

Fairfield City School District
Notes to the 5 Year Financial Projection
May 20, 2010

REVENUE ASSUMPTIONS

REAL AND PERSONAL PROPERTY ASSUMPTIONS (1.010 & 1.020)

Property tax revenue estimates are based on historical growth patterns, including scheduled updates and reappraisals, and are provided by the Butler County Auditor.

The District's total valuation for calendar year 2009 was \$1,424,066,670. This represents a decrease of 4.08% over calendar year 2008 valuation of \$1,484,699,980.

During calendar year 2009, residential/agricultural values decreased 5.05% to a valuation of \$1,000,639,340. Commercial/Industrial values decreased by 2.26% to a valuation of \$391,861,690.

Our public utility personal property values increased in calendar year 2009 by 5.45%. The valuation for public utility personal property totaled \$31,565,640.

The forecast reflects a decline in Personal Tangible Tax Revenue as a result of HB66. All Personal Tangible Tax Revenue, with the exception of public utility personal property, has been eliminated. HB66 provides for direct payments to the district to offset losses in Tangible Tax Revenue. The direct payments have been factored into the forecast (under the property tax allocation category) based on state estimates.

UNRESTRICTED STATE GRANTS-IN-AID, RESTRICTED STATE GRANTS-IN-AID AND RESTRICTED FEDERAL GRANTS-IN-AID – SFSF (1.035, 1.040 AND 1.045)

The state has implemented a new method for funding K-12 education in Ohio. The new funding model is known as the Ohio Evidence Based Model (OEBM). The OEBM will be phased in over 10 years.

House Bill 1, the fiscal year 2010 and fiscal year 2011 state budget bill, allows for a maximum of .75% revenue growth for individual districts. A transitional aid provision in the budget bill prevents districts from losing more than 1% of their state funding in fiscal year 2010 and 2% of their fiscal year 2010 amount in fiscal year 2011.

We have projected a 1% decrease in funding for fiscal year 2010 and a 2% decrease in funding for fiscal year 2011. With the stimulus funding only guaranteed through fiscal year 2011, the forecast is showing a decline in line 1.045 for fiscal year 2012 and beyond.

PROPERTY TAX ALLOCATION (1.050)

These funds are reimbursements from Ohio for tax credits given to owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers. This line also includes the direct payments for reimbursement of Tangible Personal Property Taxes lost.

OTHER LOCAL REVENUES (1.060)

Fairfield City School District
Notes to the 5 Year Financial Projection
May 20, 2010

Effective with fiscal year 2006, the District took over the Preschool Program from the Butler County MDD. We have forecasted additional revenue based on the Butler County MDD's financial commitment of \$75,000 for fiscal year 2008 and fiscal year 2009. Based on information received by the Butler County MDD, the District will not receive this additional revenue for fiscal year 2010. This reduction in funding has been factored into the projections.

We have included collections of preschool tuition, activity fees, rental income and donations in the forecast. Interest income is determined on available cash flows and market conditions of interest rates. Tax Increment Financing (TIF) and tax abatement payments are also included in this line item. We are projecting decreases in revenue due to expiration or termination of several tax abatements as well as a decrease in collection of activity fees, donations and rental income.

OTHER FINANCING SOURCES (2.010 – 2.080)

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.

EXPENDITURE ASSUMPTIONS

PERSONAL SERVICES (3.010)

The amounts for salaries and benefits are based on existing negotiated agreements. The District and the Fairfield Classroom Teachers' Association negotiated a new collective bargaining agreement that is effective from September 1, 2008, through August 31, 2010. We have included in the forecast a base wage increase for fiscal year 2010 of 2%. For fiscal year 2011, no base wage increases are included in the forecast. For fiscal years beyond 2011, 1% base wage increases are projected.

The four local OAPSE chapters of the classified unions are divided into two separate bargaining groups. The District and the OAPSE unions negotiated a new collective bargaining agreement effective July 1, 2008 through June 30, 2011. The agreement includes a 2.50% base wage increase for fiscal year 2010. For fiscal year 2011, no base wage increase is included. For fiscal years beyond 2011, 1% base wage increases are projected.

In addition to the above, we have included a 2% average step increase for each year of the forecast. The certificated staff accounts for approximately 80% of our staffing costs with the remaining 20% attributable to classified staff.

Administrators in the District received no base wage increases for fiscal year 2010. No base wage increases have been included for fiscal year 2011. For fiscal years beyond 2011, 1% base wage increases are projected.

Fairfield City School District
Notes to the 5 Year Financial Projection
May 20, 2010

Cost cutting measures that were adopted by the Board of Education in fiscal year 2009 were as follows:

- Elimination of the Dean of Students position at the Middle School
- Restructuring the elementary libraries
- Freeze all hiring of general fund personnel beginning in fiscal year 2010

Also, the following cost cutting measures have been implemented for fiscal year 2010:

- Elimination of the Assistant Supervisor of Buildings & Grounds position
- Elimination of the Transportation Safety Coordinator's position
- Restructuring of the Student Services/Security positions at the High School
- Reduction of long-term substitute clerical costs for several buildings/departments
- Limited overtime hours for clerical staff
- Reduction of two custodial positions at the High School

Due to enrollment increases in elementary grades, the Board of Education approved the hiring of two additional teachers for fiscal year 2010. We have also included the following special education positions for fiscal year 2010:

- 3 FTEs for certified special education staff members
- 7 FTEs for special education educational assistants

A subcommittee of the Board has continued to look at other potential cost saving measures to reduce the reliance on the property tax payers within the community without sacrificing the quality of education the community has come to expect. Based on the subcommittee's report, the Board has moved forward with changing academic schedules at Fairfield High School and Fairfield Freshman School. The Board has also made changes to Fairfield Middle School's team planning periods. The cost reduction measures beginning in fiscal year 2011 are:

- Reduction of 20 FTEs of custodial positions
- Reduction of custodial building checks
- Reduction of custodial overtime and substituting
- Rerouting of bus stops
- Elimination of public relations representatives supplementals
- Reduction of staff leadership positions
- Reduction of 33.5 FTEs of certified staffing positions
- Reduction of 3 FTEs due to enrollment numbers (as of the date of this forecast)

The projected savings from these measures total \$3,134,685.

EMPLOYEES' RETIREMENT/INSURANCE BENEFITS (3.020)

The District is a member of the Butler Health Plan. The Plan has tried to hold premium increases to a minimum while still offering a wide variety of benefits to the District's employees. Effective January 1, 2009, the District's health insurance premium increased 1.75% and the dental insurance received no increase. As of January 1, 2010, the District's health insurance premium increased 12% and its dental premium increased 4%. We are projecting a 9% increase to be effective January 1, 2011. For future years, the forecast reflects a 10% increase for health insurance premiums.

Fairfield City School District
Notes to the 5 Year Financial Projection
May 20, 2010

Effective January 1, 2009, the Board went from paying 90% of the total premium to paying 89% of the total premium for health insurance while all employees went from paying 10% of the total premium to paying 11% of the total premium. Classified staff and administrators increased their share to 12% of the total premium beginning January 1, 2010, while the Board pays 88% of the total premium.

We project a savings of \$851,199 in this line item due to the cost savings measures put in place for fiscal year 2011. We also anticipate a \$12,000 savings from changing the provider of the District's Employee Assistance Program.

The percentage included in the forecast for retirement, workers compensation and medicare costs remain at 16.45% for the life of the forecast. The School Employees Retirement System has issued a catch-up provision for contributions that are normally charged to the District six months in arrears via the Ohio Department of Education's Foundation Program. The arrearage will be collected over a six year period. We have included an additional payment for fiscal year 2011 of \$180,038 in the forecast.

PURCHASED SERVICES (3.030)

The forecast reflects an 8% increase in purchased services. This line item includes maintenance costs, utilities and contracted services. The following cost cutting measures have been included for fiscal year 2010:

- Elimination of a maintenance contract with Honeywell
- Restructuring of cellular telephone plans
- Reduction in utility bills due to Energy Education being fully implemented and the change to the Duke Retail Sales contract

As part of the cost saving measures for fiscal year 2011, the Board has reduced building and department budgets by 15%. The District has also eliminated a certified application system and reduced tuition reimbursement amounts for certified staff members based on the projected number of staff members being eliminated. The projected savings from these reductions are \$493,098.

SUPPLIES & MATERIALS (3.040)

Expenditures in this line item include instructional materials such as textbooks, software, bus fuel and office/custodial supplies. The forecast reflects a 3% increase in this category for each year of the forecast. The District anticipates some savings due to the implementation of the managed print services contract in fiscal year 2010.

With the change of schedules at Fairfield High School and Fairfield Freshman School, the District projects to spend an additional \$600,000 for textbooks and materials in fiscal year 2011.

CAPITAL OUTLAY (3.050)

The forecast reflects a 4% increase in capital outlay expenditures for the life of the forecast.

OTHER EXPENSES (4.300)

Fairfield City School District
Notes to the 5 Year Financial Projection
May 20, 2010

The forecast reflects a 3% increase each year in this line item. Anticipated expenditures in these areas include county auditor and treasurer fees, county board deductions, membership dues and annual audit fees. Also, with the addition of credit card terminals in each school building during fiscal year 2007 and the rolling out of the online payment system in fiscal year 2008, the banking fees have increased. The forecast also includes a one time refund of auditor fees for fiscal year 2009.

NON OPERATING EXPENSES (5.010 – 5.050)

This group constitutes anticipated year-end advances.

ENCUMBRANCES (8.010)

Estimated encumbrances are outstanding purchase orders that have not been approved for payment or were not received in the fiscal year in which they were ordered. These estimates are based on historical patterns.

UNRESERVED FUND BALANCE (15.010)

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 balance is a violation of ORC 5705.412, punishable by personal liability of \$20,000.

CONTINGENCY PLAN

There are potential unfunded state and federal mandates enacted by the state legislature that could be enforced in fiscal year 2011 that would impact this financial forecast. In the event these assumptions should change that would create a negative balance for purposes of certification or if the District is forecasting a deficit balance within the three year period, a contingency plan will be implemented in order to offset any projected shortfall. Said contingency plan may include additional millage and/or necessary budget cuts to address any projected shortfalls.