

***PIKE DELTA YORK  
LOCAL SCHOOLS***



***2020-2024***

***Five-Year Forecast***

***May 2020***

# Pike Delta York Local School District

## Five Year Forecast - May 2020

5/20/2020

|                                      | Actual            |                   |                   | Projected              |                        |                        |                        |                        |
|--------------------------------------|-------------------|-------------------|-------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|                                      | 2016-17<br>Actual | 2017-18<br>Actual | 2018-19<br>Actual | 2019-20<br>Fiscal Year | 2020-21<br>Fiscal Year | 2021-22<br>Fiscal Year | 2022-23<br>Fiscal Year | 2023-24<br>Fiscal Year |
| <b>REVENUE</b>                       | 3,377,671         | 3,709,120         | 3,164,101         | 2,244,223              | 1,171,118              | (297,821)              | (1,258,283)            | (2,618,313)            |
| Real Estate Tax                      | 4,480,390         | 4,629,118         | 4,477,061         | 4,576,841              | 4,622,609              | 4,668,835              | 4,715,524              | 4,762,679              |
| Public Utility Personal Property Tax | 474,555           | 211,372           | 706,854           | 665,846                | 824,863                | 833,112                | 841,443                | 849,857                |
| Other Local                          | 946,878           | 930,003           | 974,260           | 888,095                | 885,857                | 1,353,574              | 1,371,645              | 1,390,079              |
| Foundation                           | 7,067,410         | 7,285,055         | 7,286,108         | 7,019,275              | 6,513,749              | 7,239,774              | 7,246,600              | 7,260,250              |
| Rollback & Homestead                 | 622,966           | 509,730           | 548,948           | 543,687                | 589,383                | 595,276                | 601,229                | 607,242                |
| Other State                          | 241,030           | 194,610           | 168,909           | 153,606                | 153,606                | 153,606                | 153,606                | 153,606                |
| Non-Operating Receipts               | 7,104             | 7,669             | 122,550           | 125,237                | 125,237                | 125,237                | 125,237                | 125,237                |
| <b>TOTAL RECEIPTS</b>                | 13,840,333        | 13,767,556        | 14,284,690        | 13,972,586             | 13,715,305             | 14,969,415             | 15,055,284             | 15,148,950             |
|                                      |                   | -0.53%            | 3.76%             | -2.18%                 | -1.84%                 | 9.14%                  | 0.57%                  | 0.62%                  |
| <b>TOTAL RECEIPTS PLUS CASH</b>      | 17,218,004        | 17,476,676        | 17,448,791        | 16,216,809             | 14,886,423             | 14,671,594             | 13,797,001             | 12,530,637             |
| <b>EXPENDITURES</b>                  |                   |                   |                   |                        |                        |                        |                        |                        |
| Salaries & Wages                     | 7,078,875         | 7,370,842         | 7,794,608         | 7,833,403              | 7,771,927              | 8,113,684              | 8,278,027              | 8,445,656              |
| Fringe Benefits                      | 3,072,661         | 3,153,794         | 3,231,912         | 3,407,461              | 3,487,134              | 3,674,279              | 3,842,632              | 4,018,561              |
| Purchased Services                   | 2,572,591         | 2,825,765         | 3,184,214         | 2,927,600              | 3,026,245              | 3,220,180              | 3,348,987              | 3,482,946              |
| Supplies, Materials & Textbooks      | 458,598           | 513,162           | 470,126           | 434,198                | 455,908                | 478,703                | 502,638                | 527,770                |
| Capital Outlay (Incl. Replacement)   | 32,728            | 4,872             | 10,778            | 12,445                 | 12,445                 | 12,445                 | 12,445                 | 12,445                 |
| Other                                | 206,607           | 211,175           | 169,163           | 190,585                | 190,585                | 190,585                | 190,585                | 190,585                |
| Non-Operating Expenses               | 86,824            | 232,965           | 343,766           | 240,000                | 240,000                | 240,000                | 240,000                | 240,000                |
| <b>TOTAL EXPENDITURES</b>            | 13,508,884        | 14,312,575        | 15,204,568        | 15,045,692             | 15,184,244             | 15,929,877             | 16,415,314             | 16,917,964             |
|                                      | 331,449           | (545,019)         | (919,878)         | (1,073,105)            | (1,468,939)            | (960,461)              | (1,360,030)            | (1,769,014)            |
| <b>ENDING CASH BALANCE (6/30)</b>    | 3,709,120         | 3,164,101         | 2,244,223         | 1,171,118              | (297,821)              | (1,258,283)            | (2,618,313)            | (4,387,327)            |
| % of Revenue                         | 26.80%            | 22.98%            | 15.71%            | 8.38%                  | -2.17%                 | -8.41%                 | -17.39%                | -28.96%                |
| % of Salaries/Fringes to Revenue     | 73.35%            | 76.45%            | 77.19%            | 80.45%                 | 82.09%                 | 78.75%                 | 80.51%                 | 82.28%                 |



# *Pike Delta York Local School District*

## *May 2020 Five Year Forecast*

### *Assumption Summary*

#### **Real Estate Taxes**

Property tax collections are a major revenue source for the local portion of the district's revenue. The continued issue of tax abatements within the village is to be of concern regarding future property tax growth. The minimal growth that the district used to experience from new construction will disappear as new homeowners apply for and receive 100% abatements. At the time of this forecast being prepared, the village has granted ten (10) residential 100% ten (10) year tax abatements totaling a loss of approximately \$ 19,375 annually to the district. The district will continue to monitor potential future abatements and the affects it will have on district taxpayers.

Local property tax revenues account for 41.79% of the district's resources. Fulton County is currently going through a property reappraisal. Collections on these updated values will be collected in calendar year 2021.

The district experienced additional revenue as a result of the NEXUS pipeline being completed. It is estimated that the district received approximately \$ 152,360 with the February of 2020 property tax distribution. An additional \$ 152,360 should be received with the August settlement. This collection is based on the assessed value of \$ 5,919,410 which represents 61.49% of the original assessed value of \$ 9,626,120. Nexus has appealed the original value to the Ohio Department of Taxation and a decision has not been made at the time these projections were prepared.

The community supported the renewal of the two emergency levies in November of 2018. Those levies were due to expire at the end of this year. These levies were renewed as a "substitute levy" that will generate revenue growth and the district's property valuation grows and as tax abatements expire. Calendar year 2020 will be the "capture" year for the replacement substitute levy. New construction and properties coming off or abatement programs in 2021 should generate 6.90 mills of additional revenue Having limited experience with the recently approved substitute levy, we have not projected significant changes during the forecasted period. We have projected a minimal (1.00%) growth in local real estate taxes and the growth rate of the public utility property taxes.

Worthington Industries is coming off of a tax abatement CRA for tax year 2020. They have appealed their abated value and the district has contested the appeal to the county and the Department of Taxation.

#### **Other Local Revenue**

Local revenue are receipts that come to the district at the local level other than real estate taxes. Interest income, open enrollment tuition, pay to participate fees and facility rental fees are just a couple of examples. Interest income will undoubtedly decrease as a result of the recent pandemic. We have reduced our original investment estimate for 2020-21 by 40% with gradual increases of 10% in every year thereafter of the

## **Other Local Revenue - Continued**

forecast. We continue to work with Red Tree Investments to maximize our investment opportunities and diversify our portfolio. Security of the public funds collected by the district is the top priority of this office.

Donation agreements are also accounted for within this area. The District currently has several donation agreements in place. Fulton County Processing actually has three donation agreements in place. The first one was entered into in 2008 with payments beginning in 2010. The one will expire this year with the final payment already received. The second agreement was entered into in with a donation amount of \$26,414 that will expire in 2024 and the third, recently negotiated CRA began this calendar year and is estimated to bring \$ 36,900 annually to the district. Worthington Industries tax abatement proceeds have been part of the local receipts and as a result, these projections have declined due to the fact that this abatement will no longer be collected. Upon the expiration of these agreements, the values of these properties will be added to the tax duplicate and will then be included in general property tax in FY20 and FY21.

The District approved an agreement with Nature Fresh Farms and received the first payment of \$ 25,679.56 in February of 2017. The District received the second payment of \$ 23,625.00 in February of 2018 and is projected to receive the amounts of \$ 21,707 in FY19, and \$19,970 in FY20 and decreasing 8% annually until February of 2030. Future donation agreements with Nature Fresh for their continued expansion evaporated due to the fact that the Village of Delta operates under a Pre1994 provision of tax abatement legislation. It is our understanding that the village has agreed to grant Nature Fresh 100% tax abatement on any future expansion at that site. Originally it was projected that once all phases of the project were complete, that the district would have received 50% of any future tax revenue generated as a result of this expansion. Estimated total of the donation was \$ 3.2 million dollars over a twenty-three (23) year period.

## **State Foundation**

**The foundation allocation for fiscal year 2019-20 has been reduced by \$ 250,021. With the May 4<sup>th</sup> 2020 funding reductions for fiscal year 2020, reductions in fiscal year 2021 are almost certain. We have estimated a ten (10%) reduction in foundation funding for fiscal year 2021 and funding levels to return to fiscal year 2019 levels in fiscal year 2022.** We have also structured this forecast taking into account the recent provisions of H.B. 166. The allocation to all districts in Ohio is restricted money for Student Wellness and Success which is restricted in use and must be placed in Fund 467. This is not General Fund money and thus not included in the forecast. We have assumed this money will not continue after FY22. A new school funding formula has been introduced by Representatives Bob Cupp and John Patterson that exhibits equity and adequacy and continues to be deliberated. The state aid has been “flat-lined” throughout the remaining years of this forecast.

## **Other State Revenue**

The current state budget provides funding for Economically Disadvantaged and Career Technical Education. This state aid has been “flat-lined” throughout the remaining years of this forecast as well.

## **Revenues**

Overall, revenues projections had not changed significantly from our November 2019 forecast. The May 4<sup>th</sup> reductions of \$ 250,021 created an overall variance of \$ 290,674 between our November estimate and our current estimate of \$ 13,972,586.

## **Salaries & Wages**

Collective bargaining agreements will be expiring at the end of the 2019-20 school year. Projecting salaries with any degree of accuracy becomes very difficult without salary schedules and a collective bargaining agreement in place beyond the current fiscal year. Given the state foundation reductions and the uncertainty of the 2020-21 state budget, projecting salary adjustments would be irresponsible and not certifiable under section 5705.412 of the Ohio Revised Code, given the district's financial position. Historically we have seen the salary line item of the budget increase at an average of 3.90%. These figures are based on salaries paid to all staff including certified, classified, supplementals, administrators, substitutes, aides, etc. For the purposes of this forecast, no salary adjustment was made for the entire staff, with the exceptions of step adjustments for those eligible staff members. Potential staffing reductions may be inevitable if additional funding sources are not found.

## **Fringe Benefits**

This area of the forecast captures all costs associated with benefits and retirement costs, which all except health insurance are directly related to the wages paid. The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

Actual rates have been applied to the staff's current enrollment status. The Northern Buckeye Health Plan Board of Directors have not addressed any type of rate increases at this time.

Projected increases for medical and dental insurance is 3.00% for the last four years of this forecast. The increases include adjustments for inflation and the function of the health insurance committee to maintain control of costs. Over the past two plan years, claims have increased and have resulted in increases of premiums to cover the plan.

Workers Compensation issued a refund recently due to claims being significantly less than expected. It is not anticipated that we will see any type of rate increase for calendar year 2021. The district has committed to the Northern Buckeye Education Council's consortium for 2021. Unemployment Compensation has been negligible and is anticipated to remain as such as we plan our staffing needs carefully.

Medicare will continue to increase at the rate of increase of wages. 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.

## **Purchased Services**

This has been the most volatile area of the budget recently. We were forced to increase this area of the budget by over twelve (12.75%) percent during the 2018-19 fiscal year. This area includes expenses that are performed by individuals and/or companies not employed by the district. They include expenses related to utilities, professional development, tuition, legal services, property and fleet insurance and special needs services performed by the educational service center. These expenses account for almost twenty (19.93%) percent of the budget. We have closely monitored this area of the budget and have made every attempt to control these costs. We have managed to potentially reduce this area of the budget by over six and a half (6.5%) percent for the 2019-20 fiscal year. Last year unforeseeable circumstances created unexpected expenditures. We have projected \$ 2,927,600 for 2019-20 with an annual increase of four (4.00%) percent over the remaining life of this forecast.

## **Supplies & Materials**

This category is self-explanatory. Instructional supplies, office supplies, testing supplies, technology, custodial, transportation and fuel are all tracked through this line item. We have reduced this are of the budget for the current fiscal year and have built in a moderate annual increase to account for one-to-one technology purchases.

## **Capital Outlay**

The administration has prepared a five-year capital project plan and have continued to update this plan annually. The plan addresses the needs of the district to address the needs of maturing facilities and transportation fleet. Technology is another area that continually presents challenges. Permanent improvement funds, provided through donations from Worthington Industries and Fulton County Processing were exhausted in fiscal year 2018. Alternate funding sources will have to be explored or capital projects will have to rely on the availability of operational dollars to maintain these aging facilities and fleet. General fund dollars continue to fund these needed repairs and renovations and are projected to be transferred to the permanent improvement fund to meet future transportation needs and building maintenance. The need to address the option of an additional funding source for our capital improvements needs to be addressed sooner than later.

## **Other Objects**

The category of Other Objects consists primarily of the County ESC deductions for specialized services provided to the District. Auditor & Treasurer fees, that are related to the collection of real estate taxes, membership fees, employee bonding and miscellaneous collection fees are classified within this area. Currently, we are flat-lining this line item in an effort to balance this budget.

## **Non-Operating**

Non-operating expenses are to account for financial necessities of the overall operation of the district. Occasionally, various programs within the district require fiscal assistance throughout the year. A temporary advance of funds may be necessary to cover a temporary cash deficit. In fiscal year 2019 the general fund advanced approximately \$ 125,000 to various funds to cover a temporary deficit as a result of cash flow. Those advances have been returned to the general fund. With the effects of the COVID-19 pandemic, additional funds will be needed to finance deficits created within the food service fund.

## **Expenditures**

The budget for 2019-20 has been reduced by \$ 158,876 or 1.05% from the 2018-19 actual fiscal year expenditures. Total General Fund expenditures are currently estimated at \$ 15,045,692 or just \$ 95,692 more than the original projection of \$ 14,950,000 for the current (2019-20) fiscal year. The forecast has expenditures increasing at an annual average percentage of 2.93%.

## *Summary*

Ultimately, everyone looks at the “Bottom-Line” when looking at any financial document. As we indicated earlier in these assumptions, this is the best estimate that we can make at the present time. These projections can change almost immediately due to the needs of our students, the state budget, who can or cannot pay their property taxes or more unfunded mandates place on the local taxpayers by our legislative body. The COVID-19 pandemic has created situations that we have never seen before. We need to continue to utilize this forecast as a planning document and constantly monitor our progress on a monthly basis. Financial stability is crucial in addressing the future needs and plans for meeting the instructional needs of our students and community while preparing for those unforeseen circumstances that occasionally present themselves. It is inevitable that additional revenue is needed to maintain our current programs.



# ***Pike Delta York Local School District***

## ***May 2020 Five Year Forecast***

### ***Assumption Summary***

#### ***Real Estate Taxes***

1. Historical Growth @ 4.2% / Projected @ 1.00%.
2. Conservative approach has been brought on by the continued issue of tax abatements.
3. Property Taxes account for 37.86% of the district's 2019-20 estimated revenue.
4. Reappraisal in 2020 for collection in 2021. Increase in values will not generate additional revenue. Only new construction will do that.
5. Collection on the "Substitute Levy" begins in 2020. This will be the "capture" year so any new construction, that is not abated, will generate new revenue for the district in calendar year 2021.
6. A 1.00% rate of growth has been projected for real estate taxes.

#### ***Public Utility Property Taxes***

1. Historical Growth @ 2.79% / Projected @ 1.00% with the increased NEXUS collection.
2. NEXUS – Final value to be determined by the Department of Taxation. Currently being collected at 61.49% of the original estimated value. District received \$ 152,358.69 in February of 2020 and is anticipating receiving similar amount in August of 2020. This will bring the total NEXUS collection to \$ 306,507.04. NEXUS has filed a second appeal of their valuation requesting 50% of the original value. District could be forced to refund \$ 30,815.00 if second appealed value is awarded. Could potentially receive \$ 551,384.00 if original value is determined.

#### ***Other Local***

1. Historical Growth @ 6.15% / Projected @ 5.00%.
2. Interest income, tuition income, tax abatements, etc.
3. Fulton County Processing's third abatement is coming on in 2020. Received the final payment (\$ 19,027) on the 1<sup>st</sup> abatement this year. Abatement # 2 (\$ 26,414) runs from 2018-19 through 2027-28. Abatement #3 (\$ 36,900) begins in 2020-21 and ends in 2030.
4. North Star's CRA is currently scheduled to begin in September of 2022 depending on COVID-19 construction delays.



## State Foundation

1. Historical Growth @ 2.52% / Projected @ 0.00%.
2. H.B. 166 – froze state funding at the 2018-19 funding levels but what the legislature gives, the Governor takes away.
3. **The foundation allocation for fiscal year 2019-20 has been reduced by \$ 250,021. With the May 4<sup>th</sup> 2020 funding reductions for fiscal year 2020, reductions in fiscal year 2021 are almost certain. We have estimated a ten (10%) reduction in foundation funding for fiscal year 2021 and funding levels to return to fiscal year 2019 levels in fiscal year 2022.**
4. Student Wellness & Success funding. \$ 132,732 in 2019-20 and \$ 189,499 in 2020-21. These funds will be used to enhance our current programs. Funds have to be accounted for in a separate fund. This is not general fund \$ and is not included in this forecast as revenue. General fund expenditures will be reduced and charged to this fund to offset general fund expenses. Expenses charged to this fund include the costs associated with the two year kindergarten program and special needs programs contracted through the NWOESC. We do not anticipate that this \$ will not continue beyond 2020-21. Supplanting ! No new programs – enhancing our current programs.

## Rollback & Homestead Reimbursement

1. Historical Growth @ 0.00% / Projected @ 1.00%
2. Driven from real estate taxes.

## Revenue

1. Minimal change from 2018-19.
2. Revenue estimate from November Forecast – Decreased by **\$ 290,674.**  
\$ 13,972,586 2019-20 – May 2020  
\$ 14,263,260 2019-20 – Nov. 2019  
**\$ 250,021 – Foundation Reduction**
3. Revenue estimate for 2019-20 is **\$ 312,104** less than what we actually received in 2018-19.  
\$ 13,972,586 2019-20 Nov. 2019 Estimate  
\$ 14,284,690 2018-19 Actual Revenue
4. Not a lot of areas for our revenue to grow.

## Salaries & Wages

1. Historical Growth @ 3.90% / Projected @ 2.00%
2. Collective bargaining agreements expire at the end of this year.
3. Projections difficult. Project off of schedule. Educational column changes, substitute costs, etc.

## **Fringe Benefits**

1. Historical Growth @ 4.67% / Projected @ 4.50%
2. Health, Dental & Vision Rate Increase – 5% in January of 2021.

## **Purchased Services**

1. Historical Growth @ 2.35% / Projected @ 4.00%
2. Last year this area of the budget increased by over 12.75%.
3. This year we've reduced the budget by over eight (8.06%) percent.

## **Supplies & Materials**

1. Historical Growth @ 1.54% / Projected @ 5.00%.
2. Reduction of \$ 35,928 from 2018-19 expenditure levels.
3. Technology – One to One purchases.

## **Capital Outlay**

1. Historical Growth @ 0.00% / Projected @ 0.00%
2. \$ 12,445 budgeted for 2019-20 and flat-lined for the remainder of the forecast.

## **Other Objects**

1. Historical Growth @ 2.11% / Projected @ 0%
2. \$ 190,585 budgeted for 2019-20 and flat-lined for the remainder of the forecast.

## **Transfers & Advances**

1. In 2018-19, \$ 220,453 was transferred to the P.I. from the General Fund.
2. We need to continue to look at a source of funding our capital projects.
3. We will need to advance/transfer \$ to the permanent improvement fund, the food service account, the elementary and middle school fee accounts, and the athletic fund on June 30<sup>th</sup> to cover deficits. It is estimated to be in the neighborhood of \$ 240,000.

## **Expenditures**

1. Budget has been reduced by \$ 158,876 or .1.05% from the 2018-19 fiscal year.
2. Over the life of the forecast expenditures increase at an annual rate of 2.25%

## Cash Balance

1. Deficit spending in all five years of the projected forecast.
2. In November of 2019, we projected that we would end the 2020-21 fiscal year with a \$ 553,536 cash balance. With a complete update of this forecast and state foundation reduction of \$ 969,221, (\$ 250,021 in FY 2019-20 and \$ 719,200 in FY 2020-21), that balance has been adjusted to a deficit of \$ 297,821. ( $\$ 553,536 - \$ 969,221 = \$ 415,685$ ) Variance of \$ 117,864.

## Summary

This is the best estimate that we can make at the present time. As we saw on May 4<sup>th</sup>, these projections can change almost immediately. The following items have been included within this forecast:

1. A portion of the newly adopted two-year kindergarten program has been charged to the Student Success & Wellness funds and has reduced the general fund expenses in fiscal year 2019-20. (\$ 83,095)
2. A portion of costs associated with the instruction of our specials needs students has been charged to the Student Success & Wellness funds and has reduced the general fund expenses in fiscal year 2019-20. (\$ 49,637)
3. A second grade position has been eliminated through attrition for fiscal year 2020-21. (\$ 98,604)
4. A special needs position has been eliminated through attrition for fiscal year 2020-21. (\$ 71,742)
5. The entire cost of the newly adopted two-year kindergarten program has been charged to the Student Success & Wellness funds and has reduced the general fund expenses in fiscal year 2020-21. (\$ 119,418)
6. A portion of costs associated with the instruction of our specials needs students has been charged to the Student Success & Wellness funds and has reduced the general fund expenses in fiscal year 2020-21. (\$ 70,081)
7. A portion of the salary budget has been reduced to reflect the roll-over of the current contracts for both the PDYEA and OAPSE resulting in a saving in fiscal year 2020-21. (\$ 87,261)
8. These reductions result in general fund savings of \$ 132,732 in fiscal year 2019-20, \$ 447,106 in fiscal year 2020-21 and \$ 170,346 in the following three years of the forecast.

9. Proceeds from the NEXUS Pipeline have been included within the P.U.P.P. real estate collection for all five years of this forecast. \$ 152,358 in 2019-20 and \$ 306,507 in every remaining year of the forecast.
10. Proceeds from the NorthStar CRA have been included within the ‘Other Local Revenue’ for fiscal years 2021-22, 2022-23 and 2023-24. Collection will begin in September of 2022 at the rate of \$ 450,000.00.

What I would like to ask is for the Board’s permission to request real estate estimates from the County Auditor and income tax estimates for the State Tax Commissioner so we can begin to look at options to consider for a potential levy in the fall. I would like to ask income tax estimates on both the traditional and earned income options. Given the length of time for an income tax collection, I would also like to request some estimates from the county auditor on real estate taxes as well.

## NOTES:

1. Current Real Estate Valuation: 196,610,580  
One Mill: \$ 196,610.58
2. Traditional Income Tax (1.00%): \$ 1,811,291  
Equivalent Millage: 9.21 Mills

Earned Income Tax (1.00%): \$ 1,599,125  
Equivalent Millage: 8.13 Mills

### Collection Rate:

|            |       |        |
|------------|-------|--------|
| April 2021 | 5.9%  |        |
| July 2021  | 15.0% | 20.9%  |
| Oct. 2021  | 15.7% | 36.6%  |
| Jan. 2022  | 15.8% | 52.4%  |
| April 2022 | 23.9% | 76.3%  |
| July 2022  | 40.7% | 117.0% |