

# Orrville City Schools 5-Year Forecast



## **OVERVIEW**

The 5-year forecast for the Orrville City School District (the “District”) represents the best projections of revenues and expenses for the General Fund of the District based on the assumptions made. The Overview summarizes the assumptions and background information used to develop the forecast. The detailed assumptions are included in the “Detailed Information and Projections” which contains background information for each line item.

## REVENUES

Property Taxes – Historical growth patterns are used to develop Property tax estimates. The County Auditor provides property valuations for the District for all classes of property. The forecast assumes that the value of new construction will continue at current levels for the period of the forecast. The emergency levy approved by the voters in February of 2003 was renewed in 2007 and renewed in August 2013. This levy will be collected through 2023. The voters approved a second emergency levy in May 2010 and was renewed in 2015 and will be collected through 2025.

Income Tax – It is estimated that the District will receive income tax sharing revenue from the City of Orrville for local tax abatements starting in FY2019.

Unrestricted Grant-in-Aid – This line item represents the State Foundation funds received by the District. The ODE has created estimated amounts for FY2019. These amounts are used in the forecast. For years beyond FY2019, the forecast assumes no increase or decrease in the foundation amount.

Property Tax Allocation – This line item denotes the amount of funding received from the State for the Homestead Exemption, Property Tax Rollback and Tangible Personal Property reimbursement. The Homestead and Rollback estimates are assumed to be stable through the forecast period.

Other Revenue – Items included in the other category are interest income, fees, tuition from open enrollment and other miscellaneous income. It is assumed that class fees and participation fees will continue for the period of the forecast. It is assumed that the open enrollment students will remain at current levels and the tuition rate will remain at the same level.

## EXPENSES

Personal Services – The salaries and wages for District employees are accounted for in this line item. The Forecast assumes the staffing levels in FY2018 will be in place throughout the Forecast. The negotiated agreement with the teaching staff of the District expires June 30, 2020. Salary increases are per the negotiated agreements through FY20.

The salary increases for FY21 through FY22 represent the longevity amounts and a base salary increase.

Employees' Retirement/Insurance Benefits – The District's share of retirement (State Teachers Retirement System and School Employee Retirement System), workers compensation and Medicare payments are based upon a percentage of salary and wages. It is assumed that the amount for all of these will remain at approximately 19% of salary. The cost of health insurances is assumed to increase by 8% per year for the length of the forecast.

Purchased Services – This line item represents the amounts paid for utilities, tuition to other districts, contracts for services, mileage/meeting expenses, property insurance, computer service contracts, legal services and other services. It is assumed that number of students receiving educational services outside the District (tuition students) will not increase over the period of the forecast. It is assumed that this line item will increase at a rate of 2% per year.

Supplies and Materials – The projected amount in this line item is based upon historical patterns. It assumed that the budgeted amounts in this area will remain relatively flat.

Capital Outlay – This item is low because of the Permanent Improvement (PI) levy in place.

	Actual			Projected				
	2016	2017	2018	2019	2020	2021	2022	2022
<b>Revenues</b>								
General Property Tax (Real Estate)	7,979,176	7,976,038	8,282,293	8,200,000	8,200,000	8,200,000	8,200,000	8,200,000
Income tax	0	0	0	70,000	70,000	70,000	70,000	70,000
Unrestricted State Grants-in-Aid	6,572,177	6,667,455	6,789,463	6,728,856	6,728,856	6,728,856	6,728,856	6,728,856
Restricted State Grants-in-Aid	300,747	255,257	257,980	220,000	220,000	220,000	220,000	220,000
TPP Supplemental	0	0	0	0	0	0	0	0
Restricted Federal Grants-in-Aid - SFSF	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>6,872,924</b>	<b>6,922,712</b>	<b>7,047,443</b>	<b>6,948,856</b>	<b>6,948,856</b>	<b>6,948,856</b>	<b>6,948,856</b>	<b>6,948,856</b>
Property Tax Allocation	1,340,091	1,048,225	864,940	780,000	780,000	780,000	780,000	780,001
All Other Revenues	959,296	877,144	1,084,641	950,000	950,000	950,000	950,000	950,000
<b>Total Revenues</b>	<b>17,151,487</b>	<b>16,824,119</b>	<b>17,279,317</b>	<b>16,948,856</b>	<b>16,948,856</b>	<b>16,948,856</b>	<b>16,948,856</b>	<b>16,948,857</b>
<b>Expenditures</b>								
Personal Services	8,237,178	8,371,744	8,623,795	8,922,282	9,218,803	9,526,239	9,845,001	10,175,520
Employees' Retirement/Insurance Benefits	3,349,098	3,377,307	3,612,449	3,776,516	3,999,357	4,237,593	4,492,366	4,764,910
Purchased Services	2,821,440	2,929,973	2,868,398	2,925,766	2,984,281	3,043,967	3,104,846	3,166,943
Supplies and Materials	565,151	649,944	665,946	592,250	610,018	628,318	647,168	666,583
Capital Outlay	214,712	276,921	343,475	270,000	270,000	270,000	270,000	270,000
Principal-Notes	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0
Other Objects	186,677	179,703	190,869	186,677	186,677	186,677	186,677	186,677
<b>Total Expenditures</b>	<b>15,374,256</b>	<b>15,785,592</b>	<b>16,304,932</b>	<b>16,673,491</b>	<b>17,269,137</b>	<b>17,892,793</b>	<b>18,546,058</b>	<b>19,230,633</b>
<b>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</b>	<b>1,777,231</b>	<b>1,038,527</b>	<b>974,385</b>	<b>275,365</b>	<b>(320,281)</b>	<b>(943,937)</b>	<b>(1,597,202)</b>	<b>(2,281,776)</b>
Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	4,537,878	6,315,111	7,353,638	8,328,023	8,603,388	8,283,108	7,339,170	5,741,968
Cash Balance June 30	6,315,111	7,353,638	8,328,023	8,603,388	8,283,108	7,339,170	5,741,968	3,460,192

**DETAILED PROJECTIONS AND INFORMATION**  
**REVENUE**

Real Estate Taxes – The valuation history of the District must be reviewed when making an estimate of real estate tax revenues. The table below details the District’s real estate valuation history.

DOLLAR AMOUNT	Real Estate				TOTAL
	Res/ Ag	New Constr	Other	New Constr	
Tax Year 2008, paid 2009 **	147,120,770	1,719,930	60,120,840	4,045,520	213,007,060
Tax Year 2009, paid 2010	148,610,050	1,006,850	61,048,780	2,545,360	213,211,040
Tax Year 2010, paid 2011	149,467,640	2,302,510	60,363,410	3,332,110	215,465,670
Tax Year 2011, Paid 2012*	146,079,090	581,350	61,376,470	6,537,130	214,574,040
Tax Year 2012, Paid 2013	146,514,990	389,160	63,336,570	10,842,760	221,083,480
Tax Year 2013, Paid 2014	146,567,410	645,190	73,276,660	5,376,010	225,865,270
Tax Year 2014, Paid 2015**	151,655,090	293,290	78,424,370	2,989,580	233,362,330
Tax Year 2015, Paid 2016	151,787,220	721,710	75,832,810	3,413,160	231,754,900
Tax Year 2016, Paid 2017	152,509,110	998,320	79,308,700	1,236,000	234,052,130
Tax Year 2017, Paid 2018*	157,993,940	695,840	80,774,020	2,517,450	241,981,250

\* This is an Update year.  
 \*\* This is an Reappraisal year.

The real estate valuation has been very stable. The average increase for real estate over the period is 1.44% per year. However, the increases occur in the reappraisal and update years. Reappraisal occurred in 2014, payable in 2015. Another factor that affects the real estate tax revenue is HB920. HB920 reduces tax rates as valuation increases until the total effective millage reaches 20 mills. In 2005, the effective millage for continuing levies hit the 20-mill floor. The new revenue to the District comes from the new construction in the District, reaching the 20 mills and the inside mills (4.8 mills). Therefore, it is also important to review the actual real estate tax collection history.

REAL ESTATE TAX COLLECTION HISTORY					
	Amount	% Inc		Amount	% Inc
CY2012	6,942,733	1.76%	FY2012	6,939,818	10.15%
CY2013	7,603,098	9.51%	FY2013	7,272,912	4.80%
CY2014	7,625,970	0.30%	FY2014	7,618,754	4.76%
CY2015	7,974,370	4.57%	FY2015	7,904,265	3.75%
CY2016	7,904,419	-0.88%	FY2016	7,979,176	0.95%
CY2017	8,108,015	2.58%	FY2017	7,976,038	-0.04%
CY2018	8,215,304	1.32%	FY2018	8,282,293	3.84%

The District’s fiscal year is July 1 through June 30. The first fiscal year of full collection of the Emergency levy passed in 2003 was FY2005. The Emergency passed in 2003; was renewed in 2007 and renewed again in 2013 and collections will run through 2023. A

second Emergency levy was passed in May 2010 and was renewed in 2015. The last year of collection for this levy is 2025.

In order to make future revenue projections, some assumptions must be made. It is assumed that annually new construction will be \$500,000 in residential/agricultural property and \$1,000,000 in the “other real estate” category of property. The projected amount of real estate tax revenue for the forecast is as follows:

	FY2019	FY2020	FY2021	FY2022	FY2023
Real Estate Taxes	8,200,000	8,200,000	8,200,000	8,200,000	8,200,000

Income Tax – It is estimated that the District will receive income tax sharing revenue from the City of Orrville for local tax abatements starting in FY2019.

Unrestricted Grant-in-Aid - This line item represents the State Foundation funds received by the District. The new State budget significantly changed the State funding formula. The ODE has created estimate amounts for FY2016 and FY2017. These amounts are used in the forecast. For years beyond FY2017, the forecast assumes no increase or decrease in the foundation amount.

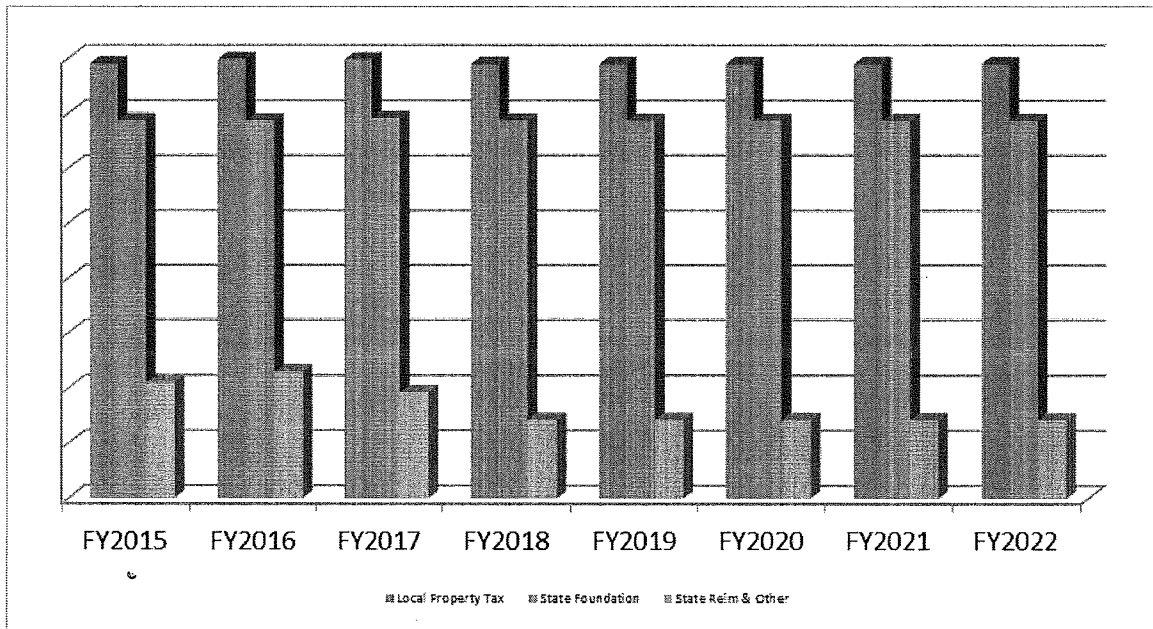
	FY19	FY20	FY21	FY22	FY23
State Foundation	\$6,728,856	\$6,728,856	\$6,728,856	\$6,728,856	\$6,728,856

Property Tax Allocation – This line item denotes the amount of funding received from the State for the Homestead Exemption and Property Tax Rollback. The amount of revenue from this source corresponds directly with the property tax value in the District. Also included in this line item is the tangible personal property reimbursement. The State budget included a provision to eliminate the TPP reimbursement after FY2016. The following chart details the estimated revenue for this line item.

	FY2019	FY2020	FY2021	FY2022	FY2023
Rollback	\$580,000	\$580,000	\$580,000	\$580,000	\$580,000
Homestead Exemption	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000
TPP Reimbursement - Net	\$0	\$0	\$0	\$0	\$0
Other	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
<b>TOTAL</b>	<b>\$780,000</b>	<b>\$780,000</b>	<b>\$780,000</b>	<b>\$780,000</b>	<b>\$780,000</b>

Other Revenue – Items included in the other category are interest income, fees, tuition from open enrollment and other miscellaneous income. It is assumed that class fees and participation fees will continue for the period of the forecast. It is assumed that the open enrollment students will remain at current levels and the tuition rate will increase at the same rate at the State per-pupil amount.

**WHERE THE MONEY COMES FROM?**



**EXPENSES**

Personal Services - The salaries and wages for District employees are accounted for in this line item. The District has tried to decrease staffing levels through attrition over the past several years. It is assumed that the staffing levels will remain constant during the forecast.

The negotiated agreement with the teaching staff of the District expires June 30, 2020. The salary levels through FY20 are per the agreement. The salary increases for FY21 through FY22 represent the longevity amounts. The following chart details the salary projection.

Description	FY2019	FY2020	FY2021	FY2022	FY2023
Certificated Staff	6,765,063	7,028,901	7,303,028	7,587,846	7,883,772
Classified Staff	1,486,176	1,515,900	1,546,218	1,577,142	1,608,685
Extra Curricular Stipends	296,043	299,003	301,993	305,013	308,063
Substitutes	175,000	175,000	175,000	175,000	175,000
Severance	125,000	125,000	125,000	125,000	125,000
Overtime / Bus Trips	75,000	75,000	75,000	75,000	75,000
	8,922,282	9,218,803	9,526,239	9,845,001	10,175,520

Certified staff includes all individuals holding a license to perform their job. This would include administrator, principals and all teachers. Classified staff includes custodians, aides, secretaries and bus drivers.

Employees' Retirement/Insurance Benefits – The District's share of retirement (State Teachers Retirement System and School Employee Retirement System), workers compensation and Medicare payments are based upon a percentage of salary and wages. It is assumed that the amount for all of these will remain at approximately 19% of salary. The cost of health insurances is assumed to increase by 8% per year for the length of the forecast and that the Stark COG will continue to have a premium holiday.

	FY2019	FY2020	FY2021	FY2022	FY2023
Retirement, Medicare, WC	1,695,234	1,751,573	1,809,985	1,870,550	1,933,349
Life and Health Insurance	2,081,282	2,247,785	2,427,608	2,621,816	2,831,561
<b>Total Fringe Benefits</b>	<b>3,776,516</b>	<b>3,999,357</b>	<b>4,237,593</b>	<b>4,492,366</b>	<b>4,764,910</b>

Salaries and fringe benefits make up 80% of the General Fund budget. As you can see be the following graph, the percent change in total expenses is directly tied to these two items.

Purchased Services – This line item represents the amounts paid for utilities, tuition to other districts, contracts for services, mileage/meeting expenses, property insurance, computer service contracts, legal services and other services. It is assumed that additional mental health and school resource offices services will be added in FY2019. It is assumed that number of students receiving educational services outside the District (tuition students) will not increase over the period of the forecast. It is assumed that this line item will increase at a rate of 2% per year.

Supplies and Materials – The projected amount in this line item is based upon historical patterns. It assumed that the budgeted amounts in this area will remain relatively flat.

Capital Outlay – This item is low because of the Permanent Improvement (PI) levy in place. However, the recent bus lease / purchase is included.

CONCLUSIONS

The 5-Year Forecast shows expenditures exceeding revenues in FY2020. The Forecast does not show a deficit. The District needs to continue to explore additional opportunities for savings and increasing revenue.