

GENERAL FUND INCOME ASSUMPTIONS

TAX REVENUE

Tax revenue estimates are based upon information received from the Cuyahoga County Auditor's office as of December 20, 2013. Below is a table setting forth the assessed value used in projecting future year's tax income:

COLLECTION YEAR	2013	2014	2015	2016	2017	2018
TAX YEAR	2012*	2013	2014	2015**	2016	2019
Residential Real Estate	\$156,710,170	\$157,067,140	\$157,067,140	\$157,067,140	\$157,067,140	\$157,067,140
Other Real Estate	51,557,670	51,482,660	51,482,660	51,482,660	51,482,660	51,482,660
Public Utility Tangible	2,603,950	2,901,730	2,901,730	2,901,730	2,901,730	2,901,730
TOTAL	\$210,871,790	\$211,451,530	\$211,451,530	\$211,451,530	\$211,451,530	\$211,451,530

*Six Year Reappraisal

**Three Year Update

The National and State economic climate has been painfully slow. It is very unclear if we will see much additional improvement. The second half real estate settlement was \$590,366 greater than certified by the Cuyahoga County Budget Commission. This positive variance has been included in the 2013-2014 income totals. For 2013-2014, we have assumed the loss of \$50,000 in in tax refunds as a result of negative Board of revision/Board of Tax Appeals decisions. For each year projected, we are assuming the Cuyahoga County Budget Commission's 5.58% delinquency factor and that new negative Board of Revision/Board of Tax Appeal decisions will be offset by increased business and real estate values. We have assumed an annual loss of \$28,000 from negative Board of Revision/Board of Tax Appeals that will reduce taxable values beginning in 2014-2015.

Tax year 2015, which is collection year 2016, reflects no increase in residential and other real estate tax values as a result of the six year reappraisal.

PERSONAL PROPERTY AND HOLD HARMLESS

We have incorporated the tangible personal property hold harmless payments as authorized in the new State Budget Bill (H.B.59). The budget bill froze the original phase out at the 2012-2013 level. The original legislation to eliminate the tangible personal property tax and to provide a phased out hold harmless payment until 2018 remains as adopted in 2005 (H.B.66). The last State Biennial Budget (H.B.153) altered the phase out calculations to a reduction of 2% of total General Fund revenue annually. We are assuming no additional phase out after the current Two Year State Budget is completed.

We are assuming no new residential construction in the school district for each year of the projections. We are further assuming no new Board of Revision losses above the assumed \$28,000 in the fiscal year 2014-2015. We are assuming that public utility real estate assessed values will continue to be prorated based upon current formulas. We are assuming that any additional new actions by the County Board of Revisions and the State Board of Tax Appeals will not create a net change to the total tax duplicate.

HOMESTEAD AND ROLLBACK

The projections for the Homestead and Rollback payments are based upon the historical relationship to actual tax collections.

STATE FOUNDATION

H.B. 59, as enacted, replaced the State Foundation Bridge Funding with a new State Foundation program named Core Foundation Funding.

We have assumed 2013-2014 and 2014-2015 State Foundation funding using the January 19, 2014 ODE Summary Worksheet and special education transportation at the 2013-2014 funding level.

We are assuming no change in Core Foundation Funding and Special Education Transportation funding for each year projected.

CASINO TAX REVENUE SHARING

The Ohio constitution requires that 34% of gross casino revenue taxes be distributed to all school districts on a per pupil basis. Payments are made in August and January each fiscal year. Our August payment was \$21,795. We are assuming that all four casinos will continue to operate at current levels and provide all future payments at the August 2013 level.

OTHER STATE INCOME

This category includes special education catastrophic tuition reimbursement and miscellaneous reimbursements. 2013-2014 included more than one year of State reimbursement. All years projected were based upon 2012-2013 actual reimbursement. We are projecting no changes for each year projected.

INTEREST INCOME

Each year's interest income was projected based upon estimated cash flow and interest rate assumptions. Our current cash flow does not provide much opportunity for generating investment income.

STUDENT FEES

General fund fees are collected for participation in student activities and interscholastic sports. The amounts projected are based upon 2012-2013 actual collections and are assumed to remain constant each year.

MISCELLANEOUS INCOME

This category includes tuition income, certain fee collections, rental income and all other local income sources. It is assumed that there will be a very constant amount of revenue collected each year

TRANSFERS AND ADVANCES

It is assumed that there will be no return of prior advances in any forecasted year.

INCOME ASSUMPTION SUMMARY

The bottom-line changes in General Fund total income projected show the following:

\$	21,431	Increase	in 2013-2014 Fiscal Year
\$	0	No Change	in 2014-2015 Fiscal Year
\$	0	No Change	in 2015-2016 Fiscal Year
\$	0	No Change	in 2016-2017 Fiscal Year
\$	0	No Change	in 2017-2018 Fiscal Year

The comparison to the May 2013 forecasted revenue is as follows:

	May 2013 Forecast	Current Forecast	Variance
2013-2014	\$13,242,685	\$13,076,302	\$ 166,383 less than May Forecast
2014-2015	\$13,638,115	\$12,792,239	\$ 845,876 less than May Forecast
2015-2016	\$13,748,086	\$12,792,239	\$ 955,847 less than May Forecast
2016-2017	\$13,849,348	\$12,792,239	\$1,057,109 less than May Forecast
2017-2018	-	\$12,792,239	-

The variances are in the three major income categories. A comparison of local tax and Rollback revenue; tangible personal property tax reimbursement; and State Foundation income is found on page 11.

GENERAL FUND EXPENSES ASSUMPTIONS

The General Fund expenses projections are based upon several key assumptions.

First, is no the change in student enrollment. This forecast assumes no changes in the number of students currently attending the Richmond Heights Local Schools. The 2013-2014 current enrollment is 859 students.

The second key assumption is the number of staff members. We are assuming no change in total General Fund staff for each year of the forecast.

Third, it is assumed this is the state of the general economy. Based upon several economist predictions and Federal Reserve official statements, the following assumed inflation rates were used. National education experts have calculated a 4.0% to 4.5% inflation rate for K-12 public education.

- 3.7% in fiscal year 2014-2015
- 3.7% in fiscal year 2015-2016
- 3.7% in fiscal year 2016-2017
- 3.7% in fiscal year 2017-2018

Fourth, that the Ohio Legislature and the United States Congress will not impose new unfunded mandates upon the school district that impacts the General Fund. At this time we have assumed new health care expenses directly attributable to the new National Health Care laws.

The expense categories used in these projections were developed to simplify the presentation of the school district budget. These are the categories I use to monitor the budget on a daily, weekly, and monthly basis.

SALARIES AND WAGES

All projections are based upon the first December 2013 payroll and the staffing levels reflected in that pay period. Current negotiated settlements were used to project future salaries. It is assumed that administrators and non-bargaining employee salary schedules will not increase. It is also assumed that all current certificated and classified positions funded by various local, State, or Federal grants will continue despite Federal budget sequestration reductions. It is assumed that the cost of substitute employees, supplemental contracts, and overtime will remain at the assumed 2013-2014 level for all years forecasted.

BENEFITS

Benefits include retirement contributions to STRS and SERS, Workers' Compensation payments, severance payments, unemployment insurance payments, hospitalization insurance, prescription drug insurance, dental insurance, life insurance, vision insurance, and Medicare contributions.

It is assumed that there will be a continuation of the current fourteen percent employer contributions for both STRS and SERS during each year of the projections. At the National level, the Governmental Accounting Standards Board has issued a new standard that requires each local government to book a share of the State Pension System's unfunded liability. We are also estimating an SERS surcharge cost each fiscal year based upon the current year's actual surcharge which is at the maximum based upon the statewide payroll cap. Beginning in 2010 – 2011 SERS started a six year phase-out adjustment for the payment of employer contributions. \$17,818 has been included for each of the projected fiscal years through 2015-2016. All benefits categories include no changes to staffing levels.

For Workers' Compensation, it is projected that there will be no annual increase since there is no annual increase in salaries each year. We are assuming the 2014 Workers Compensation rate will not change.

It is assumed that the annual unemployment compensation costs will remain constant for each forecasted year at \$1,500.

Hospitalization and Prescription Drug Insurance rates are assumed to increase at an annual rate of 10% in fiscal year 2014-2015, fiscal year 2015-2016, fiscal year 2016-2017, and fiscal year 2017-2018. We have also assumed the current employee contributions for 2014-2015; 2015-2016; 2016-2017; and 2017-2018. The annual medical inflation rate is assumed to be 8.0% annually and an annual 2% increase for the Federal Health Care Law has been added. Dental rates are assumed to increase at an annual rate of ten percent beginning with fiscal year 2014-2015. Vision Insurance rates are assumed to increase at an annual rate of ten percent beginning with fiscal year 2014-2015. Life Insurance rates are assumed to remain constant.

The Medicare taxes are assumed to increase at the same rate as total salaries each year.

PURCHASE SERVICES

This category includes advertising expense, postage expense, security management expense, as well as special education service providers, instructional improvement consultants, and management consultants. This

category is projected to increase at the assumed rates of inflation for each fiscal year.

LEGAL SERVICES

This category provides for the payment of legal fees for: general legal services; labor relations services; special education student issues; Board of Revision and Board of Tax Appeals issues; as well as borrowing/leasing and fiscal management services. This category assumes a 3.7% annual increase in the rates charged by various law firms. Future years are forecasted based upon continued spending at the 2012-2013 level.

TRAVEL AND MILEAGE

This category includes all payments for professional travel and employee mileage reimbursement. It is assumed that the 2013-2014 level of staff development travel will continue throughout each year projected. This category has been increased by the assumed rates of inflation for each fiscal year.

REPAIRS

This category includes all outside non-capital repair of building and grounds. It also contains the cost of maintenance agreements for office machinery, classroom equipment, administrative computers, and boiler controls. This category has been increased by the assumed rates of inflation for each fiscal year.

RENTALS AND LEASES

This category includes the cost of rentals throughout the district. This includes instructional programs as well as district-wide rentals. This category has been increased by the assumed rates of inflation for each fiscal year. As a result of a new photocopier program, reduced spending is projected for each year forecasted.

SPECIAL EDUCATION TRANSPORTATION

This category is for the cost of contracted services to provide transportation to the special education student, as well as parent reimbursements. It is assumed that current ridership on school district vehicles will remain the same each year. This category has been increased by the assumed rates of inflation for each fiscal year projected.

UTILITIES

This category includes expenses for telephone, electric, natural gas, and water and sewer. It is assumed that we will continue to participate in the Ohio Schools Council's natural gas purchase program and electric program.

It is assumed that utilities will increase at a rate of five percent each year for telephones; five percent each year for electricity; five percent for each year for water and sewer; and seven and one half percent in each year for natural gas. It is assumed that there will not be future monthly premium holidays. It is assumed that future weather patterns will be approximately the same as during the 2013-2014 fiscal year. It is further assumed that additional technology use will offset electricity conservation initiatives within the school district. As a result of the severe cold weather, several water lines have leaked. We received a water bill with over \$22,000 of additional charges. This is assumed to be a one-time expense in 2013-2014.

TUITION

Charter Schools

This category is the amount of funds lost for Richmond Heights' students who are enrolled in charter schools. Accounting regulations require that this loss of funds be booked as an expense even though the funds are deducted from our Foundation Subsidy. The 2013-2014 amount is based upon the January 19, 2014 ODE settlement report. Future years have been increased by the assumed rates of inflation. We are assuming no change in the number of students enrolled in charter schools.

Open Enrollment

This category is the amount of funds lost for Richmond Heights' students who are enrolled in other school districts using the State open enrollment option. Accounting regulations require that this loss of funds be booked as an expense even though the funds are deducted from our Foundation Subsidy. The 2013-2014 amount is based upon the January 19, 2014 ODE settlement report. Future years have been increased by the assumed rates of inflation. We are assuming no change in the number of students enrolled in other districts.

Tuition

This category is for Richmond Heights students placed in programs outside of the school district. It has been challenging to determine the true 2013-2014 expenses for tuition. There does not appear to be a past payment pattern that completely matches fiscal year payments to fiscal year student placements. For forecasting purposes, we based actual 2012-2013 expenses and increased that amount by the assumed rates of inflation for each fiscal year.

EDUCATIONAL SUPPLIES

This category includes instructional supplies and teaching aids. This category has been increased by the assumed rates of inflation for each fiscal year.

TEXTBOOKS

This category provides for textbooks, electronic textbook licenses, other curriculum licenses, and office supplies. The budget included one-time increased spending in 2013-2014. This category has been increased by the assumed rates of inflation for each fiscal year after adjusting out the one-time spending in 2013-2014.

MEDIA BOOKS AND SUPPLIES

This category provides for library books and other consumable supplies in the building libraries. It is projected that this category will increase by the assumed rates of inflation for each fiscal year.

MAINTENANCE SUPPLIES

This category includes all cleaning fluids and building supplies including paper towels and tissue papers. It is projected that this category will increase by the assumed rates in inflation for each fiscal year.

BUS FUEL

It is assumed that the 2013-2014 bus routes will be maintained for each year forecasted and that fuel will increase 5% each year. 2013-2014 included some 2012-2013 fuel invoices, which were adjusted out of forecasted years.

VEHICLE SUPPLIES

This category includes consumable supplies, fuel, tires, parts used for the maintenance of the bus fleet and vehicle fleet. All years are projected to increase by the assumed rates of inflation for each fiscal year.

EQUIPMENT

This category includes education, administrative, technology, and maintenance equipment purchases. The 2013-2014 budget includes \$40,000 for one-time purchases of new technology equipment. It is projected that this category will increase by the assumed rate of inflation for each year.

SCHOOL BUSES

One new bus was purchased in 2013-2014. It is assumed that there will be no additional purchases in any forecasted year.

OTHER VEHICLES

It is assumed there will be no replacement vehicle purchased in any fiscal year projected.

INSURANCE

The insurance premiums for general liability fleet insurance, property insurance, and boiler insurance are included in this category. It is projected that this cost will increase by the assumed rate of inflation each year.

AUDITOR AND TREASURER FEES

The Auditor and Treasurer fees are a function of the amount of taxes collected and increases have been assumed accordingly. We have not assumed any change in State law that would increase the statutory percentages assessed for the collection of taxes.

OTHER EXPENSES

Other expenses include shipping and freight charges, audit fees, dues, membership fees, taxes, County Board of Education deductions, bank charges, Board of Election expenses, delinquent tax collection fees, and miscellaneous payments. This category is projected to increase by the assumed rates of inflation for each fiscal year.

TRANSFERS ADVANCES

This category provides for the advancement of monies to various State and Federal projects that are awaiting cash advances, to provide for some one time transfers to balance out special projects and to provide for necessary other fund subsidies. Based upon an analysis of the last three years advance outs, we are recommending that previous advance outs be reclassified as transfers. The projected amount is based upon current needs in non-General Fund activities, specifically food service, PSSA, and Latch Key funds.

TRANSFERS FOR DEBT SERVICE

This category provides for the annual transfers from the General Fund to the debt service to fund the Energy Conservation Bond Anticipation Note.

EXPENSE ASSUMPTION SUMMARY

The projected budget increases in future fiscal years are as follows:

\$ 1,583,624	12.1%	Increase in expenses for the 2013-2014 fiscal year
\$ (405,526)	(2.8%)	Decrease in expenses for the 2014-2015 fiscal year
\$ 366,152	2.6%	Increase in expenses for the 2015-2016 fiscal year
\$ 361,518	2.5%	Increase in expenses for the 2016-2017 fiscal year
\$ 409,345	2.7%	Increase in expenses for the 2017-2018 fiscal year

Overall, General Fund expenses continue to grow as a result of assuming inflation, as well as significant increases in charter schools and open enrollment expenses.

The comparison to the May 2013 forecasted expenses is as follows:

	May 2013 Forecast	Current Forecast	Variance
2013-2014	\$13,327,209	\$14,669,163	\$1,341,954 more than May
2014-2015	\$13,554,151	\$14,263,637	\$ 719,486 more than May
2015-2016	\$13,649,663	\$14,629,789	\$ 980,126 more than May
2016-2017	\$13,774,364	\$14,991,307	\$1,216,943 more than May
2017-2018	-	\$15,400,652	