



Loveland City Schools Finance Committee Meeting #3

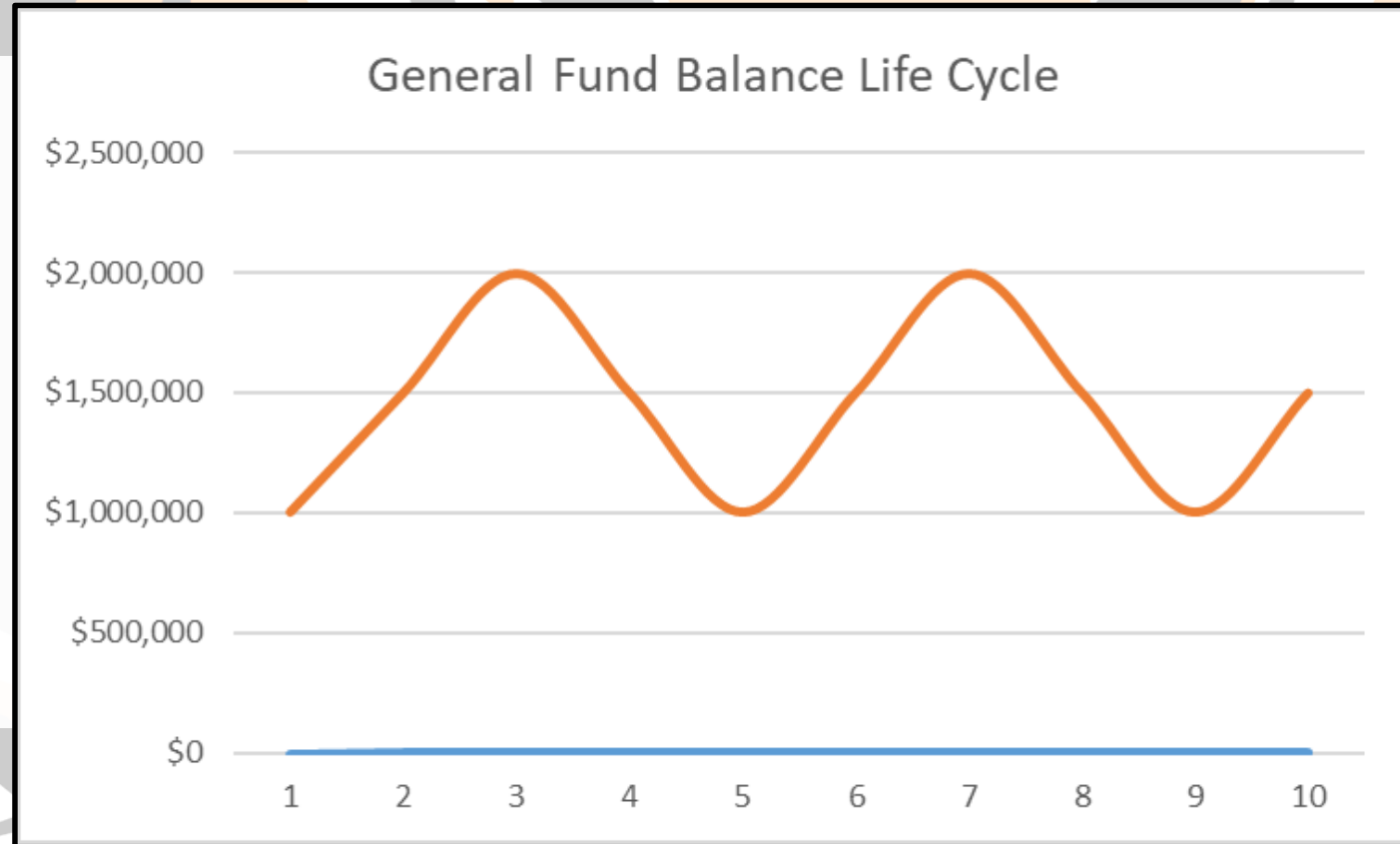
December 20, 2018
LMS Media Center

Agenda

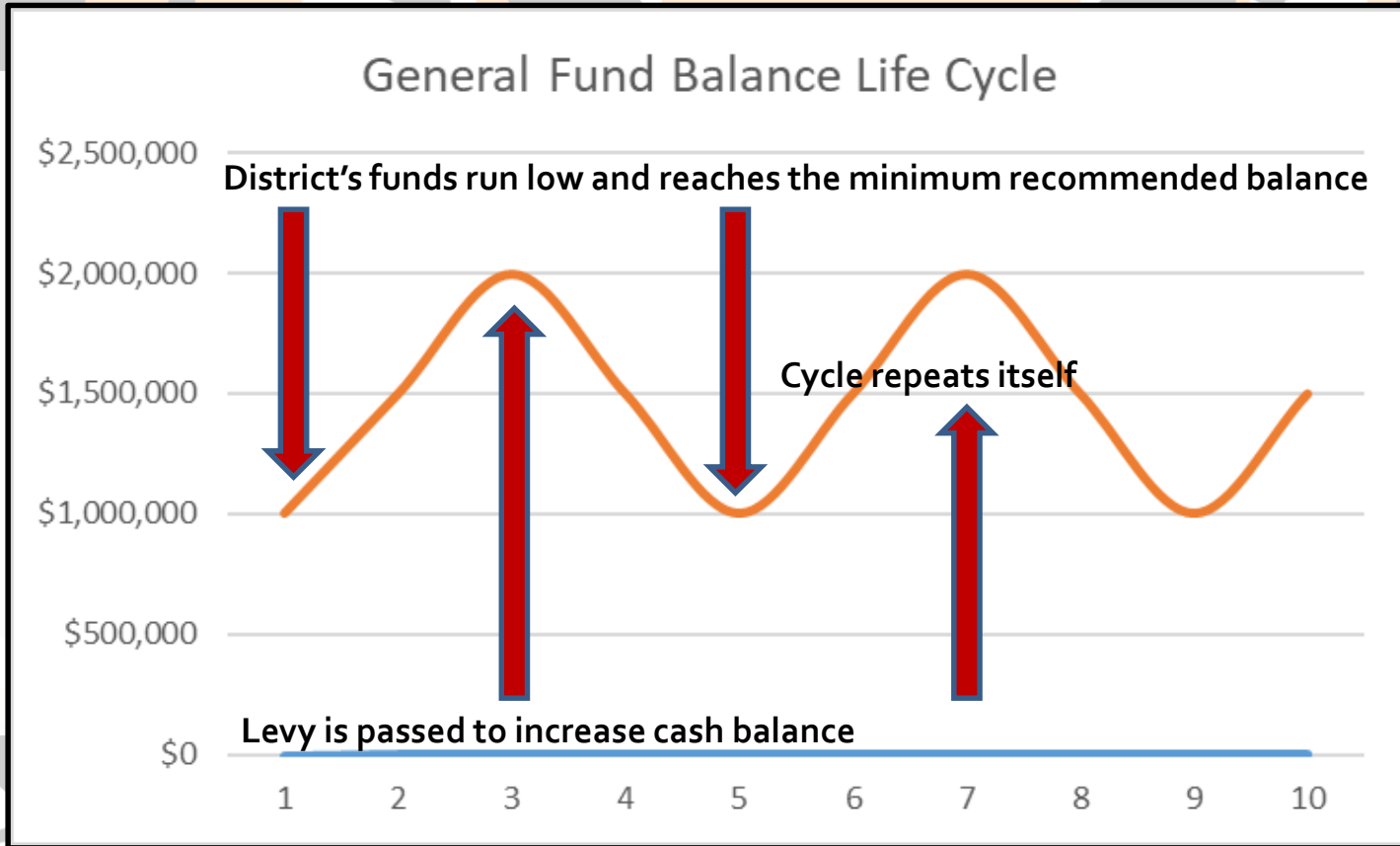


- Understanding the Operation Levy Cycle
- 5 Year Forecast
 - Overall outlook
 - Analysis of revenues and assumptions
 - Analysis of expenses and assumptions
 - Significant factors in the forecast
 - Conclusion

Understanding the Operation Levy Cycle (example)



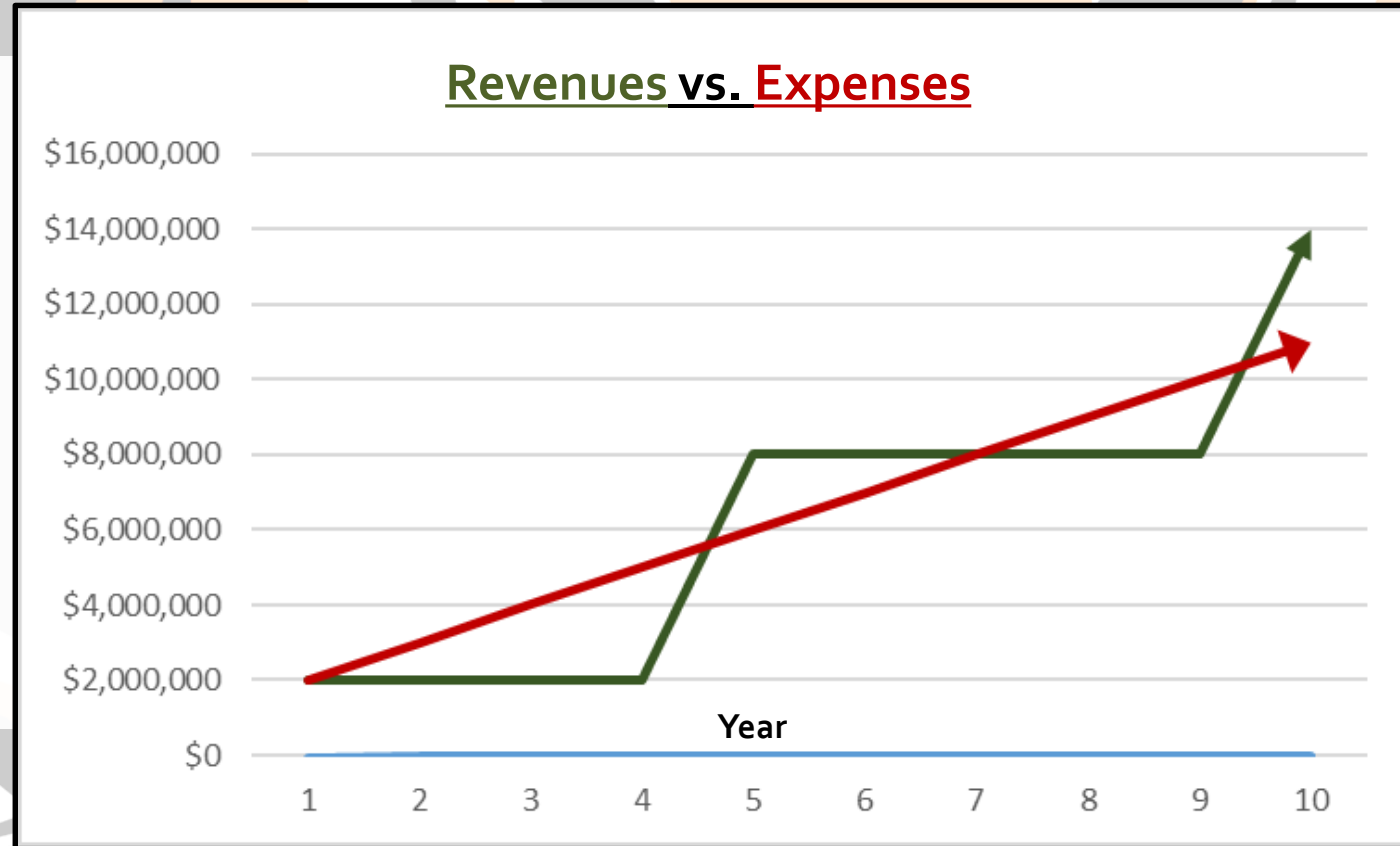
Understanding the Operation Levy Cycle (example)



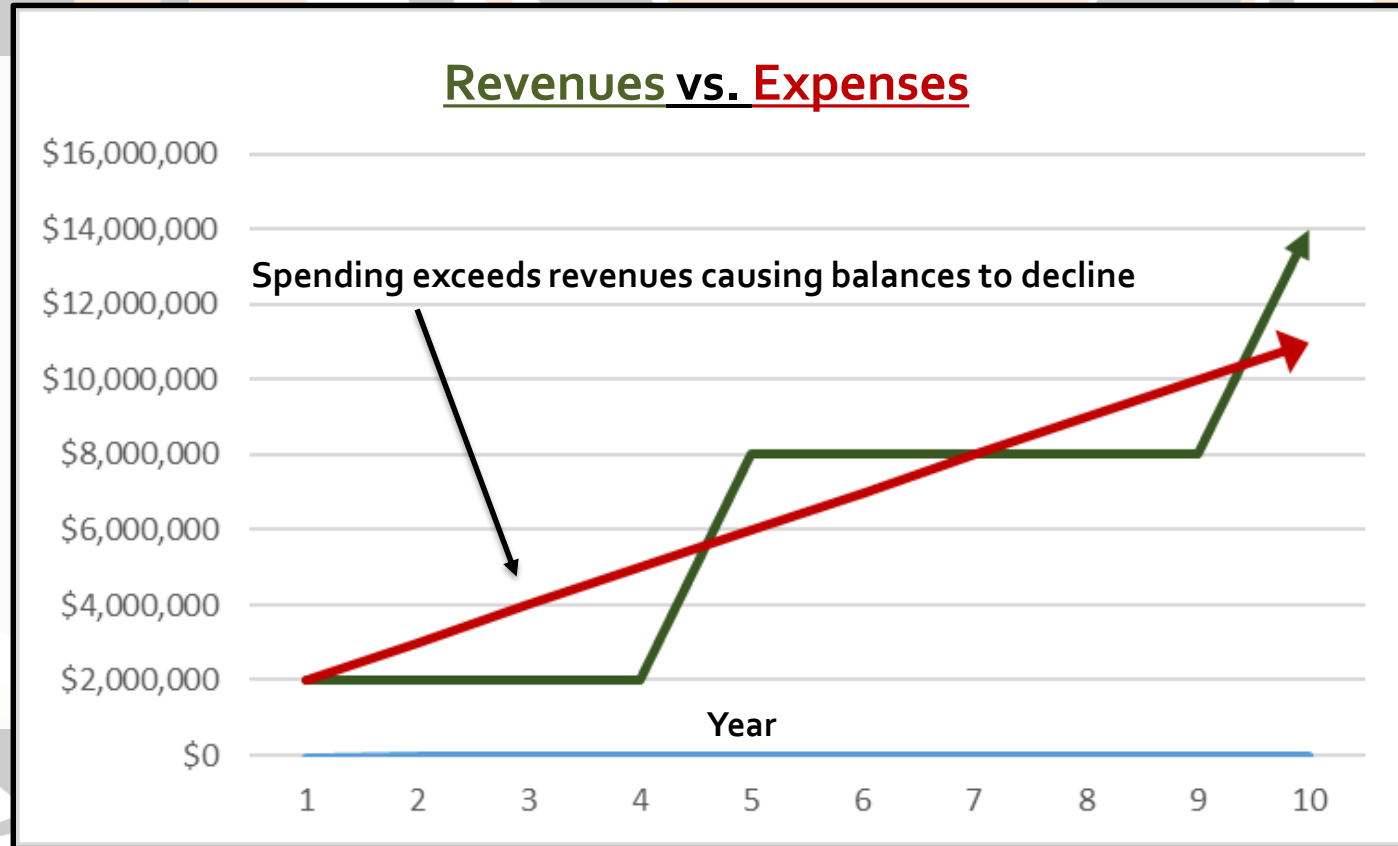
Understanding the Operation Levy Cycle (example)

- The General Fund is the main operating account for the school district.
 - The general fund is the primary source of funds for the school district to run daily operations.
 - Districts determine what is the lowest cash level they can continue to operate comfortably.
 - Once the General Fund runs low a local levy passes to increase cash balance and slowly declines.
 - Local property tax revenue does not increase unless a levy is passed.
 - This is done in tandem with continually reassessing expenditures in the district to run as efficiently as possible while maintaining a high level of instruction.
 - This process repeats itself over time.

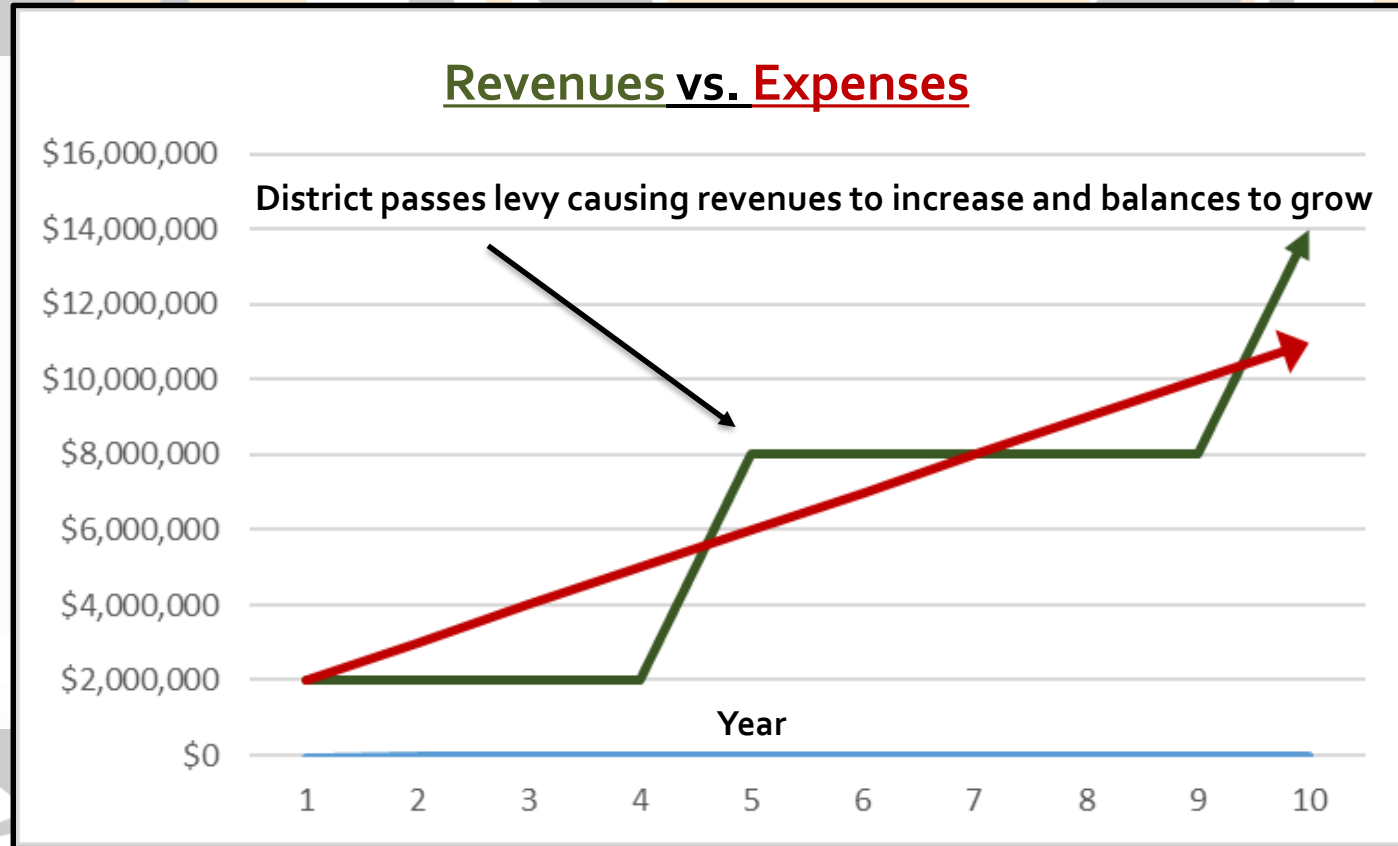
Understanding the Operation Levy Cycle (example)



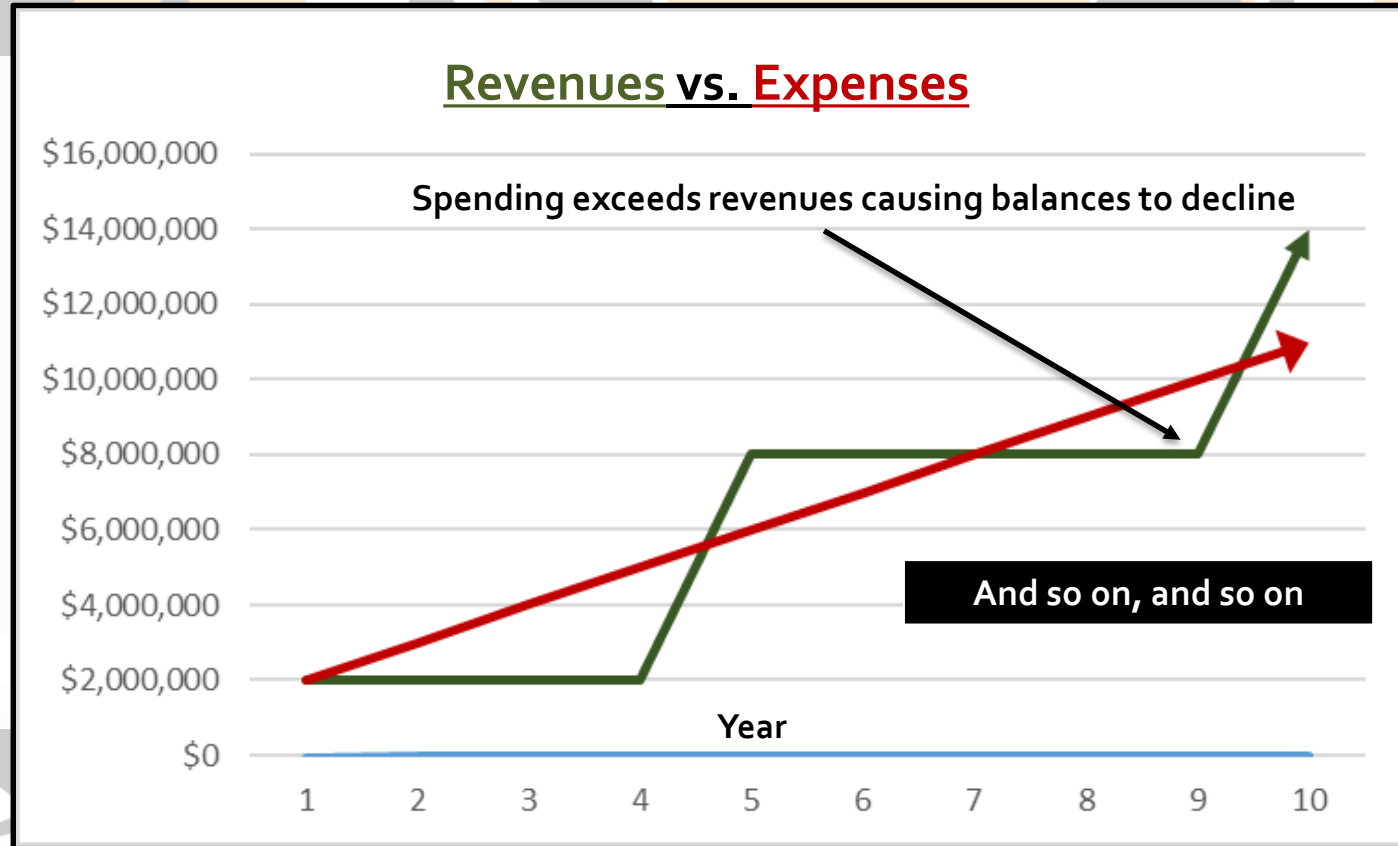
Understanding the Operation Levy Cycle (example)



Understanding the Operation Levy Cycle (example)



Understanding the Operation Levy Cycle (example)



Understanding the Operation Levy Cycle (example)

➤ Expenditures

- Expenditures generally maintain an increase over time with inflation and general needs of the district.
- The expenses are constantly reassessed to meet needs of our students in order to maximize results and minimize inefficiencies.

➤ Revenues

- Revenue does not increase over time unless a local tax levy is passed.
- Ohio law does not allow the school district to receive any more money from previously passed levies as property values increase. The revenue is fixed at the original dollar amount that was passed when the levy was voted into effect.

Five Year Forecast

Loveland Five Year Forecast for Fiscal Year 2019

District Type: City
 IRN: 044271
 County: Hamilton
 Date Submitted: 10/24/2018 Date Processed: 10/24/2018

Line	Actual			Forecasted				
	2016	2017	2018	2019	2020	2021	2022	2023
1.010 General Property (Real Estate)	29,157,740	29,483,530	30,942,383	28,912,424	30,313,796	30,631,516	30,980,593	31,242,585
1.020 Tangible Personal Property Tax	1,044,368	1,073,885	1,225,543	1,105,171	1,242,722	1,282,275	1,321,829	1,361,382
1.035 Unrestricted Grants-in-Aid	13,161,788	13,256,897	13,467,255	13,414,265	13,416,758	13,420,025	13,424,722	13,429,556
1.040 Restricted Grants-in-Aid	286,449	263,191	221,232	227,894	227,783	227,786	227,781	227,839
1.050 Property Tax Allocation	3,692,373	3,710,728	3,723,862	3,744,581	3,772,605	3,816,630	3,862,074	3,894,023
1.060 All Other Operating Revenue	1,301,243	1,479,700	2,136,768	1,799,023	1,784,300	1,779,964	1,776,024	1,772,488
1.070 Total Revenue	48,643,961	49,267,931	51,717,043	49,203,358	50,757,964	51,158,196	51,593,023	51,927,873
2.060 All Other Financial Sources	413,000	222,916	12,911	366,619				
2.070 Total Other Financing Sources	413,000	222,916	12,911	366,619				
2.080 Total Revenues and Other Financing Sources	49,056,961	49,490,847	51,729,954	49,569,977	50,757,964	51,158,196	51,593,023	51,927,873
3.010 Personnel Services	27,709,304	29,013,291	30,941,022	32,492,728	33,860,610	35,280,149	36,703,211	38,184,598
3.020 Employees' Retirement/Insurance Benefits	9,538,937	9,816,381	10,021,628	10,922,920	11,684,422	12,422,819	13,203,397	14,039,545
3.030 Purchased Services	4,307,410	4,834,901	5,116,521	5,546,338	5,436,749	5,513,485	5,642,340	5,774,378
3.040 Supplies and Materials	1,797,755	2,043,894	1,723,679	2,502,984	2,144,724	2,187,589	2,231,612	2,276,829
3.050 Capital Outlay	351,728	492,297	364,910	670,000	670,000	770,000	570,000	570,000
4.300 Other Objects	644,513	604,235	696,113	683,793	696,419	709,287	722,402	735,768
4.500 Total Expenditures	44,349,647	46,804,999	48,863,873	52,818,763	54,492,924	56,883,329	59,072,962	61,581,118
5.010 Operational Transfers - Out	22,500	20,000	20,000	20,000	20,000	20,000	20,000	20,000
5.040 Total Other Financing Uses	22,500	20,000	20,000	20,000	20,000	20,000	20,000	20,000
5.050 Total Expenditure and Other Financing Uses	44,372,147	46,824,999	48,883,873	52,838,763	54,512,924	56,903,329	59,092,962	61,601,118
6.010 Excess Rev & Oth Financing Sources over/(under) Exp & Oth Financing	4,684,814	2,665,848	2,846,081	(3,268,786)	(3,754,960)	(5,745,133)	(7,499,939)	(9,673,245)
7.010 Beginning Cash Balance	7,748,444	12,433,258	15,099,106	17,945,188	14,676,402	10,921,442	5,176,309	(2,323,630)
7.020 Ending Cash Balance	12,433,258	15,099,106	17,945,188	14,676,402	10,921,442	5,176,309	(2,323,630)	(11,996,875)
10.010 Fund Balance June 30 for Certification of Appropriations	12,433,258	15,099,106	17,945,188	14,676,402	10,921,442	5,176,309	(2,323,630)	(11,996,875)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	12,433,258	15,099,106	17,945,188	14,676,402	10,921,442	5,176,309	(2,323,630)	(11,996,875)
15.010 Unreserved Fund Balance June 30	12,433,258	15,099,106	17,945,188	14,676,402	10,921,442	5,176,309	(2,323,630)	(11,996,875)

Five Year Forecast

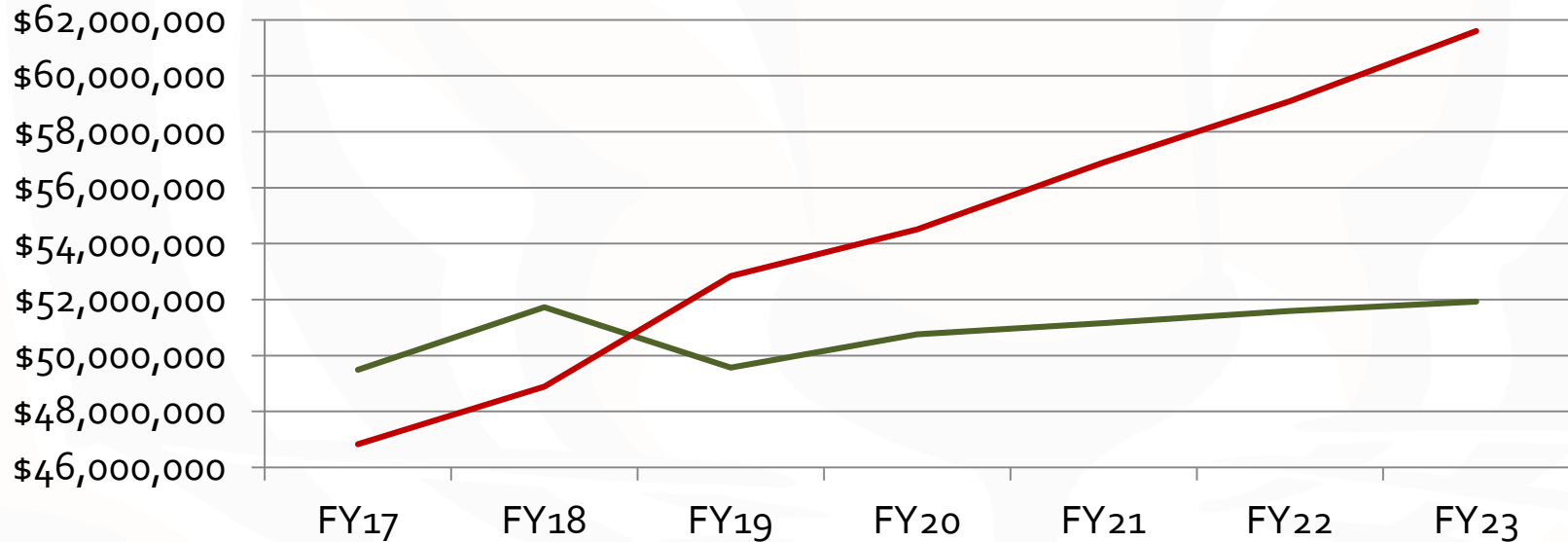
- Ohio requires every school district to submit a five year forecast twice a year.
 - It shows three years of historical figures and projects out five years in the future.
 - Many factors go into the projections from using historical trends, known needs and projections on variables.
 - We use this as a planning tool in the district to understand our past and what areas we can invest in moving forward.

Overall Outlook

- Revenues – Increase by an average of .12% through FY'23
 - The current forecast shows operating revenues remaining relatively flat through forecasted years. The largest variables both currently and into the future is property valuations and the state funding formula. If Property Valuations continue to increase we could see very small increases in overall funding. The future of the state funding will be revealed in two-year increments, with the next one coming in the summer of 2019 when the new biennial budget should be signed into effect.
- Expenses – Increase by an average of 4.75% through FY'23
 - School districts are a service industry and personnel expenses are the largest portion of the budget. Therefore, negotiated salary increases, staffing levels, and health insurance renewals are significant variables for the future. These expenses increase due to inflationary pressures and market rates.

Overall Outlook

Revenues vs. Expenses Comparison

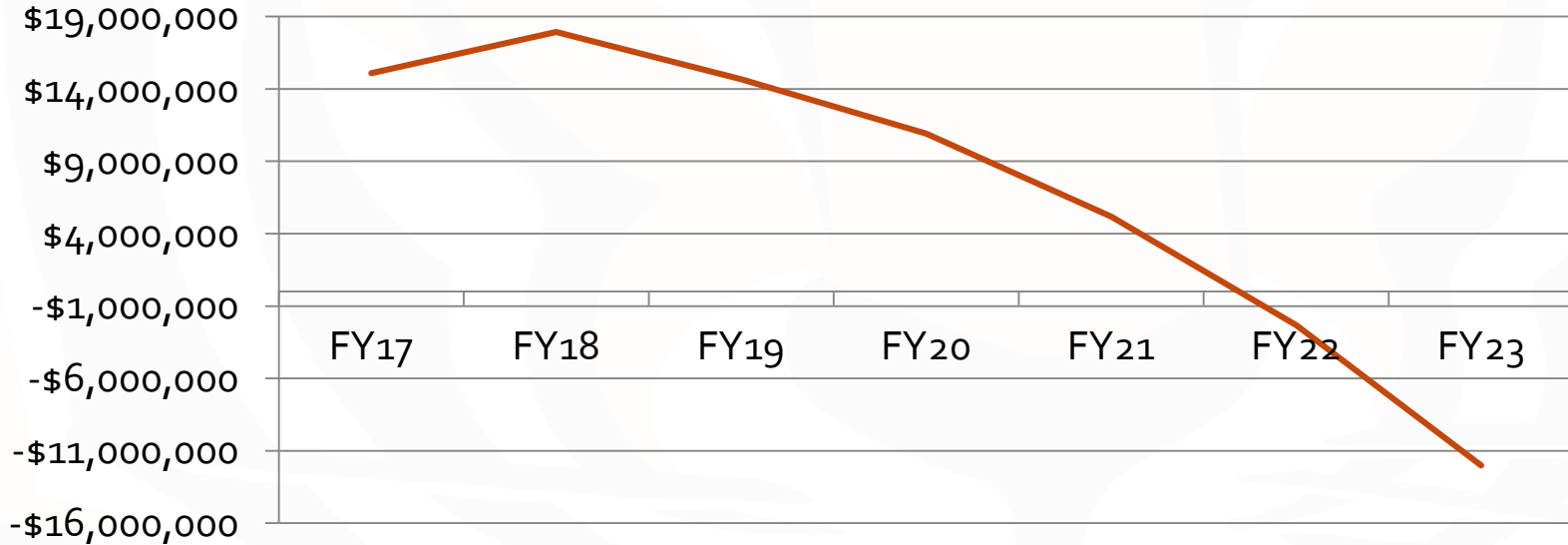


Overall Outlook

- The “Revenues vs. Expenses” chart shows the current five year forecast figures.
 - Expenses are increasing due to inflationary pressures and increasing salary costs.
 - Revenues are currently projected be relatively flat due to the current state funding formula and property tax revenues not increasing without a new levy being projected.
 - This chart reflects the example “Revenues vs. Expenses” earlier almost perfectly.
 - Difference is levies projected in example chart and not currently in the Five Year Forecast.
 - Increase in revenue for FY18 was primarily due to pre-payments on property taxes due to tax reform.

Overall Outlook

Cash Balance

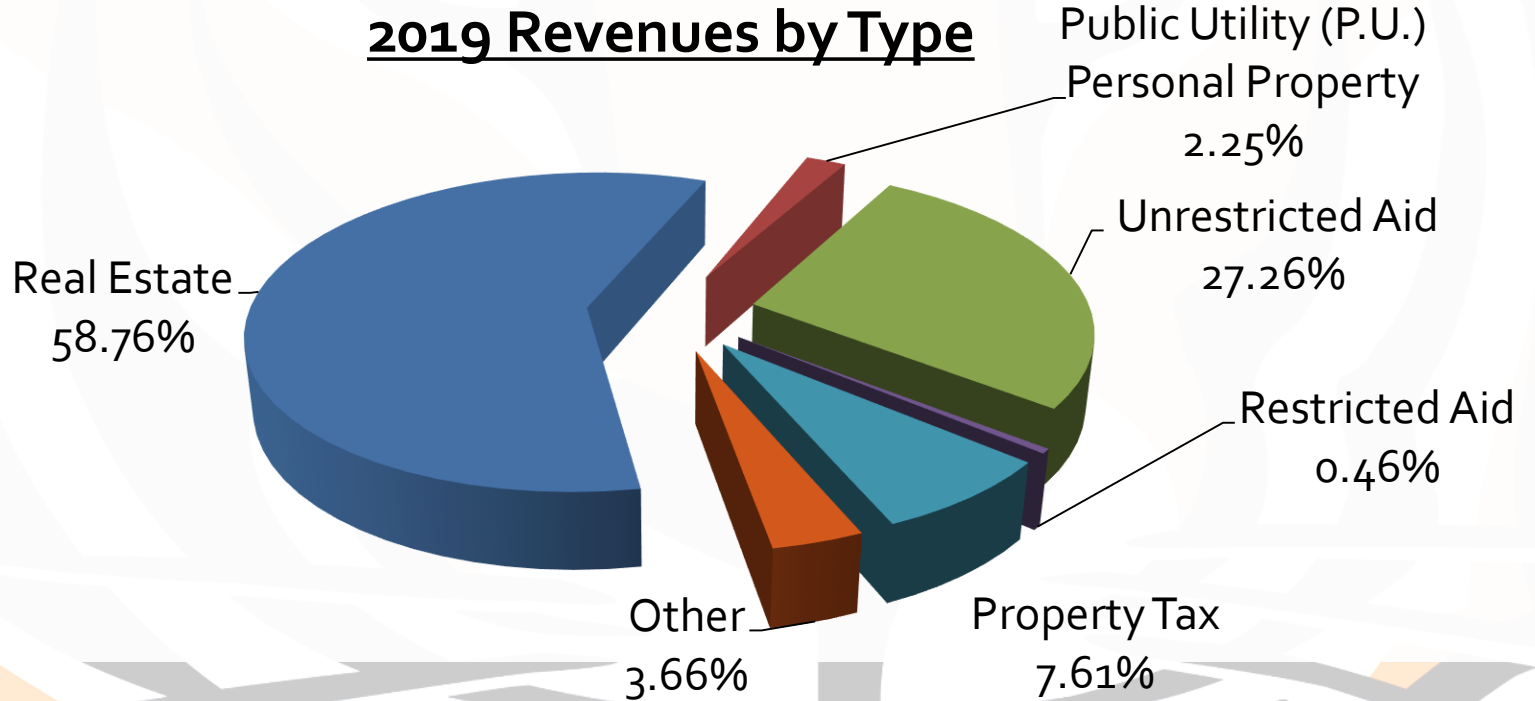


Overall Outlook

- The “**Cash Balance**” chart shows the current ending General Fund balance for the five year forecast.
 - This chart reflects the example “**General Fund Balance Life Cycle**” earlier almost perfectly.
 - Difference is levies projected in example chart and not currently in the Five Year Forecast.
 - As reflected in the example chart, FY18 was the peak general fund balance from the previous levy and balances are starting to decrease.

Analysis of Revenues & Assumptions

2019 Revenues by Type

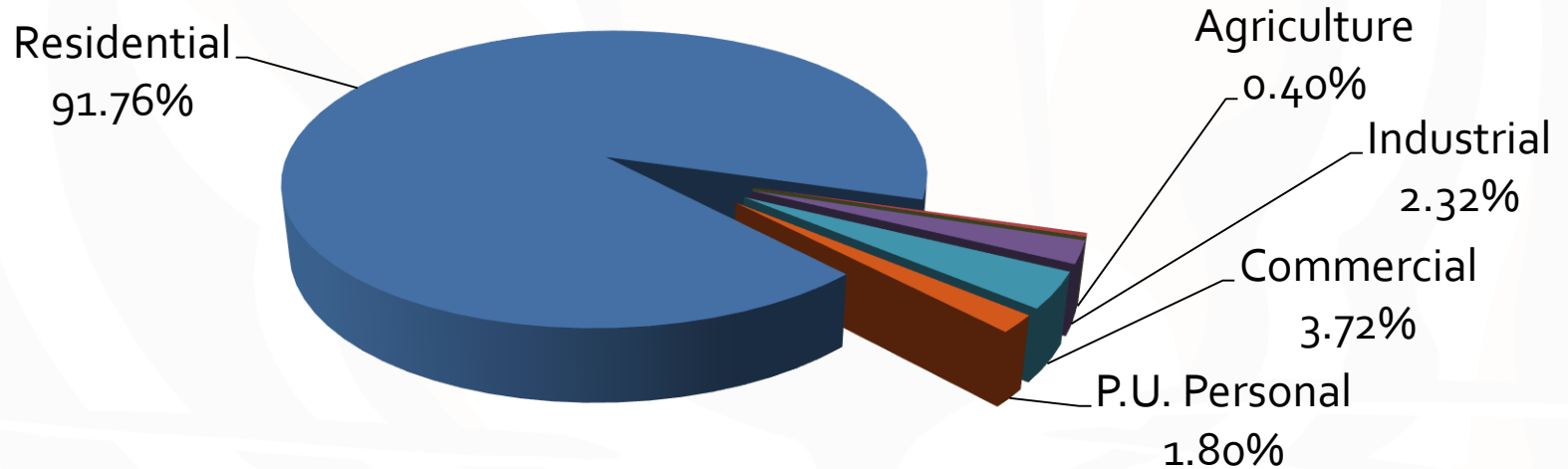


Analysis of Revenues & Assumptions

- **"2019 Revenue by Type"** chart shows the sources of revenue from the five year forecast.
 - The primary source (61.01%) of revenue in Loveland City Schools comes from local property tax revenue.
 - This includes the categories of Real Estate and Public Utility Personal Property.
 - State funding is the secondary source (35.33%) of revenue.
 - This includes the categories of Unrestricted Aid, Restricted Aid and Property Tax (refund from the state for property tax exemptions).

Analysis of Revenues & Assumptions

2019 Property Valuation by Type



Analysis of Revenues & Assumptions

- **"2019 Property Valuation by Type"** chart shows the sources of property tax revenue from the five year forecast.
 - Roughly 92% of local property taxes are paid for directly by homeowners.
 - The remaining portion is paid for by businesses.
 - Loveland City Schools is primarily fund through property taxes paid for by homeowners that live in the district.

Analysis of Revenues & Assumptions

- Revenue - Lines 1.01, 1.02 and 1.05
 - General Property Taxes (58.76% of total)
 - Showing positive valuations in last four years of forecast. Small gain from inside millage.
 - 92% of district property value is from residential property.
 - Public Utility Personal Property (2.25% of total)
 - Tax on property from utilities. Projected to increase by roughly 3% annually.
 - Property Tax Allocation (7.61% of total)
 - Property taxes (Homestead and Rollback) follow the same valuation numbers as General Property Taxes.
 - Important note - The Homestead and Rollback amounts are no longer being funded by the legislature for future levies.

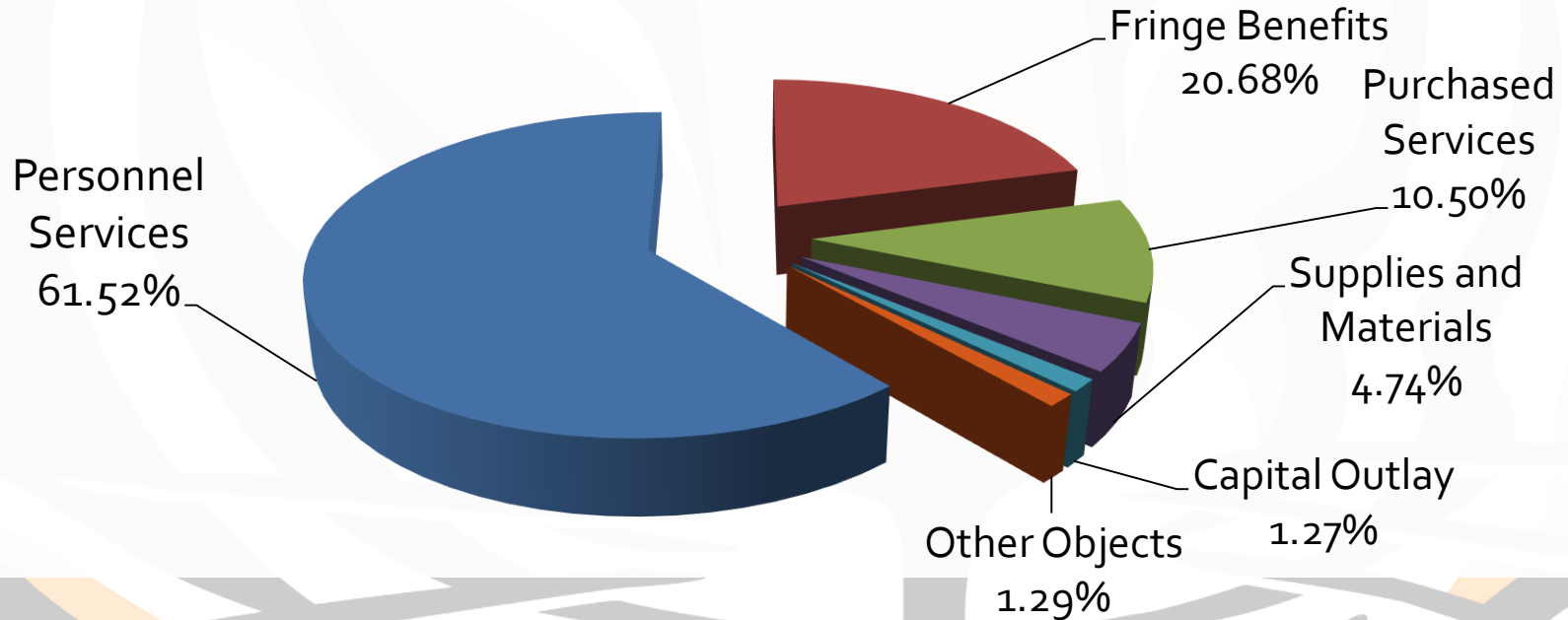
Analysis of Revenues & Assumptions

Revenue - Lines 1.035, 1.04 and 1.06

- Unrestricted Aid (27.26% of total)
 - FY'19 – Projecting flat rate.
 - The District is still funded based on the guarantee which is reflected in flat funding for forecasted years.
 - Need roughly 235 students to come off guarantee.
 - Funding reform is important in future years.
- Restricted Aid (.46% of total)
 - Largest portion is Catastrophic Cost reimbursement.
 - Catastrophic Cost is a state reimbursement for a small portion of special education expenses.
- Other Revenues (3.66% of total)
 - Fees, Tuition and TIF revenue are the primary sources in this line.
 - Increased yields to investments will help this line item.

Analysis of Expenses & Assumptions

2019 Expenses by Type



Analysis of Expenses & Assumptions

- “2019 Expenses by Type” chart shows the sources of expenditures from the five year forecast.
 - Our primary area of expenses (82.2%) are from salaries and benefits (Personnel Services and Fringe Benefits).

Analysis of Expenses & Assumptions

Expense - Lines 3.01 and 3.02

- Salaries (61.52% of total)
 - FY'19 – Figures are based on current staffing and known needs. Figures could change with any increased needs during the school year.
 - FY'20 & beyond – Any projections are based on current staffing. Increases include roughly 4.2% (includes 2% for experience and 2% for negotiations) for certified staff and 3.5% (1% and 2.5%), for administrative staff it includes 3% (1% and 2%) for current year and 3.5% (1% and 2.5%) for FY'20 and FY'21. The administrative staff moves back to the current amount for FY'22 and FY'23.
 - Current negotiated contract for certified staff runs through FY'19.
- Fringe Benefits (20.68% of total)
 - FY'19 – Based on current staffing.
 - FY'20 – 10% annual increase is assumed.
 - FY'21 & beyond – 8% annual increases are assumed.

Analysis of Expenses & Assumptions

Expense - Lines 3.03, 3.04, and 3.05

- Purchased Services (10.50% of total)
 - FY'18 – Special education tuition (38%), technical services (29.61%), and utilities (12.68%) account for approximately 80% of this line.
 - Purchased Services are anticipated to increase by an average of 2.5% annually.
 - Each individual item may be different based on needs.
- Supplies/Materials (4.74% of total)
 - FY'18 – General supplies (47.47%), transportation (33.40%), and custodial and operating supplies (12.87%) account for 94% of this line.
 - Supplies/materials are anticipated to increase by an average of 7.4% annually.
 - Each individual item may be different based on needs.
- Capital Outlay
 - Capital Outlay are anticipated to increase by an average of 14.5% annually.

Significant Factors

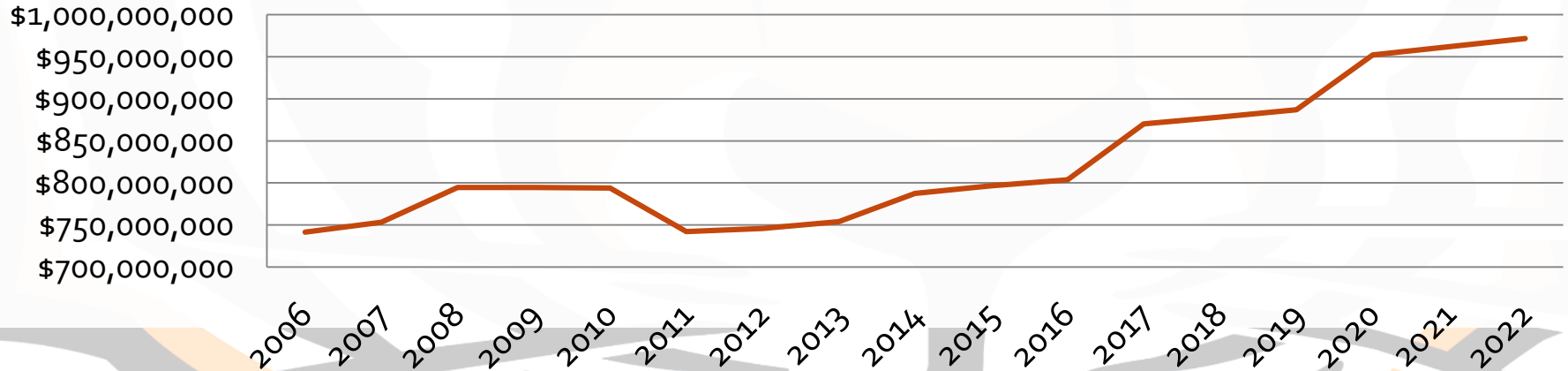
Revenue - Lines 1.XX and 2.XX of Forecast.

- General Property Taxes (58.76% of total)
 - Showing negative valuations in last four years of forecast. Small gain inside millage.
 - 92% of district property value is from residential property.
- Public Utility Personal Property (2.25% of total)
 - Tax on property from utilities. Projected to increase.
- Property Tax Allocation (7.61% of total)
- Significant Variables
 - Increased dependence on local funding.
 - Significant residential property tax base.

Significant Factors

Property values increased as a result of the 2014 and 2017 updates and reappraisals by 3.01% and 6.89%, respectively. Anticipating small increases during in between years with a 6% increase in 2020 (update).

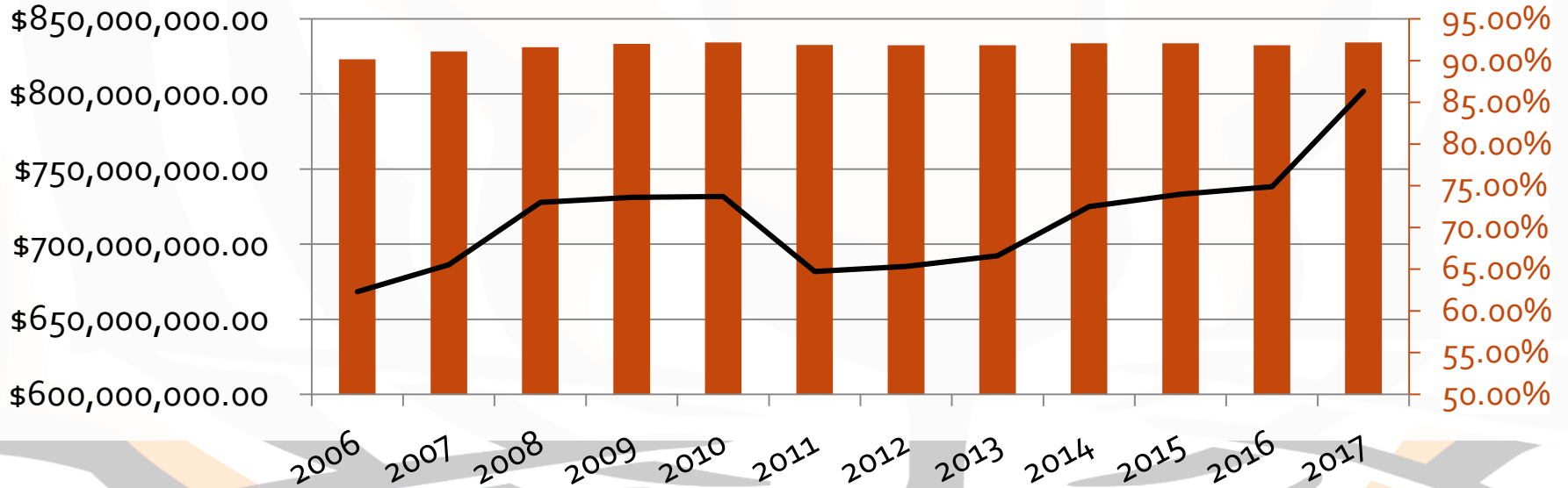
Property Valuation



Significant Factors

Residential property makes up a significant portion of local property valuation.

Residential Property Values



Significant Factors

- **“Residential Property Values”** chart shows on the black line that residential property values are presently increasing and are projected to increase on the **“Property Valuation”** chart.
 - School district does not receive any more revenue
- The orange bar chart on the **“Residential Property Values”** chart shows that the percentage of local property values has been increasing over time.
 - The burden of local property taxes for future school revenue is increasingly falling on local homeowners.

Significant Factors

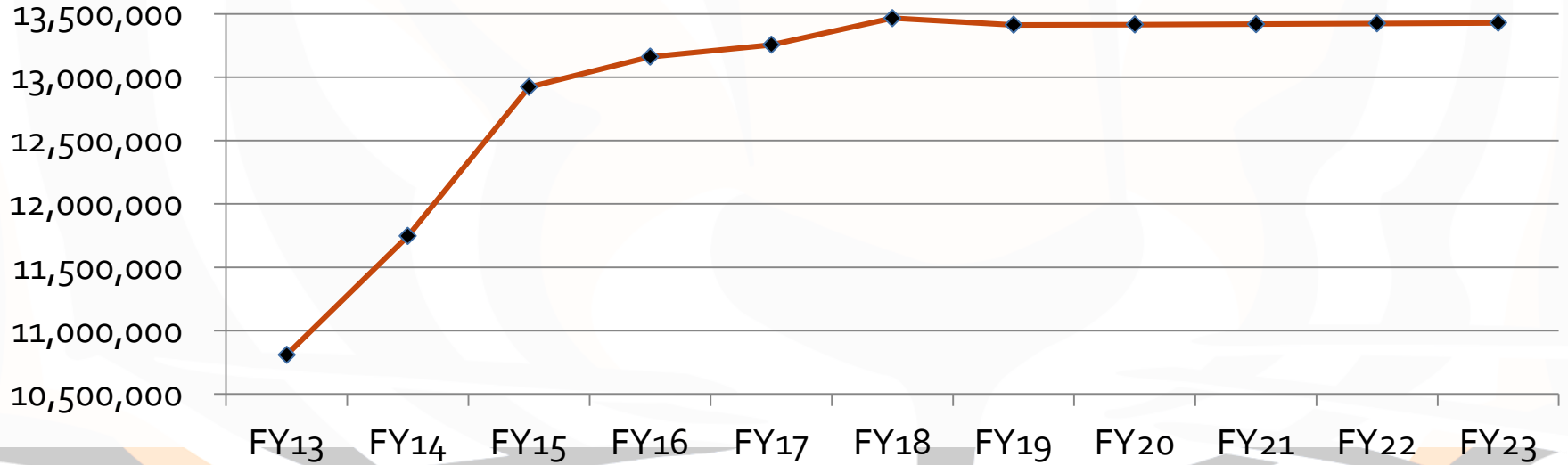
Revenue - Lines 1.XX and 2.XX of Forecast.

- Unrestricted Aid (27.26% of total):
 - FY'19 – Projecting flat rate.
 - The District is still funded based on the guarantee which is reflected in flat funding for forecasted years.
 - Need roughly 235 students to come off guarantee.
 - Funding reform is important in future years.
- Restricted Aid (.46% of total):
 - Largest portion is Catastrophic Cost reimbursement.
- Significant Variables
 - Flat State Funding.
 - Only increases with significant increase in enrollment or major funding reform.

Significant Factors

State Funding is not increasing at the same levels in forecast as previously seen.

Unrestricted Aid



Significant Factors

- The “Unrestricted Aid” chart shows the amount of revenue received from the state historically and projected in the future.
 - State funding is not increasing at the same levels as previously seen.
 - Ohio creates a budget every two years (Ohio’s biennial state budget) and any future reform could have a significant impact on state funding.
 - A new bill will be presented and enacted in the summer of 2019.
 - We are not anticipating any major changes at this time and have projected in the forecast with that mindset.

Significant Factors

Expense - Lines 3.XX, 4.XX and 5.XX of Forecast.

- Salaries (61.49% of total)
 - Significant variables include future negotiated agreements and anticipated changes in staffing levels.
 - Current certified negotiated agreement expires at end of FY'19.

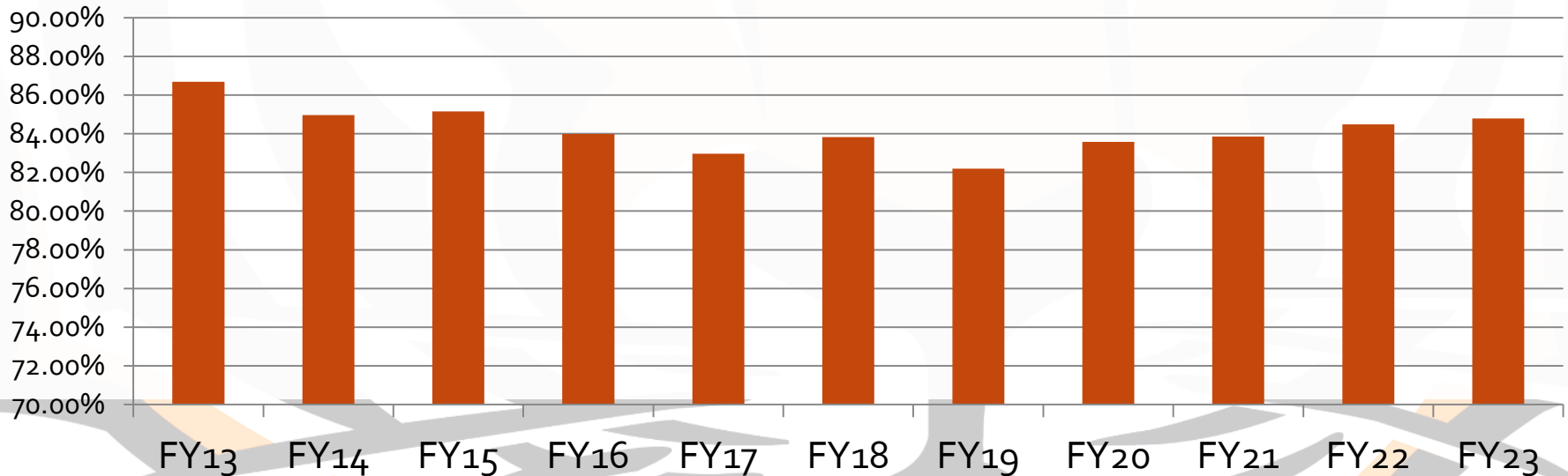
- Fringe Benefits (20.67%)
 - Change in future insurance renewals.

- Significant Variables
 - Future Agreements.
 - Staffing Levels.

Significant Factors

Salaries and Benefits have decreased as overall percentage of budget and anticipated to increase.

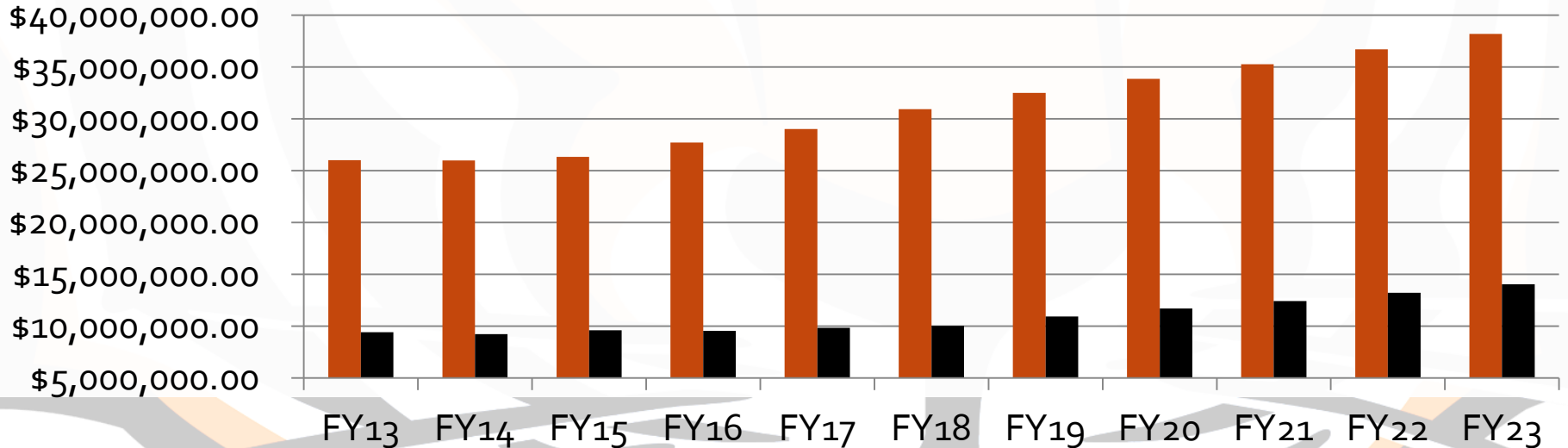
Salaries and Benefits



Significant Factors

Insurance Benefits were relatively flat over time due to lower consortium prices.
Have seen recent increases.

Salaries and Benefits



Significant Factors

- The “**Salaries and Benefits**” chart shows the percentage of combining salaries and benefits in the five year forecast to the overall expenditures.
 - This percentage has decreased and stabilized over the years but is not due to a reduction in staff.
- The “**Salaries and Benefits**” chart shows the total expenditures for salaries and benefits individually.
 - Salaries did not increase that much in FY13, FY14 and FY15 due to minimal percentage increases to the base salaries of staff. This was due to a much more difficult economic climate causing negotiated agreements to have minimal increases.
 - Benefits did not increase substantially in the same years as above due to salaries not increasing. Benefit amounts are often times a percentage of pay.
 - Another factor is 0% increases in health care premiums in past years.
 - Neither of these scenarios is sustainable moving forward.

Conclusion

➤ Outlook

- The District is in need of an increase in revenue. Since Loveland City Schools is so heavily funded by local property tax revenues and this revenue source does not increase unless a levy is passed a new operating levy is needed to increase our revenues. This will need to be voted on in either calendar year 2019 or 2020.

➤ Financial Health

- The district is currently maintains a healthy cash reserve balance of approximately 161 days cash reserves. If all projections are accurate, the district would have approximately 100 days cash reserves at the end of FY'19.

Next Step

- Attend the next Finance Committee Meeting – January 17th, 6:30 pm at LMS Media Center
- Visit www.BuildingTigerNation.org
- If you have any questions please email Treasurer@lovelandschools.org