Executive Summary

Sylvania Schools is expected to maintain a balanced budget and sufficient cash reserves in fiscal year 2020. Both are essential components to long term fiscal health. Operating within a carefully developed fiscal spending plan is a district wide commitment. Based on current projections, expenditures begin to outpace revenues in fiscal year 2022. With this in mind, it is necessary to continue proactively identifying ways to lower costs while maintaining valuable educational experiences for students. Postponing deficit spending will ultimately prolong the need to return to voters to approve a new levy.

The much anticipated state biennial budget was released in mid-July. Despite much discussion focused on addressing key inequities in public funding, in the end meaningful change was put on hold. The District was disappointed to learn the new budget was even less appealing than the last. One significant change in the budget is the elimination of the funding cap limit. In its place, a less than robust funding formula for enrollment growth was added. In addition, many funding components were frozen at fiscal year 2019 levels such as special education and transportation. Flat funding special education and student transportation could prove costly should enrollment increase in fiscal years 2020 and 2021. Providing adequate resources to public schools would have greatly benefited Sylvania Schools and helped to maintain the District's revenue base.

Income and Expense Simplified Statement - Projected Fiscal Years

	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Beginning Balance	20,999,691	23,229,198	24,196,255	22,131,058	16,684,750
+ Revenue	93,684,389	95,841,291	96,827,497	97,558,524	98,392,303
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(91,454,882)	(94,874,234)	(98,892,694)	(103,004,832)	(107,384,973)
= Revenue Surplus or Deficit	2,229,507	967,057	(2,065,197)	(5,446,308)	(8,992,670)
Ending Balance	23,229,198	24,196,255	22,131,058	16,684,750	7,692,080
Revenue Surplus or Deficit w/o Levies	2,229,507	967,057	(2,065,197)	(5,446,308)	(8,992,670)
Ending Balance w/o Levies	23,229,198	24,196,255	22,131,058	16,684,750	7,692,080

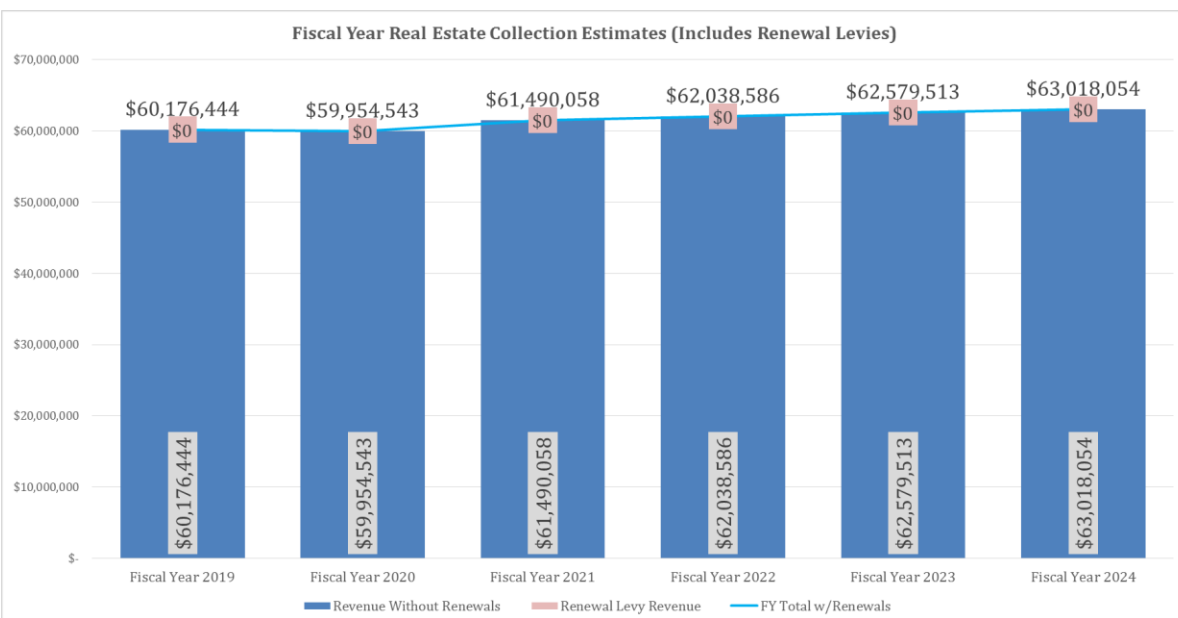
Revenue

Real Estate Revenue

Real estate revenue is the largest funding source for the district and generates approximately 65% of total revenue. Lucas County went through a reappraisal in 2018 and assessed values increased just over 10%. However, the increase to assessed values is expected to be offset considerably due to the influx of requests from homeowners to lower home values filed with the Board of Revision. When home values are lowered the homeowner is issued a refund which is deducted from real estate collections paid to the District. Due to the volume of requests to decrease property values this year, refunds are expected to be significantly higher in fiscal year 2020, lowering property tax receipts.

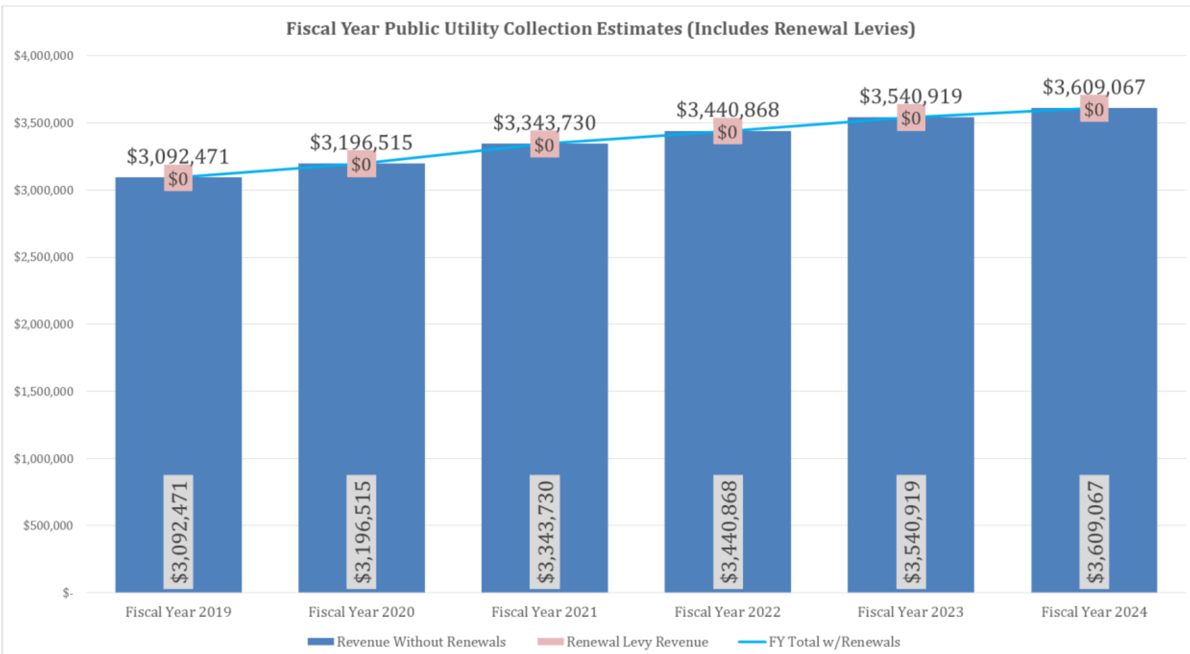
While systematic reappraisals produce a minimal increase in tax revenue, maintaining correct values protects the district's tax base. Assessed values are used to calculate the appropriate millage for levies. When assessed values fall below levels used to determine millage amounts for levies, the levies collect less than what voters approved. This occurred after the triennial update in 2009 and the reappraisal in 2012. In both instances, values dropped below that which was approved by voters for three existing levies. The financial impact to the district is a shortfall of $2.2 million each year.

Another factor affecting this year's tax receipts is an anticipated change in tax status of a commercial property with an assessed value of over $9,000,000. Once exempt status for this property is approved, a refund in the amount of $1,535,000 will be issued and taxes will no longer be collected for this property. This change lowers real estate tax revenue approximately $1,800,000 in fiscal year 2020.



Public Utility Personal Property (PUPP)

Public Utility Personal Property consists of personal property of a small group of utility companies that conduct business in the district. PUPP values have increased annually on average 12.5% the past five years from the expansion of primarily two companies, Columbia Gas of Ohio and American Transmission System (a subsidiary of First Energy). In fiscal year 2020, preliminary values estimate an increase of 6.4%. Estimates for fiscal years 2021 through 2024 include an annual estimate of 3% each year.



Unrestricted Grants In Aid – State funding

The amount of state funding a district receives is based on a comprehensive calculation that is driven primarily by student enrollment and the property wealth of the district. Simply stated, the wealthier a district, the less state funding it receives. In the 2013-2014 fiscal year, the funding cap limit became part of the state funding calculation. The funding cap limited the amount of growth a district could receive from one year to the next. As a result of the cap limit, Sylvania Schools was underfunded over $22.5 million during the fiscal years 2013-2019.

The biennial budget that went into effect on July 1, 2019, includes key changes to schools funding for fiscal years 2020 and 2021. In this budget, the state moved away from a base aid formula calculation and eliminated the funding cap. Public schools will receive funding equal to what was received in fiscal year 2019 in both years of the budget. Funding for special education and transportation will be frozen at the fiscal year 2019 level, not allowing for increases to student population. New funding components, Student Wellness and Success and Growing District Aid, add approximately 2.8% in funding in 2020 and 4% in 2021. Student Wellness and Success funds will be accounted for in a special fund and excluded from the forecast.

Estimates for fiscal years 2022-2024 were projected using the current funding model.

Restricted Aid

Restricted aid is provided by the state and assigned to specific educational programs such as Career Tech and Catastrophic cost reimbursement. The largest share of restricted funding is for Career Technical programs. The current budget allocates funding for CTE programs at the 2019 level and does not provide for new/additional programs or increases in enrollment. Catastrophic costs reimbursement is state funding for special education students whose costs exceeded $27,375 or $32,850 in the prior year. Projections for CTE funding for fiscal years 2020 - 2024 is based on what was received in fiscal year 2019 and funding for Catastrophic costs reimbursement assumes flat enrollment with minimal annual increases.

Property Tax Allocation

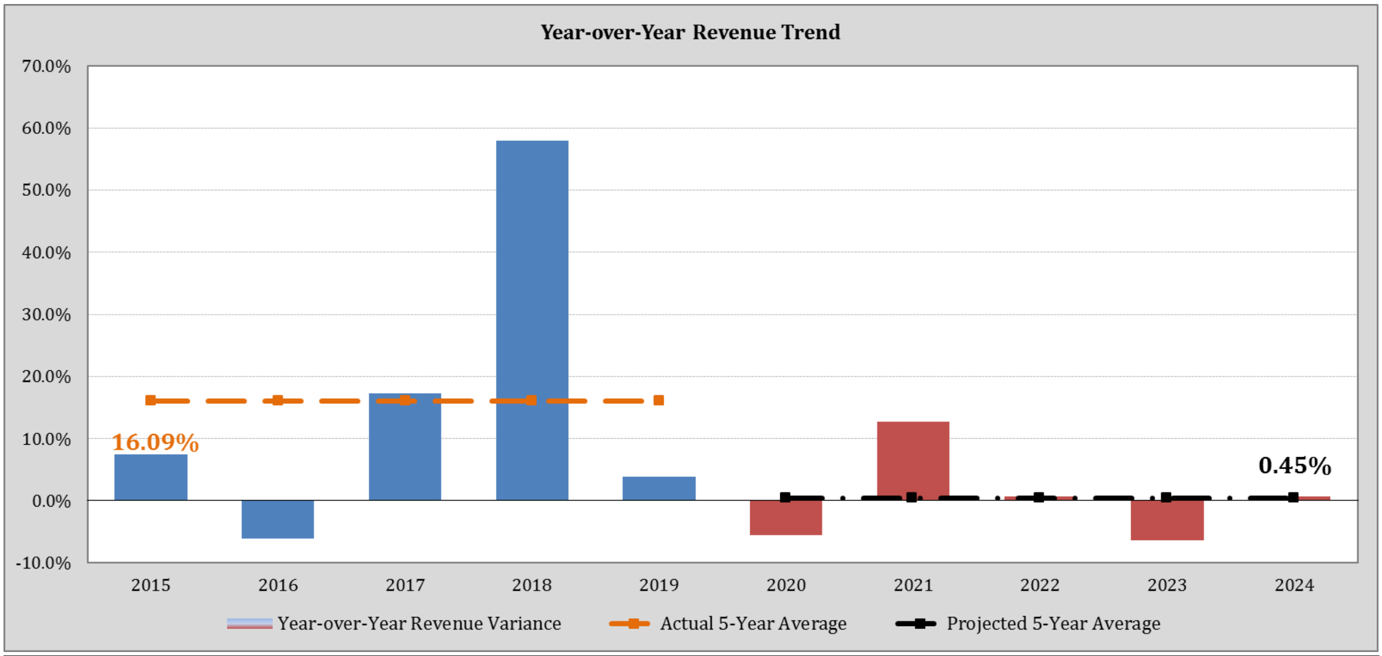
Property Tax Allocation payments are made from the state to school districts to reimburse revenue lost due to property tax relief programs granted by the state to taxpayers under the 10% and 2.5% property tax rollback programs and the Homestead Exemption program. In fiscal year 2019, the payment received for homestead exemption reimbursement dropped 12.75% compared to the prior year. The decline is expected to continue and has been estimated in each year of the forecast.

All Other Operating Revenue

All other operating revenue includes revenue from various sources such as tax abatements, Medicaid reimbursement, manufactured homes tax revenue, athletic and co-curricular participation fees, tuition paid by other districts, etc. Factors impacting revenue in fiscal year 2019 include an adjustment for the timing of tuition payments from 2018 and an increase in interest income. Medicaid reimbursement in fiscal year 2020 has been reduced by 50% because the district will not receive a settlement payment for fiscal year 2017. Fiscal years 2021 and 2022 include a donation from ProMedica in the amount of $250,000 each year. The donation reimburses the General Fund for the

FY19 transfer in the amount of $500,000 to the Permanent Improvement Fund for construction of the Northview Wellness Center. All other estimates are based on historical increases/decreases for this revenue source.

All Other Revenue



Expenditures

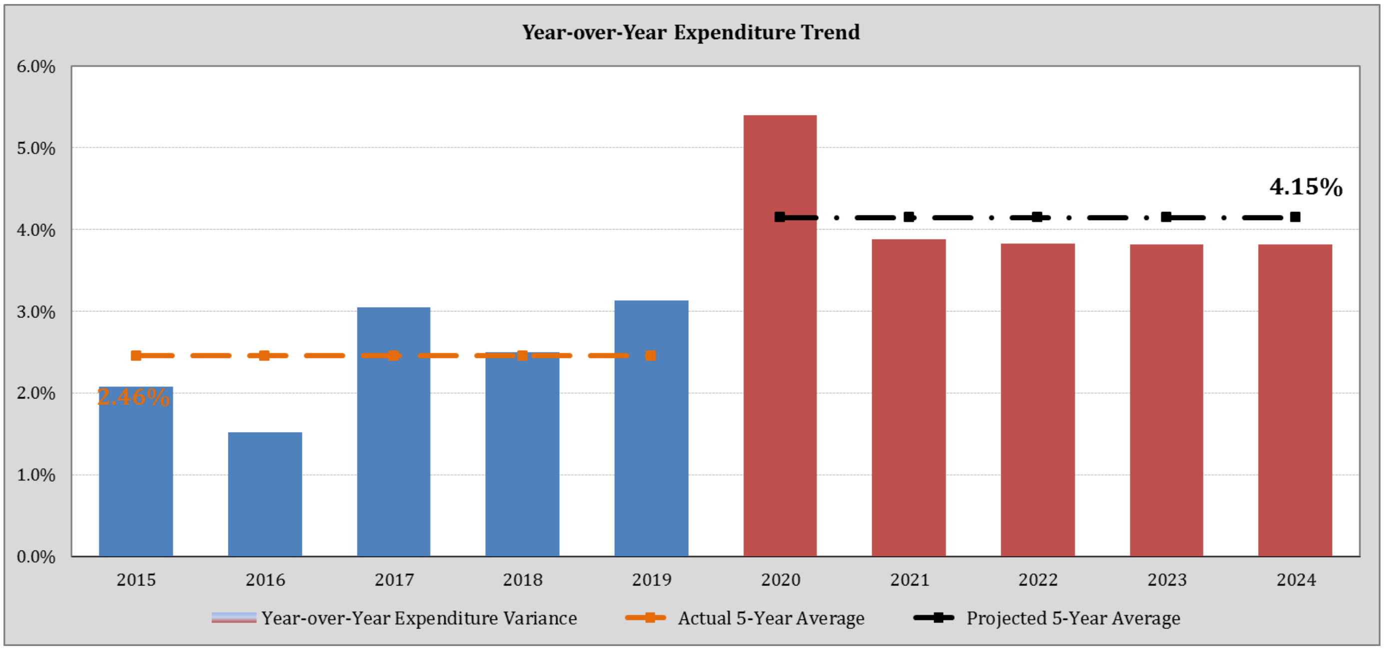
Personnel Services

Personnel Services encompasses all forms of salaries and wages paid to District employees. Collective bargaining agreements are in effect through June 30, 2020 with the Sylvania Education Association and OAPSE through June 30, 2020. Base increases for all employees for the contract period are as follows:

FY2018 – 3.00%, FY2019 – 1.25%, FY2020 – 1.25%

Salaries and benefits equaled 81.4% of total expenditures in fiscal year 2019. Included in salaries/wages estimates are contractual obligations for steps, experience level advances and longevity across all employee groups. The savings from anticipated employee retirements have been included in salary estimates through the end of the forecast period. Additionally, proposed increases to personnel beyond fiscal year 2020 include staffing priorities identified by the district's leadership team for implementation in future years. Any increase to staffing levels is done after careful examination of educational or operational need and with great consideration to cost.

Personnel Services



Employees' Retirement/Insurance benefits

Retirement - The employer's share of retirement contributions is proportional to anticipated growth in salary costs.

Insurance – The district is currently under a multiyear contract with Paramount for health and vision insurance. The agreement includes the following annual premium increases:

Calendar year 2019 = 4%, 2020 = 0%, 2021 = not to exceed 8%.

Estimates for future years – Calendar year 2022 = 8%, 2023 = 8%, 2024 = 8%

To further reduce health insurance costs, on January 1, 2019, the district transitioned to a four-tier plan offering for all employee health insurance plans and implemented a spousal carve out provision. The result of these changes is reflected in cost estimates within the forecast.

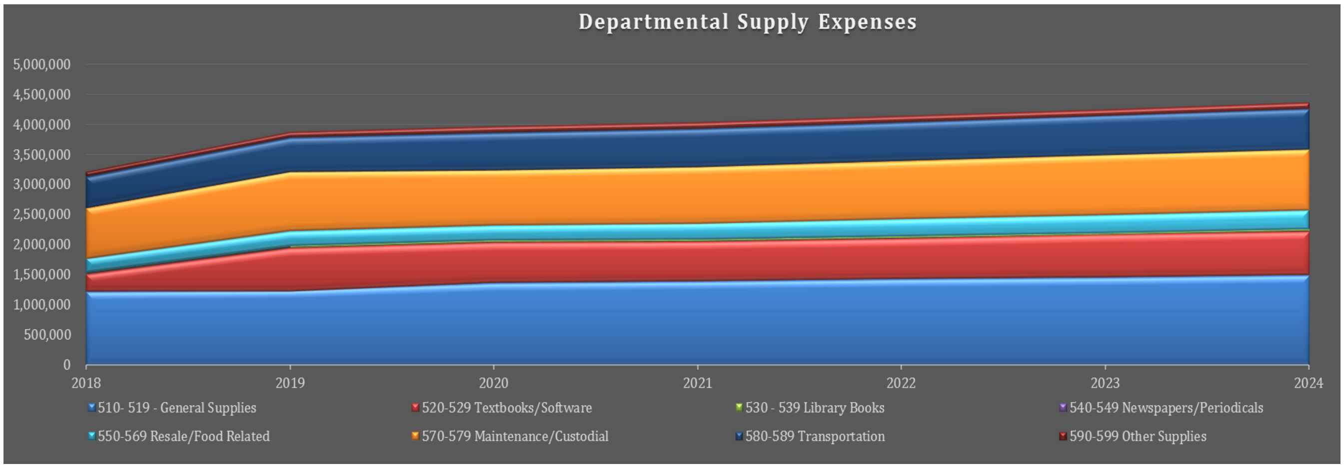
Purchased Services

Purchased Services includes expenditures for legal fees, contracted services with the Educational Service Center, maintenance and repairs to buildings, utilities, tuition paid to other districts, copier maintenance agreements, professional development for staff, postage, open enrollment, College Credit Plus tuition, pupil transportation, ITC services, etc. Beginning in fiscal year 2020, tuition costs will increase to accommodate Ed Choice payments to parochial schools. Estimates for fiscal years 2021-2024 are based on actual data and historical trends for all purchased services.

*The current state biennial budget includes Student Success and Wellness Funds. The accounting of these funds will be separate from the General Fund and outside of the Five Year Forecast. The District will use Student Success and Wellness Funds for nurse services and other appropriate expenses that are normally recorded as purchased services expenditures. The expenses charged to Student Success and Wellness Funds will reduce costs to the purchased services line item in the Five Year Forecast in each year of the forecast.

Supplies and Materials

Supplies and materials expenditures encompass both instructional and operational purchases. Beginning in fiscal year 2018, the District increased its investment in instructional materials by reestablishing a textbook replacement schedule, increasing building supply budgets and expanding technology curriculum. In fiscal year 2019, there was a one-time purchase of transportation equipment and the implementation of a district wide furniture replacement budget. In addition, increases were also experienced in the transportation department in fiscal year 2019. However, these increases were related to accounting practices that increased supply expenditures but decreased purchased services costs. Estimates for future years are based on current trends and historical data.



Capital Outlay

Capital outlay includes purchases for all operational and instructional equipment. In fiscal year 2019, an equipment replacement budget in the amount of $100,000 was implemented to address needs for new and replacement equipment in the buildings. In fiscal year 2020 a cost increase of 25% is projected to accommodate carryover of a portion of 2019 funds. A 2% increase is estimated in years 2021-2024

Other Objects

Other objects includes expenditures for audit costs, professional memberships, auditor/ treasurer fees, election expenses , fleet/liability insurance, and other similar expenditures. The largest expense is auditor/treasurer fees, totaling 65% of costs in this line item. All other increases in fiscal years 2020-2024 are based on historical data and current trends.

Other Uses of Funds

In fiscal year 2019 funds in the amount of $500,000 were transferred from the General Fund to the Permanent Improvement Fund for the Northview Wellness Center project. The amount transferred ($500,000) will be repaid to the General Fund in 2020 and 2021 in $250,000 installments from ProMedica. The donation amount is included in Other Revenue in the forecast. Beginning in fiscal year 2020, an allocation has been included to retire debt earlier than scheduled for renovations specific to educational initiatives.

Encumbrances

Encumbrances at the end of each fiscal year are estimated at $500,000.