Norwayne Local School District

Creston, Ohio

Five-Year Forecast Assumptions

Fiscal Years 2020 - 2024

October 2019 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, to generate about 1.25 million dollars per year in full collection. After budget deficits in FY12 and 13, passage of the income tax has allowed the district to operate in the black for the past five years. This levy was renewed for ten years in the fall of 2017 to provide funding for FY19 and beyond. The Income Tax allows for growth as the local economy grows which is reflected in this forecast. The district also collects approximately $280,000 from an Emergency Levy which was passed in 2002, and renewed in 2007 and 2012. This levy will need to be renewed or replaced by the end of 2022 in order to provide continuing revenue.

Cash Balance

The district finished Fiscal Year 2019 with a cash balance of $7,841,741 which is an increase of $971,709 from the previous year. This cash reserve provides 223 days of operational funds. This updated forecast estimates that the district will subtract $807,024 from the cash balance in FY20 and a deficit of $625,003 is forecast for FY21. Deficit spending is forecast for FY22, 23 and 24 which causes cash reserves to fall to $3,171,397 by June 2024. These assumptions are based upon percentage increases in revenue and expenses over the past three years, and project them over the next five years without changes or adjustments to current patterns.

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 24% of the funding for the district. Although collections have declined slightly over the past three years, a 1% increase per year is forecast for the next five years based upon long term history.

1.02 Tangible Personal Property Tax

Tangible Personal Property taxes are collected from public utilities. Increased revenue from a new gas pipeline through the district has improved revenue in this category. Public Utility Property Taxes account for approximately 1% of District Revenue.

1.03 Income Tax

This category reflects the income generated by the School District Income Tax. Collections reached full potential in FY16 and accounted for $1,342,415 in FY18, and $1,301,232 in FY19 or 10% of district revenue. A ten-year income tax renewal was passed on the November 2017 ballot, and revenue from this tax will provide additional funding for the district for the forecast period. Increases of 1.66% per year are estimated in the forecast.

1.035 State Foundation:

The Norwayne District relies heavily on State Foundation Payments to provide the majority of revenue for the educational needs of its students. State Foundation Payments have been slowly increasing over the past few years, but a decline in enrollment decreases the foundation revenue forecast for FY20. State Foundation Payments provide approximately 51% of the forecast budget. A new State Budget went into effect for FY20 and 21 which could result in a change to foundation payments received. A new School Funding Formula has been proposed which could further impact the forecast over the next five years. None of those unknown factors are included in this forecast until actual changes are realized.

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. Revenue from this category fluctuates as enrollment in these programs change, and the funding formulas from the Ohio Department of Education change. Currently these funds provide about ½ % of the total budget.

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 slightly 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 depend largely on open enrollment figures, and special education students coming into the district. Open enrollment receipts will need to continue to be a significant component of the districts funding in this category. This category provides just under 9% of the forecasted revenue.

2.060 All Other Financial Sources

Revenue in this category reflect 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 FY17, 18 and 19. While helpful, these types of refunds are not to be anticipated every year. An advance of $355,000 to the Athletic Facility Renovation Fund was approved in June 2018 to complete the turf project. These funds are being returned to the general fund with interest in FY19, 20, and 21, as three-year pledge money is received.

3.01 Personal Services (Salaries)

Salary expenses continue to trend higher as expected based on step increases and negotiated base increases. District contracts with teaching and non-teaching staff will result in increases of approximately 3.5% per year including steps. Contracts with both unions were extended thru FY21 with base increases of 2% each year. Few retirements are projected for the next five years, but severance payments will affect the costs in this category depending on the fiscal year in which they occur. A slight increase in salaries is reflected from hiring staff directly and eliminating positions hired thru the ESC. An overall cost reduction is realized from these hires. Salaries account for 50% of the operational expenses, and negotiating new staff contracts for FY22, 23, and 24 will greatly impact future spending of the District.

3.02 Benefits

Benefits include employee retirement, Medicare, health, dental, life insurance, and worker's compensation. Medical Insurance premiums increased by 8.65% in FY18, 10.8% in FY19, and 7.7% in FY20. Additional increases are built into the forecast as medical insurance costs continue to rise. Dental and Life premiums have remained steady. Employees are paying approximately 15% of the total cost of medical and prescription insurance, and most employees pay 14% of their salaries toward retirement. Employee benefits amount to 24.3% of the current budget. By comparison this category was only 16.4% of the budget in FY16. Staff benefits continue to be an increasing percentage of overall staffing costs.

3.03 Purchased Services

Purchased services include utilities, repairs, legal services, open enrollment out, community schools, and other services. College Credit Plus, and Post-Secondary Enrollment costs continue to add to the expenses in this category. While these are good programs for students at no cost for parents, this is an increasing expense to the local school district. The district has worked to reduce purchased services costs in recent years by hiring a Speech Therapist, School Psychologist, and Curriculum / Gifted Coordinator directly, instead of through the ESC. These employment moves have reduced increased costs to this category and overall costs to the district. While making improvements to costs in this category, slight increases in Purchased Services Costs for future years are projected. Purchased services account for 15.9% of the budget.

3.04 Supplies

Supplies include bus fuel, tires, parts, classroom, office, and janitorial supplies. Efforts are made to control increases to these costs, and this is an area in the budget that has seen reductions over the past three years. Supply Costs represent about 2.5% 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 primarily for transportation and computer equipment purchases. Funds have been included in the FY20 budget as the district investigates the possibility of a capital land purchase. Improving technology and replacing outdated technology continues to be a priority for the district. Some of these items can also be purchased with funds from the Permanent Improvement Levy, which are not reported in the Five Year Forecast. The PI Levy also funds some of the major building maintenance improvements, and has supported several school safety improvements in FY19. Capital Outlay amounts to approximately 1.2% of the total general fund budget.

4.30 Other Objects

Payments to auditors, tax collection fees, and insurance are included in this category. Moderate increases are projected for FY20 through FY24. This category represents about 1% of budgeted expenses.

5.01 Operating Transfers Out

Transfers to the Food Service Fund are reflected in this category. As continued restrictions on menus have decreased the number of meals sold, and with continued increases in employee costs, the food service fund continues to operate at a deficit. The district hopes to improve this situation by not replacing a retiree at the end of FY19. The district also realizes the need for students to have good nutrition in order to be successful. The district established Capital Projects Reserve Funds in FY20 for future roof replacement and turf replacement. Transfers to those funds are forecast for FY 20 -24.

5.02 Advances Out

An advance of $355,000 in FY18 to complete the Turf Project is reflected on this line. Minor advances are built into the forecast to cover end of year grant expenses, until those reimbursement funds are received from the Ohio Department of Education.

Forecast Summary

Passage of the new Income Tax Levy in 2013 and renewal of the levy in 2017 has been essential to maintaining fiscal solvency. Income generated by the Income Tax has helped to improve cash resources and balance the budget. Cash Balances have improved significantly since collections of the income tax has begun, but this forecast reflects the fact that expenses are climbing at a higher rate than revenue, and cash balances will begin to decline. New buildings opened in 2011 have been a tremendous asset to the district, but have now reached the point where maintenance costs are beginning to increase. The district is making an effort to set aside funds to meet future maintenance needs. Uncertainty about state funding continues to be a concern as state funds provide half of the district's resources and any major shifts in state funding will have a significant impact on the district budget. Negotiations with Teaching and Support Staff will take place in FY21, and keeping modest increases in salaries and benefits will be essential in maintaining the fiscal stability of the district. Renewal or replacement of the Emergency Levy in 2022 is very important to continue the educational excellence in the district.