

Treasurer's Notes

Last month the Margaretta Board of Education approved the latest version of a Five-Year Forecast. The Five-Year Forecast is required to be approved by the Board prior to October 31st and can be amended between April 1 and May 31st of the School District Fiscal Year. The Ohio General Assembly created this statutory requirement in House Bill 412 adopted in July of 1998.

The strength of any forecast is found in the assumptions that are used to create the document. Treasurers look at historical trends and include the knowledge of pending financial factors to provide a best guess approach to developing the forecast. The following assumptions were incorporated in our most recent forecast:

Revenues (Cash Inflows):

- the District will receive an unanticipated increase in the local property tax collections, in excess of \$700,000, as a result of a tax appeal settlement with the State Tax Commissioner and Visteon Corporation;
- the District can anticipate slow growth in Real Estate property tax revenue as a result of new construction and reappraisals, the growth of which will be approximately 1.6% on average over the five years;
- the tax reform action of the State's legislature will continue whereby the local personal property (equipment and inventories) taxes will be phased out over the next few fiscal years and replaced by Commercial Activity Taxes (CAT) and we will be held harmless for the loss in local taxes until Fiscal Year 2012;
- the final year of the forecast, Fiscal Year 2012, the loss in "hold harmless" reimbursement from CAT dollars will begin to phase out, as a result of this phase out we will lose in excess of \$300,000 in reimbursement;
- historically over the past three fiscal years, the district total revenues has increased by 0.8% on average;
- the district's revenue will spike in the current fiscal year (\$12.067 million), then return to Fiscal Year 2007(\$11.245 million) level, then will grow to \$11.509 million by Fiscal Year 2011, only to return to the \$11.259 million dollars by 2012;
- we have assumed that there will be no additional tax revenue from local taxpayers, and that the state will not alter the current funding formulas which will perpetuate the no growth in basic aid for students in our district over the next five fiscal years;

Expenses (Cash Outflows):

- historically over the past three fiscal years, operating expenses have grown at a average rate of 1.8% which is a reflection of the districts ability to manage costs below the rate of inflation; total expenditures have grown by 2.7% over the same three fiscal years when we include other cash outflows which include funds transferred to cover short comings in grant funds, the permanent improvement fund and the food services fund;

- the district has been successful limiting the growth in salaries and benefits by implementing labor contracts which include concessions on health care benefits and by continued reduction in staff through attrition;
- we assume that the district will trend to increase salaries by a rate of 2% per year, health insurance to grow gradually 1.5% in the current year, between 5-7 ½% through Fiscal Year 2012;
- the district has reduced the building budgets in the past two fiscal years, and we are assuming an inflationary growth of 2% in the future;
- with the change in bussing this year, we are predicting to save in excess of \$40,000 in diesel fuel and we predict that all utilities will grow at a rate of 5% per year;
- we assume that the proposed Permanent Improvement levy on November 6th will not pass (worst case scenario) and the funds that have been generated from this levy in the past (approximately \$225,000 annually) has afforded the district to maintain our facilities without using the General Operating Fund, therefore, we have estimated that we will see that \$150,000 will need to be expended in order to continue maintaining the facilities, and we will discontinue the practice of using \$70,000 per year for technology improvements.

Summary

	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
Cash Balance July 1 st	\$2,721,665	\$2,438,710	\$1,076,078	(\$578,091)	(\$2,649,968)
Revenues	12,067,946	11,245,264	11,420,243	11,509,138	11,259,590
Expenses	<u>12,350,901</u>	<u>12,607,896</u>	<u>13,074,412</u>	<u>13,581,015</u>	<u>14,074,419</u>
Cash Balance June 30 th	\$2,438,710	\$1,076,078	(\$578,091)	(\$2,649,968)	(\$5,464,797)

As you can see, the district will be out of funds by June 30, 2010. Between now and then the district will continue to take the steps necessary to correct the deficiency. If the district does not support additional revenue, we will need to continue to cut expenses.

The first step is to have the November 6th Permanent Improvement property tax Renewal levy to pass. By approving this levy, the General Fund will save \$700,000 over the next five years, without an increase in property tax.