

**NOTES TO THE FIVE YEAR FORECAST
GENERAL FUND ONLY**

May 12, 2014

THE FORECAST

This forecast has been updated from the prior forecast approved by the Board of Education October 28, 2013 and includes the effects of passage of the November 2012 operating and bond levy requests as well as changes in the state biennium budget bill, HB59. It presents the financial estimates of the Worthington City School District's education program. The assumptions made to prepare this forecast are explained in the following pages.

REVENUE ASSUMPTIONS

REAL ESTATE VALUE ASSUMPTIONS

Property values are established each year by the Franklin County Auditor based on new construction and complete or updated values. A reappraisal of district property values occurred for 2011 values collected in calendar year 2012. The reappraisal decreased Class I values 3.32% and increased Class II values by .22%. This has been factored into the projection for district property values along with their corresponding tax reduction factors affecting outside voted millage.

For 2013 the total AV increased by \$6.5 million. Res/Ag increased \$7.7 million (.5%) and Comm./Ind. decreased \$1.1 million (-.28%) while Public Utility increased .08%.

For 2014 the total AV decreased by \$5.1 million. Res/Ag increased \$2.8 million (0.2%) and Comm./Ind. decreased \$6.0 (-1.2%) while Public Utility decreased \$1.9 (-5.4%).

For 2015 the historic growth trends will be adjusted from/ to: Res./Ag. .8% to .8 % (no change); Comm./Ind. 0.0% to 0.0% (no change); due to public utility deregulation growth is estimated to be 0%. Total AV is estimated to remain constant with a reappraisal of no increase projected.

For 2016 the historic growth trends will be adjusted from/ to: Res./Ag. .8% to .8 % (no change); Comm./Ind. 0.0% to 0.0% (no change); due to public utility deregulation growth is estimated to be 0%.

For 2017 the historic growth trends will be adjusted from/ to: Res./Ag. .8% to .8 % (no change); Comm./Ind. 0.0% to 0.0% (no change); due to public utility deregulation growth is estimated to be 0%.

For 2018 the historic growth trends will be adjusted from/ to: Res./Ag. .8% to .8 % (no change); Comm./Ind. 0.0% to 0.0% (no change); due to public utility deregulation growth is estimated to be 0%.

ESTIMATED ASSESSED VALUE BY COLLECTION YEARS (IN MILLIONS)

Classification	Act. 2014	Est. 2015	Est. 2016	Est. 2017	Est. 2018
Res./Ag.	\$1,336	\$1,346	\$1,358	\$1,368	\$1,379
Comm./Ind.	408	408	408	408	408
P.U. Pers.	<u>36</u>	<u>36</u>	<u>36</u>	<u>36</u>	<u>36</u>
Total	<u>\$1,780</u>	<u>\$1,790</u>	<u>\$1,802</u>	<u>\$1,812</u>	<u>\$1,823</u>

NEW TAX LEVIES

New levies are estimated to be collected at 96% of the annual amount which allows for a 4% delinquency. Also, 52% of new Res./Ag. is expected to be collected in February tax settlements and 48% collected in August tax settlements. Commercial taxes are estimated at 53% in February and 47% in August while Public utility taxes are split 50%/50%. These timing estimates are very important to estimating when new levy or new construction tax dollars will be available to the district. HB66 (2006) has eliminated the 10% rollback on Class II property (commercial and industrial), and HB119 (2007) expanded homestead for seniors for the first \$ 25,000 of value. HB59 (2013) eliminated the 10% and 2.5% rollback on all levies approved after August 2013 and limited the homestead for seniors.

ESTIMATED REAL ESTATE TAX (Line 1.01)

Source	FY14	FY15	FY16	FY17	FY18
New Base	\$76,792,336	77,963,868	\$79,020,901	\$79,521,119	\$80,025,340
New Construction	197,184	321,842	\$500,219	\$504,220	\$508,254
Delinquent	2,117,113	2,201,797	2,289,869	2,381,465	2,476,723
Advances In	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Reappraisal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$86,606,633</u>	<u>\$87,987,507</u>	<u>\$89,310,989</u>	<u>\$89,906,804</u>	<u>\$90,510,317</u>

ESTIMATED PUBLIC UTILITY TANGIBLE PERSONAL TAX (Line 1.02)

The phase-out of inventory taxes for business as a result of HB66 is complete. The public utility tangible tax remains in place.

Source	FY14	FY15	FY16	FY17	FY18
Public Utility Personal	<u>\$3,448,314</u>	<u>\$3,326,842</u>	<u>\$3,344,860</u>	<u>\$3,344,860</u>	<u>\$3,344,860</u>
Total	<u>\$3,448,314</u>	<u>\$3,326,842</u>	<u>\$3,344,860</u>	<u>\$3,344,860</u>	<u>\$3,344,860</u>

UNRESTRICTED GRANTS IN AID (Line 1.035)

The current biennium state budget (HB59) for fiscal years 2014 and 2015 contained significant changes to school funding. A per pupil amount, known as Core Opportunity Aid, is set at \$5,745 in FY14 and \$5,800 in FY15. The formula also includes targeted assistance weights for various areas including special education, disadvantaged pupils, gifted, LEP, transportation, and K-3 literacy. All of these amounts are subject to a state share index value based on property values compared to the state average. The result was a 6.25% increase in basic aid for our district for FY14 and a projected 10.5% increase for FY15, which represents the "capped" or maximum increase a district can receive. The new formula also changed preschool special education funding from a unit based method to a pupil based method, which increased our district's preschool funding \$303,109.

Funding beyond FY15 remains uncertain. Therefore we are projecting revenues to remain flat for FY16 and beyond.

Source	FY14	FY15	FY16	FY17	FY18
Basic Aid	\$14,559,681	\$16,088,448	\$16,088,448	\$16,088,448	\$16,088,448
Preschool Aid	\$547,735	\$547,735	\$547,735	\$547,735	\$547,735
Special Ed Transportation	\$193,517	\$193,517	\$193,517	\$193,517	\$193,517
Casino revenue	<u>\$479,514</u>	<u>\$479,514</u>	<u>\$479,514</u>	<u>\$479,514</u>	<u>\$479,514</u>
Total	<u>\$15,780,447</u>	<u>\$17,309,214</u>	<u>\$17,309,214</u>	<u>\$17,309,214</u>	<u>\$17,309,214</u>

RESTRICTED STATE GRANTS IN AID (Line 1.04)

These amounts are given to the district and restricted for specific purposes. We receive Career Tech and Economically Disadvantaged funds but they are part of our reduced foundation aid. We expect this funding to continue.

Source	FY14	FY15	FY16	FY17	FY18
Career Tech/Economic Disadvantaged	<u>\$173,586</u>	<u>\$173,586</u>	<u>\$173,586</u>	<u>\$173,586</u>	<u>\$173,586</u>
Total	<u>\$173,586</u>	<u>\$173,586</u>	<u>\$173,586</u>	<u>\$173,586</u>	<u>\$173,586</u>

RESTRICTED FEDERAL GRANTS IN AID (Line 1.045)

The District received \$1.2 million in 2011 as restricted federal funds that the State of Ohio used to stabilize its budget and Federal Ed Jobs funding of \$700K in FY12. These amounts are not being replaced by the state and represent a significant loss to the district. We participate in the federal Medicaid in schools program and bill for students receiving eligible services for reimbursement.

Source	FY14	FY15	FY16	FY17	FY18
Federal Medicaid reimbursement	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Total	<u>\$175,000</u>	<u>\$175,000</u>	<u>\$175,000</u>	<u>\$175,000</u>	<u>\$175,000</u>

PROPERTY TAX ALLOCATION (Line 1.05)**a) ROLLBACK & HOMESTEAD REIMBURSEMENT**

These funds are reimbursements from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers. HB59 eliminated the credit for new and replacement levies approved after August 2013. Our residents still qualify for the credit on the incremental levy. Senior citizens may qualify for an additional homestead exemption of \$25,000.

Source	FY14	FY15	FY16	FY17	FY18
Base R & H	\$9,045,200	\$9,786,314	\$10,032,548	\$10,204,391	\$10,261,689
New Construction	20,823	43,888	68,212	57,298	57,756
New Levy	<u>720,291</u>	<u>202,346</u>	<u>103,631</u>	<u>0</u>	<u>0</u>
Total	<u>\$9,786,314</u>	<u>\$10,032,548</u>	<u>\$10,204,391</u>	<u>\$10,261,689</u>	<u>\$10,319,445</u>

b) TANGIBLE PERSONAL PROPERTY REIMBURSEMENTS

These amounts reflect the state's reimbursement of tangible personal property tax that was eliminated in 2006. Districts were supposed to be held harmless via reimbursement from the state which would have gradually phased out by FY19 under the initial legislation (HB66). The 2012-13 biennium state budget reduced reimbursement \$2.2 million annually (\$2.2 million in FY2012 and \$4.4 million in FY13). The 2014-15 state budget maintains reimbursement at FY13 levels for FY14 and FY15, but it is still unclear regarding future years. We are estimating the phase out of this reimbursement at \$2.6 million annually from FY16 through FY18.

Source	FY14	FY15	FY16	FY17	FY18
TPP Reimbursement	\$10,638,303	\$10,638,303	\$7,978,727	\$5,319,151	\$2,659,575

SUMMARY OF PROPERTY TAX ALLOCATION

Source	FY14	FY15	FY16	FY17	FY18
Homestead & Rollback	\$9,786,314	\$10,032,548	\$10,204,391	\$10,261,689	\$10,319,445
TPP Reimbursement	<u>10,638,303</u>	<u>10,638,303</u>	<u>7,978,727</u>	<u>5,319,151</u>	<u>2,659,575</u>
Total	<u>\$20,424,617</u>	<u>\$20,670,851</u>	<u>\$18,183,118</u>	<u>\$15,580,840</u>	<u>\$12,979,020</u>

OTHER LOCAL REVENUES (Line 1.06)

Interest income will fluctuate with the cash position of the General Fund and the market rate of investment opportunities over the forecast period. The federal fiscal policy in light of the current economic circumstances maintain a target overnight rate range of 0.00% to .25%. The District's balances available for investment and maturities of investments vary month to month due to cash flow needs. We are estimating interest revenue to increase and decrease throughout the forecast period due to cash balance fluctuation and a low rate environment. Funds are predominately invested in federal agency securities, certificates of deposit, commercial paper and interest bearing sweep accounts. Security of the public funds collected by the district is the top priority of the Treasurer's office.

Pay to participate, tuition, and other local revenues are estimated based on past trends and researching activity over the past two years in detail. We increased other \$125k for FY14 due to property tax appeal settlements reached.

Source	FY14	FY15	FY16	FY17	FY18
Interest Income	\$275,000	\$275,000	\$275,000	\$250,000	\$225,000
Pay To Participate	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Tuition	250,000	250,000	250,000	250,000	250,000
Other	<u>350,000</u>	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>
Total	<u>\$1,050,000</u>	<u>\$925,000</u>	<u>\$925,000</u>	<u>\$900,000</u>	<u>\$875,000</u>

RETURN OF ADVANCES & REFUND OF PRIOR YEAR EXPENDITURES

These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. All advances over year end are planned to be returned in the succeeding fiscal year.

Source	FY14	FY15	FY16	FY17	FY18
Advance Returns	\$180,000	\$0	\$0	\$0	\$0
Transfers	\$0	\$0	\$0	\$0	\$0
R.O.P.Y.E. (*)/ Sale of Assets	<u>42,693</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$222,693</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(*) refund of prior years expenditures.

EXPENDITURE ASSUMPTIONS

PERSONAL SERVICES (Line 3.01)

The model reflects pay increases approved by the Board of Education for certificated staff effective August 1, 2011 for three years of 0%, 0% and 1% respectively per year. Increases and step & training increases are projected to grow as additional staff members are added for increased enrollment. Classified employees covered by the WESP agreement were granted increase of 0%, 0% and 1.75% effective January 1, 2012 January 1, 2013 and July 1, 2013;

The forecast estimates future wage increases for all employees to be 1% in FY15, FY16, FY17, and FY18.

The Other line for FY14 and FY15 reflects savings from 52 retirements at the end of FY13. It also reflects savings of a projected 50 retirements at the end of FY15 of \$1.75 million annually assuming they are replaced with masters step 3.

Grant Recapture includes \$250k and \$150k in FY14 and FY15, respectively, due to federal grant revenue declines and the need to retain these staff members. We are projecting growth in staff of 3 FTE classified in FY15 and 2 each year beyond as well as certified staff growth of 5 FTE in FY15; 5 FTE in FY16; 2 FTE in FY17; and 3 FTE in FY18 based on current enrollment projections and special education needs.

Source	FY14	FY15	FY16	FY17	FY18
Base Wages	\$68,989,954	\$69,129,356	\$71,269,571	\$72,195,024	\$74,185,914
Increases	344,950	691,294	712,696	721,950	741,859
Steps & Training or 3317.141 Performance	124,137	1,192,811	1,365,313	1,380,120	1,411,975
New District Staff/Grant Recapture	725,365	536,110	307,444	178,820	201,426
Merit pay	344,950	0	0	0	0
Severance Pay	500,000	1,500,000	0	0	0
Other	<u>(\$1,400,000)</u>	<u>(\$280,000)</u>	<u>(\$1,460,000)</u>	<u>(\$290,000)</u>	<u>0</u>
Total	<u>\$69,629,356</u>	<u>\$72,769,571</u>	<u>\$72,195,024</u>	<u>\$74,185,914</u>	<u>\$76,541,174</u>

FRINGE BENEFIT ESTIMATES (Line 3.02)

A) STRS/SERS will be 14% of wages paid, Pickup and Surcharge vary each year as a function of salary.

Source	FY14	FY15	FY16	FY17	FY18
STRS/SERS Required contribution base wages	\$9,448,594	\$9,678,110	\$9,977,740	\$10,107,303	\$10,386,028
Increases	48,293	96,781	99,777	101,073	103,860
Steps & Training	17,379	166,994	191,144	193,217	197,677
New District Staff	101,551	75,055	43,042	25,035	28,200
Merit pay	48,293	0	0	0	0
Other	<u>(\$196,000)</u>	<u>(\$39,200)</u>	<u>(\$204,400)</u>	<u>(\$40,600)</u>	<u>0</u>
STRS/SERS Pickup	476,172	480,933	485,743	490,600	495,506
SERS Surcharge	273,000	286,650	300,983	316,032	331,834
SERS Catch-up	<u>197,350</u>	<u>197,350</u>	<u>197,350</u>	<u>0</u>	<u>0</u>
Total	<u>\$10,414,632</u>	<u>\$10,942,673</u>	<u>\$11,091,379</u>	<u>\$11,192,660</u>	<u>\$11,543,104</u>

B) Health insurance premiums increased 8.2% in January of 2013 and are approved at a 3.55% increase January 2014.

The estimated increases for FY15 and beyond are 5%, which is the best available data at this time.

We anticipate reaching the negotiated cap in January 2016 and future increases are estimates for negotiations.

At this time, we are still analyzing the effects of the Affordable Care Act, and there is still a great deal of procedural uncertainty surrounding it. We do anticipate having to offer some additional employees health care benefits, and at this time estimate that to be \$250k beginning January 2015 (prorated FY15).

Source	FY14	FY15	FY16	FY17	FY18
Base Costs	\$12,621,487	\$13,550,442	\$14,180,970	\$14,968,156	\$15,758,703
New District Staff	181,341	134,028	76,861	44,705	50,357
HSA Contribution	1,242,750	1,242,750	1,242,750	1,242,750	1,242,750
Inflation	747,614	496,500	710,325	745,842	783,133
Effect of Insurance Cap	0	0	0	(\$205,678)	(\$658,123)
Affordable Care Act	<u>0</u>	<u>145,833</u>	<u>250,000</u>	<u>262,500</u>	<u>275,625</u>
Total	<u>\$14,793,192</u>	<u>\$15,569,553</u>	<u>\$16,460,906</u>	<u>\$17,058,275</u>	<u>\$17,452,445</u>

C) Workers compensation became self insured by Worthington City schools as of 8/1/09. We have achieved significant savings but are still building a balance to protect the district. We reduced the rate to .006 for Fiscal 2014, down from .007 in FY13, saving an additional \$70k annually.

Source	FY14	FY15	FY16	FY17	FY18
Base Costs	\$416,754	\$426,081	\$440,085	\$445,783	\$458,038
New District Staff	4,352	3,216	1,845	1,072	1,209
Other	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total	<u>\$431,106</u>	<u>\$439,297</u>	<u>\$451,930</u>	<u>\$456,855</u>	<u>\$469,247</u>

D) Medicare is paid for all employees hired after April 1, 1986 at a rate of 1.45%. This expenditure is growing as more experienced staff (hired prior to 4/1/86) retire and new staff are hired to replace them.

Source	FY14	FY15	FY16	FY17	FY18
Base Costs	\$898,039	\$933,328	\$958,980	\$997,986	\$1,040,511
New District Staff	10,518	7,774	4,458	2,593	2,920
Merit pay	<u>5,002</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$913,559</u>	<u>\$941,102</u>	<u>\$963,438</u>	<u>\$1,000,579</u>	<u>\$1,043,431</u>

SUMMARY OF FRINGE BENEFITS

Source	FY14	FY15	FY16	FY17	FY18
STRS/SERS	\$10,414,632	\$10,942,673	\$11,091,379	\$11,192,660	\$11,543,104
Insurance's	14,793,192	15,569,553	16,460,906	17,058,275	17,452,445
Workers Comp & Unemployment	431,106	439,297	451,930	456,855	469,247
Medicare	913,559	941,102	963,438	1,000,579	1,043,431
Other	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>
Total	<u>\$26,677,489</u>	<u>\$28,017,625</u>	<u>\$29,092,653</u>	<u>\$29,833,369</u>	<u>\$30,633,227</u>

PURCHASED SERVICES (Line 3.03)

Overall service costs are increasing faster than inflation due to energy and tuition costs. The district has negotiated electric service contracts with Strategic Energy and implemented an energy conservation program to help hold down energy cost increases. We have transitioned substitutes out of wages and into the other category of purchased services by contracting with the COESC. We have added \$175k to Other for technology in FY14, and an additional \$150k for FY15 and beyond for consultants and software maintenance and added \$75k per year to utilities beginning in FY15 through FY18 for increased external bandwidth. We have also added \$417k to Other for special education consultants for FY14 and beyond. In addition, due to state funding changes for Educational Service Centers, we have moved \$180k into Other Purchased Services previously recorded as Other Expenses Line 4.3 for FY14 and beyond. We are estimating inflation at 5% for Utilities, 8% for Tuition due to increased per pupil amount, and 3% in other areas for future years.

Source	FY14	FY15	FY16	FY17	FY18
Consulting/Legal (41x)	\$995,111	\$1,174,964	\$1,210,213	\$1,246,519	\$1,283,915
Equipment Maint/Repair (423)	\$1,394,627	\$1,436,466	\$1,479,560	\$1,523,947	\$1,569,665
Utilities (441 & 45x)	\$2,541,000	\$2,810,000	\$3,025,500	\$3,251,775	\$3,489,364
Tuition other Districts (47x)	\$4,771,950	\$5,180,150	\$5,594,562	\$6,042,127	\$6,525,497
Other	<u>\$4,285,684</u>	<u>\$4,670,075</u>	<u>\$4,810,177</u>	<u>\$4,954,482</u>	<u>\$5,103,116</u>
Total	<u>\$13,988,372</u>	<u>\$15,271,655</u>	<u>\$16,120,012</u>	<u>\$17,018,850</u>	<u>\$17,971,557</u>

MATERIALS AND SUPPLIES (Line 3.04)

We are increasing this area for new curriculum materials \$200k for FY14, increasing an additional \$300k for FY15, and reducing \$500k FY16 and beyond. An overall inflation rate of 3% is being estimated in this category.

Source	FY14	FY15	FY16	FY17	FY18
Supplies	\$3,593,523	\$4,001,329	\$3,621,369	\$3,730,010	\$3,841,910
ADM Growth	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	<u>\$3,593,523</u>	<u>\$4,001,329</u>	<u>\$3,621,369</u>	<u>\$3,730,010</u>	<u>\$3,841,910</u>

EQUIPMENT (Line 3.05)

An overall inflation rate of 3% is being estimated for this category of expense. FY14 reduction is based on building discretionary budgets moved into the supply category.

Source	FY14	FY15	FY16	FY17	FY18
Capital Outlay	\$283,696	\$292,207	\$300,973	\$310,002	\$319,302
New Buses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$283,696</u>	<u>\$292,207</u>	<u>\$300,973</u>	<u>\$310,002</u>	<u>\$319,302</u>

OTHER EXPENSES (Line 4.3)

The category of Other Expenses amounted to \$1,897,285 for FY 13. Of that total, Auditor & Treasurer fees were \$1,466,797.

A&T Fees increase sharply any time a new levy is collected, as well as when collections increase on new construction.

Due to changes in state funding for ESC's, we have moved \$180k from other expenses to purchased services.

Other includes liability insurance and bank fees, which we increased \$80k for FY14 and beyond due to expansion of the online fee payment system.

Source	FY14	FY15	FY16	FY17	FY18
Base Auditor & Treasurer Fees	\$1,407,376	\$1,495,859	\$1,538,255	\$1,565,568	\$1,575,652
Increased A&T Fees	88,483	42,396	27,313	10,084	10,165
County ESC	78,324	80,674	83,094	85,587	88,155
Other	<u>345,202</u>	<u>355,558</u>	<u>366,225</u>	<u>377,212</u>	<u>388,528</u>
Total	<u>\$1,919,385</u>	<u>\$1,974,487</u>	<u>\$2,014,887</u>	<u>\$2,038,451</u>	<u>\$2,062,500</u>

OTHER FINANCING USES (Line 5.xx)

This account group covers fund to fund transfers and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. The transfers out are deposited in the debt service fund to pay for the WEC certificates of participation and the HB264 project.

Source	FY14	FY15	FY16	FY17	FY18
Transfers	\$1,101,619	\$876,170	\$948,414	\$942,601	\$970,500
Advances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,101,619</u>	<u>\$876,170</u>	<u>\$948,414</u>	<u>\$942,601</u>	<u>\$970,500</u>

TAX ANTICIPATION NOTE REPAYMENT

No General Fund borrowing is planned in this five year projection.

ENCUMBRANCES

These are outstanding purchase orders that have not been approved for payment as goods were not received in the fiscal year in which they were ordered.

RESERVATION OF FUND BALANCE

The contingency reservation was established by the Board of Education to plan for extraordinary events beyond the control of the District's ordinary operations. The contingency fund is to be utilized by the District in consultation with the Board. The increase in contingency reserve from fiscal years 2014 through 2018 is the unanticipated tangible personal property tax reimbursement that phased out during the last biennium budget and is held harmless in the current budget (FY14 & FY15). We have placed the additional revenue in contingency reserve to extend the life of the operating levy.

The property tax advance reservation is required because the District requests an advance of the real estate taxes from the county settlement scheduled in August and such funds are not to be spent on current operations. The District utilizes these funds for investment purposes.

ENDING UNENCUMBERED CASH BALANCE

This amount must not go below \$-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which will cause a negative unencumbered cash balance is a violation of 5705.412, ORC, punishable by personal liability of \$10,000.

RISKS

The recession has adversely affected the real estate market for both residential and commercial property. Our valuation decreased for the current tax year, and the possibility of additional reductions in our tax base does exist. We have a number of cases before the Board of Revision where commercial taxpayers are requesting decreases in valuation. This resulted in a one time loss of \$1 million in FY14. We have not accounted for the potential of another future one time loss as it cannot be reasonably estimated.

The State Budget significantly decreased our revenue during the 2012-13 biennium. The new biennial budget for FY14 and FY15 has provided a modest increase in the foundation and stopped the phase out of the tangible reimbursement for FY14 & FY15, but there is no promise for future years. The forecast still assumes the continued gradual phase out of the tangible reimbursement after this biennium through FY19. We need to actively engage our legislators and our community to minimize the impact of state revenue decreases so we can minimize the impact on the educational program.

There have been many charter school and private school legislative actions which have negatively impacted the District. Fiscal Year 2014 saw the start of voucher availability for children regardless of the performance of their public school. We will continue to monitor the legislative process but cannot ascertain all of the potential effects at this time.

The forecast assumes salary increases beyond the negotiated agreements to be 1% and 5% growth in health insurance for fiscal years 2015, 2016, 2017 and 2018. The implementation of performance based salary increases per 3317.141 may require more funds than are currently allocated in the out years of the forecast. The actual results will depend on the outcome of negotiations with employees. The Affordable Care Act requires employers to offer coverage to employees who work more than 30 hours. The full effect of this legislation has not been accounted for at this time.