Executive Summary

Sylvania Schools experienced a strong start to the year after ending fiscal year 2018 with adequate cash reserves and a balanced budget. This combination permits the administration to reach educational goals such as maintaining lower class sizes and addressing socioeconomic barriers in classrooms that impact student achievement. Looking ahead to fiscal year 2021, it is projected that the district begins to outspend revenue. With this in mind, it is critical that considerations are made to reduce costs to maximum the life of the cash balance.

The current state biennial budget went into effect on July 1, 2017. Budget constraints at the state level were passed to public schools through reduced funding. Sylvania Schools realized a drop in state aid through a reduction to the the funding cap limit and transportation funding. This will result in a loss of nearly $3 million dollars in the budget period that covers fiscal years 2018 and 2019. The loss of these anticipated funds places pressure on the district's financial resources. With the election of a new governor, public schools are hopeful that key funding inequities begin to be addressed in the succeeding biennial budget.

A successor collective bargaining agreement was ratified last year with the Sylvania Education Association and OAPSE, for the period beginning July 1, 2017 through June 30, 2020. Both agreements reflect base increases in each year of the contracts and health insurance concessions to include a spousal carve out provision that will take effect on January 1, 2019.

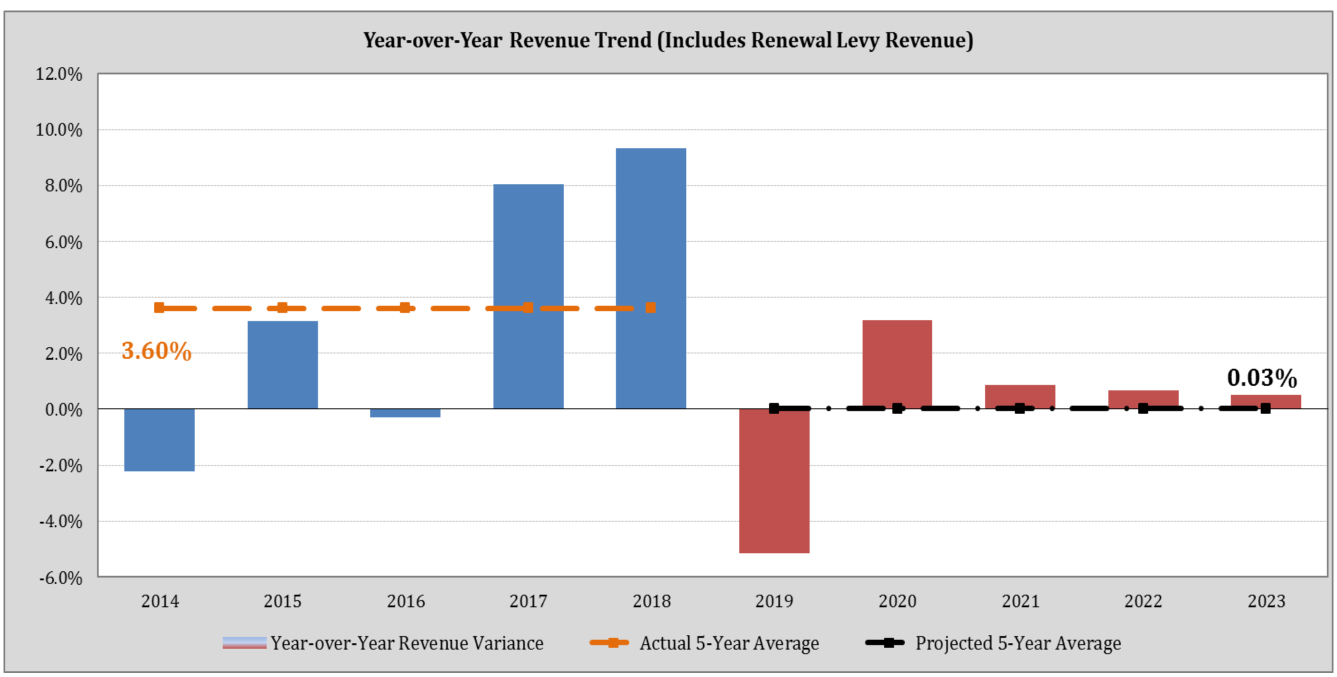
	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Beginning Balance	15,161,640	17,714,859	18,613,216	17,524,478	13,750,625
+ Revenue	92,492,763	94,723,060	96,066,240	97,405,985	98,672,611
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(89,939,544)	(93,824,703)	(97,154,978)	(101,179,838)	(105,417,828)
= Revenue Surplus or Deficit	2,553,219	898,357	(1,088,738)	(3,773,853)	(6,745,217)
Ending Balance	17,714,859	18,613,216	17,524,478	13,750,625	7,005,408
Revenue Surplus or Deficit w/o Levies	2,553,219	898,357	(1,088,738)	(3,773,853)	(6,745,217)
Ending Balance w/o Levies	17,714,859	18,613,216	17,524,478	13,750,625	7,005,408

Revenue

Real Estate Revenue

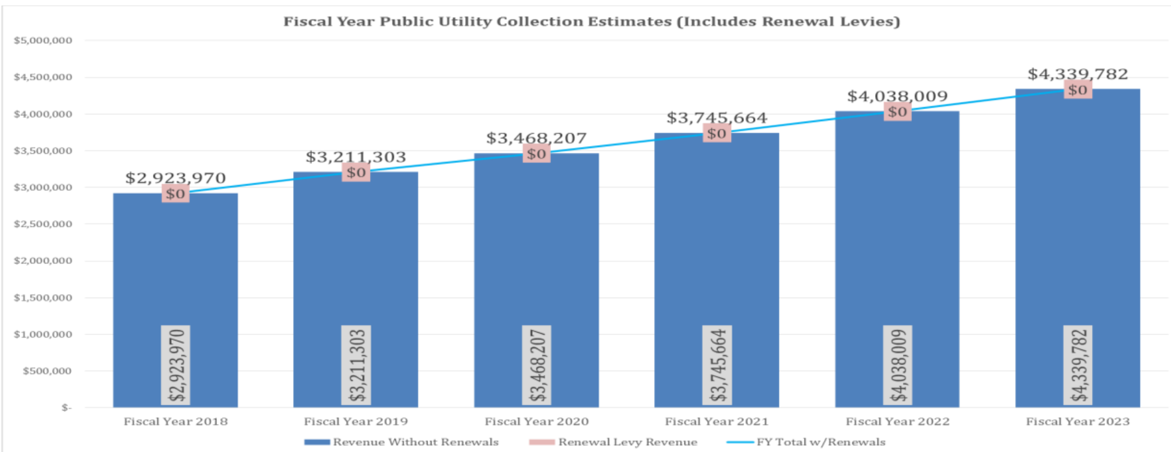
Real estate revenue is the largest funding source for the district and generates approximately 65% of total revenue. Lucas County will undergo a reappraisal in 2018 and triennial update in 2021. Initial estimates for the 2018 reappraisal suggest strong increases to home values. However, the increase is expected to diminish considerably as a result of direct negotiations between homeowners and the Lucas County Auditor. While systematic reappraisals bring about minimal revenue growth, 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 that were used to determine millage amounts for levies, the levies collect less than what voters approved. This occurred after the triennial update that took place in 2009 and the 2012 reappraisal. In both instances, values dropped below that which was approved by voters for three existing levies. The financial impact to the district is a permanent loss of $2.2 million each year. This loss contributed to the need to return to the ballot sooner seeking additional funds.

In the current fiscal year, it is estimated that real estate collections will experience a decline of approximately 5.1%. Changes to tax laws in calendar year 2018, resulted in an influx of real estate revenue received in the 2018 first half collection. In turn, this triggered a decline in the 2018 second half collection received in fiscal year 2019. Furthermore, it is anticipated that over $10,000,000 of commercial real estate will be granted tax exempt status this year. This will result in a decline in tax revenue of over $500,000 and generate a refund of prior taxes totaling $1,060,000.



Public Utility Personal Property (PUPP)

Public Utility Personal Property consists of personal property of a handful of utility companies that conduct business in the district. The last three years PUPP values have increased an average of 18% due to the expansion of personal property of primarily two companies, Columbia Gas of Ohio and American Transmission System (a subsidiary of First Energy). Estimates for future years include growth of 7-8%, which is more closely aligned with historical increases and accounts for average deprecation of property.



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 limit restricts the amount of additional funding a district may receive from one year to the next. In the current biennial budget, the funding cap limit was reduced from 7.5% to 3%. The cap limit has effectively reduced the state aid amount nearly $3 million in fiscal year 2019. Since the implementation of the funding cap limit, Sylvania Schools has been underfunded over $22.5 million in state aid. Estimates for fiscal years 2020-2023 were projected using the current funding model and cap limit.

Restricted Aid

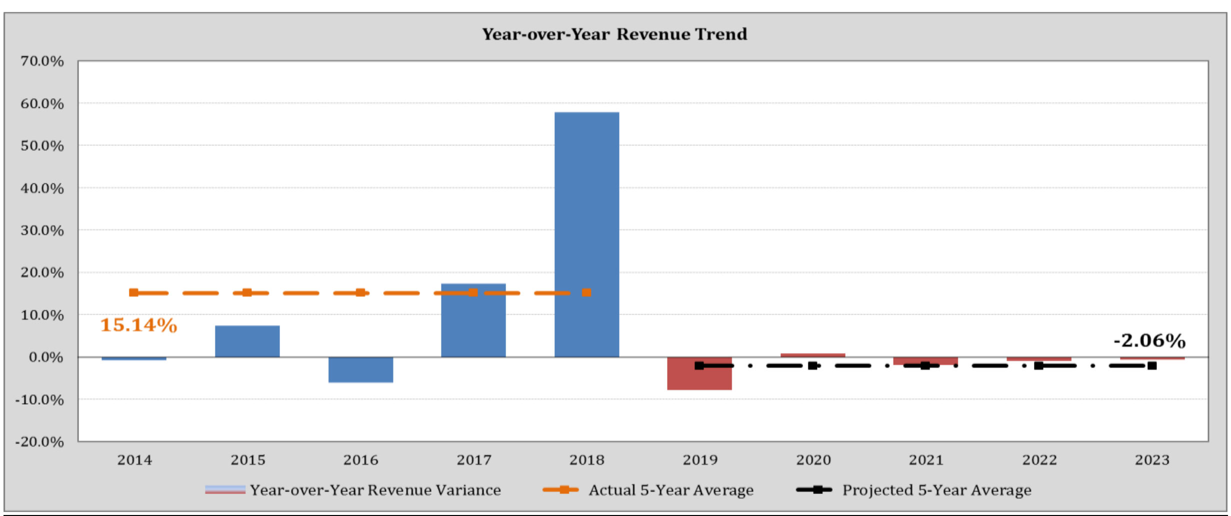
Restricted aid is provided by the state and assigned to specific educational programs. The largest share of restricted funding the district receives is for its Career Technical programs. In addition, Sylvania Schools receives Economic Disadvantaged funding to help support initiatives targeted at addressing poverty and its effects on educational programs. Restricted aid is required to be spent according to the parameters set forth in legislation. Expenditure reports are submitted to the state to verify funding was allocated and spent appropriately. Beginning in fiscal year 2017, catastrophic costs reimbursement was reclassified to restricted aid. Catastrophic costs reimbursement is state funding for special education for those students whose costs exceeded $27,375 or $32,850 in the prior year. Projections for fiscal years 2019 -2023 are based on stable enrollment and minimal annual increases.

Property Tax Allocation

Property tax allocation is a state revenue source for real estate rollback and homestead exemption credits extended to taxpayers. This revenue is driven by property values with revenue increasing marginally in years when reappraisals and triennial updates occurred. The district received additional revenue as a result of the new operating levy passed in November 2016.

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, includes an adjustment for the timing of tuition payments and an increase in interest income Estimates for future years are based on historical increases/decreases for this revenue source.



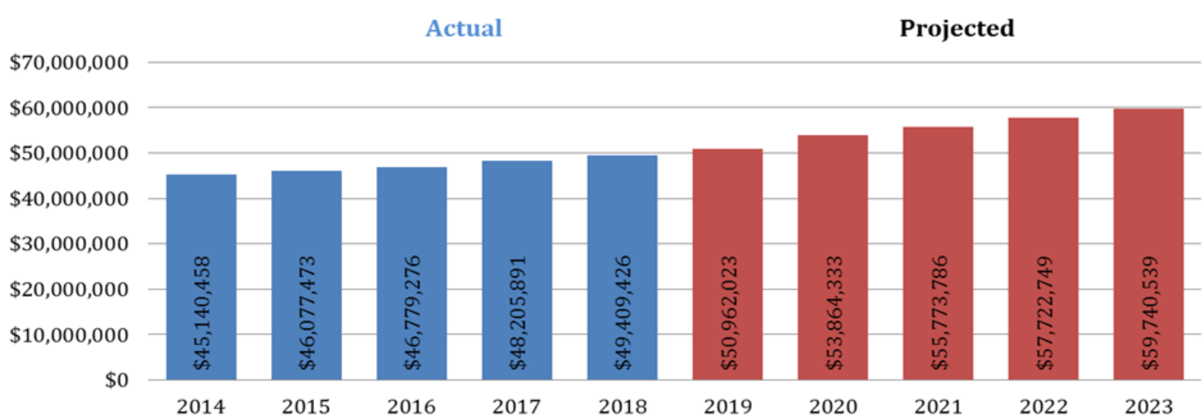
Expenditures

Personnel Services

Personnel Services includes all salaries and wages paid to employees. Salaries and benefits make up 82.7% of total expenditures. The district entered into successor agreements with both the SEA 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%

Estimates for wages also include 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 2019 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.



Employees' Retirement/Insurance benefits

The employer's share of retirement contributions is directly related to total salary costs. The district recently entered in to a multi-year agreement for health and vision insurance with rates set as follows:

2019 – 4%
2020 – 0%
2021 – Not to exceed 8%

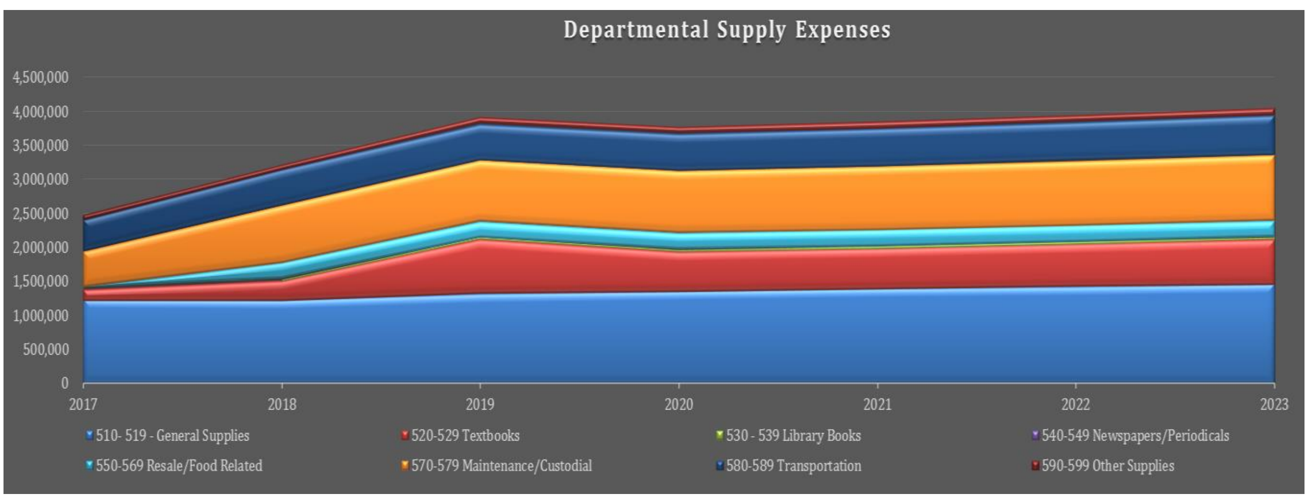
An increase of 10% has been estimated for fiscal years 2022 and 2023. Beginning in January 2019, spousal carve out will go into effect for the district's health insurance plans. It is anticipated this will further reduce health insurance costs.

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. In fiscal years 2019-2023, estimates are based on historical trends for tuition, utilities and all other purchased services.

Supplies and Materials

Supplies and materials include all expenditures associated with operational and instructional supplies and materials purchases. A textbook replacement schedule was reinstated in fiscal year 2018 and includes a budget of $400,000 in each year of the forecast. In fiscal year 2018, just over 50% of the textbook budget went unspent and was carried over to fiscal year 2019. This created a onetime increase to this expenditure category. In addition, $110,000 was invested in building budgets in the current year for student instructional materials. Estimates for future years are based on historical data and current trends.

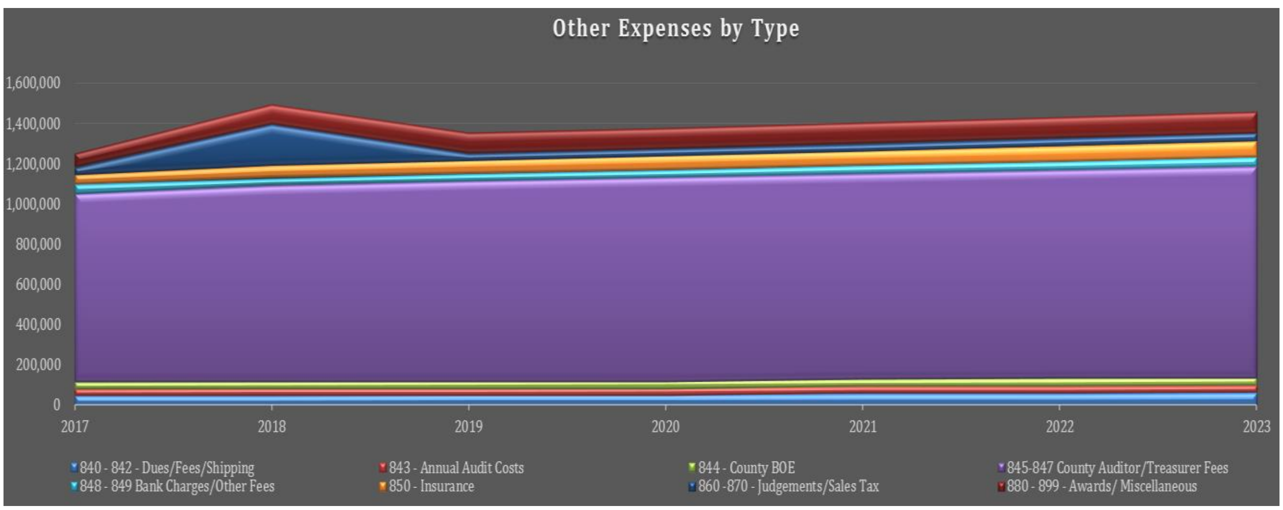


Capital Outlay

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 future years, an increase of 5% has been estimated in fiscal years 2020-2023.

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. A one-time payment in 2018 caused expenditures to spike this year. Increases in fiscal years 2019-2023 are based on historical data and current trends.



Encumbrances

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