Indian Hill Exempted Village School District
Five-Year Forecast
Fiscal Years Ending June 30, 2017 Through 2021

Notice: All estimates are conservative and do not guarantee what will happen in estimated years.

REVENUE ASSUMPTIONS

<u>Property Taxes – Line 1.01</u>
Property tax revenue estimates are based on valuation data, scheduled updates and reappraisals combined with input from the Hamilton County Auditor. Twelve years ago, residential valuation made up 84% of the District's property tax valuation. That valuation is nearly 88% in 2017. Commercial property makes up most of the rest of the value with 10% of the total valuation.

Historical data shows that overall residential property valuation tends to decrease slightly in non-reappraisal years. I have modeled growth in current valuation based on this historical trend. Hamilton County is scheduled for re-appraisal for tax year 2017 which would begin collection in calendar year 2018. I have modeled a 6% growth for the re-appraisal year. Statewide trends would indicate that almost all residential property valuations will increase in their most recent cycles reversing the trend of the last seven years. I have modeled a modest .5% growth to property valuation for new residential construction. While new construction has recently increased, I tend to take a conservative approach to forecasting future growth as the new construction market is still very unstable and the District has very little land available for new builds. Indian Hill EVSD has no voted operational levies at this time. Current cash reserves make it unlikely that any operational levies will be placed in front of the District's voters during this five-year forecast cycle.

<u>Public Utility Property Tax – Line 1.02</u>
The valuation of Public Utility Property within the district has remained stable over prior years. There was a significant drop of over 15% in fiscal year 2017. Upon investigation of the decline, it was discovered that the County Auditor has no information regarding public utility property. This is handled by the state and the Auditor's office said they would be willing to contact them but have had little success getting information in the past. I anticipate no further declines.

<u>Unrestricted Grants-in-Aid (state foundation) – Line 1.035</u>
This line of the forecast is always the most difficult to predict as the mechanisms that drive funding are constantly in motion. Funding is no longer based on an October count as it is now based on a real-time student count. The model is still primarily driven by property tax valuation per pupil but some other features were added to the biennium budget to help with some funding inequities. Indian Hill EVSD is currently capped meaning that based on the formula, the District receives less than to which it is entitled. In my prior forecast, I felt that since the district is capped, there would be future gains to line 1.035. However, proposed changes to the funding formula, specifically to transportation have changed my thoughts on this. These changes will move Indian Hill to a guarantee district by year three of the forecast. For fiscal year 2017, the District will receive approximately $168,000 less than what the calculated funding would allow.

IMPORTANT NOTE: Years four and five of line 1.035 of this forecast are based on the current formula. The funding formula could be substantially modified or completely changed as future budget bills are enacted. Any increase in funding over years three through five would also assume that the state legislators would continue to add funds to school funding.

Restricted Grants-in-Aid (SFSF & Career Tech) – Line 1.04

Restricted aid consists mainly of payments from the state for Economic Disadvantaged and Career Tech funding. The District receives very little of each. The bulk of this line consists of catastrophic aid which allows funds to be granted to the District for students who have needs that exceed a cap which is set by the state.

Property Tax Allocation (Homestead & Rollback) – Line 1.05

The property tax allocation is calculated as a fixed percentage of real property tax receipts. The growth or decline parallels the anticipated growth or decline in real property taxes. This form of funding has been eliminated for all newly voted levies which means all new levies will be fully funded by local dollars. Existing levies that are renewed will continue to receive this funding from the state.

All Other Revenues – Line 1.06

Nearly 95% of this line consists of receipts from the Sycamore Township TIF. Other receipts of this type may include open enrollment in the district, interest on investment and class fees. I have increased the TIF revenue by 2% in 2017 and by 1% for each year from 2018-2021. However, these revenues could potentially be significantly reduced if there were a challenge to property valuation.

EXPENDITURE ASSUMPTIONS

Personnel Services and Retirement/Benefits – Lines 3.01 & 3.02

In October, the method used for calculating salaries was based on early estimates (2.8%) and the prior treasurer's estimates (5.0%) for FY17. The increase estimated for October's forecast was 3.75%. Looking at ten months of actuals, it appears to be approximately 3.25%. For FY18 and FY19 which are governed by the current collective bargaining agreement for certified staff, I calculated that personnel services would grow by the estimated 2.2% and 2.9% respectively. I manually calculated increases as our staff appears now. There will be turn over, column step moves and other adjustments that will affect the salary over time. For years FY20 and FY21 which fall outside of the CBA, I estimated 1.5% which would account for natural step increases.

For FY17, I estimated a decrease of 5.5% for fringe benefits in October. It appears this number was lofty but the district did receive a noticeable decrease of 2.1%. While salaries increased, which would in turn, increase retirement and Medicare, there were significant decreases to two main areas of fringe benefits. The first was severance. The district paid out a large amount of severance in FY16 because of a large amount of retirees. A very bright area for the forecast is a decrease in health insurance which has occurred two years in a row. Current national trends indicate average annual increases of double digit percentages. I have predicted another decrease for calendar year 2018 of 2% and then a trend toward single digit percentage increases after that. Overall, the fringe benefit line increases in FY18.

Purchased Services – Line 3.03

Purchased services decreased by 7.15% in FY16 over the prior year. This number increased significantly (nearly 9.5%) in FY17. This would make sense as the 7.15% decrease would be entirely made up plus some natural inflation. In looking at the future, I do see some savings in this area as legal services should decrease significantly. This line will also be aided by decreases to bus services through payment in lieu of transportation efforts.

Supplies – Line 3.04

Supplies increased over 18% in FY16. In October, I predicted this number would regress to FY15 numbers. It appears at this time that we will see a reduction in FY17 compared to those FY15 numbers.

Capital Outlay – Line 3.05

The District uses a capital outlay planning tool to analyze capital needs and to plan future projects. There is anticipation that the Board of Education will approve a large plan to improve the locker room facilities and other immediate areas of the high school. I have appropriated $4.1 million for this project. The remaining funds account for many other capital needs including technology, ongoing roof projects, buses and many other items.

Other Objects – Line 4.3

Other objects include expenditures for county auditor/treasurer fees, dues, audit fees and others. The largest portion of this line item are county auditor fees for collection of property taxes.

Revenue Over/Under Expenditures – Line 6.01

This line is the true gauge of a school district's financial health. When this line is negative, it indicates expenses are outpacing revenue and depleting a district's cash balance. FY15 began a cycle of negative years on this line. This led to a decrease of the district's cash balance (line 7.02). Each year of the five-year forecast predicts a deficit. A large deficit is shown in FY18 because of the District's continuing need for capital improvement. Deficits ranging from 2 - 8% of revenue exist in the other four years of the forecast. In order to balance the budget, the District will have to increase revenue, decrease expenses or a combination of both.