

Southeast Local Schools 5-Year Forecast



OVERVIEW

The 5-year forecast for the Southeast Local School District (the “District”) represents the best projections of revenues and expenses for the General Fund of the District based on the assumptions made. The Overview summarizes the assumptions and background information used to develop the forecast. The detailed assumptions are included in the “Detailed Information and Projections” which contains background information for each line item.

REVENUES

Property Taxes – Property tax estimates are based upon historical growth patterns. The County Auditor provides property valuations for the District for all classes of property. The forecast assumes that the real estate collections will remain at current levels with a slight increase in FY2025 due to the triennial update. The District has two Emergency levies on the books. One Emergency was renewed in November 2009 and November 2019. The last year of collection is 2030 and it raises \$1,017,000 annually. The other Emergency was approved in November 2010 and renewed in November 2014. The last year of collection is 2025 and it raises \$1,800,000 annually.

Pipeline Utility Taxes – The Forecast includes the actual revenue generated by the Rover pipeline in FY2019 through FY2021. The FY2022 and beyond estimates are based on the company paying 46% of the value provided by the County Auditor and includes the 1% reduction for depreciation.

Unrestricted Grant-in-Aid – This line item represents the State Foundation funds received by the District. The amounts used in the forecast are based on ODE projections for FY22 and FY23 and include the new funding formula approved by the legislature. It is assumed that the district will see a reduction in state funding in FY2025 and FY2026 with full implementation of the new funding formula.

Property Tax Allocation – This line item denotes the amount of funding received from the State for the Homestead Exemption, Property Tax Rollback and Tangible Personal Property reimbursement. The Homestead and Rollback estimates are assumed stable through the forecast period.

Other Revenue – Items included in the other category are interest income, fees and other miscellaneous income. This line item is reduced to reflect the change in the funding formula and districts no longer receiving open enrollment revenue. It is assumed that class fees and participation fees will continue for the period of the forecast.

EXPENSES

Personal Services – It assumed that staffing levels will remain at current levels. The negotiated agreement with the teaching staff of the District expires June 30, 2023. Salary increases are per the negotiated agreements through FY23. The salary increases after FY2023 represent the longevity amounts and a base salary increase. It is assumed that all 4 elementary schools are included in the School Wide Pool. If that needs to change, salary and wages would increase and the transfer to SWP would decrease. Several positions have been added thanks to federal and state funding. These funds are accounted for in a separate fund and not included in the Forecast. Also included in the Forecast is an estimated savings of \$650,000 when the elementary schools consolidate in FY2025.

Employees' Retirement/Insurance Benefits – The District's share of retirement (State Teachers Retirement System and School Employee Retirement System), workers compensation and Medicare payments are based upon a percentage of salary and wages. It is assumed that the amount for all of these will remain at approximately 17.5% of salary. The cost of health insurances is assumed to increase by 9% per year for the length of the forecast.

Purchased Services – This line item represents the amounts paid for utilities, contracts for services, mileage/meeting expenses, property insurance, computer service contracts, legal services and other services. This line shows a reduction over historical actuals because of the change in the funding formula. Districts are no longer charged for open enrollment out student, community school students and scholarship students. . The Forecast includes the continuation of a school resources officer and mental health purchased services. It is assumed that this line item will increase at a rate of 1% per year.

Supplies and Materials – The projected amount in this line item is based upon historical patterns. With some reduction for items purchases allowable under ESSER funding. It assumed that the budgeted amounts in this area would remain relatively flat.

Capital Outlay – This item is low because of the Permanent Improvement (PI) levy in place.

Transfers – The Forecast includes the following transfers. A one time transfer of \$13,000,000 to the Building construction fund. The annual School Wide Pool transfer associated the School Wide Pool. Also shown in the transfers is the annual COPs payments transfer to the Bond retirement fund starting in FY2023.

Southwest Five Year Forecast

District Type: Local
IRN: 050583
County: Wayne

| | 2019 | 2020 | 2021 | Projected | | | | |
|--|------------|------------|------------|-------------|------------|------------|------------|------------|
| | | | | 2022 | 2023 | 2024 | 2025 | 2026 |
| Revenues | | | | | | | | |
| 1.010 General Property Tax (Real Estate) | 9,211,228 | 9,027,311 | 9,326,577 | 9,419,300 | 9,419,300 | 9,419,300 | 9,569,300 | 9,569,300 |
| 1.01B Rover Pipeline Funds | 1,542,898 | 3,431,835 | 3,800,269 | 2,883,983 | 2,787,166 | 2,690,349 | 2,590,597 | 2,493,780 |
| 1.035 Unrestricted State Grants-in-Aid | 5,207,094 | 4,923,414 | 5,160,886 | 6,071,690 | 6,088,300 | 6,088,300 | 6,028,300 | 5,968,300 |
| 1.040 Restricted State Grants-in-Aid | 82,468 | 123,380 | 18,964 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| CARES Funding | | 0 | | | | | | |
| | 5,289,562 | 5,046,794 | 5,179,850 | 6,086,690 | 6,103,300 | 6,103,300 | 6,043,300 | 5,983,300 |
| 1.050 Property Tax Allocation | 947,179 | 1,061,613 | 1,081,808 | 1,080,000 | 1,080,000 | 1,080,000 | 1,080,000 | 1,080,000 |
| 1.060 All Other Revenues | 903,805 | 764,549 | 694,605 | 800,000 | 800,000 | 800,000 | 800,000 | 800,000 |
| | 961,398 | 1,069,694 | 1,031,075 | | | | | |
| 1.070 OE In (162, 181, 173) | | | | | | | | |
| Total Revenues | 18,856,070 | 20,401,796 | 21,114,184 | 20,269,973 | 20,189,766 | 20,092,949 | 20,083,197 | 19,926,380 |
| Expenditures | | | | | | | | |
| 3.010 Personal Services | 6,246,212 | 7,093,844 | 6,102,171 | 6,260,530 | 6,450,694 | 6,647,183 | 6,850,213 | 7,060,009 |
| 3.020 Employees' Retirement/Insurance Benefits | 2,768,548 | 3,279,386 | 2,927,270 | 3,092,695 | 3,287,295 | 3,495,953 | 3,719,742 | 3,959,824 |
| 3.030 Purchased Services | 1,636,546 | 1,626,109 | 1,722,596 | 1,750,000 | 1,785,000 | 1,820,700 | 1,857,114 | 1,894,256 |
| | 411,448 | 465,221 | 491,801 | | | | | |
| OE out(59, 78, 82) | 342,006 | 355,922 | 371,999 | | | | | |
| Community School (49, 52, 56) | 35,982 | 20,500 | 17,205 | | | | | |
| Scholarship (3, 2, 1) | | | | | | | | |
| 3.040 Supplies and Materials | 584,538 | 522,048 | 529,779 | 527,268 | 400,000 | 404,000 | 408,040 | 412,120 |
| 3.050 Capital Outlay | 97,256 | 640,608 | 147,520 | 200,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| 4.300 Other Objects | 254,033 | 278,377 | 285,227 | 300,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| Consolidation savings | | | | | | | (650,000) | (650,000) |
| 5.040 SWP Transfer | 3,700,000 | 2,724,477 | 4,395,000 | 4,250,000 | 4,377,500 | 4,508,825 | 4,644,090 | 4,783,412 |
| COPS Payment Transfer | | | | | 1,765,000 | 1,760,000 | 1,764,811 | 1,762,825 |
| Building Down Payment | | | | | | | | |
| 5.050 Total Expenditures | 16,076,568 | 17,006,492 | 16,990,568 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 |
| | | | | 29,380,494 | 18,415,490 | 18,986,660 | 18,944,010 | 19,572,447 |
| 6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses | 2,779,502 | 3,395,304 | 4,123,616 | (9,110,521) | 1,774,276 | 1,106,289 | 1,139,187 | 353,933 |
| 7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies | 9,552,325 | 12,331,827 | 15,727,130 | 19,850,746 | 10,740,225 | 12,514,502 | 13,620,791 | 14,759,978 |
| 7.020 Cash Balance June 30 | 12,331,827 | 15,727,130 | 19,850,746 | 10,740,225 | 12,514,502 | 13,620,791 | 14,759,978 | 15,113,911 |

DETAILED PROJECTIONS AND INFORMATION **REVENUE**

Real Estate Taxes – The valuation history of the District must be reviewed when making an estimate of real estate tax revenues. The table below details the District’s real estate valuation history.

| DOLLAR AMOUNT | Real Estate | | | | TOTAL |
|----------------------------|-------------|------------|------------|------------|-------------|
| | Res/ Ag | New Constr | Other | New Constr | |
| Tax Year 2012, Paid 2013 | 232,115,830 | 2,100,770 | 31,727,870 | 500,400 | 266,444,870 |
| Tax Year 2013, Paid 2014 | 239,352,380 | 2,385,790 | 32,349,610 | 274,170 | 274,361,950 |
| Tax Year 2014, Paid 2015** | 263,919,720 | 2,752,150 | 33,173,500 | 1,041,630 | 300,887,000 |
| Tax Year 2015, Paid 2016 | 267,323,120 | 3,058,320 | 33,925,820 | 591,710 | 304,898,970 |
| Tax Year 2016, Paid 2017 | 272,920,080 | 3,170,090 | 35,481,200 | 1,288,000 | 312,859,370 |
| Tax Year 2017, Paid 2018* | 287,930,340 | 3,592,660 | 37,095,050 | 1,759,610 | 330,377,660 |
| Tax Year 2018, Paid 2019 | 293,277,630 | 3,746,090 | 39,591,880 | 4,453,970 | 341,069,570 |
| Tax Year 2019, Paid 2020 | 300,737,510 | 3,544,920 | 45,308,770 | 1,329,020 | 350,920,220 |
| Tax Year 2020, Paid 2021** | 331,884,521 | 4,534,100 | 52,396,190 | 2,024,440 | 390,839,251 |

** This is an Reappraisal year.

The real estate valuation has been very stable. The average increase for real estate over the period is 3.4% per year. However, the increases occur in the reappraisal and update years. Reappraisal occurred in 2020, payable in 2021. Another factor that affects the real estate tax revenue is HB920. HB920 reduces tax rates as valuation increases until the total effective millage reaches 20 mills. In 2005, the effective millage for continuing levies hit the 20-mill floor. The new revenue to the District comes from the new construction in the District, reaching the 20 mills and the inside mills (4.5 mills). Therefore, it is also important to review the actual real estate tax collection history.

| REAL ESTATE TAX COLLECTION HISTORY | | | | | |
|------------------------------------|------------|--------|--------|------------|--------|
| | Amount | % Inc | | Amount | % Inc |
| CY2013 | 7,900,504 | 2.18% | FY2013 | 7,830,602 | 0.69% |
| CY2014 | 8,113,904 | 2.70% | FY2014 | 8,047,285 | 2.77% |
| CY2015 | 8,564,985 | 5.56% | FY2015 | 8,441,347 | 4.90% |
| CY2016 | 8,760,406 | 2.28% | FY2016 | 8,704,291 | 3.11% |
| CY2017 | 8,711,658 | -0.56% | FY2017 | 8,803,539 | 1.14% |
| CY2018 | 8,844,138 | 1.52% | FY2018 | 9,086,477 | 3.21% |
| CY2019 | 10,634,173 | 20.24% | FY2019 | 10,755,218 | 18.37% |
| CY2020 | 12,885,461 | 21.17% | FY2020 | 12,459,146 | 15.84% |
| CY2021 | 13,015,688 | 1.01% | FY2021 | 13,128,172 | 5.37% |

The District’s fiscal year is July 1 through June 30. The first fiscal year of full collection of the Emergency levy passed in November 2010 was FY2012. The Emergency levy passed in 2010 and has been renewed through 2025. This Emergency levy raises \$1,800,000 annually. A second Emergency levy was renewed in November 2009 and November 2019. The last year of collection will be 2030 and raises \$1,017,000 annually.

The Forecast includes the actual revenue generated by the Rover pipeline in FY2019 through FY2021. The FY2022 and beyond estimates are based on the company paying 46% of the value provided by the County Auditor and includes the 1% reduction for depreciation.

The projected amount of real estate tax revenue for the forecast is as follows:

| 2022 | 2023 | 2024 | 2025 | 2026 |
|------------|------------|------------|------------|------------|
| 12,303,283 | 12,206,466 | 12,109,649 | 12,159,897 | 12,063,080 |

Unrestricted Grant-in-Aid - This line item represents the State Foundation funds received by the District. The amounts used in the forecast are based on ODE projections for FY22 and FY23 and include the new funding formula approved by the legislature. It is assumed that the district will see a reduction in state funding in FY2025 and FY2026 with full implementation of the new funding formula.

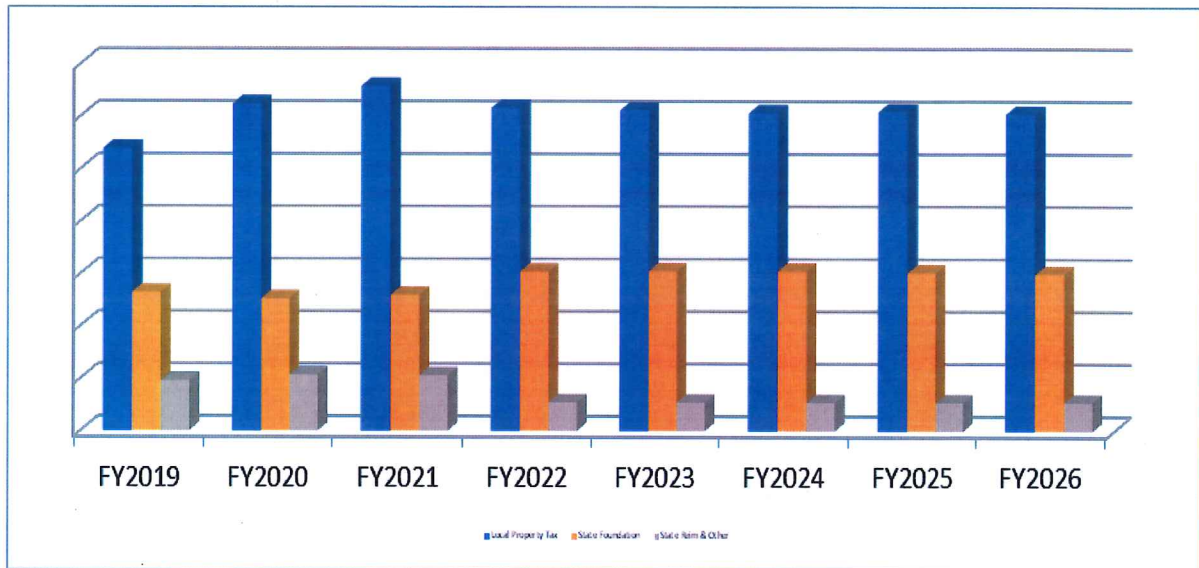
| | FY22 | FY23 | FY24 | FY25 | FY26 |
|------------------|-----------|-----------|-----------|-----------|-----------|
| State Foundation | 6,071,690 | 6,088,300 | 6,088,300 | 6,028,300 | 5,968,300 |
| Other State | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |

Property Tax Allocation – This line item denotes the amount of funding received from the State for the Homestead Exemption and Property Tax Rollback. The amount of revenue from this source corresponds directly with the property tax value in the District. Also included in this line item is the tangible personal property reimbursement. The State budget included a provision to fund TPP reimbursement at current levels. The forecast assumes that this funding will be reduced and eliminated in the future. The following chart details the estimated revenue for this line item

| | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Rollback | \$870,000 | \$870,000 | \$870,000 | \$870,000 | \$870,000 |
| Homestead Exemption | \$210,000 | \$210,000 | \$210,000 | \$210,000 | \$210,000 |
| TOTAL | \$1,080,000 | \$1,080,000 | \$1,080,000 | \$1,080,000 | \$1,080,000 |

Other Revenue – Items included in the other category are interest income, fees and other miscellaneous income. This line item is reduced to reflect the change in the funding formula and districts no longer receiving open enrollment revenue. It is assumed that class fees and participation fees will continue for the period of the forecast.

WHERE THE MONEY COMES FROM?



EXPENSES

Personal Services - The salaries and wages for District employees are accounted for in this line item. The District has tried to decrease staffing levels through attrition over the past several years.

It assumed that staffing levels will remain at current levels. The negotiated agreement with the teaching staff of the District expires June 30, 2023. Salary increases are per the negotiated agreements through FY23. The salary increases after FY2023 represent the longevity amounts and a base salary increase. It is assumed that all 4 elementary schools are included in the School Wide Pool. If that needs to change, salary and wages would increase and the transfer to SWP would decrease. Several positions have been added thanks to federal and state funding. These funds are accounted for in a separate fund and not included in the Forecast. Also included in the Forecast is an estimated savings of \$650,000 when the elementary schools consolidate in FY2025.

| Description | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
| Certificated Staff | 3,966,188 | 4,110,954 | 4,261,004 | 4,416,531 | 4,577,737 |
| Classified Staff | 1,684,179 | 1,722,073 | 1,760,820 | 1,800,438 | 1,840,948 |
| Extra Curricular Stipends | 300,163 | 307,667 | 315,359 | 323,243 | 331,324 |
| Substitutes | 185,000 | 185,000 | 185,000 | 185,000 | 185,000 |
| Severance | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| Overtime / Other | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| | 6,260,530 | 6,450,694 | 6,647,183 | 6,850,213 | 7,060,009 |

Certified staff includes all individuals holding a license to perform their job. This would include administrator, principals and all teachers. Classified staff includes custodians, aides, secretaries and bus drivers.

Employees’ Retirement/Insurance Benefits – The District’s share of retirement (State Teachers Retirement System and School Employee Retirement System), workers compensation and Medicare payments are based upon a percentage of salary and wages. It is assumed that the amount for all of these will remain at approximately 17.5% of salary. The cost of health insurances is assumed to increase by 9% per year for the length of the forecast.

| | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|
| Retirement, Medicare, WC | 1,064,290 | 1,096,618 | 1,130,021 | 1,164,536 | 1,200,202 |
| Life and Health Insurance | 2,028,405 | 2,190,677 | 2,365,931 | 2,555,206 | 2,759,622 |
| Total Fringe Benefits | 3,092,695 | 3,287,295 | 3,495,953 | 3,719,742 | 3,959,824 |

Purchased Services – This line item represents the amounts paid for utilities, contracts for services, mileage/meeting expenses, property insurance, computer service contracts, legal services and other services. This line shows a reduction over historical actuals because of the change in the funding formula. Districts are no longer charged for open enrollment out student, community school students and scholarship students. . The Forecast includes the continuation of a school resources officer and mental health purchased services. It is assumed that this line item will increase at a rate of 1% per year.

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Capital Outlay – This item is low because of the Permanent Improvement (PI) levy in place.

Transfers – The Forecast includes the following transfers. A one time transfer of \$13,000,000 to the Building construction fund. The annual School Wide Pool transfer associated the School Wide Pool. Also shown in the transfers is the annual COPs payments transfer to the Bond retirement fund starting in FY2023.

CONCLUSIONS

The Forecast does not show a deficit. The District needs to continue to explore additional opportunities for savings and increasing revenue. However, the District will need to watch the valuation appeal by the pipeline company and the State funding formula. This could have an impact on future finance

