Executive Summary

Sylvania Schools continues to experience financial challenges that have led to deficit spending the last four out of five fiscal years. Without additional revenue, deep cuts to staffing and educational programs will be necessary. The district has placed an operating levy on the November 2016 ballot. The levy will generate an additional $6.4 million for operating expenses and help to preserve Sylvania Schools' educational foundation.

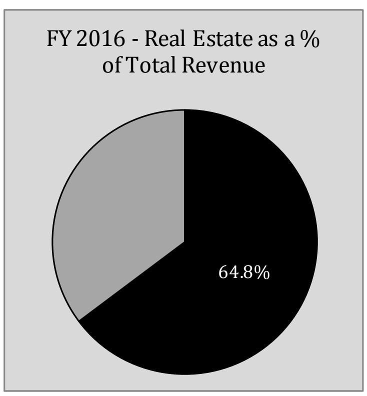
Rising costs have outpaced the district's revenue weakened by lower real estate collections and limited state funding. The economic decline impacting real estate values in 2009 and 2012 has had a lasting effect on tax collections. To date, the district has lost $10.3 million in real estate tax revenue from the depreciation of assessed values. In addition to real estate revenue, the district's state funding was suppressed by the funding cap limit. The funding cap limit restricts the amount of state aid the district may receive from one year to the next, disregarding the funding calculation. Both factors have contributed to the rapid depletion of the cash balance despite the district's concerted efforts to contain and reduce costs.

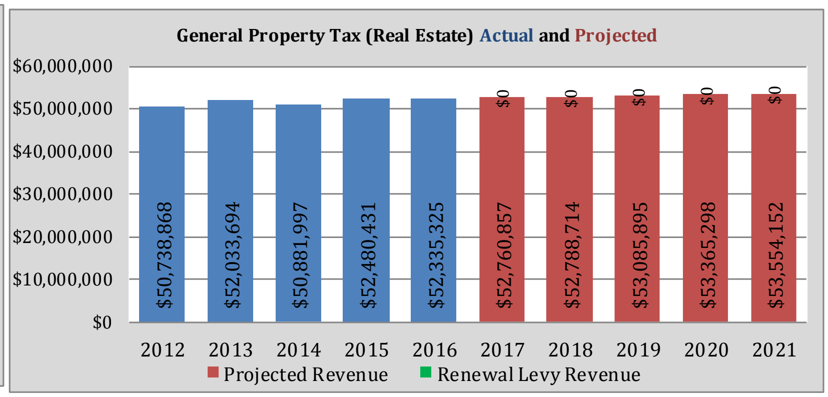
Five Year Forecast - Simplified Statement	Fiscal Year **2017**	Fiscal Year **2018**	Fiscal Year **2019**	Fiscal Year **2020**	Fiscal Year **2021**
Beginning Balance	3,451,461	1,757,682	(1,701,515)	(6,173,727)	(11,779,176)
+ Revenue	83,243,832	83,332,700	84,300,446	85,275,228	86,150,334
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(84,937,610)	(86,791,897)	(88,772,658)	(90,880,677)	(93,122,599)
= Revenue Surplus or Deficit	(1,693,779)	(3,459,197)	(4,472,212)	(5,605,449)	(6,972,265)
Ending Balance	1,757,682	(1,701,515)	(6,173,727)	(11,779,176)	(18,751,441)
Revenue Surplus or Deficit w/o Levies	(1,693,779)	(3,459,197)	(4,472,212)	(5,605,449)	(6,972,265)
Ending Balance w/o Levies	1,757,682	(1,701,515)	(6,173,727)	(11,779,176)	(18,751,441)

Revenue

Real Estate Revenue

Real estate revenue is the largest funding source for the district and generates approximately 64% of the district's total revenue. The economic downturn in the housing market led to a depreciation of real estate values which impacted the 2009 triennial update and 2012 reappraisal. Consequently, three operating levies were increased to their full voted millage and the collection of each levy was permanently lowered. The district has lost approximately $10.3 million in real estate revenue since 2010 and will continue to lose $2.2 million each year. Lucas County will undergo a reappraisal in 2018 and triennial update in 2021. Looking ahead, slight increases to real estate revenue can be expected. Any increases to real estate revenue are attributed to new construction and/or inflation to inside millage.



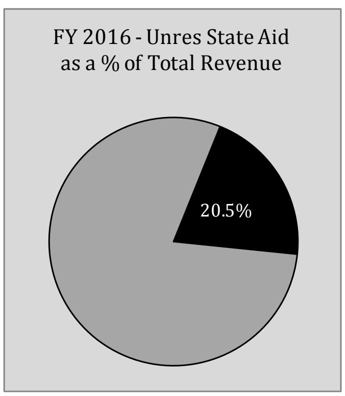


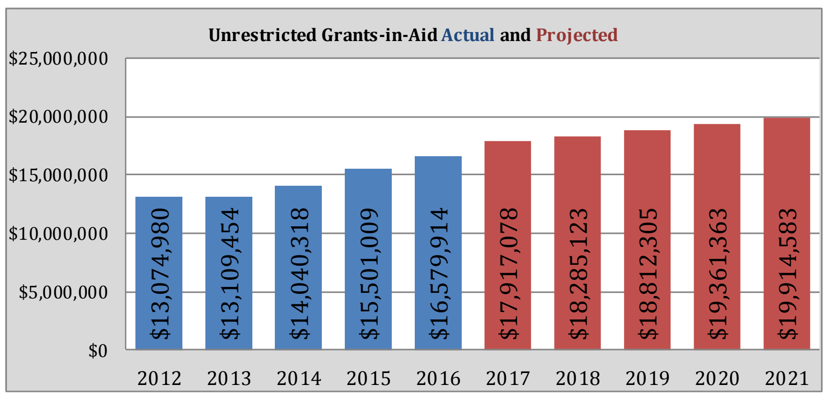
PUPP

Public Utility Personal Property has demonstrated consistent growth the last five years increasing approximately 8% each year. Estimates for future years include similar growth patterns resulting in increased revenue.

Unrestricted Grants In Aid – State funding

The amount of state funding a district receives is based on a comprehensive calculation that is driven primarily by student enrollment and the property wealth of the district. Simply stated, the wealthier a district, the less state funding it receives. In the 2013-2014 fiscal year, the funding cap limit became part of the state funding calculation. The funding cap limit restricts the amount of additional funding a district may receive from one year to the next. In fiscal year 2017, for example, the district is expected to receive $3.8 million less than is calculated due to the funding cap limit. The funding cap limit has effectively reduced the district's state aid a total of $16 million since it was implemented. Estimates for fiscal years 2018-2021 were estimated using the current funding model but reduced funding cap limit of 3%.





Restricted Aid

Restricted aid is provided by the state and assigned to specific educational programs. The largest share of restricted funding the district receives is for its Career Technical programs. In addition, Sylvania Schools receives Economic Disadvantaged funding to help support district initiatives aimed at addressing poverty and its effects on education programs. Restricted aid is required to be spent according to the parameters set forth in legislation. Expenditure reports are submitted to the state to verify funding was allocated and spent appropriately. Beginning in fiscal year 2017, catastrophic costs reimbursement will be reclassified to restricted aid. Catastrophic costs reimbursement is state funding for special education for those students whose costs exceeded $27,375 or $32,850 in the prior year. Projections for fiscal years 2018 -2021 are based on stable enrollment and minimal annual increases.

Property Tax Allocation

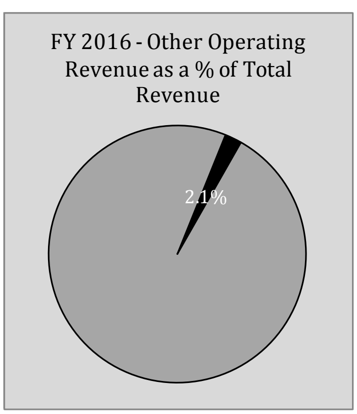
Property tax allocation is a state revenue source for real estate rollback and homestead exemption credits extended to taxpayers. This revenue is driven by property values with revenue normally increasing after county reappraisals and updates. Through fiscal year 2016, state reimbursement for tangible personal property was included in this line item. Tangible personal property tax reimbursement was eliminated beginning in fiscal year 2017. This revenue loss is reflected in estimates.

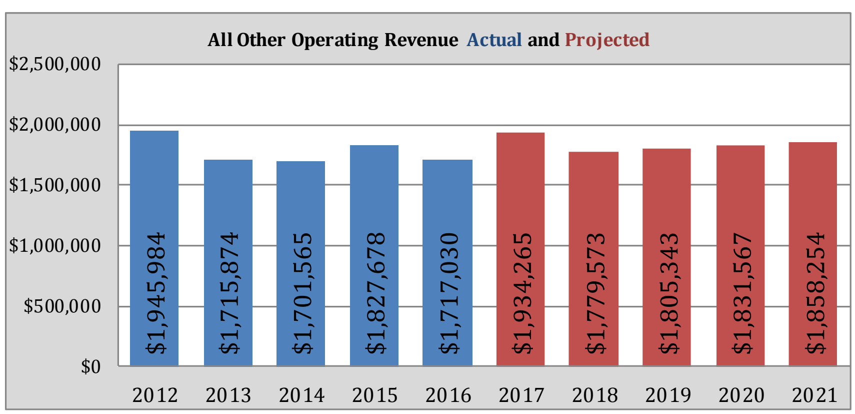
All Other Operating Revenue

All other operating revenue includes revenue from various sources such as tax abatements, Medicaid reimbursement, manufactured homes tax revenue, athletic and co-curricular participation fees, tuition paid by other districts, etc. Factors impacting this line item in fiscal year 2017 include:

1. Reclassification of the catastrophic costs reimbursement
2. Payment of 2015 excess costs received in fiscal year 2017
3. Elimination of the business tax replacement subsidy

Estimates for future years are based on historical increases/decreases for this revenue source. In fiscal years 2018-2021 the increase is estimated to be 1.4% each year.

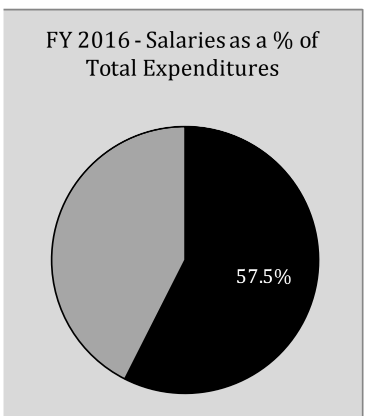


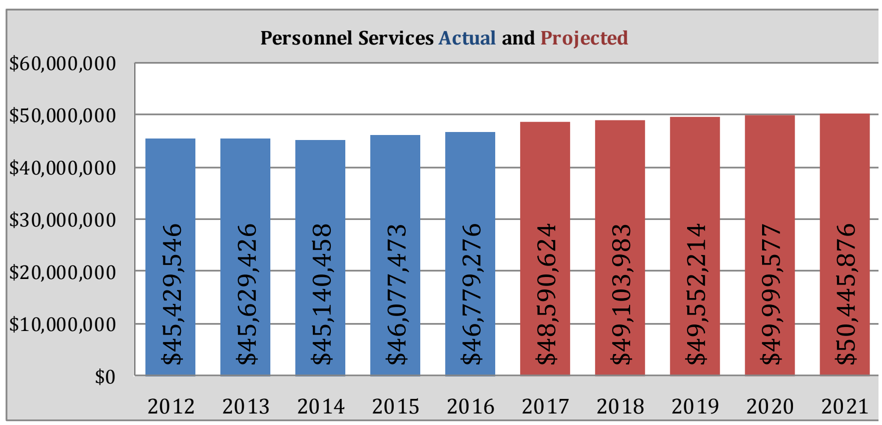


Expenditures

Personnel Services

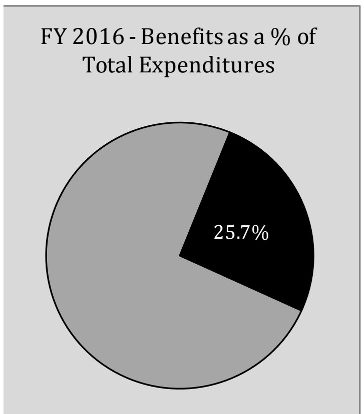
Personnel Services includes all of the salaries and wages paid to employees. Salaries and benefits make up 83% of total expenditures. In fiscal year 2017, employees received a 0% base increase to their salary. Collective bargaining agreements with both unions expire June 30, 2017. Estimates for wages include contractual obligations for steps, experience level advances and longevity across all employee groups. The savings for anticipated employee retirements have been included in the salary estimates through the end of the forecast period. While staffing levels are projected to continue at fiscal year 2017 levels, from time to time it is necessary to add staff in response to increased enrollment and/or educational mandates. This is completed after careful examination of the existing need and with great consideration to cost.

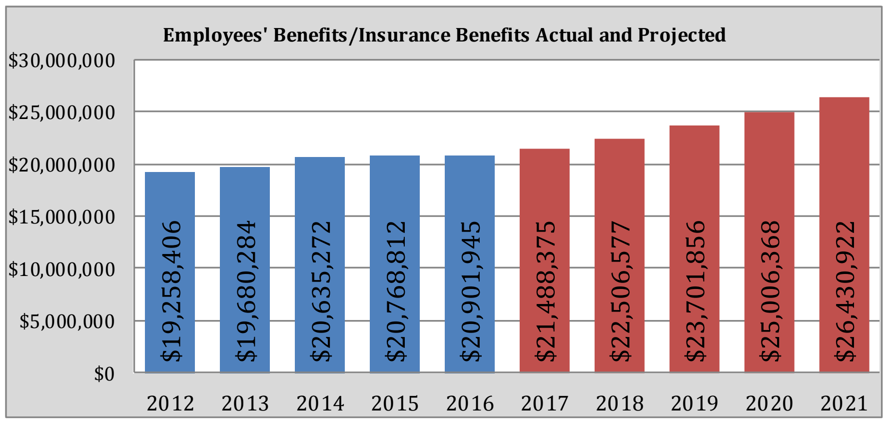




Employees' Retirement/Insurance benefits

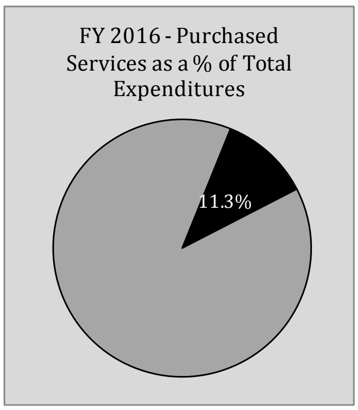
The employer's share of retirement contributions is directly related to total salary costs. Historical increases for the district's health and dental premiums are as follows: 2013 - 9%, 2014 - 7%, 2015 - 7%, 2016 - 6.7% and 2017 - 8%. An increase of 10% has been estimated for fiscal years 2018-2021. However, we continue to negotiate cost savings as provider agreements expire.

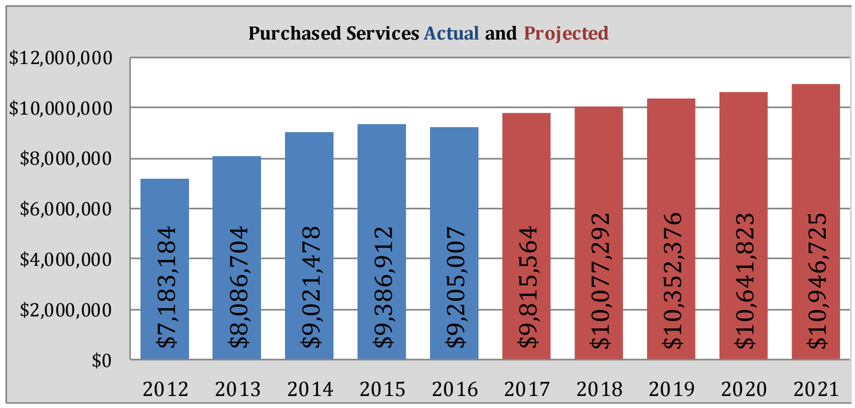




Purchased Services

Purchased Services includes expenditures for legal fees, contracted services with the Educational Service Center, maintenance and repairs to buildings, utilities, tuition paid to other districts, copier maintenance agreements, professional development for staff, postage, open enrollment, college credit plus tuition, pupil transportation, ITC services, etc. The overall estimated increase from fiscal year 2016 to fiscal year 2017 is 6.6% due to anticipated increases to legal fees, utilities, and tuition paid to other districts. In fiscal years 2018-2021, an average increase of 2.8% is projected.





Supplies and Materials

Supplies and materials include all expenditures associated with the operational and instructional supplies and materials purchased by the district. Expenditures were lowered in fiscal year 2015 and 2016 in an effort to preserve the district's cash balance. In fiscal year 2017 expenditures are expected to meet necessary technology needs that were suspended in prior years. An increase of 1% has been estimated in fiscal years 2018-2021. However, greater needs exist within this line item that will increase expenditures more than forecasted estimates once the district's financial condition improves.

Capital Outlay

Capital outlay includes purchases for all operational and instructional equipment. An increase of 5% has been estimated in each year of the forecast. The district has suspended most equipment purchases in order to preserve its cash balance.

Other Objects

Other objects includes expenditures for audit costs, professional memberships, auditor/ treasurer fees, election expenses , fleet/liability insurance, and other similar expenditures. An increase of 2% has been projected in each year of the forecast.

Encumbrances

Encumbrances at the end of each fiscal year are estimated at $500,000.