

Assumptions for Five Year Forecast
Swanton Local School District
November 2022
Updated May 2023

Forecast Summary

The Swanton Local School District uses the Five Year Forecast as a tool to manage operating cash flow for the District in the current and future fiscal years.

The Five-Year Forecast shows the future operations of the districts relies on the renewal of the \$825,000 Emergency Levy renewed in 2022. The District appreciates the community support in renewing the 0.75% School District Income Tax Levy in the May of 2019 with the renewal of this levy expected in 2023, to be effective for January 1, 2025.

The Swanton Local Board of Education empowers the Superintendent and the CFO/Treasurer to run the District where student achievement is top priority, community involvement is vital, all individuals are valued, and the school is a point of pride.

For Fiscal Year 2023, the District is receiving a significant amount of short-term funding including ESSER II, and ESSER III (American Rescue Plan). The Ohio Department of Education is requiring the five-year forecast to reflect moving expenditures out of the general fund starting in fiscal year 2022 and then returning the ongoing expenditures back into the general fund in the future years when this finite funding expires. The District's five year forecast does include accurate projections concerning the amount and timing of expenditures requiring funding through the general fund. Please refer to assumptions listed below under Expenditures.

As of May 2023, the interest income for 2023 has increased since interest rates increased after a two year decline in interest income. The school district income tax collections increased by 11% over the prior fiscal year with future year increases estimated at one percent. The school district income tax collection is based on the traditional base wages and will increase or decrease based on economic conditions. Overall Line 6.010 is positive for FY23.

As of May 2023, the Board of Tax Appeals case for the Nexus Pipeline still is not resolved and the District is still not receiving all of the public utility taxes due for the Nexus Pipeline. For the Public Utility Taxes, the collection is about \$500,000 per year less because of the tax appeal by Nexus Pipeline. The assessed valuation reported by the Ohio Department of Taxation to the Ohio Department of Education remains higher than what is actually being collected on during the appeal. The end result is that the State Funding Formula is using the higher assessed valuation for calculating the Local Capacity formula, then the state funding is less than it should be.

REVENUES

Real estate receipts are projected to increase gradually each year. There is some growth through new construction within the district but tax rates are adjusted up or down as the valuation changes through re-appraisals and re-evaluations by the county auditors in Fulton and Lucas Counties. Overall Revenue is expected to decrease or stay flat year over year. This is will not keep up with the expected growth in expenses for the District.

The renewal of the 0.75% School District Income Tax Levy in May 2019 was very important to maintain stable funding for the District. The School District Income Tax revenues represent 14% of the total revenue for the District. In calendar year 2022, the \$825,000 Emergency Levy was renewed in May 2022 to help maintain funding stability.

The district collects about 36% of the total revenues from State Funding through the Ohio Department of Education. The remaining 64% is generated from local sources.

1.010 Property Tax (Real Estate)

Real estate taxes bring in 33% of the District revenue and this amount has not grown over the past several years. The district returned to the 20-mill floor in tax year 2021 with the increase in property values. An increase in real estate property taxes is anticipated with Lucas County's triennial update and District collecting taxes at the 20-mill floor for residential property.

There has been some new construction and the real estate receipts increased over the past several years. Of the \$7.2 million of increased valuation in Lucas County in tax year 2018, approximately \$5 million was for the rail yard construction just east of the Village of Swanton.

Real estate property values are established each year by the County Auditor based on new construction and updated values. The School District has 33% of the property tax value in Lucas County and 67% of the property value in Fulton County. Due to the split in valuation, the impact of the reappraisal and triennial update cycles are divided accordingly. The next round of property reappraisals and triennial updates will be as follows: Fulton County reappraisal was in 2020, payable in 2021. Lucas County triennial update will be in 2021, payable in 2022. Fulton County triennial update will be in 2023, payable in 2024. The projections for this cycle are included in the assumptions.

Overall, the total agricultural assessed valuation is about 11% of the total assessed valuation for the District. This value is determined using the CAUV formula based on soil types, market value of commodities and interest rates. There have been adjustments to the CAUV formula resulting in a decrease in agricultural real estate values, and that pushes for additional taxes to be paid by residential real estate owners.

1.020 Public Utility Property Tax

The tax receipts for public utility personal property, such as electric companies, natural gas companies and a host of smaller classifications, are included in this line item that accounts for 7% of the district's revenues. For fiscal year 2018, a large tax payer did not make their tax payment in a timely manner so the collection is reduced in fiscal year 2018 and increased in fiscal year 2019. This is the same issue that impacted the reduced collections for fiscal year 2020.

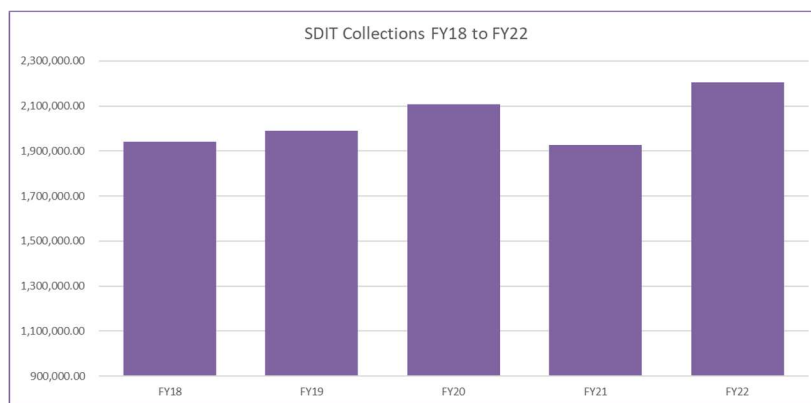
The District did have a portion of the Nexus Pipeline installed within its boundaries in 2018 and the Nexus Pipeline is now operational. When the District received updated property values from the Fulton County Auditor in December 2019, this valuation increased significantly. For this forecast, the tax collections included the first half payment in fiscal year 2020 and then full year payments for fiscal year 2021. Nexus Pipeline is appealing the valuation of the pipeline but is paying taxes on the undisputed valuation. There was a settlement of the appealed values at a lower percentage than originally established and now that amount is being appealed to the Ohio Board of Tax Appeals by the Lorain County Auditor as of September 2022. There is no timeline for when the appeal by Lorain County will be settled. The result is that all of the values for all of the impacted counties is being appealed and no additional increases are included in the Five Year Forecast at this time.

1.030 Income Tax

The 0.75% School District Income Tax levy was renewed by the voters of the District in May 2019 for another five years. This levy generated just over \$1.9 million with steady increase in collections for the past few years. The District receives School District Income Tax collections on a quarterly basis from the Ohio Department of Taxation. The School District Income Tax is collected on the wages of residents of the Swanton Local School District through withholdings by employers, quarterly estimates and annual

filings with the State of Ohio. The District receives approximately 13.5% of the General Fund revenues from the School District Income Tax.

The District started receiving the School District Income Tax in 2005 when the voters approved a 1.25% income tax using the traditional taxing base. In fiscal year 2010, the school district income tax collection was at \$2.1 million. In November 2008, the voters approved the reduction of the income tax rate to 0.75% effective on 1/1/2010. After the full impact of the reduced collection rate in July 2011, the income tax collection for fiscal year 2012 was \$1.5 million.



As economic conditions improve or decline for the residents of the district, this collection amount will reflect those changes. The district had seen year over year increases in school district income tax collections ranging from 3% to 6% from fiscal year 2018 to fiscal year 2020. With the State Mandated Closure of many businesses in the spring of 2020 and the movement of the state tax filing deadline from April 15th to July 15th in 2020, the collection and timing of the SDIT from quarterly payment was impacted.

For fiscal year 2021, the SDIT collections had a 7.5% decrease. The State of Ohio passed SB18 that makes unemployment compensation non-taxable for tax year 2020. This change in law could impact the traditional base SDIT for Swanton Local School District with a one percent to 1.5 percent decrease in taxable income. For the SDIT, the withholding collections for district residents declined in the 2020/2021 school year. The collections for fiscal year 2022 had a large percentage of increase but when fiscal year 2022 is compared to fiscal year 2020, the increase is 6%. The future years includes a one percent increase in projections.

The next renewal of this levy will go before the voters during calendar year 2024.

1.035 Unrestricted Grants-in-Aid

The State Funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly.

The state budget approved for FY22/FY23 in HB110 includes significant changes to the calculation and payment of state foundation funding. One of the biggest changes is a move to fund students where they are educated, rather than where they reside. Community school students, STEM school students, students participating in a scholarship program (EdChoice, Cleveland Scholarship, Autism Scholarship, and Jon Peterson Special Needs Scholarship), and students participating in open enrollment will all be directly funded at their educating entity. This change will eliminate the deduction and transfer of funds from resident districts to educating entities for students participating in these school choice options. As a result, this will cause significant changes in both the revenue and expense that school districts should expect in FY22 and beyond. School districts with large numbers of students who leave through choice options should expect to see less state foundation funding without the inclusion of these students. However, school districts will no longer see purchased services expenses associated with the deduction

and transfer of funds for these students. With this change in the state funding, several lines of the five-year forecast are impacted including Line 1.035 Unrestricted Grants in Aid, Line 1.040 Restricted Grants in Aid, Line 1.060 All Other Revenues plus Line 3.030 Purchased Services.

For the FY22/FY23 state funding, there are several funding streams that are going to be restricted in how the funds are spent by school districts. See the next section for further explanation.

School Funding for fiscal year 2020 was decreased as a result of the economic shutdown in the spring of 2020 due to the coronavirus pandemic. In January 2021, the state funding was revised so school districts received more state funding that they had originally planned for the 20/21 school year. For Swanton Schools, the state funding was set at \$5,598,371 at the beginning of the 20/21 school year then was increased to \$5,764,508 in January 2021. This increase of \$166,137 helped improve Line 6.010.

As of January 2013, this line of the Forecast also includes the payments for Casino Revenues from the State of Ohio that comes to Districts twice a year. Typically, the amount of the casino payments has been \$52 per student, or approximately \$66,000 annually. With the economic shutdown in the spring of 2020 due to the coronavirus pandemic, the casinos in Ohio were closed so a small revenue is projected for the casino revenues to the school district.

The District receives about 35% of total revenues from the State funding formula.

1.04 Restricted Grants-in-Aid

The items funded through this line of the forecast are received from the State of Ohio and can only be used for limited purposes.

In HB 110, the State Budget for FY22/FY23, continues to restrict Career-Technical Education, Economically Disadvantaged funding (renamed Disadvantaged Pupil Impact Aid), and Student Wellness & Success Funding. Additionally, HB 110 restricts Gifted Education and English Learner funding. Revised restrictions will be included in the ODE payment reports after the complete implementation of HB110.

The amount for Catastrophic Cost Reimbursement can vary from year to year depending on the services received by students and are deposited into restricted funding.

1.050 Property Tax Allocation

This line of the Forecast includes payments from the State of Ohio for the rollback and homestead reimbursements for tax credit programs granted to the owners of real estate property and for the Tangible Personal Property Emergency Levy Reimbursement Payment

The two big tax credit programs for real estate owners are the 10% credit granted to real property not used for business or commercial use and the 2.5% credit granted if the property owner occupies the residential property.

The other exemption program is the homestead exemption program. This is for all homeowners who are either permanently or totally disabled, 65 years of age or older, or who are surviving spouses at least 59 years of age and whose deceased spouses had previously received the exemption. Starting with tax year 2007, payable in 2008, the homestead exemption was expanded to become available for all homeowners over the age of 65, regardless of income.

The credits on the property taxes granted to the property owner are paid by the State of Ohio to the District. Rollback and homestead reimbursement will generally increase or decrease with new construction, reappraisals, updates and new levies.

The revenue from this line equals about 4.4% of the total revenue for the District.

1.060 All Other Revenues

The amount for this line is estimated based on activity trends over the past several years and future expectations. This line includes interest income, court-placed student tuition, excess cost tuition for special education court-placed students, student fees, payment from Medicaid for services provided to students and donations. With the new state funding formula passed by HB 110, open enrollment tuition will no longer be collected. This represents a decrease in income by about \$300,000 starting in FY22.

During fiscal year 2021, the district received a one-time refund from Ohio BWC of \$123,983. This is not expected to be received again. Also, the District received funding from USAC for an Erate Project that improved the Wi-Fi capabilities inside the district. This reimbursement was for \$74,173 to cover the costs of this project.

Interest Income will increase and decrease as the cash position of the General Fund fluctuates over the forecast period assuming the cash is actively invested. Interest rates have also dropped dramatically with the economic shutdown in the spring of 2020 due to the coronavirus pandemic. Interest income dropped to \$23,325 in fiscal year 2021, which is a \$59,000 drop in income. During fiscal year 2023, interest rates have rebounded plus district funds are actively invested for the near future. Anticipated interest income is projected to increase for fiscal year 2023.

Over the past few years, the Medicaid program for schools has been catching up on final settlements for prior service years. In fiscal year 2019, the District received settlement payments for 2016 and 2017 program years. For fiscal year 2020, the settlement for 2018 program year was received. For fiscal year 2021, the settlement for 2019 was received.

The revenue from this line equals about 4% of the total revenue for the District.

2.070 Total Other Financing Sources

This section reflects two types of transactions: returns of advances to the General Fund and refund of prior fiscal year's General Fund expenses.

For the past several years, the District has received refunds for prior year expenditures for various reasons such as BWC premium refunds, retirement system refunds, miscellaneous expenses that were reimbursed, etc. The Ohio BWC program issued another refund for premiums paid in 2019.

For fiscal year 2020, there was a \$36,000 advance returned from the Food Service Fund for an advance in the prior year. In the fall of FY22, \$125,000 was advanced to the Permanent Improvement Fund for a roofing project at Swanton High School. This amount will be returned to the General Fund after the 1st half real estate settlement in the spring of FY22.

Typically, this line item is not a significant amount and the district has little control of what items are included from year to year.

EXPENDITURES

Each contract and position vacancy is evaluated closely about whether the position is needed to ensure services to student will continue at expected levels. The assumptions include the current level staffing throughout the forecast except for teachers being paid through one-time funding. During fiscal years 2022 and 2023, there will be personnel services and benefits that will not be paid from the general fund and will be paid through the short-term funding provided by ESSER II and ESSER III (American Rescue Plan). This will include six (6) full time staff members and their related benefits and any substitutes for their absences.

The cost of salaries and benefits are under the 80% benchmark at 75% of total expenditures. There is a segment of the purchased services being paid for staffing of student services at other programs outside of the District.

The remaining expenditure areas are reviewed and evaluated to ensure the contracts benefit the District at the best price for the best service.

3.010 Personal Services (Salaries)

This line item includes all salaries paid by the District for all employees hired by the Swanton Local Board of Education. The salaries include amounts for all regular employees, substitutes for certificated and classified staff, supplemental contracts, and overtime for regular staff. As employees decide to leave through retirements or resignations, positions are evaluated closely to ensure the position is needed prior to it being filled. For fiscal year 2021, there were two positions that were reduced through staff resignations by moving two employees among buildings.

The expenditure for salaries is 52% of the total expenditures of the District. Currently there are three active unions within the District and a portion of the employees are not represented by a union. The SEA represents the teachers of the District. The SSSA represents the secretaries of the District. The OAPSE represents the bus drivers of the District. The assumptions include negotiated increases for the employees, including the cost for annual step increases and for educational advancements.

For fiscal year 2022 and fiscal year 2023, there will be six (6) employees paid from the short-term funding provided by ESSER II and ESSER III (ARP). The wages for these six employees are removed of planned expenses for fiscal year 2022 and 2023, then added back into the five-year forecast for fiscal year 2024. For fiscal year 2023, there is one more employee being paid from ESSER II funding to ensure that all of those funds are spent by the end of fiscal year 2023.

3.020 Employees' Retirement / Insurance Benefit

This line represents required contributions to the state retirement systems for all employees, the board's share of medical/prescription insurance benefits for eligible and enrolled employees, SERS surcharge, worker's compensation expenses, unemployment benefits, and other miscellaneous employee benefits. The STRS and SERS contributions will increase or decrease by 14% of wages being paid each year. SERS Surcharge is an additional employer charge levied on the salaries of lower-paid SERS members. The surcharge is figured at 14% of the difference between the member's annual compensation and the minimum compensation level.

The District participates in the Jefferson Health Plan, a consortium that provides group pricing for medical/prescription coverage, and dental insurance using an allocated pricing model. Overall 11% of the General Fund expenditures were for medical, prescription, dental and life insurance for fiscal year 2022. The District's goal is to contribute premium dollars to the self-insurance account with Jefferson Health Plan equal to the estimated costs for the health insurance program. The annual premium increases for the medical/prescription insurance programs were 10% for fiscal year 2021 and 3% for fiscal year 2022. For future years, the estimated increases are between 4% and 5% per year. The District had taken one month of premium holiday to help offset the expenditures for the Chromebook 1:1 Initiative replacement devices through fiscal year 2019. Due to higher than anticipated prescription claims in the 2019/2020 plan year and in the 2020/2021 plan year, the premium holiday for fiscal year 2020 and fiscal year 2021 was cancelled. The result is increased costs for Line 3.020 for fiscal year 2020 and fiscal year 2021. Future years include premium holidays for fiscal year 2022 and fiscal year 2024 and fiscal year 2026 as long as the health insurance account has an adequate balance.

All employees pay a portion of the medical/prescription insurance costs and the dental insurance costs. The District does offer an insurance waiver payment for employees who are eligible for health benefits but do not enroll. There is a spousal provision for the medical/prescription coverage if the covered spouse has access to medical/prescription coverage through their employer. There is a provision for adult

children who have access to medical/prescription coverage through their employer to take single coverage as primary and remain the district plan with secondary coverage.

3.030 Purchased Services

This area primarily includes Utilities, Property and Fleet Insurance, building repairs and maintenance services, and services received from the North West Ohio Educational Service Center (NWOESC) and A&G Education Services (LEAP) for students. Many of the factors which influence the changes in purchased services are outside the direct control of the District such as utilities and property/fleet insurance coverage that are purchased on the open market. Through the Power 4 Schools program, the District secured a fixed generation rate for the electricity usage from June 2011 through December 2019, with new lower pricing starting January 1, 2020 for 24 months. In the spring of 2020, the district approved a power purchase agreement for a solar field located at Swanton High School to help reduce the growth of electricity costs at that location only. The solar field began operations at the end of fiscal year 2021 and is continuing in operation for fiscal year 2022.

The state budget approved for FY22/FY23 in HB110 includes significant changes to the calculation and payment of state foundation funding. One of the biggest changes is a move to fund students where they are educated, rather than where they reside. Community school students, STEM school students, students participating in a scholarship program (EdChoice, Cleveland Scholarship, Autism Scholarship, and Jon Peterson Special Needs Scholarship), and students participating in open enrollment will all be directly funded at their educating entity. This change will eliminate the deduction and transfer of funds from resident districts to educating entities for students participating in these school choice options. As a result, this will cause significant changes in both the revenue and expense that school districts should expect in FY22 and beyond. School districts with large numbers of students who leave through choice options should expect to see less state foundation funding without the inclusion of these students. School districts will no longer see purchased services expenses associated with the deduction and transfer of funds for these students.

The cost for services from NWOESC and A&G Education Services will increase or decrease based on the number of students and the level of services utilized by the students. Starting in FY16, several students needing specialized instruction were served at A&G Education Services (LEAP) in Holland, Ohio. The cost savings for making this change in service providers was approximately \$5,000 per student annually plus the length of the bus ride was reduced significantly for the students.

3.040 Materials and Supplies

Building level budgets are provided for principals and supervisors to monitor their expenditures. This is primarily where instructional supplies and textbooks are purchased as well as custodial supplies, maintenance supplies, transportation supplies and fuel for the bus fleet.

For fiscal year 2020, the District purchased online textbooks, which increased the supply expenditures by \$60,000. In fiscal year 2021, much of the extra cleaning supplies purchased by the district were made from the ESSER I funding. With the federal funding provided by ARP ESSER, the district is investing in update ELA curriculum and math curriculum. The future updates for access to the online portions of that curriculum are included in future projections on this line item.

3.050 Capital Outlay

The capital outlay purchases are for equipment with estimated life of five years or greater to be used in the operations or instructional areas of the district.

The amount for future years of this line item includes the Chromebook 1:1 Initiative for grades 5 through 12 that was implemented during fiscal year 2016 and fiscal year 2017. This project cost approximately \$210,000 in fiscal year 2016 and \$130,000 in fiscal year 2017 to put devices in the hands of students in grades 5 through 12. For fiscal year 2020, the District purchased replacement units for the Chromebook

carts at the elementary building and equipment for the startup of the eSports Club, plus other technology updates. In fiscal year 2021, additional Chromebooks are being ordered to accommodate state required online testing at the lower grade levels but the shipment was delayed due to supply chain / manufacturing problems. The Capital Outlay for fiscal year 2022 includes two cycles of Chromebook 1:1 shipments. In future years, the replacement schedule for the Chromebook 1:1 Initiative for 1st grade, 5th grade, and 9th grade will cost approximately \$110,000 each year.

The Capital Outlay line also includes projected replacement of maintenance equipment including lawn mowers and other vehicles.

4.300 Other Objects

This area includes County Auditor and Treasurer Fees, Liability Insurance, and fees for our audits. The Liability Insurance market is dictated by market forces. Increases for this line are very minimal due to the nature of the expenditures.

5.040 Total Other Financing Uses

Periodically, the General Fund will transfer and advance funds to another fund within the District to offer financial support during a cash shortfall. The transfers are not expected to be returned to the General Fund. Over the past three years, the District has transferred funds to cover operating deficits in the Athletic Fund.

Starting in fiscal year 2018, there will be transfers out of the General Fund to the Debt Service Fund to make the annual payments on the \$1,800,000 certificate of participation financing for the renovation of the buildings in the District.

The General Fund can advance funds to another fund in anticipation that those funds will be returned the General Fund at a later point. For fiscal year 2019, there was a \$36,000 advance to the food service fund. This advance was returned in fiscal year 2020.

In the fall of FY22, \$125,000 was advanced to the Permanent Improvement Fund for a roofing project at Swanton High School. This amount was returned to the General Fund after the 1st half real estate settlement in the spring of FY22.