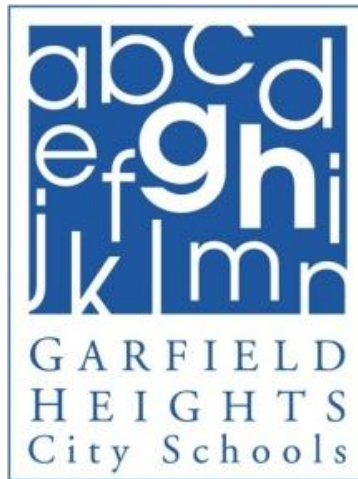


# Garfield Heights City Schools



## Five Year Financial Forecast

Fiscal Years 2014 through 2018

### **Board Of Education**

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**Allen D. Sluka, Treasurer/CFO**



October 2013

**TO: THE GARFIELD HEIGHTS CITY SCHOOLS BOARD OF EDUCATION, ADMINISTRATORS,  
STAFF, COMMUNITY OF GARFIELD HEIGHTS, AND READERS**

**RE: FINANCIAL FORECASTED FISCAL YEARS 2014 THROUGH 2018**

The financial forecast, presents, to the best of the Treasurer's knowledge and beliefs, the Garfield City Schools expected financial position and results of operations for the forecasted periods. Accordingly, the forecast reflects judgments as of October 17, 2013.

A forecast is somewhat like a painting of the future based upon a snapshot of today. That snapshot, however, will be adjusted and the further into the future the forecast extends, the more likely it is that the projections will deviate from actual experience. A variety of events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/ replacement), salary increases, or businesses moving in or out of the district. The five-year forecast is viewed as a **key management tool** and must be updated periodically. In Ohio, most school districts understand how they will manage their finances in the current year. The five-year forecast encourages district management to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions to the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are very important to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. Extra caution is urged when analyzing the out years of these fiscal projections. Because we are attempting to look four years into the future, several significant assumptions were made that have an impact on the bottom line.

Respectfully submitted,



Allen D. Sluka  
Treasurer/CFO

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

FOR THE FISCAL YEARS ENDED JUNE 30, 2011, 2012 AND 2013 ACTUAL;  
FORECASTED FISCAL YEARS ENDING JUNE 30, 2014 THROUGH 2018

Line Number		Actual			Forecasted				
		Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
<b>Revenues</b>									
1.010	General Property Tax (Real Estate)	12,105,157	11,394,050	13,257,452	13,890,515	14,133,813	13,428,008	11,629,988	9,018,033
1.020	Tangible Personal Property Tax	583,866	446,612	504,718	578,530	578,530	542,155	470,090	380,356
1.030	Income Tax	-	-	-	-	-	-	-	-
1.035	Unrestricted State Grants-in-Aid (All 3100's except 3130)	16,153,750	17,077,677	16,880,229	17,999,418	19,802,249	20,773,202	21,564,215	20,793,998
1.040	Restricted State Grants-in-Aid (All 3200's)	434,531	(572,312)	297,274	41,965	43,182	44,000	44,000	44,000
1.045	Restricted Federal Grants-in-Aid - SFSF/Ed Jobs (4220)	1,098,218	1,370,113	-	-	-	-	-	-
1.050	Property Tax Allocation (3130)	2,996,351	2,316,682	2,487,558	2,801,067	2,801,067	2,611,546	2,164,959	1,626,540
1.060	All Other Revenues except 1931,1933,1940,1950,5100, 5200	1,154,994	1,017,720	962,166	962,166	962,166	962,166	962,166	962,166
1.070	<i>Total Revenues</i>	<u>34,526,867</u>	<u>33,050,542</u>	<u>34,389,397</u>	<u>36,273,661</u>	<u>38,321,007</u>	<u>38,361,077</u>	<u>36,835,418</u>	<u>32,825,093</u>
<b>Other Financing Sources</b>									
2.040	Operating Transfers-In (5100)	-	-	-	-	-	-	-	-
2.050	Advances-In (5200)	182,200	818,657	441,685	429,300	300,000	300,000	300,000	300,000
2.060	All Other Financing Sources (including 1931 and 1933)	143,655	-	2,000	-	-	-	-	-
2.070	<i>Total Other Financing Sources</i>	<u>325,855</u>	<u>818,657</u>	<u>443,685</u>	<u>429,300</u>	<u>300,000.00</u>	<u>300,000.00</u>	<u>300,000.00</u>	<u>300,000.00</u>
2.080	<i>Total Revenues and Other Financing Sources</i>	<u>34,852,722</u>	<u>33,869,199</u>	<u>34,833,082</u>	<u>36,702,961</u>	<u>38,621,007</u>	<u>38,661,077</u>	<u>37,135,418</u>	<u>33,125,093</u>
<b>Expenditures</b>									
3.010	Personal Services	19,520,756	20,367,296	20,044,096	21,143,515	21,556,414	21,972,313	22,396,236	22,828,338
3.020	Employees' Retirement/Insurance Benefits	6,841,548	6,963,631	7,155,939	7,473,015	7,762,056	8,058,224	8,362,544	8,675,247
3.030	Purchased Services	4,709,226	5,245,280	5,652,450	6,104,646	6,593,018	7,120,459	7,690,096	8,305,303
3.040	Supplies and Materials	530,656	547,844	814,071	834,423	855,283	876,665	898,582	921,047
3.050	Capital Outlay	145,134	80,621	56,148	110,271	59,476	60,666	61,879	63,117
3.060	Intergovernmental (7600 and 7700 functions)	-	-	-	-	-	-	-	-
Debt Service:									
4.010	Principal-All (History Only)	734,085	734,085	282,814	-	-	-	-	-
4.050	Principal-HB 264 Loans	-	-	-	-	-	-	-	-
4.055	Principal-Other	-	-	-	282,820	282,820	282,820	282,820	-
4.060	Interest and Fiscal Charges	-	-	-	-	-	-	-	-
4.300	Other Objects	618,877	846,464	566,536	577,867	589,424	601,213	613,237	625,502
4.500	<i>Total Expenditures</i>	<u>33,100,282</u>	<u>34,785,221</u>	<u>34,572,054</u>	<u>36,526,557</u>	<u>37,698,491</u>	<u>38,972,360</u>	<u>40,305,394</u>	<u>41,418,554</u>
<b>Other Financing Uses</b>									
5.010	Operating Transfers-Out	35,772	157,942	200,371	250,000	250,000	250,000	250,000	250,000
5.020	Advances-Out	737,375	441,685	429,200	300,000	300,000	300,000	300,000	300,000
5.030	All Other Financing Uses	10,100	-	-	-	-	-	-	-
5.040	<i>Total Other Financing Uses</i>	<u>783,247</u>	<u>599,627</u>	<u>629,571</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>
5.050	<i>Total Expenditures and Other Financing Uses</i>	<u>33,883,529</u>	<u>35,384,848</u>	<u>35,201,625</u>	<u>37,076,557</u>	<u>38,248,491</u>	<u>39,522,360</u>	<u>40,855,394</u>	<u>41,968,554</u>
6.010	<i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	969,193	(1,515,649)	(368,543)	(373,596)	372,516	(861,283)	(3,719,976)	(8,843,461)

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

FOR THE FISCAL YEARS ENDED JUNE 30, 2011, 2012 AND 2013 ACTUAL;  
FORECASTED FISCAL YEARS ENDING JUNE 30, 2014 THROUGH 2018

Line Number	Actual			Forecasted					
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	
7.010	<i>Cash Balance July 1 - Excluding Proposed Renewal/ Replacement and New Levies</i>								
	1,782,081	2,751,274	1,235,625	867,082	493,486	866,002	4,719	(3,715,257)	
7.020	<b>2,751,274</b>	<b>1,235,625</b>	<b>867,082</b>	<b>493,486</b>	<b>866,002</b>	<b>4,719</b>	<b>(3,715,257)</b>	<b>(12,558,718)</b>	
8.010	<i>Estimated Encumbrances June 30</i>								
	580,534	412,781	619,022	0	0	0	0	0	
10.010	<i>Fund Balance June 30 for Certification of Appropriations</i>								
	2,170,740	822,844	248,060	493,486	866,002	4,719	(3,715,257)	(12,558,718)	
11.010	<i>Revenue from Replacement/Renewal Levies</i>								
	-	-	-	-	-	-	-	-	
11.020	-	-	-	-	-	1,157,076	3,633,134	6,841,573	
11.300	-	-	-	-	-	1,157,076	4,790,210	11,631,783	
12.010	<i>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</i>								
	2,170,740	822,844	248,060	493,486	866,002	1,161,795	1,074,953	(926,935)	
15.010	<b>\$ 2,170,740</b>	<b>\$ 822,844</b>	<b>\$ 248,060</b>	<b>\$ 493,486</b>	<b>\$ 866,002</b>	<b>\$ 1,161,795</b>	<b>\$ 1,074,953</b>	<b>\$ (926,935)</b>	

See accompanying summary of significant forecast assumptions and accounting policies

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

FOR THE FISCAL YEARS ENDED JUNE 30, 2011, 2012 AND 2013 ACTUAL;  
FORECASTED FISCAL YEARS ENDING JUNE 30, 2014 THROUGH 2018

Line Number	Prev 3 Yr Avg Annual % Change	Fiscal Year 2014 Forecasted	Fiscal Year 2015 Forecasted	Fiscal Year 2016 Forecasted	Fiscal Year 2017 Forecasted	Fiscal Year 2018 Forecasted	Five-Year Avg. Annual % Change	
<b>Revenues</b>								
1.010	General Property Tax (Real Estate)	5.24%	4.78%	1.75%	-4.99%	-13.39%	-22.46%	-6.86%
1.020	Tangible Personal Property Tax	-5.25%	14.62%	0.00%	-6.29%	-13.29%	-19.09%	-4.81%
1.030	Income Tax	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1.035	Unrestricted State Grants-in-Aid (All 3100's except 3130)	2.28%	6.63%	10.02%	4.90%	3.81%	-3.57%	4.36%
1.040	Restricted State Grants-in-Aid (All 3200's)	-191.83%	-85.88%	2.90%	1.89%	0.00%	0.00%	-16.22%
1.045	Restricted Federal Grants-in-Aid - SFSF (4220)	-37.62%	n/a	n/a	n/a	n/a	n/a	n/a
1.050	Property Tax Allocation (3130)	-7.65%	12.60%	0.00%	-6.77%	-17.10%	-24.87%	-7.23%
1.060	All Other Revenues except 1931,1933,1940,1950,5100, 5200	-8.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.070	<i>Total Revenues</i>	-0.11%	5.48%	5.64%	0.10%	-3.98%	-10.89%	-0.73%
<b>Other Financing Sources</b>								
2.010	Proceeds from Sale of Notes (1940)	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
2.020	State Emergency Loans and Advancements (Approved 1950)	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
2.040	Operating Transfers-In (5100)	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
2.050	Advances-In (5200)	151.64%	-2.80%	-30.12%	0.00%	0.00%	0.00%	-6.58%
2.060	All Other Financing Sources (including 1931 and 1933)	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
2.070	<i>Total Other Financing Sources</i>	52.72%	-3.24%	-30.12%	0.00%	0.00%	0.00%	-6.67%
2.080	<i>Total Revenues and Other Financing Sources</i>	0.01%	5.37%	5.23%	0.10%	-3.95%	-10.80%	-0.81%
<b>Expenditures</b>								
3.010	Personal Services	1.37%	5.49%	1.95%	1.93%	1.93%	1.93%	2.65%
3.020	Employees' Retirement/Insurance Benefits	2.27%	4.43%	3.87%	3.82%	3.78%	3.74%	3.93%
3.030	Purchased Services	9.57%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
3.040	Supplies and Materials	25.92%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
3.050	Capital Outlay	-37.40%	96.39%	-46.06%	2.00%	2.00%	2.00%	11.27%
3.060	Intergovernmental (7600 and 7700 functions)	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
Debt Service:								
4.010	Principal-All (History Only)	-30.74%	n/a	n/a	n/a	n/a	n/a	n/a
4.020	Principal-Notes	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
4.030	Principal-State Loans	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
4.040	Principal-State Advancements	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
4.050	Principal-HB 264 Loans	0.00%	n/a	100.00%	n/a	n/a	n/a	100.00%
4.055	Principal-Other	0.00%	n/a	0.00%	0.00%	0.00%	n/a	0.00%
4.060	Interest and Fiscal Charges	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
4.300	Other Objects	1.85%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
4.500	<i>Total Expenditures</i>	2.24%	5.65%	3.21%	3.38%	3.42%	2.76%	3.68%
<b>Other Financing Uses</b>								
5.010	Operating Transfers-Out	184.19%	24.77%	0.00%	0.00%	0.00%	0.00%	4.95%
5.020	Advances-Out	-21.46%	-30.10%	0.00%	0.00%	0.00%	0.00%	-6.02%
5.030	All Other Financing Uses	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
5.040	<i>Total Other Financing Uses</i>	-9.22%	-12.64%	0.00%	0.00%	0.00%	0.00%	-2.53%
5.050	<i>Total Expenditures and Other Financing Uses</i>	1.96%	5.33%	3.16%	3.33%	3.37%	2.72%	3.58%
<i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>								
6.010		-166.03%	1.37%	-199.71%	-331.21%	331.91%	137.73%	-11.98%
<i>Cash Balance July 1 - Excluding Proposed Renewal/ Replacement and New Levies</i>								
7.010		-0.35%	-29.83%	-43.09%	75.49%	-99.46%	-78829.75%	-15785.33%
7.020	<i>Cash Balance June 30</i>	-42.46%	-43.09%	75.49%	-99.46%	-78829.75%	238.03%	-15731.76%

# **GARFIELD HEIGHTS CITY SCHOOL DISTRICT**

## *Summary of Significant Assumptions to the Five Year Forecast*

### **Forecasted Fiscal Years 2014 through 2018**

This forecast is a financial planning tool for the Garfield Heights City School District (the “District”) and presents the expected revenues, expenditures, and operating balance of the District’s operating fund, for each of the fiscal years ending June 30, 2014 through June 30, 2018, with historical information presented for the fiscal years ended June 30, 2011, 2012 and 2013. The assumptions disclosed herein are those that management believes are significant to the forecast. However, because circumstances and conditions assumed in projections frequently do not occur as expected, and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

#### **A. Basis of Accounting**

This financial forecast is prepared on a cash basis, which is the required basis (non-GAAP) of accounting used for budgetary purposes. Under this system, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Under Ohio law, the District is also required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of funds.

#### **B. The Board of Education and Administration**

The Board of Education of the District (the “Board”) is a political and corporate body charged with the responsibility of managing and controlling the affairs of the District; and is, together with the District, governed by the general laws of the State of Ohio (the “Ohio Revised Code”). The Board is comprised of five members who are locally-elected to overlapping four-year terms. The Board elects its President and Vice President annually, and hires two officials: the Superintendent, who serves as the Chief Executive Officer, and the Treasurer, who serves as the Chief Financial Officer.

#### **C. The District and its Facilities**

Geographically, the District encompasses all but a small northeastern portion of the City of Garfield Heights. The District’s total area is approximately 9 square miles. The District move to a new configuration of three elementary schools (K-5), one middle school (6-8), and one high school (9-12).

#### **D. District Employees**

The District’s instructional/support facilities are staffed by 165 classified employees, 244 certificated full-time and part-time teaching personnel, 15.5 exempt staff, 8.5 qualified staff and 20 administrators who provide services to approximately 3,900 students.

# GARFIELD HEIGHTS CITY SCHOOL DISTRICT

## *Summary of Significant Assumptions to the Five Year Forecast*

Forecasted Fiscal Years 2014 through 2018

### **General Assumptions**

#### **A. Enrollment/Average Daily Membership (ADM)**

Enrollment refers to the number of students registered with the District. Average Daily Membership (ADM) is the full time equivalent (FTE) students. ADM is a smaller number due to the loss of student counts for unexcused absences during the first full week of October each year, the State's official ADM count week. Kindergarten students count as 50 percent. ADM estimates are included in the forecast. The forecast assumes no significant change in enrollment. The District continues to closely monitor enrollment numbers to assess the academic needs of our students. Current ADM (October 2012 Count) is 4040.13 and current Formula ADM is 3962.35 for calculating our Bridge Formula State Foundation Funding.

#### **B. Staffing**

Beginning with 2014, the district has implemented all-day kindergarten and a K-5 configuration for all of its elementary schools. Staffing levels needed to be increased and additional costs were incurred due to this transition. These costs are contained in this forecast.

### **Revenue Assumptions**

The District's primary sources of revenue are property taxes on real and public utility tangible personal property located within the District's boundaries, and from the State of Ohio through the State Foundation program

#### **A. Property Tax Revenues**

- 1. General Property Tax (Real Estate) (1.010)** consists of Residential/Agricultural (Class I) and Other-Commercial/Industrial (Class II). Property values are established each year by the County Auditor based on new construction and current appraised real estate values. Revaluation of real estate property takes place every three years. The next revaluation takes place in calendar year 2015.

The following are real estate property valuation assumptions on which our general property tax forecasted revenues are based:

- For tax year 2013, collectable in 2014, Residential/Agricultural valuations and Other/Commercial valuations reflect no projected growth. Again, residential new construction is projected to grow 0% and commercial construction is projected to grow 0%. Based on current economic development plans, new construction is projected to grow 1%.

## GARFIELD HEIGHTS CITY SCHOOL DISTRICT

### *Summary of Significant Assumptions to the Five Year Forecast*

#### Forecasted Fiscal Years 2014 through 2018

- For tax year 2014, collectable in 2015, Residential/Agricultural valuations and Other/Commercial valuations reflect no projected growth. Again, residential new construction is projected to grow 0% and commercial construction is projected to grow 0%. Based on current economic development plans, no new construction is projected.
- In tax year 2015, which is collectable in 2016, another revaluation update takes place. Valuation changes of 5% and 3% are projected for Residential and Other/Commercial. The outlook is that economic trends may be on the upswing and return property values to a more traditional trending of values.
- For tax year 2016, collectable in 2017, Residential/Agricultural valuations and Other/Commercial valuations reflect no projected growth. Again, residential new construction is projected to grow 0% and commercial construction is projected to grow 0%. Based on current economic development plans, new construction is projected to grow minimally.

The chart below shows the general property tax valuation projected changes:

	CY13	CY14	CY15	CY16	CY17
<b>Projected Valuation</b>	<b>\$342,154,290</b>	<b>\$342,154,290</b>	<b>\$356,962,597</b>	<b>\$356,962,597</b>	<b>\$356,962,597</b>
\$ Change	\$0	\$0	\$14,808,307	\$0	\$0
% Change	0%	0%	4%	0%	0%

- First half calendar year tax collections are received in the second half of the fiscal year. Second half calendar year tax collections are received in the first half of the following fiscal year.
- Real property (residential/agricultural and commercial/industrial) is assessed at 35% of the appraised market value in accordance with State law.
- Revenue projections are vulnerable to fluctuations downward due to actual tax collections being less than expected as well as the loss of tax revenue due to unfavorable findings by the County Board of Revisions. The District retains legal counsel as its representative in tax complaints to protect and preserve the District's tax base. The County Auditor would calculate (as shown on Schedule A), a delinquency factor (currently 87.86%) for tax revenue collections.
- The severity of the revenue reduction beginning in fiscal year 2016 is the result of the way property tax renewals are reported in this forecast. Although, the District can assume the passage of renewal tax levies, the tax collections must be reduced in the revenue portion of this forecast and the combined tax collections are shown on line 11.20.



## GARFIELD HEIGHTS CITY SCHOOL DISTRICT

### *Summary of Significant Assumptions to the Five Year Forecast*

#### Forecasted Fiscal Years 2014 through 2018

- The District has three five-year emergency levies: two of which generate \$2.5 million and \$2.85 million annually. The \$2.5 million levy and the \$2.85 million levy expire at the end of Calendar Years 2015 and 2016, respectfully. The third emergency levy was passed in March 2012 for \$4.1 million. Collections for this levy begin in January 2013
- Cuyahoga County in the past few years issued delinquent tax anticipation notes (DTAN) to distribute tax advances for delinquent collections, resulting in increased fees when the DTAN payment was made. The County will no longer continue to issue DTANs.

Based on the above factors, the chart below shows projected General Property Tax revenue (Real Estate) by fiscal year:

	FY14	FY15	FY16*	FY17*	FY18*
<b>Tax Revenue</b>	<b>\$13,890,515</b>	<b>\$14,133,813</b>	<b>\$13,428,008</b>	<b>\$11,629,988</b>	<b>\$9,018,033</b>
\$ Change	633,063	243,298	-705,806	-1,798,020	-2,611,955
% Change	4.78%	1.75%	-4.99%	-13.39%	-22.46%

\*Does not include renewal levies.

#### 2. **Tangible Personal Property Tax (1.020)** consists of Public Utility Personal Property (PUPP).

- For the PUPP tax, revenue amounts are estimated for each of the forecasted fiscal years using the Calendar Year 2012 actual valuation for PUPP property. At the time of this forecast, we do not know Calendar Year 2013 actual valuation for PUPP property.
- The PUPP valuation increased for Calendar Year 2012 to \$9,665,610 (8.64% from calendar year 2011). Ohio legislative action also phases out telecommunication public utility valuations beginning in 2010 and this reduction in valuation is reflected in forecasted fiscal years 2014 through 2018.
- PUPP revenues are projected to be flat lined for forecasted years 2014 through 2018.

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT**

*Summary of Significant Assumptions to the Five Year Forecast*

**Forecasted Fiscal Years 2014 through 2018**

Based on the above factors, the chart below shows projected PUPP tax revenue by fiscal year:

	FY14	FY15	FY16*	FY17*	FY18*
<b>PUPP Tax Revenue</b>	<b>\$578,530</b>	<b>\$578,530</b>	<b>\$542,155</b>	<b>\$470,090</b>	<b>\$380,356</b>
\$ Change	73,812	-278	-33,740	-65,472	-65,472
% Change	14.6%	0.0%	-5.8%	-12.1%	-13.9%

\*Does not include renewal levies.

**B. Unrestricted Grants-In-Aid/State Basic Aid (1.035)**

- The Unrestricted Grants in Aid reflects the simulated amounts as calculated by the Ohio Department of Education (ODE).
- The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding basic aid was set as part of the State’s biennial budget for fiscal years 2014 and 2015.
- State Foundation revenue amounts shown for fiscal years 2014 and 2015 are the amounts as determined by State Legislature in the two year budget bill. Also included is the Preschool, Special Education Transportation, and Casino Revenue
- Fiscal years 2016 through 2018, state basic aid was calculated using the current formula, projected ADM, projected State Core Funding Per Pupil amount, and projected wealth targeted assistance funding amounts.
- The State Core Funding Per Pupil amount, as passed by the Legislature, uses a State Share of Core Funding percentage based on a Per Pupil amount of \$5,800.
- Casino Revenues are an ‘Other Unrestricted State Grant-In-Aid. The district received \$91,500 in August at a \$25 per pupil rate. The district is scheduled to receive an additional \$75,630 in January 2014. The projected rate moving forward will be \$26 per pupil amount as established by State Legislature.

## GARFIELD HEIGHTS CITY SCHOOL DISTRICT

### *Summary of Significant Assumptions to the Five Year Forecast*

Forecasted Fiscal Years 2014 through 2018

	FY14	FY15	FY16	FY17	FY18
State Basic Aid	\$ 17,546,660	\$ 19,392,249	\$ 20,363,202	\$ 21,154,215	\$ 20,383,998
Preschool	\$ 148,600	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Special Education Transportation	\$ 80,158	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
Casino Revenue	\$ 167,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000
Other State Funding	\$ 57,000				
<b>Total Unrestricted Grants-In-Aid</b>	<b>\$ 17,999,418</b>	<b>\$ 19,802,249</b>	<b>\$ 20,773,202</b>	<b>\$ 21,564,215</b>	<b>\$ 20,793,998</b>

### **C. Restricted Grants-In-Aid (1.040)**

- The District receives career/technical aid, catastrophic aid reimbursement and special education cost reimbursements.
- The district has seen significant reductions in catastrophic aid and special education reimbursements. These amounts are projected to remain flat over forecasted fiscal years 2014 through 2018.

### **D. Property Tax Allocation (1.050)**

- The projections for the Homestead and Rollback payments are based upon the historical relationship to actual tax collections (12.5% on residential). As tax collections decrease, so do the rollback reimbursements.
- The projections do not take into account the affect of the change in State law that increased Homestead eligible taxpayers.
- HB 66 eliminated the roll back exemption for commercial/other. This elimination is reflected in the General Property Tax (Real Estate) forecasted revenue amounts. The district will receive these dollars directly from real estate taxes for commercial/other.
- The State of Ohio was holding harmless school district's who lost revenues from Tangible Personal Property (TPP) tax elimination (House Bill 66). The forecasted amounts were determined using a formula and spreadsheet developed by the Ohio Department of Education and the Ohio Department of Taxation. However, under the current state budget bill (House Bill 153), the district had a significant amount (\$667,000) of their TPP reimbursement phased out in Fiscal Year 2012 and an additional amount (\$122,000) was phased out in Fiscal Year 2013. The remaining amounts not phased out are shown in the forecasted fiscal year 2014 through 2018.

## GARFIELD HEIGHTS CITY SCHOOL DISTRICT

### *Summary of Significant Assumptions to the Five Year Forecast*

**Forecasted Fiscal Years 2014 through 2018**

#### **E. All Other Revenues (1.060)**

Local revenues include the following: Tuition, Interest Income, and Pay-to-Participate Fees, Building Rentals, and Miscellaneous /Other.

- *Tuition* revenues are derived from the pre-school handicapped program, intervention, and summer school programs. The tuition program for the pre-school handicapped continues to include students, who pay tuition. Assuming no additional tuition increases, projected years are assumed to remain flat-lined.
- *Interest income* revenue for fiscal year 2014 is projected to remain consistent with 2013. Assuming the same economic market and available cash in the projected fiscal years, interest income is projected to continue to remain constant using the current amount earned this fiscal year.
- *Pay-to-Participate* (PTP) revenue has decreased significantly in fiscal year 2013 due to a significant reduction in the fee amount. The PTP is not projected to significantly change for fiscal years 2014 through 2018. It is also assumed that the number of participants and the fee amount will not change during the projected years.
- *Building rental* revenue is projected to remain constant based on fiscal year 2013 actual amount. At this time, it is assumed that the number of rentals and rental rates are not projected to significantly change for fiscal years 2014 through 2018.
- *Miscellaneous/Other Revenues* include fees/fines, reimbursements, and donations, not covered under the other revenue line items. This amount is not projected to significantly change for fiscal years 2014 through 2018 based on fiscal year 2013 actual amounts.
- In fiscal year 2013, the district received \$356,410 as their share from the CityView Tax Increment Finance (TIF) agreement. However, CityView is in receivership and current indicators point to potential reductions in this TIF payment going forward into the projected years 2014 through 2018.

	FY13*	FY14	FY15	FY16	FY17	FY18
Tuition	\$362,764	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000
Interest	14,074	15,000	15,000	15,000	15,000	15,000
PTP	52,997	57,000	57,000	57,000	57,000	57,000
Rentals	27,061	30,000	30,000	30,000	30,000	30,000
Misc/Other	149,397	150,000	150,000	150,000	150,000	150,000
TIF+	356,410	350,000	350,000	350,000	350,000	350,000
<b>Total</b>	<b>\$962,703</b>	<b>\$962,000</b>	<b>\$962,000</b>	<b>\$962,000</b>	<b>\$962,000</b>	<b>\$962,000</b>

\*Actual

# GARFIELD HEIGHTS CITY SCHOOL DISTRICT

## *Summary of Significant Assumptions to the Five Year Forecast*

Forecasted Fiscal Years 2014 through 2018

### **F. Transfers/Advances In (2.040, 2.050)**

- No significant transfers-in will be received in future forecasted years.
- Advances-in would be offset in the previous year with an initial advance-out; since we are not projecting any advances-out, no advances-in will be projected.

### **G. All Other Financing Sources (2.070)**

- It is assumed that the amount of revenue from other financing sources will be insignificant and remain constant over the years projected.

### **H. Total Revenues and Other Financing Sources (2.080)**

The bottom line changes in total revenues assuming passage of the renewal levies and not including ‘Other Financing Sources’ show an average annual revenue increase of 2.2% over the forecasted five years due in large part to the increase in state basic aid as compared to an actual average revenue decrease of .11% over the previous 3 years.

## **Expenditure Assumptions**

The expenditure projections are based upon several key assumptions. Wage freezes, including a step freeze, have been accepted by all employees in the prior years and these steps will not be made up in future negotiated agreements. Additional assumptions are that the change in student enrollment, as predicted by enrollment projections, (General Assumptions “A”) will **not require significant additional staffing** over the life of the projections other than what is included in the current projections. It is also assumed that the **general economy will remain stable, and that inflation will be no greater than two to three percent in each of the projected years**. Lastly, that Ohio Legislature and the United States Congress will **not impose any new unfunded mandates or make any changes to current legislation that we are currently aware of that significantly impacts the General Fund**.

### **A. Personal Services (3.010)**

- Staffing changes for fiscal year 2014 include the following:
  1. Hiring of 15 Certified Teaching/Tutor positions
  2. Hiring of 10 Building Assistant positions
  3. Hiring of 4 Library Clerk positions
  4. Hiring of 2.5 Qualified positions
  5. Hiring of 1 part-time Exempt position

## **GARFIELD HEIGHTS CITY SCHOOL DISTRICT**

### *Summary of Significant Assumptions to the Five Year Forecast*

#### **Forecasted Fiscal Years 2014 through 2018**

- The District agreed to a two year contract with the Garfield Heights Teachers' Association (GHTA), which represents the certified teaching staff. The agreement includes step movement and base pay increases of .5% in 2013 and .75% in 2014. However, the .5% increase was only applicable from January 2013 on. The agreement also included a \$500 signing bonus for 2013 and 2014. The forecasted years 2015 through 2018 reflect only salary schedule step movements for those eligible employees.
- The District agreed to a two year agreement with the classified employees' union (OAPSE). For forecasted years 2013 and 2014, the agreement includes step movement for those bargaining unit members who are eligible and a 2% increase in each of the two years for those members whose steps are frozen. In forecasted years 2015 through 2018, amounts shown reflect only salary schedule step movements for those eligible. The forecast does contain any changes to either the current salary schedule or the base salary amount.
- Wage amounts projected for administration are based on contract agreements. Administrator salary schedules have been established based on the level of responsibility with the exception of the Superintendent and Treasurer. Salary amounts have been established for 2014. For forecasted years 2015 through 2018, amounts shown reflect step movements for those eligible. Longevity amounts are based on the current administrator agreements and are not projected to change.
- Wage amounts projected for the exempt staff are based on established salary schedules, experience level, and level of responsibility. Salary amounts have been established for 2014. In forecasted years 2015 through 2018, amounts shown reflect salary schedule step movements for those affected employees. In following with the OAPSE agreement, 2% increases are projected for those whose steps are frozen. Longevity amounts are based on the current OAPSE negotiated agreement. Longevity amounts are not projected to change.
- Wage amounts projected for the qualified staff are based on established salary schedules, experience level, and level of responsibility. Salary amounts have been established for 2014. In forecasted years 2015 through 2018, amounts shown reflect salary schedule step movements for those affected employees. Longevity amounts are based on the current OAPSE negotiated agreement. Longevity amounts are not projected to change.
- Step movements for administrators, exempt and qualified staff are not automatic and movement is at the discretion of the Board of Education.
- Supplemental contracted amounts are projected to follow the Garfield Heights Teachers' Association negotiated agreement base salary amount and no increase to that base salary is projected in the forecasted fiscal years.

## **GARFIELD HEIGHTS CITY SCHOOL DISTRICT**

### *Summary of Significant Assumptions to the Five Year Forecast*

#### **Forecasted Fiscal Years 2014 through 2018**

- Substitutes are assumed to remain constant. The district has contracted with a private company to handle and assign certified/teacher substitutes with minimal additional costs for administrative fees. A majority of this cost has been moved and projected in the purchased service area. Substitute rates are not projected to change significantly over the forecast period.
- Severance payments and early retirement incentive program costs, for those employees having retired, are projected to decrease slightly in the forecasted years based on past history.
- Overtime, extra time, incentives and extended times wage amounts are projected to increase by 2% in forecasted years 2014 through 2018. This amount is based on past history.
- The five-year forecast is required to have reasonable assumptions addressing salary increase amounts beyond the current negotiated agreements. In accordance with ORC 5705.412, the District could not certify salary increases in future negotiated agreements unless the financial position allows for such increases. Therefore, no base salary increases are in this forecast beyond negotiated agreement dates.

Over the past three years, Personal Services had averaged a 1.37% increase. Based on the above assumptions and the hiring of additional staff members, Personal Services is projected to increase **5.49%** in fiscal year 2014 and then increase and average of 2% annually in each of the forecasted fiscal years 2015 through 2018.

### **B. Employees' Retirement/Insurance Benefits (3.020)**

Fringe benefits consist of retirement, Medicare, health care, workers compensation, and unemployment.

#### **1. Retirement**

- The district is required to contribute 14% of an employee's salary to either the State Teachers' Retirement System (STRS) or the School Employees' Retirement System (SERS). As personal service (salaries, wages) costs increase/decrease from staff reductions, step movements, other compensation, retirement costs are projected to follow.
- It is assumed that there will be a continuation of the current 14% employer contributions for both STRS and SERS during each year of the projected years.
- The SERS surcharge on non-teaching employees is calculated on part-time employees. The rate after calculations amounts to 2% of all non-certificated employees' wages or the statewide limit of 1.5% of the statewide payroll, whichever is lower. This current surcharge amount is not projected to change significantly in the forecasted fiscal years.

# GARFIELD HEIGHTS CITY SCHOOL DISTRICT

## *Summary of Significant Assumptions to the Five Year Forecast*

Forecasted Fiscal Years 2014 through 2018

### 2. Medicare

Any employee hired after 1986 is required to have contributions of 2.9% of their salary paid into Medicare. The district, under federal law, is responsible for 1.45%, and the employee is responsible for 1.45%. As personal service (salaries, wages) costs increase/decrease from staff reductions, step movements, other compensation, Medicare costs are projected to follow.

### 3. Health Care

- The medical, prescription, dental and vision health care coverage is currently with Medical Mutual of Ohio (MMOH). The district joined the Suburban Health Consortium (SHC) in January 2006. This was done to help stabilize rates over future years.
- All employees currently contribute 7% of the premium cost per month towards their health insurance coverage. This contribution amount is not projected to increase over the forecasted fiscal years unless negotiated agreement provisions contain a change to this amount.
- This has working spouse language (WSL) for all employees having a family plan. The savings from working spouse language is 15% on the family plan premium cost for medical and prescription drug coverage. The forecasted fiscal years show WSL savings.
- Health insurance rate actual increases for fiscal year 2014 is reflected in the following table along with projected increases for fiscal years 2015 through 2018:

Coverage	FY14	FY15	FY16	FY17	FY18
Medical	9.84%	10.0%	10.0%	10.0%	10.0%
Prescrptn/Drug	8.95%	10.0%	10.0%	10.0%	10.0%
Dental	0%	2.5%	2.5%	2.5%	2.5%
Vision	0%	2.5%	2.5%	2.5%	2.5%
<b>Overall % Inc.</b>	<b>8.8%</b>	<b>9.4%</b>	<b>9.4%</b>	<b>9.4%</b>	<b>9.4%</b>

### 4. Workers' Compensation

The workers' compensation rate is projected to remain constant at 1% and for costs to follow projected personal service amounts where applicable.

### 5. Unemployment

This amount is projected to decrease over the projected years assuming there are not any further significant reductions in force.



# **GARFIELD HEIGHTS CITY SCHOOL DISTRICT**

## *Summary of Significant Assumptions to the Five Year Forecast*

### **Forecasted Fiscal Years 2014 through 2018**

Over the past three years, Employee Retirement/Insurance Benefits had averaged a 2.27% increase. However, Employee Retirement/Insurance Benefits expenditures increased 2.76% in 2013. Base on the above assumptions, Employee Retirement/Insurance Benefits is projected to increase 4.43% in fiscal year 2014 and then increase 4% annually in each of the forecasted fiscal years 2015 through 2018.

### **C. Purchased Services (3.030)**

This category includes contractual services, special education services, legal services, rentals and leases, travel and mileage, utilities, and building/equipment repairs. Unless otherwise noted, all purchased service areas are running at or below current estimates and no future projection changes were made.

Over the past three years, Purchased Services had averaged a 9.57% increase. However, Purchased Services expenditures increased only 7.76% in 2013. Therefore, Purchased Services is projected to increase 8% annually in each of the forecasted fiscal years 2014 through 2018.

### **D. Supplies and Materials (3.040)**

This category includes educational supplies, library books/supplies, office supplies/postage, maintenance supplies, transportation supplies, and textbooks.

Over the past three years, Supplies and Materials had averaged a 25.92% increase with the significant increase of 48.6% for fiscal year 2013, due in large part to the General Fund now absorbing the cost for workbooks that was previously paid for with student fees. However, moving forward, Supplies and Materials are projected to increase an inflationary 2.5% annually in each of the forecasted fiscal years 2014 through 2018.

### **E. Capital Outlay (3.050)**

Capital outlay includes the purchase of new instructional equipment, special education equipment, building improvements, replacement vehicles/busses and replacement educational equipment including technology items. No bus purchases are included in the projected fiscal years 2014 to 2018.

Over the past three years, Capital Outlay had averaged a 37.4% decrease. Furthermore, Capital Outlay expenditures decreased 30.36% in 2013. While 2014 shows a slight increase, we project Capital Outlay to return to the 2013 level in 2015 and then to increase an inflationary 2% annually in each of the forecasted fiscal years 2016 through 2018.

## **GARFIELD HEIGHTS CITY SCHOOL DISTRICT**

### *Summary of Significant Assumptions to the Five Year Forecast*

**Forecasted Fiscal Years 2014 through 2018**

#### **F. Debt Service (4.055)**

The district has two debt service obligations from the General Fund. These obligations are the repayment of two Qualified Zone Academy Bonds. Repayment amortization schedules have been established for each of the two QZAB debt issuances the amounts are reflected in the forecast under Principal-Other. Both of these bonds mature in 2017.

#### **G. Other Objects (4.300)**

This category includes Insurance premiums for fleet and general liability insurance both of which increased for fiscal year 2014 (actual costs are known). Property tax collection fees which are based on the amount of property taxes collected as set by Ohio Law and Other/Miscellaneous expenses. These expenses include bank service charges, audit fees, organization dues and membership fees, County Educational Service Center deductions, and election expenses.

Over the past three years, Other Objects had averaged a 1.85% increase. Furthermore, Other Object expenditures decreased significantly (33.07% in 2013). Other Object expenditures assume an inflationary 2% annual increase in each of the forecasted fiscal years 2014 through 2018.

#### **H. Other Financing Uses (5.010, 5.020, 5.030)**

This category shows the transfers/advances of monies to other funds that cannot generate enough revenues to offset their expenditures.

- **Transfers Out** is projected to increase significantly in 2014 due to the Board's commitment to the Athletic Fund and then remain constant over the forecasted period and that no other funds will need a transfer.
- **Advances Out** has been required in previous years. Projected Advances Out are offset through an Advance In in the following fiscal year, thus creating no financial impact on the overall forecast.
- **All Other Uses** we are projecting no amount in forecasted fiscal years 2014 through 2018.

# GARFIELD HEIGHTS CITY SCHOOL DISTRICT

## *Summary of Significant Assumptions to the Five Year Forecast*

Forecasted Fiscal Years 2014 through 2018

### **I. Total Expenditures and Other Financing Uses (5.050)**

The bottom-line changes in total expenditures including ‘Other Financing Uses’ show an average annual expenditure increase of 3.58% over the forecasted five years as compared to an actual average annual expenditure increase of 1.96% over the previous 3 years.

#### **Future Outlook**

- Due to the passage of an additional five-year emergency operating levy in March of 2012 and the increase in State Basic Aid from the biennial budget, and further assuming the passage of the renewal levies, Total Revenues and Other Financing Sources are projected to **increase** annually by an average of 2.2% over the forecasted years 2014 through 2018, while Total Expenditures and Other Financing Uses are projected to **increase** annually by an average of 3.58%. Based on these current projections, it is anticipated that the district will need additional revenues beginning in fiscal year 2018.
- The state legislature has passed a school funding formula for the 2014-2015 biennium state budget. This formula included an increase of state basic aid to the district. However, beyond the two year biennium budget, the future of state funding for public schools is still unknown. With over 55% of the school district’s revenue coming from the state, the district will need to closely monitor the state’s economic outlook.
- The assumptions disclosed in these notes 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.
- Actions by the Ohio Department of Education, the U.S. Department of Education, the State Legislature, Ohio Board of Taxation, the Ohio Supreme Court, the Cuyahoga County Board of Revision, and other governmental bodies will impact these projections and the results of their actions could seriously threaten the accuracy of the forecast and assumptions.