RIVER VALLEY LOCAL SCHOOL DISTRICT

NOTES TO FIVE-YEAR FORECAST

MAY 2021

Executive Summary

Beginning with Fiscal Year 2019 the district started to deficit spend. The District asked the taxpayers for an Earned Income Tax and the taxpayers approved the tax on May 7, 2019. With the new funding the District will still deficit spend during the fiscal years being forecasted.

Revenue growth during 2020 through 2023 is due to the income tax levy. Without it, the District's revenue would have seen a decrease due to funding reductions implemented at the end of FY2020 and carried into FY2021 due to COVID-19.

Expenditures without cuts are projected to continue to increase each year. The District will need to evaluate cuts beyond those that were already implemented in 2020 due to continued deficit spending, despite the income tax levy collections. As of right now, the District is not projected to experience deficit spending again until 2024.

REVENUES

Revenue Overview

Revenues have growth spikes in fiscal years 2021 through 2025 due to the newly approved income tax levy. State funding reductions had an impact in revenues during 2020 and continue into 2021. The forecast exhibits the restatement of some of the previously implemented budget cuts in 2021 and no reduction in funding beginning in fiscal year 2022. Beginning with fiscal year 2022 we are anticipating revenues to remain relatively constant with little to no growth unless the Fair School Funding Plan is passed into law. This forecast reflects returning to fiscal year 2019 funding levels.

The State legislature is working on the 2022 and 2023 budget and funding formula at this time. With that said, there has been no final determination if there will be changes in state funding,

Line 1.01 Real Estate

Real Estate revenue represents approximately 30% of our total revenue. River Valley collects real estate taxes in two counties: Marion County and Morrow County. The District is at the 20-mill floor, so increases in tax values result in additional collected tax revenue.

2019 was a reappraisal year for Marion County, collection January 2020. CAUV value was affected by HB49 during the reappraisal period and continues through FY2022.

History shows that the District has had slight increases between appraisals, therefore for FY2021 through FY2025 we are projecting slight increases. Increases during these reappraisal periods are usually due to new construction or growth in the local economy.

Real Estate revenue can grow in only two ways, through valuation growth on inside millage at reappraisal or triennial update or through construction of new buildings.

Line 1.02 Tangible Personal Property

Public utility taxes have steadily increased over the last several years. Valuations are expected to grow slightly each year. Unlike real property taxes, the District does see full growth in public utility revenue when valuations grow. However, the overall impact on the budget is minimal because public utility taxes only make up approximately 3% of total revenue.

Line 1.030 Income Tax

The taxpayers of River Valley Local School District passed an Earned Income Tax Levy on May 7, 2019. Collections began on January 1, 2020.

The collections received through October 31, 2020 have exceeded the estimated collections based on the Ohio Department of Taxations timeline. Therefore, the anticipated FY2021 collections have been adjusted by the variance amount and FY2022 has been reduced by this same amount assuming we are receiving an increase in collections now and will receive less in FY2022 as people are paying current and won't have collections to pay back when they file their 2020 tax return. Over 90% of income tax collections are done so through payroll withholdings.

The Earned Income Tax is collected by the Ohio Department of Taxation.

Line 1.035 Unrestricted Grants-in-Aide

This represents our State Foundation and Casino revenue. The biennial state budget for FY2020 and FY2021 was supposed to maintain the overall level of funding we had in 2019. However, due to the COVID-19 pandemic our funding was decreased by 5.1% or approximately $371,000. During FY2021 the governor reinstated part of the previously reduced funding resulting in only a $167,802 reduction overall in FY2021. We are currently waiting to hear what funding for FY2022 and FY2023 entail as we are at the end of our budget period. Our funding is dependent on enrollment and we are currently projecting that our enrollment will remain constant over the next five years or grow slightly due to open enrollment.

The District is experiencing an increase in families that qualify for free and reduced lunches in FY2021, which may result in an increase in economically disadvantaged funding for FY2022 depending on the funding formula for the new biennium.

Line 1.05 Property Tax Allocations

Property tax allocation are payments from the state for rollbacks and homestead exemptions. These payments will grow roughly at the same rate as real property tax collections.

The line item also includes our tangible personal property tax loss reimbursements as a result of the phase out of those values beginning in 2006. Tangible Personal Property (TPP) tax loss reimbursements were continued in FY2015 through FY2021.

Line 1.06 All Other Revenues

All other revenue is comprised of open enrollment, fees, interest, tuition from other districts, Medicaid reimbursements, tuition from the North Central Ohio Rehabilitation Facility and all other miscellaneous sources of revenue.

Open enrollment brings in approximately $2.7 million dollars. For budgeting purposes, the number of open enrolled students is being maintained for the forecasted fiscal years as we expect this to remain constant moving forward or grow slightly.

Line 2.070 Total Other Financing Sources

This represents less than 1% of total revenue for the District.

EXPENDITURES

Expenditure Overview

District expenditures are expected to continue to rise, especially in personnel and benefits.

Other areas have been forecasted to be somewhat constant although the District can expect to continue seeing funds allocated toward maintaining and updating our buildings as they get older.

Line 3.01 Personal Services

Personal Services is the District's payroll. Salaries make up approximately 50% of all general fund expenditures.

Included in this forecast is a 2% base salary increase for all 5 years, as well as 4% step increases. We are in negotiations this year, so these base and step increases are subject to change.

Line 3.02 Employees' Retirement/Insurance Benefits

Benefits represent approximately 21% of FY2021's total expenditures from the General Fund. Benefits include retirement, unemployment, workers compensation, Medicare, health, dental, vision and life insurance premiums paid by the Board. Any increases or decreases in payroll will cause a similar increase or decrease in benefits due to majority of these benefits being a percentage of gross income. The District is part of the Jefferson Health Plan Consortium for health insurance and has experienced an average 8-9% increase each year. In FY2021 the District absorbed the entire increase, exceeding its previously agreed upon 7% cap. In FY2022 the District will be switching to the Stark COG for medical insurance. The District estimates approximately $93,000 in board paid medical insurance premiums in the first year and an additional $516,000 in savings due to the consortium providing two premium holidays, where the board nor the employees will have to pay medical insurance premiums. The forecast represents an expected annual increase of 8% each year and no premium holidays, as those holidays are not guaranteed.

Line 3.03 Purchased Services

Purchased service costs are the third largest expenditure totaling 21% of general fund expenses in FY2021. This line includes utilities, open enrollment out to other districts, liability and property insurance and personnel services.

The District's open enrollment out has increased this year due to increased enrollment in community schools compared to prior years. We do not see this being a trend and has been forecasted as such.

Line 3.04 Supplies and Materials

This line represents instructional supplies, office supplies, maintenance supplies, bus fuel, bus tires and parts and any other supplies purchased by the District. Added expenses for FY2021 and FY2022 include an update to our math curriculum, building maintenance supplies and other small increases due to COVID-19 related expenses falling outside of the limitations of COVID-related grant funds.

Line 3.05 Capital Outlay

The main expenditure out of this line item is the purchase of technology, new vehicles and new maintenance equipment. In FY2021 two new buses were purchased and we anticipate needing to purchase more buses in FY2023. We anticipate the need to purchase maintenance equipment in FY2022, FY2023 and FY2024.

Line 3.060-4.060 Intergovernmental & Debt

The District borrowed $328,796 in FY2009 to complete HB264 Energy Conservation project from Classroom Maintenance Fund (Fund 034). Complete repayment is expected by FY2023.

Line 4.30 Other Objects

Other objects include auditor and treasurer fees paid to the counties for tax collections, which grow at the same rate as property tax collections, election expenses, liability insurance, audit expenses and the required per student amount paid to the North Central Ohio Educational Service Center.

Line 5.040 Total Other Financing Uses

Other Financing Sources is primarily made up of a transfer to Athletic and Music funds to support the programs and advances that get repaid to the general fund in the next fiscal year. Advances vary year to year depending on what is needed to offset receivables in other funds. This fund makes up less than 1% of total expenditures.