

Gibsonburg Exempted Village School District
Sandusky County
Five-Year Forecast for Fiscal Year 2019-2023
Assumptions –October 2018

Real Estate Taxes

Property tax revenue estimates are based on historical valuation growth patterns, including the effects of scheduled updates and reappraisals. The Sandusky County housing market has seen prices remain slightly below adjusted regional averages. There is minimal contemplated commercial growth. Currently, the Village of Gibsonburg is working to expand and build upon existing commercial enterprise zones throughout the village. Standard Wellness begun construction in the Clearview Industrial Park earlier this spring and anticipate beginning production later this fall. The Clearview Industrial Park is a county enterprise zone; Standard Wellness will receive a 10 year, 75% property tax abatement.

There has also been a great deal of buzz surrounding the potential revenue from the Nexus Pipeline. Projections released show our district could receive \$5.4 million in the first five years of operation. During our research, county auditors and attorneys have warned the projections are overstated and subject to valuation appeals. In fact, during a webinar 3 attorneys from the law firm Bricker & Eckler advised NOT to forecast pipeline revenue. Therefore, pipeline revenue has been left out of this forecast.

The Ohio Department of Taxation (ODT) has a 2008 Median to Market Price Ratio (of existing home sales to non-family members) for Sandusky County listed at 96.79%. The ODT uses this ratio to communicate potential property value increases or decreases with the county auditor at the time of reappraisal. The Ohio Department of Taxation likes to maintain a ratio between 86% and 94%. Anything above 94% is subject to a recommendation from the Ohio Department of Taxation to decrease property values in said county.

The district is anticipating property tax growth that will be hindered by the foreclosure market values. Therefore; estimated growth is based on the historical trend and 2% increase in forecasted years: 2019, 2020, 2021, 2022 and 2023. 2018 is based on actual collections

The last passage for additional operating funds from property taxes was November 1994. The following chart showcases voted/un-voted millage rates with their effective tax rates. The district tax rates include permanent millage voted by the taxpayers. This data is provided from the Sandusky County Auditor and is current as of tax year 2016.

| Gibsonburg EVSD- Tax Rates | | Residential/Agriculture Class | Commercial/Industrial Class |
|-----------------------------------|---------------|-------------------------------|-----------------------------|
| | Tax Rate | Effective Rate | Effective Rate |
| Inside Millage | 3.60 | 3.600 | 3.600 |
| 1976 Current Expense | 18.20 | 6.525 | 10.442 |
| 1980 Current Expense | 2.00 | 0.818 | 1.319 |
| 1980 Permanent Improvement | 1.00 | 0.363 | 0.659 |
| 1982 Current Expense | 6.00 | 2.455 | 3.957 |
| 1987 Current Expense | 7.90 | 3.232 | 5.596 |
| 1994 Current Expense | 7.50 | 3.367 | 5.930 |
| 2000 Bond (\$1,500,000) | 1.20 | 0.450 | 0.450 |
| 2000 Bond (\$4,279,000) | 4.00 | 2.550 | 2.550 |
| 2001 Classroom Facilities | 0.50 | 0.310 | 0.485 |
| Sub Total | 51.900 | 23.694 | 34.997 |

The re-appraisal is in 2018, with taxes payable in 2019.

This forecast is assuming consistent property tax delinquencies.

Tangible Taxes

Tangible Tax was to be phased out as per HB 66.

With the phase out of Tangible Taxes, the Ohio legislature enacted within HB 66 a new Commercial Activity Tax system for businesses in Ohio. The CAT system is “a broad-based, low rate business privilege tax measured by gross receipts.” The CAT structure is levied at a rate of 0.26% on gross receipts in excess of one million dollars. Businesses with receipts of \$150,000 to \$1 million will pay a minimum tax of \$150. Businesses with receipts of less than \$150,000 are not subject to the CAT. The first tax receipts filed under this new system were collected in late FY 2006. To date, the new CAT structure has not proved beneficial to Gibsonburg EVSD.

In addition, Gov. Kasich has stated that he does not plan to maintain a specific allocation of the CAT tax to education. The latest budget bill provides for a partial payment for FY 2016. We will receive less than \$2,000 in FY 2016. The 2017 payment was vetoed by the Governor.

Income Tax

Gibsonburg EVSD received its first school income tax payment in FY 2014. A .75%, five year, income tax passed on November 5, 2013. In order to improve the financial position of the district the board placed a 1% income tax levy on the ballot in May of 2018. This levy would replace the .75% income tax set to expire on December 31, 2018. This levy is expected to generate approximately \$300,000 in additional revenue per State of Ohio tax projections. A growth rate of 2% is expected for FY 2019 and future years.

This is a five-year levy, expiring in 2023. The voter's passed this levy with 67% for the tax.

Unrestricted Grants in Aid - School Foundation

The district experienced significant reduction in funding in both the FY 2016/ FY 2017 and FY 2018/ FY 2019 biennial budgets. To recover from this unexpected loss in state foundation funding the Board of Education has implemented a reduction in force. Six teaching positions and two administrative positions were eliminated for FY 2017. The district has experience a decline in enrollment over the last several years. Enrollment has decreased by 139 students since FY 2015. The Board and Administration are committed to reviewing and scrutinizing human resources. The Board Plans to not replace personnel when there is a resignation or retirement, if possible.

Figures for FY 2018 are based on foundation payments received fiscal year-to-date months and remaining amount due per the settlement report. The estimate for FY 2019 was taken in the Simulation Report provided by ODE. Revenue is expected to decrease 1.5% in 2019 and 2020. The estimates for years 2021, 2022, and 2023 reflect optimism that funding will at least be flat.

Restricted Grants-in-Aid (State)

The district recognized a substantial loss in Restricted Grants-in-Aid funding in prior fiscal years. Due to state budget cuts, specifically seen in the restricted funding area of bus purchase reimbursement and Poverty Based Assistance, both of which have been eliminated.

For FY 2019, \$70,888 is expected for career technical education and economic disadvantaged students. These are not additional payments, but rather a restriction placed on funds we would have received anyway. We expect to be flat funded in this area in the future.

Property Tax Allocation

Homestead and Rollback includes a 10% property tax rollback for all real property tax owners. An additional 2.5% rollback was established in 1979. Reimbursements will generally grow with new construction, reappraisals, triennial updates and new levies. Estimates are based on the current trend.

A new \$25,000 homestead exemption tax exemption for those 65 or older was enacted in early FY 2008, with reductions coming to taxpayers in late FY 2008. The state has promised to reimburse districts for this loss of revenue. In FY 2019, the district expects to receive \$327,412. Gov. Kasich and the legislature eliminated this exemption starting in 2014. This will cause this item to be flat funded in the future..

All Other Revenues

Revenues for FY 2019 are based on a historical pattern and the general state of the United States economy. FY 2020-2023 assumes a flat funding in the line item. Interest earnings have remained relatively non-existent as the Federal Reserve Board makes adjustments to federal fund interest rates, which impacts the rates that the district is seeing from banks. The district continues to search out investments that provide rates higher than that of STAR Ohio.

Other Financing Sources

Little to no revenue is expected in the category.

EXPENDITURES

Personal Services

The estimates for FY 2019 are based on the current negotiated agreement with the Gibsonburg Teacher Association (effective August 25, 2016 through August 24, 2019) and OAPSE Local 188 (effective July 1, 2017 through June 30, 2020). Staff received a 1.5% base increase in FY 2018 and a 2.5% base increase in FY 2019. Estimates in 2020 through 2023 reflect a 2% increase in overall salary expenses.

The district has seen accelerated movement of teachers to a “masters” level on the Gibsonburg Teacher Association salary schedule. Approximately seventy-nine percent (79%) of the teaching staff can be categorized as masters or above. A column was negotiated for those staff member teaching college credit plus classes.

A continuation of reduced state funding will result in additional staff and service reductions.

Employees' Retirement/Insurance Benefits

Retirement contributions of the Board will increase in a corresponding manner to salaries, annually.

Gibsonburg Schools has been a long time member of the San-Ott Healthcare Consortium. The consortium runs at over a 90% loss ratio, while Gibsonburg claims are under 75%. San-Ott insurance premiums are 35% higher than what Gibsonburg would be rated on their own. Gibsonburg pays the same rate as other member districts, even though our claims experience is much lower.

At the regular board meeting in May 2018, the board voted to terminate participation in the San-Ott Consortium. The board entered into an agreement with a new consultant /broker and obtained new health insurance through a new carrier. This change in health insurance will save the district over 30% in healthcare premiums. The board plans to use the savings to build a reserve fund (024 fund) in order to manage healthcare expenses.

Purchase Services

Utilities, including gas, electric, telephone, water, and trash hauling, are large expenditures in this category. Unfortunately with the current state of the economy, Gibsonburg EVSD expects to see an increase in the cost of services in the upcoming years. Shipping costs have increased for everything. Many vendors are charging additional costs for travel expenses. Utility prices have started an upward climb. The school district is not immune to the cost increases that affect the rest of the economy. Part of the increase is a result of a hard winter and larger utility bills.

The District is part of the Power4Schools program which locks in a fixed price of 6.2 cents per KWH.

In an effort to control electricity expense and become more environmentally friendly, the Board invested in LED lighting. During the summer of 2018 all old florescent bulbs were replaced with low wattage LED's. LED lights consume 1/3 the electricity of florescent. This project was carried out in all district buildings.

Warranties are expired on both Hilfiker Elementary and the Middle/High School, which may increase building repair costs as needed. Other expenses in this category are legal services, county board charges and technology service.

College Credit Plus (CCP) has become one of the largest purchased services of the District. CCP is charge to the District by an automatic deduction from our foundation payment from the State. The District now offers several CCP courses in-house; this will save money in CCP expenses and help our ADM. The district has added additional CCP courses in FY 2019.

The district does not currently have any pending litigation.

Supplies, Materials and Textbooks

Instructional supplies, textbooks, workbooks, office supplies, custodial supplies, bus fuel, and non-capitalized equipment purchases (less than \$2,500 per item value) are shown in this category. In FY 2017 the District experienced a spike in supply expenditures. This forecast assumes the spending will return to a more normal level with inflationary increases in remaining years.

House Bill 1 also contained language that allowed Medicare/Medicaid eligible students to be exempt from student fees. Due to this exemption, the district has recognized a significant loss of revenue that would usually have been applied to students' consumable supply expenses. Without the fee revenue, the consumable expenditures will have to be absorbed by the general fund supply accounts. This legislation has accounted for a consumable inventory loss of approximately \$30,000 to \$40,000. In FY 2017 fees were

raised to \$100 per student in hope to recover some of this lost funding. Approximately 62% of our students are charged for fees and do not fall under the free/reduced lunch criteria.

Capital Outlay

The District collects on a 1 mill P. I. levy. Because this was passed so long ago the effective millage is .363 mills and generates less than \$50,000 annually. We expect significant capital expenditures for FY 2019 and beyond as our buildings start to age.

The school board considered moving inside millage to help pay for these increased capital expenditures. Moving the 3.6 inside millage will bring us below the 20 mill floor. It would provide an additional \$200,000 in permanent improvement funds. Instead the Board opted for a 2 mill permanent improvement levy that was defeated in August, 2015. Proceeds from this levy would have generated \$225,000. All school equipment purchases with a useful life span over five years and/or over \$2,500 per item value are considered capital items, such as, lighting, buses, parking lots, roofs, HVAC, computer hardware and equipment. These will result in expenditures of nearly \$200,000 each year.

Other Objects

Anticipated expenditures in these areas are expected to increase over the next five years due to general inflation throughout the economy, higher audit costs, and higher auditor/treasurer fees on property tax revenue. The district anticipates a .5% increase for FY2017-2021.

Encumbrances

Estimated based on historical pattern, but have been steadily decreasing. Estimated end of year payments to be made are set at under \$50,000 whenever possible. No encumbrances will be allowed when negative carryover occurs.

Enrollment

Opening Day enrollment has decreased. The figures below represent the district’s opening day count conducted at the beginning of each school year. The total shown includes preschool and kindergarten students.

| YEAR | ELEM | MS | HS | TOTAL | CHANGE |
|----------------|-------------|-----------|-----------|--------------|---------------|
| 2014-15 | 429 | 229 | 338 | 996 | -33 |
| 2015-16 | 413 | 221 | 319 | 953 | -43 |
| 2016-17 | 394 | 217 | 308 | 919 | -34 |
| 2017-18 | 391 | 214 | 279 | 884 | -35 |
| 2019-19 | 360 | 230 | 267 | 857 | -27 |

Note:

It is to remembered that the Five Year Forecast is but one of many planning tool used by the Board of Education in making decisions. The Forecast represents a “snap-shot” of the district finances at a particular moment in time. It is the best estimate of the position of the district and the direction of the district based on all available data at the time the Forecast is prepared. As time moves forward, these estimates change as do the projections and reliance made within the Forecast. The Forecast will be updated again in May 2019.

Board approved October 15, 2018