Montpelier Exempted Village School District
Five Year Forecast Assumptions for November 2020 Submission

REVENUES

Line 1.010-General Property Tax – Real Estate

All property tax levies are continuous. Collections have been decreasing the last three years (FY17-FY19). With the revaluation for Williams County held in TY2018 and an increase of 2% in valuation, an increase in Real Estate collections was projected for each year of the forecast. With the Coronavirus epidemic and closing of the state economy in 2020, the estimate for FY21 was not increased but kept at the same as the actual amount received in FY20. For the remainder of the forecast a 1% increase per year was included. The uncertainty will be how much of an increase could be seen in delinquent tax collections.

CAUV ag values decreased in TY18. This will affect the inside millage used as a PI levy. Collections are anticipated to decrease in the PI levy. The AG values for the district are 25% of the real estate values. The valuation for TY18 saw a decrease in AG values but an increase in residential.

Line 1.020-Tangible Personal Property Tax

The decrease from 2011 to 2012 was due to the phase out of business tangible personal property tax and the final delinquency payments. Public utility personal property tax is the amount remaining on future years of the forecast.

The public utility values increased 5% in TY18. Part of this increase effected FY19 and part will affect FY20 with a potential increase in collections for FY20. This amount will be held constant for the entire forecast with no increase projected at this time.

Line 1.030-Income Tax

Prior to 2013, the district collected a 0.75% income tax on district resident's income. In March 2012, a 1.25% replacement earned income tax was passed. The district saw a slight increase in fiscal year 2013 as collection of the new tax rate began, with a larger increase being received in fiscal year 2014. After a 16% decrease in fiscal year 2010, the district has seen a recovery as the economy stabilized after the 2008 recession.

Collections for FY19 were 5% higher than FY18. The effects of poor crops in 2019 did not seem to affect the collections for FY20. For FY20 there was an increase of 3% in tax collection. The current unknown is the effect of the business closures and layoffs due to the corona virus. FY21 estimated income was reduced by 5%. FY22 estimate includes a 1% increase. The remaining years of the forecast are showing a 3% increase

This line item will need to be closely monitored as the national health and economic situation unfolds and the local ag seasons unfold.

Line 1.035-Unrestricted State Grants-In-Aid

This line has seen a great deal of change over the last few years as the state of Ohio supplemented these funds with federal stimulus money known as SFSF funds. In fiscal year 2012 and 2013, the state used their third funding formula in the last four years while a fourth formula was enacted on June, 30, 2013. This formula is based on per pupil costs and favors less wealthy districts. The funding formula for 2014 and 2015 is based on a state share index which is driven by property valuation per pupil along with the district's median Ohio adjusted gross income. Both factors are divided by a state-wide median to find the district's placement on the state share index. This means that circumstances outside the district can now have a significant impact on the district's state funding. The district's assumption is that declining enrollment will not affect actual aid received since the effect of the cap for 2015 is $331,969. The district has experienced declining enrollment, but expects enrollment to stabilize in its projections. The district received $20.93 and $25.20 per pupil in casino tax revenues for the payments received in January and August 2013 with a slight increase to $26.45 in January 2014 since not all of the casinos were open and fully functioning with the first payment. The amount received in August 2014 showed a slight decrease to $25.46 per pupil due to casino revenues coming in lower than projected. The district assumes these payments will continue to be around $25 per pupil.

In FY16, state funding increased by 21% over FY15. This is due to the district qualifying for the capacity aide due to the poverty level in the district. A 6% increase in state funding was received for FY2017. For FY18 a 3% increase was received. For FY19 there was a slight decrease in funding. The current indications are for a possible slight increase for FY19 of .3%. The State Share Index will be adjusted and will include property valuations for FY15-FY17. Property valuations for these years have been increasing. This increased wealth factor could affect our state share and result in a reduction of state funding. A slight decrease in enrollment has caused the district to be on the guarantee for FY19.

The state biennial budget approved June 30, 2015 for the period 7/1/2015-6/30/2017 included a gain cap set at 7.5% per year. The district saw an overall increase of 21% in FY16. This includes a basic aid increase that was capped at 7.5% and a capacity aid of $924,614 not subject to the cap. Capacity aid for FY17 as $1,158,300. No Funding formula was included in the new budget bill passed for FY20-FY21. The state share was frozen for two years at the FY19 level.

Due to the corona virus and state funding cuts, the estimate for FY20 was reduced $131,000 (1.19%) per governor DeWine's orders to make reductions in state spending. For FY21 additional cuts were expected but have not been put in place by the November 2020 projection, therefore the projection is based on actual foundation settlements showing only a slight decrease from FY21. Anticipating a rebound to the state economy, a 2% increase is included for FY23, which brings our funding level back to FY19 level. FY24 frozen at the FY23 amount and FY25 includes a 1% increase.

Discussion of a new funding formula for the next biennium will effect this line item in the forecast and will be included in the May 2021 update to the forecast.

The FY20-21 state budget did include new money for Student Wellness and Success Funds (SWSF). The district received $203,000 in FY20 and $255,000 in FY21. These funds were not cut in FY21.

These funds will not be accounted for in the general fund but will be included in fund 467. The SWSF funds will be used to supplant current general fund programs related to student wellness and success. The district will be using these funds to pay for the social worker, school health aide, and high school guidance counselor. These expenses are included in this forecast so as not to lose track of the general fund obligation. Each year a transfer from general fund to the SWSF funds will occur. The amount currently budgeted in the general fund is $195,000. For purposes of including the revenue in this forecast, this amount was included in the Other Revenue line 1.06. This inclusion will offset the expenses for FY21-FY23. The current discussion from Columbus indicates that the SWSF will be included in the new biennium budget, therefore the revenue has been included for the next biennium.

Line 1.040-Restricted State Grants-In-Aid

The base of this line for 2012 and 2013 was career tech funding and catastrophic educational costs. In 2014, economically disadvantaged funds were added to this line. The district assumes catastrophic educational costs will be consistent through the forecast but the new budget bill did allow for additional funds to pay for cat costs. The district may be eligible to receive the extra funds, but it is not guaranteed at this point. In FY19, Career Tech programs were discontinued but funds are still being received. This is due to a law change that froze the career tech funds at a previous years' level for FY19. These funds equal $13,909.00 and it is anticipated that at some point they will no longer be received. The district expects the economically disadvantaged funds to remain stable due to slightly decreasing poverty rates. The forecast will indicate no change for the 5 years of the forecast since upcoming budget bills will have an unknown impact on this line item.

Line 1.045-Restricted Federal Grants-in-Aid - SFSF

During fiscal year 2012, Education Jobs Funds were included in the line. The final allocations were received during the early months of fiscal year 2012 with the bulk received in the year prior. There are few indications the federal government will provide any similar funds in the future.

Line 1.050-Property Tax Allocation

Fiscal year 2012 and 2013 show a decrease after several years of increased collections due to the phase out of the tangible personal property tax replacement revenue. The legislation for the 2016 funding formula has the phase out decreasing. For FY2016 the phase out was cut in half and we will be showing a loss of $92,000. The phase out will be reduced again for FY17 and will be eliminated following FY17. Other factors in this line are handled consistently with real estate projections.

Homestead and Rollback Tax reimbursements are included in this line. Slight increases have been assumed for this forecast to correspond to increasing estimates in real estate collections.

Line 1.060-All Other Revenues

The district had a modest increase FY2014 as Medicaid reimbursement payments rose due to the speech program no longer being grant funded. Medicaid settlements are being received annually following regular audits of the program. The district also assumes a stable number of open enrollment students coming into the district which will result in minimal changes to this line. From fiscal year 2021 forward, other revenues is projected to remain stable so no increase has been included.

Line 2.060-Other Financing Sources

The district has received payments to reimburse prior year expenses during fiscal years 2011, 2012, and 2013 and expects it to be a trend. In 2014, a large prior year reimbursement was received for workers' compensation premiums. The line has a great deal of volatility, but is not a significant source of funds for the district. It is monitored closely since the activity is so irregular. No activity is projected in FY20-FY24.

EXPENDITURES

Line 3.010-Personal Services

Fiscal year 2013 included a reduction of personnel costs before becoming a steady number in 2014. The district had several retirements from FY13-FY15 and reduced staff positions through attrition, program elimination, and reduction in force. This action reduced 24 positions from the district. The district also added special education positions to reduce costs previously paid as purchased services. A curriculum director position was added in FY17 along with an additional 2nd grade teacher and special ed aide. An additional custodian was added in FY18 due to the construction of the Recreation Center. Also, in 2018 a Social Worker was added. In FY19 the Skilled Trades class was started in the rec center classroom. This resulted in the addition of one teacher and one skilled trades aide. A permanent sub bus driver was added in transportation and a monitoring aide in the rec center to monitor students using the facilities after school. Two additional full time district subs were added in FY19 along with an additional science teacher. An additional special ed intervention teacher and aide were added in FY20.

In fiscal year 2015 and 2016, personal services increased due to employee raises after three years of salary freezes. Increases continued in FY18 per the new teacher's negotiated agreement. The new agreement is in effect for FY21-FY23. 3% increases were negotiated so these increases are included for the remaining years of the forecast.

The district saw a decrease in fiscal year 2013 for this budget line as the semi-monthly (24 pay) schedule is fully implemented. This reduces irregularities which occurred with the bi-weekly (26 pay) schedule and allow for easier to understand projections.

Also included is the longevity stipend true-up that was negotiated in the teacher contract. Teachers will have an option to receive stipends periodically throughout their career or receive a regular severance at retirement based on sick leave balance. The longevity stipends will be paid after 5 years of service up to a maximum value of $25,000 by 30 years of service. In this forecast, FY18 is reflecting an additional $550,000 to "catch-up" current employees that have 5 or more years of service and opt to receive longevity stipends instead of severance at retirement. The remaining years reflect an additional $100,000 per year to pay the longevity stipends.

Longevity stipends have also been added for the classified staff. The additional cost added to FY20 was $200,000 to catch up all the current employees that have worked in the district for more than five years. This will also be paid on an annual basis. An additional $40,000 has been added for FY21-FY25 to pay the classified staff longevity stipends.

Line 3.020-Employees' Retirement/Insurance Benefits

Reductions for fiscal year 2013 are due to reduced salary related benefits. Increases are projected in future years as the district expects health insurance premiums to rise on a consistent basis at a rate of 6%-10% per year. Actual increases for FY21 were 9% for health insurance, 4% for dental insurance, and 0% for vision insurance. These new rates are reflected for FY21. This forecast included 9% increases for health insurance, 2% increase for dental insurance, and 0% increase for vision insurance for FY22-FY25.

Line 3.030-Purchased Services

The district experienced increased costs during fiscal year 2012 as speech services were no longer grant funded and services needed to transition to the new phone system. In 2013 the district had a decrease as they hire additional special education personnel instead of contracting with outside agencies. There was a larger than expected increase in purchased services during 2014 due to higher utility costs and a change in preschool funding. Prior to 2014, preschool funding went directly to the Northwest Ohio Educational Service Center, but with the funding formula passed in June 2013, the funding now flows to individual districts who then have to purchase services from the ESC. FY16 included a $200,000 carryover PO due to awarding an architect contract for design services to build a sports complex on the district campus. The actual architect fees increased to $320,000. This cost was 80% paid in FY17 and a carryover of $90,504 is included in the forecast for FY18. For FY2021, an additional $200,000 was added to this line to account for the increase in Community School fees charged for students that left the district to attend online schools due the COVID-19 pandemic. It is anticipated that a majority of these students will return next school year so no additional costs are included going forward in the forecast. For FY2022 through 2025, the projection will be kept at the budgeted level for FY21 minus the $200,000 increase. This is based on the historical actual expenses being lower than the projections in most years.

Contracted special education services are hard to project and include additional special ed as well as juvenile delinquent related expenses. The district is required to pay for educational costs of students in the various juvenile detention facilities. This amount is hard to project from year to year. Increased costs in this line include utilities for the rec center; increased digital online costs due to online Spanish class; hiring of a school resource officer contracted through the Village; increased post secondary costs for FY19; and the inclusion of the reimbursement for concession stand workers.

Line 3.040-Supplies and Materials

The district greatly reduced supply and material costs during 2013. The district saw a large increase in these costs in fiscal year 2014 due to decreased federal grant funding and spending requirements associated with the current funding formula. FY16 saw an increase due to the purchase of textbooks and an increase in supply purchases. FY19 includes $125,000 for the purchase of an elementary textbook series and additional cost for start up supplies for the skilled trades classroom. Included for FY20 is an additional $150,000 for a new K-12 math textbook series.

For FY21, the additional cost of the COVID-19 supplies has been included in various grants received from the state. To date, the grants have covered these costs. There is potential for additional cost to be paid by the general fund if no further grant money is received. This will be monitored throughout the year.

FY22-FY25 are budgeted at lower levels but will allow for the purchase of online materials for use with the one-to-one computers. The district will continue to monitor and control these expenses within the budget constraints included.

Line 3.050-Capital Outlay

The district established a permanent improvement fund during fiscal year 2010 by converting inside millage to a PI fund.

Two buses were purchased in FY2016 and were paid for from the General Fund. One new bus and one used bus were purchased in FY17. Two new buses were purchased in FY19 and two new buses are included for purchase in FY20. The board approved to build a Recreation Center on the main campus which was constructed and paid for FY17-FY18. The architect contract was awarded in April, 2016. In FY17, contracts were awarded for the construction of the Recreation Center at a cost of $3,226,00. This project was paid from the Permanent Improvement fund. $2,200,000 was included for this project from the general fund in the transfer out line for FY18. The remaining cost was funded through a $1,700,000 lease purchase agreement. The lease purchase payments will be paid from the PI Fund. The Capital outlay line for FY19 included $270,000 used to pave the Superior Athletic Complex parking lot.

A one-to-one computer project was approved and started in FY16. The cost of this program is included in the forecast at approximately $100,000 per year. The computers were purchased for all students in grades 3-12. The current plan is to replace computers every 3 years for each student. This will require four grade levels to be purchased each year.

FY20 includes budgeted moneys to purchase 3 new gators for maintenance; a new transit van for students and a new equipment van; a new lawn mower; security equipment; and a new pickup truck with a dump body. For FY21-25, capital expenditures will be reduced as a result of the completion of all known projects.

Line 4.30-Other Objects

The district has experienced reductions from smaller tax collection fees since 2010. The district does not expect this trend to continue and assumes there will not be significant changes in these costs in future years.

Line 5.010-5.030-Transfers Out and Other Financing Uses

Activity in the line for fiscal year 2012 was due to true up payments required for the tangible personal property tax reimbursement. These deductions occurred after calculations showed the district received too much reimbursement in the prior fiscal year. The state passed legislation eliminating this practice. Due to requirements related to federal grants and the large amount of cuts incurred in fiscal year 2013, the district was required to return a portion of the grants received for 2013 in fiscal year 2014. This is not expected in future years. The district has also made small transfers into other funds the last two fiscal years and does anticipate doing so in future years. Included in Line 5.010, Transfer out for FY18 was $2,200,000 for the Recreation Center building project. Transfers out will be made to the Athletic fund and other activity funds as needed. Due to the corona virus related shutdown, the cafeteria fund will lose approximately $100,000 in revenue for FY20. This lose will cause a negative balance in the cafeteria fund (006). The general fund will transfer funds as needed to the cafeteria fund. An additional $50,000 is added to the forecast for FY21. There is potential that some of these costs will be able to be paid from the CARES act funding to be received by the district. If the grant funds are used then a transfer from the general fund would not be required.

OVERVIEW

The district has not been in a deficit spending situation since FY13, but did experience deficit spending in FY18 due to the construction of the Recreation Center. FY 19 had a positive carryover balance of $509,246 and FY20 had a positive carryover of $113,224. For FY21-FY25 of this projection, deficit spending is projected for each year.

The Board and administration will be monitoring the deficit spending and will be working to reduce personnel when possible through attrition and retirements and reduce capital expenditures for the next 4 years to preserve a positive cash balance at the end of the five year forecast. The coronavirus health pandemic will cause reductions in revenues and has the potential to negatively impact the forecast for FY21 and FY22. This situation will be closely monitored and changes to the forecast will be made as new information becomes available.