

Norwayne Local Schools

Creston, Ohio

Five-Year Forecast Assumptions

Fiscal Years 2016-2020

October 2015 Submission



Board of Education

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General Considerations

The Norwayne Local School Districts Five-Year-Forecast is a planning tool that reflects three years of revenue, and expense history, and gives a prediction of the revenues, and expenditures for the next five years based upon current known factors. As these factors change over time, future updates to the forecast will reflect those changes. Norwayne Local School District relies on a combination of State Foundation payments and Local Tax Receipts for the majority of school funding. The community passed an Earned Income Only Tax Levy in November 2013, which is scheduled to generate about 1.1 million dollars per year in full collection. This levy will need renewed by the end of 2018 to provide funding for 2019 and beyond. If renewed, General Fund revenue for the next five years should be near the 12 million dollar mark for each year. This forecast projects expenses to be higher than revenues for two of the next five years. Staffing and other expenses will need to be monitored carefully in order to maintain a balanced budget.

Cash Balance

The district finished Fiscal Year 2015 with a cash balance of \$3,469,969, which is an increase of \$557,124 from the previous year. This cash reserve provides 104.4 days of operational funds. This updated forecast estimates that the district will add \$455,137 to the cash balance in FY16. An increase of \$418,655 is forecast for FY17, and an increase of \$195,963 in FY18. Deficit spending is forecast for FY19 and FY20, which causes cash reserves to fall to \$2,207,233 by June 2020, if the income tax is not renewed. A conservative spending plan is in place in order to keep the budget balanced through the next three years.

1.01 Real Estate

Real Estate Tax revenue is based upon historical trends, and is certified by the Wayne County Auditor. Real Estate collections occur in Wayne and Medina Counties. Real Estate Taxes provide 29% of the funding for the district. Reappraisal in 2014 has added an estimated \$170,550 in real estate collections for FY16. CAUV values have provided the majority of the increase.

1.02 Tangible Personal Property Tax

Tangible Personal Property taxes are collected from public utilities and were once a significant part of the revenue for the district, but due to changes in State tax law, now account for less than 1% of District Revenue.

1.03 Income Tax

This category reflects the income generated by the new School District Income Tax. Collections are lower for the first two years due to the establishment of tax collections. Once collections reach their full potential, the income tax will generate approximately 9% of total revenue.

1.035 State Foundation:

The Norwayne District relies heavily on State Foundation Payments to provide revenue for the educational needs of its students. State Foundation Payments have been slowly increasing over the past few years, and payments for the next five years are projected slightly higher based on projected increases from the Ohio Department of Education. State Foundation Payments provide approximately 51% of the forecast budget.

1.04 Restricted Grants-in-Aid

Restricted Grants-in-Aid is the portion of state funding that provides part of the districts funding for Economically Disadvantaged, Vocational Agriculture, and Home Economics. Changes to the state funding formula have increased the amount of money received for these programs.

1.050 Property Tax Allocation

This category represents payments from the state for Homestead Exemptions, and Real Estate Tax Rollbacks. Revenue in this category has been increasing by approximately 3% per year, and forecast projections reflect a continuation of that trend. Property Tax Allocations amount to 4% of the district budget.

1.060 All Other Revenue

This category includes revenue from mobile home taxes, open enrollment, preschool, interest, and miscellaneous sources. Revenue from these sources have been declining very slightly, and reduced amounts in this category are forecast for the next five years. Open enrollment receipts will need to continue to be a large component of the districts funding in this category. This category provides just over 6% of the forecasted revenue.

2.060 All Other Financial Sources

Revenue in this category reflects refunds from prior year expenditures and other one-time payments to the school district. The district received refunds from School Employees Retirement and Medicaid in FY15 which is indicated in the forecast. While helpful, these types of refunds are not to be anticipated every year. An \$80,000 advance to the food service fund was returned to the general fund in July 2015.

3.01 Salaries

Salary expenses for FY15 were slightly higher than previous years, as this category continues to increase. The district finished negotiations of a three year contract with teaching and non teaching staff which will result in increases of approximately 2% per year including steps. Salaries account for 55% of the operational expenses.

3.02 Benefits

Benefits include employee retirement, Medicare, health, dental, life insurance, and worker's compensation. Medical Insurance premiums increased by 3% for FY16, and increases are projected for FY17 and beyond. Dental and Life premiums for FY16 have not increased. Employees are paying approximately 15% of the total cost of medical and prescription insurance, and most employees pay 13% of their salaries toward retirement. Employee benefits amount to 22% of the current budget.

3.03 Purchased Services

Purchased services include utilities, repairs, legal services, open enrollment out, community schools, and other services. This line item cost has been controlled by shifting some of the ESC services to in house staffing. Slight increases in Purchased Services Costs for FY15 and future years are projected. Purchased services account for 16% of the budget.

3.04 Supplies

Supply costs continue to be monitored very closely, and moderate projections in this area are forecast. Items in this category include bus fuel, tires, parts, and classroom, office, and janitorial supplies. Increasing costs in fuel and supplies continue to stretch the budget in this category. Supply Costs represent about 3% of the operational budget.

3.05 Capital Outlay

Capital Outlay costs for the district have been forecast with slight increases. Costs in this category are for School Bus and computer equipment purchases. Improving technology continues to be a priority for the district. Some of these items can also be purchased with funds from the Permanent Improvement Levy, and not reported in the Five Year Forecast. The PI Levy also funds some of the major building maintenance costs. Capital Outlay amounts to approximately 1% of the total budget.

4.30 Other Objects

Payments to auditors, tax collection fees, and insurance are included in this category. Moderate increases are projected for FY16 through FY20. This category represents about 2% of budgeted expenses.

Forecast Summary

Passage of the new Income Tax Levy in 2013 was essential to maintaining fiscal solvency, and income generated by the Income Tax has helped to fill in the gaps in the budget from deficit years in FY12 and FY13. Budget deficits are forecast for FY19 and FY20 if the income tax is not renewed. Conservative spending and renewal of the Income Tax in CY18 is critical to the District's Financial Future.