

Centerville City Schools
Forecast Assumptions – May 2020

May 2020 Update – Like all businesses and schools, Centerville City Schools is feeling the impact of the COVID-19 pandemic that the nation and world are facing this spring. The revision to the May 2020 financial projections include the information known to the district at this time. The summary points for this revision include:

- Accounting Changes – Various revenue and expense items have been reclassified in the accounting system to better reflect proper accounting procedures. These changes have a \$0 impact to the district's bottom line, but overall revenue and expenses are both less because of these changes.
- FY 2020 Updates – Ten months of actual data has been taken into account with this revision. Many revenue line items are updated to actual dollars collected. Expenses were adjusted slightly to reflect where we think we will end the year.
- State funding reduction – On May 5, 2020, Governor DeWine announced a reduction of over \$300 million to schools across Ohio because of State budget shortfalls from the economic impacts of COVID-19. Centerville City Schools will receive a reduction of \$2,119,376 before the fiscal year ends on June 30, 2020. This reduction in funding is factored into this forecast revision and the district has used that reduced level of state funding each year moving forward.

The district is working on an education plan for the 2020-2021 school year that may look different than education from the past. Online and blended approaches to learning, personal protective equipment, and social distancing are all part of those conversations. The administration and Board of Education have identified the following risks to the district's financial plan that could evolve in the coming months:

- State funding reduction – The Ohio Department of Education has told districts it's possible that **additional** reductions to funding could happen in FY 2021. It is difficult to speculate at this time what those funding reductions might be. The FY 2020 reduction was calculated based on the local wealth capacity – higher wealth districts received a higher reduction per pupil than lower wealth districts. Centerville's reduction was 15% of the revenue it was receiving from the state foundation funding system.
- Property Tax collections – A high unemployment rate may translate to an inability to meet monthly expenses for some of our taxpayers. If taxes are not paid, the district may see an increase in tax delinquencies.
- Unknown or indirect costs – As mentioned above, until we have further guidance from the state and can identify what learning looks like in the future, we have exposure to unknown or indirect costs. Cleaning and sanitation expenses, personal protective equipment for students and staff, and other services that are impacted by the pandemic are all examples of areas of exposure in the district's budget.

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INTRODUCTION – FORECAST SUMMARY

This financial forecast and significant assumptions are required by Ohio Revised Code Section 5705.391 to provide a method for the Ohio Department of Education and the Ohio Auditor of State to identify school districts that may be facing financial difficulty over the next five years. The format was designed by those agencies; however, the accuracy and reasonableness of the forecast and assumptions rest with the district administration and Board of Education. While this document provides the reader with assumptions, it is recommended that interested parties contact the Treasurer's office for information on changes and assumptions. Laura Sauber can be contacted at laura.sauber@centerville.k12.oh.us or 937-433-8841, extension 2023.

The Centerville City School District serves nearly 8,300 students in a 31 square mile area in the southeastern part of Montgomery County encompassing the City of Centerville and Washington Township. Today, the District operates twelve school buildings: 2 primary schools serving grades K-1; 6 elementary schools serving grades 2-5; 3 middle schools serving grades 6-8; and, 1 comprehensive high school serving grades 9-12. The District also operates a preschool within the primary buildings, and an alternative high school at a separate location.

REVENUE

1.010 General Property Tax (Real Estate) – General property tax revenue is money that is collected from taxes assessed on property within the district. The district passed its most recent levy, a 6.9 mill continuing levy (5.9 mills for operations in the general fund and 1.0 mill for permanent improvements throughout the district), in November 2019. This forecast assumes renewal of a \$9,550,000 emergency levy that is set to expire on December 31, 2023. FY 2023 and FY 2024 figures are dependent on that renewal. Other growth in the projected revenues is from the construction of new property in the district. Montgomery County is scheduled for reappraisal in tax year 2020 (collection in 2021).

1.020 Tangible Personal Property Tax – Tangible Personal Property tax revenue is limited to the Public Utility Personal Property values.

1.035 Unrestricted Grants-in-Aid (State Foundation Funding) – State funding can have significant changes from biennial budget to biennial budget. The State of Ohio approves a budget every two years. A new budget was approved in July 2019 that will cover FY 2020 and FY 2021. As of the submission of this forecast, the FY 2020 budget has been approved by the State of Ohio and assumptions are based on simulations of the current version of the budget bill. The forecast assumes no changes in State Foundation support after FY2020.

1.040 Restricted Grants-in-Aid – This revenue is restricted funding, primarily for Economically Disadvantage and Career Technology programs.

1.050 Property Tax Allocation (Rollback and Homestead Reimbursement) – The rollback and homestead reimbursements are tax credits by the State of Ohio granted to owners of real estate property. A 10% reduction in the property taxes paid by the owner is paid by the state to the school district. If the property owner occupies the property, then an additional 2.5% reduction in the property taxes is given

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to the property owner and is paid by the state to the school district. Rollback and homestead credits only apply to levies approved prior to November 2013.

1.060 All Other Revenues – Other local revenues include investment earnings, transportation fees, pay-to-participate fees, tuition and tuition for special education students. These revenue items can greatly fluctuate from year-to-year. The district also accounts for employee insurance contributions to this revenue source.

2.080 Total Revenues and Other Financing Sources – The revenue projections are based on the best information available at this time. It should be noted that while necessary for effective management, there is a great deal of volatility in forecasting five years of revenue in a state that budgets two years at a time. Variations to the forecast are expected. The district is closely monitoring changes in revenue to adjust as quickly as possible to a changing economy.

EXPENDITURES

3.010 Personal Services – This line accounts for all salaries for the General Fund. The current agreement with the Centerville Classroom Teachers' Association gave a 3.375% raise to the base salary for FY 2020 which was then applied to all other district employees. The agreement with the CCTA expires June 30, 2020. All future projections allow for steps and longevity and no increase to base salaries. Staffing levels are expected to remain steady moving forward.

3.020 Employees' Retirement/Insurance Benefits – This line accounts for the fringe benefits (board paid contributions to employee retirement systems, medical, dental and life insurance premiums, Medicare, and workers compensation) of the entire staff. Retirement cost and Medicare increases are in direct, positive correlation to salary and wage changes. The district maintains its own health insurance through a self-insurance fund. The health insurance market has been volatile in the last couple of years, requiring a 20% increase in 2019 and a 7% increase in 2020. Projected rates in this forecast are 5% - 7% per year.

3.030 Purchased Services – The main budget items in this area include all utilities (gas, electric, water, sewer, garbage), equipment repairs, liability, property and fleet insurance, postage, college credit plus tuition, special education tuition, services provided by the Montgomery County Educational Service Center, and other tuition and contracted services. These budget items are generally considered the fixed cost items to operating the district.

3.040 Supplies – The amount spent on supplies, materials and textbooks can vary significantly each year. The curriculum and subsequent textbook purchase cycle primarily account for this variation. In addition, timing may also play a significant role in cost reporting depending upon when the textbooks are ordered, delivered, and when the bill is paid.

3.050 Capital Outlay – Capital outlay includes all new and replacement equipment for the district. Capital outlay can vary significantly each fiscal year depending upon need, funding, timing, and the permanent improvement fund. The district expects minimal capital outlay from the general fund as a result of the permanent improvement fund for every year of the forecast.

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4.300 Other Objects – The main budget items in this area include Montgomery County Auditor and Treasurer fees for collecting our local property taxes and distributing them to our district, election expenses, bank charges, and the annual financial audit. It is assumed that the County Auditor will continue to collect fees at an increased level as the district has experienced in the past few years.

CASH POSITION

6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses – This data point on the forecast is the one used by administration and the Board of Education to plan from year-to-year and to look at the timing of future levies or budget reductions. If the number is positive, then the district received more revenue than it spent for the year. If the number is close to zero, the budget is a balanced budget for the year. If this number is negative, then the district is spending more than it receives in revenue for that respective year.

10.010 Fund Balance June 30 for Certification of Appropriations – The balance on this line (and all lines after this), are the indicators that the Ohio Department of Education and the Auditor of State use to identify the fiscal health of a district. In the event that balances do not meet the requirements by these agencies, the district will implement a plan to offset any projected shortfall. This contingency plan may include proposed additional tax levy requests and/or necessary budget reductions.

CONCLUSION

Finally, the information presented on this financial forecast is representative of what is known and available at this time. Changes will inevitably occur throughout the five year period that this document covers. While funding challenges lie ahead for the district, we are in a position today to make informed choices that will continue the tradition of excellence (including high academic results and sound fiscal management) for all of our students.