Executive Summary

Ohio is steadily rebounding from the abrupt shut down that crippled the economy in early 2020, reducing Ohio's education budget $300 million. Sylvania Schools' share of the reduction was $1.7 million in 2020 and 2021, a combined total of $3.4 million. Since reopening in June, Ohio's economy has demonstrated consistent strength fueled by pent up consumer demand and declining unemployment. State revenue through tax collections, continue to outperform estimates. As of November 4, 2020, Ohio was ranked the 5th highest on the "Back-to-Normal Index" created by Moody's Analytics and CNN. In comparison, the national index was at 80.0% while Ohio's index was at 85.7%.

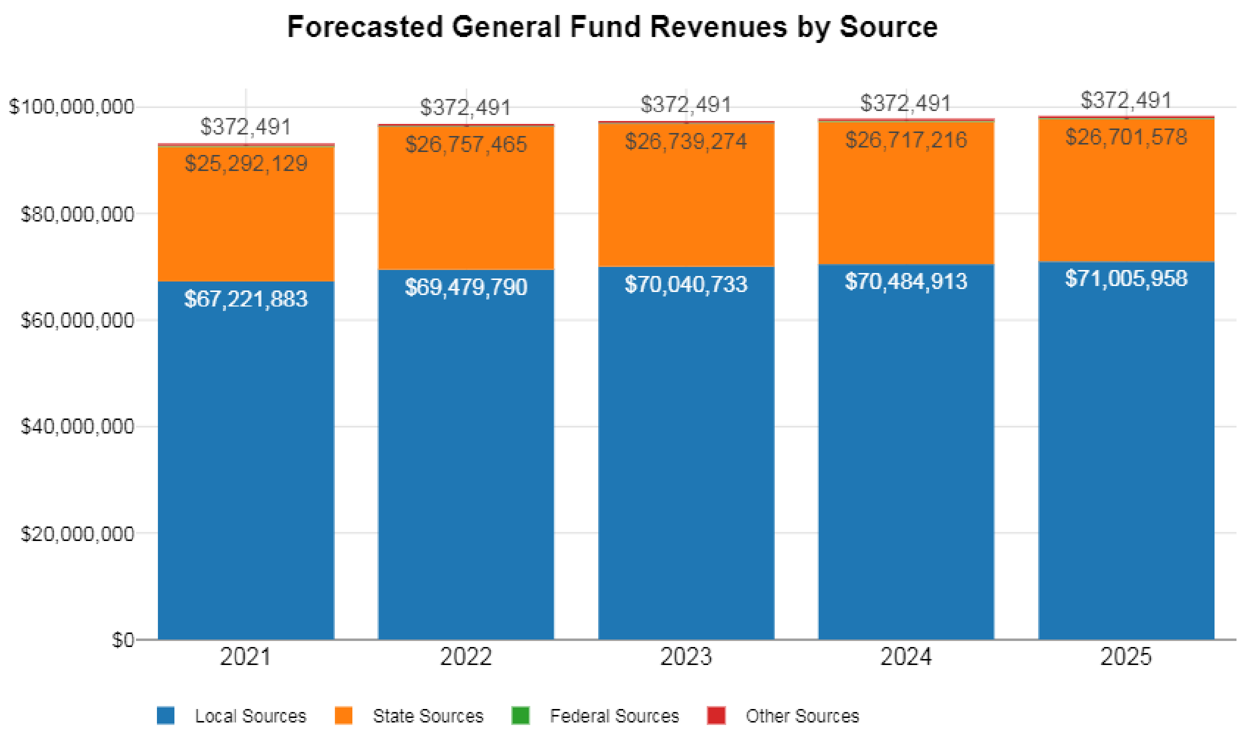
Sylvania Schools started fiscal year 2021 prepared to deliver instruction in a nontraditional learning environment. District leaders were tasked with developing a range of diversified learning opportunities that prioritize the health and safety of staff and students. This means investing in instructional materials that support remote learning and purchasing physical barriers that accommodate social distancing. While the pandemic may be temporary, the insight gained from this experience is invaluable.

In this uncertain time, it is important to provide for the educational needs of students while reconciling available financial resources. To accomplish both, it is necessary to evaluate all aspects of the organization and right size appropriately. This will allow the district to maintain and enhance instruction while preserving its cash reserves, postponing the need for a new levy.

Simplified Financial Statement

	2021	2022	2023	2024	2025
Beginning Cash Balance	$25,767,438	$24,431,495	$25,397,657	$23,148,522	$17,350,235
+ Revenue	$93,090,115	$96,807,250	$97,344,077	$97,760,451	$98,260,283
+ Renewal Levies	$0	$0	$0	$0	$0
+ New Levies	$0	$0	$0	$0	$0
- Expenditures	$94,426,058	$95,841,088	$99,593,212	$103,558,738	$107,086,372
= Revenue Surplus or Deficit	**-$1,335,943**	**$966,162**	**-$2,249,135**	**-$5,798,287**	**-$8,826,089**
Ending Cash Balance with Levies	$24,431,495	$25,397,657	$23,148,522	$17,350,235	$8,524,146
Revenue Surplus or Deficit without Levies	-$1,335,943	$966,162	-$2,249,135	-$5,798,287	-$8,826,089
Ending Cash Balance without Levies	$24,431,495	$25,397,657	$23,148,522	$17,350,235	$8,524,146

**Balances not reduced for encumbrances or reservations

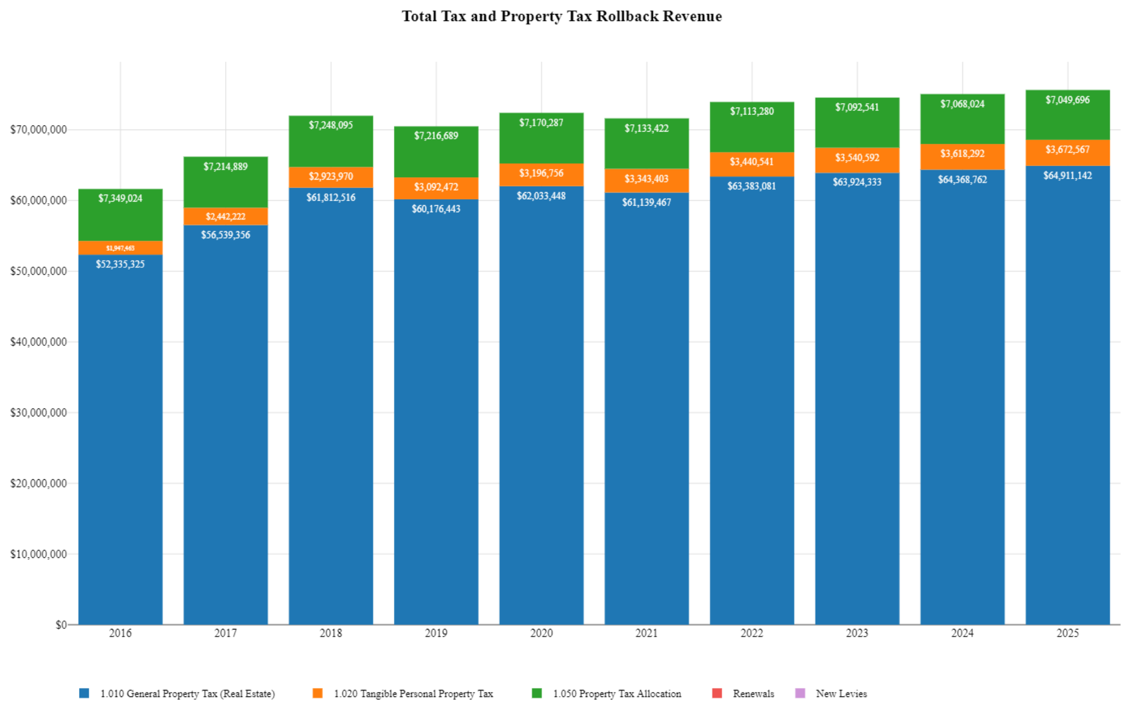


Real Estate Revenue

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 the triennial update will occur in 2021. While systematic reappraisals produce a minimal increase in tax revenue, maintaining accurate values is important as they are used to calculate the correct millage for levies. Lowering home values too much will erode the tax base and could impact existing levies. This situation 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 is a shortfall of $2.2 million each year.

Current Trends:

The District continues to experience a high volume of homeowner requests to lower values through the Board of Revision. When revisions are granted, the homeowner is issued a refund which is deducted from current taxes received by the District. In fiscal year 2021, an anticipated change to the tax status of a large commercial property will generate a one-time refund and lower tax receipts. The decline in fiscal year 2021 has been modeled in the forecast.



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 13.5% the past five years from the expansion of primarily two companies, Columbia Gas of Ohio and American Transmission System (a subsidiary of First Energy). Estimates for fiscal years 2021 through 2025 include an estimated annual increase of 3% each year.

Unrestricted Grants in Aid – State funding

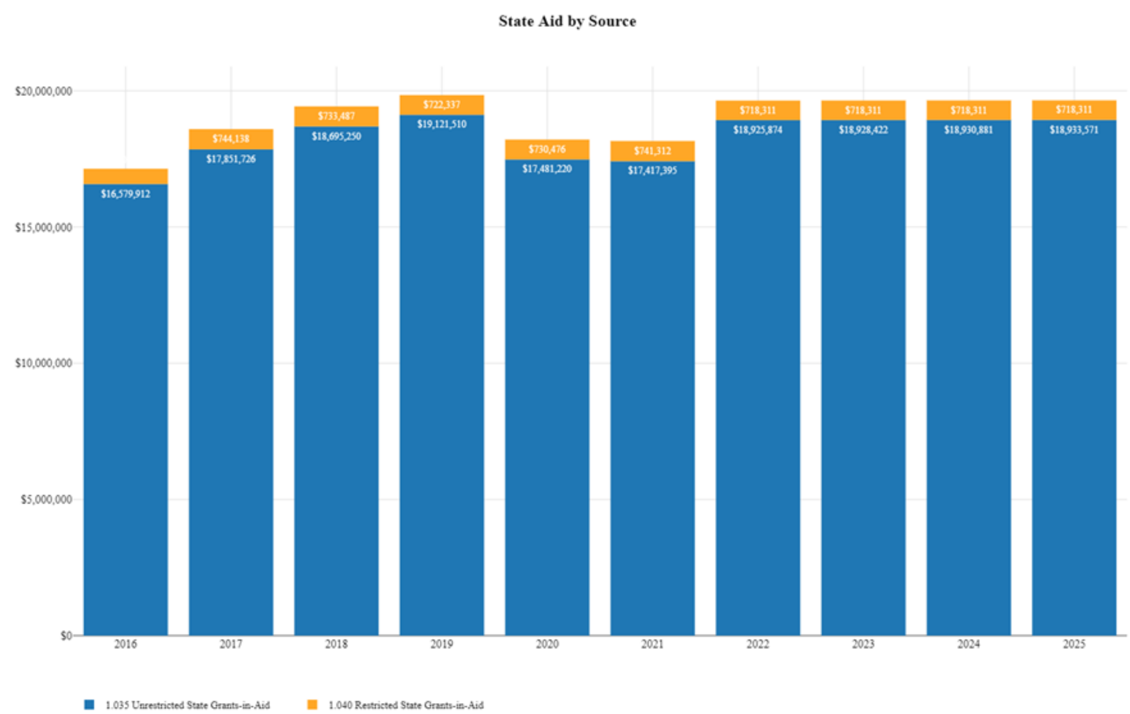
The amount of state funding a district receives is based on a comprehensive calculation that is driven primarily by student enrollment and the property wealth of the district. Simply stated, the wealthier a district, the less state funding it receives. In the 2013-2014 fiscal year, the funding cap limit 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 funding for fiscal years 2020 and 2021. In this budget, the state moved away from a base aid calculation and eliminated the funding cap. At the start of the year, the biennial budget allocated funding to public schools that was equal to the fiscal year 2019 allocation. New funding components, Student Wellness and Success and Growing District Aid, were added to the funding model.

As a result of the COVID-19 health crisis, the state was forced to reduce its total education budget by $300 million in May 2020. Sylvania Schools' share of the reduction was approximately $1.7 million in fiscal year 2020 and $1.7 million in fiscal year 2021, a total of $3.4 million. Since the economy reopened in June 2020, state revenue has rebounded and unemployment has steadily dropped from the high experienced at the height of the shutdown. The state's financial data is closely monitored to ascertain whether further reductions will occur.

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 2021 - 2025 is based on what was received in fiscal year 2019 and funding for Catastrophic costs reimbursement assumes flat enrollment with minimal annual increases.



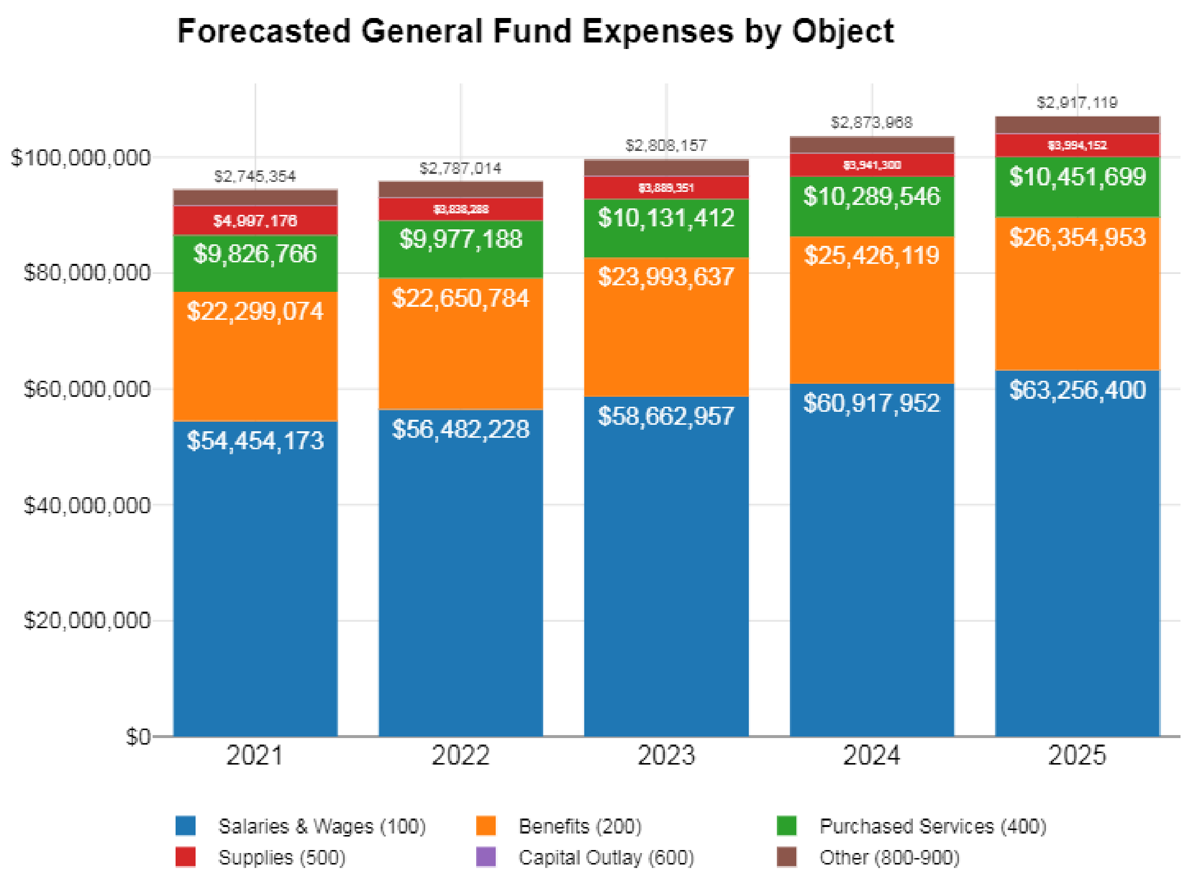
Property Tax Allocation

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 reimbursement for Homestead Exemption declined as a result of the implementation of the income limit used to determine eligibility. This trend is expected to continue and has been factored 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. Interest income has declined significantly as a result of lower rates that went into effect in early spring. As a result of the pandemic, student fee revenue and Medicaid Reimbursement declined in fiscal year 2021. Fiscal years 2021 and 2022 includes 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.

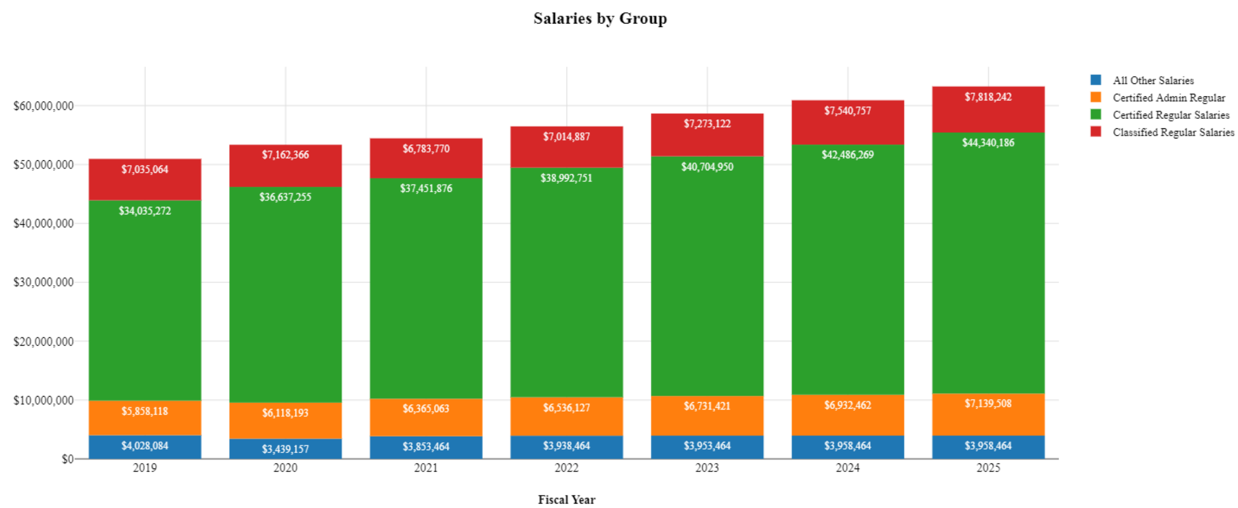
Expenditures



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. The District will work with both labor unions to draft successor agreements in fiscal year 2021.

Salaries and benefits equaled 83.5% of total expenditures in fiscal year 2020. 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 is completed after careful examination of educational or operational need and with great consideration to cost.



Employees' Retirement/Insurance benefits

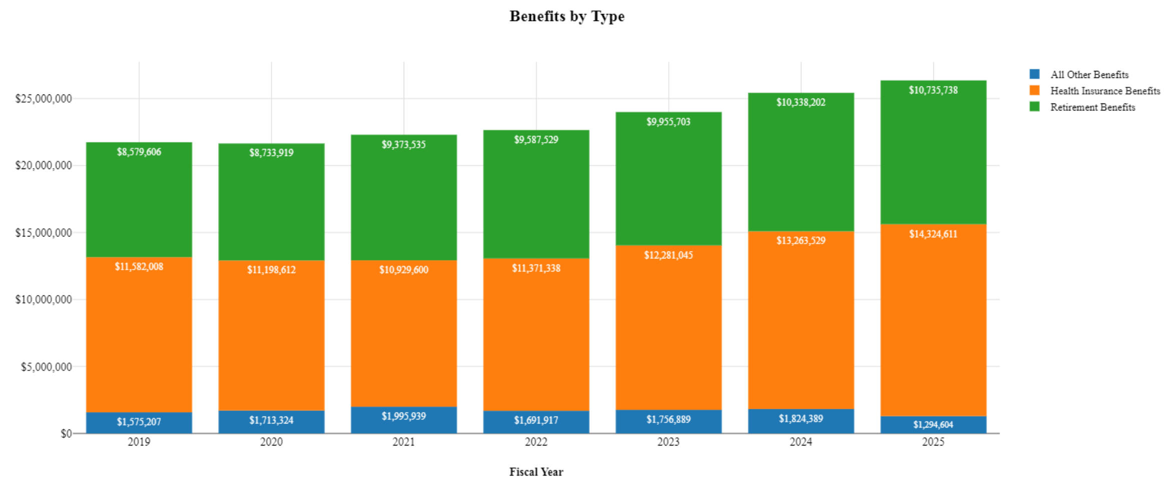
Retirement - The employer's share of retirement contributions is proportional to anticipated growth in salary costs.

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 = -1.66%.

Estimates for future years – Calendar year 2022 = 8%, 2023 = 8%, 2024 = 8%, 2025 = 8%

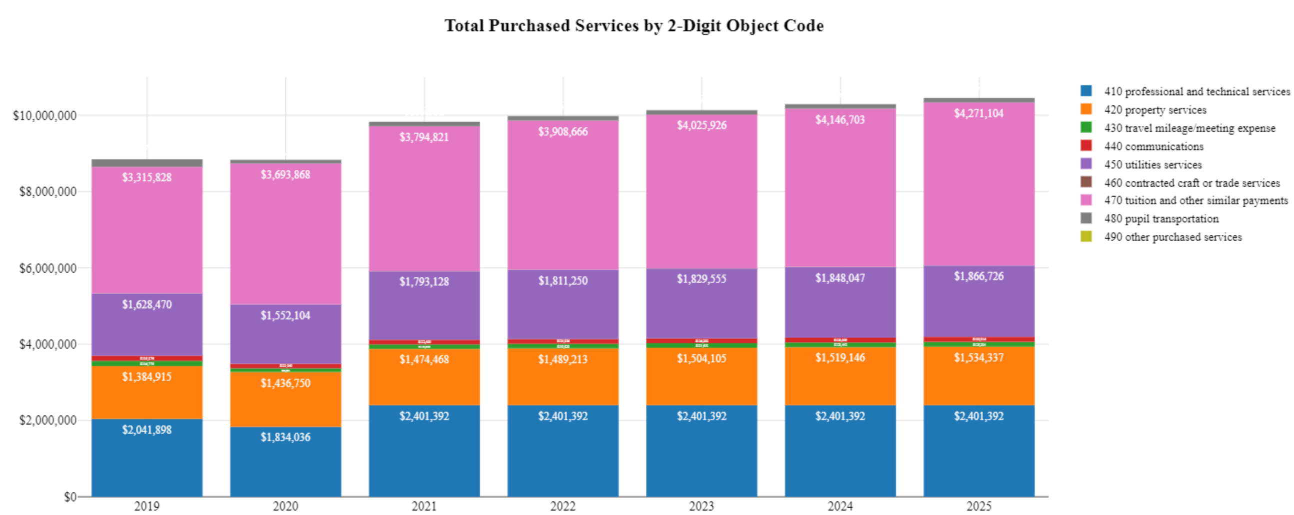
To further reduce health insurance costs, on January 1, 2019, the district transitioned to a four-tier plan offering for all employee health insurance plans and implemented a spousal carve out provision. The result of these changes is reflected in cost estimates within the forecast.



Purchased Services

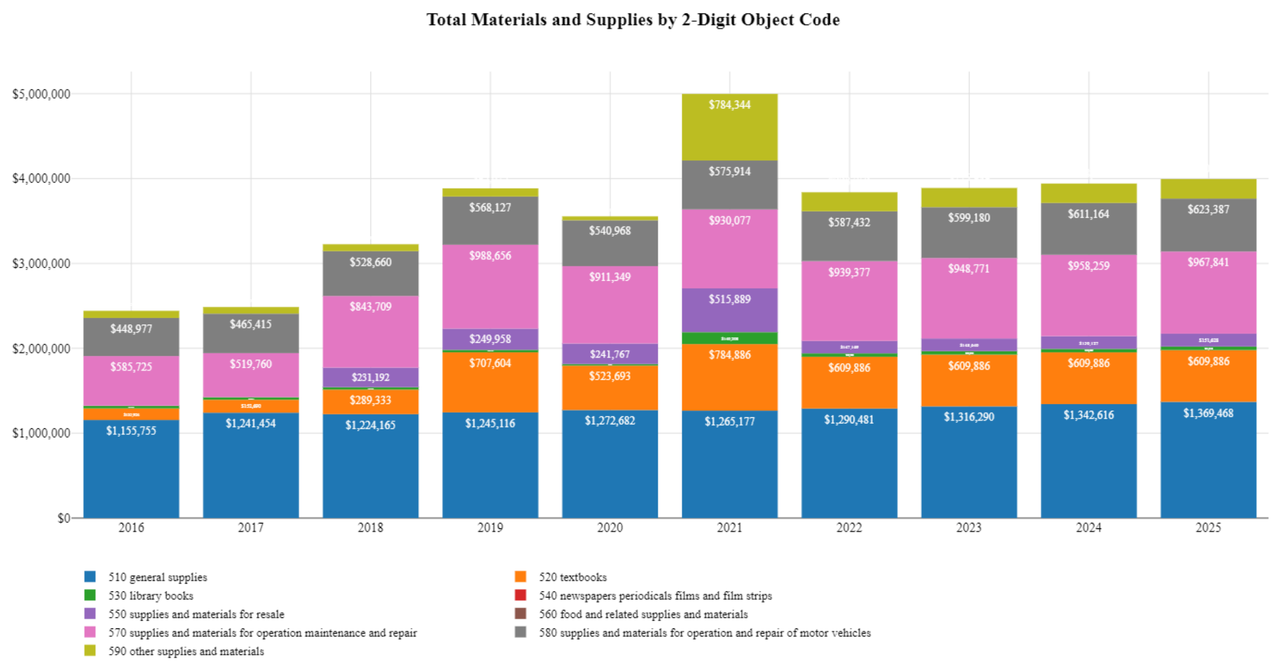
Purchased Services includes expenditures for legal fees, contracted services with the Educational Service Center, maintenance and repairs to buildings, utilities, tuition paid to other districts, copier maintenance agreements, professional development for staff, postage, open enrollment, College Credit Plus tuition, pupil transportation, ITC services, etc. Beginning in fiscal year 2020, tuition costs increased to accommodate Ed Choice payments to parochial schools. Estimates for fiscal years 2021-2025 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.



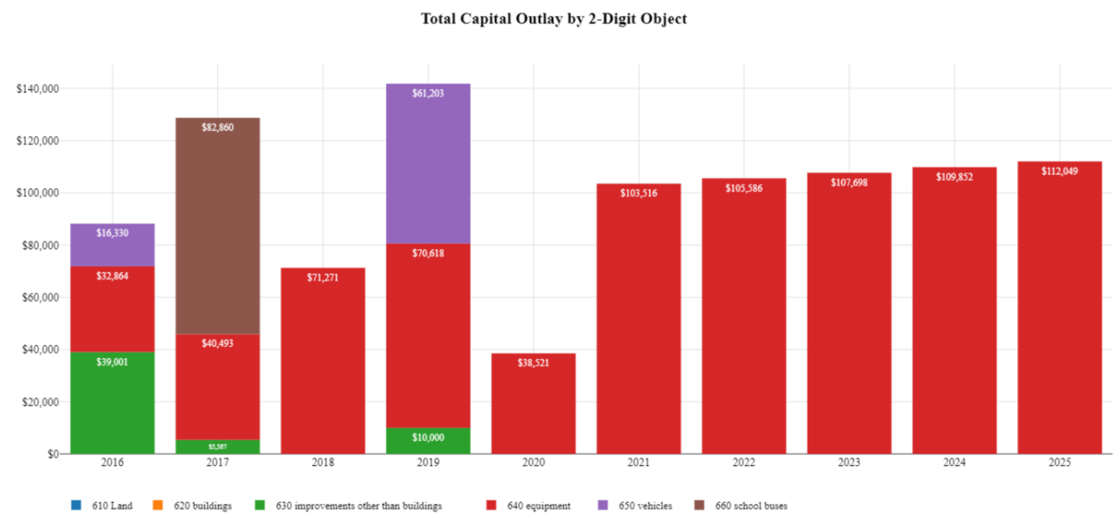
Supplies and Materials

Supplies and materials expenditures encompass both instructional and operational purchases. Actual costs for supplies and materials were lower in fiscal year 2020 as a result of the school closure. Estimates for 2021 have been adjusted to include supplies and materials purchases that would have normally been made in fiscal year 2020. In addition to routine supplies, the District was required to prepare its buildings for students to safely return during the pandemic. While some of the expenses related to COVID have been offset with CARES Act funding, much of the expenses were absorbed by the District. Estimates for fiscal years 2022-2025 are based on current trends and historical data.



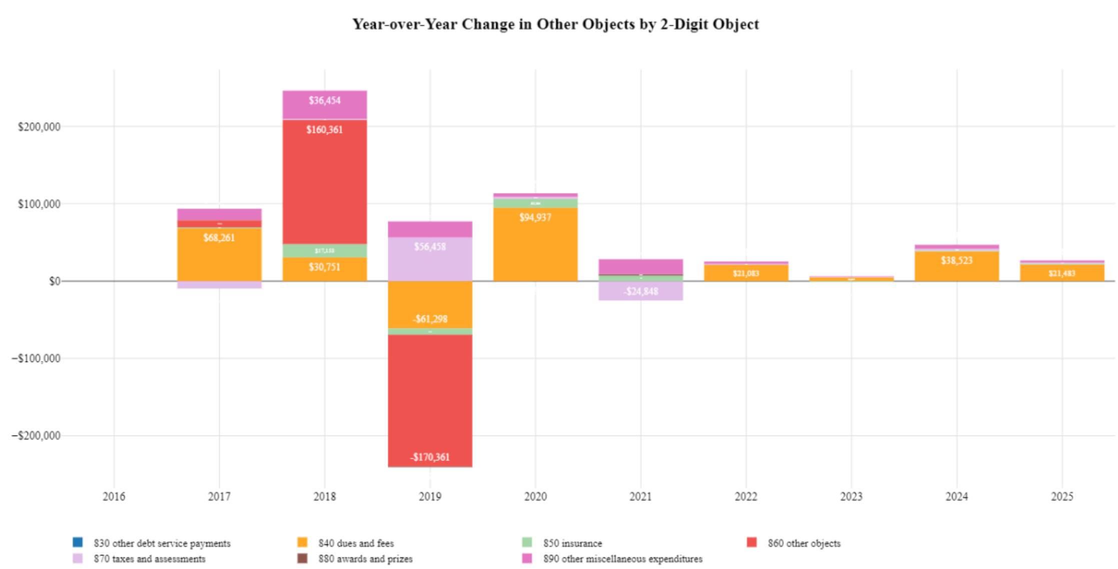
Capital Outlay

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 2022-2025.



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 69% of costs in this line item. All other increases in fiscal years 2021-2025 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 2021 and 2022 in $250,000 installments from ProMedica. The donation amount is included in Other Revenue in the forecast. Beginning in fiscal year 2021, 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.