

Keystone Local School District Five Year Forecast Notes and Assumptions FY 2012

The following are the Official notes and assumptions for the FY 2012 Five Year Forecast. Ohio revised code states that the Five Year Forecast must be approved by the Board of Education each year in October and updated in May. These notes and assumptions will be updated in the same manner. However, please note that the assumptions are based upon facts and circumstances that may change throughout the course of the fiscal year.

Revenue Assumptions

1.010 General Property Tax (Real Estate)

Property values are established each year by the County Auditor. Non inflationary property tax increases come from the following:

- A. **New Construction** – Valuation increases from new construction have ranged from 2.51 % to 4.66 % from 1998 till 2005, averaging slightly over 3%. However, with the mortgage crisis and the downturn in national housing starts, new construction has fallen below this average. This is evidenced by the average growth rate in new construction from 2006-2010 for residential / agricultural property falling to 1.01%. New construction in 2011 is projected at .20%. Based on this data we are projecting growth rates in new construction to be less than .50% from 2012-2016.

- B. **Reappraisal/Update** – Again based on the current economic situation, decline in home values, and Department of Taxation/ County Auditor recommendations, the districts valuation declined from the triennial update for the tax year 2009/collectible 2010. The 2009 triennial update yielded a decline of 5.4%. The decline in value has had the effect of lifting the district off the 20 mill floor and affecting future new revenue to be collected from the NEXT reappraisal that will take place in 2012. Growth from this reappraisal is estimated to be 0% at this point. The Department of Taxation has advised that it will take a full 6 year cycle to recover from this real estate recession. Historically, district reappraisals and updates average 12-14%.

Calendar year 2011 collectible values:

Res/Ag	\$234,691,480
Indus/ Comm. & Other Real	\$ 19,078,750
PU Personal Prop.	\$ 10,818,110
Tangible Personal	\$ 0
Res/Ag New Construction	\$ 868,030
Other New Construction	\$ 0
Total	\$265,456,370

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1.020 Tangible Personal Property Tax

Tangible personal property taxes have been completely phased out. Telephone tangible was the only remaining tangible value collected through FY 2011 (\$20,000). The tax revenue lost due to elimination of this type of tax has been reimbursed by the Department of Education. However, with the passage of HB 153 reimbursement funds will be eliminated beginning FY13. The District received over \$408,000 in FY11 and will receive \$151,471 in FY12. The material amount reported on this line in FY12 is strictly Public Utility Personal Property. Collection patterns on public utility personal property changed last year. The district is receiving more based on an increase in valuation. Research conducted by the county auditor indicated this is due to changes in utility inventories.

1.035 Unrestricted Grants-in-Aid

- A. Basic Aid FY 2011: The 2010-2011 biennial budget included a new funding formula (Evidenced Based Model –EBM). Under this new formula the District received a reduction in basic aid. This funding gap was made whole by ARRA Stimulus funds received in FY 10 and Fy11 which will not be replaced in FY12. This will result in a loss of \$528,687.00. This loss has been supplemented by the Federal Government with receipt of the Education Jobs Fund (\$368,027.00) in FY12 only.

- B. Basic Aid FY 2012: The administration of Governor John Kasich is proposing a new school funding formula that has not been formulated as of yet. School districts will be funded in FY12 based on a 'Bridge formula' – a transitional formula until a new funding mechanism is implemented. The FY12 funding calculation involves the use of enrollment (ADM) and funding factors from FY11 applied to FY 2012 ADM with additional adjustments.

- C. Basic Aid FY 2013-2016: Until a new funding formula is determined, there is no basis in which to make a projection beyond FY12. Therefore, the projection of \$6,348,009 in FY12 has been continued throughout FY16.

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1.040 Restricted Grants-In-Aid

Restricted grants included in this category are:

- A. Special Education Catastrophic Aid Reimbursement – The district qualified for \$18,700 in State aid in FY11. The forecast includes a flat \$20,000 reimbursement in Catastrophic Aid for the Special Education students educated at Keystone.
- B. Career Tech Funding – \$12,800 received in FY11 has been forecasted as remaining at this level throughout the forecast due to the uncertainty of the State funding formula at this time.

FY 12 reflects the loss of the ARRA Stimulus funds (see note 1.035A) and the inclusion for FY12 only of the Education Jobs Fund monies. Salaries for eight teachers are being paid from the \$368,027 allocation.

1.050 Property Tax Allocation

- A. **Homestead & Rollback** – represents tax breaks given to tax payers that are reimbursed by the state. Therefore, these tend to grow at the same rate as real estate.
- B. **Personal Tangible Phase Out Reimbursements** – Direct reimbursements from the state for the phase out of personal tangible taxes are recorded here. This funding has been reduced from \$408,000 to \$151,471 in FY12. FY12 will be the last year of collection due to the passage of HB153. See Note 1.020

1.060 All Other Revenue

Includes all other locally collected revenue such as Interest income, open enrollment, student fees, pay to participate fees, and tuition from other districts.

All Other Revenue is based on historical patterns. Interest income has decreased significantly over the last three years due to market conditions. Pay to participate fees have declined slightly with lower enrollment. This line item also includes academic fees which have declined due to the exemption of Free students and reduction of Reduced students. With the addition of all-day Kindergarten in FY 12, our open enrollment numbers have increased. A minimal increase (.5%) in All Other Revenue has been projected due to the volatility of these areas.

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2.040/2.050 Advances and Transfers

Anticipated revenues in these areas are also based on historical patterns therefore no revenue is projected in this forecast. Advances occur periodically if it is necessary to advance money to a federal fund.

2.06 All Other Financing Sources

This area includes the District's e-Rate reimbursements. In FY11, \$32,800.00 in e-Rate funds were received. The e-Rate program provides discounts to assist schools in obtaining affordable telecommunications and Internet access. Forecasted amounts remain at this level.

Expenditure Assumptions

3.01 Personal Services

Salaries and benefits are based on existing negotiated agreements. Our classified agreement runs through June 30, 2013 and the certified agreement expires June 30, 2014. In FY 12, a 2.75% negotiated increase is reflected. Both negotiated agreements include 0% increases on the base throughout the remainder of the respective contracts. For projected years FY14-16, steps are recognized but no base level increase are factored in.

The District has negotiated an optional retirement incentive when an employee has reached their first year of retirement eligibility. In FY 2011, there were five retirements. We expect retirements to continue with the salary savings from these retirements projected in years FY13-FY16.

The cost of step increases is projected to decline in FY15 and FY16 due to projected retirement savings.

All day kindergarten was implemented in FY 2012. Due to increased enrollment, one additional Kindergarten teacher has been hired in FY12.

3.020 Employee Retirement & Insurance Benefits

Employee benefits for retirement (14%) and Medicare (1.45%) are driven by salaries. The district received a reduction in Health Insurance rates in FY10. Healthcare for FY11 reflected the reversal of this rate reduction. However due to advances through negotiators, previous healthcare concessions, and changes in the structure of our consortium the district is seeing a significant reduction in healthcare costs that will have an effect on future years. Healthcare increases average 8% increase per year for

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Keystone and have been projected as such. Currently, full time employees contribute 15% for Family Health coverage and 10% for Single Health coverage.

3.030 Purchased Services

This projection includes inflationary increases of 1%. A significant cost area is special education. The cost structure of special education is changing for Keystone. For example, more students that used to attend MRDD schools are returning to their respective home schools. As this happens, our costs will increase. In addition, the District continues to monitor the cost of community schools.

New KMS Building - when the new KMS building is completed this will represent a significant increase in utility costs. The additional cost could range from \$150,000-\$200,000. This will be additional because it is anticipated that the 301 Liberty St building will remain open until the new elementary building is completed. This will not be factored into the forecast until more concrete estimates are prepared by engineers.

3.040 Supplies and Materials

Supplies and materials projections are based on input from the building principals and supervisors as well as historical patterns. . In FY 2011 and FY 2012 district departmental budgets were reduced by 20% in each year. Inflationary increases are built in at .5%. The reduction from FY10 to FY11 was due to Spring '11 ordering deferred to FY12.

3.050 Capital Outlay

In FY 10 two busses were replaced and a van was purchased. Due to the loss of tax revenues, the District purchased a new bus and instructional equipment from the Permanent Improvement fund. FY12 is projected at a slight increase over FY11 continuing to move large Capital Outlay expenditures to the Permanent Improvement fund. Projections for FY13-16 are to retain FY12 spending levels.

4.010 Debt Service

We do not anticipate any General Fund debt service in the near future. We did issue \$17,500,000 in bonds for the new High School in 2004 which are being paid from our bond retirement fund. More recently, an \$11,500,000 bond issue was passed in November 2010 to fund the new Middle School.

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4.30 Other Objects

Other Objects include expenditures such as insurance, dues, taxes and election expenses. A 1% inflationary increase is projected throughout the forecast.

5.010/5.020 Transfers / Advances

Operating transfers out consist of funds needed to supplement athletics and our retirement severance fund. Retirements have been projected through FY 2016. We are assuming that any staff members reaching their first year of eligibility are likely going to retire.

8.010 Encumbrances

Estimated encumbrances are also based on historical patterns.

9.0 Reserves

A. Instructional Materials / Textbook Reserve

A district's textbook and instructional materials fund must be used solely for textbooks, instructional software, and instructional materials, supplies and equipment. Any money not used in the current fiscal year is to carry forward to the next fiscal year. Based on our past expenditures and estimate of this year, we will be spending each year what we are required and not have to set aside the unspent amount.

B. Capital and Maintenance Reserve

A district's capital and maintenance reserve is to be used solely for acquisition, replacement, enhancement, maintenance, or repair of permanent improvements. Any money not used in the current fiscal year is to carry forward to the next fiscal year. One of the allowable offsets to the calculation includes current year receipts from a permanent improvement levy authorized by ORC § 5705.21 to the extent the proceeds are restricted by the district to the expenditure for the acquisition, replacement, enhancement, maintenance, or repair of permanent improvements. Keystone has two (2) continuing permanent improvement levies of 1-mill each. Based on our past expenditures and estimate of this year, we will be spending each year what we are required and not have to set aside the unspent amount.

C. Budget Reserve

With the passage of S.B. 345, the budget reserve requirement has been eliminated. School districts have opted to move this money from their budget reserve to their general fund.