

# Defiance City School Five Year Forecast

## May 2020

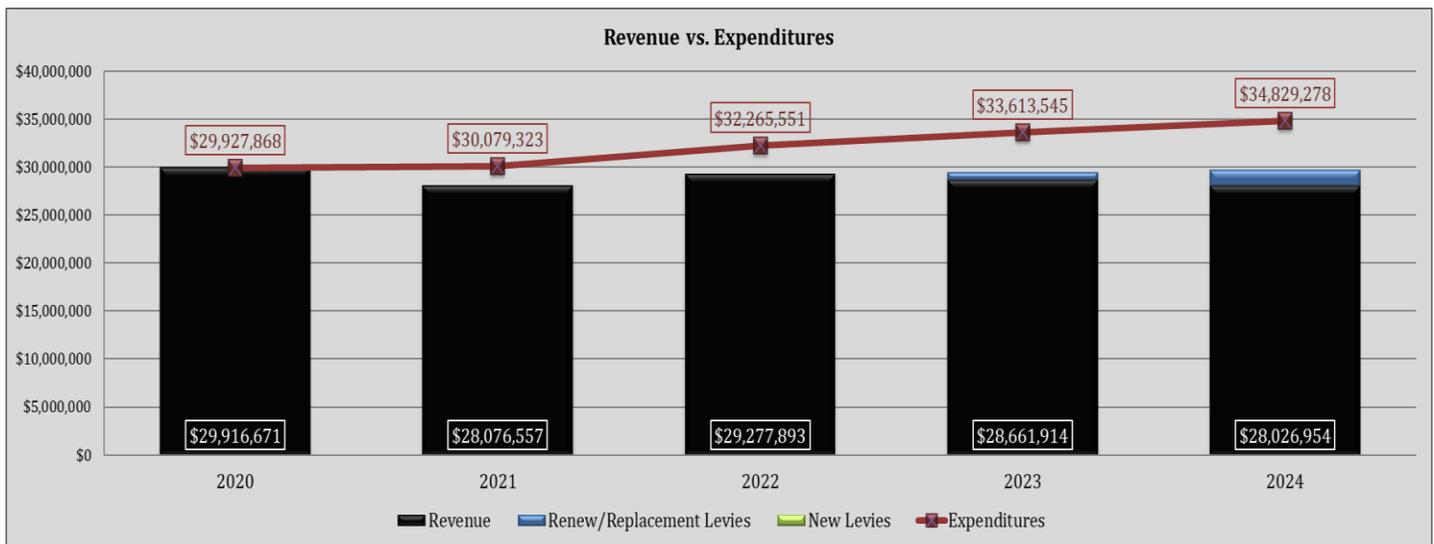
### EXECUTIVE SUMMARY

The below chart is an executive summary that outlines a simplified statement of the five-year forecast. It takes revenues, plus levies not passed, minus expenses and shows whether the District is in a Surplus or Deficit situation. The District passed a \$1.58 million levy in May 2017. The renewal for that levy will be in Fiscal Year (FY) 2023 (on the ballot in November of 2022). If renewed the levy will begin collection 1.1.2023.

The charts below outline the revenue and expenditures for all five years. From this graph, you can see that the District does deficit spend (one year of expenses vs. the same year revenue with no carryover) in FY20 (\$11,197), FY21 (\$2,002,766), FY22(\$2,987,658) and FY23 (\$4,951,631) and FY24 (\$6,802,324). However, if you include carryover, the District does not see a deficit balance until FY 2024 (\$4,725,073 without levy renewal). If the Levy is renewed, that number drops to a deficit of \$2,284,764.

	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Beginning Balance	12,030,503	12,019,305	10,016,540	7,028,882	2,890,687
+ Revenue	29,916,671	28,076,557	29,277,893	28,661,914	28,026,954
+ Proposed Renew/Replacement Levies	-	-	-	813,486	1,626,873
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(29,927,868)	(30,079,323)	(32,265,551)	(33,613,545)	(34,829,278)
= Revenue Surplus or Deficit	(11,197)	(2,002,766)	(2,987,658)	(4,138,195)	(5,175,451)
Ending Balance	12,019,305	10,016,540	7,028,882	2,890,687	(2,284,764)
<b>Revenue Surplus or Deficit w/o Levies</b>					
	(11,197)	(2,002,766)	(2,987,658)	(4,951,631)	(6,802,324)
Ending Balance w/o Levies	12,019,305	10,016,540	7,028,882	2,077,251	(4,725,073)

This graph shows the revenue projected to be received (black box) and the expenses projected (red line). From this data, expenses are exceeding revenue in years FY 2020-2024.



The District will need to cut expenses or seek avenues for additional revenue to offset these deficits.

# Defiance City School Five Year Forecast

## May 2020

### REVENUE OVERVIEW

Lines 1.01 and 1.02 are Class I and Class II property tax collections. In FY14-FY19, line 1.01 had an average increase of .04% and line 1.02 8.62%. Forecasting forward from FY20-FY24, Line 1.01 has an average increase of 1.00%, and line 1.02 has an average increase of 2.83%.

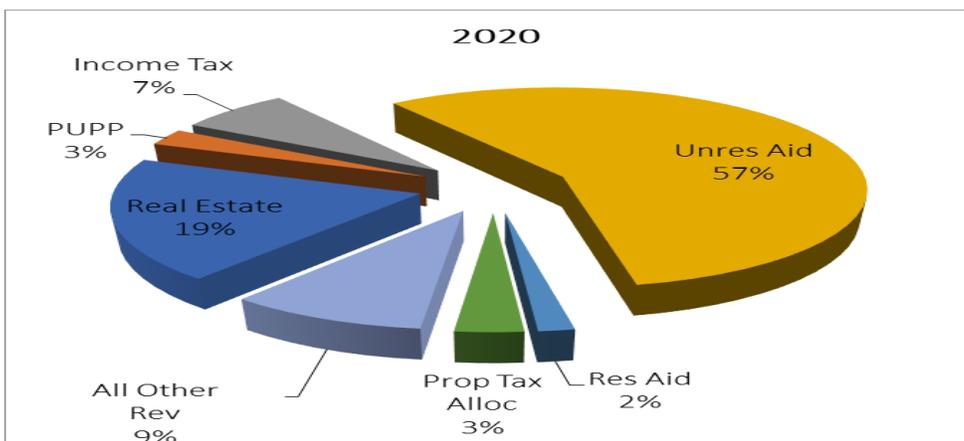
Line 1.03 is an income tax which is a tax collected based on earned wages from residents of the District (regardless of where they work) and flows to the District quarterly from the Ohio Department of Taxation. The past 5 years, the collection has been an average increase of 3.05%. It is only projected to increase of 2.22% for FY20-FY24 as a result of some years having a lower collection due to current pandemic and unemployment rate.

Line 1.035 is the funding the District receives from the Ohio Department of Education (ODE) based on the biennium budget set by the Governor of Ohio. FY20-FY21 have a new biennium budget. This budget is frozen at the previous year funding formula. The previous five fiscal years have an average increase of 5.52%. In FY20, the Governor cut the schools funding by \$359,293 in May of 2020. That and additional forecast cuts in state funding result in an average 1.24% decrease in FY20-24 for Unrestricted Aid.

Line 1.04 and 1.045 are Restricted Aid. Restricted aid is money the District receives from ODE but is set aside for a specific purpose and that allocation must be spent on that specific area. Restricted aid is mainly made up of economic disadvantaged and career tech funding and that amount is based on student demographics and enrollment.

Line 1.05 Property tax allocation is the revenue the District receives from the State for taxes that the State has reduced or discontinued that had a significant impact on School District's tax base. This line includes Homestead and Rollback credits as well as Tangible Personal Property (TPP) that businesses paid. The State promised Districts that they would be held harmless for the District loss in tax collection and that reimbursement from the State is recorded here. In the past 5 years a good majority of TPP for the District has been reduced or discontinued. This reduction is why that line item shows an average decrease of 1.05% for the past 5 fiscal years. Since there are continued reductions to this line, the average forecast percent is negative 1.23% for FY20-FY24. In addition, in FY23 the reimbursement will be discontinued.

Line 1.06 All other Operating revenue is difficult to forecast based on past trend lines because it includes one-time payments that can skew the average percentage. It is 9% of the total revenue for the District.



Of the Revenue that the District receives, 57% comes from state funding. The next largest contributor is local tax collections (real estate taxes/income tax) which is 29%. Together these two items make up 86% of the District's funding.

# Defiance City School Five Year Forecast

## May 2020

### REVENUE ASSUMPTIONS

#### 1.01/ 1.02 Taxes (Real Estate and Public Utilities Personal Property - PUPP):

##### Real Estate (Property Taxes):

Real Estate contributes about 19% to overall funding (includes lines 1.01 and 1.02). Residential Class I Real Estate have seen minimal changes in values for the last ten years, with exception to FY17 where it saw a 6.1% increase, the first large increase in several years. Class I Agriculture, especially CAUV (Current Agricultural Use Value) has had significant increases in value (FY14). Although agriculture has seen large increases in previous years, future years are showing large decreases due to the challenging of the increase in CAUV values so they are now decreasing. Agriculture valuation is comprised of appraised values and reduced values (District CAUV is 43.13% of the total agricultural values in calendar 2017). The reduction of values happens when a parcel of property is considered CAUV by the state. The Ohio Department of Taxation defines CAUV as "farmland devoted exclusively to commercial agriculture may be valued according to its current use rather than at its "highest and best" potential use. This provision of Ohio law is known as the Current Agricultural Use Value (CAUV) program. By permitting values to be set well below true market values, the CAUV normally results in a substantially lower tax bill for working farmers. Farm and landowners have lobbied to reduce those increases. From TY2017 forward, decreases are forecast to accommodate this. Agriculture values equate to only 3.76% of total tax revenue and Residential is 73.71%, so an increase/decrease in agriculture valuation is usually not significant enough to impact overall valuation, especially when there is a change in residential valuation.

There are only two elements that affect change in the valuation of a District. Those two elements are Reappraisal/Updates (Including Board of Revision complaints) and New Construction. Taxes are assessed in one calendar year and collected in the following. In the chart below, percentage change to both Class I and Class II valuations are outlined from 2013-2023.

Select Main County -->		Defiance													
Tax Year	Valuation Change Triennial Update/Reappraisal/BOR						Valuation Change New Construction/Exempted/Other								
	Agricultural		Residential		Class II (All)		Agricultural		Residential		Class II (All)		PP/PUPP		
	YOY \$ Chg.	YOY %	YOY \$ Chg.	YOY %	YOY \$ Chg.	YOY %	YOY \$ Chg.	YOY %	YOY \$ Chg.	YOY %	YOY \$ Chg.	YOY %	YOY \$ Chg.	YOY %	
A 2013	229,250	3.2%	(568,570)	-0.3%	(158,560)	-0.4%	69,210	1.0%	135,310	0.1%	893,440	2.4%	940,480	8.4%	
C 2014	2,823,930	37.3%	403,760	0.2%	34,870	0.1%	27,670	0.4%	333,880	0.2%	620,100	1.6%	2,187,900	18.0%	
T 2015	7,730	0.1%	(315,070)	-0.2%	(113,330)	-0.3%	(1,640)	0.0%	431,990	0.2%	(142,960)	-0.4%	1,341,690	9.3%	
U 2016	66,740	0.6%	186,150	0.1%	(122,740)	-0.3%	194,760	1.9%	291,540	0.2%	88,250	0.2%	487,010	3.1%	
A 2017	(576,120)	-5.4%	11,920,430	6.6%	1,987,210	5.2%	61,570	0.6%	528,840	0.3%	478,700	1.2%	717,700	4.4%	
L 2018	(173,450)	-1.7%	(234,320)	-0.1%	635,310	1.6%	116,290	1.1%	906,810	0.5%	4,221,630	10.3%	284,530	1.7%	
A 2019	(201,970)	-2.0%	(3,840)	0.0%	17,070	0.0%	19,440	0.2%	719,640	0.4%	(3,951,000)	-8.7%	660,290	3.8%	
P 2020	(500,000)	-5.0%	1,000,000	0.5%	50,000	0.1%	50,000	0.5%	300,000	0.2%	250,000	0.6%	700,000	3.9%	
R 2021	10,000	0.1%	(100,000)	-0.1%	50,000	0.1%	65,000	0.7%	300,000	0.2%	300,000	0.7%	350,000	1.9%	
O 2022	60,000	0.6%	150,000	0.1%	50,000	0.1%	100,000	1.0%	300,000	0.2%	300,000	0.7%	350,000	1.9%	
J 2023	(250,000)	-2.6%	5,000,000	2.5%	500,000	1.2%	65,000	0.7%	600,000	0.3%	700,000	1.6%	750,000	3.9%	

For Class II updates/appraisal/BOR changes, large increases took place during the reappraisal in 2017 (5.2%), however that was mainly residential increases (6.6%) because agriculture decreased 5.4%. The district entered into agreement with same property owners for payment in lieu of taxes to settle Board of Revision appeals. This netted the District over \$238,515 from FY18-FY20. However, that also contributed to the decrease in commercial property of 8.7% in FY19. The next triennial update is in FY 2020. The calendar year 2019 valuation for the District is \$264,441,500, down from \$267,181,790 in calendar year 2018.

FY20 is based on Tax Year 2019 valuation, which is actual now. Tax year 2019 had a decrease in residential of \$3,840 and \$201,970 in Agriculture. This small change netted a 0.0% YOY change. Tax year 2020 is forecast at a decrease in Agriculture of \$500,000 and a small increase in residential of \$1,000,000. The small increase is based on the current pandemic and the fear that values may drop if the economy enters into a recession. Tax Year 2023 forecast the same with a decrease to Agriculture and only a \$5,000,000 increase in Residential valuation.

# Defiance City School Five Year Forecast

## May 2020

The district's tax rates are a function of levies approved by voters and property values. Tax collection rates are increased/reduced Reappraisals and Triennial Updates. The District is at 20.05 mills, which puts the District at the 20-mill floor, which means it is collecting at the lowest tax rate for Class I allowed by law. If the millage for the District “rolls” below 20 mills, it is increased back to 20 mills to accommodate this law. This happens in FY2022 and FY2023. Because the District is at the floor, changes in Class I valuations will not impact collections unless the District moves off the floor. Below is a chart of millage rate for the District:

Effective TY Millage:	Class I Fixed Rate	Class II Fixed Rate	Class at Floor?	Fixed Sum
2019	20.05	23.04		6.17
2020	20.01	23.02		6.18
2021	20.02	23.00		6.22
2022	20.00	22.98	Floor	0.00
2023	20.00	22.76	Floor	0.00

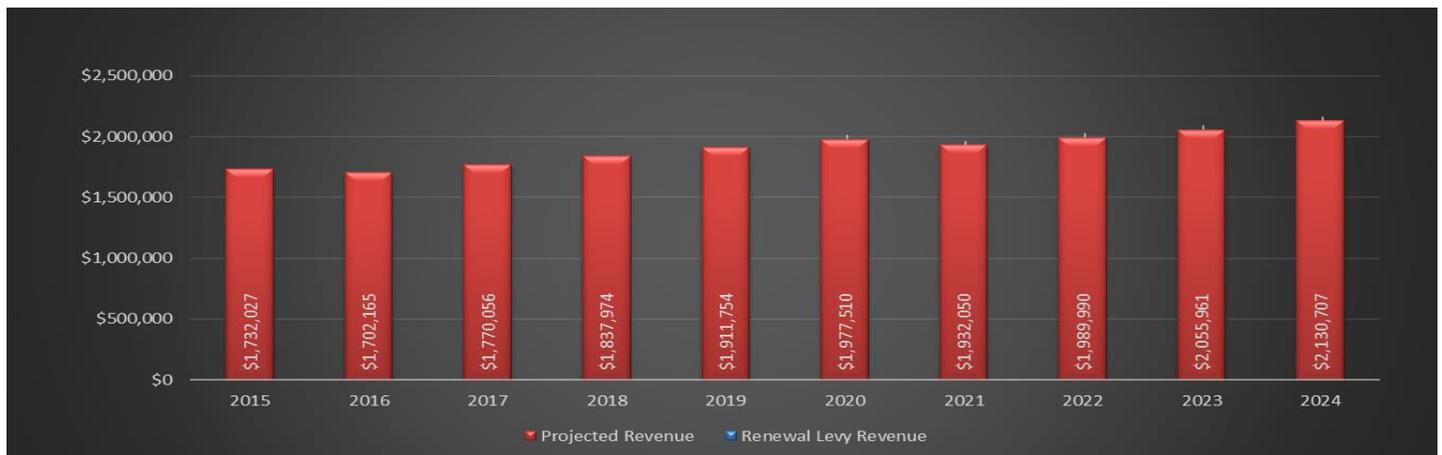
Class I is at or near the floor from FY19-FY23 with current projections. The fix sum rate is the Emergency levy that the District has that expires in FY23. Class II rates are above the floor so changes in valuation do impact collection.

### Public Utilities Personal Property - PUPP:

PUPP makes up only 3% of the Districts overall funding and currently 6.75% of its tax base. PUPP, historically had been steadily increasing, but due to the phase out of TPP and changes in collection, it is showing minimal increases for FY20 through FY24.

### 1.03 Income Tax:

In 1991, the District passed a continuous levy on Income taxes. That levy collected \$1,977,510 in FY20, a 3.3% increase from collections in FY19. Historically, the levy has had an average collection increase rate of 3.05% per year. There are four different factors that combine to make the total collection. Those four factors are withholding, quarterly estimated payments, payments made with returns, and refunds. Those payments are paid to the District quarterly from the Ohio Department of Taxation. Estimations for 2021 include a 9.2% reduction in July collection for the withholding category based on the current unemployment rate, deadline extensions for tax returns and reduced April collections. Below is a chart that outlines the Tax Growth history and projections:



# Defiance City School Five Year Forecast

## May 2020

### 1.035 Unrestricted State Grants-in-Aid:

This line is based on the funding formula from the State of Ohio and it changes with each biennium budget. Unrestricted State Funding is 56.3% of the District's revenue each year. In July 2019, the State of Ohio passed H.B. 166 as the state's 2020 and 2021 state budget. Included in the budget, there is additional state aid for student wellness, supplemental student wellness, and growing district aid. With this new biennium budget, the District base aid was frozen at \$16,744,199 which is about the same amount the District received in FY19 (\$16,761,840). Instead of increasing the formula amount, the budget bill introduced Student Wellness and Success funding. The District does not qualify for the supplemental student wellness or the growing district aid. In FY20 and FY21, the District was able to use Student Wellness and Success funding to offset personnel and purchase service expenses. In FY20, the District will receive Student Wellness and Success funding of \$541,237 and in FY21 it will receive \$776,324. The expenses that are removed and paid for by this grant, will come back to the general fund in FY22, as it is not yet clear if that funding will be continued after this biennium budget. As a matter of fact, due to the pandemic, the District may not receive the FY21 allocation and if that comes to fruition, \$175,100 of expenses will have to be added back to the forecast in FY21 instead of FY22. The Student Wellness and Success is not recorded in general fund revenue.

The State of Ohio announced in May that the District Budget would be cut by \$359,293 in FY20. In FY21, reductions could be as high as 20%, but based on the information that is available at this time, the District is only forecast to lose 10% of state funding and 40% of casino revenues. FY22-24 are flatlined until the District can analyze the full impact of this pandemic and reductions to State Aid.

Funding for Special Education transportation, preschool, and revenue from casinos are accounted for outside of the base aid and if enrollment changes it could positively/negatively impact collections.

Below is a chart showing what is in the formula and what is outside the formula and the changes forecast:

	Actual FY 2019	Estimated FY 2020	Estimated FY 2021	Estimated FY 2022	Estimated FY 2023	Estimated FY 2024	
Base Aid Before Wellness and Growing District Aid	\$16,761,840	\$16,744,199	\$16,744,199	\$16,744,199	\$16,744,199	\$16,744,199	
The CFO should add applicable additional funding categories:							
Special Ed Transportation	\$99,969	\$124,920	\$124,920	\$124,920	\$124,920	\$124,920	
Pre-School Funding	\$420,899	\$438,786	\$406,786	\$406,786	\$406,786	\$406,786	
Per Pupil Casino Amount: \$52							
Casino Revenue	\$136,257	\$124,839	\$124,833	\$124,800	\$124,819	\$124,994	
Total Base + Historical Additional Aid	\$17,418,966	\$17,432,745	\$17,400,739	\$17,400,706	\$17,400,725	\$17,400,899	
		Year-over-Year Change					
		\$13,780	-\$32,007	-\$33	\$19	\$175	
		Year-over-year % Change					
		0.1%	-0.2%	0.0%	0.0%	0.0%	
HB 166 Additional Aid							
Student Wellness Aid from Step 2		\$541,213	\$781,665	\$0	\$0	\$0	
Supplemental Student Wellness Aid from Step 3		\$0	\$0	\$0	\$0	\$0	
Growing District Aid from Step 4		\$0	\$0	\$0	\$0	\$0	
Total Base + Historical Additional Aid + HB 166 Additional Aid	\$17,418,966	\$17,973,958	\$18,182,403	\$17,400,706	\$17,400,725	\$17,400,899	
Reconciliation of ODEs SFPR to revenue posted to 31xx and 32xx (ie Catastrophic, prior year SFPR adjust, etc.)	\$56,357	-\$359,293	-\$1,868,173	-\$1,071,629	-\$1,071,629	-\$1,071,629	
CFO Final Adjustment including "Guarantee" and "YOY Change"		\$0	\$0	\$0	\$0.00	\$0.00	
Total Unrestricted Line 1.035 + Total Restricted Lines 1.040+1.045	\$17,475,323	\$17,614,665	\$16,314,230	\$16,329,077	\$16,329,096	\$16,329,271	5-Yr Avg Change
Change from Prior Year	-\$23,692	\$819,139	\$139,342	-\$1,300,436	\$14,847	\$19	-\$229,210
% Change from Prior Year	-0.1%	5.6%	0.8%	-7.4%	0.1%	0.0%	-1.3%

# Defiance City School Five Year Forecast

May 2020

## 1.04 Restricted Federal Grants-in-Aid (line 1.045):

The only amounts reported in this category now are from career tech and economic disadvantaged funding. Currently the District receives an estimated \$496,402 in economically disadvantaged monies and career tech funding. That funding is based on a calculation that includes the percentage of the District's students who are considered economically disadvantaged by the state. As of May 2020, 1249 students (47%) of the District is considered economically disadvantaged. Career tech is based on participation in programs and fluctuate with funding from the state. This accounts for 1.7% of the total funding the District receives.

## 1.05 Property Tax Allocation:

Property tax allocation is reimbursement from the state for tax credits or tax elimination that the state has provided to taxpayers which resulted in a loss of taxes for entities such as schools. If the state eliminated or reduced a tax, the state then provides that loss in funding to the school in the format of direct payments. Currently, the District is receiving monies for homestead and rollback credits given to taxpayers and HB 66 elimination of the Tangible Personal Property (TPP) tax for businesses. The 2014-2015 biennium budget allowed payments to stay consistent with no reduction in the scheduled TPP reimbursements. Since then, the District has lost all of its fixed rate levy TPP reimbursements but has retained a small amount on the fixed sum (Emergency) levy collections. In FY20, that reimbursement was \$35,672, and it decreases to \$21,403 in FY21, \$7,134 in FY22 and is completely phased out by FY23.

Homestead and Rollback collection is based on tax valuations and fluctuate based on the amounts forecast for real estate. This reimbursement is no longer coming from the state on new levies, but that burden to pay those taxes will be put back on the taxpayers. The average has decreased by 1.05% over the last 5 years. The forecast amount includes the reductions mentioned above and that results in an average decrease of 1.23%

## 1.06 All Other:

Line 1.06 all other revenue accounts for 8.9% of the overall revenue received by the District. Revenues from all other sources are based on collection patterns and not percentage trends as they vary widely from year to year. Collections include items such as tuition, open enrollment, interest, property rental, student fees (not yearly student fees), donations, compensation for property exemption, etc.

Changes in Open Enrollment numbers can increase revenue on this line (Open Enrollment out is posted as an expense and Open Enrollment in is posted here as a revenue). Our Open enrollment number of students coming in have increased from 222.50 in FY19 to 235.50 in FY20. Tuition related Revenue (including open enrollment) make up over 66% of this category's revenue in FY20 and continues to grow through FY24.

## 2.070 Total Other Financing Sources

This section includes transfers in and advances in. The repayment of the \$2.5 million COPS issue from 2016 is what is transferred out to repay the loan from a Special Cost Center. Also, this line allows for transfers to the capital improvements Special Cost Center within the general fund.

# Defiance City School Five Year Forecast

## May 2020

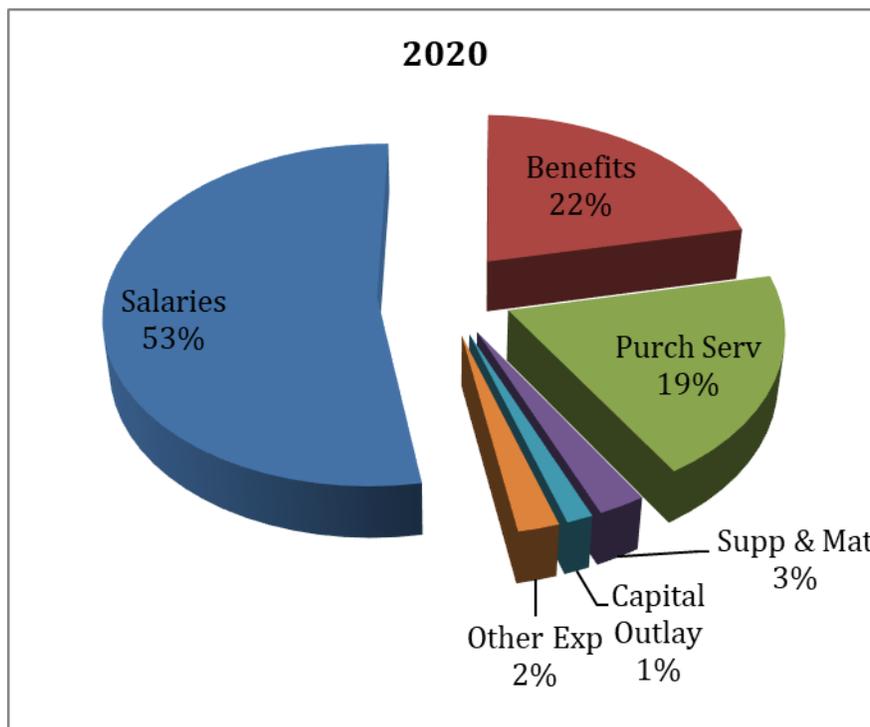
### EXPENDITURE OVERVIEW

Expenditures for the District are comprised of salaries, benefits, purchased services, supplies and materials, capital outlay and other. Salaries are controlled mainly by the 2 union contracts at the District. One contract is the Defiance City Education Association (DCEA) that includes teachers, guidance counselors, etc. The other is Ohio Association of Public School Employees (OAPSE). That union encompasses the custodial, bus, café, aid, and secretarial staff. The District concluded negotiations with both unions in 2017 and is currently negotiating in 2020. Purchased services are service contracts, travel, special education services, utilities, etc. Supplies are what is needed to teach and run the District and capital outlay is usually a purchase of items like computers or improvements to facilities, etc.

Overall increase for all expenses are forecast at 2.91% for FY20-24. The previous five-year average increase was 6.15%. Salaries and benefits make up over 75% of the District's operating budget. Benefit increases are based mainly on increases to insurance costs (medical, dental, vision etc.).

Purchased service changes are difficult to control because pricing increases are controlled by vendor rate increases, student population and special needs services that are usually mandated by the State to be provided.

Supplies are a small part of the total cost and capital outlay is based on district needs. Other objects are based mainly on changes in County Auditor's tax collection fees, annual audit costs and property and fleet insurance. The below pie chart shows the distribution of expenses for the district in FY20.



# Defiance City School Five Year Forecast

May 2020

## EXPENDITURE ASSUMPTIONS

### 3.01 Personnel Services:

Personnel Services are 50% of the total expenses for FY20 for the District. Most personnel expenses are negotiated as part of union agreements and the remaining are Board approved employment contracts. There have been decreases in past years due to pay freezes and reductions in staff.

In FY18, as a result of 2017 negotiations, the teaching salary base increased to help bring the District in line with what area schools are paying their teaching staff. This was done in an effort to help retain good teachers and encourage teachers to apply to the District. The District also increased or created new supplemental positions and had to reallocate to the general fund over \$160,000 in grant reductions. All those items combined contribute to the increase of 8.40% in FY18. In FY19 the increase was reduced to only 4.5%.

Forecast increases are based on breaking down each employee group by certified, classified, administrative, overtime, substitute employees, severance, supplementals and other. Then, percentages are applied to each category (if applicable) for steps, degree changes, negotiations, and merit pay (if applicable). Certificated staff (excluding administrators) make up 70.49% of our employee salary cost, classified are 12.53%, administration is 9.01% and other (overtime/severance/supplementals/substitutes) combined are 7.97%. Classroom teacher's average salary for FY19 was \$59,894.80 with 60.67% of that staff with 10 or more years of experience (Ohio Department of Education District Profile report 2019).

In regards to future staffing, in FY20 there are adjustments made for nursing services and behavioral specialist that will be paid by the student wellness grant and also for attrition of the superintendent, high school principal, assistant high school principal, middle school principal, technology coordinator and teaching positions.

In FY21, 3 staff position will be reduced through attrition. This reduces the District personnel salary expense by \$205,670. This reduction is made in an effort to reduce deficit spending.

In FY22 the expense of the nursing staff and behavioral staff return to the general fund as there has been no assurance of the student achievement and wellness funds continuing. There are no new staff forecast in future years unless it is through attrition.

### 3.02 Retirement and Benefits:

Retirements and benefits are 20% of the total expenses per year for the District. Combined with personnel expenses, that equates to 70% of the total expenditures per year for the District. Historically, the District has seen an average increase of 6.83% over the past five years.

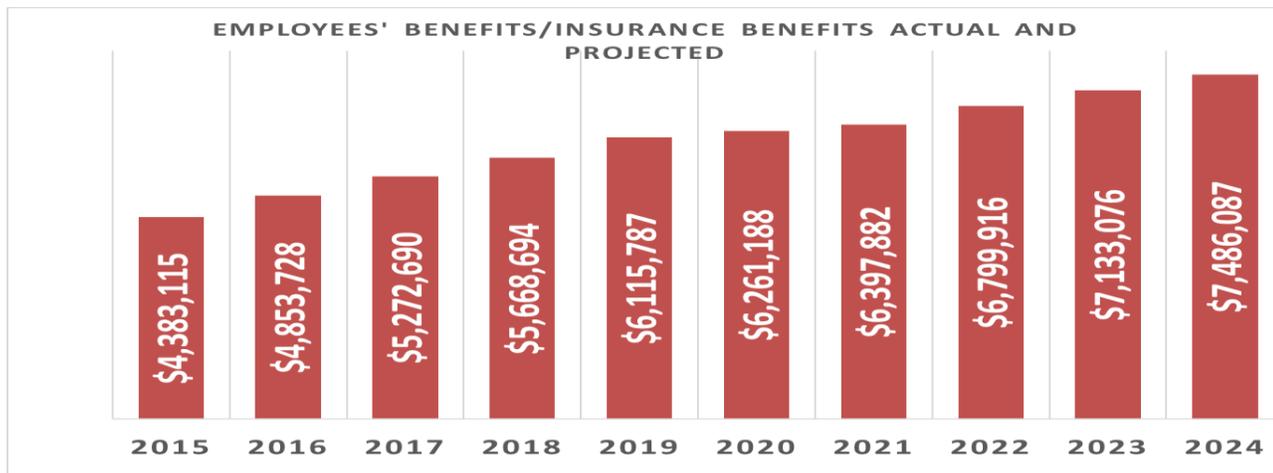
The expense for this category is derived from actual health plan costs, number of enrollees, SERS and STRS. The insurance rate increases for FY 2020 are 8% for medical, 4% for dental and 4% for vision insurances. In future years, an increase of 6% have been budgeted for medical insurance increases, 3% increase has been budgeted for in Dental or Vision. Those increases are using current employee population enrollment numbers and changes made to the plan. The District is in the first stages of implementing a dual platform for insurance including a High Deductible Health Plan (HDHP) to help offset future increases. This is forecast to save the District \$78,000 in FY22.

# Defiance City School Five Year Forecast

## May 2020

In FY21, 3 staff position will retire or resign without a replacement. This reduces the District personnel benefit expense by \$80,208.20. This reduction is made in an effort to reduce deficit spending in future years. The District feels this is a manageable and necessary change due to economic factors related to the current pandemic and reduced enrollment.

Overall, the District average increase for this line item from FY20-FY24 is 4.14%. You can see from the graph below that the costs are steadily increasing from FY15 all the way through FY24.



### 3.03 Purchased Services:

Purchased Services is the next largest category of spending outside of personnel and benefits. It is 19.8% of overall expenditures. This category consists of tuition expenses (including open enrollment out and community schools), utility expenses, professional and technical services, maintenance and repairs, professional development, contracted services and postage expenses. The average increase for this category for the last 5 years is 5.24%, forecast years, however, are only forecast at an average 1.97% as a result of budget reductions.

Purchase services (like tuition expenses) are difficult to manage because they are usually services that the District is mandated to supply to students. Programs like digital academies (online schools), community schools, college credit plus, Jon Peterson Scholarship, Ed Choice and the Autism scholarship take money away from the District when the District has no control over how much or how many students are awarded access to these programs. In addition, excess costs are costs that the District pays to other Districts for special needs students open enrolled out or foster placed in the other District, yet the District cannot control the costs of the other Districts for that student.

Tuition expense is the largest portion of purchased services at 79% of all expenses in that category. Tuition expenses include College Credit Plus (CCP), Excess cost, SF14H (Special needs enrolled out), contracted health services (Northwest Ohio Educational Service Center (NWOESC)) open enrollment out and other/scholarship expenses.

# Defiance City School Five Year Forecast

## May 2020

Contracted health services are provided by the Northwest Ohio Educational Service Center (NWOESC). These services include special education interventions for K-12 students as well as the District's typical peer preschool. Contracted Health services increased 17% in FY19 as a result of adding a full typical peer preschool classroom as well as an additional all-day typical peer preschool classroom. In FY20, the District reduced the typical peer classroom and was able to divert \$229,296 of the preschool costs to the Student Wellness and Success Funds. Those preschool expenses will return to the general fund in FY22. Because of this removal of expenses, contracted Health services only increased 2.5% in FY20. In an effort to help eliminate deficit spending in FY21, the District is reducing preschool services by one teacher resulting in an estimated 1.6% decrease. This line item will continue to be looked at to reduce future deficit spending.

Open enrollment out (students leaving District) went up 2.4% in FY18 to FY19. However, based on actual FY20 financial data, that number actually decreased by 1% in FY20. Future years of open enrollment are forecast at 1-3%. Community school enrollment expense increased by 43.3% (\$99,811) from FY19 to FY20, largely attributable to ECOT students returning to the District in FY18/19, when ECOT closed and then leaving in FY20 to another community school.

Utility expenses are the other largest category and are 15% of purchased services. This includes trash, telephone, electric, water/sewer and gas expenses. Overall, this category increased \$69,837 from FY18-FY19. However, in FY20 the District will realize a decrease of \$85,487 (mainly due to the closure of the buildings in March 2020 by the Governor). Future years are forecast between 2%-6% due to the uncertainty of when in-person education will resume.

Other purchase services include professional and technical service contracts, property services, professional development, postage services, contracted services, legal fees, pupil transportation and other. Of these categories, property services are the largest contributor at over \$390,000 per year. It is forecast to increase at a rate of 2.5% per year. Legal fees in FY20 were reduced by 40.8% (\$31,021) and are forecast at that reduced rate in future years. Professional services also were reduced by 35.5% and are also forecast at the reduced rate. In FY21, all professional development outside the district will be put on hold as travel and meeting expenses are being reduced by \$30,000 to offset deficit spending in FY21. All professional development will be received at the District level.

### **3.04 Supplies**

Supplies consists of general supplies (instructional, maintenance, transportation, etc.) textbooks, library books and newspapers/periodicals. This line item is only 4.1% of the operational budget total. Historically the District has seen a 16.7% average increase in the last 5 fiscal years. There was a large increase in FY19 of \$487,727 to account for replacing a large series of English textbooks. FY20 will be the completion of the series with a carryover expense of \$50,000. Textbook purchases in FY21 will be eliminated to assist in reducing deficit spending. This reduction will save the District \$200,000. Future years are forecast but are subject to future scrutiny based on the District's financial condition.

General Supplies historically have cost over \$387,000 per year (in addition to the fees collected from students which are not accounted for in the general fund). This expense includes copy paper, classroom supplies, teaching materials, custodial supplies, transportation supplies, etc. FY20 budgets were reduced by 10%, coupling that with the closure of the school buildings, the District realized a 33.5% savings from FY19. In FY21,

# Defiance City School Five Year Forecast

## May 2020

budgets will be reduced another 25% (\$62,500) in the effort to decrease deficit spending. Future years are forecast at a 3% increase over the reduced previous year's budget.

### **3.05 Capital Outlay**

This line item is used for capital improvement or equipment purchases so the percentages can be skewed from year to year based on program needs.

Capital Outlay makes up only 1.6% of the overall expense budget. In FY18, there was an increase of \$93,000 for a new lease for Elementary Chromebooks, \$58,600 for the purchase of 200 Chromebooks and \$41,000 for a purchase of Chromebooks. Because of this, equipment costs went up 19.83%. In FY19 it decreased by 46.67%.

Building costs went up in FY17 and FY18 because of needed capital improvements at buildings not covered by the permanent improvement levy. Since the new Middle School and High School are now running, those expenses can be reallocated to that permanent improvement fund resulting in future decreases. Those expenses were reduced from \$455,234 in FY18 to \$20,032 in FY19.

The majority of this line item is bus lease expense. The District bus fleet is aging and is need of replacements. Two busses were leased in FY19, but in FY20, no buses were leased. In FY21, one school bus is forecast with the first year of the lease (FY21) being paid for by a grant, saving the District over \$30,000. The following replacement schedule is forecast for buses and subject to change based on District financial needs:

FY20—no new busses, FY21—one new bus (grant), FY22—one new bus, FY23—two new busses and FY24—two new bus.

### **3.06-4.06 Intergovernmental Debt**

In March of 2016, the District borrowed 2.5 million in Certificates of Participation. The line items in this category are based on the principle and interest repayment schedule.

### **4.30 Other Expenses**

This category is less than 1% of the total operating budget. Expenses include audit fees, county auditor property tax collections fees (largest fee), bank charges, insurance and other misc. dues and fees. Historically the average change from year to year for FY15-2019 is a decrease of less than 1%. This line item can vary based on one-time expenses so forecasting forward is based on known factors and historical data.

### **5.010 to 5.030 Advances and Transfers**

Operating transfer out is to move the expense of the payment for Certificates of participation to the correct cost center. That transfer is used for accounting purposes only and is not an expense. Refund of prior year expense are also accounted for in this line item.