

WINTON WOODS CITY SCHOOL DISTRICT
FISCAL YEAR 2023
FIVE-YEAR FORECAST ASSUMPTIONS

The forecast is legally adopted by the Board of Education and is intended to assist Board members, administration and interested parties in assessing the fiscal ramifications and consequences of decision-making, or lack thereof, for the District. No number or assumption in this forecast should be considered an absolute because the information relied upon to develop the numbers is in a constant state of change.

INTRODUCTION

Per the Ohio Revised Code, public school districts in the State of Ohio are required to submit a Five-Year Financial Forecast in November and May of the fiscal year. School Districts operate on a fiscal year running from July 1st – June 30th. The forecast includes revenues, expenditures, excess/deficit line items, estimated encumbrances, and the projected fiscal year end cash balance. The forecast includes three years of historical/actual data and five years of projected estimates.

The Ohio Department of Education’s purpose/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long-range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district’s ability to sign the certificate required by O.R.C. 5705.412, commonly known as the “412 Certificate”.
3. To provide a method for the Department of Education and Auditor of State to identify the financial standing of the Winton Woods City School District.

The forecast is a tool used by the Board of Education to illustrate the projected financial position of the school district in upcoming years. Due to the unknowns in future economic conditions and assumptions, the forecast is an ever-changing document. Overall, the forecast needs to be reviewed based on future trends and percentages, rather than specific amounts. Many projections are based on the information provided by the County Auditor, State Auditor, Ohio Department of Taxation, and Department of Education.

Revenue unknowns and variables, include, but are not limited to; enrollment, property valuation, new construction, and interest rates. State funding is based on a biennium budget, which will change every two years (meaning state revenue cannot confidently be projected beyond the biennium budget). Expenditure unknowns include, but are not limited to: staffing levels, retirements, healthcare fluctuations, utility costs, special education costs, and tuition. Therefore, financial forecast documents must be viewed and interpreted as dynamic documents. It is inevitable that no forecast number will be exactly right – but the trend may certainly be relied upon. This forecast will continue to change as events occur and decisions are made.

Fluctuations in revenues & expenditures in the current year of the forecast do not only affect the current year, but substantially compound and affect the future years of the forecast.

ABOUT THE DISTRICT

The Winton Woods City School District is located approximately 15 miles north of Cincinnati, Ohio. It serves an area of 13.2 square miles encompassing the City of Forest Park, Village of Greenhills and a small portion of Springfield Township.

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Starting for the 2021-2022 school year, the District had 3,823 students enrolled in three campuses: North Campus serving grades 7-12; South Campus serving grades 1-6 and an Early Childhood Center serving PK-K. The District had been experiencing declining enrollment until the 2011-2012 school year in which enrollment began to stabilize. The District also operates a variety of other facilities, including a central administration building, bus garage, maintenance building and athletic facilities.

The District provides a full range of programs and services for its students. These include elementary and secondary course offerings at the general, vocational and college preparatory levels. A broad range of co-curricular and extra-curricular activities to complement the students' curricular programs are also offered.

The last tax levy was passed in November 2018. This was a continuing replacement levy, which replaced a \$4.2 million emergency levy which would have expired at the end of 2019. The District plans to submit to the voters a \$3,500,000.00 five-year (5) emergency levy at the May 2023 election to take effect January 1, 2024.

The following is a description of the assumptions made in developing the current Five-Year Plan.

Revenues

Line 1.01 General Property Taxes (Real Estate)

Real Estate revenue is based on the most current tax duplicate information received from the Hamilton County Auditor. Property values are established each year by the County Auditor based on new construction and updated values. The Hamilton County Auditor completed the updated reappraisal in 2020 which began collections in 2021.

Based on the latest information available from the Hamilton County Auditor, the current total property values for collection year 2022 are \$556,226,800; \$410,836,990 for residential and agricultural, \$119,439.630 for commercial and industrial and \$25,950,180 for public utility personal.

Due to HB 920, passed in 1976, we do not receive additional revenue on voted millage if property values increase. HB 920 effectively reduces the millage to provide the same amount of revenue as when the millage was passed. In a period of declining property values just the opposite is true. The District will receive the same revenue thus increasing the effective rate. However, the effective rate may never exceed the voted millage. The District does have inside millage of 4.65 mills that is permitted to grow (decline) if the property values increase (decrease).

However, due to a relatively stable total valuation, total real estate collections have been held constant for fiscal years 2023 through 2027.

There is a proposed five (5) year emergency levy on the Forecast which will generate \$3.5 million per collection year beginning in FY24

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Line 1.02 Tangible Personal Property Taxes

House Bill 66 eliminated tangible personal property tax on machinery, equipment, and inventory used by businesses in the state of Ohio. This change is seen as an opportunity to promote economic development in Ohio. This source of income and reimbursement by the state of Ohio was completely phased out beginning fiscal year 2017.

Line 1.03 Income Tax

The District does not have an Income Tax.

Line 1.035 Unrestricted Grants-in-Aid

The State of Ohio funds public school districts on a two-year cycle, referred to as the biennium budget. Projecting state funds beyond the two-year budget is challenging since the reliance on these funds is based on future, unknown legislation. Funding public school districts in Ohio has been a controversial topic for decades, evident by the Ohio Supreme Court ruling school state funding unconstitutional on at least three different occasions.

State Funding has experienced different funding “formulas” in three of the last four biennium budgets. The most recent biennium budget passed by the State in 2021, instituted a change in how districts are funded. Prior funding formulas based the funding on the number of resident students. The recently passed formula bases funding on students attending the District. The State anticipates that the formula will be fully funded after six years by increasing the budgeted amount by 16.66% each year. However, the State’s biennium budget only guarantees funding through fiscal year 2023.

State support for fiscal years 2023 through 2027 has been projected on the most recent information available. The state funding formula is currently the “Fair Share Funding Plan”. The state funding was frozen at fiscal year 2019 funding levels prior to the implementation of this plan. The projected receipts from the new program are \$21,222,600 for fiscal year 2023. An approximate \$800,000.00 annual projected increase in unrestricted and restricted funding has been included through fiscal year 2027 as the state phases in the new funding formula.

Beginning with fiscal year 2022 the State did make several changes regarding the funding for tuition payments made to community schools and scholarship payments for special education students. Community school and scholarship students will now be funded directly by the State. In past years, districts would receive the per pupil allocation for these students, which would be reflected in the Unrestricted Grants-in-Aid line on the forecast. There would then be an offsetting expenditure reflected in the purchase services line of the forecast. These are now being directly funded by the State, resulting in a decrease in revenues as well as a decrease in expenditures.

The new funding formula also effected the way open enrollment students, both coming to districts and leaving districts, are recorded. Prior to the current year, funding for students who were open enrolled into the district were reflected in the All Other Operating Revenue line item. The expenditure for students who were open enrolling to another district was reflected in the Purchased Services line item. The funding formula, beginning in fiscal year 2022, has the net difference from open enrollment reflected in Unrestricted Grants-In-Aid.

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Line 1.04 Restricted Grants-in-Aid

With the new State funding formula, the State placed restrictions on how certain categorical funding could be spent. The restricted funding is in the following categories:

Student Wellness and Success

Student wellness funding can be used for student services including mental and physical healthcare services, prevention education programs, wrap around services, mentoring and afterschool programs, programs geared toward homeless youth and those involved in the child welfare system, enhanced safety and security measures and improved family and community resource and engagement services. The District is projected to receive \$595,000 in student wellness funds for fiscal year 2023.

Disadvantage Pupil Impact Aid (DPIA)

DPIA funding is provided by the State to address economic disadvantage (poverty) and its effects on educational outcomes. Funding was based on the number of students who qualify for the free or reduced lunch program. Those that qualify are considered economically disadvantaged. This represents students in poverty, but also students of families with low incomes. The District is projected to receive \$950,000 in DPIA funds for fiscal year 2023.

English Learners

English learners funding is provided to offer services to those students who English is not their native language. The District is projected to receive \$435,000 in English learners funds for fiscal year 2023.

Gifted

Gifted funding is provided for the identification of students, coordinator services, intervention specialist services, or other service providers approved by the Ohio Department of Education, and gifted professional development. The District is projected to receive \$155,000 in gifted funds for fiscal year 2023.

Career Technical Education Funding

Career technical education funding is provided for additional state support for students who are in career technical programs. The District is not projected to receive funds in career technical education for fiscal year 2023.

Catastrophic Cost Reimbursement

Catastrophic cost reimbursement is additional State aid for special education students whose individual educational costs exceed the statutory threshold limits. The current threshold amounts that must be exceeded are \$27,375 and \$32,850 based upon the severity of the student. State aid is in the form of partial reimbursement of prior year expenses. It is projected that the District will continue to receive catastrophic cost reimbursement at its current funding level. The District received \$244,768 in catastrophic cost reimbursement in fiscal year 2022. The district is projecting to receive \$240,000 in catastrophic reimbursement for fiscal year 2023.

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Line 1.05 Property Tax Allocations

Property Tax Allocation is estimated based on projected Real Estate collections. The State provides reimbursement to the District for property tax relief given to residential taxpayers through the Homestead & Rollback program. The funding for this category is received from the 10% tax bill rollback and the 2.5% homestead exemption if applicable.

Line 1.06 All Other Revenue

This includes investment earnings, tuition, local fees and other miscellaneous revenue. This category is not expected to have much growth. Investment earnings were held constant. Fluctuations here are predicated on cash balances as well as economic conditions. This category is forecasted based upon an average of historical trends.

Line 2.04 Operating Transfers In

There are no operating transfers in to the General Fund.

Line 2.05 Advances

This is mainly a repayment of advances from the General Fund to State and Federal grant funds that require advances at year end to balance due to reimbursement rules. Winton Woods does not have any advances due from other funds.

Line 2.06 All Other Financing Sources

All other financing sources include refunds from expenditures made in the previous fiscal year.

Expenditures

Line 3.01 Personnel Services

Educational institutions in the state of Ohio, including public school districts, are service based industries. As a result of being a service-based industry, the majority of expenditures for school districts are in the area of salaries and benefits.

Staffing is based on the current levels with growth based on related annual enrollment increases or decreases. Personnel services also include all staffing changes implemented over the last three (3) fiscal years as well as for fiscal year 2023. Negotiated salary increases have been included in the forecast. Horizontal and vertical step advancements have been included and projected for fiscal years 2023 through 2027.

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Line 3.02 Employees' Retirement/Insurance Benefits

Benefits are projected using two categories. The first category is based on State and Federal government mandates. The second category is based on employee voluntary benefits.

The first category includes retirement benefits. The State mandates 14% on an employee's salary be contributed to the retirement system by the District. This category also includes Medicare payments which is 1.45% of an employee's salary. The first category, retirement benefits and Medicare, are included at the current employer contribution level of 14% and 1.45% respectively of salaries through fiscal year 2027.

The second category includes health, dental, and life insurance. Expenditures for these items are based on enrollments and rates. Employee enrollment is projected to stay at its current level throughout the life of the forecast. The District is part of the Southwest Ohio Organization for School Health (SWOOSH) consortium. SWOOSH is a self-funded model for health and dental insurance. Life insurance is fully insured.

The District's health insurance rate will increase 7.3% in January of 2023. It is projected that the District will experience an annual increase of 7.5% in the remaining years of the forecast based upon prior rate increases. The District's dental insurance rate decreased 0.9% in January of 2023. It is projected that the District will experience an annual increase of 3% in the remaining years of the forecast. The District does not anticipate a rate change to life insurance through the remaining years of the forecast.

Also included here are unemployment, worker's compensation and tuition reimbursement which were held constant.

Line 3.03 Purchased Services

Purchased services projections are based on enrollment, tuition trends and inflation. The major items included in purchased services are utilities, professional meeting expenses, substitute teachers, curriculum consultants, outside repairs, property and vehicle insurance, student transportation services and tuition for special education needs. Since the Bond Issue passed to construct new facilities, funding for major repairs has been held to a minimum since fiscal year 2020. Projections are increased at the average rate of four percent (4.0%).

There was a major decrease in purchased services for fiscal year 2022 since funds for tuition to other institutions will no longer flow through the district. The decrease for fiscal year 2022 was \$4,255,000.00 as follows: Community School \$2,100,000.00, Ed Choice \$370,000.00, Jon Peterson Scholarships \$325,000.00, Autism Scholarships \$335,000.00, Open Enrollment – Out \$1,125,000.00.

Beginning in fiscal year 2025 there will be approximately \$1million of purchased services expenditures returning to the General Fund which is currently being funded by ESSER and ARP ESSER funds through fiscal year 2024.

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Line 3.04 Supplies and Materials

The major items included in supplies and materials are paper, computer supplies, software, and textbooks. Fluctuations from year to year will result from major curriculum resources and textbook adoptions. It also includes expenditures for office and custodial supplies, as well as fuel for the buses. Due to the rising fuel prices, it is projected that in fiscal year 2023, there will be a significant increase in the cost for fuel. Supplies and materials projections are increased at the average rate of four percent (4.0%).

Line 3.05 Capital Outlay

Capital outlay projections are based on additional technology, and building and equipment needs as the buildings and equipment age and need to be replaced. For fiscal year 2023, \$200,000 has been included for small equipment replacement needs.

Line 4.30 Other Objects

The major items included in other objects are county auditor and treasurer fees for collecting taxes, advertising for delinquent taxes, fees for the annual district financial audit and district memberships. Any increases for this line item are projected to be minimal.

Lines 5.XX Other Financing Uses; Operating Transfers and Advances Out

The Transfer line may include some contingency funds or transfer funds to make some provisions for unanticipated expenditures. Advances are necessary when a lag exists between the time money is expended and when grant money is received on a reimbursement basis. The District does not anticipate an advancement of funds for fiscal year 2023. The District will have a need to transfer funds to the Athletic Fund for fiscal year 2023 in the amount of \$42,000.

Line 8.01 Estimated Encumbrances

Encumbrances are legal financial obligations of the District that have not been expended at fiscal year end. Encumbrances are projected to remain at the same level for the projection period. Any increase in this line item would result in an offsetting decrease in the actual cash expenditures and would therefore not affect the ending cash positions in any year.

Line 9.XX Budget Reserve

This line item represents the amount required to be set aside for budget stabilization per House Bill 412. Senate Bill 345 eliminated the requirement for school districts to maintain a budget reserve.

Lines 13.XX New Levies

This line item represents revenues which will be generated from a proposed additional \$3,500,000.00 emergency levy for five (5) years.

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Summary

With the implementation of past cost reductions and additional state aid the District has been able to build a cash reserve. The District needs to make every effort to maintain this cash reserve. The cash reserve is now being used to meet the daily operations of the district. The District will need to closely monitor its revenues and expenditures since deficit spending is projected to continue through the years in the forecast. The State's legislative change to the funding formula will also need to be evaluated on a biennium basis.

The ending cash balance indicates the timing the Board of Education needs to request of the citizens an additional tax levy. The November 2022 levy failed. It is anticipated the Board will place a proposed levy on the May 2023 ballot. It will be for a \$3,500,000.00 five (5) year emergency levy, with collections beginning January 1, 2024.

Disclaimers

Reasonable professional diligence and care has been exercised in the preparation of this forecast. This forecast is based on the above assumptions and the information available on the day it was prepared. This forecast is subject to change as circumstances change or additional information becomes available. This forecast document is designed solely to provide a general indication of the probable future financial position of the School District based on information currently available to the School District. The legitimacy or accuracy of any specific assumption, number or the forecast 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, diligence and caution are required when using and interpreting forecast information. Current fiscal year forecast data does not necessarily reflect current School District appropriations, budgets, certifications or other data maintained in the files of the School District, including the Office of the Treasurer of the Board of Education. Future forecast fiscal year data is compiled from public sources to the extent possible and reasonable. Historical data is based on fiscal year end data filed by the Treasurer of the Board of Education. Questions from the community and other users of this data are encouraged. The contact person is Randy Seymour, Treasurer, Board of Education.