

LITTLE MIAMI LOCAL SCHOOL DISTRICT
BOARD OF EDUCATION
SPECIAL MEETING
OCTOBER 29, 2007
6:00 P.M.

The Little Miami Board of Education of the Little Miami Local School District, Warren County, Ohio met in special session on October 29, 2007 at 6:00 p.m. at the Little Miami High School Media Center, 3001 U.S. 22 & 3, Morrow, Ohio.

Call to Order and Roll Call

Mrs. Cress called the meeting to order at 6:00 p.m.

ROLL CALL:

Ms. Grice	Present
Mr. Cremeans	Present
Mr. Stern	Present
Mrs. Hamburg	Present
Mrs. Cress	Present

Adopt the Agenda

Ms. Grice moved and Mr. Stern seconded a motion to adopt the agenda.

ROLL CALL VOTE:

Ms. Grice	Yes
Mr. Cremeans	Yes
Mr. Stern	Yes
Mrs. Hamburg	Yes
Mrs. Cress	Yes

MOTION CARRIED.

Resolution 07-149 Five-Year Forecast

Mrs. Cress moved and Ms. Grice seconded a motion to adopt the following five year forecast as presented:

SPECIAL SESSION
OCTOBER 29, 2007

The attached General Fund forecast is based upon years of historical data and a list of assumptions for revenues and expenditures for the five-year period July 1, 2007 through June 30, 2012. This forecast is adopted with the knowledge that it is a work-in progress and with the understanding that it has been adjusted for all relevant factors that the Board is aware of as of 10/26/07. The following revenue and expenditure assumptions are critical to the reader's understanding and use of this five-year forecast.

A series of assumptions were developed in order to arrive at the individual income and expense amounts presented. **These assumptions are based upon information known at the time the projections were developed and will lose some of their validity as we project further into the future.** Extra caution is urged when analyzing the out years of these fiscal projections. Because we are attempting to look four years into the future, several significant assumptions were made that have a significant impact on the bottom line. For example, we assumed 1.5% raises per year in the base salary for all certified staff after the current negotiated agreement expires July 31, 2009. There were also revenue assumptions made regarding state funding. Little Miami received approximately 30% of its total revenues from the state's basic aid formula in FY2007. The current state budget runs through 6/30/09. Significant changes to the tax laws were made in this budget that will affect school districts, including Little Miami, for years to come in regards to taxes on tangible property. In addition, assumptions are made with regard to changes in assessed property value (both real and personal tangible). The assumptions made with regard to state funding and property values significantly affect this forecast, and are made based on information known to the best of the district's knowledge as of 10/26/07.

As we look into the future and try to successfully manage the district's budget, we try to do so while knowing that some items in a school district's budget are controllable, while others are not. For example:

Non-Controllable Budget Variables:

- Inflation
- Student Enrollment
- Judicial Actions
- Legislative Actions
- Other (Natural Disaster, etc.)

Controllable Budget Variables:

- Staffing Levels (Some Legislative Restrictions)
- Salaries (Some Legislative Restrictions)
- Program Offerings (Some Legislative Restrictions)
- Transportation Services (Some Legislative Restrictions)
- Discretionary Spending (Approximately 5% of Budget)

REVENUE ASSUMPTIONS:

REAL ESTATE VALUE ASSUMPTIONS:

Property values are established each year by the County Auditor based on new construction and property value reappraisals or updates. Due to the Triennial Update/Reappraisal, property values are reappraised every 6 years, with a valuation update being performed in the third year between each reappraisal. The Little Miami Local School District encompasses parts of two counties; Warren and Clermont, with the lion share of value coming from Warren County. Of the total property valuation of the district, Warren County property values account for approximately 99%.

A property value reappraisal took place in Warren County in calendar year 2006 for collection in calendar year 2007. A triennial update will take place in Warren County in calendar year 2009 for collection in calendar year 2010. These expected valuation changes have been factored into the projection for district property values and the related property tax revenues.

For collection year 2007, Little Miami Local SD has full voted operating revenue millage of 31.74 mills on residential/agricultural and commercial/industrial property. However, due to the rollback effects of H.B. 920, the district is collecting property taxes for operating revenue at an effective rate of 20 mills, which is the floor/minimum in Ohio.

INCOME TAX:

Little Miami Local School District does not collect any income taxes.

OTHER LOCAL REVENUES:

The district receives other revenue from local sources, including interest income.

Interest income will increase and decrease as the cash position of the General Fund fluctuates over the forecast period and as market interest rates change. Funds are invested in low-risk investments. Predominately, the district's investments consist of government agency bonds, certificates of deposit and interest bearing sweep accounts. Security of the public funds collected by the district is the top priority of the treasurer's office.

STATE REVENUE ESTIMATES:

State Foundation Revenue SF-3 Form:

The per-pupil funding amount in H.B. 119 was set at a 3.0 % increase for FY'08 (\$5,565) and 3.0% for FY'09 (\$5,732). The district has estimated per pupil funding to increase 2.2

SPECIAL SESSION
OCTOBER 29, 2007

% per year in FY'10 – FY'12. These are merely assumptions because we cannot predict the funding levels that school districts will receive from the state legislature beyond FY'09.

As calculated per the provisions set forth in H.B. 119, Little Miami Local SD's Unrestricted State Grants revenue is primarily driven by three factors:

1. Student Enrollment,
2. The Per Pupil Funding amount mentioned above,
3. Property Valuation.

Little Miami's future Unrestricted State Grants have been calculated using projections that are based on both historical data and current knowledge. Little Miami was funded approximately 30% by the State in FY'07.

The district's Student Enrollment has been growing at a varied rate between 4.67% and 7.53% per year over the past 6 years. The district is projecting 5% growth per year in enrollment for future years. The Per Pupil Revenue amount has been projected to increase as per stated above, and the Property Valuation of the district has been projected based on historical trends. Little Miami is primarily in Warren County, which is currently the 2nd fastest growing county in the state of Ohio. The high growth in student enrollment is expected to continue for Little Miami schools.

With property values increasing more rapidly than the district's State Foundation revenue, the burden of funding is expected to shift more toward the local taxpayer. Little Miami is collecting taxes at an effective rate of 20 mills, which is the floor. Due to the State Formula's "assumption" that the district is collecting 23 mills, the district receives Charge-Off Supplement to help offset the millage difference in FY'08. This is the first year the district has received Charge-Off Supplement.

For the past 2 fiscal years (FY'06 and FY'07), the district has been on the "guarantee" in the state funding formula. This means that the district received no new state funding when new students were enrolled up to a certain number. However, the district is not expected to be on the "guarantee" in FY'08.

There is a great deal of uncertainty as to the future of public education funding levels in the state of Ohio. Again, Little Miami is heavily dependant on state funding, so we will be strongly affected by state funding decisions. The state could change the entire funding formula with any new biennial budget. So, schools could be funded very differently come July 2009 (the beginning of the next biennial budget) than they are currently. The assumptions made with regard to state funding are to the best of the district's knowledge as of 10/26/07.

Looking ahead with regard to state funding of schools, there is currently an effort being spearheaded and supported by various school groups (OASBO, OSBA, BASA, OEA, etc.) to put a Constitutional Amendment on the ballot in 2008, which could very much change the way Ohio schools are funded. However, even if this Constitutional

SPECIAL SESSION
OCTOBER 29, 2007

Amendment is passed by the voters, any changes are not expected to take place until approximately 2011 or later.

Again, it is very important to note that the projections in this 5 year forecast are based on **estimates and assumptions** that are made to the best of the district's knowledge as of 10/26/07. It is impossible to predict with certainty what the district's financial picture will look like 3-5 years out.

All of these factors will influence Little Miami's State Foundation revenue in the future. The district's State Foundation SF-3 form can be found on the ODE website.

OTHER REVENUES:

The district anticipates multiple sources of other revenue in this forecast. The first source comes from the state and is in the form of reimbursement for property tax exemptions and rollbacks. This includes the Homestead exemption and the 10% rollback and 2.5% rollback that local taxpayers receive as a "discount" on their property taxes that the state then picks up the tab and reimburses local school districts for this loss. This is anticipated to amount to approx. \$2.16 million in FY'08 and will grow as district property valuations grow (thus increasing the local taxpayers' discount and the subsequent reimbursement amount from the state). The next source of other revenues is from investment earnings. The district anticipates receiving investment earnings based upon the amount of cash the district has on hand over the next 5 years.

The last source of other revenue is in the form of an energy conservation loan that the district will use to construct and implement permanent improvements throughout the district. These proceeds are anticipated to be received in FY'08 and must be spent within 3 years. These improvements include roof replacements, the implementation of new heating/cooling units, and replacement of windows in the district's older facilities at Butlerville, Morrow, Maineville, and Welch Road. These costs have been included as part of capital outlay in the year in which they will be implemented. This will be FY'08 for the roof and heating/cooling improvements and FY'10 for the window replacements. Also, see the note and expense in the Capital Outlay section of this forecast and assumptions.

EXPENDITURE ASSUMPTIONS

Little Miami Local School District has entered into a locally funded construction project after a \$62.5 million bond issue was passed in May 2006. This project includes a new Junior High School, new Intermediate School, additions to the existing High School, and renovations to other Elementary buildings within the district. The renovations are being phased in beginning in FY2008. The High School addition is expected to open in August 2008 (adding 64,499 sq. ft), while the new Junior High School (114,200 sq. ft) and Intermediate School (109,148 sq. ft) are expected to open in August 2009. These new buildings are expected to have an effect on the district's operating expenses beginning in

SPECIAL SESSION
OCTOBER 29, 2007

FY2008 and beyond. These anticipated effects have been factored into this 5 year forecast.

WAGES:

The district employs 3 groups of employees; certified, classified, and exempted employees. The certified staff is represented by LMTA, the classified staff is represented by OASPE Local 516, and the exempted staff does not work with a labor union.

The certified staff's employment contract with the board of education runs through FY'09. The classified staff currently is working without a labor contract, and the exempted staff has salary schedules approved by the through FY'09. These

The LMTA contract calls for a 3% increase in FY'08 and a 4% increase in FY'09. Annual increases from FY'10 - FY'12 are assumed to be 1.5%. The OAPSE Local 516 is working without a contract. They are assumed to receive annual base salary increases of 1.5% for FY'08 – FY'12. The exempted employee salary schedules call for a 2% increase in FY'08 and a 3% increase in FY'09. They are also assumed to receive 1.5% increases for FY'10 – FY'12. In addition to these base salary increases, the district also pays step increases, which have been calculated at approximately 2.43% for FY'08.

The district is growing at a relatively rapid pace, increasing enrollment by between 4.67% and 7.53% over the past 6 years. Along with this growth comes a need for additional teaching, classroom, and administrative staff. In addition, the new facilities being added by the district will call for additional custodial and maintenance staff as well.

All of the above factors play into the anticipated wage increases in this 5 year forecast. The staffing additions/deletions assumptions included in this forecast are as follows:

Additions:

- 8 new teachers per year for FY'09 – FY'12
- 1 new grounds staff in FY'09 and 1 new in FY'10
- 3 new bus drivers per year for FY'08 – FY'12
- ½ new custodian for FY'09 and 10 new custodians for FY'10 with the addition of 223,348 square feet of new building space.
- 4 secretaries in FY'08
- 1.5 new classroom aides per year for FY'09 – FY'12

Subtractions:

- Part time curriculum coordinator to retire and not be replaced at the end of FY'09
- 1 Elementary School Principal to retire and not be replaced at the end of FY'09
- 1 Middle School Principal to retire and not be replaced at the end of FY'10.

FRINGE BENEFITS:

SPECIAL SESSION
OCTOBER 29, 2007

The two primary components of fringe benefits are medical insurance and retirement costs. The district provides full or partial coverage for medical, dental, vision, and life insurance.

STRS/SERS and Medicare costs are calculated as a flat percentage of wages. Medical insurance costs and increases vary year to year as a result of various factors (claims, changes in coverage, etc.).

Effective January 1, 2007, the certified staff changed insurance plans from a traditional fully insured plan to a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). This change has made a positive impact on lowering the district's health insurance premiums not only for 2007 but also for years to come.

The OAPSE Local 516 remain on a more traditional health plan, and the Board of Education is currently in contract negotiations with the OAPSE union after which there are anticipated to be changes in their health insurance coverage. Some of the exempted employees are currently on the HSA plan, and the remaining exempted staff will change to the HSA plan effective 1/1/08.

The district's medical insurance renews on January 1st each year. The 1/1/08 renewal is expected to include an 11.5% increase in medical insurance premiums. Going forward, the district is anticipating a 13% annual increase in medical insurance premiums for FY'09 – FY'12.

The LMTA contract includes Board contributions to the certified staff's Health Savings Accounts. These contributions are as follows:

Type	2007	2008	2009
Family	\$3,107	\$1,000	\$1,000
Single	\$2,200	\$500	\$500

These contributions have been factored into the total cost of health insurances in this forecast as well.

Per STRS/SERS guidelines, Little Miami pays 14% of each employee's wages into the applicable retirement system (STRS or SERS), and pays the employee share (10%) for some exempted employees as well. This percentage has been projected to remain the same for the upcoming years for purposes of this forecast. Medicare is calculated at 1.45% of wages and has been projected to continue at that rate. In addition, worker's compensation premiums have been estimated at 0.5% (.005) of wages.

PURCHASED SERVICES:

SPECIAL SESSION
OCTOBER 29, 2007

Purchased services include services such as utilities, repairs, tuition and many others. The district estimates spending \$3.09 million on purchased services in FY'08, \$3.33 million in FY'09, and \$3.85 million in FY'10. These estimates include annual increases of 3.5%.

As stated above, the district is in the process of adding 2 new buildings, adding on to the existing HS, and renovating parts of the remaining buildings. With these new additions, the district expects utility costs to increase as well. An additional \$120,000 has been added for the new HS addition, and \$400,000 has been added for the Junior High and Intermediate Schools.

Tuition is paid to other districts for LM students that desire to attend elsewhere through open enrollment or to Community Schools. Little Miami does not allow students to attend the district via open enrollment, and therefore, only loses revenues and does not gain them due to open enrollment. The district expects to pay out \$186K for open enrollment (approx. 34 kids) and \$574K (approx. 84 kids) for Community School tuition in FY'08. These items continue to grow annually and draw more dollars away from the district.

SUPPLIES & MATERIALS:

Supplies and materials include teacher resources, student supplies, maintenance supplies, fuel and many other items. Little Miami expects to spend approximately \$917,000 in FY'08 and \$944,000 in FY'09. The district expects spending to increase 3% per year through FY'12.

CAPITAL OUTLAY:

The district anticipates receiving an energy conservation loan to construct and implement permanent improvements throughout the district. These proceeds are anticipated to be received in FY'08 (approximately November) and must be spent within 3 years. These improvements include roof replacements, the implementation of new heating/cooling units, and replacement of windows in the district's older facilities at Butlerville, Morrow, Maineville, and Welch Road. These costs have been included as part of capital outlay in the year in which they will be implemented. This will be FY'08 for the roof and heating/cooling improvements and FY'10 for the window replacements.

Capital outlay expenses include expenses for any item that has a useful life of 5 years or greater, including equipment, technology, school buses, etc. The district is required to spend a minimum amount on capital outlay each year. This minimum is calculated by ODE based on the requirements of S.B. 345. The minimum amount required for Little Miami for FY'08 is approximately \$550,000 and is expected to increase slightly each year going forward. If this amount is not met, the district carries either a balance or deficit from year to year. However, the district also has a Permanent Improvements Fund

SPECIAL SESSION
OCTOBER 29, 2007

and anticipates that these amounts will be met and spent out of the P/I Fund rather than the General Fund. Therefore, these expenses are not included in this forecast as the forecast does not include P/I expenditures.

INTEREST AND FISCAL CHARGES:

Little Miami paid interest charges of \$66,535 in FY'07 related to borrowings for short term cash needs. The district anticipates these short term cash needs continuing in future years as well, and these borrowings take place at current market interest rates.

TRANSFERS/ADVANCES:

Transfers and advances are needed from time to time to cover any other funds that may have a cash need. These transfers and advances vary from year to year and each one is approved by the Board of Education.

ENCUMBRANCES:

These are outstanding purchase orders that have not been approved for payment as goods or services were not received in the fiscal year in which they were ordered. These items are expected to be paid in the next fiscal year.

ENDING UNENCUMBERED CASH BALANCE:

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 cash balance is a violation of 5705.412, ORC, punishable by personal liability of \$10,000.

ROLL CALL VOTE:

Mr. Cremeans	Yes
Mr. Stern	Yes
Mrs. Hamburg	Yes
Mrs. Cress	Yes
Ms. Grice	Yes

MOTION CARRIED.

Adjournment

Mr. Cremeans moved and Mr. Stern seconded a motion to adjourn the meeting.

ROLL CALL VOTE:

SPECIAL SESSION
OCTOBER 29, 2007

Mr. Stern
Mrs. Hamburg
Mrs. Cress
Ms. Grice
Mr. Cremeans

Yes
Yes
Yes
Departed at 6:40 p.m.
Yes

MOTION CARRIED.

The meeting adjourned at 6:49 p.m.

Nona Cress, President

Shaun Bevan, Treasurer