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 received $1.10 million in new property taxes in fiscal year 2022. 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 needed 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. The current forecast also includes two events which also were not know at the time of the income tax levy. A new housing development, Burr Oak, has been introduced in the city and has begun building out new houses. At its completion it is expected to include 230 single family homes, multifamily housing and some retail store fronts. Also, within the last 30 days, a company named SEMCorp has announced they had selected Sidney as the site of their new plant. It is projected to be a capital investment of $916 million dollars, adding 1,200 new jobs with an estimated payroll of $73 million. Both projects will add While both projects do include some level of abatement, the unabated valuation will positively impact the district's tax collections.

Income Tax: On May 4th, 2021, the district successfully passed a 0.75% earned income tax. Collections for this new income tax began January 1, 2022. The first ever payment of income tax collections for the district was received April 2022 and was as expected at $305,173. At full collections it has been estimated that the district will receive $3,383,068 in new tax revenue. Additionally, due to the two new projects discussed above, the district believes that this full collection amount will increase toward the end of the current forecast because of the new residents in the Burr Oak development and the new jobs added by SEMCorp. It is the district's 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. The district has taken a conservative approach regarding the phase in percentages applying lower percentages in fiscal years 2024 – 2026.

Property Tax Allocation: The decline this forecast line for 2022 and 2023 continues to reflect the phase out of the TPP hold harmless payments. Property tax allocations begin to increase beginning in 2024 as it follows the increasing trend of property tax collections.

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 and the absence of BWC dividends which have been received the last couple of years.

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 in 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 contracted through the ESC starting FY2022. Also reduced for FY2022 was 1 Administrator, 1 secretary and 17 teachers. The significant increase in salaries beginning in 2025 is due to the newly added positions in 2023 which were being paid with ESSER funds are now being brought into the General Fund. An unknown impact for future forecasts is that of the Burr Oak development and the potential number of new students it brings to the district. As significant increase in students would prompt the hiring of additional staff for new classrooms. This possibility has not been factored into this forecast due to the significant unknown parameters.

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% and it was released in mid-May that the health insurance increase for calendar year 2023 would only be 2.0%. For forecasting purposes, the remaining years were forecast at a 3.5% increase in 2024 and 5.0% increases in 2025 and 2026. 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 are planned for the Other Objects component of the Forecast. But the Operating Transfers Out reflect transfers we do every year such as severance and capital projects, but in addition starting in FY2023 there are significant transfers to the Permanent Improvement Fund to support the purchase of new buses, new flooring in the district, HS gym and auditorium renovations, HS roof replacements and brick tuck pointing.