

*Five-Year Financial Forecast
Lucas Local School District
October 19, 2010
Fiscal Years 2011-2015*

\$\$\$\$

Prepared By: Scott D. Osborne, Treasurer/CFO

Revenues

General Property Tax

Projections are based on valuations provided by the County Auditor. The triennial revaluation for Richland County property will be in tax year 2011, collectable in 2012. The triennial update was in tax year 2008, collected in 2009. The voters of the District approved a renewal of \$686,000 Emergency levy and \$275,000 Emergency Levy on May 4, 2010. The renewal of these two levies were combined into one issue of a 5 year, 13 mill \$961,000 levy. This renewal levy is reflected in the forecast for FY11 and beyond. Per the County Auditor, property values remained flat after triennial update in 2008, which is reflected in forecasted amounts and is anticipated to remain level. It is anticipated that the triennial update will result in property values remaining flat. All expiring levies are forecasted to not be renewed prior to expiration and are included in the forecast.

Tangible Personal Property Tax

HB 66 enacted one of the largest business tax restructuring in the State of Ohio history. HB 66 repealed two major business taxes; the corporate franchise tax and the tangible personal property tax. It also enacted a new tax called the commercial activity tax (CAT). Personal Tangible Tax will be phased out and eliminated by fiscal year 2010 with reimbursement phased out through 2018. Collection of this tax is forecast to come in under October 2010 estimates for FY2011. This can be attributed to the decline in the economy and lack of any stabilization within the economy. Due to the lagging economy coupled with the tax restructuring reform, the State is facing a potential multi-billion dollar deficit in FY2012 and beyond. This concern is addressed in the line item of Unrestricted Grants-In-Aid.

Unrestricted Grants-In-Aid

The projection for unrestricted grants-in aid for FY11 and FY12-FY15 was per ODE simulations and current State budget forecast. This was based on the enrollment in the district being projected to remain consistent and the State bi-ennial budget that was approved by the State Legislature. For years thereafter, a 15% decrease is projected for 2012 and level beyond. This decrease is projected due to the State's anticipated multi-billion dollar deficit with the next biennium budget. The Board currently allows for open enrollment as a policy. This is included in all years of the forecast. The BOE reserves the right to change this policy on a yearly basis.

Restricted Aid

This revenue is included as set by the State grants included on the PASS form. In FY2010 and FY2011, this line item includes the State Fiscal Stabilization Funds of \$142,000 in FY2010 and \$145,000 in FY2011. After FY2011, there is no forecast of these funds to continue to the school district.

Property Tax Allocation

This consists of Homestead and Rollback Property Taxes. Exempt property taxes are no longer reimbursed. It is also noted that the elimination of the Tangible Personal Property tax is included in the estimates for Home/Roll back assumptions consistent with the phase-out in FY2012 and beyond.

All other Revenue

This consists of tuition, fees, interest, building rentals, and donations.

Expenditures

Personal Services

Lucas is currently at the end of a three-year contract with employees that began in FY2008 and ended June 30, 2010. Currently, the district is continuing to operate under the expired negotiated agreement and is currently in negotiations. The last agreement called for a two(2) percent increase in base pay from FY08 through FY10. Index (Step) increases according to salary schedules are still in place and forecasted thru FY2015. The forecast assumes no base increases for personal services in remaining years. No additional employees are forecasted to be included in the forecast.

Benefits

Retirement, Medicare, unemployment and workers comp are based on the % used in personal services. Health insurance was used from the current information in the expired negotiated agreement. The Board of Education has a cap on the health insurance throughout the term of this forecast per historical data with trend increases forecast.

Purchased Service

Purchase services are based on a 9% increase except for Electric (5%), Gas (20%), Open Enrollment (15%) and Community Schools (25%). There is additional dollars forecasted for building maintenance/repairs as the Districts buildings continue to age. The District has been extremely cautious and prudent with spending due to the uncertainty of the national and State economy.

Supplies

The supplies and material line items were increase at 5% with a bigger increase forecasted in FY12 and beyond due to rising fuel (gasoline/diesel) costs. Supply expenses will continue to be monitored closely as a result of the uncertainty of the State budget in anticipation of potential revenue cuts.

Capital

Forecasted under the capital line item is the purchase of one school bus in FY11, and one each year after is projected. Also 1% increase was forecasted for Capital expenses each year.

Transfers Out

This amount from line 5.010 is anticipated to help address the increasing permanent improvement needs of the District and its ageing facilities and equipment.

Notation to the forecast - In a letter to all the School Treasurers from Paolo DeMaria, Center for School Finance (Ohio Department of Education) on October 10, 2005 said that The Center for School Finance wanted to emphasize that any forecast will always be prone to errors. Sometimes people forget this fact but it is something we should all work to clearly articulate to users of the forecasts. It is especially true the degree of accuracy diminishes the further into the future the forecast projects. It is expected the FY10 forecasts are much more accurate than FY14 forecasts. Forecasts, by their vary nature are not designed to be precise. They are designed to help inform planning and thinking about financial issues.

That being said, the forecast is an ever-changing document, especially with the uncertainty surrounding the current State of Ohio's budget. A projected shortfall in revenue has still not been determined or corrected as of this time. This could have a huge financial impact on the District if changes should be made.