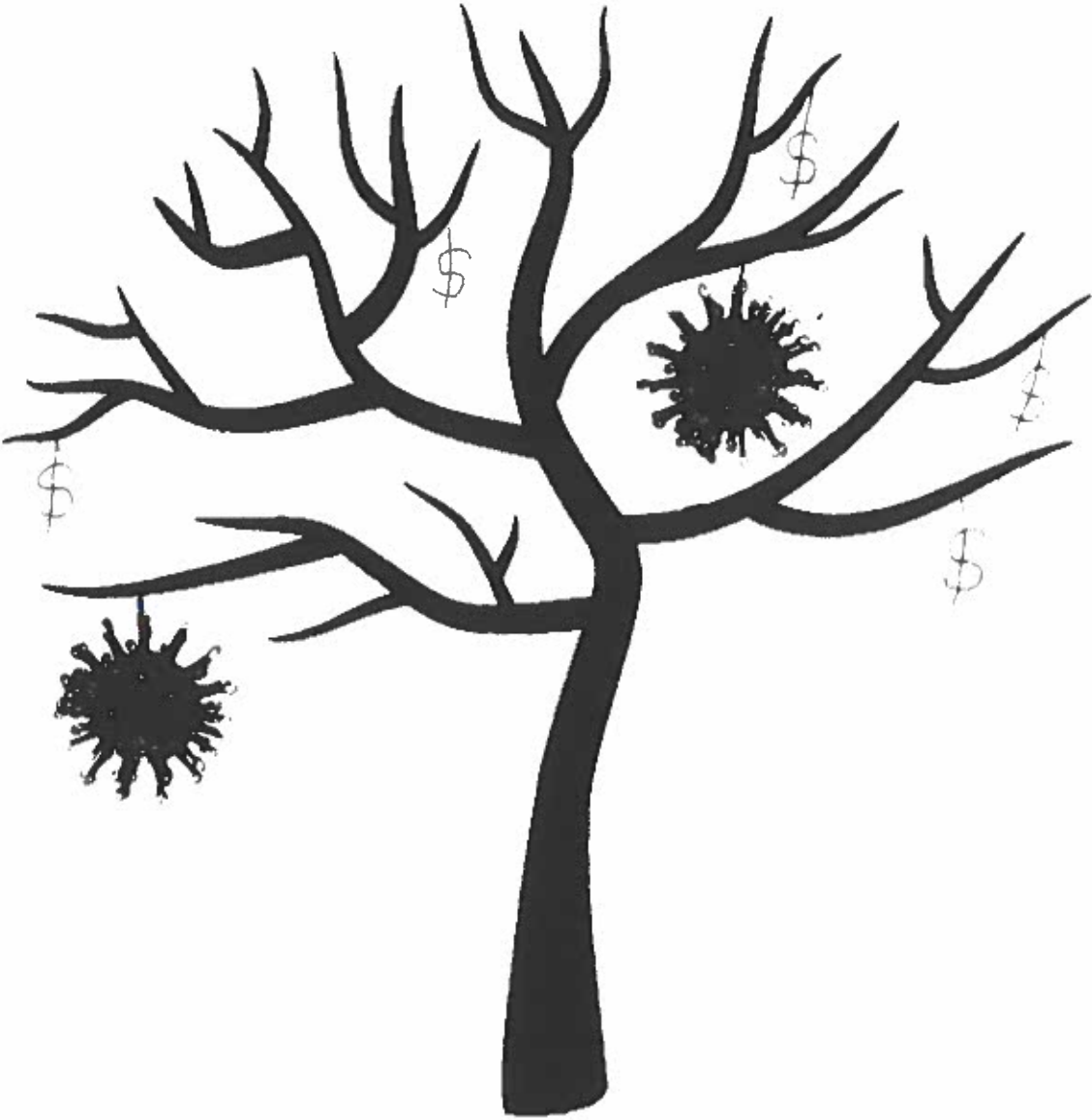


South Range Local School District

Five Year Forecast

FY21 May Update



What will be the short and long term effects of C19 on school finances?

South_Range-048363

South Range Local School District ASSUMPTIONS FOR 5 YEAR FORECAST UPDATE FY2019 5/17/21

GENERAL:

The forecasting methodology of the South Range Local School District utilizes **reasonable assumptions to project** what the financial condition of the district might look like in the future given current operations based on today's financial snapshot in time.

Finding "Reasonable Assumptions" in the Covid-19 environment has been a challenge. Most students are now physically back in school, and have been for the 2020/2021 school year. Federal recovery money has helped offset otherwise increased general fund costs used to deal with safety measures, increased cleaning supplies and personnel needed to deal with the pandemic. From the time students board the bus, to their classrooms, to gym class and lunch, our staff has been vigilant in keeping our facility safe and clean for them.

How will the 2021/2022 biennial budget look for public schools? We are required by Ohio Revised Code to generate a five year forecast even though the legislature only provides us with a two year budget. It is for that, and other reasons that we always point out, **this document is a forecast, not a budget**. We won't know the specifics of the next biennial budget until July 1, 2021. Even then, things change if there are shortfalls in State revenue. A better school funding plan (HB1 – Cupp/Patterson) has been under consideration, but is also being modified from its original state, and could be severely compromised compared to its original intent by the end of the legislative process.

The 2020 Foundation cuts were helped somewhat by Federal Stimulus funding of \$91,883.96 for South Range in FY20 and FY21, and an additional \$61,034.06 that became available during the current FY21. Another \$359,000 will be available during FY22 and FY23. Like the first rounds, these funds will deflect what would otherwise be increased general fund pandemic related expenses.

The attached forecast is our updated FY21 forecast adopted by the Board at its May, 2021 meeting. The operational unknowns presented by Covid 19 remain our biggest challenge. A return to "regular operations" have not necessarily meant a return to "normal operations" in FY21. There has been a "new normal." But until the Ohio Legislature gives a more detailed indication of how school funding might be affected for the FY22 and FY23 biennium, we will assume that they will attempt to hold funding steady at the FY20 reduced levels. We have realized that Covid-19 has been diminished to some degree by the vaccines and safety measures, and that a climb back to "normalcy" has indeed begun. State Foundation will be flat lined for FY22 and forward until the biennial budget is released which will reveal if any or part of HB1 is included. Simulations considering HB1 show a very small increase for South Range if the proposed school funding bill should pass.

Three years of actual history are included on the forecast. In some cases, the three actual years, and the nearly thirty years of historical trends maintained by the South Range Local School District Treasurer's office, are used to apply trend analysis to project future years. Statistical trending (regression analysis) becomes less reliable in times of extreme economic change (like now), so alternative forecasting tools must also be utilized. Simply "adding up" known costs is an obvious method, but does not account for "routine" unexpected events like

loss of a bus, or major facility equipment loss in the same way as trend analysis. “Best guess” contingency allowances are applied where deemed necessary to replace areas where trending has been temporarily suspended due to unacceptable variances.

The first column on the projection side of the forecast represents the year in which we are currently doing business. The last four columns chronologically illustrate what the financial condition of the district might look like given the strength of the assumptions applied in the detail below (REVENUE/EXPENDITURES.) If future year five (FY25) actuals were to be compared to today’s forecast, they will not look the same. For example, year five will look very different because the Board will need to take action to mitigate deficit spending (Line 6.010) and deficit balance (Line 12.010.) Additional expense reduction and revenue generating plans will need to be considered and implemented. This in fact is the purpose of developing the five year forecast considering what might happen given the Board’s current modus-operandi and current programming.

Economic and legislative events have resulted in South Range Local School’s reduction of the quantity of services provided by reducing the employment of the people who provide said services in the last decade. With the reduction of many of its employees through attrition, consolidations, and lay-offs, and addition of open enrollment revenue, the district has remained solvent much longer than it otherwise could have without a new money levy. Three emergency levies were combined (renewed) with voter approval on November 6, 2018. There was and is no longer a need to put these three renewals on separately in 2019, 2020 and 2023. Of course, renewals do not increase tax revenue to the district. In fact, tax rates are decreased as it takes less millage to raise the same amount of money voted upon as district valuations increase.

The following is a summary of assumptions used in the development of the five year financial forecast for the South Range Local School District.

REVENUE

Line 1.010 – General Property Tax

We are assuming the South Range property valuation will hold steady during the pandemic following the recent sexennial increase calculated prior and in the midst of the pandemic. Because taxes are paid a year behind, economic conditions on the prices of home sales and construction are not immediately reflective of what is happening today. It is interesting that even during the “ill-effects” of the pandemic, home sale prices are soaring and prices above asking are being paid. Will that bubble survive or burst?

It is likely that delinquencies could increase, but will hopefully be restored longer term without home foreclosures. The district receives valuation increases on the 5.1 inside mills (unvoted millage.) Voted levy (outside) millage is effectively flat lined by the HB920 reduction factor and the specific dollar amount emergency levy – increases are not realized by the district unless the twenty mill floor is hit and the non-emergency levies are raised by the State Department of Taxation to meet the 20 mill floor. The district also receives increases on new construction in the first year the property tax is applied to the tax duplicate. The current year forecast is built using the County Auditor’s Rate Resolution Worksheet for tax year 2020 payable in tax year 2021. Statistical trend analysis is also considered based on past year’s collections. A conservative 1% increase is forecasted in FY22. A 1% increase is assumed for FY23 and FY24, and FY25. Unknowns include future paid up delinquencies, new unpaid delinquencies and actual auditor and treasurer fees.

Line 1.020 – Tangible Personal Property tax

The Tangible Personal Property Tax has been completely phased out by the 2004 Taft tax reform plan beginning calendar year 2010. South Range once received nearly \$400,000 per year in TPP. Part of the Commercial Activity Tax (CAT) that replaced TPP was promised by past legislatures to be apportioned to schools to replace the loss, but it has not happened to date.

Line 1.030 – Income Tax

The South Range Local School District receives no income tax.

Line 1.035 – Unrestricted Grants-In Aid

The biennial budget for the period July 1, 2021 to June 30, 2022 is unknown as of today as the legislature grapples with its contents including if, or how much of HB1 (the Fair School Funding Act) survives the legislative process. Until the biennial budget is released, we are assuming a flat lined Foundation amount. Even if HB1 considerations survives fully in tact (which we believe is unlikely) South Range will not benefit in the next two years according to State simulations. Please note we rarely pay too much attention to State simulations at this stage of the process because they generally do not stick.

Line 1.040 – Restricted Grants-In Aid

The career tech, Economic Disadvantaged, and local bus components funding for South Range schools is very small (\$27,536) and is included in line 1.035.

Line 1.045 – Restricted Grants-In Aid SFSF

There is no current revenue in this line item. We previously showed Open Enrollment revenue separately on this line item (last in FY18.) The State is now mandating that Open Enrollment be shown on line 1.060 “All Other Revenues.” Open enrollment is \$2,091,572 of the “All Other Revenues” total of \$2,918,446 (Line 1.060) in FY2021.

Line 1.050 – Property Tax Allocation

Every homeowner is credited up to 12.5 % on their local property tax bill which the State of Ohio pays on their behalf **for levies passed prior to the November, 2013 elections**. Current renewal levies also benefit from this advantage. For example, if your total property tax bill is \$100, you are credited \$12.50 for Homestead and Rollback (or property tax allocation). You pay the resulting \$87.50 for your local tax bill and the State pays the \$12.50 on your behalf to the School District. Any new money levies passed beginning with the November 2013 elections and thereafter are not eligible for this “tax credit” and the full levy amount is borne by the homeowner. None of the South Range School levies have been affected by the 2013 legislative change – our levies are eligible for the tax credit. The forecasted amounts in this line item take this into consideration. A percentage of about 13% of real estate receipts is used for this line based on historical trend.

Line 1.060 - All Other Revenues

There are several relatively small dollar value line items of revenue that the school receives. Some examples would be interest earned, student fees, rental of school property, loss of assets, etc. Added together, these items plus Open Enrollment revenue make up this line item. Open Enrollment had previously appeared on line 1.045 since this line item was not in use for its original intended purpose. The State is now requiring that open enrollment be included in “All Other Revenues – Line 1.060. This is a large dollar item. Open enrollment is \$2,091,572 of the “All Other Revenues” total of \$2,918,446 in FY2021. We have assumed .75% annual increase on the components of this line item for years FY22, FY23, FY24, and FY25. This is based on the recent actual increases.

Line 1.07 – Subtotal of Revenue

Line 2.010 - No Tax Anticipation Notes listed at this writing.

Line 2.020 - None Anticipated.

Line 2.040 - None Anticipated.

Line 2.050 – FY20 Advance Returns.

Line 2.060 - Prior Year Refunds.

Line 2.070 – Subtotal

Line 2.080 - Total Revenue

EXPENDITURES

Line 3.010 – Personal Services

The district has greatly reduced its personnel over the past dozen years. Attrition, job consolidations and combinations, and reductions in force have all been tools used to keep our budgets in the black as required by law. Like businesses, the District must offer competitive wages to attract the best teachers and other school employees. Following a long pay freeze (five years,) modest increases have been granted since FY15 Between 1% and 1.5%. FY20 and FY21 negotiations granted 1.95% increases. We have used 3.84% total increases each forecasted year '22 through '25 to account for base, step, extra study, and longevity increases. We have not included staffing reductions, retirements, or resignations for this update as the delta would not be known until their replacements, if applicable, would be known. Like all of America, the virus may dictate future reductions or increases of needed staff.

Line 3.020 – Fringe Benefits

South Range is a member of the Ohio School Benefits Cooperative consortium. OSBC is a relatively large consortium of about fifty school districts. Considering healthcare costs and the other salary driven benefit costs like retirement, workers' compensation, and Medicare payments, we are assuming a 4.99% increase in this line item for the forecasted years based on recent history. If the past year's claims experience is higher or lower than usual, it will affect premiums up or down.

Line 3.030 – Purchased Services

Purchased services include gas, electric, phone, garbage, well, sewage treatment, and other facility utility related costs as well as technical services for electrical, computer related and other such work that may be required throughout the year. Utility costs are another item that could rise above and beyond average estimates if there is an unusually harsh summer/winter season. This volatility can have an effect on all energy costs throughout the United States, and does not exempt South Range Schools. Deductions to our State Foundation payments for open enrollment out, community and charter schools out, and voucher payments out could increase this line item beyond projections in any given year. A 6.1% annual increase has been assumed based on our historical averages and leveling of new services.

Line 3.040 – Supplies and Materials

Materials and supplies expenses had been forecasted to remain near \$400,000 in the near future. Additional cleaning and safety supplies in the COVID19 fight have driven costs up in this line item. However some offset is realized shifting costs to the COVID relief federal funds we've received and will receive the next couple years. Sometimes additional support from the South Range Foundation and/or Booster groups allows this line item to be expanded. This is an area that we have the greater control than items like utilities. Although it is an area where we have the most control, it is a relatively small percentage of the total expenditures budget at about 2.5 to 3% of total GF expenses. We do not have absolute control because we must clean the facilities for safety and health purposes and provide restroom supplies, salt for snow and ice control ... etc. Future years could be much less depending on the pandemic recovery. On the other hand, software and other technical items could also be added to this line item if the pandemic persists another year

Line 3.050 – Capital Outlay

This line item includes computers and networking equipment, maintenance machinery, busses, plant, and other building related purchases. If we replace only 1 bus each year, many older and well used vehicles are left to be carefully maintained. The cost of a bus is about \$90,000 less trade value of discarded bus (usually a few thousand dollars). Our fleet is very well maintained, but cannot be prolonged in such a manner that extends bus life indefinitely. South Range gets between two and three hundred thousand miles out of each bus. We have been delaying purchases of busses as much as possible to help deal with budget constraints, but are now forced to replace older units as they become too expensive to repair. Like materials and supplies, technical support grants such as E-rate and Covid Relief may offset expenditures above what is listed in this line item.

Line 3.060 N/A

Line 4.010 N/A

Line 4.020 – Short Term Notes

In difficult financial times, the district has had to borrow money in order to operate. While it is a possibility this could occur during the timeframe of this forecast, it is unlikely, and impossible to know for what amount at this time, or exactly when it would be needed. Of course it is our hope that our success will be appreciated and that South Range constituents will not allow the district to fall into the situation which would demand borrowing funds. Although sometimes necessary, it creates interest expense and legal costs to the district that would otherwise be unnecessary.

Line 4.030 N/A

Line 4.040 N/A

Line 4.050 N/A

Line 4.055 N/A

Line 4.060 N/A

Line 4.300 – Other Expenses

This line item includes liability insurance premiums, Mahoning County Auditor and Treasurer fees for tax collection services, dues and fees, and licensing for elevators, septic system and water operation ... etc. Most Mahoning County ESC services are also coded to this line item. We have assumed an annual increase of 4.21% each year, but this line item can be very volatile depending on special need student services that may be required in a given year. Re-alignments of the Educational Service Center contract services have caused large year to year variances in

the actual columns and can be volatile if special student needs require contracted services with the MCESC.

Line 4.5 – Subtotal

Line 5.010 – see line 5.03

Line 5.020 – See line 5.03

Line 5.030 – Contingency budgets have been suspended except for transfers and advances that may be needed to close a particular fund at fiscal year end.

Line 5.040 - “Other” financing subtotal

Line 5.050 - Total Expenditures and other financing uses

This line is the total of all the above expenditure line items.

Line 6.010 - Sources over/under expenditures and other financing uses

Simply put, this line item compares revenue to expenditures. **When the number in this line item is negative, the district is spending more than it is bringing in.** Since carryover funds eventually are exhausted, the district is financially insolvent long term.

Unlike business, we cannot raise prices or shut down the math or English departments. We cannot turn away students who may cost more than average to educate due to physical and/or mental disabilities. In short, “the Pontiac and Oldsmobile lines cannot be discontinued due to unprofitability” - we cannot make the same cost cutting decisions that a private, for profit business or private schools would make because we are a non-profit governmental educational service organization with a social responsibility mandated by law and moral compass to **provide educational services to all children.** The economy generally affects governments a few years after it affects non-government or private business. Today’s anti-tax political environment makes it extremely difficult to replace state and federal cuts with local levy dollars. Without long term community support, the quality of the school district and its surrounding community may eventually be compromised.

Line 7.010 - Replacement levies N/A

Line 7.020 - Cash Balance June 30, 20XX

This line item is the **cash balance**, which does not include encumbrances. Encumbrances are expenditures that have been committed, but for which the check has not yet been issued. When a family receives its electric bill and it is put on the pile of bills to be paid, it is analogous to an encumbrance. The funds have been committed, but not yet paid during the fiscal year.

Line 8.010 - Estimated encumbrances June 30

We always strive to keep current in terms of paying bills. By law, we cannot pay a bill unless we have an original invoice from the vendor, and certification from the South Range Employee who ordered the item or service that the item or service has been received in good order. This can cause some purchases made in a particular school year from actually being paid for during that same school year. Encumbrances can vary greatly from year to year depending on large equipment purchases such as busses or computer labs. We have used \$100,000 per year based on the previous year’s amounts.

Line 9.010 - Textbook & Materials fund reserve

This requirement has been lifted.

Line 9.020 - Capital Improvements fund reserve
Not Applicable

Line 9.030 - Budget Reserve
Eliminated Beginning FY02 – No longer required

Line 9.040 – DPIA
Line item not used.

Line 9.050 - Debt Service
We currently have no general fund debt.

Line 9.060 - Property Tax Advance
Line item not used.

Line 9.070 - Bus Purchase Fund
Line item not used – bus purchases are included in line 3.050. There are never enough funds to reserve in this line item as the district no longer receives separate bus funds from the State. A new bus costs about \$90,000 less trade-in of an old bus. Because these funds are no longer subsidized by the State, they must be transferred and paid from funds received in the foundation aid formula and local property taxes.

Line 9.080 – Subtotal

Line 10.010 - Fund Balance June 30th for Certification of Appropriations
This line item reflects the amount of money the Treasurer/CFO can legally obligate by purchase order or contract during said fiscal year.

Line 11.010 - Income Tax Renewal
South Range Schools has no income tax.

Line 11.020 - Property Tax renewal or replacement
The passage of the November 6, 2018 combination renewal levy has eliminated a need for this line item for the near future. All three existing levies on our tax duplicate have been combined and will not need to be put up for renewal until 2028. This will also strengthen our financial position with creditors and vendors to the degree a known revenue source provides.

Line 11.030 - Cumulative Balance of Replacement/Renewal Levies
Self-explanatory.

Line 12.010 -Fund Balance June 30th for Certification of Contracts, Salaries, and other obligations.
This is the line item that shows the amount we can legally use to certify the specific items described in the line item description.

Line 13.010 - Income Tax (New)
We have no plans to ask for an income tax.

Line 13.020 - Property Tax

No new levies have been included, although the negative balance for FY25 would demand additional support to balance the budget. If the Board is unable to secure additional support, programs would need to be cut to reduce expenditures. Reductions of programming have come at the ultimate expense of South Range students since the economic recession of 2008 and beyond. The last operational additional support levy was approved in 2004.

Line 13.030 - Cumulative balance of new levies.

This line item shows the annual total produced by all new levies shown in line 13.020 – in this case, none.

Line 14.010 Revenue from future state advancements

Not applicable at this time.

Line 15.010 Unreserved fund balance June 30th

Lines 20.010 through 21.06 are student number notes and are no longer required.

South Range Local

Mahoning

Schedule of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Years Ended June 30, 2018, 2019 and 2020 Actual; Forecasted Fiscal Years Ending June 30, 2021 Through 2025

FY21 May Updated

	Actual				Average Change	Forecasted				
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021		Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	
Revenues										
1.010 General Property Tax (Real Estate)	\$5,396,389	\$5,359,535	\$5,581,068	1.7%	\$5,831,688	\$5,890,005	\$5,948,905	\$6,008,394	\$6,068,478	
1.020 Tangible Personal Property Tax										
1.030 Income Tax										
1.035 Unrestricted State Grants-in-Aid	4,632,953	4,575,215	4,310,017	-3.5%	4,431,217	4,431,217	4,431,217	4,431,217	4,431,217	
1.040 Restricted State Grants-in-Aid	763,834	19,479	24,281		27,536	27,536	27,536	27,536	27,536	
1.045 Restricted Federal Grants-in-Aid - SFSF	1,980,343									
1.050 Property Tax Allocation	763,834	710,741	699,258	-4.3%	800,160	765,701	773,358	781,091	788,902	
1.060 All Other Revenues	272,505	2,610,528	2,630,266	429.4%	2,918,446	2,940,334	2,962,387	2,984,605	3,006,989	
1.070 Total Revenues	13,046,024	13,275,498	13,244,890	0.8%	14,009,047	14,054,793	14,143,402	14,232,843	14,323,122	
Other Financing Sources										
2.010 Proceeds from Sale of Notes										
2.020 State Emergency Loans and Advancements (Approved)										
2.040 Operating Transfers-In		85,585	2,000		14,682					
2.050 Advances-In	44,444	5,999	8,285	-24.2%						
2.060 All Other Financing Sources		165,672	162,394							
2.070 Total Other Financing Sources	44,444	257,256	172,679	223.0%	14,682					
2.080 Total Revenues and Other Financing Sources	13,090,468	13,532,754	13,417,569	1.3%	14,023,729	14,054,793	14,143,402	14,232,843	14,323,122	
Expenditures										
3.010 Personal Services	7,029,856	6,902,175	7,167,474	1.0%	7,587,831	7,879,204	8,181,765	8,495,945	8,822,189	
3.020 Employees' Retirement/Insurance Benefits	2,922,303	2,850,319	2,944,100	0.4%	3,263,022	3,425,847	3,598,797	3,776,277	3,964,713	
3.030 Purchased Services	1,693,333	1,831,397	1,729,473	1.3%	1,867,830	1,981,768	2,102,655	2,230,917	2,367,003	
3.040 Supplies and Materials	394,094	429,128	371,678	-2.2%	383,980	421,559	451,068	482,642	516,427	
3.050 Capital Outlay	233,162	106,090	242,459	37.0%	175,000	175,000	175,000	175,000	175,000	
3.060 Intergovernmental										
Debt Service:										
4.010 Principal-All (Historical Only)										
4.020 Principal-Notes										
4.030 Principal-State Loans										
4.040 Principal-State Advancements										
4.050 Principal-HB 264 Loans										
4.055 Principal-Other										
4.060 Interest and Fiscal Charges										
4.300 Other Objects	762,076	713,284	639,629	-8.4%	346,108	360,679	375,864	391,688	408,178	
4.500 Total Expenditures	13,034,824	12,832,393	13,094,813	0.2%	13,633,771	14,244,056	14,883,149	15,552,469	16,253,511	
Other Financing Uses										
5.010 Operating Transfers-Out	12,099	85,585	8,528	258.7%	25,000	25,000	25,000	25,000	25,000	
5.020 Advances-Out	5,999	8,285	14,682	57.7%						
5.030 All Other Financing Uses										
5.040 Total Other Financing Uses	18,098	93,870	23,210	171.7%	25,000	25,000	25,000	25,000	25,000	
5.050 Total Expenditures and Other Financing Uses	13,052,922	12,926,263	13,118,023	0.3%	13,658,771	14,269,056	14,908,149	15,577,469	16,278,511	
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	37,546	606,491	299,546	732.4%	364,958	214,283-	764,746-	1,344,626-	1,955,368-	
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	2,194,352	2,231,898	2,838,389	14.4%	3,137,935	3,502,893	3,288,630	2,523,884	1,179,258	
7.020 Cash Balance June 30	2,231,898	2,838,389	3,137,935	18.9%	3,502,893	3,288,630	2,523,884	1,179,258	776,131-	
8.010 Estimated Encumbrances June 30	27,081	185,504	56,047	257.6%	100,000	100,000	100,000	100,000	100,000	
Reservation of Fund Balance										
9.010 Textbooks and Instructional Materials										
9.020 Capital Improvements										
9.030 Budget Reserve										
9.040 DPIA										
9.045 Fiscal Stabilization										
9.050 Debt Service										
9.060 Property Tax Advancements										
9.070 Bus Purchases										
9.080 Subtotal										
10.010 Fund Balance June 30 for Certification of Appropriations	2,204,817	2,652,885	3,081,888	18.2%	3,402,893	3,188,630	2,423,884	1,079,258	876,131-	
Revenue from Replacement/Renewal Levies										
11.010 Income Tax - Renewal										
11.020 Property Tax - Renewal or Replacement										
11.300 Cumulative Balance of Replacement/Renewal Levies										
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	2,204,817	2,652,885	3,081,888	18.2%	3,402,893	3,188,630	2,423,884	1,079,258	876,131-	
Revenue from New Levies										
13.010 Income Tax - New										
13.020 Property Tax - New										
13.030 Cumulative Balance of New Levies										
14.010 Revenue from Future State Advancements										
15.010 Unreserved Fund Balance June 30	2,204,817	2,652,885	3,081,888	18.2%	3,402,893	3,188,630	2,423,884	1,079,258	876,131-	
ADM Forecasts										
20.010 Kindergarten - October Count										
20.015 Grades 1-12 - October Count										
State Fiscal Stabilization Funds										
21.010 Personal Services SFSF										
21.020 Employees Retirement/Insurance Benefits SFSF										
21.030 Purchased Services SFSF										
21.040 Supplies and Materials SFSF										
21.050 Capital Outlay SFSF										
21.060 Total Expenditures - SFSF										

See accompanying summary of significant forecast assumptions and accounting policies
Includes: General/Emergency Levy fund