

**BIG WALNUT LOCAL SCHOOL DISTRICT- DELAWARE COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2018, 2019 and 2020 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2021 THROUGH JUNE 30, 2025**



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**Forecast Provided By
Big Walnut Local School District
Treasurer's Office
Jeremy Buskirk, Treasurer/CFO
November 19, 2020**

Big Walnut Local School District –Delaware County
Notes to the Five Year Forecast
General Fund Only

For fiscal year 2021 (July 1, 2020 – June 30, 2021) school districts in Ohio are required to file a five (5) year financial forecasts by November 30, 2020, and May 31, 2021. The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. HB166, the new state biennium budget provided new restricted state funding to school districts in Fiscal Years 2020 and 2021 specifically for Student Wellness and Success but regular foundation funding was reduced May 6, 2020 for all school districts for FY20 and FY2. The Student Wellness and Success Fund revenues are restricted and are required to be accounted for in a Special Revenue Fund (Fund 467) and are NOT General Fund revenue and consequently not included in this forecast.

Fiscal year 2021 (July 1, 2020-June 30, 2021) is the first year of the five-year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the November 2020 filing.

Economic Outlook

It is prudent in long range forecasting to consider the economic climate that our long-range projection of revenues and expenses are made. State and local resources are under stress as the economy recovers from the COVID-19 Global Pandemic. We have reviewed historical data from the Great Recession of 2008, but there is no recent historic data or similar economic situation to compare to what the district is facing now. The pandemic's economic impact makes it challenging to project where our finances will be through fiscal year 2025. Data and assumptions noted in this forecast are based on the best and most reliable data available to us as of the date of this forecast.

The state of Ohio provides roughly 50% of all school district funding so the state's financial health is a stabilizing factor for school district funding. The state of Ohio ended FY20 \$1.1 billion or 4.6% under estimated tax revenues and \$866 million below actual FY19 tax revenues. Note that \$441.5 million of this shortfall was due to the April 15, 2020 state tax filing deadline moved to July 15, 2020. Total state program expenditures ended FY20 \$865.1 million under estimated expenses. The state ended in essentially an even position in FY20 and has maintained the \$2.7 billion in the Budget Stabilization Fund. Through August 2020 the state of Ohio bottom-line is \$389 million better than estimated. Ohio's economy is recovering along with improving employment.

Due to closures from the COVID-19 pandemic unemployment rates statewide rose rapidly from 4.7% in February to 17.4% in April. Rates have improved to 8.8% in August and are trending lower according to the Ohio Office of Budget and Management. As unemployment rates drop this positively impacts state and local revenues for districts. These indicators suggest the state of Ohio's overall economy is rebounding and should be able to maintain stable funding through the foundation program through the forecast period.

Forecast Risks and Uncertainty:

In addition to the above noted uncertainty due to the COVID-19 Pandemic, a five-year financial forecast typically has inherent risks and uncertainties. This is due to normal economic uncertainties and to state legislative changes that will occur in the spring of 2021 and 2023 due to deliberation of the next two (2) state biennium budgets for FY22-23 and FY24-25 which affect this five-year forecast. We have estimated revenues and expenses based on the best data available to us and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

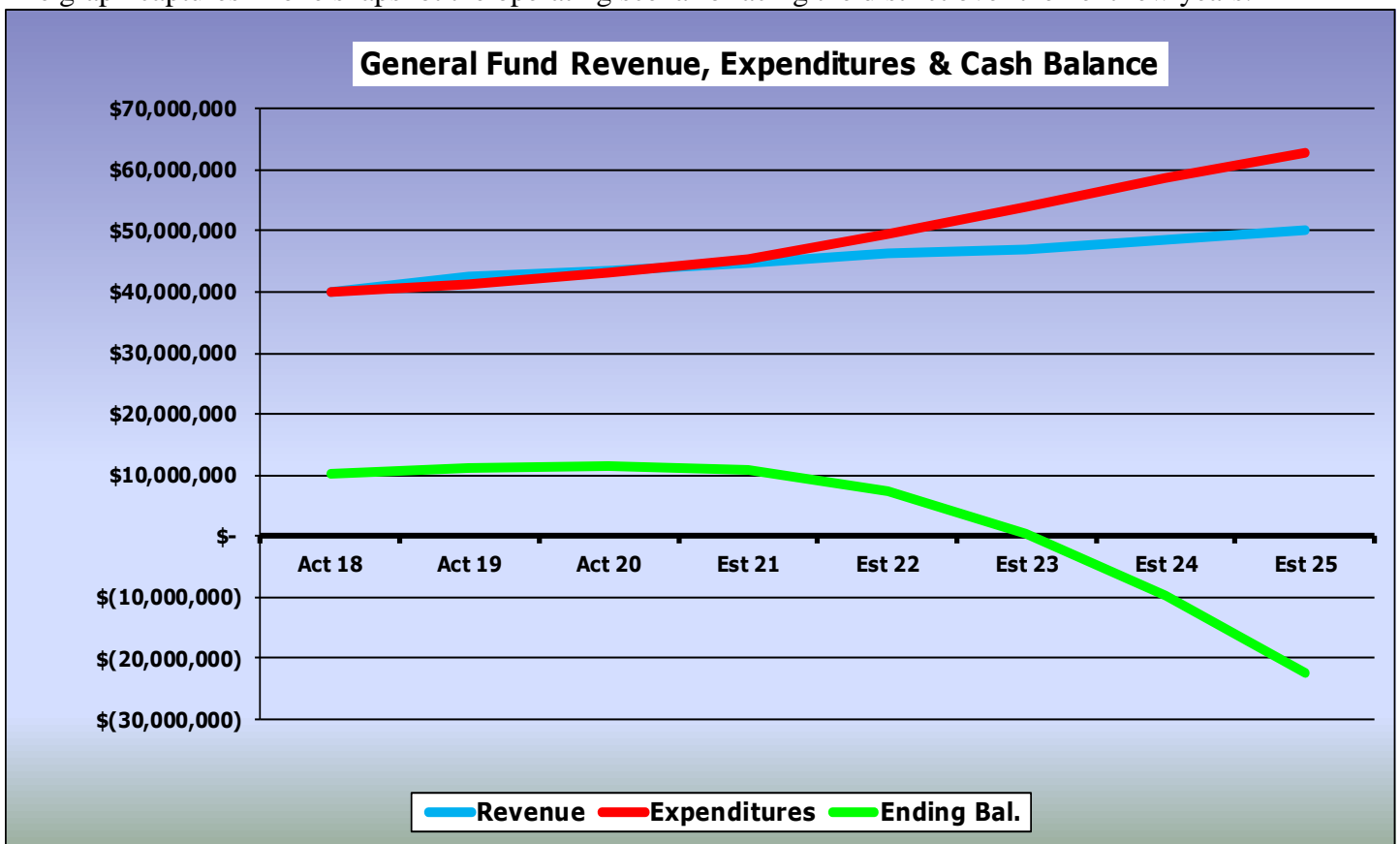
- 1) Delaware County experienced the reappraisal for the 2017 tax year to be collected in 2018, which increased residential/agricultural, assessed values by \$67.6 million or an increase of 10.12%, and an increase of \$2.8 million or 4.84% for commercial/industrial values. The changes authorized by HB49 to CAUV values lower Class I agricultural values for counties experiencing a reappraisal of update in Tax Year 2017. Since Delaware County experienced a reappraisal in 2017, these changes essentially took effect immediately and decreased our agricultural assessed valuation by 14.29% compared to Tax Year 2016. It is anticipated this reduction will be mostly offset by HB920 as rates will adjust up if net values for Class I are lower. The cuts in CAUV will shift a larger tax burden to residential taxpayers which may be an unintended consequence of the legislature responding to agricultural interests.
- 2) The State Budget represents 21.29% of district revenues and is an area of risk to revenue. The future risk comes in FY22 and beyond if the state economy stalls or worsens and the funding formula in future state budgets reduce funding to our district. There are two future State Biennium Budgets covering the period from FY22-23 and FY24-25 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY25. We will adjust the forecast in future years as we have data to help guide this decision.
- 3) While state funding was initially guaranteed at the FY19 level, the Coronavirus Pandemic caused the most rapid and largest decrease of employment in history. In order to balance the State Budget on May 6, 2020 the Governor ordered a reduction of state foundation funding to school districts by \$300.5 million by the end of June 2020. Districts with less local capacity to raise revenue received a smaller percent decrease. Many higher wealth districts saw more than a 6% decrease in state funding resulting in the Ohio legislature to approve HB164 effective June 19, 2020 that ensured no district received a cut to funding more than 6%. The calculation in HB164 included one-time CARES dollars, and the cuts for the basis of FY21 are estimated to be 8.8% less than the FY19 levels. We do not feel that there will be further cuts in FY21 as the economy is rebounding from the sharp drop in employment in March and April 2020 and state tax revenues are rebounding. We believe Ohio's economy will continue to improve and that FY22-23 we will see approximately one-half of the decrease that the district received in FY21 and then will see funding returned to the FY19 levels in FY24-FY25.
- 4) HB166 the current state budget for FY20-21 froze funding for all school districts in Ohio at their FY19 level with the only exception being the addition of Enrollment Growth Supplement money for a small number of growing districts. Our district is estimated to receive enrollment growth money for FY20-21 and will treat it as guaranteed in FY22-24. The only increase in funding to all districts in Ohio is restricted use money for Student Wellness and Success which is restricted in use and must be placed in Fund 467 and is not General Fund money and thus not included in the forecast. We have assumed this money will not continue after FY21.
- 5) HB166 continues the many provisions contained in prior state biennium budgets that will continue to draw funds away from our district through continuing school choice programs such as College Credit Plus, Community Schools and increases in per pupil scholarship amounts deducted from our state aid in the 2020 and 2021 school years, even though funding for our students was not increased to our district for this biennium budget. College Credit Plus costs continue to increase as this program becomes more understood. We continue to watch closely the EdChoice Voucher legislation. HB197 passed in March 2020 freezes EdChoice eligibility of 517 buildings for the school year of 2019-2020. The district does not have any school buildings that are designated as underperforming but the measures used by the state could be changed for the future. These are examples of new choice programs that increase with each biennium budget and cost the district money. Expansion or creation of programs such as these exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely.

- 6) The enrollment reporting for the state is very difficult to track. This is another area that we must monitor very closely especially with the increased enrollment that we are expecting from new housing developments.
- 7) Labor relations in the district have been fairly amicable with all parties working for the best interest of students and realizing the resource challenges the district faces. We believe as the district moves forward a good working relationship will continue.

The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Jeremy Buskirk, Treasurer at 740-965-3010.

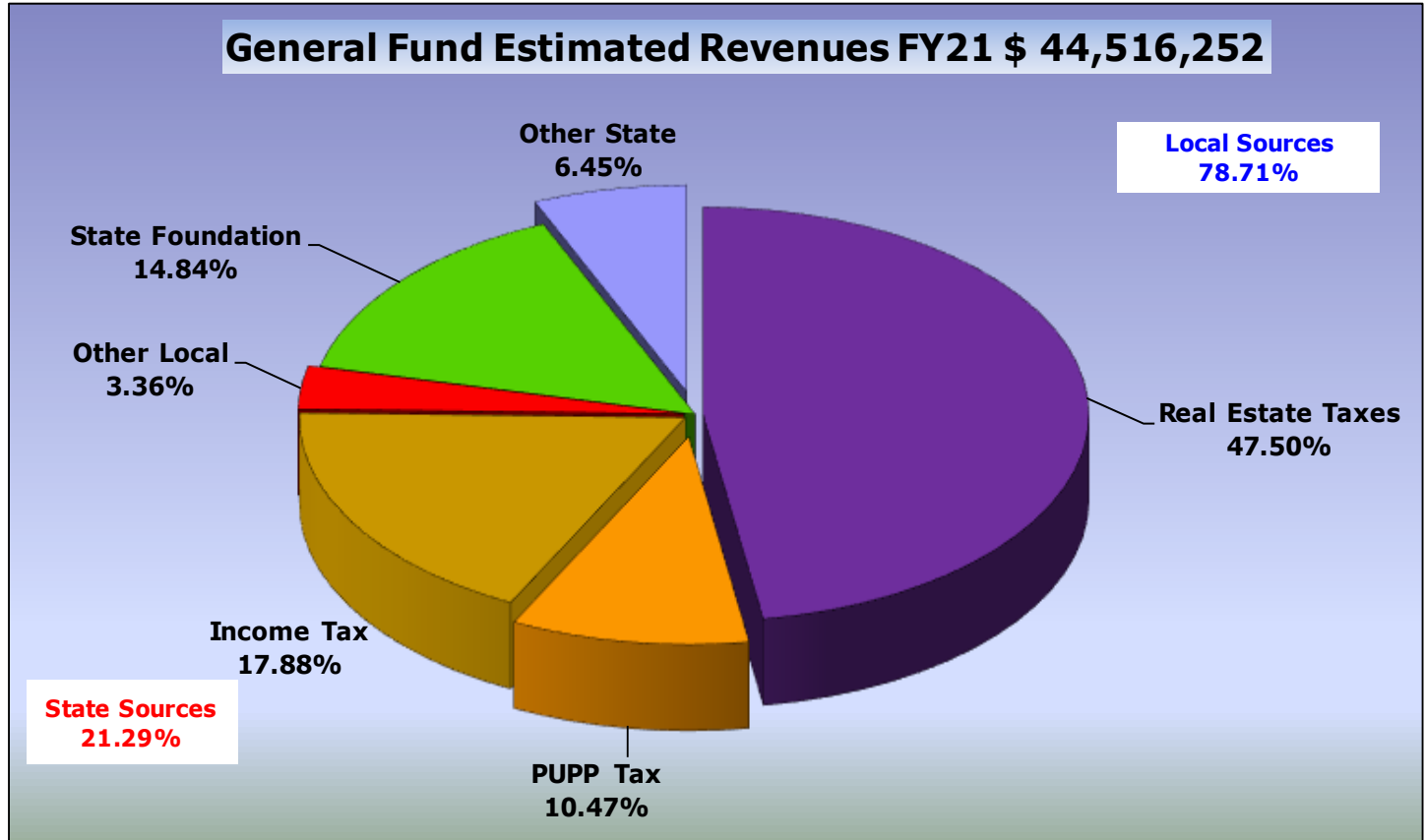
General Fund Revenue, Expenditure and Ending Cash Balance Actual FY18-20 and Estimated FY21-25

The graph captures in one snapshot the operating scenario facing the district over the next few years.



Revenue Assumptions

All Revenue Sources General Fund FY21



Real Estate Value Assumptions – Line # 1.010

The County Auditor, based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values, establishes property values each year.

Delaware County went through a reappraisal for the 2017 tax year to be collected in 2018, which included a 10.12% increase in Class I reappraisal and a 4.84% increase for Class II. The Class I reappraisal includes the decreases for CAUV due to the changes in HB49 that took effect in the first year for any county going through either reappraisal or update after the passage of the law. This will cause a shift in taxes from agricultural taxpayers to residential taxpayers and may contribute to lower than anticipated taxes to our district.

There will be a reappraisal update in 2020 for collection in 2021. The district is estimating a 10% increase of values for Class I and a 0% increase in Class II for this update based on initial estimates from Delaware County.

The growth of new construction for homes has increased the district's valuations each year between the reappraisal in 2017 and the update in 2020. With the growth in the district, we continue to be at the 20 mill floor for the tax rates to be collected in 2017 for our Class I property. When values increase reduction factors are increased and House Bill 920 decreases effective tax rates so the district tax revenues are held harmless, until the effective millage is lowered to 20 mills. No district can collect less than 20 mills if the district voted millage is greater than 20 mills. Only the Class I rates will be at the 20 mill floor with the new values. Since the district is at the 20 mill floor the district will see some increase in the amount that is collected for taxes. The substitute emergency levy is not included in the millage rate for the 20 mill floor.

Data captured from the different townships and villages is used to estimate new construction for each collection year for the forecast. These are only estimates based on information provided at this time. The actual increase for new construction in Class I was 32,694,810 and Class II was 6,083,240 for 2019 collection in 2020. This is important in that new construction is taxed at the full voted rate and not subject to the effective millage rates, for the first year of collection, which will increase the estimate for taxes being collected. Due to the downturn in the economy from COVID-19 the district is reducing the new construction estimates for Class I property in collection years 2021 and 2022 to 150 new homes instead of the 200 home, with an increase to 200 new homes for collection in 2023 and a 1% increase in the 2024 collection with a decrease to \$20 million in 2025.

The AEP Vassell Substation continues to be a very important section of the Public Utility Personal Property (PUPP) tax valuation for the district. Since the substation was first added to the values in 2016 the district has seen increases and decreases each year in PUPP tax values. The district has been told to expect decreases in PUPP throughout the remainder of the forecast due to depreciation of the power plant equipment of approximately 3% to 3.5% each year. However, in 2019 for collection in 2020 there was a \$1.17 million increase instead of the 2% decrease that was expected in the November forecast. Due to new planned housing developments, we believe there will be additions to public utility infrastructure that will compensate for current depreciation, and our projections assume decreases throughout the forecast in this line of 2.0% in fiscal year 2021, 2.25% in fiscal year 2022, and 2.5% in fiscal years 2023 and beyond. The PUPP collections are 50% for each half collection in 2020.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

	Estimated	Estimated	Estimated	Estimated	Estimated
	TAX YEAR2020	TAX YEAR2021	TAX YEAR2022	TAX YEAR2023	TAX YEAR2024
<u>Classification</u>	<u>COLLECT 2021</u>	<u>COLLECT 2022</u>	<u>COLLECT 2023</u>	<u>COLLECT 2024</u>	<u>COLLECT 2025</u>
Res./Ag.	\$935,877,771	\$954,082,771	\$978,412,771	\$1,061,692,537	\$1,081,522,537
Comm./Ind.	\$67,484,950	\$68,309,950	\$69,134,950	\$71,342,649	\$69,959,950
Public Utility (PUPP)	\$130,269,645	\$127,338,578	\$124,155,114	\$121,051,236	\$118,024,955
Total Assessed Value	<u>\$1,133,632,366</u>	<u>\$1,149,731,299</u>	<u>\$1,171,702,835</u>	<u>\$1,254,086,422</u>	<u>\$1,269,507,442</u>

Property tax levies are estimated to be collected at 98.14% of the annual amount, which accounts for delinquencies that occur. Due to economic challenges some residents may encounter, our delinquency rate may increase, but this is something we will need to monitor for the second half property tax collections. We, also, anticipate 51.45% of the Res/Ag and Comm/Ind property taxes will be collected in the February tax settlement and 48.55% will be collected in the August tax settlement. While we saw a shift from historical trends in 2018 payments, which we believe was due to federal tax law changes, we believe collection splits between first and second half will come back in line with trends.

ESTIMATED REAL ESTATE TAX - Line #1.010

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Est. Property Taxes Line #1.010	\$21,144,161	\$22,395,194	\$22,832,494	\$23,945,379	\$24,930,196

Estimated Tangible Personal Tax & PUPP Taxes – Line#1.020

There was a phase out of TPP taxes beginning in FY06 with HB66 that was adopted in June 2005. TPP tax assessments ended in FY11. The only amounts received after FY11 are from delinquent TPP taxes outstanding as of 2010. Big Walnut does not receive any TPP payments.

The amounts on this line of the forecast consist of Public Utility Personal Property (PUPP) tax payments. The amounts noted below are tax payments from public utilities. The values for PUPP are noted on the estimated assessments table above under Public Utility, which was \$132.9 million in assessed values in 2019 collected in 2020 and estimated to be about \$130.3 million in assessed value for 2020 collected in 2021. These tax payments

are collected at the district’s gross voted millage rate. Collections are typically 50% in February and 50% in August along with the real estate settlements from the county auditor.

ESTIMATED PUBLIC UTILITY PERSONAL TAX – Line 1.020

Source	FY 21	FY 22	FY 23	FY 24	FY 25
Public Utility Personal Property Taxes	\$4,441,538	\$4,314,344	\$4,204,851	\$4,087,031	\$3,972,468
Est. PUPP Taxes Line 1.020	<u>\$4,441,538</u>	<u>\$4,314,344</u>	<u>\$4,204,851</u>	<u>\$4,087,031</u>	<u>\$3,972,468</u>

School District Income Tax – Line #1.03

The district passed an income tax (SDIT) of .75% effective in 1995, which was approved as a continuing tax in 2003. The amount of growth in income tax is difficult to estimate as most of the information from the Ohio Department of Taxation is confidential. The Department of Taxation has previously advised for increases between 2.0% and 4.0% for school income taxes. The district has received increases that have out-paced these estimates in the past years, and until the impacts of COVID-19, we believed this trend would have continued without the effects of COVID-19. In FY20, we saw an increase of 7.87% increase over FY19, which might have been even greater, had the SDIT filing date not been changed due to COVID-19 pandemic. The COVID-19 pandemic has changed our projections of a 6.0% growth in FY21 through FY25 to -4% in FY21, 0% increase in, 2% increase in FY23 and a 3.5% increase in FY24 and FY25. In addition, we are estimating growth from new families based on the following assumption: 100 families per year in FY21-FY23 and 90 families per year in FY24 and FY25 with an annual family income of approximately \$106,000 as estimated data from U.S. Census Bureau, 2013-2017 American Community Survey as compiled by Ohio Municipal Advisory Council OMAC data. This will be something we monitor closely as we plan for the coming years.

Source	FY 21	FY 22	FY 23	FY 24	FY 25
SDIT Collection	\$8,208,628	\$7,959,783	\$8,039,283	\$8,279,569	\$8,640,904
Adjustments	-\$248,845	\$79,500	\$240,286	\$361,335	\$373,982
Total to Line #1.030	<u>\$7,959,783</u>	<u>\$8,039,283</u>	<u>\$8,279,569</u>	<u>\$8,640,904</u>	<u>\$9,014,885</u>

State Foundation Revenue Estimates – Lines #1.035, 1.040 and 1.045

A) Unrestricted State Foundation Revenue & Casino Revenue– Line #1.035

The amounts estimated for state funding are based on HB166 and HB164 following the May 6, 2020 foundation cuts. Initially state aid funding for all 610 traditional school districts and 49 Joint Vocational and Career Centers was frozen for FY20 & FY21 at the FY19 funding level. The State Foundation Funding Formula used since FY14 was dropped in FY20 after six (6) years. HB305 is currently being considered by the legislature and may produce a successor funding formula for the FY22-23 biennium budget but there is nothing to base future projections on. At this time we are estimating that the amount for FY22-FY23 will be at the FY19 level less approximately ½ of the amount of the reduction that the district received in FY21. We will increase FY-24-FY25 to the FY19 level of funding.

In FY20, the Governor ordered a reduction of state foundation funding by \$300.5 million to be reduced from districts bi-monthly payments by the end of June 2020. The reductions were made using an equalized per-pupil approach which resulted in districts with less local capacity to raise revenue to receive smaller percentage decreases. The state-share index that was last calculated in FY19 was used to apportion the FY20 ordered reduction to traditional public-school districts. For Big Walnut, this reduction equated to \$935,803 or 14.72% of the basic formula amount. HB164 reimbursed approximately 70 districts that had originally had more than 6% deducted from the state funding reduction in FY20. For the calculation of the 6% cap on funding reductions, one-time federal CARES dollars were included to reduce the original reductions. At this time, the state funding for FY21 is being reduced by approximately \$559,878 or 8.8% from the FY19, and this is the same cut received in FY20.

Enrollment Growth Supplement: This funding element that was also introduced by Am. Sub. HB 166 for implementation in FY20 is aimed at providing additional funding to school districts that have experienced increased enrollment the past 3 years. The district will receive this funding in FY21 \$365,788. At this point, we are hopeful that these funds will not also be taken away and are anticipating these resources to continue.

Supplemental Funding for Student Wellness and Success (Restricted Fund 467)

Nearly all of the new funding for K-12 public education in the FY20-21 Executive Budget is provided through a formula allocating \$250 million in FY20 and \$358 million in FY21 based upon each district’s percentage of students in households at or below 185% of the Federal Poverty Level (FPL) and the total number of students enrolled in each district. In FY20 proposed funding ranges from \$20 per student to \$250 per student and in FY21 funding ranges from \$25 per student to \$300 per student. All schools and students are to receive a minimum additional funding of \$25,000 in FY20 and \$30,000 in FY21. Our district is to receive \$202,324 in FY21. Money will be received twice each year in October and February. These dollars are to be deposited in a Special Revenue Fund 467, which is not included in this forecast, and are restricted to expenses that follow a plan developed in coordination with one of the approved community partner organizations approved in HB166.

Our district added new initiatives to service student needs per our plan as identified in 3317.26 (B) which will be funded in the new Fund 467. These initiatives are a partnership with the Education Service Center of Central Ohio and focus on student mental health and physical wellness. We anticipate that these funds will be discontinued in FY22-25. These new initiatives have been greatly needed to support our students and will need to be picked up by the General fund. Our forecast has accounted for this transition of costs to the General fund for FY22-25.

Future State Budgets:

Our funding status for the FY22-25 will depend on two (2) new state budgets which are unknown. With the change to the state funding and no growth for the FY20-21 state amounts, we had not planned on increases to the state funding for any year of the forecast. As previously noted, we have made adjustments to our state funding based on very recent reduction due to COVID-19 and are estimating future funding with minimal additional guidance at this point. We believe our current state funding estimates for FY20-25 are reasonable and will adjust the forecast in the future when we have authoritative data to work with.

Casino Revenue: On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. As of March 4, 2013 all four (4) casinos were open for business and generating Gross Casino Tax Revenues (GCR). Thirty-three percent (33%) of the gross casino revenue is collected as a tax. School districts receive 34% of the 33% GCR that is paid into a student fund at the state level. These funds are distributed to school districts twice a year on the 31st of January and August each year which began for the first time on January 31, 2013.

Due to the COVID-19 closing the casinos in 2020 we are reducing the amount of funding in FY21 by 40% then increasing the amount in FY22 by 25%, FY23 by 32% and 1% in FY24 as we go through the next few years we will adjust as the funding information is available.

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Basic Aid-Unrestricted	\$5,790,932	\$6,093,268	\$6,093,268	\$6,343,268	\$6,343,268
Additional Aid Items	<u>\$598,756</u>	<u>\$598,756</u>	<u>\$598,756</u>	<u>\$598,756</u>	<u>\$598,756</u>
Basic Aid-Unrestricted Subtotal	\$6,389,688	\$6,692,024	\$6,692,024	\$6,942,024	\$6,942,024
Ohio Casino Commission ODT	\$122,095	\$158,786	\$217,738	\$228,138	\$238,724
Total Line # 1.035	<u>\$6,511,784</u>	<u>\$6,850,811</u>	<u>\$6,909,763</u>	<u>\$7,170,162</u>	<u>\$7,180,748</u>

B) Restricted State Revenues – Line # 1.040

HB64 continues funding two restricted sources of revenues to school district which are Economic Disadvantaged Funding and Career Technical Education funding. We have incorporated this amount into the restricted aid amount in Line #1.04 for FY21-25. The district also submits for catastrophic costs, which provides reimbursement for a portion of the extraordinary costs paid for students with special needs.

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Economically Disadvantage Aid	\$13,065	\$13,065	\$13,065	\$13,065	\$13,065
Career Tech - Restricted	\$1,494	\$1,494	\$1,494	\$1,494	\$1,494
Catastrophic Aid	<u>\$80,000</u>	<u>\$80,000</u>	<u>\$80,000</u>	<u>\$80,000</u>	<u>\$80,000</u>
Total Line #1.040	<u>\$94,559</u>	<u>\$94,559</u>	<u>\$94,559</u>	<u>\$94,559</u>	<u>\$94,559</u>

Restricted Federal Grants in Aid – line #1.045

There is no additional restricted federal funding projected in this forecast.

Summary of State Foundation Revenues

<u>SUMMARY</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Unrestricted Line # 1.035	\$6,511,784	\$6,850,811	\$6,909,763	\$7,170,162	\$7,180,748
Restricted Line # 1.040	\$94,559	\$94,559	\$94,559	\$94,559	\$94,559
Restricted Fed. Grants Line #1.045	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total State Foundation Revenue	<u>\$6,606,343</u>	<u>\$6,945,370</u>	<u>\$7,004,322</u>	<u>\$7,264,721</u>	<u>\$7,275,307</u>

State Taxes Reimbursement/Property Tax Allocation

A) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66 the FY06-07 budget bill previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are also credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007 HB119 expanded the Homestead Exemption for all seniors over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013 HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who did not currently have their Homestead Exemption approved or those who did not get a new application approved for tax year 2013, and who become eligible thereafter only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who had their Homestead Exemption as of September 29, 2013 did not lose it going forward and did not have to meet the new income qualification. These changes have slowed the growth of homestead reimbursements to the district, and as with the rollback reimbursements above, increases the taxes collected locally on taxpayers.

b) Tangible Personal Property Reimbursements –

The previous state budget bill HB153 reduced all reimbursements that the district received on TPP replacement dollars for both Fixed Rate and Fixed Sum Levies.

Summary of State Tax Reimbursement – Line #1.050

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
a) Rollback and Homestead	\$2,870,291	\$3,058,649	\$3,120,618	\$3,279,891	\$3,432,143
b) TPP Reimbursement - Fixed Rate	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Tax Reimb./Prop. Tax Allocations #1.050	<u>\$2,870,291</u>	<u>\$3,058,649</u>	<u>\$3,120,618</u>	<u>\$3,279,891</u>	<u>\$3,432,143</u>

Other Local Revenues – Line #1.060

All other local revenue encompasses any type of revenue that does not fit into the above lines. The main source of revenue in this area is tuition for court placed students, preschool tuition, full-day kindergarten tuition, open enrollment, general rental fees, interest earnings and Medicaid reimbursements.

We anticipate TIF receipts to continue throughout the forecast period with a modest growth rate which is indicative of the past trends. The TIF payments are from the Sunbury Mills Plaza development.

The district is using the October #2 payment report for Open Enrollment and is expecting a ½% increase each year for remaining years of the forecast. We have reduced FY21 interest by 60% and FY22 by another 25% due to the rapid reduction in interest rates to help stimulate the economy due to the COVID-19 pandemic and 10% decrease in FY23 through FY25 for declining balances.

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
TIF and PILOTS	\$153,233	\$154,765	\$156,313	\$157,876	\$159,455
Tuition	\$565,004	\$570,654	\$576,361	\$582,124	\$587,945
Open Enrollment	\$284,036	\$285,456	\$286,883	\$288,318	\$289,759
Interest	\$192,052	\$144,039	\$129,635	\$116,672	\$105,005
Class Fees	\$213,053	\$215,184	\$217,335	\$219,509	\$221,704
Other Miscellaneous Receipts	<u>\$86,757</u>	<u>\$87,625</u>	<u>\$88,501</u>	<u>\$89,386</u>	<u>\$90,280</u>
Total Line # 1.060	<u>\$1,494,136</u>	<u>\$1,457,723</u>	<u>\$1,455,029</u>	<u>\$1,453,885</u>	<u>\$1,454,148</u>

Short-Term Borrowing – Lines #2.010 & Line #2.020 –There is no additional borrowing planned in the forecast at this time.

Transfers In / Return of Advances – Line #2.040 & Line #2.050

These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. The district does not anticipate any Transfers or Advances during the remainder of the forecast.

All Other Financial Sources – Line #2.060

This funding source is typically a refund of prior year expenditures and one-time payments that are very unpredictable.

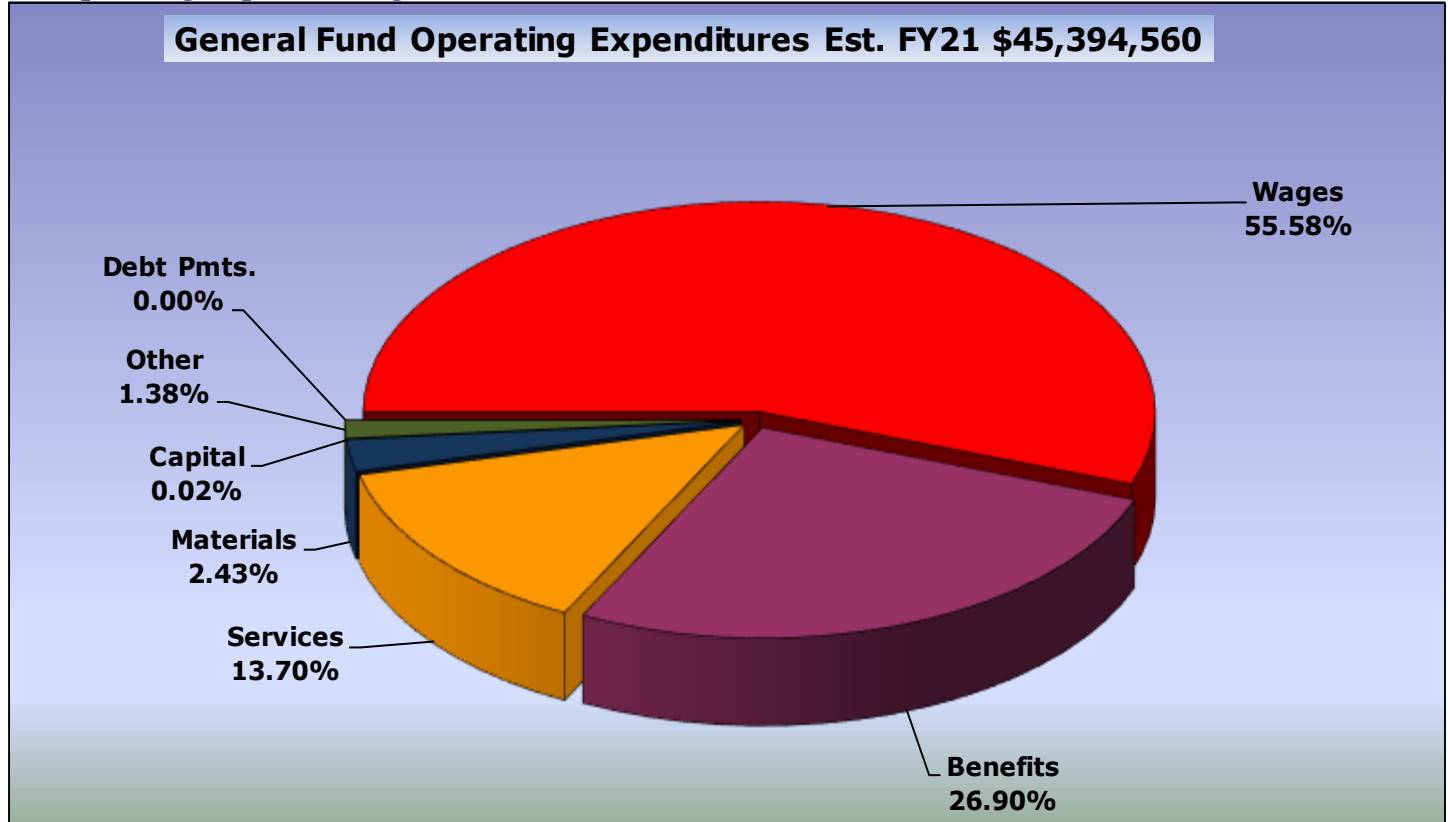
The district will receive a BWC for \$70,162 in FY21 but does not expect refunds in future years of the forecast. The district is estimating amounts for FY22 through FY25 based on currently received receipts and historical trends for this revenue area without BWC refunds.

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
All Other Sources	\$82,900	\$12,738	\$12,738	\$12,738	\$12,738

Expenditures Assumptions

The district's leadership team is always looking at ways to improve the education of the students whether with changes in curriculum or new technology needs. As the administration of the district constantly reviews expenditures the education of our students is the forefront of decision making.

All Operating Expense Categories - General Fund FY21



Wages – Line #3.010

The district evaluates staffing needs with the help of enrollment projections that are based on the study conducted for the district by Future Think. Even though the district continues to see enrollment growth minimal staffing increases have been made recently due to budget pressures. District leadership is currently reviewing staffing needs for both instructional and support roles as we attempt to accommodate anticipated enrollment growth and a focus on supporting the whole child. These staffing increases are being accounted for in the estimated net new hires in our forecast 3.75 in FY21, 29.10 in FY22, 15.50 in FY23, 25.50 in FY24 and 6.05 in FY25. Previously, the planned positions were mainly for staffing we believed were necessary to meet the demands of the new buildings, state or federal requirements for busing and students with special needs. The staffing accounted for in FY22 – FY25 account for returning services and support roles that were reduced in FY20 and FY21 due to budget pressures and uncertainty from COVID-19 as well as additional positions to provide our students with more opportunities and support. These estimates will be adjusted each year with the needs of the educational programs and as actual student information is available. The district will continue to keep a close watch of available resources to evaluate whether additional staffing can be accommodated or if other action will need to be taken. The district approved a contract in the fall of 2019 with BWEA and BW PSS that runs retroactively from July 1, 2019 to June 30, 2021. These agreements provide a 3% increase in wages for each year and modifies the district's insurance plan design, which will be discussed in the next section. Step increases for current employees are estimated to be 2.6%. The district has a contract with both OAPSE 524 and 696 unions that run from July 1, 2020

to June 30, 2022, which provide a 1.5% increase in wages for each year. The district is forecasting an increase of 3% growth in Substitutes and Extra Curricular wages during the forecast years.

Summary of Personal Services – Line #3.010

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Base Wages	\$22,677,298	\$24,025,595	\$26,553,247	\$28,766,323	\$31,466,446
Wage adjustments	\$565,685	\$466,529	\$531,065	\$575,326	\$629,329
Steps & Training	\$589,610	\$624,665	\$690,384	\$747,924	\$818,128
Growth/Replacement staff	\$395,789	\$1,376,130	\$930,015	\$1,322,180	\$572,102
Other	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Salary In Lieu of Insurance	\$227,231	\$241,319	\$265,451	\$291,996	\$321,196
Substitutes & Supplemental	\$927,491	\$955,316	\$983,976	\$1,013,495	\$1,043,900
Severance	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Administration	\$0	\$0	\$0	\$0	\$0
Staff Reductions (Retire/Resignation)	(\$402,786)	(\$139,673)	(\$138,388)	(\$145,307)	(\$152,573)
Total Wages Line 3.010	<u>\$25,230,318</u>	<u>\$27,799,882</u>	<u>\$30,065,750</u>	<u>\$32,821,938</u>	<u>\$34,948,528</u>

Fringe Benefits Estimates – Line #3.020

A) STRS/SERS will increase as Wages Increase

As required by law the BOE pays 14% of all employee wages to STRS or SERS. The district is using a blended rate of 15.9% for those that received pick-up on pick-up of the retirement and the additional amount is for the SERS Surcharge which is an additional employer charge based on the salaries of lower-paid members, which is used for SERS insurance upon retirement.

B) Insurance

As the graph below notes health care is a significant cost for the district and continues to be a real challenge as costs rise. Through the negotiations with the BWEA, administrators and classified support staff, the district made modifications to its medical insurance plan design and implement a high deductible health plan (HDHP), which started in calendar year 2020. This plan change decreased our anticipated premium increase and resulted in slightly lower participation. This has resulted in a lower overall insurance trend percentage for FY20 and FY21 and provided significant savings for the district. In negotiations with our OAPSE Local 524 and 696 unions in the summer of 2020, it was agreed that these individuals would join the HDHP starting in calendar year 2021. These adjustments have caused our anticipated cost of insurance for FY21 to be 4.2%. This is lower than in previous years as more of the staff are enrolled in the high deductible policies and premium caps were increased within the policies. The district is expecting a 6.2% in FY22 and 10.0% for FY23-FY25. This increase is a blend of the districts history of claims increases and the industry standards of annual premium increases.

The Further Consolidated Appropriations Act of 2020, included a full repeal of three taxes originally imposed by the Affordable Care Act (ACA): the 40% Excise Tax on employer-sponsored coverage (a.k.a. “Cadillac Tax”), the Health Insurance Industry Fee (a.k.a. the Health Insurer Tax), and the Medical Device Tax.

C) Workers Compensation & Unemployment Compensation

The district will move to Retro Group Rating in FY21 for Worker’s Compensation payments, which is anticipated to lower payments in future years. The district for the past two years has had nominal claims for Unemployment, however, due to higher unemployment rates from the COVID-19 pandemic the district is increasing unemployment for part-time staff that are unemployed by their regular employer as the district has to pay for the portion that is equivalent for their salaries at Big Walnut schools. Therefore, the district is increasing unemployment costs in FY21 to \$25,000 with a decrease in FY22 to \$10,000 and the remainder of the forecast decreased to \$3,000 each year.

D) Medicare

Medicare will continue to increase at the rate of increases in wages and as new employees are hired. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

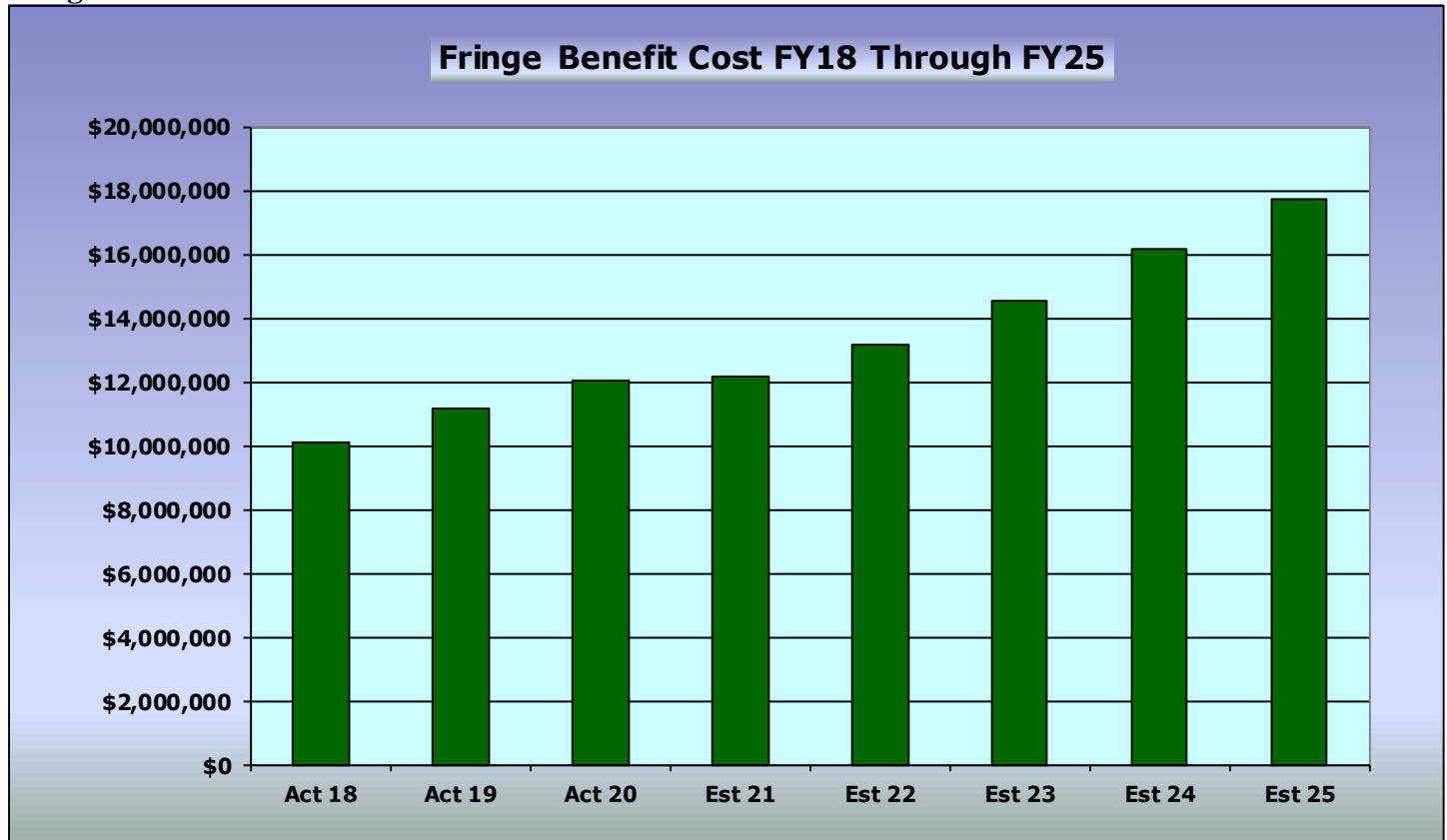
E) Tuition and Other Benefits

The district implemented an early retirement incentive plan in the spring of 2019, which effected retirements for both FY20 and FY21. This line accounts for the final expenditures for this plan in FY21. With the implementation of the high deductible health plan, the District agreed to make contributions into health savings accounts for employees on the plan, which are also account for in this line in FY21 and FY22. No further payments are being planned for after FY22. These costs will be decreased to the normal tuition reimbursement beginning in FY23 through the remainder of the forecast.

Summary of Fringe Benefits – Line #3.020

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
STRS/SERS	\$3,941,923	\$4,325,836	\$4,688,249	\$5,113,008	\$5,458,523
Insurance's	\$7,487,134	\$8,248,086	\$9,262,886	\$10,471,623	\$11,619,473
Workers Comp/Unemployment	\$118,840	\$107,300	\$102,217	\$102,067	\$109,134
Medicare	\$365,840	\$403,098	\$435,953	\$475,918	\$506,754
Tuition and Other Benefits	\$296,745	\$75,399	\$47,899	\$47,899	\$47,899
Total Line 3.020	<u>\$12,210,482</u>	<u>\$13,159,719</u>	<u>\$14,537,204</u>	<u>\$16,210,516</u>	<u>\$17,741,782</u>

Fringe Benefits Costs Actual FY18-20 and Estimated FY21-25



Purchased Services – Line #3.030

An overall average inflation of 2% is being estimated for this category. Community School deductions and tuition
An overall average inflation of 2% is being estimated for most categories of the forecast. Community School deductions and tuition paid to other districts are the largest unknown costs for the district as these areas are dependent upon the information that is received from other districts and can fluctuate significantly from one year to the next; we are increasing the insurance, leases and other line by \$168,335 accounting for actual appropriated services that were estimated as part of our needs-based budgeting process. Municipal leases for student technology are forecasted on this line. The District uses the permanent improvement levy funds to pay for buses that had previously been paid as a general fund cost in this line.

Due to COVID-19, we evaluated future years and either reduced or deferred some supports we had hoped to be able to provide for FY21 but have built in increased supports for the remainder of the forecast. In FY21, the district anticipates FTE needs of 0.5 occupational therapist, 0.2 physical therapist and 0.5 speech therapist as contracted services. As a way to help absorb some of the state reductions, we plan to reduce 4.5 tutoring positions with an increase of \$168,335 to account for actual appropriated services that were identified as part of our budgeting process. For FY22, the district is also planning to recode to the general fund from the Student Wellness and Success Fund for 1.0 nurse services and 1.0 mental health specialist as we are not counting on these funds to be renewed with the next state budget. In addition, 1.0 nursing, 1.0 mental health, 0.5 occupational therapy, 1.0 psychologist, 0.5 speech, and 1.0 technology support services are being planned. In FY23, the district is planning on additional FTE supports of 1.0 for athletic coordination, 1.0 for mental health, and 4.0 tutors to be paid through the ESC. For FY24 the district is planning for additional ESC costs for 0.2 adaptive physical education, 0.5 occupational therapy, 0.2 physical therapy, 1.0 technology support and 4 tutors. In FY25, 1.0 for nursing services, 0.5 speech services, and 1.0 tutor supports are planned for in our purchased services.

Phones and Internet Services are increased annually by 2% and will have additional increase in FY21 of \$12,180 for the new building and additional internet services.

Utilities are being increased annually by 3%, and we will see increases in FY21 for the new elementary and a partial reduction at Harrison Street as the entire building is not needed for the first year as it is used as an Early Learning Center. In FY23, we will see changes for the new high school being open and bringing the intermediate school off line for a year, and in FY24 we anticipate increases for reopening the intermediate school as an updated elementary school.

Maintenance and repair costs will increase with the changes and additions of the new buildings and have a base increase of 2% each year.

Purchased Services – Line #3.030

Source	FY 21	FY 22	FY 23	FY 24	FY 25
Insurance, Leases, Postage, & Other	\$771,848	\$787,285	\$803,031	\$819,092	\$835,474
Professional Services, Legal Fees & ESC	\$2,587,552	\$3,114,323	\$3,447,834	\$3,767,571	\$3,970,862
Tuition, OE, SF14, CCP & Excess Costs	\$1,198,919	\$1,222,898	\$1,247,356	\$1,272,303	\$1,297,749
Community School Deductions	\$482,049	\$491,690	\$501,524	\$511,554	\$521,785
Phone and Internet Services	\$89,800	\$91,596	\$93,428	\$95,296	\$97,202
Utilities	\$669,100	\$689,173	\$883,248	\$951,745	\$1,022,298
Building Repairs & Services	\$418,185	\$426,548	\$450,079	\$469,081	\$488,462
Total Line 3.030	\$6,217,453	\$6,823,513	\$7,426,500	\$7,886,642	\$8,233,833

Supplies and Materials – Line #3.040

On average an inflation rate of 3% is being estimated for this category of expenses which are characterized by classroom supplies, textbooks, copy paper, maintenance supplies, materials, and bus fuel. We are anticipating additional costs for educational supplies and maintenance supplies when each of the new schools are opened in FY21, FY23, and FY24.

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Supplies, Textbooks, and other	\$519,099	\$529,481	\$540,071	\$580,872	\$592,490
Maintenance & Transportation Supplies	\$582,365	\$599,836	\$617,831	\$656,366	\$676,057
Total Line 3.040	<u>\$1,101,464</u>	<u>\$1,129,317</u>	<u>\$1,157,902</u>	<u>\$1,237,239</u>	<u>\$1,268,547</u>

Equipment – Line # 3.050

The district continues to update its capital projects budget to update the aging bus fleet and replenish or refresh other assets such as roofing, asphalt, computers, desks and chairs that will be paid from the permanent improvement fund or within construction fund for the new buildings.

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Capital Outlay	\$10,600	\$10,000	\$10,000	\$10,000	\$10,000
Technology	\$0	\$0	\$0	\$0	\$0
Facility Upkeep	\$0	\$0	\$0	\$0	\$0
Replacement Bus Purchases	\$0	\$0	\$0	\$0	\$0
Total Line 3.050	<u>\$10,600</u>	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$10,000</u>

Principal and Interest Payment – Lines # 4.05 and 4.06

There is no additional borrowing planned in the forecast at this time.

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, SDIT collection fees and our annual audit and other miscellaneous expenses. The district uses an average increase of 2.8% for the annual increase for this area.

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Auditor & Treasurer Fees	\$380,603	\$392,021	\$403,782	\$415,895	\$428,372
County ESC	\$24,597	\$25,089	\$25,591	\$26,103	\$26,625
SDIT Tax Collection Fees	\$119,397	\$120,589	\$124,194	\$129,614	\$135,223
Other expenses	<u>\$99,646</u>	<u>\$101,639</u>	<u>\$103,672</u>	<u>\$105,745</u>	<u>\$107,860</u>
Total Line 4.300	<u>\$624,243</u>	<u>\$639,338</u>	<u>\$657,238</u>	<u>\$677,357</u>	<u>\$698,080</u>

Transfers Out/Advances Out – Line #5.010

This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. The district is anticipating transferring to the Food Service Fund due to the COVID-19 pandemic in FY21.

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Operating Transfers Out Line #5.010	\$100,000	\$0	\$0	\$0	\$0
Advances Out Line #5.020	\$0	\$0	\$0	\$0	\$0
Total	<u>\$100,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

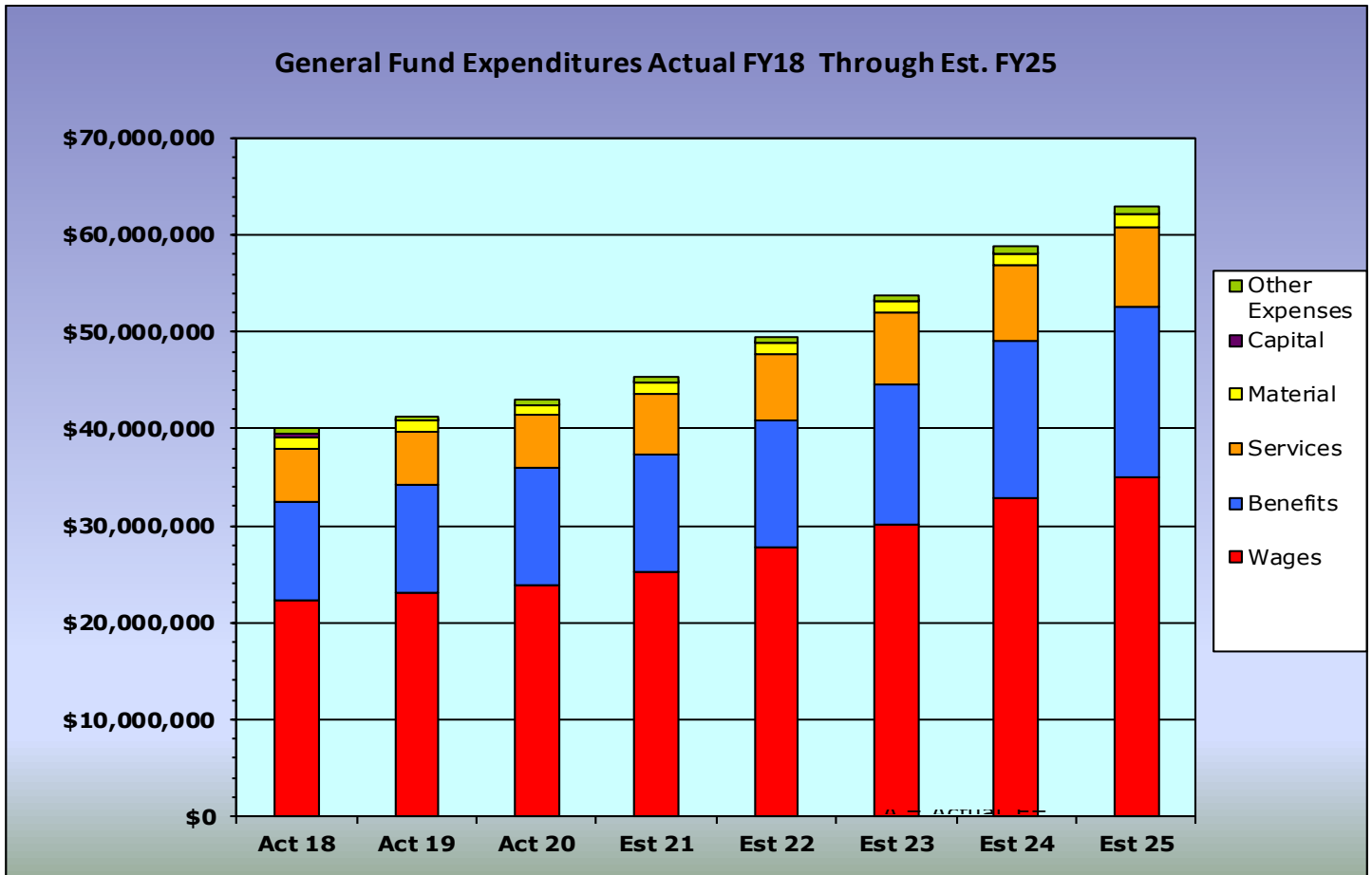
Encumbrances –Line #8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

Source	FY 21	FY 22	FY 23	FY 24	FY 25
Estimated Encumbrances	<u>\$372,025</u>	<u>\$379,465</u>	<u>\$387,054</u>	<u>\$394,795</u>	<u>\$402,691</u>

Operating Expenditures Actual FY18 through FY20 and Estimated FY21 through FY25.

As the graph below indicates the largest expenditure for the district is that of staffing. We are attempting to accommodate the needs of a growing student population with these expenditures, but understand the challenging budgetary constraints we face.



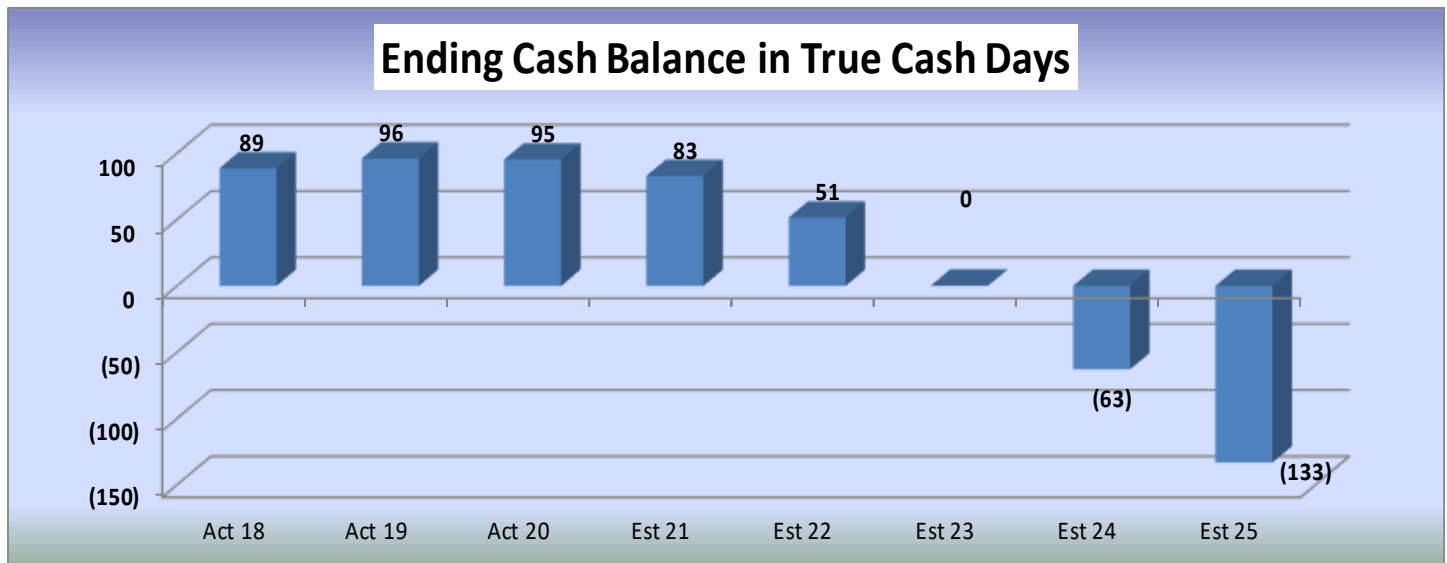
Ending Unencumbered Cash Balance – Line#15.010

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 results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of \$10,000. While we have been able to shrink the variance between revenues and expenditures from May, we are anticipating with current trends to begin utilizing our cash balance or “rainy day fund” for current year operating needs.

Source	FY 21	FY 22	FY 23	FY 24	FY 25
Ending Cash Balance	<u>\$10,334,970</u>	<u>\$6,989,060</u>	<u>\$36,498</u>	<u>(10,130,386)</u>	<u>(22,947,165)</u>

True Cash Days

The Government Financial Officers Association (GFOA) recommends, at a minimum, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. Based on the current fund balances the district will not have the sixty (60) day balance at the end of FY22.



CONCLUSION

The Big Walnut Local Schools would like to offer a sincere thank you to the voters for the continued support of our schools with the passage of the 5.45 Mill Substitute Emergency Levy at the April 2020 election. Amidst the challenges of COVID-19, the support of our community is greatly appreciated and of utmost importance. This levy will help to continue opportunities for our students' education now and in the future.

The district administration notes that this current state biennium budget is why we have to be mindful and watch each state budget carefully as HB166 has not provided new unrestricted operating funds to our district. Future state biennium budgets could affect us positively or negatively for FY22 through FY25, especially with the COVID-19 pandemic reducing state revenues through FY20 and FY21.

The district will receive funding through the CARES Act of approximately \$384,350 that is to be used for help due to the COVID-19 pandemic. These funds are restricted in federal grants and are not included in the forecast, however expenditures within our general fund can be offset by the amount of federal dollars. We will monitor this and all other funding that is affecting our forecast from the pandemic.

District administrations appreciates the supportive Big Walnut community and are actively planning for the future needs of our students while keeping an eye on the financial stability of the district. The administration is mindful that there are many risks and uncertainties that will need to be considered in future planning.

As you read through the notes and review the forecast, remember that the forecast is based on the information that is known at the time that it is prepared.