Marietta City School District
Assumptions for May 2020 (COVID 19)
5 year Forecast

Marietta City School District is articulating to users of forecasts that assumptions are the basis of any forecast. An assumption at best is still an educated guess. Therefore it is emphasized that any forecast will always be prone to errors. It is especially true that the degree of accuracy diminishes the further into the future the forecast goes. It is expected that numbers presented for FY20 are much more accurate than FY24 forecasted numbers. Forecasts by their very nature are not designed to be precise. They are designed to help inform planning and thinking about financial issues.

The assumptions for Marietta City Schools for the period of fiscal year 2020 until fiscal year 2024 by line item follow.

REVENUES

General Property Taxes

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all of the district's voted levies, except the emergency operating levy which began collections in calendar year 2012, increases in revenues are restricted to amounts generated from new construction. The emergency levy generates a set amount annually and is not affected by changes in real property valuation. Reduction factors are not applied to inside millage or to the sum of general fund current operating levies (excluding emergency levies) plus inside millage used for operational purposes below 20 mills.

FY 20 thru FY 24 – Some increases are projected for valuation growth from new construction and for Agricultural & Residential property and Commercial & Industrial property for tax year 2019. Calendar Year 2016, Washington County went through an appraisal update. Calendar year 2019 Washington County went through tri-ennial update. Real Estate projections are based upon recent historical information and current market conditions along with tools used within the five-year forecast module. Starting in FY10 there was a reduction of $206,000 annually due to Marietta Memorial Hospital filing for a tax exemption August 16, 2007. There has been an additional loss of $55,000 annually for the next 13 years as the district will have to repay those taxes previously paid by the hospital. After the 2019 tri-ennial update, Residential property values grew while Commercial property values decreased. Collection percentages for Real Estate may be less due to COVID 19. A reduction in collection is being planned for 2021 and 2022 with higher delinquencies…

Tangible Property Taxes

Tangible personal property taxes are levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Per House Bill 66, Tangible taxes have dropped approximately 25% per year starting in tax year 2006 and continued until completely gone in tax year 2009 as it was eliminated by the legislature. Public Utility Tangible property is currently exempt from this law and will remain intact however values have decreased. The state has agreed to hold schools harmless and will reimburse based on 2004 values for the lost revenue due to this legislation but not for laws already in effect that were reducing tangible inventory values. However, as part of HB 133, signed into law on June 30, 2011, this phase out was accelerated to begin in fiscal year 2012. This reimbursement from the state is reflected in the property tax allocation revenue. It is important to note that Tangible Property generated approximately $2,200,000 in 2004 and the reimbursement from the State is approximately $1,850,000 in fiscal year 2012. After FY18 this replacement will be totally gone. Beginning in FY 2020 Public Utility Tangible property increased with AEP investment in City.

Unrestricted Grants in Aid

Prior to fiscal year 2010, the State's foundation program was established by Chapter 3317 of the Ohio Revised Code and included formula aid and various categorical aid programs. The semi-monthly payments were calculated based on pupil enrollment (ADM), times the per pupil foundation level ($6,010.00 core funding in FY18), less the equivalent of 23 mills multiplied by the school district' taxable property valuation.

Beginning in fiscal year 2010, the State General Assembly passed HB 1 which included a new funding method called the Ohio Evidence-Based Model (OEBM). This model links educational research on academic achievement with funding components. The model incorporates financial data and socioeconomic factors (a district's wealth factor called the Ohio education challenge factor) to fund resources the district uses to implement proven programs according to the student needs to achieve academic adequacy. The adequacy components include the sum of service support for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and instructional materials. However, on March 31, 2011, HB 30 was signed by Governor Kasich, which eliminated the OEBM. A bridge formula has been created for FY 2012 funding.

HB 163 (the budget bill) was signed into law on June 30, 2011, created a temporary bridge funding formula that allocates foundation funding for FY12-13. The bridge formula's calculation begins with the per-pupil level of funding for each district derived from overall FY11 funding levels. The FY11 per-pupil funding levels are then adjusted by a new property tax index to help account for the loss of SFSF. The index allows more state funding to flow to districts with less local capacity to generate revenue. A guarantee was also established to ensure that each District receives as much state foundation aid (minus SFSF) as they received in FY11.

In February 2013, HB 59 was introduced with a new funding formula to replace the bridge formula and was eventually signed into law by Governor Kasich on June 30, 2013. The new formula takes into account nine components: core opportunity, targeted assistance, economically disadvantaged, K-3 literacy assistance, special education, gifted, transportation, career tech, and English language learners. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For FY 2020, Funding was reduced $581,000.00 by governor and the District has estimated a 10% reduction for FY 2021 and then returning to 2019 levels in 2022. These are best estimates as of filing forecast. State Aid is a major player in the District's finances and will be monitored closely.

Funding for school bus purchases has been eliminated by the state. Starting in FY 07 the district lost $120,000 annually due to the cancellation of the CAFS reimbursement by the State. There are now Federal Medicaid funds which are a reimbursement for some of the services provided our special education student population. The Board of Education was a participant in a lawsuit with several other school districts against the State of Ohio to force them to comply with the federal standards and was successful. School Bus allocation was put back into funding for 2021. District estimates a $33,000.00 allocation for a $100,000.00 bus.

In addition, included in this line item beginning in fiscal year 2013, are projected revenues from casinos that will be distributed to Ohio school districts. Four casinos were opened in Ohio, three in calendar year 2012 and the fourth in calendar year 2013. Based on a state formula, approximately 34 percent of casino revenues are distributed to school districts based on ADM. Current projections suggest the District will receive approximately $52.00 per student in 2019, or approximately $145,000. Because of COVID 19, Casino revenues are estimated to drop beginning in FY 2021 and estimate is $26.00 per student moving forward.

Restricted Grants-In-Aid

As previously stated, in 2010, as part of the American Recovery and Reinvestment Act, Ohio was allocated $845 million in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to avoid reductions in essential services, including education. These funds are distributed to districts through the state foundation program and are restricted in their use.

The Education Jobs Fund (Ed Jobs) was included as part of federal legislation passed on Aug. 10, 2010. The program provides $10 billion for states to save or create education jobs for the 2010-2011 school year. Ohio is estimated to receive $361 million from this program and monies must be spent by September 2012. Marietta CSD has been allocated approximately $420,127, and 75% of this allocation became available for use in October 2010. These monies were used by the District to supplant general fund paid dollars for salaries and benefits of current teaching or certain administrative staff in fiscal year 2012. For FY13, the amount listed in the forecast represents dollars spent through this grant from July 1, 2012 through September 30, 2012. These funds have not been re-allocated for future fiscal years.

For FY19 and beyond, the forecast has Economically Disadvantage funds and Career Tech funds in this line item which are actually backed out of total guarantee funds.

For Fiscal Year 2020 and 2021 the State distributed Student Wellness Funds. Marietta City will receive $250.00 per student in 2020 and $360.00 per student for 2021. These funds are not part of the five year forecast. For FY 2021, the assumption is the District will still receive these funds however discussions about the amount for 2021 is questionable.

Property Tax Allocation

This is a reimbursement from the state for rollbacks and exemptions on real property and manufactured homes and also tangible tax revenues eliminated by legislation. The real property reimbursements are based upon current calendar year actual and estimate for following years. Manufactured homes property reimbursement is based upon prior year actual. Tangible tax revenue reimbursement has continued to increase as taxes have been phased out. Originally this reimbursement was to be phased over an eight year period starting in FY16. However, based on the current state budget, the phase out of this reimbursement was accelerated to begin in fiscal year 2012. This resulted in the loss of revenues for Marietta City School District of approximately $546,000 in fiscal year 2012 and an additional $413,000 in fiscal year 2013. For FY 2021, increases in rollback and exemptions are anticipated but dependent upon collection rates.

All Other Revenue

All other revenue consists of tuition and open enrollment, interest on investments, Ohio Medicaid School Program reimbursements, other revenue and refunds of prior year expenditures. All other revenue is expected to be less in 2018 and moving forward because SERS payments from AVI stopped in February 2017 along with the expense so it was a net zero gain/loss for the District. Open enrollment in will be less in 2018 compared to 2017. The Medicaid program does generate approximately $175,000.00 reimbursement per year. Interest income is expected to bring in additional revenue in FY 2019. Open Enrollment loss for 2019 is about 50 students or $300,000.00 The same anticipated loss of open enrollment out for 2020 and 2021 is modeled in Purchased Services. Interest Income increased in 2019 from Banks paying higher interest rate. Interest income in 2021 moving forward will be much less. In FY 2021 open enrollment out loss is anticipated at $250,000.00 and community school deductions along with Collge Credit Plus being at 2020 levels.

All Other Financing Sources

Other financing sources consist of two components, “Return of Advances” and “All Other Financing Sources”. It should be noted in the Expenditures section under Other Financing Uses there is an Advance Out to other funds, this is done to pay up Federal and State funds which require money to be paid during the months of May and June each year but where the Ohio Department Of Education’s cash payment system shuts down in the middle of June for year-end close. Therefore money is advanced under the expenditure section to cover this short term cash flow interruption and short fall. In this section Other Financing Sources is the estimate of the return of that money previously advanced. It is estimated approx. $10,000 is required each year. "All Other Financing Sources" consists of refunds of prior year expenditures and proceeds from the sale of assets.

EXPENDITURES

Personal Services

Personal services expenditures represent the salaries and wages paid to certified staff, classified staff, administrative staff, substitutes, tutors, and board members. It also includes payment for supplemental contracts, severance payments, and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education.

As part of a new negotiated agreement approved for fiscal years 2016 and 2017, both the teacher's union and local OAPSE union agreed to a 2.25% base salary increase and 2.0% increase respectively. In fiscal years 2020 through 2024, average incremental step increases will occur. Salaries will increase in FY19 and FY20 because of negotiated salary increases for OAPSE and MEA along with hiring of additional staff. MEA received a 3% increase in 2019 and a new starting salary level of $34,000 for 2020 with step indexes being adjusted. Salaries in 2020 and 2021 will be offset by Student Wellness Funds totaling $386,000 in 2020 and over $500,000 in 2021. The salary expense is modeled back in forecast in 2022.

During FY15, the District had approximately 15-20 employees retiring and/or leaving the District. While the immediate financial savings of these retirements is not significant (due to severance payments being paid), we expect these changes to reduce payroll over the next few years. Anticipation of more retirements in 2020 and 2021 are also anticipated. A severance account has been set up since 2019. Both Union contracts expire June 30, 2020 and negotiations are being planned.

Employee's Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from negotiated agreements. In January 2017, a new Health Savings Account Insurance plan goes into effect.

In 2017 and 2018, the board will help offset the cost with contributions to the Health Savings Account. The health insurance costs should decline in the next few years based on the new plan in place.

Per current legislation, a "Cadillac tax" may begin taking effect in upcoming years. This tax is based on the total premiums paid on health insurance. If the total dollar amount of these premiums exceed a stated threshold ($10,200 and $27,500 for single and family coverage, respectively), the District would be subject to this tax.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and actual are prorated over the next calendar year.

SERS sent notice to all employers to become current in contributions and offered two choices for payment. Districts can choose to make restitution in a lump payment due in June 2010 or through a six year amortization of the liability. Marietta CSD chose the six year amortization and as a result will see a $39,932 increase in FY11 that will last six years. This amount was projected as being fully paid during FY16 and thus removed from the forecast in FY17.

Health Insurance is a major driver of Benefits. Anticipation of 10% increases in premium are being forecasted.

Purchased Services
This line item contains professional and technical services, travel and meeting expenses, communication costs, utility services, tuition payments (including open enrollment out), pupil transportation and other miscellaneous purchases services. As part of the pre-school program has already been transferred from Ewing School to the school district this is an expense that could grow if the entire pre-school program is transferred from Ewing School. Future years are projected at a 1% increase.

During September of 2010, the District entered into an agreement with Cenergistic (formerly Energy Education Inc.) to partner in an energy savings project designed to save the District energy costs. The total net savings projected by Energy Education for the forecast period amounts to approximately $700,000. As part of this contract, the District paid Cenergistic a fee of $69,600 per year for the first four years of the contract. This fee was completely paid in 2014, and thus, removed from the forecast.

Beginning on July 1, 2015, the District switched from Smart Solutions to Epiphany Management Group to run the District's IT Department at a price of $180,000 per year. Again, this agreement will be evaluated on a year to year basis. The District will be installing over 120 A/C units in buildings in FY 2019 and Electric costs are expected to rise. ESC costs also increased in FY 2019. For FY 20 and 21 Purchased Services will be flat on the forecast line as the Student Wellness Funds will help offset increases and ESC charges will be reduced overall for two years. In 2022, Purchased Services modeled to increase.

Supplies and Materials
There was a reduction of $160,000 annually starting in FY08 for textbook adoptions which will be paid for by the Permanent Improvement Fund. This line item includes fuel used by the District and custodial supplies.

Capital Outlay

For FY20 through FY24 we are projecting minimal increases in capital outlay expenditures.

For FY20 through FY24, most capital expenditures for instructional equipment, technology, buildings repairs, office equipment and buses will be paid for from the permanent improvement levy fund.

Other Objects
Current year anticipated expenditures based upon recent historical trends with future years based upon 2.0% annual increase.

Debt Service
FY 20 – FY 21 - Reflects principal and interest payments for HB 264 energy saving loans. Of note, is that one of the two loans being paid back will be completely paid off in December of 2017. Thus there will be a decrease in debt service expenditures starting in FY19 and HB 264 loan for other loan will end in 2021.

Other Financing Uses
FY 20 – FY 24 - Projected all years for Transfers Out & Advances Out.

Encumbrances
Encumbrances represent purchase authorizations and contracts for goods and service that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

For fiscal years 2020-2024, the District has reduced encumbrances to zero.

Enrollment
FY20 – FY24 –District Enrollment to decline. For fiscal year 2016 and 2017, the difference between open enrollment in and open enrollment out is a break-even with equal students open enrolling at other Districts and open enrolling into Marietta CSD. For FY 2019 open enrollment out is 50 students more than enrolling in which increases purchased services line. This trend is anticipated for 2020 and 2021.

Staffing

FY 18 – Reduction in staffing based on enrollment (7)
FY 19 – Increased staffing levels to provide better education
FY 20 – No changes to staffing based on enrollment. Add Student Services Administrator.
FY 21 – Staffing levels to be reduced through retirements and attritions

FY 2022 – Staffing levels reduced because of Consolidation

Textbook and Capital Set-Aside Reserves

The District was required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end must be held in cash at year-end and carried forward to be used for the same purposes in future years.

However, HB 30 signed by the Governor on March 31, 2011, eliminated the textbook setaside requirement; therefore, no textbook set aside reserve is forecasted for FY 2012 and beyond. The District anticipates that no capital and maintenance reserve will exist in fiscal year's due to the District's capital expenditures per year.