

FIVE YEAR FORECAST ASSUMPTIONS

REVENUE

Property Tax Revenue: Forecast includes the increase in property valuation due to reappraisal in the summer of 2020. For our district that was an increase of \$48,296,840 in property valuation. Most of that increase was in the Residential/Agricultural valuations. Due to this increase, Sidney City Schools reached the 20-mill floor for Res/Ag classification. By reaching the 20-mill floor, the district will receive upwards of \$1.2-1.5 million in new property taxes each calendar year, starting with calendar year 2021. Additionally, the district will recognize new tax revenue each time property values in Res/Ag increase during a reappraisal or update. The amount of the increased tax collections was not known at the time the district was required to pass the resolutions to place an income tax issue on the ballot. Even so, the increase in collections would not have been sufficient to keep the district from looking for additional revenue sources.

Income Tax: On May 4th, 2021, the district successfully passed a 0.75% earned income tax. Collections for this new income tax will begin January 1, 2022. At full collections it has been estimated that the district will receive \$3,383,068 in new tax revenue. It is the district belief, short of some significant future event, this new revenue source will help to sustain the current operations of the district into the foreseeable future.

Unrestricted/Restricted Grants-in-Aid: The new state funding formula once again included a guarantee for districts, which mean in the worst-case scenario Sidney City Schools will receive the same base state funding as it did in FY2021. The amount of state funding though will reflect what looks like a significant reduction in funding as the formula now will fund students where they attend. What this means is that the transfers that previous took place in the formula for Open Enrollment, Community Schools and Jon Peterson/Autism Scholarships will not occur because the state is not funding students where they live and then adjusting for where they attend. The new formula doesn't fund at the appropriate levels in year one but is phased in over the course of 6 years. The current legislation does not guarantee any phase in except during the current budget. Later budgets will need to include language that continues to phase in the full formula. Based on the current circumstances, a fully phased in formula is favorable for Sidney City Schools.

Property Tax Allocation: The decline this forecast items continues to reflect the phase out of the TPP hold harmless payments.

All Other Operating Revenues: The decline and flat funding in this forecast item reflects a conservative approach on revenues collected for special education students placed in SCS and miscellaneous revenues. The decline in revenues is also due to less interest income because of declining carryover balances and reduced rates paid on investment accounts.

EXPENDITURES

Personnel Services: The forecast reflects a 2.75% base increase in fiscal years 2020, 2021. a 0.0% base increases in 2022, but the restoration of the steps lost during the 2011-2015 freeze years and 2.0% increases 2023, 2024, 2025 and 2026, but the salary schedule indexes have been removed during this time frame. Eliminating the indexes, the salary schedule will have a long-term positive impact. Also reflected is the reduction of remaining aides in the district as they will be contract through the ESC starting FY2022. Also reduced for FY2022 was 1 Administrator, 1 secretary and 17 teachers.

Employee Retirement/Insurance Benefits: The forecast reflects a change in the insurance structure of the district by adding the high deductible health plan in calendar year 2020 which slowed the growth of the annual premium. Beginning in calendar year 2022 the high deductible health plan will be the only option for employees as the PPO is eliminated as an option. The forecast does include the board contribution to the employee's Health Savings Account at 90% in year one, 75% in year two and 50% in the years to follow. The health insurance increase for calendar year 2022 would be 2.5%. For forecasting purposes, the remaining years were forecast at a 5.0% increase. Also included is the benefits impact all the additional staff changes outlined above.

Purchased Services: The forecast reflects increases in most items ranging from 0.5% to 5.0%. A significant decrease in purchased services for FY2022 and beyond occurs in Payments for Special Education of Students (Jon Peterson/Autism Scholarships), Payments Under an Open Enrollment Program and Payments to a Community School since those transfers will no longer occur as explained in Unrestricted/Restricted Grants-in-Aid above. Additionally, a significant increase in purchased services for FY2022 and beyond occurs in Instructional Services as the district began contracting for aides' services with the Midwest Regional Service Center. But the net impact of transitioning aides from payroll to contracted services saved the district more than \$330,000 starting in FY2022.

Capital Outlay: The forecast reflects a return to previous spending levels with only the most critical of projects being planned. Other projects will be considered as funds become available.

Other Objects/Other Uses: No significant changes in historical expenditures is planned for these line items.