

NOTES TO THE FIVE-YEAR FORECAST
MONROE LOCAL SCHOOL DISTRICT
May, 2017

POLICY AND STRATEGIC CONSIDERATIONS

Monroe Local School District was established on September 14, 1999, when the Ohio State Board of Education approved a resolution that allowed only residents living in the city limits of Monroe and portions of Lemon Township to decide at the March 7, 2000 election whether to establish a separate Monroe Local School District. The ballot was approved and on April 12, 2000, the State Board of Education appointed, by resolution, the five-member Monroe Local School District Board of Education. The transfer of assets from Middletown City Schools was made to the Monroe Local School District on June 30, 2000.

The Board controls the School District's three instructional and support facilities staffed by approximately 65 non-certificated personnel, 165 certificated. They provide education to 2800 students.

According to the 2010 U.S. Census data, the District's population is 13,061 and has grown from 7000 since 2002. Given its proximity to Dayton, Cincinnati, and Columbus, and location near Interstate 75 and Route 63, continued growth is anticipated.

The District operates two school buildings; the main campus and primary school. The main campus is comprised of the high school, junior high, and elementary school. Preschool, kindergarten and first grade are located at the primary school. The Forecast assumes a 3% growth in enrollment based on recent history.

From May, 2012 through September, 2014, the District was placed in Fiscal Emergency and borrowed \$2,631,000 from the State's Solvency Assistance Fund. As of June 30, 2015, the final debt payment to the State was made. Since that time, the State Auditor has formally recognized Monroe Schools for eliminating financial emergency conditions, implementing controls to protect the financial status of the District, and achieving fiscal integrity. The District was awarded the Auditor of State Award for the FY 2016 Audit.

Between 2005 and 2011, money was borrowed from the Bond Fund to support capital projects. The State Auditor authorized returning this money to the Bond Fund over a five year period, starting in September, 2012. The annual debt to the Bond Fund is \$621,430, through FY 2017. On June 30, 2017, the entire debt will have been repaid.

In November, 2012, the community approved a Five Year Emergency Levy to generate \$2,503,000. In November, 2016, the community passed a 7.2 mill Substitute Levy to generate \$2,231,190 per year. This levy is continuing. The reduction of \$300,000 in tax revenue starts in FY 2018.

GENERAL ASSUMPTIONS

- This forecast assumes that, on a per pupil basis, the total taxable value of real and public utility tangible property is 311,403,310 and equals \$117,485 per pupil. It ranks 349 out of 612 Districts, with 264 Districts reporting less valuation per pupil.

- The largest taxpayers in the District are:

<u>Taxpayer</u>	<u>Total Assessed Valuation and Public Utility</u>	<u>Percent of Assessed Value</u>
1. Rockies Express Pipeline LLC	\$35,744,540	11.47%
2. Duke Energy Ohio	22,063,650	7.08
3. K.P. Properties of Ohio	7,621,910	2.44
4. Ohio Presbyterian	4,359,230	1.39
5. Worthington Steel	4,137,960	1.33
6. EPHS Investments	2,543,800	0.81
7. Summit Properties	2,193,370	0.70
8. Dayton Technologies	2,136,810	0.68
9. RMMD II Company, Ltd.	1,923,430	0.62
10. Frick Real Estate. Ltd.	1,870,250	0.60

- This forecast assumes that the District's current expense real estate effective tax rates (both Class I and Class II) will be assessed at the 47.27 effective mills for all forecast years. In FY 2010, the voters approved a continuing Substitute Levy to generate \$3,549,000 each year. In November, 2012, the voters approved a Five Year Emergency Levy to generate \$2,503,000. In November, 2016 the voters approved Substitute Levy to generate \$2,231,190. The reduction in tax revenue is shown starting in FY 2018. District operations are also supported by a 20 mill continuing operating levy.
- A portion of tax revenue is received from the City of Monroe through a sharing agreement for Tax Increment Financing Districts (TIFs) and Residential Incentive Districts (RIDs). About \$3,200,000 was received through this agreement in FY 2017.
- Recent data from the Ohio Department of Education shows that the School District's revenues and expenses were less than similar Districts and the State average:

	Monroe LSD	Similar Districts	State Average
Revenue Per Pupil	\$10,558	\$12,251	\$13,394
Expenses Per Pupil	\$7,979	\$10,633	\$11,164
Revenue from the State per Pupil	\$3,417	\$3,889	\$5,866
Revenue from Local per Pupil	\$4,610	\$6,472	\$5,569

ASSUMPTIONS FOR REVENUE

- Property Tax Revenue (REAL ESTATE LINE 1.01)

The District is 65% supported by the local taxpayer. Property tax revenue reported for FY 2017 is the amount actually received. The estimate in taxes for FY 2018 is based on the property values provided by the Butler County Auditor and the mills approved in the Tax Budget filed for FY 2018. The projections in FY 2018 and beyond are conservative given recent trends in the reduction in property values.

FY 2014 was a year of transition for tax revenue which explains Line 1.01 in that year. Tax revenue declined by a retroactive adjustment in accounting for property tax revenue going back to 2009. This adjustment was made because additional properties were reclassified as part of Residential Incentive Districts. Inversely, revenue in Line 1.06 increased. This adjustment was only for one time, and tax revenue is expected to be consistent moving forward.

In FY 2011, the District moved 2.03 inside millage to support a Permanent Improvement Fund. This fund will be used to pay off general fund debt. This fund is not shown on the Forecast.

- Tangible Personal Property (LINE 1.02):

Revenue from Public Utility Personal Property (PUPP) accounts for 15% of total local revenue, as a result of Duke Energy and Rocky Express Pipeline. The value property is \$59,000,000, and is projected to generate \$2,519,000 in FY 2018 and beyond.

- State Foundation Revenue (LINE 1.035 AND LINE 1.040):

The District is currently 35% funded by the State. The formula amount per student is \$6,000 but the formula for funding does not apply to Monroe. Instead, funding for the District is capped at no more than 7.5% over the funding for the previous year. While the State formula shows the District should receive \$11,921,000, but because of cap, the District receives \$7,000,000 in basic aid.

State Foundation (Unrestricted) - The total from the State Foundation for FY 2017 is actual data. Projections for FY 2018 are based on the latest simulations provided by the Ohio Legislative Service Commission. This estimate is not final. The State funding for schools is influenced by factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond FY 2017 was flat lined because of this.

State Foundation (Restricted) - These funds are from the State and are restricted in their use. This is funding for Career Tech, reimbursement for catastrophic costs, services for the economically disadvantaged, and reimbursement from Medicaid for health care services provided to student recipients.

- Property Tax Allocations (LINE 1.05)

These funds are reimbursements from the State for homestead and rollback tax exemptions and will mirror the trend in property tax revenue. Homestead and rollback revenue is 12.5% of residential and agricultural property tax revenue.

Since FY 2006, this line also began including reimbursement from the State to cover the loss in Tangible Personal Property tax revenue. In FY 2013, the District received \$ 285,732 from the State for the fixed sum Substitute Levies. This source of revenue will be phased out.

- All Other Revenue (LINE 1.06) – Open Enrollment and TIF/RID revenue from City of Monroe:

Other revenue is comprised of about \$700,000 in open enrollment revenue from other Districts. It also includes \$3,200,000 from the City of Monroe based on the tax revenue sharing agreement.

- Other Financing Sources (LINE 2.01-LINE 2.06):

In FY 2017, the District received \$55,206 back from the County Auditor as refunding for past fees.

Solvency Assistance Funds (Line 2.02)

In FY 2012 and FY 2013, the District borrowed \$2,631,000 from the State's Solvency Assistance Fund. The District repaid the entire debt as of June 30, 2015.

Advances in and All Other Financing Sources (Line 2.05 and 2.06)

In FY 2012, the State Auditor approved an extended payback plan for the \$3,102,157 that was improperly spent from the Bond Fund in all the years from and including FY 2005 through FY 2011. The debt to the Bond Fund will be retired at the end of FY 2017.

ASSUMPTIONS FOR EXPENDITURES

- Personnel Services - Salaries (LINE 3.01)

FY 2017 is based on ten months of actual data. For FY 2018 and beyond, salaries include regular instructional salaries, supplementals, extra time and severance paid to retirees. From FY 2015 through FY 2017, additional staff were employed to provide programs that were eliminated over the last three years, and also to establish new programs to enhance course offerings and improve instruction. Salary expense is expected to increase by 6%, given the number of staff at the lower end of the salary schedule and eligible for step increases.

Salaries do not include bus drivers, since the District contracts out for busing. They do not include custodial and maintenance staff. This service is contracted out also. In FY 2013 and beyond, salaries do not include certified substitutes because the District has contracted with the Butler County ESC for substitutes. Monroe is part of a Technology Consortium with the City of Monroe and the Butler County Educational Service Center and so there are no salaries for technology staff. Since FY 2013, the District has contracted with the ESC for a Director of Pupil Services. These expenses are in purchased services on the Forecast.

- Retirement and Insurance (LINE 3.02)

All certified staff are members of the State Teachers Retirement System and the classified staff are members of the School Employees Retirement System. The District's pays 15% of salaries to both retirement entities. Estimates for FY 2018 are derived given the additional positions added for FY 2017.

Monroe is part of a health care consortium with other Butler County schools. By sharing the cost of health care, the District has realized low increases in premiums over the last several years. In FY 2017, the premiums remained the same as in the two prior years. District pays 90% of the health insurance premiums. In 2018, employees will be required to pay an additional 2.5 % of premiums.

The increase in health costs in FY 2017 and beyond is based on staff moving from single to family, additional staff employed.

- Purchased Services (LINE 3.03)

These are payments for outside services such as for utilities and repair of facilities. It includes contracts for transportation services, custodial and maintenance services, and technology services. Purchased services also include a contract with the Butler County Educational Service Center for certified substitutes, and other positions.

The State of Ohio mandates the District pay for students who elect to attend other programs:

- Community Schools
- Special education students court placed in other Districts
- Scholarships for students to attend specialized schools
- College Credit Plus

The District provides nursing, speech therapy, psychological services, contracted interpreters, occupational/physical therapy and contract transportation. The costs are driven by the needs of handicapped students and services specified in their Individual Education Plans (IEP's). This population is static and costs are unpredictable. Budgets are based on contingencies. In FY 2018 and thereafter, we are assuming a 6% increase.

- Supplies and Materials (LINE 3.04)

These expenses are for instructional supplies, textbooks, custodial and maintenance materials, bus fuel, office and other kinds of supplies. Supplies also include technology supplies and software licenses. In FY 2017, the forecast reflects appropriations approved by the Board in September. Supplies are estimated to increase by 2% in 2018 and beyond. In addition, \$350,000 is budgeted each year for textbook adoption.

- Capital Outlay (LINE 3.05)

Capital projects include both land and building improvements, and ongoing general maintenance and projects to ensure student safety. They also include the addition and replacement of technology equipment. In FY 2017, these projections are based on building budgets reflected in the annual appropriations.

The cost for the demolition of the old high school is part of capital outlay in FY 2016 and FY 2017. This is a one-time cost and does not influence the budget in future years. In FY 2017 and beyond, the normal operating expenses are expected to increase 2%, reflecting upgrades in technology and building improvements.

The Forecast includes \$600,000 for the placement of portable classrooms in FY 2018, in anticipation of increased enrollment.

- Debt Service (LINE 4.00):

- Repayment of State Advancements (Line 4.03)

- In FY 2012, the District borrowed \$2,204,000 from the State's Solvency Assistance Fund. This debt was repaid by June 30, 2015.

Payment on Debt - Principle and Interest on Four Loans (Line 4.055 and Line 4.06)

The District has one HB 264 Energy Conservation Loan which will continue through 2030 unless paid off early. It is for \$725,000 and the savings from lighting upgrades will more than offset this expense. The Principal and Interest are shown on the Forecast.

The District has three other outstanding long term loans. The loan for the Stadium and Fieldhouse both began in 2005. The loan for the Stadium will end in 2034. The loan for the Fieldhouse will end in FY 2024. The loan for central office/bus garage began in FY 2010 and continue through 2030. In April, 2012, the Permanent Improvement Fund (Fund 003) was established by the Board, to account for moving 2 mills of inside millage to fund capital improvements. The principal and interest on the three loans are paid out of the Permanent Improvement Fund. This general obligation debt is not shown on the Forecast.

- Other Objects (LINE 4.30)

These expenses are comprised of fees paid to the Butler County Auditor, County Treasurer and Ohio Department of Taxation for tax collection fees. Other objects include expenses for financial audits, county auditor and treasurer fees, and bank charges. We anticipate they will increase 2% in future years.

- All Other Financing Uses (LINE 5.03)

This Line represents the payments to the Bond Fund. It is \$620,430 each year through FY 2017.

- Reservation of Fund Balance (LINE 9.08)

In FY 2014, the Board approved three reserve funds for the following purposes: textbook adoption each year, capital improvements and a reserve funds to support establishing educational programs as determined. Since the amount set aside for capital improvements was for modular units, this reserve was moved to the budget in FY 2018.

In FY 2017, the Board approved a Cash Reserve Policy, based on 60 days of expenditures from the prior year. This amount is in Line 9.045 for FY 2017 and beyond.

The School District spends all monies as required to be set aside by law for instructional supplies and materials in lieu of reserving funds for future expenditures. Also, the School District spends all monies as required to be set aside by law for capital maintenance in lieu of reserving funds for future expenditure. This required reserve less the off-set credit amount is less than the amount needed to address the capital maintenance plan of the District.

Funds Not Included in the Five Year Forecast

The Five Year Forecast only reports the General Fund. The Bond Fund and Permanent Improvement Fund, which are also supported by tax revenue, are not included on the Forecast. They have separate revenue streams which are restricted in their use by the Ohio Revised Code.

The Lunchroom Fund, Athletic Fund, Student Activity, Grant Funds and all other funds documented in the District's financial records are not supported by local tax revenue, and are not included in the

forecast document. These funds also have separately designated revenue streams and are restricted in their use.

LINE 6.01- Excess of Revenues over (under) Expenses

As a result of major reductions in staffing and programs, and the passage of an Emergency Levy in the fall of 2012, and then again in November, 2016, the District was able to reverse a downward trend prior to 2012. In FY 2016, revenue exceeded expenses by \$3,416,000. However, this line starts to show a downward trend starting in FY 2017 and moving forward. Line 6.01 will continue to be monitored closely.

Professional Diligence Notice and Disclaimer:

Reasonable professional diligence and care is exercised in the preparation of this forecast document. It is a public record pursuant to the Ohio law. Public dissemination is required by State law. Multiple and varied sources and methods are used to develop the forecast data. Various assumptions and other extrapolations are employed in developing the data that may or may not be timely, accurate, complete or correctly interpreted. All forecast data is subject to change or correction at any time without notice. If any notice is subsequently provided, such notice may be limited to the filing of a revised forecast within the parameters of the statutory filing schedule.

The forecast document is designed solely to provide a general indication of the probable future financial position of the School District. The legitimacy or accuracy of any specific assumption, number or the forecast in total – while deemed reliable – cannot be guaranteed. In many cases, a relatively small change in one forecast number will have the effect of materially changing forecast data and trends, positive or negative. Therefore, professional discretion, due diligence, and caution is required when using and interpreting forecast information. Questions from the community and other users of this data are encouraged. The contact person is Holly J. Cahall, CPA, Treasurer/CFO, Board of Education.

Please visit the [Ohio Department of Education website at ftp://ftp.ode.state.oh.us/geodoc/5-yrForecast/](ftp://ftp.ode.state.oh.us/geodoc/5-yrForecast/)