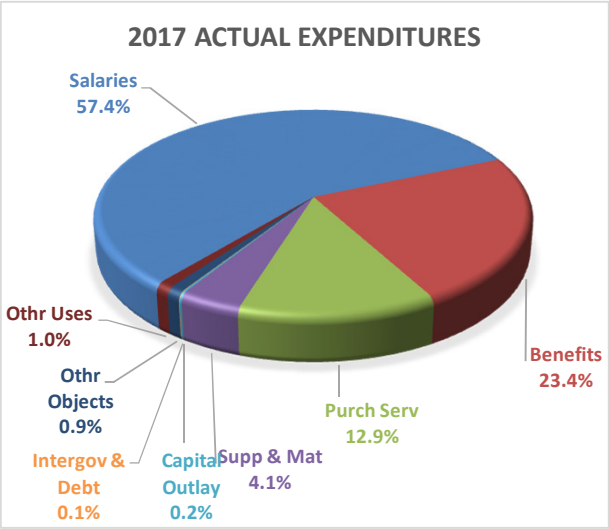
Expenditures Overview

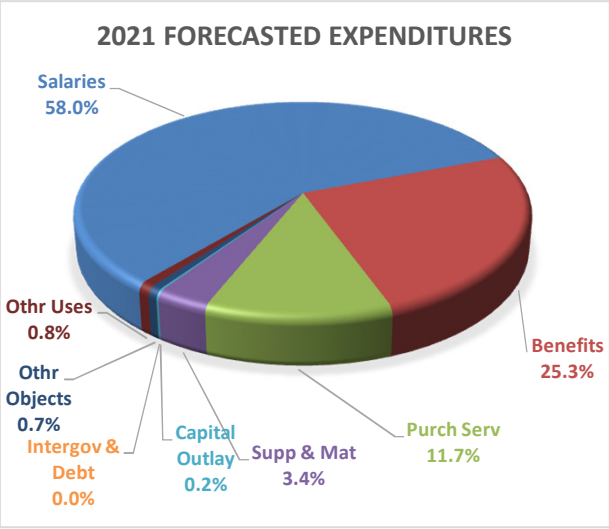
	ACTUAL		FORECASTED			
	2014	*% of Budget*	**2017**	*% of Budget*	**2021**	*% of Budget*
3.010 - Personnel Services	21,361,886	58.34%	23,781,297	57.40%	27,049,192	58.03%
3.020 - Employees' Retirement/Insurance Benefi	8,360,901	22.83%	9,701,791	23.42%	11,785,413	25.29%
3.030 - Purchased Services	4,341,342	11.86%	5,355,548	12.93%	5,442,508	11.68%
3.040 - Supplies and Materials	1,098,030	3.00%	1,702,849	4.11%	1,581,001	3.39%
3.050 - Capital Outlay	703,419	1.92%	70,000	0.17%	75,000	0.16%
3.060-4.300 - Other Expenditures	749,183	2.05%	822,134	1.98%	675,950	1.45%
4.500 - Total Expenditures	36,614,761		41,433,618		46,609,064	

This three year comparison shows the District's expenditures in 2014 compared to the current expenditures anticipated at the end of 2017 and the forecasted expenditures in 2021. The District has experienced an overall increase in expenses of 11.6% from fiscal year 2014 to fiscal year 2017.

- This increase was generated by multiple factors. Fiscal 2017 is the third year of compounded base raises from the Certificated and Classifies negotiated agreements. Also the increase to Health/Medical insurance premiums have be abnormally large over the last 3-5 years. Combined these two operational expenditures have increased more than 11.23% and will continue to increase with the new collective bargaining agreement which will take effect July 1, 2017.

For further explanation of changes see specific budget line assumption.





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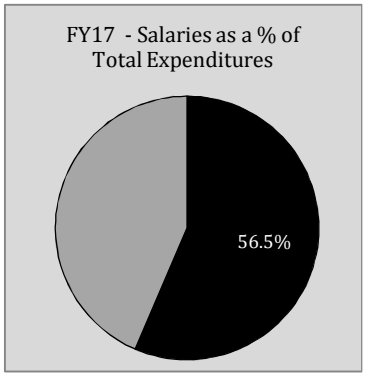
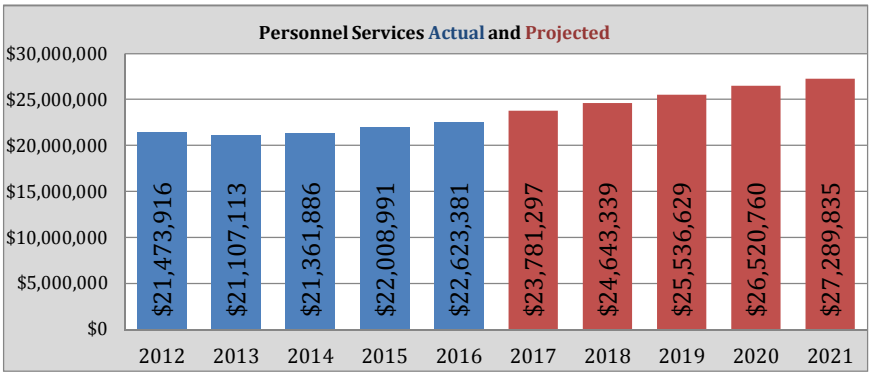
3.010 - Personnel Services

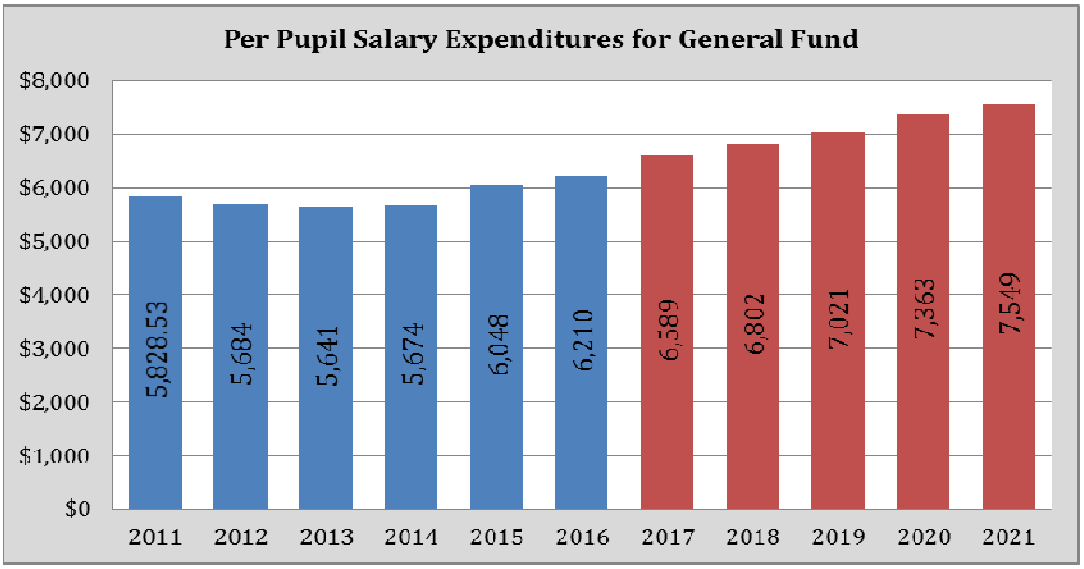
Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.





- Personnel services (salaries) make up 56.5% of the District's total expenditures.

- A gradual increase is reflected in the chart above to due to the recent negotiated agreement with both OFEA and OAPSE associations. Both contracts, following board approval will take effect July 1, 2017.



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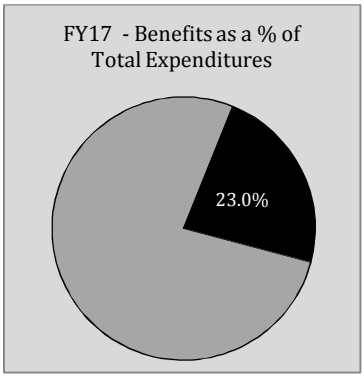
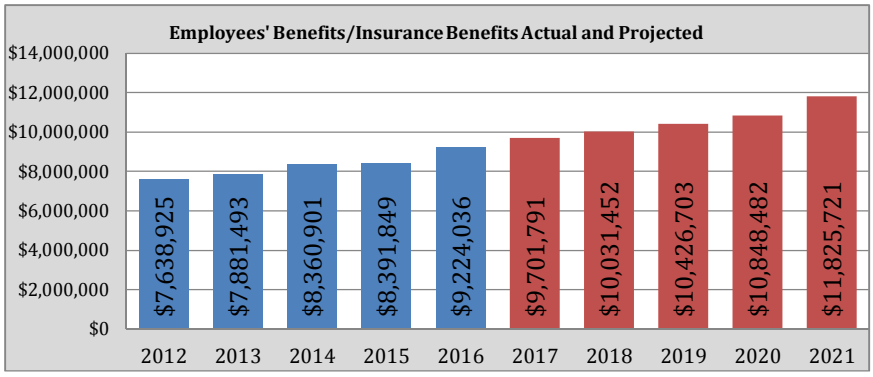
3.020 - Employees' Benefits

Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



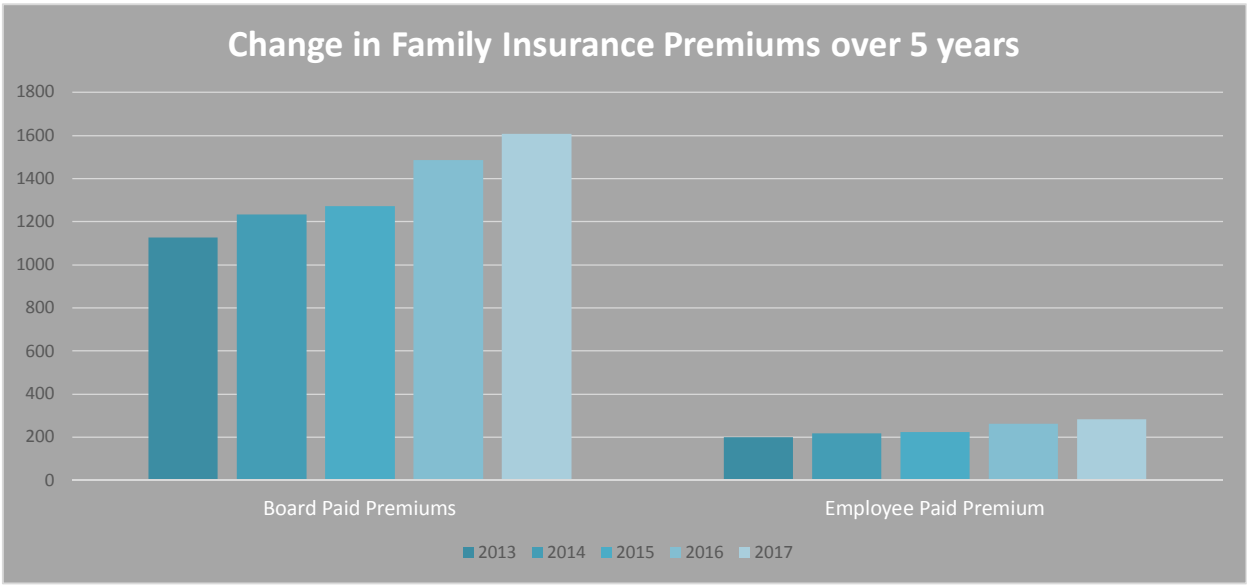


- Employee retirement & benefits make up 23% of the overall expenditures.

- The drastic increase in expenditures over the last few years have been due to unusually high medical & perscription claim usage resulting in back to back spikes in premium increases. Board paid annual premiums on a family coverage have spiked from $15,273 in 2015 to $19,301 in 2017. Total increase of 26% hitting the employee's pockets and depleting the board cash balance over two years.

- The District participated in the Great Laked Regional Consortium, which is a self insured entity meaning that all claim experience and risk are shared. Other Districts in the Consortium are Avon Local School District and Fairview Park City School District. Multiple cost savings programs have been implemented and have helped in the controling of the high claim costs.

- The wellness committee meets on a quarterly basis to review and plan activities throughout the District which can aide in the promoting of a healthier way of living. With hopes to get insurance claim usage stabilized causing a consistent insurance premium.



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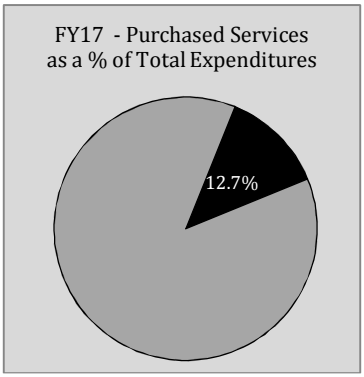
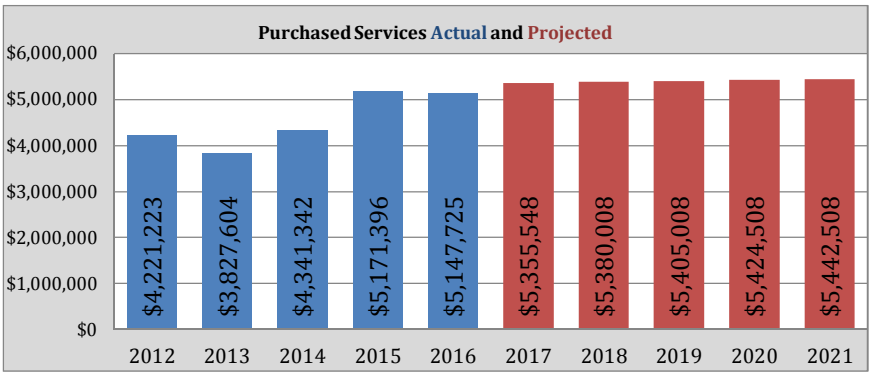
3.030 - Purchased Services

Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase.

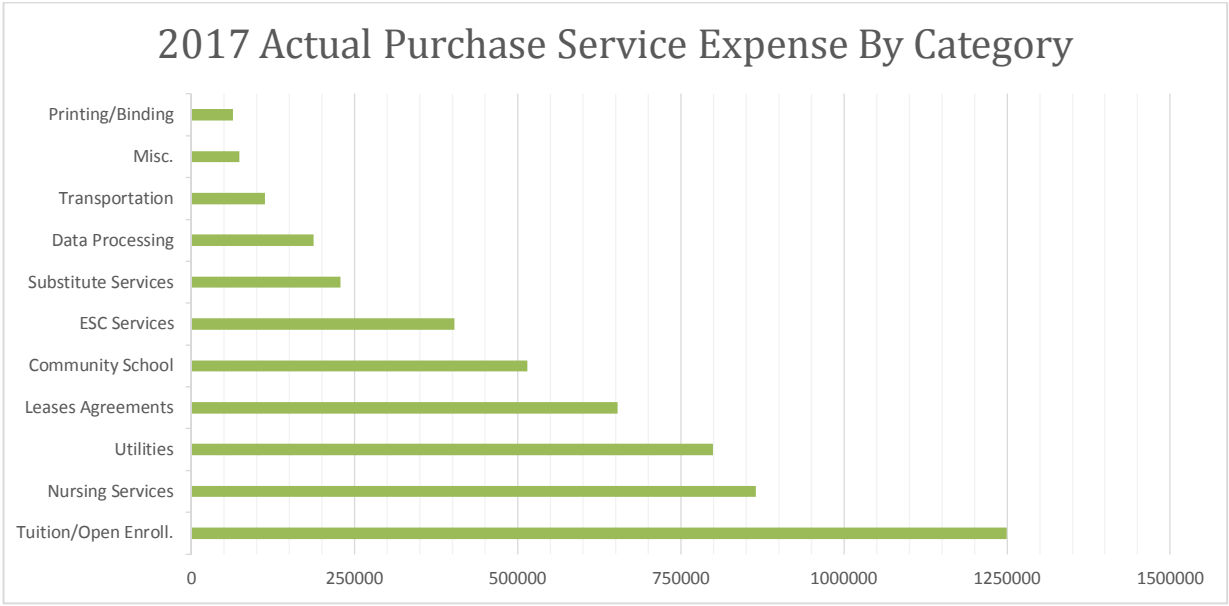




- Purchased services make up 12.7% of the overall expenditures.

- Specific services the district contracts out for include substitute services, ESC provided therapy, transportation services, out of district tuition, utility cost, professional development, community school cost, lease agreements, nursing services and data processing.

- Fluctuation in these services can be common due to unexpected rise in gas prices, enrollment of student with specific needs, increase in therapy need and changes in core curriculum resulting in high demand for additional professional development for staff.



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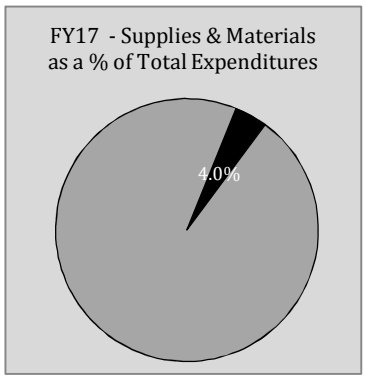
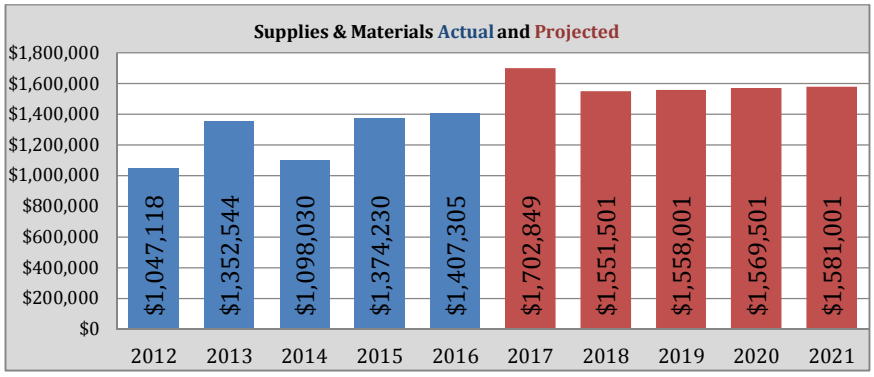
3.040 - Supplies & Materials

Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.

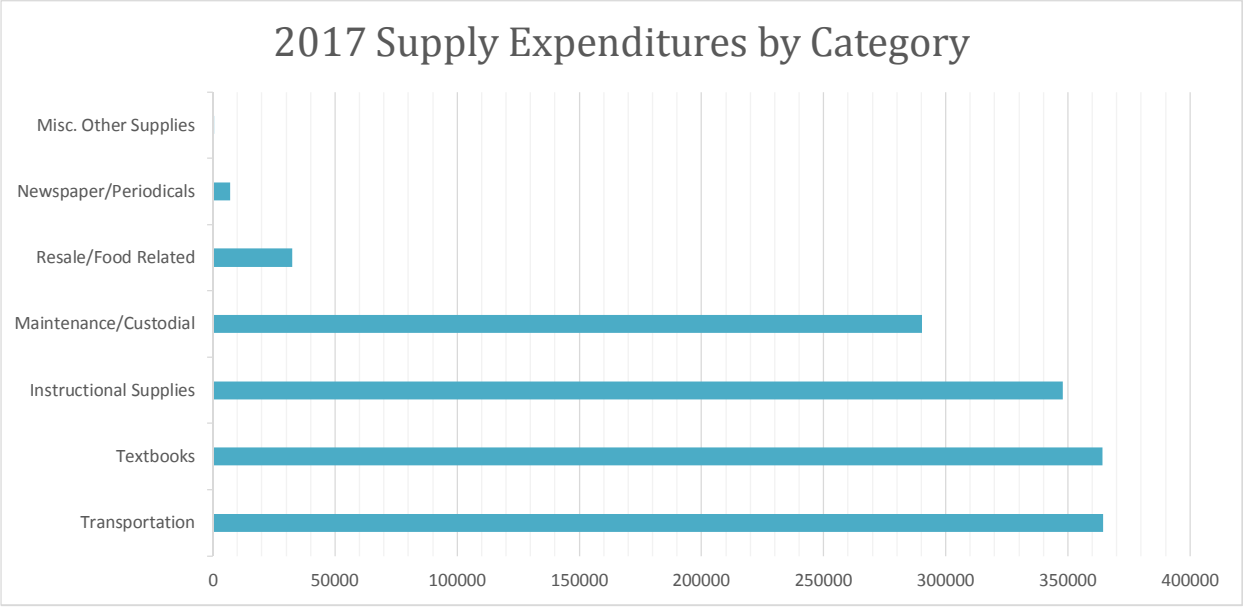




- Supplies & materials make up 4.0% of the overall expenditures.

- Each building is given an annual budget based off a per pupil amount times their current enrollment figures. A large portion of this budget is used for instructional supplies.

- An increase in expenditures are shown here in FY2017 due to various instructional needs. The District invested in a siginifcant amount of chromebooks to help strive toward the one on one student ratio in each classroom. During the 2016-2017 school year there have been multiple curriculum textbook adoptions resulting in a higher than normal supply cost.



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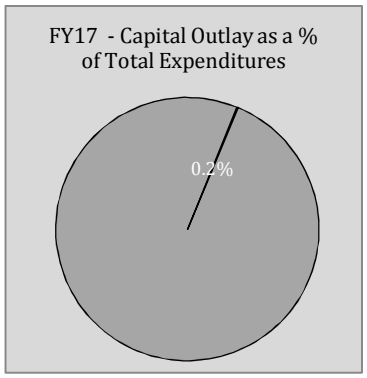
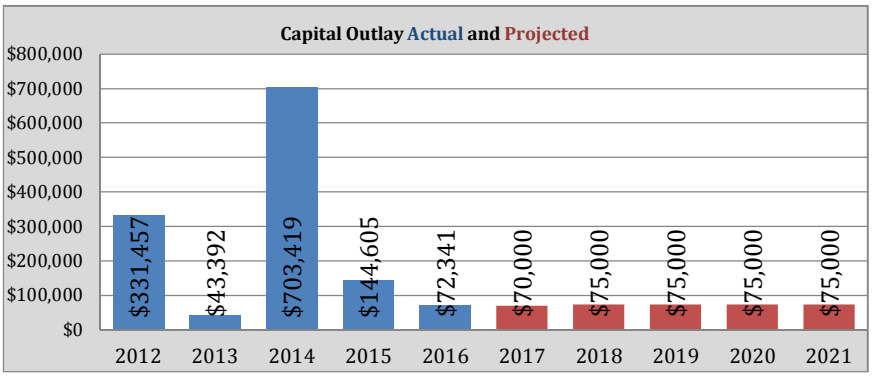
3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.





- Capital Outlay make up less than 1% of the overall expenditures.

- As visually demonstrated in the bar graph above, the District has had inconsistent spending on this budget line due to the 2011 passage of a 5 year permanent improvement levy which was able to pay for many of the District capital needs. This levy expired in December 2016 leaving the general fund to pay for any necessary equipment purchases. (i.e. Currently have 15-20 HVAC units which will need replaced over the next 10 years at an average cost of $85,000 per unit).

- In November 2016, the District passed a new 3.2 mill Bond/PI combined levy which helped the District in twofold. $21.9 million was generated from this Bond issue which will be used to add a much need addition on to the High School. The second part of this levy has allowed the District to have a continous stream of PI resources which can only be used on maintenance and upkeep of the District's buildings and property. These resources cannot be used for teachers salaries.
- Thanks to the Community for this passing, the District will now be able to free up operational dollars which were earmarked in the Five Year Forecast for upkeep of the Buildings & Property.

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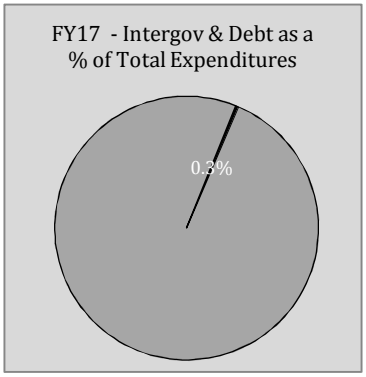
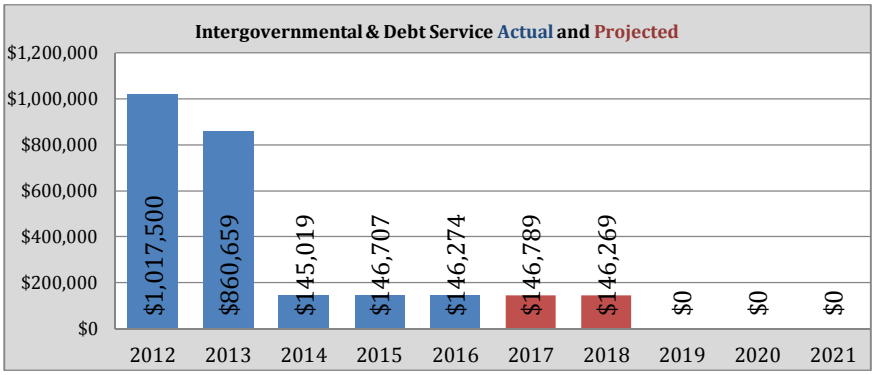
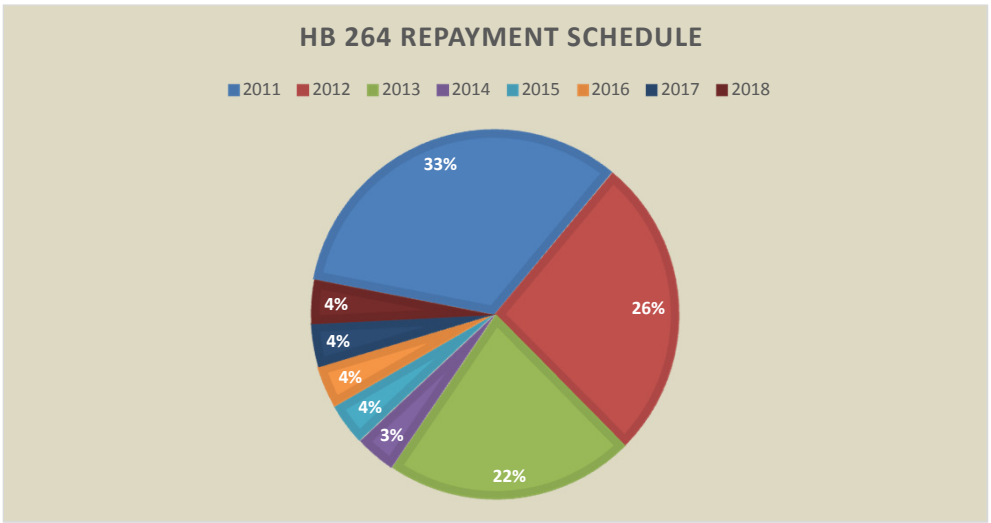
3.060-4.060 - Intergovernmental & Debt

These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.





During 2011, the District issued Notes against the debt service fund (002) in order to complete a HB264 project (Middle School Boiler). The issue of these specific Notes were to be paid back from the general fund over a period of 8 years. Annual payments have been made each year, with the last payment scheduled to be paid in full during fiscal year 2018. There are no anticipated future Notes to be issued against the debt fund at this time.



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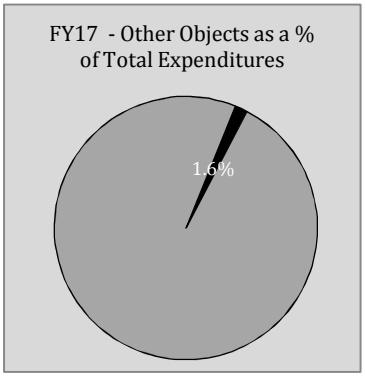
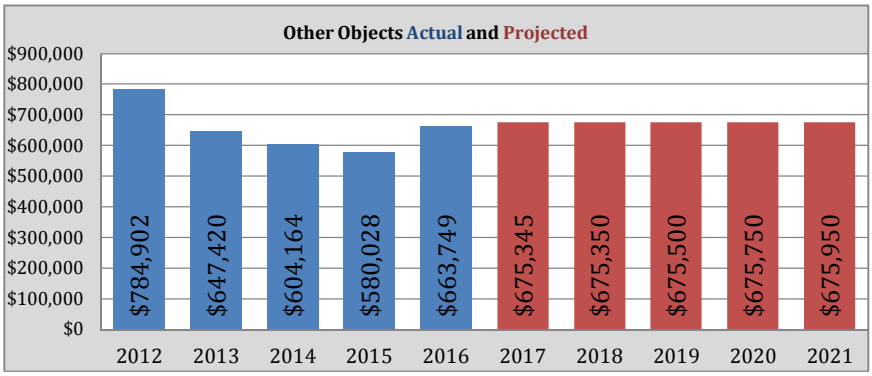
4.300 - Other Objects

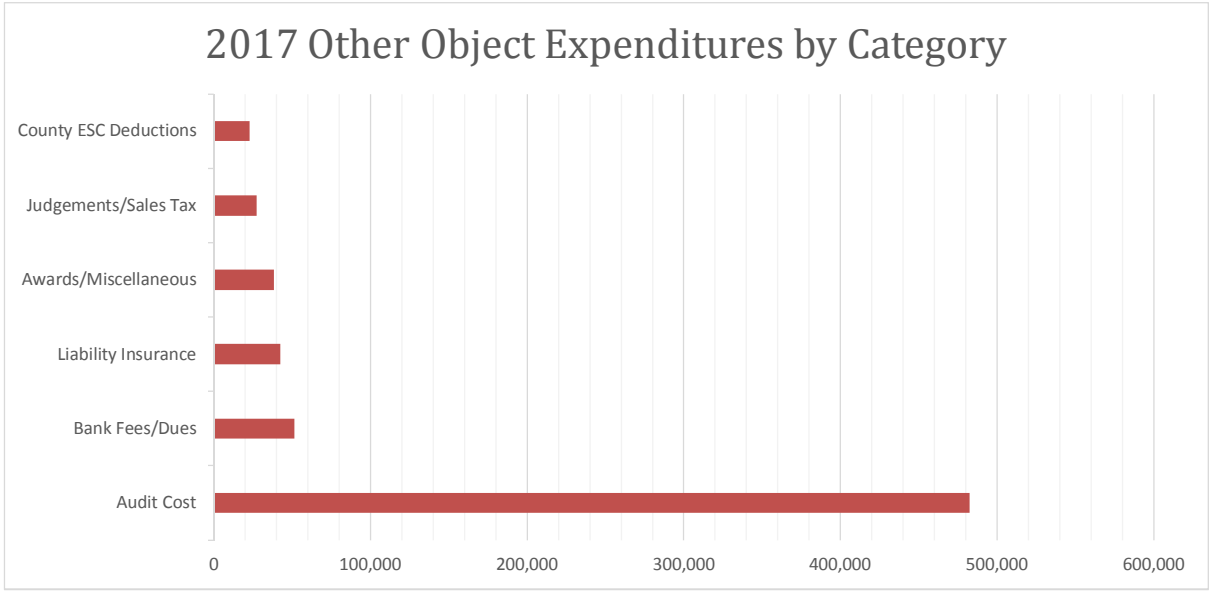
Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.





- Other Objects account for miscellaneous expenditures. (i.e. Audit cost, County Board of Election fee's, County Auditor fees, bank charges, liability insurance and miscellaneous dues).

- This expense does not fluctuate much.



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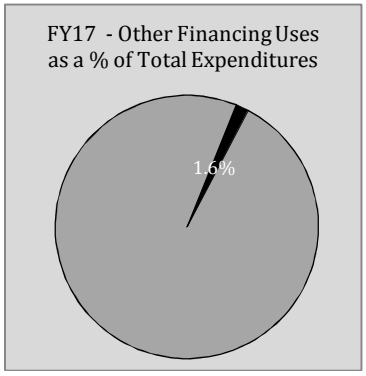
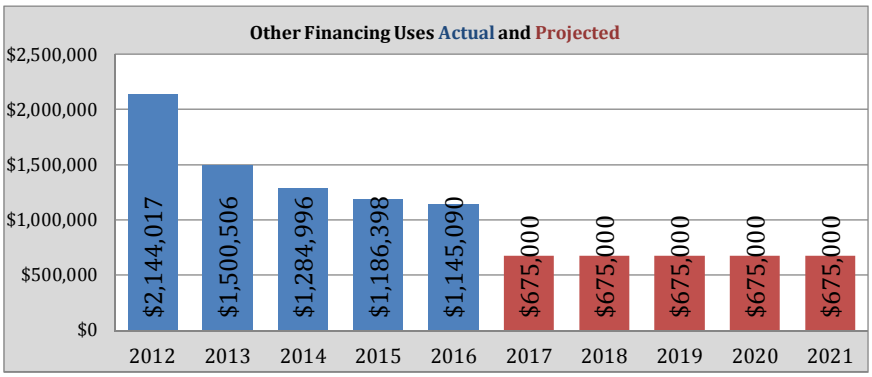
5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.





Per Ohio Revised Code, all funds reported at June 30 (Fiscal Year End) must have $0 or positive ending cash balance. Due to yearly operations and timing of revenue received, there are various funds that need supplemented in order to meet these requirements.

- Athletics Fund (300) is supplemented approximately $600,000 annualy. This is mainly due to how expenditures are charged to the 300 account. Salaries and benefits for Athletic Director, Assistant Athletic Director and coaches are all paid throught the 300 fund. Creating a shortage of cash collections by the end of the fiscal year.

- Food Service (006) is ran very similar as Athletics in the sense that all employees salaries and benefits are charged to the 006 fund. This program has been self substainable for many years, but during FY2017 the FSDA changes had a large impact on the amount of students that were buying there lunches. Therefore leaving the Food Service fund needing supplemented.

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Forecast Compare

Comparison of Previous Forecast Amounts to Current Forecasted Numbers
F.Y. 2017

		Column A	Column B	Column C	Column D
		Previous Forecast Amounts For F.Y. 2017 Prepared on: 12/21/2016	Current Forecast Amounts For F.Y. 2017 Prepared on: 5/11/2017	Dollar Difference Between Previous and Current	Percent Difference Between Previous and Current
	Revenue:				
1	Real Estate & Property Allocation	$23,942,613	$24,490,210	$547,597	2.3%
2	Public Utility Personal Property	$1,229,460	$1,269,631	$40,171	3.3%
3	Income Tax	$0	$0	$0	n/a
4	State Foundation Restricted & Unrestricted	$13,800,121	$13,750,875	-$49,246	-0.4%
5	Other Revenue	$1,732,500	$1,400,160	-$332,340	-19.2%
6	Other Non Operating Revenue	$75,000	$312,207	$237,207	316.3%
7	Total Revenue	$40,779,694	$41,223,083	$443,388	1.1%
	Expenditures:				
8	Salaries	$23,443,450	$23,781,297	$337,846	1.4%
9	Fringe Benefits	$9,849,117	$9,701,791	-$147,326	-1.5%
10	Purchased Services	$5,216,187	$5,355,548	$139,361	2.7%
11	Supplies, Debt, Capital Outlay & Other	$2,314,340	$2,594,983	$280,643	12.1%
12	Other Non Operating Expenditures	$675,000	$675,000	$0	0.0%
13	Total Expenditures	$41,498,094	$42,108,618	$610,524	1.5%
14	Revenue Over/(Under) Expenditures	-$718,400	-$885,536	-$167,136	-0.4%*
15	Ending Cash Balance	$10,128,159	$9,961,023	-$167,136	-0.4%*

*Percentage expressed in terms of total expenditures

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Olmsted Falls City Schools

	Actual	FORECASTED				
Fiscal Year:	2016	2017	2018	2019	2020	2021
Revenue:						
1.010 - General Property Tax (Real Estate)	20,858,145	21,342,655	21,445,211	21,542,043	21,766,020	21,969,949
1.020 - Public Utility Personal Property	1,217,167	1,269,631	1,275,466	1,280,231	1,281,831	1,283,432
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	13,303,728	13,381,438	13,849,759	14,165,507	14,749,148	14,871,880
1.040 - Restricted Grants-in-Aid	328,044	369,437	368,812	369,312	369,562	369,812
1.045 - Restricted Federal Grants - SFSF	-	-	-	-	-	-
1.050 - Property Tax Allocation	2,890,776	3,147,555	3,163,560	3,173,416	3,206,350	3,246,052
1.060 - All Other Operating Revenues	1,730,859	1,400,160	1,465,500	1,476,750	1,487,950	1,492,500
1.070 - Total Revenue	40,328,719	40,910,876	41,568,307	42,007,259	42,860,861	43,233,624
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	486,262	-	-	-	-	-
2.050 - Advances-In	176,898	312,207	75,000	75,000	75,000	75,000
2.060 - All Other Financing Sources	-	-	-	-	-	-
2.070 - Total Other Financing Sources	663,160	312,207	75,000	75,000	75,000	75,000
2.080 - Total Rev & Other Sources	40,991,879	41,223,083	41,643,307	42,082,259	42,935,861	43,308,624
Expenditures:						
3.010 - Personnel Services	22,623,381	23,781,297	24,643,339	25,536,629	26,520,760	27,289,835
3.020 - Employee Benefits	9,224,036	9,701,791	10,031,452	10,426,703	10,848,482	11,825,721
3.030 - Purchased Services	5,147,725	5,355,548	5,380,008	5,405,008	5,424,508	5,442,508
3.040 - Supplies and Materials	1,407,305	1,702,849	1,551,501	1,558,001	1,569,501	1,581,001
3.050 - Capital Outlay	72,341	70,000	75,000	75,000	75,000	75,000
3.060 - Intergovernmental	-	-	-	-	-	-
Debt Service:						
4.010 - Principal-All Years	140,000	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	-	143,000	145,000	-	-	-
4.055 - Principal - Other	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	6,274	3,789	1,269	-	-	-
4.300 - Other Objects	663,749	675,345	675,350	675,500	675,750	675,950
4.500 - Total Expenditures	39,284,811	41,433,618	42,502,919	43,676,841	45,114,000	46,890,015
Other Financing Uses						
5.010 - Operating Transfers-Out	1,086,262	600,000	600,000	600,000	600,000	600,000
5.020 - Advances-Out	57,207	75,000	75,000	75,000	75,000	75,000
5.030 - All Other Financing Uses	1,621	-	-	-	-	-
5.040 - Total Other Financing Uses	1,145,090	675,000	675,000	675,000	675,000	675,000
5.050 - Total Exp and Other Financing Uses	40,429,901	42,108,618	43,177,919	44,351,841	45,789,000	47,565,015
6.010 - Excess of Rev Over/(Under) Exp	561,978	(885,536)	(1,534,612)	(2,269,583)	(2,853,139)	(4,256,391)
7.010 - Cash Balance July 1 (No Levies)	10,284,580	10,846,558	9,961,023	8,426,411	6,156,828	3,303,689
7.020 - Cash Balance June 30 (No Levies)	10,846,558	9,961,023	8,426,411	6,156,828	3,303,689	(952,702)
8.010 - Estimated Encumbrances June 30	1,593,617	750,000	750,000	750,000	750,000	750,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	9,252,941	9,211,023	7,676,411	5,406,828	2,553,689	(1,702,702)
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Income & Property Tax-Renewal		-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	9,252,941	9,211,023	7,676,411	5,406,828	2,553,689	(1,702,702)
Revenue from New Levies						
13.010 & 13.020 - Income & Property Tax-New		-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	9,252,941	9,211,023	7,676,411	5,406,828	2,553,689	(1,702,702)

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