Executive Summary

Sylvania Schools is expected to finish strong in fiscal year 2019 with a balanced budget and adequate cash reserves. Both are essential components to long term fiscal health. Operating within a carefully developed fiscal spending plan is a district wide commitment. Not only is it responsible to taxpayers, but it also allows district leaders to focus on educational goals such as maintaining low class sizes, eliminating barriers in classrooms that impact student achievement and providing the best overall experience for students.

As we prepare for the release of the next state budget, public schools are hopeful that key funding inequities are addressed. With the majority of Ohio school districts forced to the funding guarantee or cap, it is imperative the next funding model is solution based. Providing appropriate resources for state imposed mandates and eliminating the funding cap limit would greatly benefit Sylvania Schools and help to shift the disproportionate financial responsibility away from taxpayers.

Income and Expense Simplified Statement - Projected Fiscal Years

	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Beginning Balance	15,161,640	19,696,368	20,023,241	18,888,411	14,545,970
+ Revenue	94,034,590	93,950,000	96,281,092	97,565,570	98,607,523
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(89,499,862)	(93,623,127)	(97,415,922)	(101,908,011)	(106,547,607)
= Revenue Surplus or Deficit	4,534,728	326,873	(1,134,830)	(4,342,441)	(7,940,084)
Ending Balance	19,696,368	20,023,241	18,888,411	14,545,970	6,605,886
Revenue Surplus or Deficit w/o Levies	4,534,728	326,873	(1,134,830)	(4,342,441)	(7,940,084)
Ending Balance w/o Levies	19,696,368	20,023,241	18,888,411	14,545,970	6,605,886

Revenue

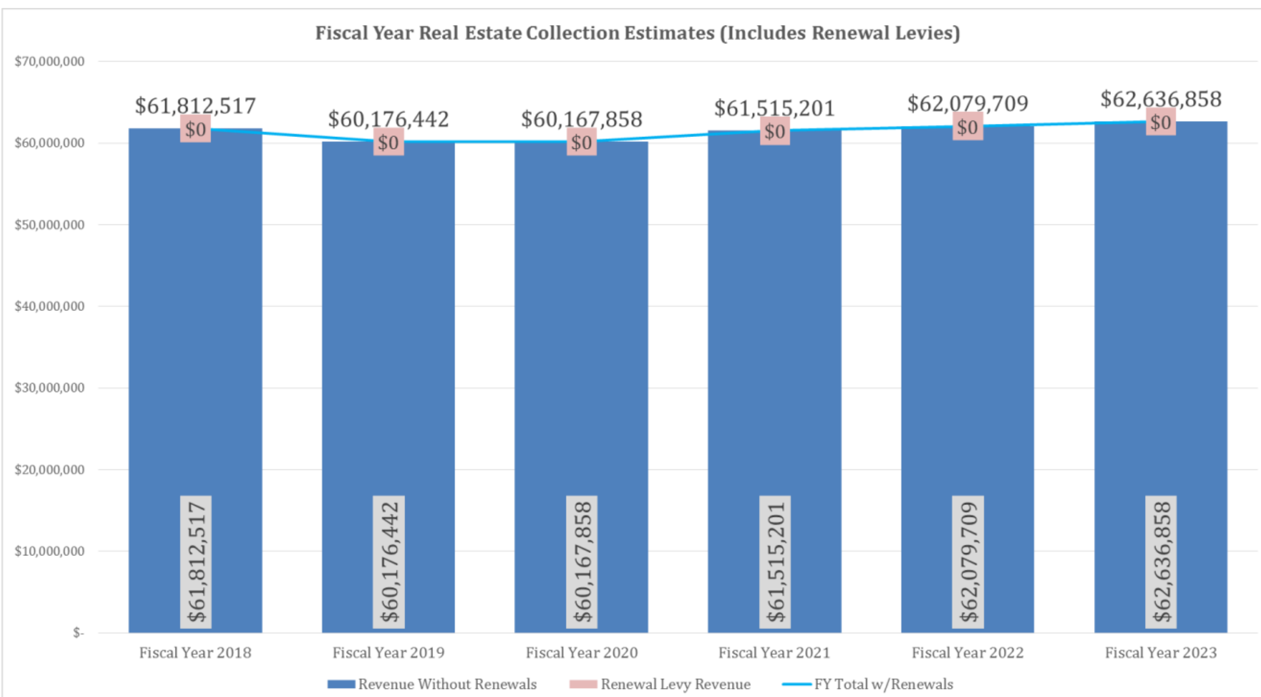
Real Estate Revenue

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 values is expected to diminish considerably as a result of an influx of complaints filed with the

Board of Revision. When decrease complaints are granted, a refund is generated to the tax payer. In fiscal year 2020, a significant increase in refunds is expected which will lower tax receipts.

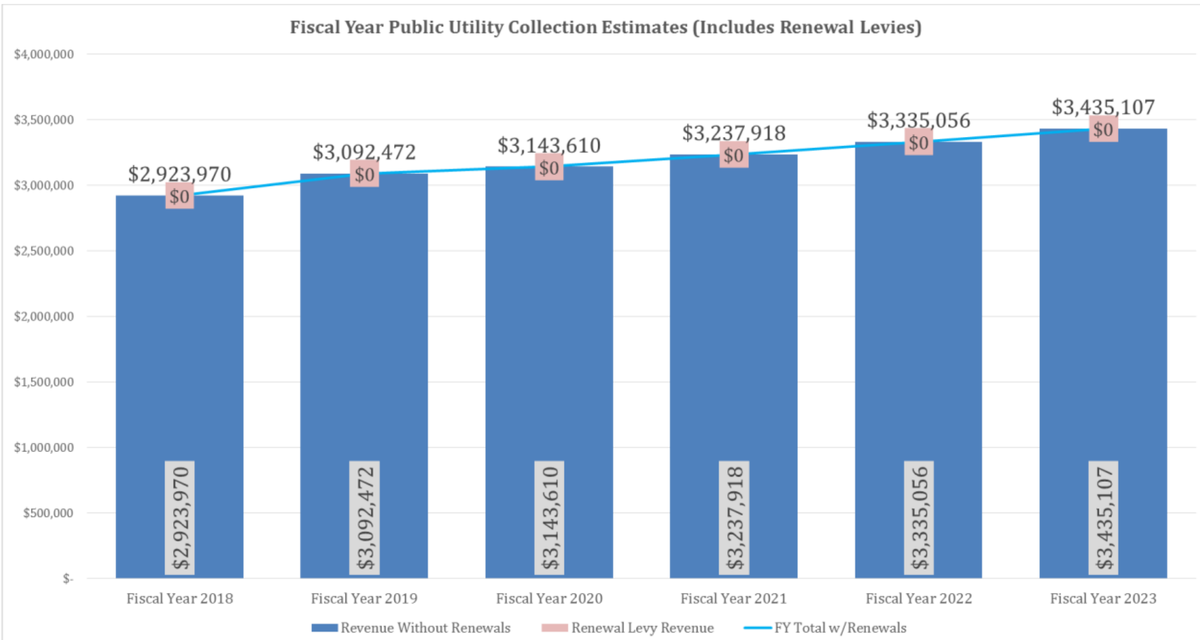
While systematic reappraisals bring about a minimal increase in tax revenue, maintaining correct values protects the district's tax base. Assessed values are used to calculate the appropriate millage for levies. When assessed values fall below levels used to determine millage amounts for levies, the 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 permanent loss of $2.2 million each year. This loss contributed to the need for an additional levy in November 2016.

In the current fiscal year, real estate tax receipts were lower by 2.65% due to a change in tax law that went into effect in 2018. The change caused an influx of tax payments in the 2018 first half collections and decline in the 2018 second half collections. It is anticipated in fiscal year 2020, a commercial parcel with an assessed value of over $9,000,000 will be granted tax exempt status. This particular change will lower tax revenue just over $500,000 and generate a refund of approximately $1,300,000.



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. In the three prior fiscal years, PUPP values 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). In fiscal year 2019, values increased slightly (.3%). Estimates for future years include growth of 3%, 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.

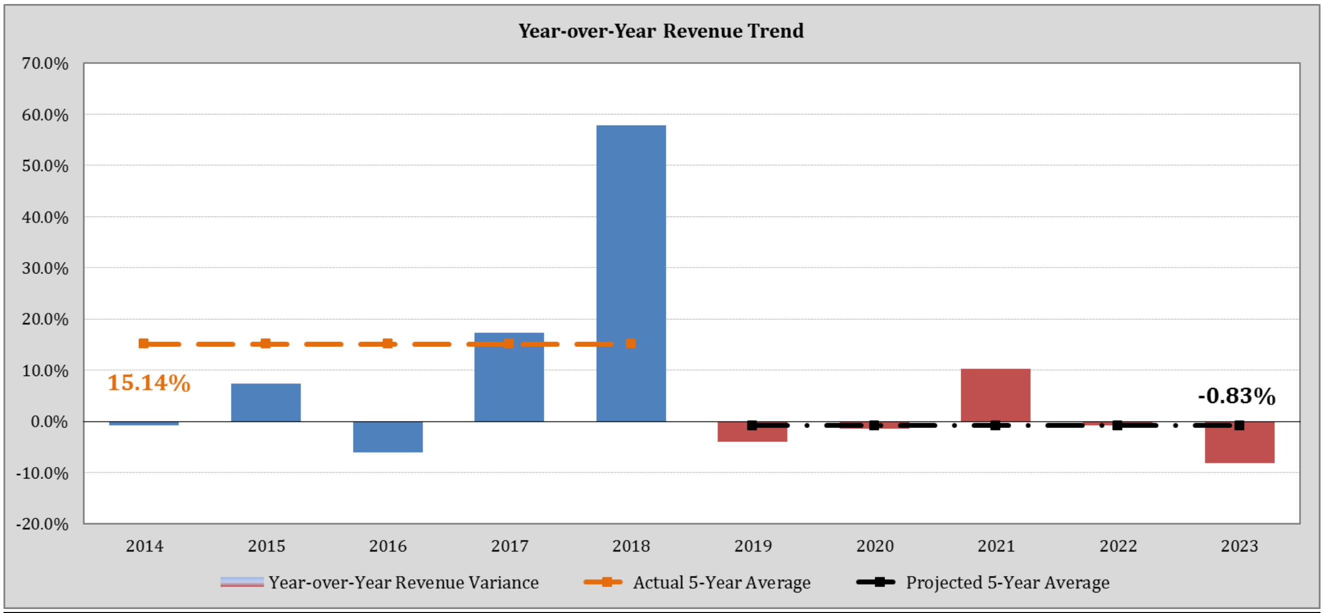
Property Tax Allocation

Property Tax Allocation 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 under the Homestead Exemption program. This year 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

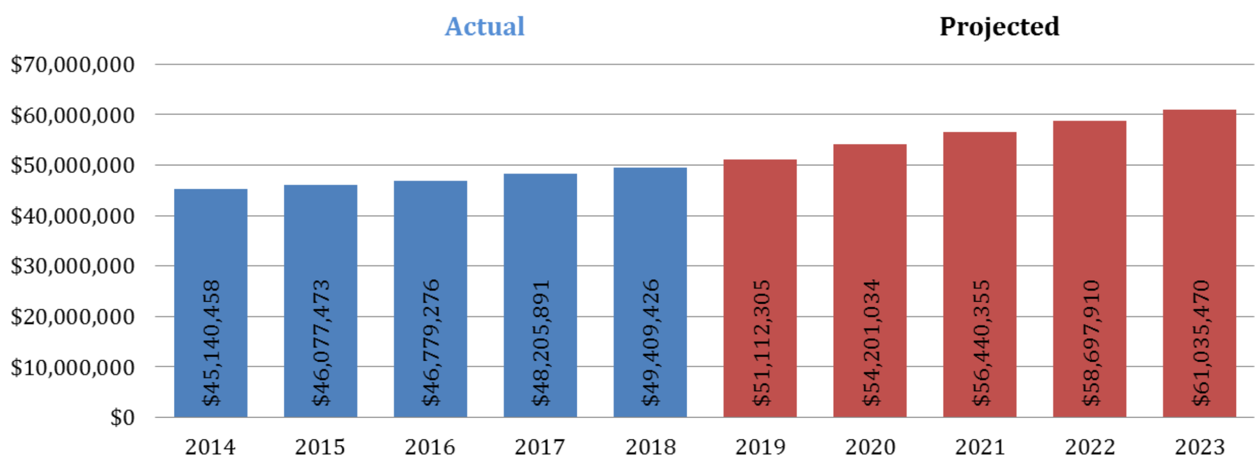
Personnel Services

Personnel Services 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.

Personnel Services



Employees' Retirement/Insurance benefits

The employer's share of retirement contributions is directly related to total salary costs. At the beginning of fiscal year 2019, the district approved a three year agreement with Paramount for health and vision insurance. The current agreement with Paramount ends on December 31, 2021. The premium increases forecasted are listed below.

2019 – 4%
2020 – 0%
2021 – Not to exceed 8%
2022 – 10% Estimate
2023 – 10% Estimate

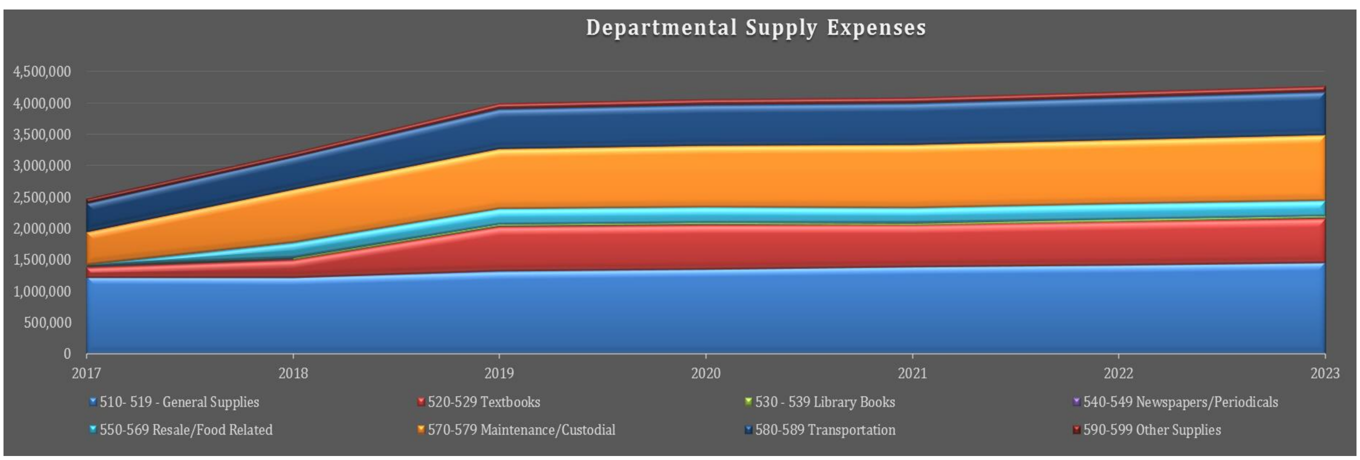
In an effort to reduce health insurance costs while still offering a competitive benefits, the district transitioned to four tier health plans and implemented a spousal carve out provision. These changes went into effect on January 1, 2019 and the cost savings have been included in the forecast.

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. In fiscal year 2019, actual costs for tuition expenses and legal fees were lower than anticipated. The reduction of these expenses lowered overall costs for this line item. Beginning in fiscal year 2020, tuition estimates include Ed Choice payments to parochial schools. Further projections for fiscal years 2020 -2023 are based on actual data and historical trends for all 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 2019, 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 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 2021-2023.

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. Beginning in fiscal year 2020, an allocation has been included to retire debt earlier than scheduled for renovations specific to educational initiatives. All other increases in fiscal years 2020-2023 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.

Encumbrances

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