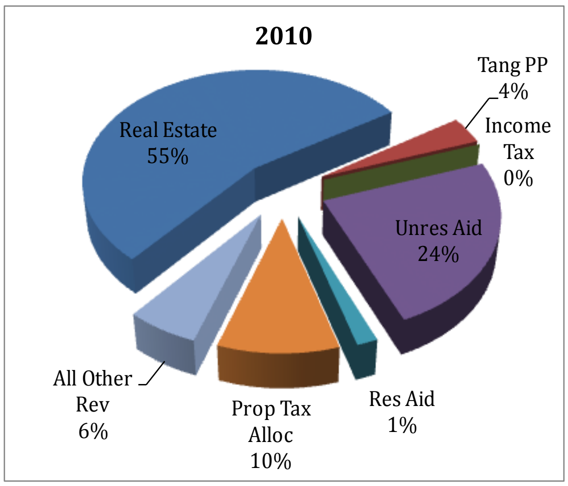
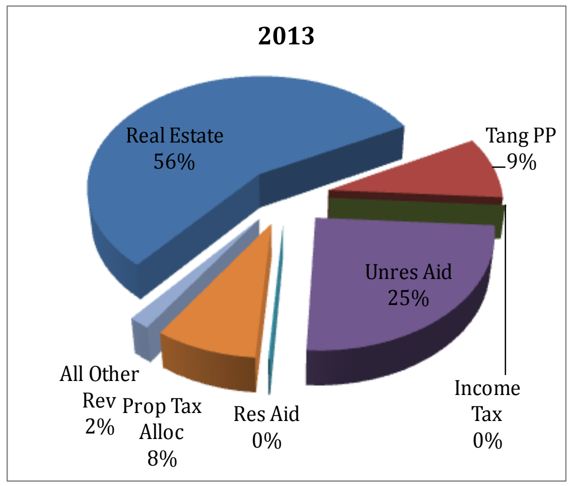
SPRINGBORO COMMUNITY CITY SCHOOLS

FIVE YEAR FORECAST 2013-2017
Approved October 23, 2012

REVENUE ASSUMPTIONS

The forecast requires that assumptions be made about future events to support projections. The following assumptions were made in preparing this forecast





General Property Tax Line 1.01

The district's real estate tax revenue is impacted by operating tax rates and taxable property values. While the district's tax rates have not been increased by vote, the taxable property values have been impacted by the economy:

- The County Auditor has conducted a triennial update for 2012, which still requires state certification. The resulted in changes to valuations. The forecast assumes a change of -3% in residential values and commercial values. New construction continues to add to the valuation of the District. During the past three years new construction added about 1.27% each year. A projected 1% increase for new construction is assumed in the forecast for residential values. Evidence of a stronger economy will be required to increase these estimates.
- The District assumes that the County Auditor is collecting taxes at a 98.2% rate based on historical collection rates. Delinquent taxes are assumed to be collected at $250,000/year, which may be a conservative estimate and may understate revenues.
- The general property tax revenue represents 56% of the district's revenue.

Tax Revenue	Fiscal Year >>	2012	2013	2014	2015	2016	2017
Total Taxes Levied for Fiscal Year		27,472,645	27,325,242	23,156,367	19,091,468	19,311,924	19,535,579
Rollback and Homestead from Ohio		(3,483,136)	(3,485,228)	(2,952,960)	(2,432,822)	(2,456,580)	(2,480,575)
Current Taxes Unpaid		(175,917)	(360,817)	(301,635)	(249,922)	(252,874)	(255,869)
Adjustment for Collection Split		(316,435)	546	(94,440)	2,803	2,913	2,904
Past Delinquencies Collected		498,273	250,000	250,000	250,000	250,000	250,000
Other Adjustme		20,487	-	-	-	-	-
Total	23,982,777	24,015,918	23,729,743	20,057,333	16,661,528	16,855,383	17,052,040
Dollar Change over Prior year		(432,804)	(286,175)	(3,672,410)	(3,395,805)	193,855	196,657
Percentage Change over Prior Year		-1.77%	-1.19%	-15.48%	-16.93%	1.16%	1.17%

In fiscal year 2011, Springboro received a one-time payment for the settlement of the valuation dispute for Rocky's Express Pipeline. An adjustment in FY12 has been made to back those monies out for this year.

In addition, the emergency levy is reflected to expire to in 2014. The above graph shows the reduction of half of the collection in FY14 and half in FY15. The 2008 emergency levy expires on 12/31/2013. The renewal levy revenue is included in line 11.20 of this forecast.

<u>Tangible Personal Property Tax – Line 1.02</u>

- An increase in Tangible Personal Property occurred during 2010 through 2012 due to the completion of the Rockies Express Gas Line.
- The table below reflects historical tangible personal property tax revenue and the start-up impact of Rockies Gas Line starting in 2010:

F.Y.	F.Y.	F.Y.	F.Y.
2008	2009	2010	2011
830,478	443,563	2,030,749	2,637,746
-21.00%	-46.59%	357.83%	29.89%

- Rockie's filed a tax appeal with the State to lower their values. The forecasted revenue projections are all based on the lower appealed values. Rockies won their appeal, which means that this revenue source is projected to remain at the fiscal year 2012 level of $3,265,911 through 2014. A decrease in taxes is reflected due to expiration of current 2008 emergency levy

- The renewal of the 2008 emergency levy revenue is included in line 11.20 of this forecast.

Unrestricted Grants-In-Aid – Line 1.035

- For the years 2013 through 2017 the district is projecting line 1.035 state funding to increase slightly each year.
- Additionally the district is projecting to continue receiving a subsidy for high performance that amounted to $97,913 in 2013.
- The district is also projecting to receive special education transportation funding of $99,695 and preschool funding of $13,295. The district is currently projecting these revenue sources to continue at 2012 levels in 2013 through 2017.

Restricted Grants-In-Aid - Line 1.04

- Restricted Grants-In-aid reflects one-time 2012 revenue of $575,000 for the federal government's stimulus subsidy known as EdJobs. This revenue is not projected to continue after 2012.
- The district also is projecting to receive funding for career technical education of $6,400, and catastrophic special education funding (state's partial reimbursement for high-cost special needs children) of $46,600 for each year of the forecast (2012 through 2017).
- The district will continue to monitor and apply for grants that will help the district meet the needs of the community.

Property Tax Allocation – Line 1.05

The primary source of revenue in this line item is the state's reimbursement for discounted local real estate property taxes. In essence, Ohio discounts residential tax bills by 12.5%. Additionally, there is a discount applied for taxpayers with handicap or elderly status. These discounts are known as rollback and homestead deductions.

In 2012 the district also received a phased down payment for its loss of personal property tax revenue. The personal property tax revenue was lost due to Ohio's tax policy changes in 2005. The reimbursement has dwindled to only $42,000 in 2012, and there is no reimbursement starting in 2013.

The renewal of the 2008 emergency levy revenue is included in line 11.20 of this forecast

All Other Revenues – Line 1.06

The Board of Developmental Disabilities agreed to pay the district $5,000 per special needs pre-school student, per year, beginning September 1, 2009. This amounts to an estimated $480,000 per year for 3 years. FY12 will be the last year the district receives this revenue.

The district will be moving extra-curricular revenue to the 300 fund. This will result in Pay-to-Participate revenue to be moved, reducing the general fund revenue by approximately $379,000.

Casino revenue will start to flow to schools starting in FY13. Estimates have shown that we will receive $108, 300 in FY13 and $285,500 in FY14-17.

SPRINGBORO COMMUNITY CITY SCHOOLS

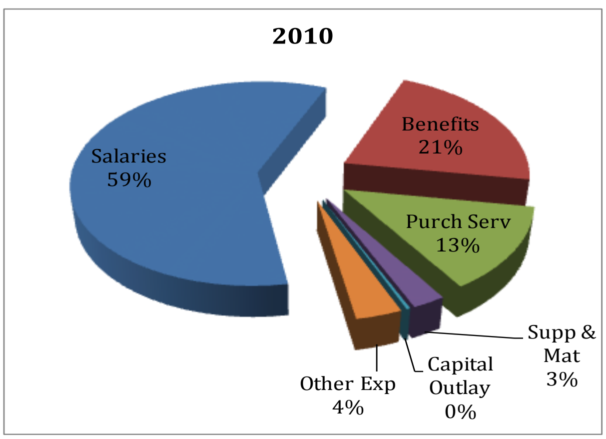
REVISED FIVE-YEAR FORECAST 2013-2017
Updated October 23, 2012

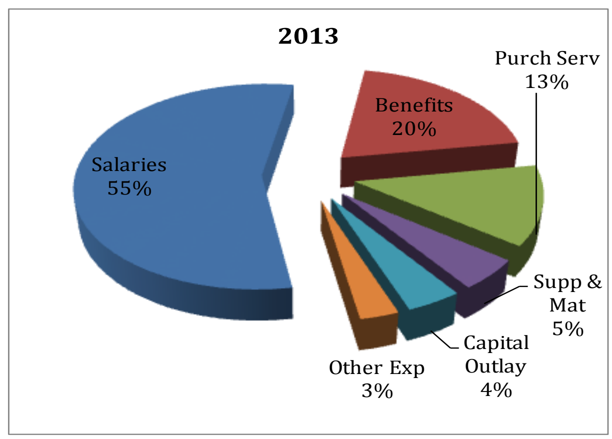
EXPENDITURE ASSUMPTIONS

The forecast requires that assumptions be made about future events to support projections. The following assumptions were made in preparing this forecast.

In 2013, the district will spend 88% of its budget on three categories:

- Personal Services (Salaries) 55%
- Employee Benefits 20%
- Purchased Services 13%





Zero-Base Budgeting

Staring in FY2013, the district will be using zero-based budgeting. All budgets being at $0 and must be built based on needs.

This approach allowed each administrator to build the budget to meet the needs of their school/department to ensure the needs of all students are being met. Administrators shared their budget with the Budget and Finance Committee. The committee appreciated the review and has not made changes to the budgets. The district will have to further review budgets and may make some changes to achieve a balanced budget.

Personal Services – Line 3.01

Line 3.01 reflects all general fund salaries for the district. Salaries account for 55% of the district's expenditures in 2013. Salaries are projected to change as follows:

- Movement from one degree to another, known as an education 'column increase' in pay for staff members is estimated to cost approximately $70,000 for 2013.
- There is no provision for any negotiated increases or experience steps throughout the forecasted period.
- There was a merit pay stipend paid in 2012, it amounted to $222,317 and is projected to continue at this level in 2013 per the negotiated agreement. One hundred percent of all employees received the excellence stipend.
- It is the intent of the Board to create a committee of teachers and administrators, to evaluate compensation based on merit pay.
- All band and athletic extra-curricular salaries will be moved to the 300 fund, resulting in a decrease of salary cost to the general fund.
- The board's approved staffing plan is included in 2013. This includes additional staffing levels that are projected to increase the salaries by $175,000. Also, minor adjustments are made for retirements, additional staffing, and busing in future years.
- The current five-year forecast includes only those obligations that are currently negotiated. Because the current negotiated agreements are in place through June 2013, it is impossible to forecast future salary step and base increase/decrease expenses over and above the current cost. Changes to the benefit package are subject to negotiations. Therefore, there are no changes in the five-year forecast until the conclusion of negotiations.
- Enrollment numbers will be reviewed every year to determine the actual need. The assumption is based on census and historical is information.

Employees Retirement/Insurance benefits - Line 3.02

Line 3.02 represents about 20% of the district's expenditures. Expenditures include 14% of salaries as the employer share of payment to the State Teachers Retirement System, 2% of salaries for worker's compensation insurance, and costs associated with employee medical benefits.
During FY 2011, the district enrolled with EPC, a large health care consortium. EPC presented next year's health insurance premium, which has decreased by 1%. Beyond, 2013, the future cost of medical benefits is uncertain. The Patient Protection and Affordable Care Act has been challenged in court, and its future is unclear. The Act promises to reduce the cost of health insurance premiums for employers, estimates vary as to how much, and if all or portions of the law are overturned by court action those savings may or may not be realized. Whatever path the law takes, the district intends to mirror trends in the private sector with respect to managing the overall cost of employee benefits. Further, changes to the Ohio State Teachers Retirement System are anticipated to induce more retirees than usual creating a more youthful workforce and resulting in a lower medical insurance risk and therefore lower premiums.

Given the uncertainty and the inability to quantify the potential savings in health insurance the district will take a conservative approach and forecast medical insurance costs at the 2013 rate through 2017.

- The retirement pick-up for administrators is being phased out and will end in FY14. The total reduction once fully eliminated is $90,000 per year.
- The Employee portion of health insurance is15% of the premium
- The FY13 health insurance decreased by 1%, but the dental insurance increased by 8%, resulting in a net -0- change.
- The current five year forecast includes only those obligations that are currently negotiated. Because the current negotiated agreements are in place through June 2013, it is impossible to forecast future benefit increase/decrease expenses over and above the current cost. Our current commitment for health benefits will carry us through October 2013. Changes to the benefit package are subject to negotiations. Therefore, there are no changes in the five year forecast until the conclusion of negotiations.

<u>Purchased Services – Line 3.03</u>

Purchased services consume about 13% of the district's budget. This line item covers utilities, tuition paid to other districts and community schools, salaries (instructional services), as well as other types of services (repairs, attorneys, etc.) used by the district.

The community experienced a very mild winter this reduce our cost during FY12. The expected increase for FY13 is approximately $200,000

Special education costs for students that require out of district placement are expected to increase, resulting in an increase cost of $150,000.

The Board of Education legal services has increased by $200,000 based on upcoming negotiations and other legal needs.

The district has continued and will continue to maintain the district buildings. This routine maintenance is budgeted to increase $ 100,000 over FY12

Not all of our students are able to be transported by buses. In those cases, we contract with other carriers to transport those students. Based on the needs of those students are cost are expected to increase $60,000 starting in FY13.

<u>Supplies and Materials – Line 3.04</u>

The supply budget comprises about 5% of the district's budget.

The FY13 adjustment to actual is based on the budgets that the administrators prepared using the zero-based budget model to meet the needs of the students. $120,000 of the adjustment is for a one-time purchase of textbooks to supplement the common core curriculum being implemented. This purchase has been removed for future years.

- The forecast includes the provision for textbook adoption, textbooks purchased that are the basis for instruction for all students.. $600,000 will be the budget for years FY13-FY15 to purchase replacement cost of textbooks and the new adoption.
- The new textbook adoption schedule will be as follows:
  - FY13 – Language Arts K-5, Science K-2
  - FY14 – Math K-5, Social Studies 6-12, Language Arts 9-12
  - FY15 – Science 3-10, Language Arts 6-8, Math 6-12, Social Studies K-5

Capital Outlay (4%) – Line 3.050

Capital improvement over the next five years include replacing the roof at Clearcreek Elementary, repaving and resurfacing the districts blacktop, repairing brick and stucco in various buildings, patching roof sections in other buildings, upgrading some mechanical items, and repairing bleachers. The following amounts are included each year for capital improvements:

FY13	FY14	FY15	FY16	FY17
$221,100.80	$584,040.60	$533,714.24	$278,050.28	$180,907.20

The District will be investing $310,069 in 2013 and $100,000 in 2014 wireless capability. This will bring all the district building up to current wireless standards, except for ClearkCreek elementary. This was already a Board initiative that had $300,000 forecasted in the May 2012 forecast.

$1,000,000 of technology devices will be purchased during the 2014 school year. These laptops will be strategically placed throughout the District to give our students the best learning environment and ensure that the District is test ready. Starting in 2016, $50,000 has been placed in the forecast each year to replace batteries.

Principal Notes – Line 4.050 and 4.055

- In FY02 the District borrowed funds to complete building projects. This represents the payback of this loan.
- In FY13 the District is borrowing approximately $2M for 21 busses over 5 years. Paying for this loan will begin in 2014.

4.055 - Principal - Other		Projections are not Based Upon Previous Fiscal Year					
Bus			-	414,968	414,968	414,968	414,968
Building		211,000	211,000	211,000	211,000	211,000	211,000
Note 2		-	-	-	-	-	-
Total [4.055]	211,000	211,000	211,000	625,968	625,968	625,968	625,968

Operating Transfers-Out – Line 5.010

This line increased $180,000, 2013 due to the transfer of funds to the 300 fund to cover extra-curricular cost. A breakdown of that amount is as follows:

$105,000 District subsidy from FY12

$75,000 for the District Service Program for student athlete's who workto reduce their PYP by up to $100.

It has been determined that the following amounts of funding may not be available from our athletic booster organizations which include $75,000 for District Sports marketing revenue and $100,000 from reducing the PYP for FY13. Any identified gap must be evaluated by the administration and / or athletic department.

Starting in FY14, the District with subsidy the athletic program $180,000 - $105,000 district subsidy and $75,000 for the District Service Program

Further discussion is needed between the Athletic Department and all Athletic booster groups to determine how size and scope of all athletic programs, inclusive of how they will be funded starting in FY14. The Athletic Department, coaches and boosters will have a plan by March of 2013 for review and possible inclusion within the May 2013 forecast update.

Unmet Needs

The district will annually monitor technology. The technology plan must be updated to include the details supporting the aggregate allocation of $1,000,000 proposed funding in FY 14. This update will be included in the May 2013 forecast to address the specified state hardware testing requirements defined by grade level.

A detailed maintenance / capital plan has been created. The administration will provide quarterly updates to the Budget and Finance Committee regarding expenditures against plan and any updates as may be necessary regarding capital items.

The transportation department is currently reviewing bell times and route stops. Possible changes will be reviewed and a recommendation will discussed with the community prior to being brought forward for the May 2013 forecast. Based on the presentations for privatizing bus service, the Budget and Finance Committee and administration agreed there may be opportunity to recognize additional efficiencies without major transportation changes.

A replacement bus schedule will be created for review and inclusion in the May 2013 forecast. This schedule will project the bus needs to effectively estimate useful live using generally accepted standards for age and mileage. This plan will be evaluated to insure it meets the district fiscal restraints as an ongoing need to transport our children safely. The plan will begin after repayment occurs for the pending 21 buses to be purchased as reflected in this October 2012 forecast update above.

The District will begin to assess and evaluate possible alternatives to the Jonathon Wright building. A facility use plan will be provided to the Budget and Finance Committee by March 2013 for a broader Board of Education and community discussion.

All third party service contract providers will be evaluated by the district to determine if outsourcing is still efficient and cost effective.