

Fairfield City School District
Notes to the 5 Year Financial Projection
October 20, 2011

REVENUE ASSUMPTIONS

REAL AND PERSONAL PROPERTY ASSUMPTIONS (1.010 & 1.020)

Property tax revenue estimates are based on historical growth patterns, including scheduled updates and reappraisals, and are provided by the Butler County Auditor.

The District's total valuation for calendar year 2010 was \$1,426,517,520. This represents a slight increase of .17% over calendar year 2009 valuation of \$1,424,066,670.

During calendar year 2010, residential/agricultural values increased .24% to a valuation of \$1,002,998,320. Commercial/Industrial values decreased by .58% to a valuation of \$389,586,800.

Our public utility personal property values increased in calendar year 2010 by 7.5%. The valuation for public utility personal property totaled \$33,932,400.

The forecast reflects a decline in Personal Tangible Tax Revenue as a result of HB66. All Personal Tangible Tax Revenue, with the exception of public utility personal property, has been eliminated. HB66 provides for direct payments to the district to offset losses in Tangible Tax Revenue. The direct payments have been factored into the forecast (under the property tax allocation category) based on state estimates.

The forecast also reflects a \$660,000 loss in collections for fiscal year 2012 due to the tax appeal filed by Duke Energy with the state of Ohio.

UNRESTRICTED STATE GRANTS-IN-AID (1.035)

Governor Kasich has eliminated the evidence based model beginning with fiscal year 2012. State funding projections from the Ohio Office of Budget and Management were used in this forecast.

Based on the estimated funding from the Office of Budget and Management, we are projecting a decrease in unrestricted state aid for FY12 of \$27,400. We have projected and estimated \$394,000 increase in unrestricted aid for fiscal year 2013 and flat funding for the remainder of the forecast.

RESTRICTED STATE GRANTS-IN-AID (1.040)

Funds received by the state for career technical services and special education catastrophic cost reimbursement are included in this line item.

PROPERTY TAX ALLOCATION (1.050)

These funds are reimbursements from Ohio for tax credits given to owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers.

This line also includes the direct payments for reimbursement of tangible personal property taxes lost. With the enactment of Amended Substitute House Bill 153, the reimbursement calculation and the distribution schedule has been altered for FY12 and beyond. The anticipated loss to the District is approximately \$1.4 million in fiscal year 2012, \$1.4 million

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in fiscal year 2013, \$42,300 in fiscal year 2014 and \$42,300 in fiscal year 2015. After fiscal year 2015, we anticipate all direct payments will be eliminated.

In addition, the District is anticipating the loss of \$352,100 in fiscal year 2012 due to the Governor's budget proposal eliminating the public utility deregulation reimbursement.

OTHER LOCAL REVENUES (1.060)

We have included collections of preschool tuition, activity fees, rental income and donations in the forecast. Interest income is determined on available cash flows and market conditions of interest rates. Tax Increment Financing (TIF) and tax abatement payments are also included in this line item. We are projecting decreases in revenue due to expiration or termination of several tax abatements as well as a decrease in collection of activity fees, donations and rental income.

OTHER FINANCING SOURCES (2.010 – 2.080)

These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. All advances over year-end are planned to be returned in the succeeding fiscal year.

EXPENDITURE ASSUMPTIONS

PERSONAL SERVICES (3.010)

The amounts for salaries and benefits are based on existing negotiated agreements. The District and the Fairfield Classroom Teachers' Association (FCTA) agreed to re-open negotiations in June 2011. With an estimated \$2.2 million in concessions over a three year period, the District and the Fairfield Classroom Teachers' Association (FCTA) reached agreement on a new collective bargaining agreement that is effective from June 30, 2011, through June 29, 2014. The concessions included step freezes and no base wage increases for the life of the contract. Beyond the 2014 fiscal year, 1% base wage increases are projected.

The four local OAPSE chapters of the classified unions are divided into two separate bargaining groups. The District and the OAPSE unions negotiated a new collective bargaining agreement effective July 1, 2010 through June 30, 2012. As a result of those negotiations, the District and the OAPSE chapters agreed to zero percent base wage increases for fiscal year 2011 and fiscal year 2012. For the 2013 and 2014 fiscal years, no base wage increases are included. Beyond the 2014 fiscal year, 1% base wage increases are projected.

The certificated staff accounts for approximately 80% of our staffing costs with the remaining 20% attributable to classified staff.

Administrators in the District are not entitled to step increases and received no base wage increases for fiscal year 2010, fiscal year 2011 or fiscal year 2012. We have included no base wage increases in the forecast for fiscal years 2013 or 2014. For fiscal years beyond 2014, 1% base wage increases are projected.

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Cost cutting measures that were adopted by the Board of Education for fiscal year 2011 included changing academic schedules at Fairfield High School and Fairfield Freshman School. The Board also made changes to Fairfield Middle School's team planning periods. The cost reduction measures for fiscal year 2011 were:

- Reduction of 20 FTEs of custodial positions
- Reduction of custodial building checks
- Reduction of custodial overtime and substituting
- Rerouting of bus stops
- Elimination of public relations representatives supplementals
- Reduction of staff leadership positions
- Reduction of 33.5 FTEs of certified staffing positions
- Reduction of 3 FTEs due to enrollment numbers

The Education Jobs Reform money of \$1,235,827 was included in this line and was used in fiscal year 2011 to help offset salaries of allowable employees under this program.

For fiscal year 2012, the Board has adopted additional cost savings measures as follows:

- Reduction of 10.5 FTEs of certified teaching positions
- Reduction of 2 FTEs of administrative positions
- Reduction of 2 FTEs of licensed librarian positions
- Elimination of two, part-time crossing guard positions
- Elimination of 1 FTE of a truancy officer position
- Elimination of busing for grades 10-12
- Reduction of 1 FTE data entry position
- Elimination of 1 FTE district office receptionist
- Reduction of 16.5 educational assistants positions
- Elimination of 19 bus driver positions
- Elimination of 1 District HVAC Technician
- Elimination of 13 FTEs of custodial positions
- Closing of the Fairfield Kindergarten Center-with reductions as follows:
 - 1 FTE-Building Secretary
 - 1 FTE-Clerk
 - 1 FTE-Head Custodian
 - 2 FTE-Building Custodians
 - 1 FTE-Registered Nurse
 - .5 FTE-Media Educational Assistant

With the loss of the stimulus money and Education Jobs Reform money, we have included the shift of salaries back to the general fund for fiscal year 2012.

EMPLOYEES' RETIREMENT/INSURANCE BENEFITS (3.020)

The District is a member of the Butler Health Plan. The Plan has tried to hold premium increases to a minimum while still offering a wide variety of benefits to the District's employees. As of January 1, 2010, the District's health insurance premium increased 12% and its dental premium increased 4%. Effective January 1, 2011, the District received a 9.50% increase for both medical and dental plans. The Butler Health Plan Trustees have voted to modify the medical plan design in order to try and hold premiums to less than a 10% increase for January 2012. The Butler Health Plan recently announced that the medical plan premium will increase 7% percent and the dental plan will increase 6% in January 2012. For future years, the forecast reflects a 10% increase for health insurance premiums.

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Due to the outcome of negotiations, effective January 1, 2011, the Board began paying 85% of the total premium for health insurance while employees paid 15%. Along with the increased share of the health insurance, employees who elected to remain on the more expensive "Classic" plan paid the difference between the "Choice" plan and the "Classic" plan (effective January 1, 2011). Beginning January 1, 2012, BHP will no longer offer the "Classic" plan. The Board will pay 80% of the total premium for classified employees and 85% of the total premium for certificated employees. The certificated employees will begin paying 10% of their dental insurance effective January 1, 2012.

The percentage included in the forecast for retirement, workers compensation and medicare costs remain at 16.45% for the life of the forecast. The School Employees Retirement System has issued a catch-up provision for contributions that are normally charged to the District six months in arrears via the Ohio Department of Education's Foundation Program. The arrearage will be collected over a six year period. We have included an additional payment for fiscal year 2013 of \$141,000 in the forecast.

Due to the staff reduction in force, the forecast reflects an increase in unemployment charges to the district. We are projecting a \$246,000 savings in workers compensation charges for fiscal year 2012, due to the District becoming self-funded in January 2011.

PURCHASED SERVICES (3.030)

The forecast reflects a 6% increase in purchased services. This line item includes maintenance costs, utilities and contracted services. As part of the cost savings measures for fiscal year 2012, the Board has reduced building and department budgets by 10%. We have also included \$70,000 of operational savings from the closing of the Kindergarten Center. The District has renegotiated several vendor contracts for such services as cellular and land line telephones, trash service and utility rates. We anticipate a savings from these negotiations of \$45,000 in fiscal year 2012.

SUPPLIES & MATERIALS (3.040)

Expenditures in this line item include instructional materials such as textbooks, software, bus fuel and office/custodial supplies. The forecast reflects a 2% increase in this category for each year of the forecast. With the elimination of grades 10-12 busing, we have included savings of \$148,000 in this line item.

CAPITAL OUTLAY (3.050)

The forecast reflects a 4% increase in capital outlay expenditures for the life of the forecast. With technology needs no longer being funded out of permanent improvement monies, we have included \$188,716 for technology use in FY12 only.

DEBT SERVICE (4.05 - 4.06)

The forecast reflects the principal and interest payments for the House Bill 264 Energy Conservation Bonds that will begin in fiscal year 2012.

OTHER EXPENSES (4.300)

The forecast reflects a 2% increase each year in this line item. Anticipated expenditures in these areas include county auditor and treasurer fees, county board deductions, membership dues and annual audit fees. Due to the expiration of stimulus monies, \$76,137 in charges

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under the county educational service center contract (for two special education positions) are being shifted back to general fund under this line item. The forecast also includes a one-time refund of auditor fees for fiscal year 2012 in the amount of \$102,418.

NON OPERATING EXPENSES (5.010 – 5.050)

This group constitutes anticipated year-end advances.

ENCUMBRANCES (8.010)

Estimated encumbrances are outstanding purchase orders that have not been approved for payment or were not received in the fiscal year in which they were ordered. These estimates are based on historical patterns.

UNRESERVED FUND BALANCE (15.010)

This amount must not go below \$-0- or the district General Fund will violate Ohio Budgetary Laws. Any multi-year contract, which is knowingly signed, which will cause a negative unencumbered balance is a violation of ORC 5705.412, punishable by personal liability of \$10,000.

OTHER CONSIDERATIONS

The Fairfield Board of Education has placed a 6.5 mill continuing operating levy on the ballot for November 8, 2011. With the passage of this levy, the District anticipates a positive unreserved fund balance at least through fiscal year 2014. If the levy fails, the District will need to eliminate or reduce expenditures by the beginning of the 2013 fiscal year.

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.

Please visit the Ohio Department of Education website at <ftp://ftp.ode.state.oh.geodoc/5-yrForecast/>