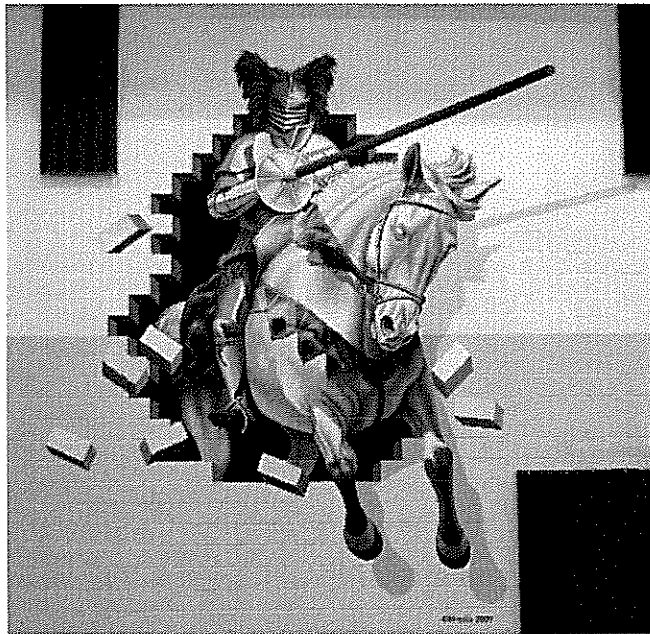


FIVE-YEAR FINANCIAL FORECAST

Painesville City Local Board of Education



Prepared for the Painesville City Local
Board of Education by:
Sherri Samac
Treasurer/C.F.O.
Painesville City Local School District

May 14, 2018
Regular Board Meeting

PAINESVILLE CITY LOCAL SCHOOL DISTRICT - LAKE COUNTY
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2015, 2016, AND 2017 ACTUAL;
FORECASTED FISCAL YEARS ENDING JUNE 30, 2018 THROUGH 2022

	Actual			Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Revenue:								
1.010 General Property Tax (Real Estate)	6,828,108	6,911,888	6,892,832	6,999,631	7,026,682	7,044,248	7,061,859	7,079,514
1.020 Tangible Personal Property Tax	195,378	175,821	182,507	189,380	199,876	199,876	199,876	199,876
1.030 Income Tax	0	0	0	0	0	0	0	0
1.035 Unrestricted Grants-in-Aid	20,274,592	22,583,975	24,617,221	24,894,634	25,790,659	25,790,659	25,790,659	25,790,659
1.040 Restricted Grants-in-Aid	2,356,621	2,253,480	2,121,739	2,229,988	2,281,862	2,281,862	2,281,862	2,281,862
1.050 Property Tax Allocation	1,547,682	1,233,703	915,364	807,885	780,000	780,000	780,000	780,000
1.060 All Other Revenues	1,546,951	1,399,410	1,240,462	1,376,215	1,300,000	1,300,000	1,300,000	1,300,000
1.070 Total Revenues	32,749,330	34,558,278	35,970,125	36,497,733	37,379,078	37,396,645	37,414,255	37,431,910
Other Financing Sources:								
2.010 Proceeds from Sale of Notes	0	0	0	0	0	0	0	0
2.020 State Emergency Loans and Advancements	0	0	0	0	0	0	0	0
2.040 Operating Transfers-In	0	0	0	0	0	0	0	0
2.050 Advances-In	194,565	0	0	0	0	0	0	0
2.060 All Other Financing Sources	289,418	143,846	274,966	332,692	327,993	175,870	162,216	151,293
2.070 Total Other Financing Sources	483,984	143,846	274,966	332,692	327,993	175,870	162,216	151,293
2.080 Total Revenues and Other Financing Sources	33,233,313	34,702,124	36,245,090	36,830,425	37,707,071	37,572,515	37,576,471	37,583,203
Expenditures:								
3.010 Personnel Services	17,440,333	17,544,473	18,621,737	19,025,745	19,889,751	20,554,531	20,942,871	21,323,291
3.020 Employees' Retirement/Insurance Benefits	6,685,830	7,187,191	7,849,151	8,260,722	8,781,893	9,533,343	10,193,993	10,915,089
3.030 Purchased Services	6,242,510	6,553,040	7,075,279	7,889,540	8,047,295	8,208,241	8,372,406	8,539,854
3.040 Supplies and Materials	649,206	616,964	554,947	712,332	725,000	725,000	725,000	725,000
3.050 Capital Outlay	720,718	1,156,320	441,689	946,543	1,082,200	580,000	550,000	550,000
3.060 Intergovernmental	0	0	0	0	0	0	0	0
Debt Service:								
4.010 Principal-All (History Only)	0	0	0	0	0	0	0	0
4.020 Principal-Notes	0	0	0	0	0	0	0	0
4.030 Principal-State Loans	0	0	0	0	0	0	0	0
4.040 Principal-State Advancements	0	0	0	0	0	0	0	0
4.050 Principal-HB 264 Loans	0	0	0	0	0	0	0	0
4.055 Principal-Other	0	0	0	0	0	0	0	0
4.060 Interest and Fiscal Charges	0	0	0	0	0	0	0	0
4.300 Other Objects	273,670	322,845	310,384	314,067	318,396	317,246	318,871	323,521
4.500 Total Expenditures	32,012,267	33,380,833	34,853,187	37,148,949	38,844,536	39,918,362	41,103,142	42,376,755
Other Financing Uses								
5.010 Operating Transfers-Out	432,514	242,551	207,245	301,060	321,545	340,200	358,850	377,500
5.020 Advances-Out	0	0	0	0	0	0	0	0
5.030 All Other Financing Uses	0	0	0	0	0	0	0	0
5.040 Total Other Financing Uses	432,514	242,551	207,245	301,060	321,545	340,200	358,850	377,500
5.050 Total Expenditures and Other Financing Uses	32,444,781	33,623,384	35,060,432	37,450,009	39,166,081	40,258,562	41,461,992	42,754,255
6.010 Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses	788,532	1,078,740	1,184,658	-619,585	-1,459,010	-2,686,047	-3,885,521	-5,171,052
7.010 Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies	2,404,705	3,193,237	4,271,978	5,456,636	4,837,052	3,378,042	691,994	-3,193,526
7.020 Cash Balance June 30	3,193,237	4,271,978	5,456,636	4,837,052	3,378,042	691,994	-3,193,526	-8,364,579
8.010 Estimated Encumbrances June 30	157,384	136,584	403,331	235,000	150,000	150,000	150,000	150,000
Reservation of Fund Balance								
9.010 Textbooks and Instructional Materials	0	0	0	0	0	0	0	0
9.020 Capital Improvements	0	0	0	0	0	0	0	0
9.030 Budget Reserve	0	0	0	0	0	0	0	0
9.040 DPIA	0	0	0	0	0	0	0	0
9.050 Debt Service	0	0	0	0	0	0	0	0
9.060 Property Tax Advances	0	0	0	0	0	0	0	0
9.070 Bus Purchases	0	0	0	0	0	0	0	0
9.080 Subtotal	0	0	0	0	0	0	0	0
10.010 Fund Balance June 30 for Certification of Appropriations	3,035,853	4,135,394	5,053,305	4,602,052	3,228,042	541,994	-3,343,526	-8,514,579
Rev from Replacement/Renewal Levies								
11.010 Income Tax - Renewal				0	0	0	0	0
11.020 Property Tax - Renewal or Replacement				0	0	0	0	0
11.300 Cumulative Balance of Replacement/Renewal Levies				0	0	0	0	0
12.010 Fund Balance June 30 for Certification of Contracts, Salary and Other Obligations	3,035,853	4,135,394	5,053,305	4,602,052	3,228,042	541,994	-3,343,526	-8,514,579
Revenue from New Levies								
13.010 Income Tax - New				0	0	0	0	0
13.020 Property Tax - New				0	0	0	0	0
13.030 Cumulative Balance of New Levies				0	0	0	0	0
14.010 Revenue from Future State Advancements								
15.010 Unreserved Fund Balance June 30	3,035,853	4,135,394	5,053,305	4,602,052	3,228,042	541,994	-3,343,526	-8,514,579

Comments: See accompanying notes for assumptions.

REVENUES

Line 2.080 – Total Revenues and Other Financing Sources

- **General Property Tax (Real Estate) [Line 1.010]** – General Property Tax is the District’s portion of property tax collected by the Lake County Treasurer and distributed by the Lake County Auditor as approved by the Lake County Budget Commission. Tax levies are collected on a calendar basis and the forecast is based on a fiscal year, July to June. Real Estate taxes are paid twice a year, in March and August. In November 2017, we passed a 6.06 mill renewal levy that will run for five years, commencing in 2018 for collection in 2019.
 - **Past/Future Property Tax Levies** – Due to the effects of House Bill 920, school districts may only collect gross taxes on a levy as calculated at the time of levy passage and only receive additional funds through new construction or the passage of new levies. This typically results in Districts placing levy requests on the ballot frequently just to keep pace with inflation and increasing personnel costs. The last approved levy for new operating funds in Painesville City was a 4.00 mill five-year levy in November 2012. The forecast shows a negative balance in future years. The district has not decided when exactly to go on the ballot. That decision will be made once the budget bill is released next summer.
- **Tangible Personal Property Tax [Line 1.020]** - Tangible Personal Property Tax is the District’s portion of public utility tax collected by the Lake County Treasurer and distributed by the Lake County Auditor as approved by the Lake County Budget Commission, just like the property tax.
 - **Past/Future Property Tax Levies** - In 2005, the legislature enacted the Commercial Activity Tax (CAT) to replace the Tangible Personal Property Tax (TPP). TPP was collected and distributed locally by each County to the public school districts. Since the CAT has been in place, this commercial tax has been receipted into the States’ general fund with only a portion of the collections dedicated and distributed to primary and secondary education. These “reimbursements” were sent to Districts in a phase-out manner that will be addressed further under line 1.050 “Property Tax Allocation”. In addition, in FY15, Painesville City Local School received a settlement from Ohio Bell.
- **Income Tax [Line 1.030]** – The District does not currently levy an Income Tax against its residents.
- **Unrestricted Grants-in-Aid [Line 1.035]** – Unrestricted Grants-in-Aid is the District’s revenue received from the State of Ohio. The previous budget bill, HB64, provided the District additional funding for FY16 and FY17. The current budget bill, HB49, continues to provide additional funding which is reflected in the forecast for FY18 and FY19. For FY20, FY21 and FY22 funding will remain at the same level as FY19 for forecasting purposes.
- **Restricted Grants-in-Aid [Line 1.040]** – Restricted Grants-in-Aid is the District’s revenue received from the State of Ohio for a specific purpose. Currently, the restricted funding sources received by the District are Economic Disadvantaged and Career-Technical Education.
- **Property Tax Allocation [Line 1.050]** – Property Tax Allocation represents all state reimbursements for reduced collections on locally levied taxes. Such reductions include the 10% Rollback on all property tax and the 2.5% Homestead reduction on owner-occupied property. An

additional reduction is awarded to senior citizens that qualify. These reimbursements are paid directly to the District from the State and reduced from the taxpayer's bill. The other portion is the personal property replacement known as the tangible personal property fixed rate operating levy loss reimbursement. Because of HB64, this reimbursement decreases in FY16 and further in FY17 and FY18 until it is eliminated in FY19.

- **All Other Revenues [Line 1.060]** – Included in this line is interest on invested funds, tuition of students from other Districts, student pay-to-participate receipts, Medicaid reimbursement for eligible services and Casino revenue. There is a decrease in FY16 from the elimination of the Detention Center. The District ran the Detention Center through FY15 and now is run by the Lake County Educational Service Center.
- **Advances-In [Line 2.050]** – Individual fund balances cannot be negative at the close of the fiscal year (June 30). Any such balances must be advanced from the District's General Fund and returned when funds become available. This line shows the repayment of such funds back to the General Fund while **Advances-Out [line 5.020]** under Expenditures shows the amounts going out to the other funds at the conclusion of the prior fiscal year(s). In FY15, the District did not advance any funds; therefore, there is no revenue for FY16 and throughout the forecast.
- **All Other Financing Sources [Line 2.060]** – All Other Financing Sources accounts for refunds of prior year expenditures. The majority of this line is E-rate reimbursements for general telecommunication services. The District receives a large percentage of the total expenditure of telecommunication services as a reimbursement from the Federal Universal Service Fund (USF). This rebate will begin to decrease an average by 20% over the forecast. In FY18, we will no longer be reimbursed from the Lake County ESC for our teacher servicing the Detention Center. We also receive refunds from the Ohio Bureau of Workers' Compensation, based on the group savings plan the District is enrolled in each year. Furthermore, we received a one-time additional rebate from the Ohio Bureau of Workers' Compensation as part of their Billion Dollars Back program for \$118,000 in FY18. In addition, just announced in late April 2018 the Bureau of Workers' Compensation is going to issue rebates again in FY19. They are estimating a rebate of \$135,000 for the District.

EXPENDITURES

Line 5.050 – Total Expenditures and Other Financing Uses

Personnel Services [Line 3.010] – Personnel Services are gross wages of personnel for services rendered. The District settled a 2-year contract agreement with the teaching and non-teaching bargaining units in the spring of 2018. These contracts are set to expire on August 31, 2020, and include a 1% increase on the base and a step for FY19 and FY20. For modeling purposes, in FY21 and FY22 personnel steps continue but with no increase on the base. This is subject to collective bargaining and could change.

- **Employees' Retirement/Insurance Benefits [Line 3.020]** – This line is reserved for expenditures related to personnel costs, which are not paid directly to the employee. Such examples include health insurance, retirement contributions, workers' compensation and Medicare (for eligible employees). The retirement contribution and Medicare are direct factors of the gross wages of the District and are calculated as such.

- *Health, Dental, Vision and Life Insurance* – The District is currently a member of the Lake County Schools’ Council for the purchasing of group benefits. The District, the Lake County Schools’ Council, and member employees have made tremendous strides to contain costs associated with these insurances. Employees have four (4) standard plan designs offered. For FY19 the Executive Committee of the Lake County Schools Council approved a 9% increase in insurance premiums. The initial increase was 12% but was reduced by using some of their reserves for 2% and eliminating the wellness program for another 1%. In FY20, the 2% is added on top of the annual increase of 10% since there is not guarantee the Council will use their reserves again. In FY21 and FY22, the forecast reflects a 10% increase.
 - *Workers’ Compensation* – The District belongs to the Ohio Bureau of Workers’ Compensation insurance program for the mitigation of workplace injuries. Premiums are paid directly to the Bureau and are a factor of gross wages applied to claims and required reserves. We are currently using CompManagement to help administer our Workers’ Compensation and represent the District at hearings. We also have been accepted in the Group-Retrospective-Rating Program, which provides discounts to reduce our costs.
 - *Retirement Contributions* – Currently, the Board of Education pays 14% of the gross wages of all employees into either the State Teachers Retirement System (STRS) or the School Employees Retirement System (SERS). Board of Education members may select either SERS or the Federal Social Security Program.
- *Purchased Services [Line 3.030]* – Purchased Services represents all payments made for services to entities not employed by the District. Following are major expenditure areas as purchased services.
- *Out-of-District Tuition* – Any student attending an institution not governed by the Painesville City Local Board of Education for which the District is financially responsible, the District must pay tuition. Examples include open enrollment to neighboring public school districts, community schools, court placements and special education placements for services not available locally.
 - *Utilities* – The District currently purchases natural gas through a year-to-year contract with Orwell Natural Gas, along with Dominion East Ohio. Electric and water are purchased from the City of Painesville at a reduced rate as codified in City Code.
 - *Copier/Printer Rental* – The District leases copiers and printers from ComDoc on a total production allowance with per print overage, if necessary. The machines handle many office functions including print, copy, fax, scan and email.
 - *Property, Liability and Fleet Insurance* – The District currently procures these coverages from SORSA (Schools of Ohio Risk Sharing Authority) through Strassman Insurance Services.

This line increases each year as pricing on service contracts generally increase each year. The forecast represents a 2% each year.

- **Supplies and Materials [Line 3.040]** – These are materials used in the classroom or otherwise that are consumable by nature including textbooks, student workbooks, classroom materials, paper, technology software, and office supplies. All of these items are budgeted by department and subject to annual appropriation limits. In FY18, the Curriculum Department is planning to purchase new materials each year starting with Math at Heritage Middle School. Language Arts at Heritage Middle School in FY19 and then Harvey High School in FY20. Science at Heritage Middle School and/or Math at Harvey High School in FY21 and FY22.
- **Capital Outlay [Line 3.050]** – Capital outlay is the purchase of, or addition to, a fixed asset. Fixed assets include land, existing buildings, equipment, furniture or vehicles with a life expectancy of five (5) years or more. The District currently has a 1.0 mill-continuing levy for permanent improvement purposes approved in calendar year 2009. Many of the capital outlay expenditures that would appear in this category are procured through that fund. In addition, with the construction of the new school facilities in partnership with the Ohio School Facilities Commission (OSFC), continuing maintenance of these facilities are secured through another funding source (fund 034). However, there are additional needs over and above those including Chromebooks, computer hardware, new and replacement vehicles, and capital improvement projects on facilities not constructed as an OSFC project. Starting in FY15, the District began to update the aging bus fleet with a purchase of four buses in FY15 and six buses in FY16. The last time the District purchased a new bus was in 2007. With ten new buses over two years, the District plans to maintain the fleet with two buses purchases in FY18 and one bus purchase every year starting in FY19. The Transportation Department also received a new van, dump truck and a new transportation lift in FY18. In addition, due to the recent technology audit, the District went through a network/phone upgrade in FY18, in addition to maintaining Chromebooks for third through twelfth graders. The District also upgraded security cameras in FY18 and is planning to replace the turf at Rec Park in FY19. These expenses are budgeted by department and subject to annual appropriation limits.
- **Other Objects [Line 4.300]** – Other objects include all other expenses not previously identified. Large expenses include County Auditor, Treasurer and Board of Election fees, property taxes paid on non-exempt real property owned by the School Board, County Board of Education fees, and financial audit fees.
- **Operating Transfers-Out [Line 5.010]** – The District transfers funds annually into the Education Management Information System (EMIS) Fund 432 to compensate the coordinator of that important program. The EMIS program is responsible for reporting critical student and staff information to the Ohio Department of Education to properly ensure funding and report card data are correct. Starting in FY16, the District will begin to fund this position directly from the general fund since the state has not contributed to this fund in several years. By directly charging the general fund throughout the year, this transfer to fund 432 will no longer be necessary. In FY15, the District will transfer funds into State and Federal grants for shortfall in grant funding from ODE. Starting in FY16 and moving forward, we will adjust the grants to avoid any transfers. With the changes stated above, the District will only transfer funds into the Child Care – Preschool (Fund 011) for the Red Raider Preschool Program.
- **Advances-Out [Line 5.020]** – Any fund with a negative unencumbered cash balance on June 30 of each fiscal year must be advanced money from the General Fund. Typically, this includes state and federal grant funds. The advances are repaid in the next fiscal year when funds become

available. Starting in FY15, we were able to avoid advancing funds and will try to continue this practice for the length of the forecast.

- *All Other Financing Uses [Line 5.030]* – All Other Financing Uses accounts for refunds of prior year receipts. Given that this is a rare occurrence, there is no allowance for forecasted years and only documented as historical when appropriate.

OTHER

- *Budget Reserve [Line 9.030]* – The District initiated a budget reserve as mandated by law in FY01. In FY13, it was no longer required and was eliminated from the forecast.

BOARD OF EDUCATION

Kathleen Powers-Dolney – Board President

Deb Remington – Vice-President

Steve J. Costell – Member

Charles W. Tackett – Member

Stephen Webster – Member

ADMINISTRATION

Dr. Josh Englehart – Superintendent

Sherri Samac – Treasurer/CFO

Shaun Bell – Facilities, Grounds, Operations Supervisor

Wendy Camper – Director of Teaching & Learning

Heidi Fyffe – Director of State and Federal Programs

Ruth Haines – Director of English Language Learners

India Jackson – Human Resources Specialist

Christine Young – Director of Student Services

The Five-Year Forecast and accompanying notes represent a series of assumptions and estimates of future economic, legislative, enrollment and staffing conditions as of a specific moment in time. Circumstances and conditions are projected based on information and factors known at the time of preparation. Funds reported in the forecast include the General Fund (001).