

**McCOMB LOCAL SCHOOL DISTRICT
FIVE-YEAR FORECAST ASSUMPTIONS 10/31/08**

REVENUE: FY09 estimates equal the October 2008 estimated SM2 report.

1.010 Real Estate Taxes: No additional tax levies are included for any years in the forecast. FY09 tax revenue equals the Certificate of Estimated Resources dated 9/15/08 from the Hancock County Auditor. FY's 2010, 2012, and 2013 are estimated at a 1/2% increase, which equals the 3-year average. A revenue increase from reappraisal appears in the year following the reappraisal. Reappraisal tax years are 2004 and 2010 and the triennial update tax years are 2001 and 2007. History shows that we have not seen an increase from a triennial update but have received increases from reappraisals. In FY1999 the reappraisal increase was 4% and the increase in FY05 was 3.6%. The average of these 2 years (3.8%) was included for FY11 to account for the reappraisal.

1.020 Tangible Personal Property Taxes: Includes tax losses due to the phase out of tangible personal property (TPP) taxes as a result of HB66, enacted in June 2005. TPP taxes are being eliminated for all general business, telephone & telecommunications, and public utility railroad property. However, HB66 is supposed to replace the lost revenue with full reimbursement the first five years, and after that, over the next seven years the reimbursements will be phased out all together by 2018. This reimbursement is included on Line 1.05 Property Tax Allocation. However, due to the recalculation of TPP tax there is a significant reduction in reimbursement beginning in FY09 – see explanation in line 1.050. FY09 estimates for the totals of TPP Tax (line 1.020) and Property Tax allocation (line 1.050) fall \$150,000 short of FY05 & FY06.

FY09 tax revenue equals the Certificate of Estimated Resources dated 9/15/08 from the Hancock County Auditor.

1.030 Income Tax: There is currently a 1% continuing school district income tax. Also, an additional ½% 5-Year income tax began collection in January 2005 and first received in April. Additional revenue for the passage of the levy was included in Line 1.03 so that growth will be included in the new revenue as well as the old. The additional ½% tax is generating \$330,000 annually (\$82,500 quarterly) based on CY 2007 actual receipts. According to the 10/20/08 OASBO eNEWS, expect to see a 0% increase for FY09 and FY10 income tax receipts and then a return to normal after FY10. The Forecast includes a 1.74% increase for remaining years, which is the 5-year average prior to the addition of the ½% income tax.

The final receipt of the 5-Year ½% Income Tax will be January 2010 (FY10 Line 1.03 is decreased by \$82,500 – the 4th quarter). The tax is expected to be renewed, and the 4th quarter of FY10 is included in Line 11.01 Income Tax – Renewal, for the April 2010 payment. Beginning in FY11 Line 11.01 includes a full year of the renewal of the Income Tax & Line 1.03 is decreased by \$247,500 for the remaining 3 quarters.

1.035 Unrestricted Grants-in-Aid (School Foundation): Unrestricted Grants include basic state aide, special education, transportation, gifted aide (FY06 only), excess cost supplement, parity aid, and other state aid and is based on the district's tax valuation, enrollment, and per pupil funding. FY07 includes the Transitional Aide Guarantee due to the decrease in basic aide. FY09 is the ODE SF-3 dated 10/24/08 less the FY08 SF-3 \$24,934 adjustment being deducted this year, less \$28,660 for 5 less students due to the first day's enrollment of the October count week being less than ODE's projections, less \$24,631 for a

decrease in students and miles for transportation as reported on the FY09 T-1. Remaining years are estimated to increase by 2%.

Note that although, according to the ODE, office of Federal programs on 9/30/08 announced that the Office of Budget and Management is projecting substantial budget shortfalls for the remainder of FY 2009 and to avoid a statewide fiscal crisis, Governor Strickland recently ordered state agencies to cut spending by \$540 million (in addition to the \$733 million in budget reductions announced in January), ODE's priority was to minimize the effect of the reductions on schools and the budget reductions do not apply to SF-3 funding. Therefore, at this time no reductions in School Foundation are included in the forecast.

1.040 Restricted Grants-In-Aid: This includes bus reimbursement and Career Tech funding. FY08 bus reimbursement was \$5,196 for regular and special education busses. FY09 Career Tech funding is estimated using the ODE SF-3 dated 10/24/08 with no increase for bus reimbursement from FY08 . Remaining years are increased by 2%.

1.050 Property Tax Allocation: This is the Homestead and Rollback Exemption and Tangible Personal Property Reimbursement beginning at the end of FY06. FY09 tax revenue equals the Certificate of Estimated Resources dated 9/15/08 from the Hancock County Auditor.

Beginning with a partial payment in FY06 the State Direct TPP Reimbursement payments are included in Line 1.05. Forecast amounts after FY09 are estimated to increase by 2% with phased-in reductions beginning in FY11. In late June 2008 the Budget Corrections Bill included a provision to perform a recalculation of hold harmless payments for the loss of TPP tax. This resulted in a loss for FY09 - down to \$120,662 from \$253,489 in FY08. An adjustment in FY09 for FY08's loss appears on line 5.03 as a refund of a prior year receipt.

1.060 All Other Revenues: Other local revenues include interest earnings (declining in remaining years), Open Enrollment, class fees, fitness center fees, Pepsi commission, tuition, Manufactured Home Taxes beginning in FY06, and all other miscellaneous revenue. Interest rates were fairly high in FY07 and investment earnings totaled \$132,000 and dropped to \$118,000 in FY08. Interest revenue will continue to decrease in remaining years due to the drop in the cash balance and interest rates.

2.01 – 2.06 Other Financing: Advances-In includes grant repayments and in FY06 repayments of \$10,000 from the Permanent Improvement fund and in FY08 \$20,000 from the cafeteria and \$2,000 from the yearbook. Forecasted years include \$5,000 from the cafeteria in FY09 and \$2,000 through FY13 and \$2,000 from the Yearbook in FY09. All Other Financing Sources includes refunds of prior year expenditures.

EXPENDITURES: FY09 estimates equal the October 2008 estimated SM2 report.

3.010 Personal Services (salaries): This includes all salaries, leaves, and stipends. There are 24 pays each year beginning in FY06. FY07 includes one certified and one classified staff reduction and in FY08 staff was reduced by a 1/2 teaching position. FY09 includes staff reductions for 2 certified staff and one administrator who retired. FY10 staffing levels are based on Master Contract provisions and the board will continue to work diligently to provide quality services to our students, while at the same time being pro-active during the recent economic environment. A *base* increase of 2% (average of a 4% increase) was used for remaining years as well as a \$15,000 reduction per year for an estimated savings from retired employees being replaced by new employees.

3.020 Retirement/Insurance Benefits: Fringes include insurances, retirement, SERS surcharge, college tuition reimbursement, worker's compensation, unemployment, and Medicare. All general fund severance payments are paid out of the Severance Fund, 035. Health insurance costs have increased 6% in FY09, and 15%, 19.5%, 10%, and 25% in prior years respectively. FY10 reflects personal services staffing levels and the total of all fringe benefits are projected to increase each year by 7.2%, the 5-year average.

3.030 Purchased Services: These purchases include repairs (copier, phone, AV, computer, instrument, bus, building, and fitness center), building and bus insurance, garbage, electric, water/sewage, natural gas, propane, McComb Reader, SDI tax administration fees, legal expenses, ESC excess costs, meeting/mileage expenses, special education excess costs, vocational co-op., post-secondary tuition, and tuition payments to other districts.

FY07 increased by 9% and FY08 by 12%. New special education agreements were entered into in FY08 for a teacher aide and FY09 for a teacher and transportation. Negotiation costs are incurred every several years. Although typically purchase services are very difficult to control, a freeze will be enacted for FY10 due to the recent changes in the economy and 9.3% (the 5 year average) was used for all remaining years, plus allowances for negotiations in FY09 and FY12.

3.040 Supplies and Materials: Includes supplies (educational, office, AV, computer, testing, fitness center, custodial, building maintenance, and bus), band and choir music, copier paper, software, workbooks, library books and periodicals, bus fuel and oil. Although the 3-year average increase was 6.0%, due to the current economic conditions a freeze will be enacted for FY10 and an attempt will be made to hold the total increase to within 4% for remaining years.

3.050 Capital Outlay: Most equipment purchases will be from the Permanent Improvement Fund. Bus purchases are included in FY08 and FY11, with partial payments coming from the PI fund. \$4,620 was received in FY08 for regular education bus purchases. By fall FY11 \$18,000 is estimated to be received to help purchase a regular ed. bus.

4.01 - 4.06 Debt Service: There is no outstanding general fund debt at this time.

4.30 Other Objects: This includes board professional fees, county board school foundation payments, election expenses, liability insurance, GAAP fees, bi-annual audit fees, and county auditor/treasurer fees. A 9% increase is included each year plus \$25,000 is allotted for audit costs every other year.

5.01 – 5.03 Transfers/Advances Out: Previous years include transfers to the Severance Fund and advances for grants, Cafeteria, and Yearbook funds. No transfers to the Severance Fund are included in the Forecast; there is a current balance of \$240,000 in that fund to help pay for all future severance payments. The \$95,000 in FY09 Other Financing is for the recalculation adjustment of TPP tax reimbursement for FY08 as noted in line 1.050.

20.01 – 20.125 ADM Forecasts: FY09's first day enrollment of the October count week was used to estimate FY09's October enrollment. Forecasted enrollment estimates were calculated by subtracting the most recent graduating class's ADM and adding the 4-year average of the kindergarten ADM.