Wadsworth City Schools
Fiscal Year 2017 – Five-Year Forecast
May 2017
EXECUTIVE SUMMARY

The first three pages of this report comprises the Executive Summary, which is intended to provide a summary of the Five-Year Forecast and highlight changes.

For a complete understanding of the Forecast, readers are encouraged to read the Assumptions that follow the Executive Summary.

- Key forecast components that maintain a positive cash balance through FY 2020:
    - Local Property tax collections increased 7.2% in FY 2017 above the 3.5% projected.
    - House Bill 64 (HB 64 - the current biennial budget) once again modified the funding formula for Ohio's public schools. For the second biennial budget in a row, Wadsworth City Schools fared well under the basic aid portion of the budget. However, the budget bill continued the phase out of the Tangible Personal Property (TPP) reimbursements, which will eliminate this funding source for Wadsworth City Schools in FY 2017.
    - House Bill 49 the FY 2018-2019 biennial budget is currently being deliberated in Columbus. The Governor released the executive proposal in January and the House released their proposal in late April. The Executive proposal provided a .95% increase in State Aid in FY 18 and a .3% decrease in FY 19. The House proposal provided a 1.2% increase in FY 18 and a .3% decrease in FY 19.
        - The Forecast assumes a 1% increase in FY 18 and 0% change in fiscal years 2019 through 2021. The previous forecast assumed a 1.5% increase each year over the life of the forecast.
    - Salaries were projected to increase 6.84% in FY 2017. The increase is due to step increases for classified and teaching staff, base increase along with the staffing adjustments outlined below. The District added teaching staff to reduce class size in kindergarten and first grade. In addition, teaching staff was added in special education. For the May update the salaries projection has been reduced to a 6% increase due to some unanticipated staffing changes.
        - An addition of 9.0 (FTE) teachers for the 2016-17 school year (see staffing note below).
    - Healthcare Renewal: FY 17 - 5.37% increase. FY 18 projecting 2.3% increase.
    - FY 2017 Advances In /Out: The large advance was removed from the October forecast in anticipation of completing closeout with the OFCC during the current fiscal year. It is

apparent the close out process will not be completed this year. Therefore, a $3M advance has been added to the forecast in the May update. This advance will be returned to the general fund in FY 2018

REVENUE:

- Property tax revenue for FY 2017 increased 7.2% for the following reasons:
    - 1.6% increase in property values for 2015 (tax year 2016).
    - Fall 2016 property tax collections were 5.4% greater less than the same period last year.
    - 2016 Medina County Triennial update.

- State Aid projected to increase 1.28% / $245,000 in FY 2017 - HB 64 (Biennial Budget).

- HB 64 continued the phase out of the TPP reimbursements resulting in a decrease from $653,311 in FY 2015 to $57,556 in FY 2016 (a total loss of $595,755). The phase out continues in FY 2017 and the District's reimbursements are reduced to $0.00. A loss of over $2 million from five (5) years ago.

- **State Funding Summary**:
    - FY 2016 (actual):
        - Basic Unrestricted State Aid increase $ 773,625
        - Restricted State Aid decrease ($ 25,740) FY 15 Catastrophic Costs
        - Property Tax Allocations ($ 603,933) TPP Reimbursement reductions
        - Net Change in State Aid $ 143,952
    - FY 2017 (projected):
        - Basic Unrestricted State Aid increase $ 265,551
        - Restricted State Aid decrease ($ 20,702)
        - Property Tax Allocations ($ 57,556) TPP Reimbursement reductions
        - Net Change in State Aid $ 187,293

EXPENDITURES:

- The District has a net increase of 9.0 FTE certified staff in FY 2017.
    - WHS:
        - Reduce Medical Assisting teacher to part time (-.5 FTE)
        - Reduce Chinese teacher to part time (-.5 FTE)
    - WMS**:**
        - Part-time teacher to full time (+.5FTE)
        - One new Intervention Specialist (+1 FTE)
    - Elementary:
        - Two new Kindergarten teachers – one funded with Title I (+2 FTE)
        - One new first grade teacher (+1 FTE)

        - One new Guidance Counselor (+1 FTE)
        - One new elementary ED unit (+1 FTE)
        - One and a half new Intervention Specialists (+1.5 FTE)
        - Part-time teacher to full-time teacher(+.5 FTE)
        - One new SLP Teacher (+.5 FTE)
        - One new Literacy Coach – Title I funded (+.5 FTE)
        - One new part-time Preschool teacher (+.5 FTE)
    - Support Staff:
        - Eliminate Switchboard (-1 FTE)
        - Health Services (previously third-party contracted)
            - Add 7 part-time Health Aides
            - Add 6 part-time LPN Nurses
            - Add 1 part-time Medical Assistant

- There is no allowance for additional staffing in FY 2018.

- **Purchased Services**:

    - HB 264 Project was paid off in FY 2015 resulting in a savings of $100,000.

    - + $290,000 for substitute teachers. Change for personnel services line to purchased services (Renhill Contracted services).

    - Reductions due to the Evolve contract and PSI contract (offset by increases outlined in staffing).

- **Supplies:**

    - Increased budget for transportation supplies – primarily fuel should fuel prices rise.

    - Large carryover encumbrance ($400,000) from FY 2016 paid in FY 2017.

    - Reduced the May forecast by $290,000 because the summer 2017 textbook adoption was less than anticipated.

- **Capital:**

    - Bus replacement (2).

    - Vehicle (maintenance or student transportation) replacement (2).

        - Due to maintenance vehicle issues, three (3) trucks were replaced this year.

    - Technology replacement.

    - Additional capital expenditures will come from the Medina County Sales Tax Fund.

Wadsworth City Schools
Fiscal Year 2017 - Five-Year Forecast
May 2017
ASSUMPTIONS

Overview

This financial report is published by the Treasurer of the Wadsworth City School District in good faith and within the scope of his employment. Said Forecast and the underlying assumptions will be presented to the Wadsworth City Board of Education at its Regular Meeting on May 8, 2017.

The Forecast and Assumptions are intended to provide the Board of Education and the Wadsworth Community with information about the current financial status of the District, as well as the projected future. The information presented in the Five-Year Forecast is supported by the underlying assumptions. In order for the Board and Community to better understand the Forecast, they are encouraged to read and understand the supporting Assumptions.

The Forecast is in the second year of HB 64 (the biennial budget) passed by the legislation during the summer of 2015. The current biennial budget once again tweaked the formula from previous years. The biggest changes are the addition of capacity aid and restarting the phase out of the Tangible Personal Property Tax (TPP) reimbursements.

Previous funding formulas, referred to as the SF-3, PASS and the Bridge Formula for Ohio's public school districts were eliminated in previous budget bills. Under the K-12 education funding formula, school districts are either on the guarantee, the formula or are a capped district. Schools on the guarantee receive the same State Aid as the previous year, schools on the formula receive the amount of funding the formula calculates and schools that are capped were scheduled to receive additional aid but were capped at a certain percentage above what they received in the previous fiscal year. The biennial budget provides Wadsworth City Schools with increased State Aid in both years of the biennium and Wadsworth City Schools are a formula district in both years of the budget. See the Unrestricted Aid Section for more information on the 2016-17 biennial budget and State Aid.

This Forecast includes only the General Fund. Information related to all other funds of the District can be found on the Certificate of Revenue and the Annual Appropriations Resolution. In this fiscal year, the general fund is projected to account for 74% of all expenditures.

As with any projection, accuracy diminishes the further one speculates into the future. There are three State biennial budgets within the five years of this projection.

General Fund Revenue

1.010 Property Tax (Real Estate)

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
1.010 General Property Tax (Real Estate)	$20,707,527	$20,191,122	$20,393,033	$20,596,964	$20,802,933

Property tax collections are a stable revenue source and less dependent on the economy than other revenue sources. Tax collections increased 7.2**%** in FY 2017 for the following reasons:

- In the fall of 2016, property tax collections were 5.4% higher than the same period in 2015.
- 2016 Medina County Triennial update will result in nearly a 9% increase in assessed valuation.
- The Nexus gas transmission pipeline that might be constructed in Medina County would bring significant new property tax revenue to the Wadsworth Schools. Because of the uncertainty regarding the Nexus gas pipeline, the current Forecast does not account for this new revenue source. If the pipeline is approved for construction, the Forecast will be adjusted at that time.

Real estate taxes account for 44.5% of our projected revenue (last year = 46%) in the forecast. Our assessed valuation is the core component of real estate taxes and an involved part of the State's funding formula. Medina County experienced a reappraisal in 2013 and a triennial update in 2016. Wadsworth City Schools assessed valuation (AV) decreased 5% for 2013 (tax year 2014) as a result of the reappraisal. Total assessed valuation increased 2.3% for 2014 (tax year 2015) and 1.6% for 2015 (tax year 2016). However, due to HB 920, districts see very little additional (or loss of) revenue from a reappraisal or triennial update years. HB 920 rolls back the effective millage on voted levies, thus the District receives no additional or loss of revenue as a result of reappraisal on voted levies. However, the District will gain revenue on the inside millage and new construction.

Key components of line 1.010 of the Forecast are:

- 7.2% increase in FY 2017 (Fall 2015 vs. 2016 collections up 5.4%).
- Fiscal Years 2018-2021 have not been adjusted from the October forecast and actually represent a decrease in tax collections from FY 2017. Wadsworth City Schools is currently working with the County Auditor's Office to analyze the 7.2% increase in tax collections during FY 2017. Once more information is known, the projection will be updated.

1.020 Tangible Personal Property Tax (TPP)

The 2009 Biennial Budget eliminated the Tangible Personal Property (TPP) tax on the business community and thus began phasing out a major source of local revenue to school districts throughout the State of Ohio. Beginning in FY 2012, the Wadsworth City Schools local TPP revenue had been eliminated. The District continued to receive TPP reimbursements from the State through FY 2016. During the previous Biennial Budget, the phase out was suspended and the District received the same reimbursements for three straight years. The current Biennial Budget restarts the phase out of the TPP reimbursements. Wadsworth City Schools TPP reimbursements (Line 1.050) are outlined below:

FY 2015	$653,311
FY 2016	$ 57,556
FY 2017	$ 0.00

1.035 Unrestricted Grants in Aid (State Aid)

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
1.035 Unrestricted State Grants-in-Aid	18,779,813	18,961,344	18,961,344	18,961,344	19,236,364

The current biennial budget (passed in the summer of 2015) once again changed the way we receive funding from the State. The major changes to the formula this year include the addition of capacity aid, a change in the formula "Caps" and the restart of the TPP phase out (referenced above). Wadsworth City Schools are not impacted by capacity aid and the District is no longer capped by the formula in FY 2016 and FY 2017. Since the District is not capped by the funding formula changes in our enrollment, Career Tech enrollment and Special Education enrollment will affect State funding to the District.

The current funding formula increases Unrestricted State Aid to Wadsworth by $265,551 in FY 2017, the fourth year in a row of increased State Aid. However, the elimination of the TPP reimbursements resulted in a net increase in total State Aid of just $187,293 in FY 2017.

HB 49 is the FY 2018 and 2019 biennial budget. The Executive proposal provided a .95% increase in State Aid in FY 2018 and a .3% decrease in FY 2019. The House proposal provided a 1.2% increase in FY 2018 and a .3% decrease in FY 2019.

Key components of line 1.035 of the Forecast are:

- 1% increase in FY 2018 and a 0% change in fiscal years 2019 through 2021. The previous forecast assumed a 1.5% increase each year over the life of the forecast.

The Forecast assumes the Ohio Casino tax will remain consistent at $238,444 in all five years. The law indicates the casinos will pay a 34% tax rate and 33% of the tax is to go to school districts in Ohio to be distributed on a per student basis. The law also implies that this money is to be delivered to education outside the funding formula and should not be part of the SFPR but is included on line 1.035.

- $1,430,664 in revenue over the life of the Forecast from the Casino tax.

1.040 Restricted State Grants in Aid

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
1.040 Restricted State Grants-in-Aid	536,666	490,533	490,533	490,533	490,533

There are two primary sources of revenue on this line: Career Tech (CT) weighted funds and Special Education Catastrophic Cost rebates. Every year, we are required to spend all of the money we received in weighted CT funds or it is returned to the State (i.e. restricted to these programs). It is similar to having a grant within the general fund. Historically, other sources of revenue on this line include Lead

School (CT) and transportation. Again, this money is "restricted" because it must be spent in the specified areas.

- Last year, the District added additional Career Tech programs at the Middle School (WMS). These classes generate additional Restricted State Aid for the Career Tech programs in both years of the biennium.
- Similar to unrestricted aid in years 2019-2020 the Forecast is not projecting an increase in restricted State Aid.

The second primary source of revenue is Catastrophic Cost reimbursements for Special Education students. Catastrophic Cost revenue are reimbursements from ODE for certain qualifying special needs students the District provides services for above a certain price point depending on their disability. This revenue source increased dramatically in FY 2015 for two reasons. First, the District received substantially more in Catastrophic Cost rebates for the 2012-13 school year. Second, the rebates for the 2012-13 school year were not paid until July of 2014 (FY 2015). Therefore, the District received two years of Catastrophic Costs rebates (2012-13 and 2013-14 school years) in FY 2015. The FY 2015 Catastrophic cost rebates were paid in FY 2016. The Forecast accounts for $120,000 in catastrophic cost reimbursements in FY 2017.

1.050 Homestead Exemption, 10% Rollback and Tangible Personal Property Reimbursement

		Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
1.050	Property Tax Allocation	2,516,343	2,516,343	2,516,343	2,516,343	2,516,343

Homestead Exemption: The 10% and 2.5% rollback of property taxes changed with the 2009/2010 biennial budget. The State increased the eligibility of seniors for this credit. In addition, HB 59 (2014-15) eliminated this reimbursement on future levies. All current levies will continue to receive this reimbursement.

- The Forecast projects a 0% increase in Homestead Exemption for each year.

Tangible Personal Property Reimbursements from the State are recorded on this line (1.050) of the Forecast. See discussion in section 1.020 TPP related to TPP reimbursements.

1.060 All Other Revenues (Local Income)

		Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
1.060	All Other Revenues	1,688,417	1,727,522	1,732,952	1,738,503	1,720,674

There are five primary revenue sources to All Other Revenues:

1. Tuition (open enrollment, special education, preschool and summer school)
2. Extracurricular activities assessment
3. Student paid fees and fines
4. Investment income
5. Medicaid reimbursements

- The activity assessment fee is projected to be stable over the life of the Forecast. There are currently no plans to increase or eliminate the activity assessment fee.

- Fines and other fees are projected to remain consistent over the life of the Forecast with no plan to increase fees.

- Investment income is projected to remain consistent the first few years and then drop of as fund balances decrease affecting cash flow and funds available for investing.

- Medicaid reimbursements are projected to remain consistent.

    - The District changed Medicaid billing vendor for the 2016-17 school year. This along with the change in the law requiring a Doctor to write the prescriptions for Medicaid services to be billed may account for some changes in the revenue generated.

<u>2.050 Advances – In</u>

- Advances In reflected on line 2.050 are a result of the advances to 004 LFI Construction Fund. These advances are needed until the OFCC releases the money in the 010 fund to cover these deficits.

<u>2.060 Other Financing Sources</u>

- There are currently no projections of significant revenue in the "other sources" category. In previous years, the District realized substantial revenue from the Medina County Auditor rebates and Ohio Bureau of Workers' Compensation rebates.

<u>Revenue Summary</u>

		Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
2.080	*Total Revenues and Other Financing Sources*	46,550,783	46,894,864	44,202,205	44,411,686	44,874,846

HB 64 results in an increase in revenue for FY 2017 for the fifth time since FY 2009. The District is not planning a new operating levy in the near future and projects State Aid to remain relatively consistent after FY 2017.

Major revenue issues affecting the Forecast:

- State Aid, the current biennial budget.

- Phase out of the Tangible Personal Property Tax reimbursements.

- Local property tax increase of 7.2% due to slight increase in A.V., new construction and delinquent tax payments. Future years are currently being studied.

<u>General Fund Expenditures</u>

3.010 Salaries and Wages

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
3.010 Personnel Services	24,826,192	26,157,493	27,301,026	28,411,164	29,647,611

Salaries and wages are projected to **increase** 6% over FY 2016 expenses (as compared to a 1.45% increase for the same period last year). The District added three positions to address class size in kindergarten and first grade. In addition, staff was added in special education grades PK-8. The complete analysis of the District's teaching staff is outlined below.

Beginning in FY 2017, the District has contracted with Renhill and the Summit County ESC for substitute teacher services. Therefore, our substitute services moved from the Salaries (line 3.010) to the Purchased Services (line 3.030) of the Forecast.

- The District and the Wadsworth Education Association (WEA) are in the third year of a three-year contract that continues through June 30, 2017. The Agreement includes step increases for eligible employees and a base increase in each year of the contract. In addition, employees pay 9% of the cost for health care insurance.

- The District and the Wadsworth Education Support Personnel Association (WESPA) are in the third year of a three-year contract that continues through June 30, 2017. The WESPA Agreement includes step increases for eligible employees and a base increase in each year of the contract. In addition, employees will pay 6% / 9% (Family / Single) of the cost for health care insurance.

- The 2016-17 salaries and benefits are projected to be 78.5% of general funds expenditures (compared to 78.9% last year).

- The District's 2016-17 teaching staff consists of 248 full-time (239 last year) and 14 part-time (13 last year) professionals. We have 13 licensed professionals working as tutors in the District (10 tutors are funded with grant money and are not part of this Forecast), 20 Licensed Administrators and 17 Exempt Supervisors.

- The Forecast accounts for the following staffing changes:

    - **2016-17**
        - <u>WHS:</u>
            - Reduce Medical Assisting teacher to part time (-.5 FTE)
            - Reduce Chinese teacher to part time (-.5 FTE)
        - <u>WMS</u>**:**
            - Part-time teacher to full time (+.5FTE)
            - One new Intervention Specialist (+1 FTE)
        - <u>Elementary:</u>
            - Two new Kindergarten teachers – one funded with Title I (+2 FTE)
            - One new first grade teacher (+1 FTE)

        - One new Guidance Counselor (+1 FTE)
        - One new elementary ED unit (+1 FTE)
        - One and a half new Intervention Specialists (+1.5 FTE)
        - Part-time teacher to full-time teacher(+.5 FTE)
        - One new SLP Teacher (+.5 FTE)
        - One new Literacy Coach – Title I funded (+.5 FTE)
        - One new part-time Preschool teacher (+.5 FTE)
    - Support Staff:
        - Eliminate Switchboard (-1 FTE)
        - Health Services (previously third-party contracted)
            - Add 7 part-time Health Aides
            - Add 6 part-time LPN Nurses
            - Add 1 part-time Medical Assistant

- The Board of Education reached an agreement with both WEA and WESPA for a new three year contract through the 2019-20 school year. The agreement includes step increases for eligible employees and a base increase in each year of the contract. In addition, significant insurance plan changes that are outlined in section 3.020. The results of the two contracts are included in the updated forecast. In addition, there are two additional teaching positions (WHS and CIS) for the 2017-18 school year.

- **2018-19, 2019-20 and 2020-2021**
    - A small allowance for staffing additions is planned in the last three years of the Forecast.

3.020 Employee Retirement / Insurance Benefits

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
3.020 Employees' Retirement/Insurance Benefits	9,480,797	9,574,753	10,486,024	11,168,692	11,807,968

The largest expense outside of salaries and wages is the Board's share of healthcare benefit premiums. In FY 2011, the District began participating in the Summit Regional Healthcare Consortium (SRHCC) to pool administrative fees with Barberton, Copley-Fairlawn, Norton and Revere Schools. Beginning in FY 2015, Cuyahoga Falls joined of the SRHCC. In addition, the SRHCC continues to maximize resources and implement best practices related to healthcare and wellness. The Consortium works with Be-Well Solutions to provide wellness support to all six districts in order to encourage employees to make healthy lifestyle changes. Employees enrolled in the District's healthcare plan are encouraged to participate in the annual biometric screenings, health risk assessment, as well as the many Grizzly Challenge Wellness programs offered throughout the year. Non-union employees are rewarded with reductions in their healthcare deductible based on positive results on their biometric screening.

The District current contracts with WEA and WESPA included changes in the premium share paid by employees. Beginning in 2015-16 school year, employees pay a percentage of the total premium (as opposed to the fixed cost previously paid). In addition to the healthcare premium projections below, the

Forecast also projects additional coverage for employees based on the staffing levels outlined in section 3.010.

The SRHCC approved a rate increase of 7.2% for the 2017-18 plan year. In addition, the SRHCC reviewed each districts claims performance (claims vs. rates) and approved a two-point rate stratification. Therefore, districts in the consortium received either a 5.2, 7.2 or 9.2% renewal (two percentage points plus or minus from the approved rate). Wadsworth received a 5.2% renewal.

The Board of Education and members of both the teachers (WEA) and support staff (WESPA) unions agreed to a new three-year contract that begins on July 1, 2017. The new contract increases employee deductibles and out of pocket expenses by 100% resulting in a projected savings of $150,000 annually. Therefore, due to the plan design changes the health insurance rates for the 2017-18 school year is reduced to a 2.33% increase. In addition, members of the WEA will pay an additional 1% of the premium in the second year of the contract and an additional 1% (total of 2%) in the third year of the contract. These insurance changes are reflected in the Forecast and Assumptions below:

- Healthcare premiums increased 5.37% in FY 2017.
- Healthcare premiums are projected to increase 2.3% in FY 2018.
- Healthcare premiums are projected to increase 8% (net 7% - WEA's additional 1% contribution) in FY 2019.
- Healthcare premiums are projected to increase 9% (net 8% - WEA's additional 1% contribution) in FY 2020.
- Healthcare premiums are projected to increase 9% in FY 2021.
- In addition, the Forecast accounts for additional staffing outlined above related to health care assuming each new staff elects a family plan.

New to the Forecast:

- The October 2015 forecast had an allowance of $85,000 to account for additional health care offered as a result of the Affordable Care Act. (A.C.A.) in FY 2016 and an additional $85,000 in FY 2017 (total of $170,000 annually). A limited number of employees (currently 4) that were eligible for A.C.A. coverage have elected benefits. These four employees are now included in the health care projections. In the event additional employees eligible for the bronze plan under the affordable care act elected benefits, the Forecast would need to be adjusted.

- New language in the WEA contract requires retirees age 55 or older to contribute 100% of their severance payment to a 403(b) annuity as an employer contribution. Employer contributions to a 403(b) are considered a fringe benefit. Therefore, 85% of the certified severance is now paid out of benefits (line 3.020), instead of salaries and wages (line 3.010) as it was in the past.

Currently, by State law, the Board contributes 14% of the salaries and wages to two retirement systems. Members of STRS are required to pay 14% of their earnings to the retirement system. The Board pays 10% of the Administrators' 14% employee share of STRS (10% of their salary). Beginning July of 2013, STRS employee contributions have increased 1% per year from 10% to 14%. The Board of Education does not intend to pick up additional STRS contributions on behalf of the administrative team. In addition, the Board pays a surcharge to SERS for all support staff employees whose annual income is less than $35,800. That is, for any employee making less than $35,800 annually, the District must pay the 14% on $35,800 and not what they actually earn. SERS does have a cap of 2% percent of total SERS wages to be paid to the surcharge. We are above the cap. Therefore, we pay 16% of our total SERS payroll to the retirement system. A large percentage of the surcharge is paid by the Food Service Fund (006), which is not part of this Forecast. All but one employee in the Food Service Department earns less than $35,800.

In April of 2010, the SERS Board voted to implement a "catch-up" of the six (6) month lag on collection of SERS member Board contributions. Historically, contributions for the current fiscal year were made on a calendar year basis six (6) month in arrears. Districts are now required to make current payments along with making up the six (6) months over six (6) years. This results in an additional unplanned payment of $71,700 per year to SERS through FY 2016. The actual net increase in line 3.020 is 6.3% with all the additions and health care renewal and the reduction of the $71,700 SERS catch up provision.

The other two items that make up our employee benefits are Medicare Tax and Workers' Compensation. Our District pays 1.45% Medicare tax on all employees hired after 1986.

3.030 Purchased Services

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
3.030 Purchased Services	6,283,585	6,464,571	6,677,166	6,894,609	7,120,371

This category covers all our contracted services including tuition to other districts, legal services, copier leases, property/fleet insurance, two technicians in our Technology Department, gifted services from the Medina County ESC, special education services such as occupational and physical therapy and the School Resource Officer in collaboration with the City of Wadsworth. In addition, it also covers professional development, utilities, contracted maintenance services as well as College Credit Plus (CCP) tuition for high school students.

FY 2017:

- The projection shows Purchased Services increasing 6.38% in FY 2017.
- Tuition paid to community and charter schools is starting to stabilize due to the implementation of the Grizzly Digital Academy.
- An average 2 – 3% increase in Purchased Services in the later years of the Forecast.
- Tuition (open enrollment, community schools and CCP) and utilities (natural gas, electric, water and sewer) account for nearly 50% of this category.
- The Health Services Contract with PSI has been eliminated (see additional staffing note in salaries related to health services).
- Tuition costs related to "Evolve" for special needs students have been reduced due to the addition of the ED unit at CIS. This change results in a net savings of $100,000 to the Wadsworth City Schools.

- Teacher substitute expenses are now included in Purchased Services due to switching to a contracted services with the Summit County ESC / Renhill. See note in the Salaries section as the offset.

3.040 Supplies and Materials (500)

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
3.040 Supplies and Materials	1,697,873	1,961,238	1,998,799	1,797,798	2,098,599

Supplies and materials in FY 2017 are projected to be substantially higher in FY 2017 for the following reasons:

- Textbook adoption as outlined below.
- College Credit Plus Textbooks costs continue to grow.
- Replacement textbooks $50,000.
- Large carryover encumbrance ($400,000) from FY 2016 paid in 2017.
- The District reduced Directors' and Principals' budgets multiple times (by over 75%) from 2010-2012. Many budgets continue to be funded at this same level. Principal and Director supply budgets were not adjusted for the 2016-17 school year.
- Bus fuel is included in supplies and can be very difficult to project. Bus fuel accounts for 11% of the Supplies Category. Fuel costs have been down the past two years. If fuel costs rise, a budget adjustment may be needed.
- Weighted Career Tech (CT) funds from the State account for a portion of the expenses. We are required to spend CT money on CT programs within the school year (see discussion under Restricted Revenue above).

The following curriculum cycle and related textbook adoption is planned by the District. The up and down in the Forecast for supplies is primarily related to textbook purchases. The Forecast does allow for a textbook adoption in each year.

(See next page)

Text Book Adoption Cycle

Fiscal Year	Subject	Grade Level	First Year of Use	Projected Cost
2017	World Language Fine Arts Business AP Stats Health	9-12 K-12 9-12 11-12 7-12	2017-18	~~$175,000~~ ~~$150,000~~ ~~$150,000~~ ~~$15,000~~ ~~TBD~~
2018	Science	K-12	2018-19	$500,000
2019	Social Studies	K-12	2019-20	$500,000
2020	Comp. Sci./STEM	K-12	2020-2021	$250,000
2021	English/Lang. Arts	K-12	2021-2022	$500,000
2022	Math	K-12	2022-2023	$500,000
2023	ELA intervention	K-5	2023-2024	$200,000

The textbook adoption approved by the Board of Education at the May 2017 meeting was significantly less than projected. The Forecast for FY 2017 has been reduced by $290,000 on line 3.040 (supplies) because of the textbook adoption.

An additional $100,000 per year is projected for College Credit Plus textbooks and textbook replacement and/or additions.

<u>3.050 Capital Outlay (600 & 700)</u>

		Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
3.050	Capital Outlay	709,898	728,468	755,108	782,990	812,173

Capital needs in the District are supported by the General Fund along with Sales Tax Fund. The majority of the sales tax proceeds go to pay debt service related to the construction of the new Valley View and Isham Elementary Schools, as well as the 1/2 mill maintenance levy requirement of the OFCC. This amounts to $1,470,000 annually from the Sales Tax Fund. Because of the commitments of the sales tax to the construction project, the District will continue to support capital improvements to buildings, technology and buses from the General Fund.

- The Forecast allows for the purchase of two new school buses per year.
- Thirty-seven percent (37%) of the projected capital expenditures for FY 2017 are technology related.
- The District has developed a five-year technology and facilities plan. The expenses associated with these plans are NOT included in this Forecast. These expenses will come

from the Sales Tax Fund or the Construction Fund when the funds are released by the OFCC.

- The District has allocated a total of $709,898 for capital improvement for the 2016-17 school year.

4.050 / 4.060 HB 264 Principal and Interest

The final payment on the debt service requirement related to the Central Intermediate School HB 264 program was made in FY 2015. There are currently no general fund debt issues to be accounted for on line 4.050 / 4.060.

4.300 Other Objects (Miscellaneous)

		Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
4.300	Other Objects	480,790	514,547	508,734	543,366	558,459

This area covers County Auditor and Treasurer Fees, election expenses, liability insurance and membership dues for the Board. County fees charged by the County Auditor and Treasurer are the primary expense (74%) in this category.

7.020 Ending Cash Balance

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
7.020 *Cash Balance June 30*	13,276,062	14,659,856	11,020,204	5,718,271	1,567,063-

The District projects a balanced budget for FY 2017 and FY 2018. In addition, the Forecast projects a positive cash balance through FY 2020.