Marietta City School District
Assumptions for November 2022
5 Year Forecast

Marietta City School District is articulating to users of forecasts that assumptions are the basis of any forecast. An assumption at best is still an educated guess. Therefore, it is emphasized that any forecast will always be prone to errors. It is especially true that the degree of accuracy diminishes the further into the future the forecast goes. It is expected that numbers presented for FY23 are much more accurate than FY27 forecasted numbers. Forecasts by their very nature are not designed to be precise. They are designed to help inform planning and thinking about financial issues.

The assumptions for Marietta City Schools for the period of fiscal year 2023 until fiscal year 2027 by line item follow. The history of what has changed over the years is also included to get a better understanding of the forecast.

REVENUES

General Property Taxes
Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all of the district's voted levies, except the emergency operating levy which began collections in calendar year 2012, increases in revenues are restricted to amounts generated from new construction. The emergency levy generates a set amount annually and is not affected by changes in real property valuation. Reduction factors are not applied to inside millage or to the sum of general fund current operating levies (excluding emergency levies) plus inside millage used for operational purposes below 20 mills.

FY 22 thru FY 27 – Calendar year 2019 Washington County went through tri-ennial update. For calendar year 2022, Washington County is going through an appraisal update. Real Estate projections are based upon recent historical information and current market conditions along with tools used within the five-year forecast module. In FY10 there was a reduction of $206,000 annually due to Marietta Memorial Hospital filing for a tax exemption August 16, 2007. The MMH reduction concluded in 2020. After the 2019 tri-ennial update, residential property values grew while commercial property values decreased. In the fall of 2021 overall collections were higher in Class II property. Residential increases were minimal compared to fall 2020 collections. Anticipating revenue increase with updated County Auditor appraisals for Calendar 2022 which will begin in Spring Settlement of 2023.

Tangible Property Taxes
Tangible personal property taxes are levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Per House Bill 66, Tangible taxes have dropped

approximately 25% per year starting in tax year 2006 and continued until completely gone in tax year 2009 as it was eliminated by the legislature. Public Utility Tangible property is currently exempt from this law and will remain intact, however values have decreased. The state has agreed to hold schools harmless and will reimburse based on 2004 values for the lost revenue due to this legislation but not for laws already in effect that were reducing tangible inventory values. However, as part of HB 133, signed into law on June 30, 2011, this phase out was accelerated to begin in fiscal year 2012. This reimbursement from the state is reflected in the property tax allocation revenue. It is important to note that Tangible Property generated approximately $2,200,000 in 2004 and the reimbursement from the State is approximately $1,850,000 in fiscal year 2012. After FY18 this replacement will be totally gone. Beginning in FY 2020 Public Utility Tangible property increased with AEP investment in City. Public Utility in calendar year 2022 almost doubled in value. This resulted in an increase in overall collections. District will receive full increase of collections in Calendar 2023.

Unrestricted Grants in Aid

Prior to fiscal year 2010, the State's foundation program was established by Chapter 3317 of the Ohio Revised Code and included formula aid and various categorical aid programs. The semi-monthly payments were calculated based on pupil enrollment (ADM), times the per pupil foundation level ($6,010.00 core funding in FY18), less the equivalent of 23 mills multiplied by the school district' taxable property valuation.

Beginning in fiscal year 2010, the State General Assembly passed HB 1 which included a new funding method called the Ohio Evidence-Based Model (OEBM). This model links educational research on academic achievement with funding components. The model incorporates financial data and socioeconomic factors (a district's wealth factor called the Ohio education challenge factor) to fund resources the district uses to implement proven programs according to the student needs to achieve academic adequacy. The adequacy components include the sum of service support for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and instructional materials. However, on March 31, 2011, HB 30 was signed by Governor Kasich, which eliminated the OEBM. A bridge formula has been created for FY 2012 funding.

HB 163 (the budget bill) was signed into law on June 30, 2011, created a temporary bridge funding formula that allocates foundation funding for FY12-13. The bridge formula's calculation begins with the per-pupil level of funding for each district derived from overall FY11 funding levels. The FY11 per-pupil funding levels are then adjusted by a new property tax index to help account for the loss of SFSF. The index allows more state funding to flow to districts with less local capacity to generate revenue. A guarantee was also established to ensure that each District receives as much state foundation aid (minus SFSF) as they received in FY11.

In February 2013, HB 59 was introduced with a new funding formula to replace the bridge formula and was eventually signed into law by Governor Kasich on June 30, 2013. The new formula takes into account nine components: core opportunity, targeted assistance, economically disadvantaged, K-3 literacy assistance, special education, gifted, transportation, career tech, and English language learners. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For FY 2020, Funding was reduced $581,000.00 by the governor and will be reduced the same amount for 2021. The Governor has since reinstated half of the $581,000 reduction in the FY 2021 Funding formula. A new funding formula was approved in June 2021 and had many changes to the formula that was in place. The new formula will take over five years to be implemented. State Aid is a major player in the District's finances and will be monitored closely. Funding is now based on enrollment and it will depend greatly on the lasting impacts of COVID 19. The forecast shows the anticipated amounts based upon enrollment for 2022 and 2023. Continued implementation for years 3-5 is also included in the forecast to keep funding at or near 2022 levels.

Funding for school bus purchases has been eliminated by the state. Starting in FY 07 the district lost $120,000 annually due to the cancellation of the CAFS reimbursement by the State. There are now Federal Medicaid funds which are a reimbursement for some of the services provided our special education student population. The Board of Education was a participant in a lawsuit with several other school districts against the State of Ohio to force them to comply with the federal standards and was successful. School Bus allocation was put back into funding for 2021. District received a $33,000.00 allocation for a $100,000.00 bus in 2021. For FY 2023, the District was awarded $135,000 for bus allocation.

In addition, included in this line item beginning in fiscal year 2013, are projected revenues from casinos that will be distributed to Ohio school districts. Four casinos were opened in Ohio, three in calendar year 2012 and the fourth in calendar year 2013. Based on a state formula, approximately 34 percent of casino revenues are distributed to school districts based on ADM. Current projections suggest the District will receive approximately $52.00 per student in 2019, or approximately $145,000. Because of COVID 19, Casino revenues are estimated to drop beginning in FY 2021 and estimate is $26.00 per student moving forward in the forecast. For FY 23, casino revenues anticipated to remain constant.

Restricted Grants-In-Aid

As previously stated, in 2010, as part of the American Recovery and Reinvestment Act, Ohio was allocated $845 million in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to avoid reductions in essential services, including education. These funds are distributed to districts through the state foundation program and are restricted in their use.

The Education Jobs Fund (Ed Jobs) was included as part of federal legislation passed on Aug. 10, 2010. The program provides $10 billion for states to save or create education jobs for the 2010-2011 school year. Ohio is estimated to receive $361 million from this program and monies must be spent by September 2012. Marietta CSD has been allocated approximately $420,127, and 75% of this allocation became available for use in October

2010. These monies were used by the District to supplant general fund paid dollars for salaries and benefits of current teaching or certain administrative staff in fiscal year 2012. For FY13, the amount listed in the forecast represents dollars spent through this grant from July 1, 2012 through September 30, 2012. These funds have not been re-allocated for future fiscal years.

For FY19 and beyond, the forecast has Economically Disadvantage funds and Career Tech funds in this line item which are actually backed out of total guarantee funds.

For Fiscal Year 2020 and 2021 the State distributed Student Wellness Funds. Marietta CSD will receive $250.00 per student in 2020 and $360.00 per student for 2021. These funds are not part of the five year forecast. For FY 2022, the assumption is the District will still receive these funds and they will be added back into the forecast. The District uses these funds to offset salaries and benefits in 2021. Student Wellness Funds are to be part of the 2022-2023 funding formula along with Gifted and English Learners.

In addition to SWSF, ESSER Funds are also available to Districts to help address student learning loss and to assist in COVID 19 related expenses Districts have incurred.

Property Tax Allocation
This is a reimbursement from the state for rollbacks and exemptions on real property and manufactured homes and also tangible tax revenues eliminated by legislation. The real property reimbursements are based upon current calendar year actual and estimate for following years. Manufactured homes property reimbursement is based upon prior year actual. Tangible tax revenue reimbursement has continued to increase as taxes have been phased out. Originally this reimbursement was to be phased over an eight year period starting in FY16. However, based on the current state budget, the phase out of this reimbursement was accelerated to begin in fiscal year 2012. This resulted in the loss of revenues for Marietta City School District of approximately $546,000 in fiscal year 2012 and an additional $413,000 in fiscal year 2013. For FY 2022 and beyond, minimal increases in rollback and exemptions are anticipated but dependent upon collection rates.

All Other Revenue
All other revenue consists of tuition and open enrollment, interest on investments, Ohio Medicaid School Program reimbursements, other revenue and refunds of prior year expenditures. All other revenue is expected to be less in 2018 and moving forward because SERS payments from AVI stopped in February 2017 along with the expense, so it was a net zero gain/loss for the District. Open enrollment (in) will be less in 2018 compared to 2017. The Medicaid program does generate approximately $175,000.00 reimbursement per year. Interest income brought in additional revenue in FY 2019. Open Enrollment loss for 2019 and 2020 was about 50 students or $300,000.00. Interest income increased in 2019 from banks paying a higher interest rate. Interest income in 2021 and 2022 will be much less. In FY 2022 open enrollment (in) will not be part of the forecast and will be distributed by ODE through EMIS reports. This change in accounting for open enrollment (in) along with interest income will create a decrease in

overall funding for Other Revenue beginning in FY 22. For FY 2023, interest income to increase.

All Other Financing Sources
Other financing sources consist of two components, "Return of Advances" and "All Other Financing Sources". It should be noted in the expenditures section under Other Financing Uses there is an Advance Out to other funds, this is done to pay up Federal and State funds which require money to be paid during the months of May and June each year, but where the Ohio Department of Education's cash payment system shuts down in the middle of June for year-end close. Therefore, money is advanced under the expenditure section to cover this short term cash flow interruption and short fall. In this section Other Financing Sources is the estimate of the return of that money previously advanced.

EXPENDITURES

Personal Services
Personal services expenditures represent the salaries and wages paid to certified staff, classified staff, administrative staff, substitutes, tutors, and board members. It also includes payment for supplemental contracts, severance payments, and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education.

As part of a new negotiated agreement approved for fiscal years 2016 and 2017, both the teacher's union and local OAPSE union agreed to a 2.25% base salary increase and 2.0% increase respectively. Salaries increased in FY19 and FY20 because of negotiated salary increases for OAPSE and MEA along with hiring of additional staff. MEA received a 3% increase in 2019 and a new starting salary level of $34,000 for 2020 with step indexes being adjusted. Salaries in 2020 and 2021 will be offset by Student Wellness Funds totaling $386,000 in 2020 and over $500,000 in 2021. The District will be undergoing a consolidation in the fall of 2021. Marietta CSD will reduce two buildings and align the staffing levels to better accommodate student needs. For FY 2021, retirements helped reduce overall salaries. New Teacher and Support staff negotiated agreements were finalized through June 2023. A stipend and 2.25% increases were awarded for both 2022 and 2023 contract years. For FY 2022 and 2023, additional staff will be employed for helping with lost learning from Covid 19 along with mental health issues. These will be paid with ESSER funds through 2023/2024 and the District will have to decide to keep these positions after ESSER funds stop.

During FY15, the District had approximately 15-20 employees retiring and/or leaving the District. While the immediate financial savings of these retirements is not significant (due to severance payments being paid), we expect these changes to reduce payroll over the next few years. Both Union contracts were agreed upon in Spring of 2021. A new three-year contract was approved and will expire in June 30, 2023. The District went through consolidation of two Elementary buildings for the 2022 School Year. A reduction in force occurred. Many positions were re-instated with ESSER funds which will not affect the Five-Year Forecast. These are two year positions and will be reduced when ESSER funds are gone. Retirements moving forward for Marietta City will contribute to overall salaries in the forecast.

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Employee's Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from negotiated agreements. In January 2017, a new Health Savings Account Insurance plan went into effect.

Since 2017, the board has helped offset the cost with monetary contributions to the Health Savings Account and the contribution amount is currently $1,500 for single and $3,000 for a family in 2022 and 2023.

Per current legislation, a "Cadillac tax" may begin taking effect in upcoming years. This tax is based on the total premiums paid on health insurance. If the total dollar amount of these premiums exceed a stated threshold ($10,200 and $27,500 for single and family coverage, respectively), the District would be subject to this tax.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and actual are reconciled after final amounts are determined.

SERS sent notice to all employers to become current in contributions and offered two choices for payment. Districts can choose to make restitution in a lump payment due in June 2010 or through a six-year amortization of the liability. Marietta CSD chose the six-year amortization and as a result will see a $39,932 increase in FY11 that will last six years. This amount was projected as being fully paid during FY16 and thus removed from the forecast in FY17.

Health Insurance is a major driver of Benefits. A 5% reduction was used for medical benefits in 2022 and then a return to an average of 8-10% yearly increases after 2023 moving forward. The District is now including HSA contributions in premiums to sustain the 024 Insurance fund. A 2% decrease in insurance premiums in included in the 2023 forecast.

Purchased Services

This line item contains professional and technical services, travel and meeting expenses, communication costs, utility services, tuition payments (including open enrollment out), pupil transportation and other miscellaneous purchases services. As part of the pre-school program has already been transferred from Ewing School to the school district this is an expense that could grow if the entire pre-school program is transferred from Ewing School. Future years are projected at a 1% increase.

During September of 2010, the District entered into an agreement with Cenergistic (formerly Energy Education Inc.) to partner in an energy savings project designed to save the District energy costs. The total net savings projected by Energy Education for the forecast period amounts to approximately $700,000. As part of this contract, the District paid Cenergistic a fee of $69,600 per year for the first four years of the contract. This fee was completely paid in 2014, and thus, removed from the forecast.

Beginning on July 1, 2015, the District switched from Smart Solutions to Epiphany Management Group to run the District's IT Department at a price of $180,000 per year. Epiphany had a name change to Vinson Group and still is handling the District's IT oversight in 2022. The District installed over 120 A/C units in buildings in FY 2019 and Electric costs are expected to rise. ESC costs also increased in FY 2019. Two major expenses are incurring in the forecast for 2021 and 2022 moving forward which were not anticipated and a result of COVID 19. Due to the District starting school in the fall of 2020 in three cohorts and not returning to every day school, the District has seen an increase in Open Enrolled students out and Community School increases. In 2021 these expenses are direct deducts to the District from monthly payments from Ohio Department of Education Foundation payments. Starting in 2022 however, open enrollment out, community school and scholarships are no longer a part of the forecast and will be paid directly by ODE. The will reduce the purchased service line in 2022. For 2023 forward, purchased services will continue to grow as electric and gas costs are expected to increase along with overall costs for services.

Supplies and Materials
There was a reduction of $160,000 annually starting in FY08 for textbook adoptions which will be paid for by the Permanent Improvement Fund. This line item includes fuel used by the District and custodial supplies. If fuel costs remain high, yearly increases in supplies will need adjusted.

Capital Outlay
For FY23 through FY27 we are projecting minimal increases in capital outlay expenditures.

For FY23 through FY27, most capital expenditures for instructional equipment, technology, buildings repairs, office equipment and buses will be paid for from the permanent improvement levy fund.

Other Objects
Current year anticipated expenditures based upon recent historical trends with future years based upon 2.0% annual increase.

Debt Service

FY 21 – FY 22 - Reflects principal and interest payments for HB 264 energy saving loans. Of note, is that one of the two loans being paid back will be completely paid off in December of 2017. Thus there will be a decrease in debt service expenditures starting in FY19 and HB 264 loan for other loan will end in 2021.

Other Financing Uses
FY 23 – FY 27 - Projected all years for Transfers Out & Advances Out.

Encumbrances
Encumbrances represent purchase authorizations and contracts for goods and service that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

For fiscal years 2023-2027, the District has reduced encumbrances to zero.

Enrollment
FY23 – FY27 –District Enrollment to continue declining. For fiscal year 2016 and 2017, the difference between open enrollment in and open enrollment out was a break-even with equal students open enrolling at other Districts and open enrolling into Marietta CSD. Since FY 19 open enrollment out is increasing as more students leaving than coming to the District. This decline is anticipated to remain constant in forecast projections for enrollment. The number of graduating seniors versus the number of Kindergartener's entering is increasing causing our enrollment to drop at a higher rate, thus affecting the funding formula.

Staffing

FY 18 – Reduction in staffing based on enrollment (7)
FY 19 – Increased staffing levels to provide better education (New Board)
FY 20 – No changes to staffing based on enrollment. Add Student Services Admin.
FY 21 – Staffing levels to be reduced through retirements and attritions (9)
FY 22 – Staffing levels reduced because of Consolidation, ESSER funds allow District to bring back most staff to address student learning loss.
FY 23 - Anticipated staffing levels to increase.

Textbook and Capital Set-Aside Reserves
The District was required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end must be held in cash at year-end and carried forward to be used for the same purposes in future years.

However, HB 30 signed by the Governor on March 31, 2011, eliminated the textbook set-aside requirement; therefore, no textbook set aside reserve is forecasted for FY 2012 and beyond. The District anticipates that no capital and maintenance reserve will exist in fiscal year's due to the District's capital expenditures per year.