Five-Year Forecast Notes – May 2017

Dawson-Bryant Local School District

Lawrence County (IRN# 047928)

Revenue:

Lines 1.035 and 1.040 - The annual column on the foundation settlement for May 2017 reflects the most recent available estimates regarding the districts expected receipt of state aid for the 2016-2017 fiscal year. The District received $825,000 additional foundation funding in FY16 compared to FY15, and an additional $320,000 is expected in FY17. This is a reduction from estimates contained in the Governor's biennial budget for FY16 and FY17, which was released in June of 2015. That estimate showed the district would receive approximately $1,154,775 more funding in FY16 compared to FY15 and an additional $626,351 in FY17. The change in revenue from the original projections is due largely to the fact that our district's enrollment is down approximately 48 students from FY15 to FY16, as noted on lines 20.01 and 20.015 of the forecast.

Beginning in FY16 the district chose to participate in the Community Eligibility Provision (CEP) administered by the Ohio Department of Education (ODE). Through the CEP, the district provides both free breakfast and lunch for all students. The financial impact of this change is two-fold. One, the district will lose all revenue that it previously collected through paid lunches that was deposited into the Food Service Fund (approximately $100,000/year). Two, the district will receive a large increase in Economically Disadvantaged Funding into the General Fund (approximately $700,000/year) due to the requirement of coding all students as economically disadvantaged in EMIS. Line 1.04 shows this increase in the FY16 and FY17 fiscal years. Forecasted years after FY17 do not show the increase in funding from CEP due to uncertainty regarding the program's continued funding.

The district does not consider this a financial windfall given that the Food Service Fund was never self-supporting and required a yearly General Fund transfer to break even. The District transferred $80,000 in FY16 from the General Fund to the Food Service Fund for this purpose, and a transfer of $130,000 is expected in in FY17. The district can opt out of the program and return to traditional counting and claiming procedures, provided the decision is made a year in advance.

Casino revenue in the amount of $60,417 has also been included in line 1.035. This represents approximately $50.00/student that the district anticipates receiving from the Ohio Department of Taxation due to newly opened casinos across the State. The constitutional amendment that passed in 2009 requires the casinos to pay 33% in state taxes on their gross revenue, which is then distributed proportionately to all the public school districts across the State. The district is budgeting $60,000 each forecasted year for additional casino money.

Lines 1.02 and 1.05 – Lawrence County, Ohio has felt the impact of the struggling national economy. With the lack of jobs, families and businesses are moving out of the area, resulting in a declining tax revenue base. Ultimately, this will cause a decline in property tax revenue for the school district. Growth for the current fiscal year, as well as forecasted years, is flat-lined based on the Lawrence County Auditor's certification and guidance.

Line 1.06 –Dawson-Bryant's student enrollment has been declining over the last decade. The school district has become heavily dependent upon achieving financial gain through the open enrollment system. If the ratio of students entering via open enrollment versus exiting were to change from the current ratio of approximately 2:1, then the district could lose a significant amount of money from one school year to the next.

Also included in line 1.06 for the 2013-2014 fiscal year is a rebate from the Ohio Bureau of Workers Compensation in the amount of $30,607.85. Said rebate, which was deposited on 7/8/13, came from a large pool of excess funds totaling $859,000,000.00 that the courts ruled must be refunded to about 264,000 employers across the State for excessive insurance premiums over an eight year period. The district received another rebate from the Ohio Bureau of Workers Compensation in the amount of $28,000.00 in the fall of 2014.

Line 1.06 is inflated for the 2014-2015 fiscal year due to a $152,374 one-time memo code correction related to the district's accounting for reimbursement payments from other schools in the county for the speech option 2 program. Projections for both current and forecasted years are more consistent with historical data.

Finally, line 1.06 also includes investment earnings. In an effort to increase interest income, the Board began in the 2013-2014 fiscal year investing approximately $4,000,000 in CD's with maturity dates ranging from three months to five years. It is estimated this will more than double the interest earnings on excess funds beginning with the 2013-2014 fiscal year. A current detailed breakdown of these CD's is as follows:

Amount	Maturity	Rate
$250,000.00	06/05/17	1.150%
$250,000.00	11/07/17	1.050%
$250,000.00	05/14/18	1.250%
$250,000.00	06/11/18	1.300%
$248,000.00	09/25/18	1.100%
$325,000.00	10/26/18	1.235%
$250,000.00	12/03/18	1.200%
$250,000.00	12/14/18	1.250%
$200,000.00	02/08/19	1.550%
$250,000.00	02/28/19	1.400%
$245,000.00	05/11/19	1.146%
$247,000.00	05/31/19	1.204%
$248,000.00	05/12/20	2.006%

$250,000.00	03/04/21	2.000%
$248,000.00	05/26/21	2.250%
$250,000.00	02/28/22	2.940%

Expenses:

Line 3.01 – The district has entered into agreements with both the certified and classified unions for a three-year period from 8/1/16 through 7/31/19. The agreements include a completely new salary schedule index for teachers, as well as $.50 cent/hour wage increases for all classified employees for each of the three years. These wage increases will cost the district approximately $325,000/year and are reflected in the forecast starting with FY17 in line 3.01.

Line 3.02 –The school district is part of a county-wide health insurance consortium for the purposes of sharing services and ultimately saving money. The consortium has recently changed to a partially self-funded configuration in an effort to further contain the rising costs of health insurance premiums. The consortium, along with its TPA, Brower Insurance, has instituted several health and savings programs in an attempt to reduce claims. Health insurance premiums slightly decreased for the 2011-2012 fiscal year, followed by a slight increase for the 2012-2013 fiscal year. The renewal rates that became effective 5/1/13 for the ensuing policy year decreased slightly (1.4%) for both a single and family plan. The renewal rates that became effective 5/1/14 for the ensuing policy year increased slightly (1.0%) for both a single and family plan. The renewal rates that became effective 5/1/15 for the ensuing policy year increased slightly (2.0%) for both single and family plans. These positive trends are all a result of good years of claims versus premiums, as well as some minor changes in benefit structure. Also, effective 5/1/14, the consortium has started offering a new high deductible/low premium plan for any member who is interested.

The renewal rates that became effective 5/1/16 for the ensuing policy year increased 7.3% for both single and family plans. The consortium group had several high-dollar claims this past policy period, which made the group unattractive to potential carriers when we solicited bids in the spring of 2016. This increase will cost the district approximately $100,000 more in health insurance premiums in FY17 versus the previous year. Because health insurance claims are highly uncertain and uncontrollable, the forecast includes a 7.0% increase for this expense in all forecasted years. This is an aggressive estimate that hopefully does not come to fruition. Line 3.02 also includes an increase of approximately $50,000 due to the increased board share of retirement and Medicare costs related to the aforementioned wage increases in line 3.01. The renewal rates that became effective 5/1/17 for the ensuing policy year decreased slightly (1.8%) for both single and family plans.

Line 3.03 –The school district is hoping to realize significant savings in its utility costs with the conclusion of the House Bill 264 Energy Conservation Project in the summer of 2012. The district has already seen drastic decreases in electricity, natural gas, and water usage (down 50%

at MS/HS building). However, actual financial savings from one year to the next have not been as significant due to the rising costs of utilities per kilowatt, cubic foot, and gallon. Currently, the district is shopping both its electricity and natural gas as part of a group purchasing consortium through the Metropolitan Educational Council. The increase in line 3.03 from FY14 to FY15 is also due to an increase in monthly foundation debit memo entries associated with open enrollment. Finally, line 3.03 for FY17 also includes carryover purchase orders from the previous fiscal year. This line item shows modest forecasted increases of $50,000 per year with the optimistic expectation of an eventual decrease.

Line 3.04 – For fiscal year 2016-2017, this budget line item appears to be inflated in comparison to history. The reason for this is two-fold. First, this line item includes carryover purchase orders from the previous fiscal year. Second, approximately $180,000 is budgeted in this line item for General Fund Special Cost Center 001-9800. These are AEP rebate funds that the school district received for completing the HB 264 Energy Conservation Project. The district administration has discussed utilizing these funds to pay off a portion of the borrowed debt relating to the HB 264 project, but this has not yet been decided. The Treasurer included this line item in the budget in the event that the administration decides to expend these funds in some manner in the current fiscal year. Forecasted years are more consistent with historical data. If the district chooses not to expend these funds in the current fiscal year, then line 6.01 (revenue over/under expenses) will be more favorable. For fiscal year 2013-2014, this budget line item appears to be a departure from historical norms. This is due to a large ($150,000) one-time expense for instructional materials needed to implement the new Common Core curriculum district-wide.

Line 4.3 – This line item primarily includes County Auditor and Treasurer's fees associated with property tax revenue. Also included are budgeted cost amounts for the Lawrence County Educational Service Center in connection with the administration of several county-wide Special Education Cooperative Units.

Line 5.01 – Anticipated transfers out for the current fiscal year total $505,366.47. The breakdown of these transfers is as follows:

Fund Name	**Account Code**	**Fund Name**	**Account Code**	
General Fund	001-7200-910-0000	HB 264 Energy Conservation	002-5100-9011	$ 124,814.75
General Fund	001-7200-910-0000	Elementary Principal Acct	018-5100-9011	$ 5,500.00
General Fund	001-7200-910-0000	Middle School Principal	018-5100-9012	$ 3,000.00
General Fund	001-7200-910-0000	High School Principal	018-5100-9014	$ 3,500.00
General Fund	001-7200-910-0000	High School Athletics	300-5100-9030	$ 25,000.00
General Fund	001-7200-910-0000	Permanent Improvement	003-5100-9003	$ 150,000.00
General Fund	001-7200-910-0000	Synthetic Turf Fund	003-5100-9007	$ 53,000.00
General Fund	001-7200-910-0000	High School Band	300-5100-9032	$ 10,000.00
General Fund	001-7200-910-0000	Food Service	006-5100-9006	$ 130,551.72
Total				**$ 505,366.47**

The transfer to Permanent Improvement is to pay for potential technology purchases in the future, as well as any other large capital outlays. The district spent $165,000.00 from this fund in the summer of 2013 for a track resurfacing project.

Another transfer of note is the $130,551.72 anticipated transfer to the Food Service Fund. As previously noted when discussing line 1.04, the district enrolled in the Community Eligibility Provision (CEP) Program for the 2015-2016 school year through the Ohio Department of Education. Because students receive both breakfast and lunch at no cost under this program, the district will not receive any food service payments from district households for the entire year. The noted transfer of $130,551.72 is the anticipated amount needed for the Food Service Fund to break even for the current fiscal year. Although the CEP program is beneficial to students and their families, this creates an economic challenge for the district. We hope to compensate for this loss of revenue with an increase in General Fund Economically Disadvantaged funding, given that all our students are now being classified as such for CEP purposes. The CEP program will be re-evaluated at the end of the 2016-2017 school year to determine continuance.

Finally, it should be noted that the district transferred $262,000 from the General Fund to the Synthetic Turf Fund in FY16. The high school turf football field has an approximate useful life of 12-15 years from the date of installation. With the 2016-2017 sports season, the current turf surface will be ten years old. The replacement cost of the turf field is expected to be approximately $450,000. With this transfer, the district has successfully reserved sufficient money to replace the turf fund when necessary. The district believes it was financially responsible to address this funding need in advance.

Summary:

It is important to remember that a school district's Five-Year Forecast is just that— a forecast. It is not intended to be interpreted as a normal (after-the-fact) financial statement. Simply stated, this document represents the school district's best professional judgment on the future financial performance of the district, based on currently available data.

The school district is continually looking for innovative ways to bridge the gap between revenues and expenses. Some examples include HB 264 Energy Conservation Project, Lawrence County Schools Health Insurance Consortium, and several Lawrence County Special Education Cooperative Units. Even so, given that more than 70% of the school district's total expense budget is committed to salaries and benefits, it is very difficult to balance the budget without evaluating staffing levels.

When assessing the school district's financial position, it is important that future generations be considered. Public school districts are custodians of public money, and every decision that is made has a ripple effect for years to come. The current administration and Board of Education have a duty to leave the school district in a financial position that is better, or at least no worse, than the state in which they inherited it. It is the school district's intention to attempt to balance its budget every fiscal year.

Bradley Miller, Treasurer