

North Ridgeville City Schools
5 Year Forecast
as of May 2018

Submitted by:
Michael Verlingo
Treasurer

**North Ridgeville City Schools
Valuation Summary & Forecast
5 Year Forecast - May 2018**

	Actual CALENDAR YEAR 2013	Actual CALENDAR YEAR 2014	Actual CALENDAR YEAR 2015	Actual CALENDAR YEAR 2016	Actual CALENDAR YEAR 2017	Actual CALENDAR YEAR 2018	Projected CALENDAR YEAR 2019	Projected CALENDAR YEAR 2020	Projected CALENDAR YEAR 2021	Projected CALENDAR YEAR 2022	Projected CALENDAR YEAR 2023	Projected CALENDAR YEAR 2024	Projected CALENDAR YEAR 2025
Agricultural & Residential	587,127,140	604,351,560	619,345,930	669,348,620	684,702,410	702,382,520	736,477,821	742,160,210	747,871,011	764,828,431	770,652,573	776,505,836	794,035,953
Commercial & Industrial	80,423,620	83,630,150	82,220,380	86,167,020	89,460,730	95,068,250	100,870,898	102,970,898	104,970,898	109,070,315	111,070,315	113,070,315	117,331,722
Total	667,550,760	687,981,710	701,566,310	755,515,640	774,163,140	798,470,770	837,448,718	845,131,107	852,841,908	873,898,747	881,722,889	889,576,152	911,367,675
Utility Real Estate	109,910	117,800	123,830	117,440	105,060	100,370	100,370	100,370	100,370	100,370	100,370	100,370	100,370
Total	109,910	117,800	123,830	117,440	105,060	100,370	100,370	100,370	100,370	100,370	100,370	100,370	100,370
Utility Personal Property	12,012,660	12,668,630	13,705,640	14,348,220	15,999,020	17,460,040	17,634,640	17,810,987	17,989,097	18,168,988	18,350,678	18,534,184	18,719,526
Tangible Personal Property	12,012,660	12,668,630	13,705,640	14,348,220	15,999,020	17,460,040	17,634,640	17,810,987	17,989,097	18,168,988	18,350,678	18,534,184	18,719,526
Grand Total	679,673,330	700,768,140	715,395,780	769,981,300	790,267,220	816,031,180	855,183,729	863,042,464	870,931,375	892,168,104	900,173,956	908,210,706	930,187,571

Assumptions:

Agr & Res - Valuation change	2.5%	2.5%	8.1%	U	2.3%	2.6%	4.0%	0.5%	0.5%	2.0%	U	0.5%	2.0%
Agr & Res - Actual / New Construction	12,627,710	12,638,890	13,804,870	13,339,670	15,764,470	6,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Comm & Ind - Valuation change	4.0%	-1.7%	4.8%	U	3.8%	7.4%	3.0%	0.0%	0.0%	2.0%	U	0.0%	2.0%
Comm & Ind - Actual / New Construction	3,475,330	171,410	4,499,430	2,725,700	5,905,520	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Utility Real Estate - Valuation	7.2%	5.1%	-5.2%	U	-10.5%	-4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Utility Real Estate - Actual / New Construction	7,890	6,030	(6,390)	(12,380)									
Utility Pers Prop - Valuation	5.5%	8.2%	4.7%	U	11.5%	9.1%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Utility Pers Prop - Actual / Additions													
Tangible Personal Property	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total New Construction	16,110,930	12,816,330	18,297,910	16,052,990	21,668,990	8,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Percent Change	2.4%	1.8%	2.6%	2.1%	2.7%	1.0%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%
Valuation % Increase excluding New Construction						3.82%	0.45%	0.45%	0.45%	1.98%	0.45%	0.45%	1.98%

R = Reappraisal Year 2019
U = Update Year 2022

North Ridgeville City Schools
FY 2018 Projected Revenue - General Fund
as of May 2018

Source	Codes	Line	April YTD Actual	May	Jun	FY2018 Estimate	% of Total	FY2017 Actual	% of Total	FY2016 Actual	% of Total	FY2015 Actual
RE Tax (Inside Mills & Continuing Levies)		1.01	15,079,597	-	-	15,079,597	37.4%	14,500,936	35.2%	14,047,597	35.1%	13,435,431
RE Tax (Emergency Levies)		1.01	9,599,278	-	-	9,599,278	23.8%	9,508,241	23.1%	9,514,918	23.8%	9,385,470
Property Tax Rollback		1.05	2,911,801	-	-	2,911,801	7.2%	2,876,578	7.0%	2,824,047	7.1%	2,770,689
Homestead Exemption		1.05	820,928	-	-	820,928	2.0%	839,850	2.0%	861,989	2.2%	904,777
Tax Abatements / Sharing		1.06	60,916	-	-	60,916	0.2%	74,950	0.2%	110,661	0.3%	99,090
Casino Tax		1.035	221,749	-	-	221,749	0.6%	209,899	0.5%	210,022	0.5%	206,913
MSP Medicaid		1.035	47,637	2,000	2,000	51,637	0.1%	122,499	0.3%	158,758	0.4%	50,410
Fuel Rebates		1.035	4,575	-	-	4,575	0.0%	5,169	0.0%	4,523	0.0%	4,811
Total Taxes			28,746,481	2,000	2,000	28,750,481	71.4%	28,137,932	68.4%	27,732,515	69.3%	26,857,591
State Foundation:												
Basic Allowance & Add'l Aid		1.035	9,589,024	911,453	944,454	11,444,931	23.8%	11,040,720	26.8%	10,263,208	25.6%	9,632,940
Preschool Special Ed Funding		1.035	326,183	32,971	32,972	392,126	0.8%	378,791	0.9%	320,531	0.8%	326,672
Special Ed Transportation		1.035	201,480	19,245	19,245	239,970	0.5%	230,042	0.6%	194,589	0.5%	187,998
Economic Disadvantaged Funding		1.04	35,408	3,574	3,575	42,557	0.1%	52,928	0.1%	70,343	0.2%	58,765
Restricted Grants (Catastrophic Aid)		1.04	-	-	230,000	230,000	0.0%	239,990	0.6%	235,438	0.6%	53,954
Restricted Grants (Career Tech)		1.04	3,368	337	336	4,041	0.0%	4,042	0.0%	2,763	0.0%	1,327
Total State Aid			10,155,463	967,580	1,230,582	12,353,625	25.2%	11,940,513	29.0%	11,086,872	27.7%	10,745,756
Open Enrollment		1.06	117,445	5,194	5,194	127,833	0.3%	48,600	0.1%	43,896	0.1%	48,509
Tuition Kindergarten		1.06	316,781	5,000	5,000	326,781	0.8%	132,435	0.3%	416,350	1.0%	195,376
Tuition Peer Program Early Childhood		1.06	87,405	2,000	2,000	91,405	0.2%	85,588	0.2%	90,300	0.2%	78,499
Tuition from Other Districts		1.06	188,809	-	-	188,809	0.5%	90,689	0.2%	117,920	0.3%	90,764
Tuition from Other Dist - Spec Ed		1.06	17,449	-	-	17,449	0.0%	15,727	0.0%	46,814	0.1%	18,697
Tuition Related			727,889	12,194	12,194	752,277	1.8%	373,039	0.9%	715,280	1.8%	431,645
Interest		1.06	353,417	20,000	20,000	393,417	0.9%	285,598	0.7%	137,280	0.3%	37,551
Fees		1.06	264,350	10,000	10,000	284,350	0.7%	293,943	0.7%	291,695	0.7%	274,539
Rental (Bldgs & TowerCo)		1.06	14,078	1,000	1,000	15,078	0.0%	18,727	0.0%	17,363	0.0%	16,062
Svcs. Provided other Entities		1.06	-	-	7,600	7,600	0.0%	22,020	0.1%	20,824	0.1%	21,791
Donations (Pepsi)		1.06	-	-	-	-	0.0%	15,750	0.0%	1,657	0.0%	8,712
Commissions		1.06	-	-	-	-	0.0%	-	0.0%	0	0.0%	2,000
Other Misc Receipts		1.06	13,244	1,000	1,000	15,244	0.0%	8,168	0.0%	15,680	0.0%	12,035
Insurance Proceeds / Reimbursements		1.06	2,921	-	-	2,921	0.0%	-	0.0%	1,280	0.0%	1,131
Reimbursements (E-Rate)		1.06	2,065	-	-	2,065	0.0%	50,079	0.1%	20,183	0.1%	16,128
Total Other			296,658	12,000	19,600	328,258	0.7%	408,687	1.0%	368,682	0.9%	352,398
Total Operating Receipts			40,279,908	1,013,774	1,284,376	42,578,058	100.0%	41,145,769	100.0%	40,040,629	100.0%	39,424,941
Transfers		2.04	1,650,000	-	25,000	1,675,000		1,731,138		1,452,288		769,624
Advances		2.05	141,195	-	50,000	191,195		82,572		34,237		3,992
All Other - Refund of Prior Yr Exp		2.06	242,834	2,000	2,000	246,834		83,776		2,475		66,557
All Other - Sale or Loss on Assets		2.06	1,000	-	-	1,000		-		-		2,495
All Other - Lease Purchase Financing		2.06	530,366	-	-	530,366		-		-		-
Total All Other Financing Sources			2,565,395	2,000	77,000	2,644,395	1.8%	1,897,386	0.7%	1,582,877	0.9%	842,668
Total Receipts per Ledger			42,845,303	1,015,774	1,361,376	45,222,453		43,043,155		41,623,506		39,267,609

North Ridgeville City Schools
Expenditure Estimates
FY18 through FY22 for May 2018 Forecast

Category	Obj	Actual FY2012	Actual FY2016	Actual FY2017	Projected FY2018	Projected FY2019	Projected FY2020	Projected FY2021	Projected FY2022
Certified Staff	100	18,924,715	14,926,126	14,587,434	15,525,858	16,565,853	17,456,571	18,386,652	19,357,784
Certified Administration	100		-	1,289,896	1,400,000	1,645,000	1,694,350	1,745,181	1,797,536
Classified	100		4,764,961	4,940,833	5,703,195	6,014,538	6,276,962	6,518,040.28	6,766,149.79
Fringe Benefits	200	6,917,434	6,918,671	6,769,763	7,464,332	8,198,097	8,586,014	9,054,538	9,560,440
Purchased Services	400	4,261,124	5,836,227	6,223,489	6,566,648	6,829,314	7,102,486	7,386,586	7,682,049
Supplies & Materials	500	716,407	1,059,504	1,105,601	1,314,676	1,360,690	1,408,314	1,457,605	1,508,621
Capital Outlay	600	29,783	992,963	1,076,642	498,755	800,000	824,000	848,720	874,182
Other Expenditures	800	1,810,530	623,394	610,551	702,351	716,398	730,726	745,341	760,247
Other non-Oper Transfers	900	545,605	1,504,180	1,779,755	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
Other non-Oper Advances	900		2,672,522	186,195	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000
Total Expenditures		33,205,598	39,298,548	38,570,159	41,970,815	44,924,890	46,874,423	48,937,662	51,102,009
Average annual % Increase			13.54%	-1.85%	8.82%	7.04%	4.34%	4.40%	4.42%
Benefits:									
Retirement Certified		2,212,091	2,209,487	2,209,487	2,506,735	2,755,724	2,895,488	3,041,278	3,193,349
Retirement Classified		816,596	738,605	738,605	847,819	1,022,471	1,067,084	1,108,067	1,150,245
Health, Dental, Life, Vision		3,349,918	3,316,012	3,316,012	3,419,284	3,658,634	3,914,738	4,188,770	4,481,984
Health Care Subsidy		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Medicare		284,328	304,112	304,112	333,216	351,268	368,704	386,423	404,861
Workers Comp		142,211	90,031	90,031	242,563	140,000	140,000	140,000	140,000
Unemployment		3,651	2,201	2,201	5,088	10,000	10,000	10,000	10,000
Other - Uniforms		9,877	9,315	9,315	9,627	10,000	10,000	10,000	10,000
		6,918,672	6,769,763	6,769,763	7,464,332	8,048,097	8,506,014	8,984,538	9,490,440
Benefits % Increase			-2.2%	10.3%	7.8%	5.7%	5.6%	5.6%	5.6%
Benefit % of Payroll		35.1%	32.5%	32.5%	33.0%	33.2%	33.5%	33.7%	34.0%
Incremental Certified Staff		14.8%	-	-	-	6	3	3	3
Incremental Classified Staff		-	-	-	-	5	3	2	2
Incremental STEM Staff		-	-	-	-	4	2	2	2
Incremental Benefits for additional staff (HC & WC)		-	-	-	-	150,000	80,000	70,000	70,000
Total		6,918,672	6,769,763	6,769,763	7,464,332	8,198,097	8,586,014	9,054,538	9,560,440

NORTH RIDGEVILLE CITY SCHOOL DISTRICT

Notes to 5 Year Forecast

May 2018

To Whom It May Concern:

The financial forecast presents, to the best of the Treasurer's knowledge and belief, the North Ridgeville City Schools expected financial position, results of operation and cash flows for the forecasted periods. Accordingly, the forecast reflects its judgments as of May 23, 2018, the date of the forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that the Treasurer believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material.

Sincerely,

Michael Verlingo, CPA
Treasurer

REVENUES

General Property Tax (Real Estate)

General Property Tax collection for fiscal year 2018 is anticipated to be \$24,109,259 which is comprised of the following:

General Fund revenue (inside millage)	\$ 5,076,364
General Fund revenue (outside millage)	\$ 12,441,689
Emergency Levy revenue	<u>\$ 10,893,551</u>
Subtotal	\$ 28,411,604
Less: Rollback & Homestead reduction	<u>(\$ 3,732,729)</u>
Total	<u>\$24,678,875</u>

General Property Tax is forecasted to have an approximate increase of less than 1.0% per year from fiscal year 2018 through 2022. The District is still experiencing new housing growth in the community and total valuations increased by 7.6%, 2.6% and 3.3% in calendar years 2016, 2017 and 2018 respectively. It should be noted that General Property Taxes include 4 Emergency Levies which remain constant through fiscal year 2020 except for slight variations due to collections and delinquencies. These Emergency levies account for approximately 38% of total tax receipts. The Emergency levies will require renewal beginning in Calendar year 2020.

Valuation increases for new construction of \$8.0 million in calendar year 2018, then \$4 million per year for the balance of the forecast period have been assumed. In addition, inflationary adjustments of 4% have been applied to the District total Agricultural & Residential valuation, plus 3% for Commercial and Industrial for FY 2019. Subsequent years include minimal inflationary adjustments in non-reappraisal or update years.

Tangible Personal Property Tax collection for fiscal year 2019 is anticipated to be \$0 due to House Bill 66 phasing out Tangible Personal Property Tax and rolling the Public Utility Personal Property Tax into General Property Tax.

The district is approaching the 20 mil floor in funding. Depending upon the inflationary increases compiled by the County Auditor it is anticipated the district will reach the 20 mil floor in 2019 or 2020.

Unrestricted Grants-in-Aid:

The Unrestricted Grants-in-Aid is anticipated to be \$12,353,625 which is comprised of the following:

State Aid	\$ 11,444,931
Casino Revenue Allocation	\$ 221,749
Medicaid & Fuel rebates	\$ 64,165
Preschool Special Ed Funding	\$ 392,126
Special Ed Transportation	\$ 239,970
Total State Aid	<u>\$12,362,941</u>

The Unrestricted Grants-in-Aid increased from the prior year by approx. 3.6%. Changes to the state funding formula are driven by many factors, including economic, educational, and political influences, therefore funding has been held constant through fiscal year 2022. The biennium budget by the state limits the opportunity for North Ridgeville City Schools to receive incremental funding in future years based on the formula.

Restricted Grants-in-Aid

The Restricted Grants-in-Aid include funding for Career Tech Centers, Economically Disadvantaged students and reimbursement for Catastrophic Aid costs related to special education students. The estimated FY 2018 Catastrophic-aid reimbursement is approximately \$230,000 plus \$46,600 for Disadvantaged Student funding.

Property Tax Allocation

Property Tax Allocation is anticipated to be \$3,732,729, which is comprised of the following:

10% and 2.5% Rollback	\$2,911,801
Homestead Exemption	<u>\$ 820,928</u>
Total Rollback & Homestead	<u>\$3,732,729</u>

The 10% and 2.5% Rollback and Homestead Exemptions have been forecasted to remain constant through 2022. The Personal Property Tax State Reimbursement was eliminated through House Bill 153. The elimination was \$599,172 in fiscal year 2012 and \$276,354 in fiscal year 2013 for a combined total of \$875,526.

All Other Revenue

The All Other Revenue line of the forecast is comprised of the following:

Tuition	\$ 624,444
Dues and Fees	\$ 284,350
Open Enrollment	\$ 127,833
Miscellaneous Local	\$ 43,908
Tax Abatements & Revenue sharing	\$ 60,916
Investment Income	<u>\$ 393,417</u>
Total All Other Revenue	<u>\$1,534,868</u>

It is anticipated that the revenue sharing agreements with the City will yield incremental revenues in FY 2019 through FY 2022 as the amount of payroll subject to income tax covered by these agreements increases. Any fluctuation in these categories will have a minimal impact to the Five Year Forecast.

OTHER FINANCING SOURCES

Operating Transfers-In

Operating Transfers-In represents the Textbooks and Instructional Materials Fund being accounted for within the General Fund under special cost center 9000. Senate Bill 345 is being used in applying the required set-aside in the Textbooks and Instructional Materials Fund. The District plans to meet and / or exceed the requirement, each fiscal year. The transfer line has been budgeted at \$1,500,000, which is the internal transfer to the Textbook and Instructional Materials Fund in each fiscal year of the forecast.

In addition, \$250,000 is being budgeted for District wide repairs and maintenance services that do not meet the definition of Capital Spending from the Permanent Improvement fund.

Advances-In

These are normally related to the return of funds advanced to cover temporary deficits in other funds at fiscal year-end. FY 2018 advances in will approximate \$191,000. An estimate of \$50,000 has been included for FY 2019 and beyond.

EXPENDITURES

Personnel Services

Personnel Services for fiscal year 2018 is projected to be \$22.6M. This is a 8.7% increase over FY 2017 actual expenditures. The increase in personnel costs are due to additional staff, employee turnover, contractual increases and movement by certificated and classified staff on the salary schedule. In addition, the district settled a contract with its Certified (Teacher) Union in 2017 which provides for inflationary increases of 2% per year through 2020. Negotiations with the Classified union were settled in early 2018. Increases related to this agreement are included in the current year projection and future expenditures.

Personnel Services are projected to increase 7.0% in Fiscal Year 2019; then average approximately 4.9% through fiscal year 2022. These increases reflect contractual step raises and wage adjustments for classified staff, as well as incremental headcount due to increased enrollment and the expansion of the Lear High Tech Academy in FY 2019 and beyond. The Hi-Tech academy will expand from 4 grades and 4 classrooms in FY 2018 to 9 classrooms in FY 2019; 11 in FY 2020; 13 in FY 2021 and 15 in FY 2022.

Employee's Retirement / Insurance Benefits

Employee Benefits for fiscal year 2018 is anticipated to be \$7.5M, or 33.0% of Personnel Services. In the past, Employee Benefits have fluctuated between 28.5% and 38.7% of Personnel Service cost. Employee Benefits have been forecasted to increase by an average of 7.4% per year through FY2022. Increases are primarily the result of higher Health care related expenses and incremental headcount.

Purchased Services

Purchased Services for fiscal year 2018 is anticipated to be \$6.6M, which is a 5.5% increase over the prior year primarily due to increased tuition costs and technical and professional services. Costs are expected to increase by approximately 3.7% in each year of the forecast period.

Due to the opening of the North Ridgeville High Tech Academy, it is assumed that tuition costs paid to outside districts will decrease and open enrollment revenues will increase. The impact to the NRCS results will approximate \$1.0M over the forecast period. This amount has been revised from the former forecast to account for change in planned mix of students attending the academy. A higher number of resident students are expected to enroll, thereby lowering the amount received as tuition from outside district students.

Supplies and Materials

Supplies and Materials for fiscal year 2018 are anticipated to be \$1.4M. The \$200k increase over FY 2017 is primarily the result of Textbook purchases. Anticipated increases are 3% per year for inflationary increases.

Capital Outlay

General Fund Capital Outlay is expected to be \$0.5M in Fiscal year 2018. This includes Computer equipment for use in curriculum programs and improvement to the district network infrastructure. It is expected that expenditures will increase at approximately 3% per fiscal year.

Incrementally, the NR High Tech Academy will require specialized equipment and building renovations in support of its curriculum. Capital expenditures will total approximately \$1.3M for FY 2018 through FY 2022. These amounts are budgeted in the Capital Improvements fund.

Other Objects

Other Objects for fiscal year 2018 is anticipated to be \$700k. These costs are expected to increase at 2% per year through fiscal year 2021. They consist primarily of Property Tax collection fees, Audit, Insurance, Recruitment and Placement services.

OTHER FINANCING SOURCES

Operating Transfers-Out

Operating Transfers-Out for the forecast period is anticipated to be \$1.75M. The majority of this transfer is for the Textbook and Instructional Materials Fund or to other governmental funds at fiscal year end.

Advances-Out

Fiscal year 2018 advances of \$1.0M to the Permanent improvement fund will be used for capital purchases, renovations and equipment throughout the district. Additional discretionary advances from the General Fund for permanent improvements are budgeted at \$4.0M from FY 2019 to FY 2022. This expenditure will also be needed when temporary cash flow deficits in Federal Programs or other non-general fund balances occur at fiscal year-end.

ESTIMATED ENCUMBRANCES

Estimated Encumbrances for fiscal year 2018 is anticipated to be \$700,000 and is anticipated to remain constant through fiscal year 2022.

RESERVATION OF FUND BALANCES

Textbook & Instructional Materials

The Textbook & Instructional Materials Fund had a balance of \$162,895 in fiscal year 2015, which is not being brought forward to fiscal year 2016. No additional money is being added because the requirement is budgeted within the Operating Transfers-Out line item.

Budget Reserve

In order to maintain stability in the General Operating Fund of the district, the Board voted to establish an operating cash reserve equal to 90 days cash on hand in FY 2016. The reserve of \$2.0M on line 9.030 is equal to 5% of prior year operating revenues as required by state statute.

The budget reserve approved by the Board is based on 90 days forecasted expenditures, which for FY 2018 is equal to \$9.6M. Once the General fund cash balance is forecasted to fall below the calculated reserve requirement, the Treasurer will notify the Board that action to mitigate the issue is required.