# FIVE YEAR FORECAST ASSUMPTIONS

## REVENUE

**Property Tax Revenue:** Forecast includes the increase in property valuation due to reappraisal in the summer of 2023. For our district that was an increase of $176,577,750 in property valuation. An increase of this amount is unheard of in this area. Most of that increase (72.1%) was in the Residential/Agricultural valuations. Since the district is now at the 20-mill floor for both Res/Ag and Comm/Ind, except for the Emergency Levy, which is a specific dollar levy, all other levies will generate new tax dollars for the district. The current forecast also includes two events, a new housing development, Burr Oak, has been introduced in the city and has begun building new houses. At its completion it is expected to include 230 single family homes, multifamily housing, and some retail store fronts. Also, 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. 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. The anticipated total collections for FY23 were expected to be at least $2,554,942. The actual collections for FY23 were $3,080,975. At the time of this update all four collections for FY2024 had been received and is 38.5%, $1,186,951, more than FY2023 collections. Gradual small increases have been forecast for the remainder of the forecast.

**Unrestricted/Restricted Grants-in-Aid:** We are now in the second biennial budget that funds schools on the new funding formula. The new formula did not fund districts at the appropriate levels in year one or two but is phased in over the course of 6 years. As a reminder, this formula funds districts based on enrollment. The district recognizes increased revenue in FY2024 because of the higher funding levels in the new budget but then slightly reduced to flat funding over the last 3 years. The cause for this is twofold, declining number of students enrolled and the impact of increase property valuation making the district wealthier in the formula calculation.

**Property Tax Allocation:** The decline in 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 flat funding in the All Other Revenue item reflects a conservative approach on revenues collected for special education students placed in SCS and miscellaneous revenues. All Other Revenue does reflect a significant increase from recent history, and it is primarily due to the increase in investment rates and carryover balance available to invest.

## EXPENDITURES

**Personnel Services:** The forecast reflects a 2.75% base increase in fiscal year 2021. a 0.0% base increases in 2022, but the restoration of the steps lost during the 2011-2015 freeze years and 2.0% increase for 2023 and 2024. For fiscal year 2025 a 4.0% was used, 3.5% increase for year 2026, and 2027, and 3.0% for 2028. The salary schedule no longer includes indexes. Eliminating the indexes in the salary schedule will have a long-term positive impact. 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. Additional positions added outside of the ESSER funds have been added due to the increased special education numbers. These positions include a 12th preschool classroom and 3 Intervention Specialist. 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. A 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 was the only option for employees as the PPO was eliminated as an option. The forecast does include the board's 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 was 2.5% and it was released in mid-May that the health insurance increase for calendar year 2023 would only be 2.0%. The health insurance increase for FY24 was 7.5% and is reflected in this forecast. For forecasting purposes, the remaining years were forecast at 7.50% increases for 2025, 2026, 2007and 2028. Also included are the benefits impact all the additional staff changes outlined above.

**Purchased Services:** The forecast shows increases in most items ranging from 2.0% to 3.0%. A significant decrease in purchased services for FY2022 occurred 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 FY2023 and beyond occurs in Instructional Services as the district began contracting for aides' services with the Midwest Regional Service Center. A significant increase of more than $100,000 in special education expenditures occurred in FY2024 and this increase was carried throughout the remaining fiscal years.

**Supplies:** The uptick in supplies in FY2024 is due to the district returning to a more normal anticipation of textbook purchases of around $200,000 although FY2024 itself is higher because of an unusually high expenditure that was needed for ELA K-4 materials in the amount of $271,743.93. The years following return to the planned $200,000, except for FY2025 which will only require expenditures in the amount of $150,000.00.

**Capital Outlay:** The forecast reflects expenditure levels for those items not included in the district's long-term capital expenditure plan where amounts are transferred to the PI Fund for those projects.

**Other Objects/Other Uses/Debt Service:** The forecast reflects a significant increase in Operating Transfers out in FY2023 and FY2024. This is due to funds being available because of the passage of the levy and available ESSER funds to cover staffing needs, so several large capital projects were planned to include the new bleachers and flooring for the high school gym, elementary/high school flooring replacement and the asset refresh plan to name a few. The funds were transferred to the PI Fund to protect those funds from other uses. The transfers in the current forecast for FY2025 – FY2028 are specifically for planned projects. The Operating Transfers Out also reflects transfers we do every year such as severance and capital projects. New in the forecast is the debt service payment from the general fund. This principal and interest payment is for the 10-year Lease Purchase Agreement the district entered into to fund the district security project, auditorium renovation, and resurfacing of the track and tennis courts.