

Lake Local Schools (Wood)

Five-Year Forecast Assumptions

November 2020

Overview

This forecast has been prepared to provide the Board of Education and the Lake Local Schools community with information about the current financial status of the District as well as the projected future. The current COVID-19 pandemic has an adverse impact on the financial wellness of the District for this forecast. This Forecast only includes the General Fund. It is the General Fund which provides the financial resources for educating the children of our District. There are other funds such as the Permanent Improvement Fund or the Bond Fund which have restricted uses. No provision has been made to this forecast with regards to the Student Health and Wellness Funding initiative provided in the State biennium budget or for the Federal CARES Act funding. The District is continuously looking for ways to supplant existing expenses to other appropriate funding sources as they are awarded.

This Fiscal Year is starting somewhat like FY20 ended; like no other. The uncertainties that are upon us due to COVID continue to grow. Each uncertainty contains many variables that could impact both revenue and expenses.

Assumptions

REVENUES

Property Tax Receipts

Revenue collected from taxes levied by a school district by the assessed valuation of real property effective tax rates for class I (residential/agricultural) and class II (business).

We receive almost 53% of our total revenue from local sources. This forecast has been made with very conservative increases in real estate, and assumes no increase on our next collection vs. last year's collections, due to possible delinquencies. We do not know what direction COVID will take our local real estate market and we might see a slight increase in the property tax delinquent payments, but overall, we should be hardly affected in this line item. We are expecting slow growth each year after this year. Fiscal year 2023 is the county reappraisal, which we are anticipating be a positive for the district.

Tangible Personal Property (TPP) Tax

Revenue from public utility personal property valuations multiplied by the districts full voted tax rate.

At one time, the locally collected TPP tax represented 31% of the District's tax base, 12% of its operating revenue, and yielded over 1.4 million dollars per year before being phased out and replaced by the state collected Commercial Activity Tax (CAT). Last year (FY 2020) we received the last amount of TPP revenue that we will receive of \$69,000.

Property Tax Allocation

Funds received for Tangible Personal Property Tax Reimbursement, Homestead and Rollback

The property tax rollback is a 10% reduction in the taxes charged against Class I (residential and agricultural) real property. The state reimburses schools the full amount of the rollback. A homestead property is property that the homeowner occupies as a primary residence. This qualifies for a 2.5% portion of the tax that is paid by the state and not the homeowner. We are projecting a 1% increase each year of this forecast.

Unrestricted Grants-in-Aid – State Foundation Payments

Funds received through the State Foundation Program with no restrictions on uses.

State aid makes up 31% of our total revenue, our next largest income source other than real estate taxes. School districts receive payments twice a month, and are not restricted in how it can be used. Fiscal year 2020 ended with a large budget cut from the State totaling \$296,000 for the Lake School District. Original projections included an additional 10% reduction for FY 2021 but those reductions have not come to fruition. In this forecast we have kept FY 2021 the same as last fiscal year at \$5,656,390 and are forecasting that after FY21 our foundation money will resume back to near FY19 numbers and then remaining flat.

This forecast does not account for the Fair Funding Model; Substitute House Bill 305, that would allow the state to look at other factors beyond the number of students in each district for its funding amount. Although, we hope this bill passes, it has not been and would have a 6-year phase in.

Other Local Revenues

Operating revenue sources not included in other lines.

This category includes Open Enrollment, Tuition Transfers from other districts, Student Activity Fees, and Investment Income. Open Enrollment income has risen

since 2015, however; moving forward we are now seeing much smaller increases due to building capacity restrictions. Other revenues account for 11% of our total revenue in FY21 but dips down in FY22 with very small increases in the following years. The primary reason for this decrease is the loss of investment returns. Interest will continue to trend down as rates continue to be reduced as well as lower bank balances.

Open enrollment- School districts receive money for students who live outside of their district but attend through Open Enrollment. We have seen a large increase in income from open enrollment, we have also seen increases in the expense of students who are open enrolling out (paid in Purchased services). Overall, the net gain from open enrollment is increasing.

EXPENDITURES

Salaries

Employee salaries and wages

Salaries include all staffing (salary schedules and extended days), substitutes, as-needed positions as well as negotiated attendance incentives. Salary expenditures represent just over 50% of our district's total budget in FY2021 and does rise slightly over the life of the forecast. The increase in FY21 is partially due to the hiring of long-term subs and added FTE's due to COVID. The raises that are included are as required by current negotiated agreements through summer of 2022. In July 2020, both unions signed an MOU reducing their pay increases for the 2020-2021 academic year from 2.75% to 2% for LEA and from 3% to 2.25% for OAPSE employees. These raises were deferred until FY22 in hopes that the economy and state budget would be rebounding from the global pandemic at that point. These changes have been reflected in this forecast.

We are using our CARES Act grant to reduce our FY21 salary expenses by \$100,000. This is very beneficial legislation; however, it still does not make up the amount that we were cut by the state in FY20.

Benefits

School Board portion of retirement and insurance for employees

This category includes employer contributions for retirement, Medicare, workers' compensation, medical, dental, vision and life insurances. Benefit costs make up just over 21% of our total budget in FY 2021. The District belongs to the Wood County Schools Health Consortium for Health Care Coverage. This has been advantageous in controlling premium costs with most increases falling well below the national and regional averages. Medical insurance rate projections show an increase of 6% each

year; however, the medical trend is much higher nearing double digits in businesses outside of our consortium.

Purchases Services/Materials

Amounts paid for utilities, personal services by personnel who are not on the payroll and other services which the school district may need to purchase.

Expenditures in the purchased services category account for just over 20% of the district's budget. The largest expense item within purchased services are payments to ESC's. We contract with ESC's in the area, primarily Wood Co. ESC for related services (SLP, OT, PT). We are projecting slight increases year over year for instructional services purchased from ESC's. Open enrollment, charter school and transportation expenses should be consistent with prior years expenses.

Supplies

Expenses for general supplies, instructional materials and other items needed.

Just over 3.5% of our overall budget is spent on supplies and materials needed to operate the school and provide an excellent education for our students. Expenditures last fiscal year were less than forecasted due to not completing the last quarter of the 2019-2020 school year. We do expect to see an increase in this line item with the added expenses of COVID but we have had some help with these expenditures from CARES dollars. We are projecting an increase in supplies needed over this forecast.

Capital Outlay

Expenses for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, buses

It is anticipated that any significant cost in this area will be covered under the permanent improvement fund. There was a large purchase in FY 2020 as the district implemented a 1:1 Chromebook program for grades 7-12. Moving forward we anticipate this line item to normalize as a reduced amount needed to purchase the Chromebooks for new grade levels.

Transfers

Operating transfers or advances to other district funds.

We make transfers at the end of each fiscal year to some of our grant funds, as we do not receive enough in grant money to cover all expenses in some areas. We are also budgeting an increase in this line item as we will begin contributing to a severance

fund this year that will create consistency in our general fund. It is not uncommon to have 5 retirement in one year followed by 0 the next.