Triway Local School District

Five Year Forecast Assumptions

Fiscal Years 2022-2026

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TRIWAY LOCAL SCHOOL DISTRICT
Five-Year Forecast
Fiscal Years 2022-2026

Assumptions – November 1, 2021

Executive Summary

The five year forecast is a useful tool for interested parties to obtain a general understanding of the District's operating fund budget. Alone, the numbers in the forecast reveal a small part of the financial story. Assumptions are necessary to provide the rationale supporting the data.

The reader should keep in mind that this is a forecast, not a budget. Throughout the timespan of the forecast, revenues and expenditures will be affected by unforeseen conditions, both positive and negative.

This year's five-year forecast spans three state biennial budgets, two negotiated agreements, a full real estate reappraisal (2026), one real estate update (2023), and three real estate levy renewals. The numbers contained therein are a snapshot of revenues and expenditures captured on November 1, 2021 and are subject to change.

The only fund forecasted is the General Fund (001).

Revenue Assumptions

Real Estate

- Passage of a $1.2 million, fixed sum, emergency levy in November 2005 boosted the District's revenue from real estate taxes. **The forecast assumes passage of the renewals in 2023 and 2026.**
- Collections from the 5.5 mill, 5-year operating levy continue through calendar year 2022. The effective rate of the levy is 2.97 mills and collects $1,761,600 (including rollback/homestead). Voters renewed the levy in November 2017. The next renewal request will be in fiscal year 2023. **The forecast assumes passage of this renewal.**
- Throughout the forecast, the District will receive small increases from new construction and the 4.4 inside millage immune to the reduction effects of House Bill 920.
- Real estate underwent full appraisal in 2020, based upon sales transacted in years 2017-2018-2019. The reappraisal resulted in a 2.5% increase for FY 2021. The forecast reflects a small increase in Res/Ag values being offset by depreciation of the Rover Pipeline in years two, three, and four.
- Another small increase is expected in year three of the forecast due to the triennial update in 2023.
- There has been an increase in late payments. Delinquencies do not "go away". Rather, collections are delayed until the owner pays or sells.

Rover Pipeline Revenues

- Pipeline #1 (of 2) was in service by December 31, 2017, taxed in 2018, and collected starting 2019.
- Pipeline #2 was in service by December 31, 2018, taxed in 2019, and collected starting 2020.
- The valuation of Rover pipeline is subject to annual depreciation. A 2% depreciation factor is applied in each year of the forecast.
- Updated Rover valuations are provided by the Wayne County Auditor in December. This forecast is applying assumptions based upon December 2020 data.
- In December 2019, Rover Pipeline contested its original cost values to the Ohio Department of Taxation. Rover Pipeline provided the actual cost values to the Department of Taxation upon completion of the project. These numbers were then used to determine property valuation. In early July 2020, the ODT released its finding: the original assessment figures were accurate and will be taxed accordingly. Rover Pipeline promptly filed a petition with the Court of Tax Appeals. The appeal is on the docket for May 9, 2022, BTA Case # 2020-1540. If denied, Rover Pipeline will likely take its case to the Ohio Supreme Court or to regional appellant courts.
- Until a final decision is rendered, Rover is allowed to tender-pay taxes, which is approximately 50% of the billed amount. The original assessed valuation remains on the County Auditor's records. This affects the District in several ways. The District's revenues certified by the County Auditor will be overstated and the School District will need to adjust its cash flow to compensate for Rover's underpayment. The state-share of funding will be impacted as it is based upon a three-year average of property valuation. The full Rover valuation will be reported and the District's local share of funding will be set artificially high. This creates the erroneous assumption that revenue generated by Rover will equivalently offset the loss of state-share support. Also, the District's fixed sum levy depends upon an accurate assessed valuation to determine the millage rate. An unadjusted Rover valuation will result in a millage rate that is set too low to collect the full $1.2 million. Rover's portion of the emergency levy is approximately $456,000 and Triway anticipates a loss of $214,320 per year due to Rover's tender-payments. This loss cannot be recaptured if the appeal is successful.
- To monitor the actions of legislators and Rover Pipeline, the District joined forces with other schools districts and formed the Ohio Schools Pipeline Coalition.
- **The forecast reflects tender payment of 50% throughout the years of the forecast**. It is anticipated that Rover Pipeline will annually contest the valuation assigned to its cost values.

Income Tax

- In March 2012, voters approved a .75% earned income tax. The income tax was levied starting January 2013 and full collection was realized in fiscal year 2016. The tax generated $2 million annually and <u>expired</u> at the end of calendar year 2020.

- Due to the COVID-19 pandemic, 2nd quarter 2020 employment figures dropped by 20-30%. Economic factors indicated a sharp decline in income tax, followed by a strong recovery. The July 2020 OSIT distribution was 21% below normal. This is lost revenue and cannot be recovered.
- **Income taxes due to delinquencies are forecasted for years one and two of the forecast. This can be anticipated, but not expected.**

Unrestricted Grants-in-Aid and Casino Revenue

- Ohio House Bill (HB) 110 passed in June 2021 makes significant changes to school funding. It changes how students are counted toward a district's enrollment, which, in turn, impacts school funding.
- A base cost model that depends upon statewide employee data as well as student-to-staff ratios to determine state funding was implemented July 1, 2021.
- According to state simulations, the average base cost per student increases from $6,020 to $7,200. As with any other state funding model, the plan will not be implemented in full, but instead, phased-in. Depending upon the total cost, the base cost model may be restructured in the next biennial budget cycle.
- The funding will not be uniform. Each district will have a "variable per pupil base cost". Data to arrive at funding will be derived from FY 2018.
- HB 110 changes the method of accounting for students. Up until FY 2022, students were counted in the district where they reside. HB 110 replaces "formula ADM" with "enrolled ADM", which counts students in the district of enrollment.
- EdChoice Scholarships will be funded directly by the state and not deducted from the District's foundation payments.
- Future state biennial budgets may phase-out or eliminate guarantee funding. The reduction is not forecasted, but the possibility requires close monitoring.
- The current state share index has been replaced with a district-specific "per pupil local capacity amount." A "per pupil local capacity amount" is based on three factors: 1) a district's base cost enrolled ADM; 2) property valuation; and 3) income.
- Breakdowns specific to the District will be released by the state in December 2021.
- The expected, constant appeal cycle of Rover Pipeline impacts state funding. The District's property values remain elevated, which raises the per pupil local capacity amount. That means the local share increases and the District pays <u>more</u>. This is an inconsistency. The District is not collecting the tax based upon the higher valuations because Rover Pipeline is underpaying its tax bill.
- All four casinos are up and running as of this date. Ohio casinos were closed due to the COVID-19 pandemic. The forecast assumes annual casino tax revenues of $90,000.

Restricted Grants-in-Aid

- The State provides limited funding for career tech and the economic disadvantaged students. The funding is flat-lined during this forecast.

- The forecast allows for “wellness and success” funding in years one and two to coincide with the state’s biennial budget. There is no plan to include the funding in future state biennial budgets.

Property Tax Allocations

- The State will continue homestead & rollback reimbursements for the District’s current levies and renewals but will no longer subsidize new levies.

All Other Operating Revenue

- A catchall for all remaining revenues, this category contains investment earnings, tuition from other districts, excess costs receipts, and student fees.
- The largest income in this category was incoming open enrollment. Because the new state model funds students where they attend school, there will be no incoming or outgoing enrollment adjustments. This will decrease both revenues and expenditures in the five year forecast.
- State law stipulates schools waive instructional fees for those students who qualify for free lunch status. In FY 2021, the District waived over $20,000 in fees. As a response to COVID-19, the Board of Education waived the transportation fee in both FY 2021 and FY 2022. The forecast reflects the ~$25,000 waiver.
- A two million dollar Current Revenue Tax Note was procured in FY 2020. This amount was required to cover a cash flow deficit between November 8, 2019 and January 31, 2020. The note was repaid in its entirety on May 1, 2020. There are no plans to borrow against current revenues in fiscal years 2022-2026.

Expenditure Assumptions

Personal Services

- The District employs 202 contracted personnel: 133 certificated staff; 69 support staff. In addition to contracted personnel, the District employs over 90 substitute and temporary personnel. Payrolls in November 2021 indicate 108 employees reside in Triway district and contribute to its school income tax.
- An extension to the negotiated agreement first finalized in the fall of 2016 dictates certified salaries and benefits through June 2022.
- Raises of 2.5% were negotiated for FY 2022. Step increases are projected (~$150,000 annually.) **Only steps are calculated in FYs 2023-2026 of the forecast.**
- Known retirements are calculated into the forecast.
- Additional staff is necessary to accommodate special education students. Several of the special education students require a full-time aide. The additional amounts are factored throughout the forecast.
- Overtime and field trips remain limited.

Benefits

- Health insurance costs remain the largest benefit obligation. Triway joined the Jefferson Health Plan in 2014 with the intent to slow the liability. Premiums were underfunding the reserves and, as a result, rates for 2018 increased by over 21%. Premium adjustments in July 2017 were established to recover a large portion of the negative reserve balance. July 2019's reserve balance was $566,681. The financial summary reported by JHP on October 31, 2021 showed a reserve balance of $2,876,081. Due to the rich reserves, there are no premium increases factored into the forecast at this time for fiscal years 2022 and 2023.

- Retirements (STRS & SERS), workers compensation, and Medicare are a percentage of payroll dollars. As salaries/wages rise, so do these payroll requirements.
- Shared services that save the District time and money have been implemented.

Purchased Services

- Federal grant money, such as Title I and IDEA Part-B, provides the District some relief from escalating special education costs. However, to comply with federal guidelines, the District must meet "maintenance of effort". This requirement prevents the District from reducing services.
- This line item is impacted by the state budget "wellness and success" funding. During the 2020-21 biennial budget, certain purchased services were paid from Fund 467. The costs for some of these services return to the general fund in 2022.There is enough money remaining in Fund 467 to cover the costs of the elementary counselor for two more years.
- Based upon the type of disability, resident special education students attending other districts cost more than the per pupil allocation. In FY 2022, these excess costs billed by the educating districts are expected to be over $100,000.
- College Credit Plus, which transfers money from Triway to participating area colleges, was $81,866 in FY 2021 and a similar amount is factored annually into the forecast in FY 2022.
- Triway continues to save money using retail natural gas and electric suppliers.
- Other costs in this category are based upon historical trends and large fluctuations are not expected.

Supplies and Capital Outlay

- Textbook and instructional purchases each year of this forecast total $100,000.
- Other areas, such as custodial, maintenance, and transportation, continue to be monitored for efficiency. *The District maintains the integrity of its buildings, but the cost for the upkeep is increasing as the buildings age*. No major improvements have been made to the elementary buildings since 2001.
- As in past forecasts, the cost of bus fuel fluctuates unpredictably. The amount built into this year's budget is the equivalent to the amount spent in FY 2022.
- As Rover Pipeline revenues are realized, capital costs currently absorbed by the General Fund will be shifted to the Permanent Improvement fund.
- The PI tax anticipation note was paid off in December 2020. This frees up $300,000 in the PI fund to cover capital purchases such as computers and infrastructure, which were previously paid by the General Fund.

Other Operating Expenses and Other Financial Uses

- Foundation deducts for the ESC are in this category and are dependent upon student enrollment.
- Other expenses include county auditor fees, liability insurance, state auditor fees, and district wide memberships.
- Transfers-out to food service and preschool to avoid year end deficits may be necessary.

Triwaway Local School District

Schedule of

LEVY RENEWALS

Fiscal Year	Levy	Month/Year
2023	Operating – 5.5 mills (5 yrs)	November 2022
2023	Emergency (3 yrs)	May 2023
2023	Emergency (3 yrs)	May 2026

FUTURE CONSIDERATIONS WITH POTENTIAL IMPACTS ON FORECAST

pK-12 School Campus Project

Due to declining building enrollment and increasing per student costs, the Triway Board of Education voted to close Franklin Township Elementary at the end of school year 2018-19. Staff savings will not be immediate, but will be determined by employee reduction through attrition. Other savings, such as utilities, will be immediate.

The Triway Board of Education placed a 1% earned income tax on the November 5, 2019 ballot for the purpose of building a pK-12 single campus building. Voters approved the initiative: 1909, for the tax, 1533, against. (55% - 45%)

If all goes as planned, a pK-12 campus will open for School Year 2024-25. No savings are factored into the forecast, but with a condensed setting, one could expect significant personnel savings. For instance, a reduction of five, full-time employees results in a savings of over $300,000 annually.

Elementary and Secondary Emergency Relief Fund (ESSER)

In July 2020, Congress awarded schools financial assistance to address the impact of COVID-19. The funding was determined by the District's federal grant, Part A of Title I. There are three segments of the ESSER relief package. The amounts of the assistance are:

ESSER I	$ 402,645	March 13, 2020-September 20, 2022
ESSER II	$1,591,164	March 13, 2020-September 20, 2023

ESSER III	$3,549,246	March 13, 2020-September 20, 2024
ARP IDEA	$ 81,838	

The District plans to use the money to provide additional and ongoing services for those students who are struggling after the pandemic shut-down. A portion of the assistance was spent to provide a safe learning environment for the students.

Purdue Pharma Bankruptcy Lawsuit

The District is part of a class-action claim against Purdue Pharma, L.P. Purdue Pharma allegedly fueled the opioid crisis through improper marketing and distribution of opiate medications.

Data specific to Triway, according to a screen capture from https://purduelocalgovtclaims.info/ (no longer a live link): “This estimated amount comprises estimated Past Damages for the period 2003 through June 2020 in the amount of $1,772,454, and estimated Future Damages and Abatement Costs for the period July 2020 through 2040 in the amount of $1,266,948.”

The compensation may be in cash, non-monetary payment or both. The lawsuit will take many years to resolve and the above-stated amount is not guaranteed.

#TheTriwayDifference

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