

Reynoldsburg City School District
Five-Year Forecast Assumptions and Notes
For the Period July 1, 2011 Through June 30, 2016
October 18, 2011

Overview

Reynoldsburg is a high-performing district focused on student achievement, safety and fiscal responsibility. The District continuously strives to provide innovative and cost-effective educational opportunities for students.

As with many districts, Reynoldsburg has struggled financially over the last few years. Prior to FY2011, the District made \$20 million in cuts – reducing 168 out of 800 positions. Despite passing an operating levy in May 2010, the District made additional cuts and all staff took a complete salary freeze in FY2011 to help stabilize the budget. Administrative contracts were reduced the equivalent of eight days across-the-board.

The District passed a 6.9 mill incremental operating levy in May 2010. The levy will increase by 1 mill each year until it reaches 9.9 mills. The levy enabled the re-instatement of some busing, music, physical education and art in grades K-6.

House Bill 153, the State's biennial budget bill effective July 1, 2011, reduced Reynoldsburg's revenues by approximately \$2 million. The District answered that reduction with a similar reduction in operating expenditures for the current fiscal year. Additional revenue reductions resulting from property reevaluations and the end of EdJobs funding are estimated to total \$2.3 million. Again, the District is planning cost reductions for FY2013.

A new three-year contract with certified employees contributes to the District's efforts to contain/reduce expenditures. In total the contract will cost \$8 million less over the next three years than if the previous contract terms had remained in effect. The base salary is frozen for the duration of the contract. Step increases are awarded in Year 1 and then frozen for two years. Cost-of-living increases (2 percent in Year 1 and 1 percent in Year 2) apply only to staff who do not receive step increases, and are frozen in Year 3. Significant cost reductions also are achieved by modifications in employee health care plans and by increases in employee contributions to premiums.

The Reynoldsburg community has invested, beginning in 2002, in the future by passing bond levies which, when coupled with matching funds from the Ohio School Facilities Commission, has allowed the district to renovate existing buildings and build new buildings. In FY2012, the District opened a new high school and new elementary school on Summit Road.

Due to sound fiscal management and planning and a favorable bidding environment, the District is under budget on the construction project. This savings will be used for maintenance and permanent improvements, making the renewal of the District's current

permanent improvement levy unnecessary when it expires in December 2011. The District does not plan to ask voters to renew that levy at this time.

The Board of Education continuously monitors the financial condition of the District and strives to make the best decisions for students in the face of an ever-evolving funding system.

What is a Forecast?

The five-year forecast is a planning tool that uses currently available data and reasonable assumptions to forecast what the financial future of the District might look like. Forecasts by their nature are not designed to be precise, but are rather a tool to provide information to assist the District in its planning.

The five-year forecast is a working document that changes when more up-to-date information becomes available or when any of the underlying assumptions significantly change. The District monitors actual receipts and expenditures against the current year forecast on a monthly basis and updates the forecast when appropriate.

Following is more detailed information on the assumptions used in this forecast.

-----Revenues-----

Real Estate Tax (line 1.010)

Real estate taxes are forecasted based on an estimate of reduced property values starting in January 2012. Property values were appraised as part of the sexennial re-appraisal and, based on information from the County Auditor's Office, are expected to decline effective January 1, 2012.

Real estate taxes are estimated to remain flat after FY2012, except for the additional revenue estimated to be generated from the 6.9 mill incremental operating levy passed in May 2010. The levy is a continuing levy that starts at 6.9 mills and increases by 1 mill annually until it reaches 9.9 mills. The first collection of the new levy was in January of 2011.

Personal Property Tax (line 1.020)

Personal property taxes are now completely phased out. School districts were receiving a subsidy (part of line 1.050) to help off-set the loss of tax revenue. However, this subsidy has been virtually eliminated for Reynoldsburg.

Income Tax (line 1.030)

Income taxes are estimated at \$4.2M for FY 2012 and are estimated to grow by 1% each year thereafter.

State Funding (lines 1.035, 1.040, 1.045)

FY2010-FY2011 Biennial Budget

State funding for schools is set every two years as part of the state biennial budget process. Funding for schools was reduced as part of the FY2010-FY2011 biennial budget. In fiscal years 2010 and 2011, the State used ARRA funding to help offset the State budget deficit and some of these funds went to school districts as part of their state support. These funds were required to be accounted for separately and are included on line 1.045 for FY2010 and FY2011. These funds were for a 2-year period only.

FY2012-FY2013 Biennial Budget

The biennial budget for fiscal years 2012 and 2013, HB153, saw another reduction to state funding. ARRA funding that was part of the prior budget was eliminated. The State is using a "Bridge Formula" for FY2012 and is working on a new funding formula for FY2013.

The FY2012 estimate is based on the most recent information from ODE, which utilizes prior year enrollment data. Any change in enrollment for FY2012 could impact our state funding for this year.

The FY2013 estimate is based on information from ODE and may change under the new funding formula.

FY2014-FY2016 Funding Estimates

State funding is left flat for FY2014-FY2016.

Education Jobs Bill Funds

The District received about \$1.3 million dollars from the Education Jobs Bill. This amount is included on line 1.045 of the forecast in FY2012 only. This is one-time funding received from the federal government to pay the salaries and benefits of teachers and other educational personnel. The District has until September 2012 to spend these funds. We chose to save those funds to help offset the loss of ARRA funds.

State Funding is divided into three categories for fiscal years 2010, 2011 & 2012.

- Line 1.035, Unrestricted State Grants-in-Aid, is funding from the state that is used for the general operations of the district.

- Line 1.040, Restricted State Grants-in-Aid, is also funding from the state, but must be used for a specific purpose. For Reynoldsburg, the funding must be used for career-tech education.
- Line 1.045, for FY2010 & FY2011, is federal stimulus money that is used for the general operations of the district. This money normally would have come as part of line 1.035, but due to the state budget problems, federal stimulus funds were used to offset the short fall. Because this is federal money, it must be accounted for separately from line 1.035.
- Line 1.045 for FY2012, is the one time funding from the Education Jobs Bill.

Below is a table that summarizes our state funding, assuming no decrease from the state.

Fiscal Year	1.035	1.040	1.045	Total	% Change
	Unrestricted State Grants-in-Aid	Restricted State Grants-in-Aid	Restricted Federal Grants-in-Aid		
2009	26,279,390	621,678		26,901,068	
2010	25,135,854	88,948	1,721,910	26,946,712	0.17%
2011	24,148,925	89,615	2,086,964	26,325,504	-2.31%
2012	25,120,269	89,615	1,267,227	26,477,111	0.58%
2013	25,182,238	89,615	-	25,271,853	-4.55%
2014	25,182,238	89,615		25,271,853	0.00%
2015	25,182,238	89,615		25,271,853	0.00%
2016	25,182,238	89,615	-	25,271,853	0.00%

Property Tax Allocation (line 1.050)

This line item of the forecast includes reimbursement for the Rollback and Homestead deductions that are deducted from taxpayer's property tax bills as well as the tangible personal property tax subsidy.

Rollback and Homestead Reimbursement

The state reimburses the district for these deductions from taxpayer's tax bills. In FY 2012 we are estimating this to be about \$2.7M. This estimate was increased during the forecast period to account for reimbursement due to the May 2010 levy.

Tangible Personal Property Tax Subsidy

School districts were receiving a subsidy to help off-set revenue losses from the elimination of the Tangible Personal Property Tax (line 1.020). HB153 virtually eliminated this subsidy for Reynoldsburg. This is a loss of about \$1M.

Other Revenues (line 1.060)

Other revenues include tuition from other districts, TIF receipts, interest on investments, fees for community school sponsorship, fees for shared services, etc.

---Expenditures---

Salaries (line 3.010) and Benefits (line 3.020)

Fiscal year 2012 salaries and benefit are based on the actual staff employed and their salaries and benefits as of September 2011.

Salaries

The District approved a new three year contract with certified employees effective 8/1/2011. The contract freezes the base salary for 3 years and freezes steps for 2 years. Certified employees who don't receive a step increase will receive a 2% cost-of-living increase in FY2012 and a 1% in FY2013. Certified staff salaries are frozen for FY2014.

Currently, the District is in negotiations with classified employees. The outcome of the negotiations will have an impact on the forecast.

For FY2015-FY2016, salaries estimates were left flat except for amounts set aside for performance pay.

Benefits

Effective January 1, 2012, the District restructured the health insurance plan offered to employees. The restructure raised deductibles and out-of-pocket limits as well as increased the cost of name brand medications. As part of the certified contract, the employee's share of health care premiums was also increased.

Purchased Services (line 3.030)

Purchased services include, among other things, utilities, building repairs and maintenance, bus repairs and maintenance, service agreements, copier leases, TRECA computer services, meeting and mileage expenses, special education tuition and services, and open enrollment and community school students leaving the District. This line item accounts for over 20% of the expenditures and is the most volatile. The district has little or no control over many of the items in this category and expenditures such as special education and community school students can vary widely from year to year.

The three largest expenditures, which make up almost 70% of this line item are:

- Community school and open enrollment students leaving the district \$4.1M
- Utilities (including phone) \$1.8M
- Special education tuition and related services \$1.6M

Supplies and Materials (line 3.040)

Materials and supplies are estimated at \$1.3 million for FY2012 and account for 2% of the expenditures. This line item includes instructional supplies, maintenance supplies, and bus fuel.

Capital Outlay (line 3.050)

Capital outlay is a relatively small part of the district's operating budget accounting for less than ½ of a percent of the operating budget. The district has been able to keep these expenditures low due to a permanent improvement levy.

The permanent improvement levy will expire in December 2011, and at this time the District is not going to ask for a renewal of the levy. Due to sound fiscal management and planning, and a favorable bidding environment, the District is under budget on the construction project. This savings will be used to offset the lost revenue from the expiration of the permanent improvement levy.

Other Expenditures (line 4.300)

Other expenditures include, among other things, fees paid to the county auditor and treasurer to collect the District's property taxes, membership fees and the cost of the annual audit.

**REYNOLDSBURG CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2010 AND 2011 ACTUAL;
FORECASTED FISCAL YEARS ENDING JUNE 30, 2012 THROUGH 2016

FY 2012 (Oct 2011)

Line Number	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual	Average Annual % of Change	Fiscal Year 2012 Forecasted	Fiscal Year 2013 Forecasted	Fiscal Year 2014 Forecasted	Fiscal Year 2015 Forecasted	Fiscal Year 2016 Forecasted	
Revenues										
1.010	16,427,796	16,656,453	19,094,103	8.01%	21,383,739	21,547,048	22,160,014	22,454,238	22,454,238	
1.020	534,247	97,933	44,524	-68.10%	-	-	-	-	-	
1.030	4,963,334	3,779,420	4,163,559	-6.84%	4,205,220	4,247,272	4,289,745	4,332,643	4,375,969	
1.035	26,279,390	25,135,854	24,148,925	-4.14%	25,120,269	25,182,238	25,182,238	25,182,238	25,182,238	
1.040	621,678	88,948	89,615	-42.47%	89,615	89,615	89,615	89,615	89,615	
1.045	xxxxxxxx	1,721,910	2,086,964	xxxxxx	1,267,227	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	
1.050	2,774,570	3,208,705	3,477,577	12.01%	2,750,615	2,731,316	2,809,016	2,846,312	2,846,312	
1.060	2,368,768	2,613,272	2,614,560	5.19%	2,607,904	2,412,904	2,412,904	2,412,904	2,412,904	
1.070	<i>Total Revenues</i>	53,969,783	53,302,495	55,719,827	1.65%	57,424,589	56,210,393	56,943,532	57,317,950	57,361,276
Other Financing Sources										
2.010	Proceeds from Sale of Notes									
2.020	State Emergency Loans and Advancements									
2.040	3,882	-	137,589		-	-	-	-	-	
2.050		16,326	159,500		-	-	-	-	-	
2.060	1,142	43,690	12,901		-	-	-	-	-	
2.070	<i>Total Other Financing Sources</i>	5,024	60,016	309,990		-	-	-	-	
2.080	<i>Total Revenues and Other Financing Sources</i>	53,974,807	53,362,511	56,029,817	1.93%	57,424,589	56,210,393	56,943,532	57,317,950	57,361,276
Expenditures										
3.010	35,804,546	30,582,152	29,359,356	-9.29%	29,689,837	29,061,285	29,186,285	29,336,285	29,511,285	
3.020	12,019,207	11,927,323	11,340,629	-2.84%	12,415,641	12,515,258	13,552,184	14,745,698	16,118,554	
3.030	9,313,731	10,315,064	9,769,315	2.73%	11,343,302	11,739,094	12,248,128	12,795,232	13,353,814	
3.040	1,463,515	939,311	1,144,749	-6.97%	1,321,486	1,340,906	1,385,330	1,431,710	1,480,141	
3.050	226,579	152,584	109,975	-30.29%	115,800	116,958	119,297	121,683	124,117	
3.060			-		-	-	-	-	-	
4.300	836,339	686,508	586,453	-16.24%	671,600	704,100	740,135	746,989	754,071	
4.500	<i>Total Expenditures</i>	59,663,917	54,602,942	52,310,477	-6.34%	55,557,666	55,477,601	57,231,359	59,177,597	61,341,982
Other Financing Uses										
5.010	14,234	21,443	181,973	399.64%	-	-	-	-	-	
5.020	16,326	8,500	332,010		-	-	-	-	-	
5.030			-		-	-	-	-	-	
5.040	<i>Total Other Financing Uses</i>	30,560	29,943	513,983	807.26%	-	-	-	-	
5.050	<i>Total Expenditures and Other Financing Uses</i>	59,694,477	54,632,885	52,824,460	-5.89%	55,557,666	55,477,601	57,231,359	59,177,597	61,341,982

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6.010	(5,719,670)	(1,270,374)	3,205,357	-215.05%	1,866,923	732,792	(287,827)	(1,859,647)	(3,980,706)
<i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>									
7.010	8,715,925	2,996,255	1,725,881	-54.01%	4,931,238	6,798,161	7,530,953	7,243,126	5,383,479
7.020	2,996,255	1,725,881	4,931,238	71.66%	6,798,161	7,530,953	7,243,126	5,383,479	1,402,773
<i>Cash Balance June 30</i>									
8.010	266,565	318,942	557,121	47.16%	550,000	550,000	550,000	550,000	550,000
<i>Estimated Encumbrances June 30</i>									
<i>Reservation of Fund Balance</i>									
9.010									
9.020									
9.030	1,342,615	-	-						
9.040									
9.045									
9.050			1,100,000		1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
9.060									
9.070									
9.080	1,342,615	-	1,100,000		1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
<i>Subtotal</i>									
10.010	1,387,075	1,406,939	3,274,117	67.07%	5,148,161	5,880,953	5,593,126	3,733,479	(247,227)
<i>Fund Balance June 30 for Certification of Appropriations</i>									
	8	9	23	#	34	39	36	23	(1)