



Levy Discussion

3/28/22

How Real Property Taxes Work

- Property tax bill = Rate x Value
 - Rate is expressed in mills, which is one-tenth of a cent, or \$0.001
 - Value is the county auditor's FMV of the property x 35%, called the Assessed Value
- Very simply, 1 mill = \$35 per \$100,000 of FMV

$$\text{\$100,000} \times 35\% \times \text{\$0.001} = \text{\$35}$$



House Bill 920

- HB920 Protects property owners from increases in taxes simply due inflationary changes in property values.
- Year 1: Rate x Total District Property Value = \$X Dollars
- Year 2: Adjusted Property Value x Adjusted (Effective) Rate = Same \$X Dollars as Year 1
- Districts do collect additional revenue on 4.5 inside mills, & on new construction (but we are landlocked)



House Bill 920 Illustrated

<u>Collection Year</u>	<u>Total Assessed Property Value</u>	<u>Voted Tax Rate</u>	<u>Effective Residential Tax Rate</u>
2020	\$ 2,094,637,200	104.09	57.61
2021	\$ 2,418,843,440	105.64	51.99



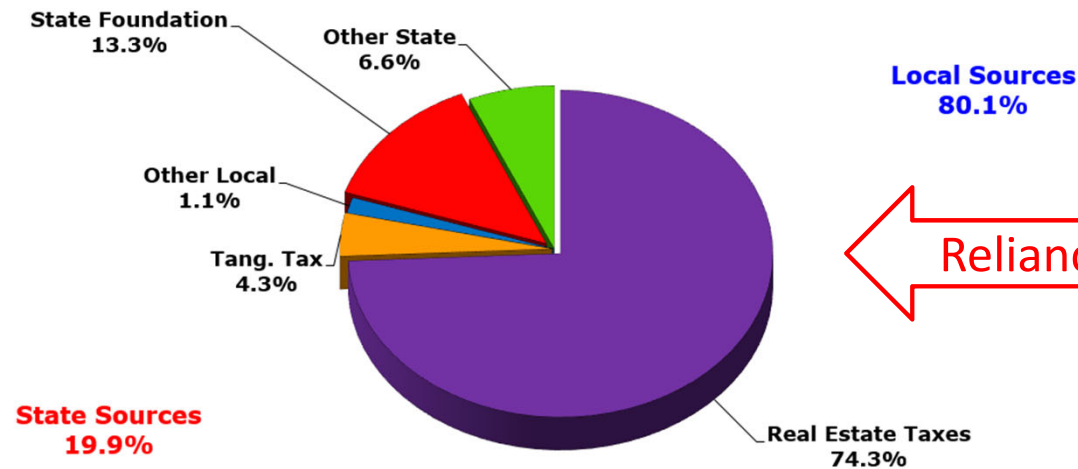
Note: Commercial and Residential are separate for reduction factors



How does that impact us? Flattening Revenues

	Actual				Forecasted				
	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Average Change	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Revenues									
1.010 General Property Tax (Real Estate)	\$ 98,600,412	\$ 98,956,525	\$ 112,681,503	7.1%	\$113,860,000	\$116,989,000	\$117,627,000	\$118,268,000	\$118,913,000
1.020 Tangible Personal Property	4,634,275	6,047,252	5,836,150	13.5%	\$6,535,000	\$6,813,000	\$7,017,000	\$7,228,000	\$7,445,000
1.035 Unrestricted State Grants-in-Aid	18,970,126	16,737,883	18,185,324	-1.6%	\$19,612,000	\$19,752,000	\$19,954,000	\$20,168,000	\$20,363,000
1.040 Restricted State Grants-in-Aid	860,028	941,499	1,073,161	11.7%	\$851,000	\$851,000	\$851,000	\$851,000	\$851,000
1.050 Property Tax Allocation	13,112,165	11,997,907	10,864,135	-9.0%	\$10,055,000	\$10,046,000	\$10,036,000	\$10,027,000	\$10,018,000
1.060 All Other Revenues	3,299,073	3,552,945	2,617,276	-9.3%	\$2,370,000	\$1,970,000	\$1,770,000	\$1,670,000	\$1,570,000
1.070 Total Revenues	\$ 139,476,079	\$ 138,234,011	\$ 151,257,549	4.3%	\$ 153,283,000	\$ 156,421,000	\$ 157,255,000	\$ 158,212,000	\$ 159,160,000

Flattens after last increment

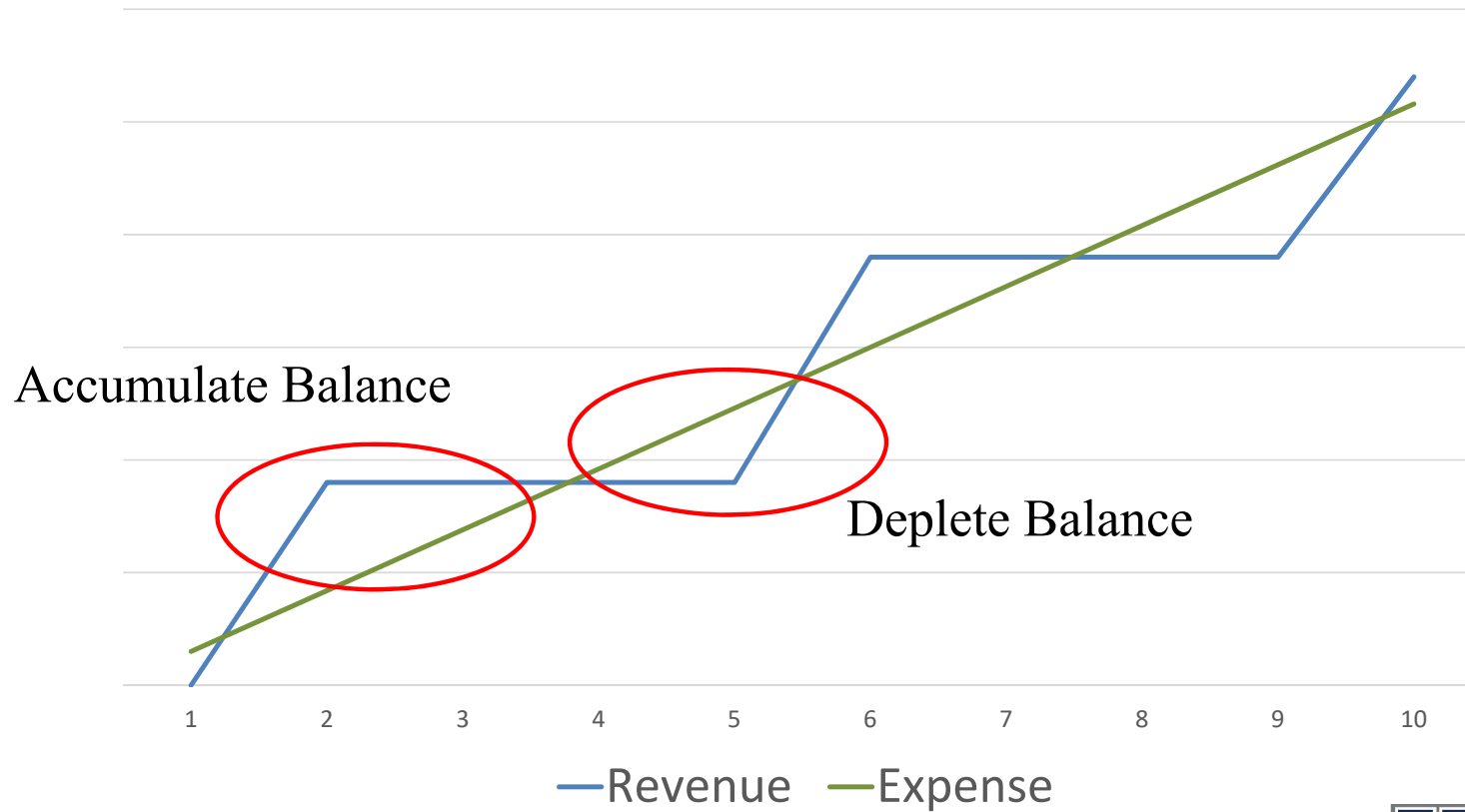


Reliance on Property Tax



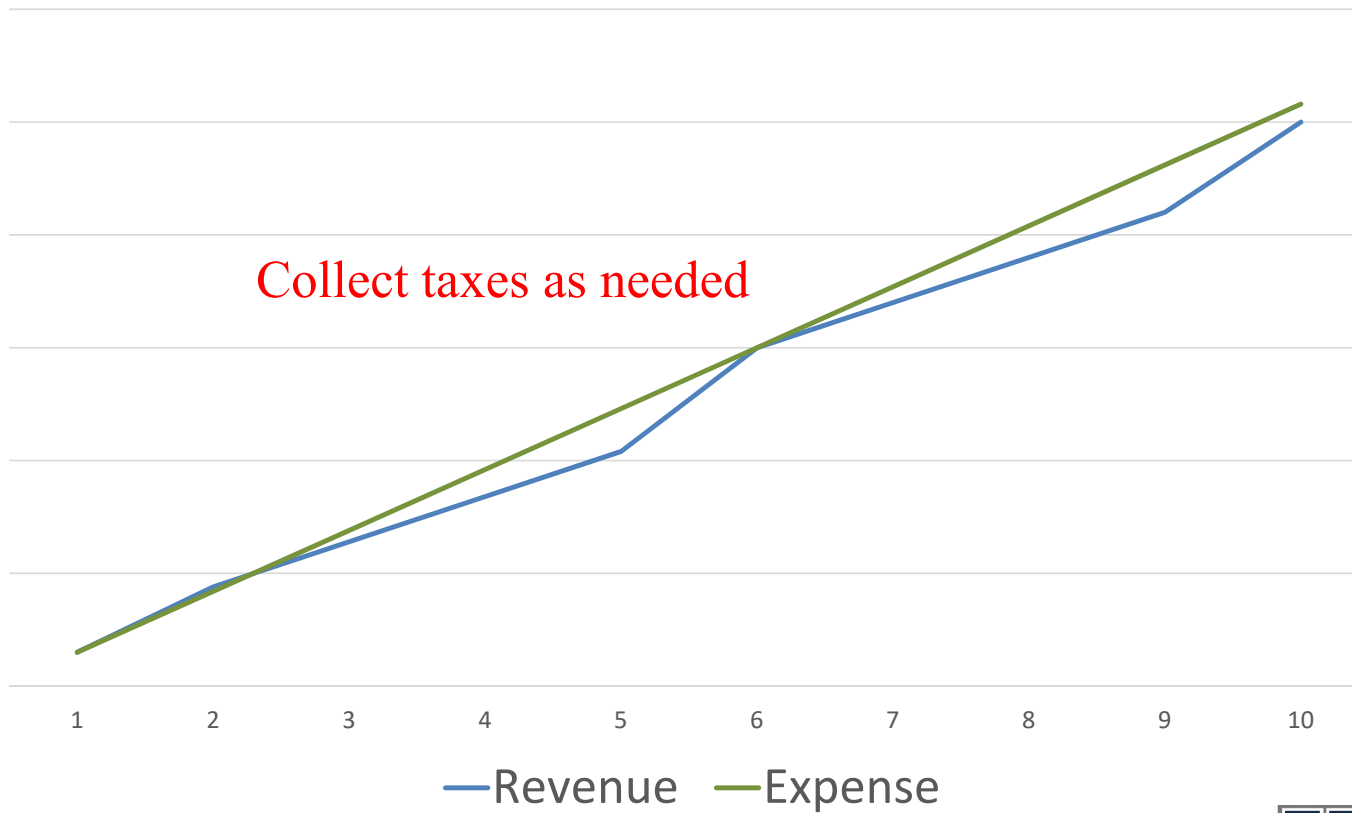
What is an incremental levy?

Traditional Levy Model



What is an incremental levy?

Incremental Levy Model



Pros and Cons of an Incremental Model

- Aligns timing of revenues and expenses (business focus)
- Aligns current residents, those benefiting from services provided, with the cost of those services (public focus)
- Provides predictability and stability for residents
- However, it cannot be combined into a single question with a bond and/or PI levy



Worthington Scenario

- Low growth in state funding & it's a small portion of total
- Landlocked with little new construction
- We will need to periodically return to voters for increased operating funds
- Remember taxes are a year in arrears: levy passed in 22, collects in 23, Pass in 24: collect in 25
- Likely on ballot for capital in 2022



Guiding Principal

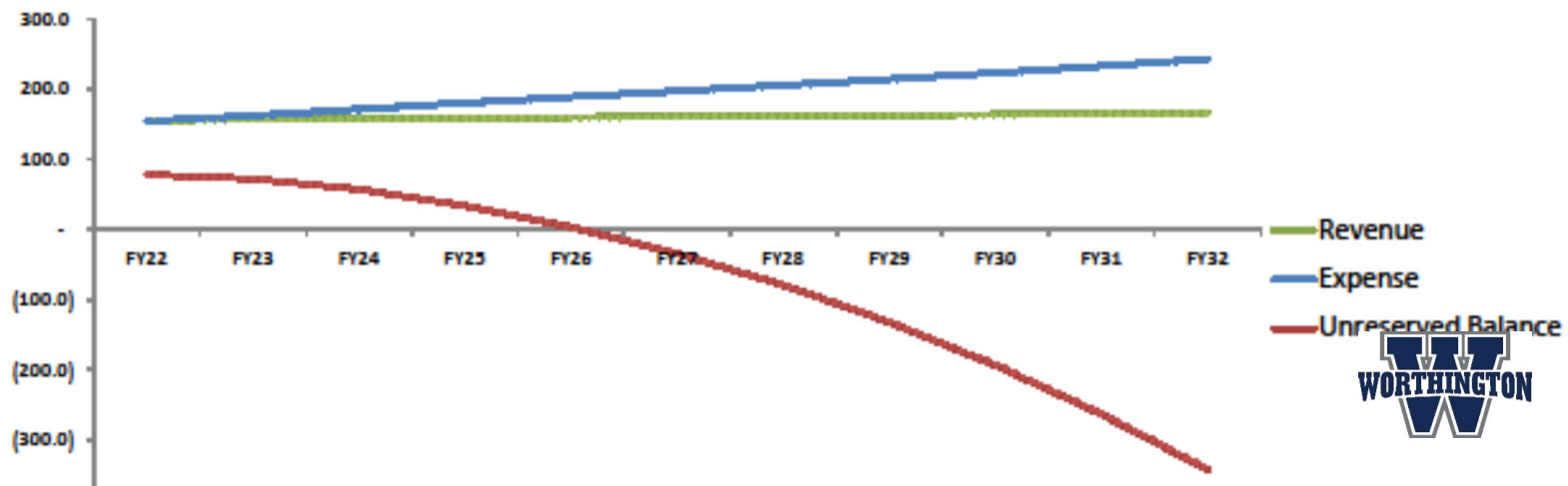
- TAC: Planning should focus on size and interval, as they are interrelated
- Must look at both fund balance and deficit spending rate

Reasonable Levies at Reasonable Intervals



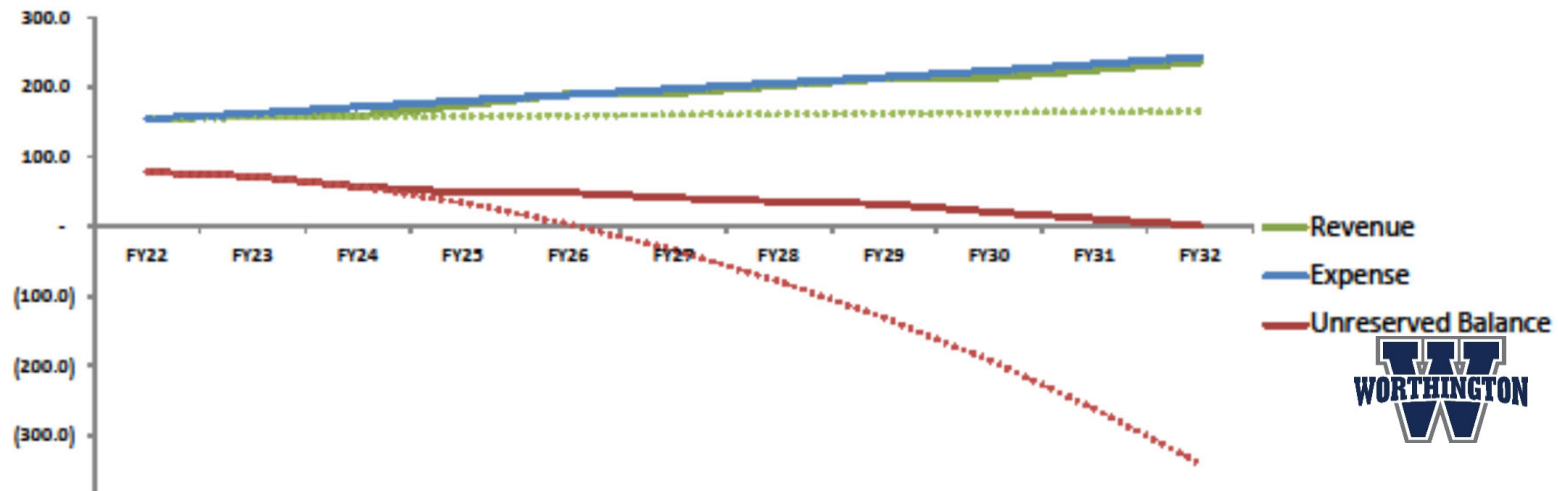
Current Outlook

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Projected Revenue	155.6	157.2	158.0	159.0	159.9	160.9	161.9	162.9	163.9	164.9	165.9
Total Projected Expenditures	154.9	162.3	171.3	180.6	189.1	197.2	205.7	214.5	223.5	233.2	243.3
Surplus (Deficit)	0.7	(5.1)	(13.3)	(21.7)	(29.2)	(36.3)	(43.8)	(51.6)	(59.6)	(68.2)	(77.4)
Beginning Cash Balance Less Enc.	103.3	104.0	98.9	85.7	64.0	34.8	(1.5)	(45.3)	(96.9)	(156.4)	(224.7)
Ending Cash Balance Less Enc.	104.0	98.9	85.7	64.0	34.8	(1.5)	(45.3)	(96.9)	(156.4)	(224.7)	(302.0)
Budget Reserve	(25.7)	(27.0)	(28.5)	(30.0)	(31.5)	(32.9)	(34.3)	(35.8)	(37.3)	(38.9)	(40.6)
Ending Unreserved Balance	78.3	71.9	57.2	34.0	3.3	(34.4)	(79.6)	(132.6)	(193.7)	(263.5)	(342.6)



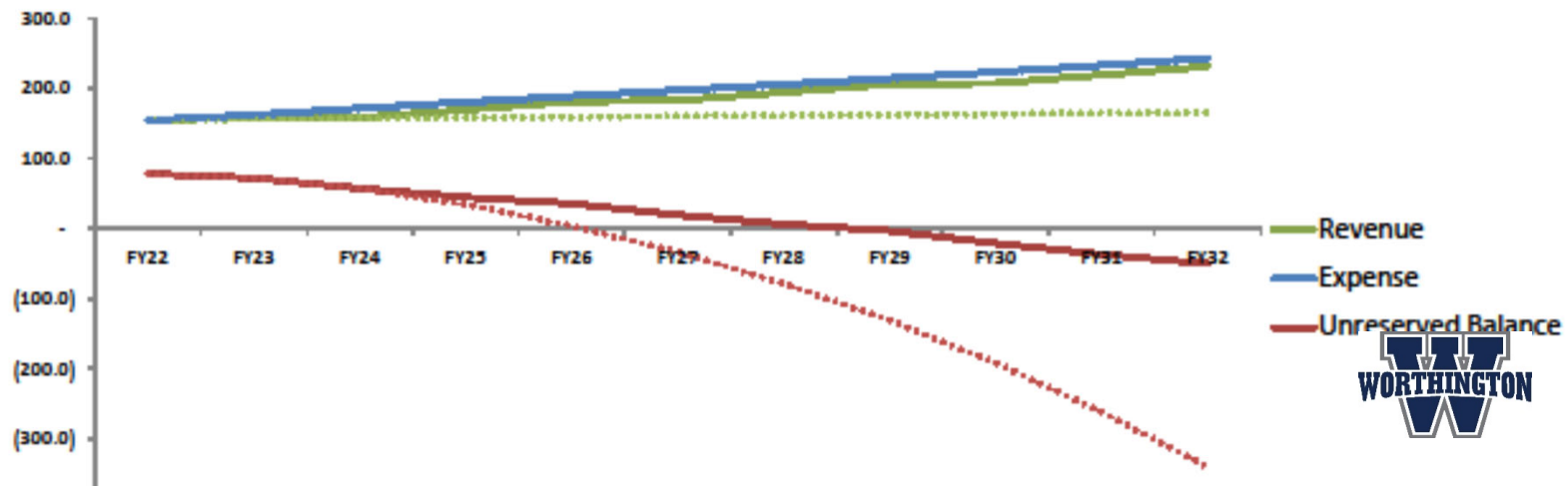
12.5 Mills 2024, 8 mills every 3 years after

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Projected Revenue	155.6	157.2	158.0	174.1	190.1	191.1	201.9	212.7	213.7	224.6	235.5
Total Projected Expenditures	154.9	162.3	171.3	180.6	189.1	197.2	205.7	214.5	223.5	233.2	243.3
Surplus (Deficit)	0.7	(5.1)	(13.3)	(6.6)	1.0	(6.1)	(3.8)	(1.9)	(9.8)	(8.6)	(7.8)
Beginning Cash Balance Less Enc.	103.3	104.0	98.9	85.7	79.1	80.1	73.9	70.1	68.3	58.5	49.9
Ending Cash Balance Less Enc.	104.0	98.9	85.7	79.1	80.1	73.9	70.1	68.3	58.5	49.9	42.1
Budget Reserve	(25.7)	(27.0)	(28.5)	(30.0)	(31.5)	(32.9)	(34.3)	(35.8)	(37.3)	(38.9)	(40.6)
Ending Unreserved Balance	78.3	71.9	57.2	49.1	48.6	41.1	35.9	32.5	21.2	11.0	1.6



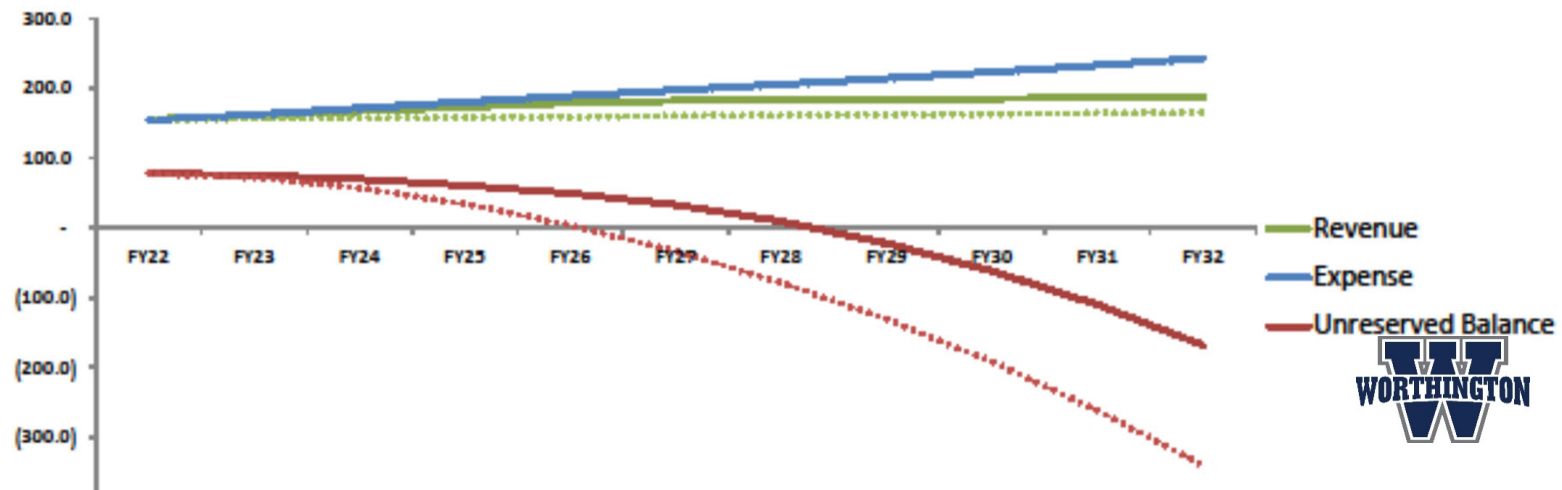
8.9 Mills 2024, 8.9 every 3 years after

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Projected Revenue	155.6	157.2	158.0	169.7	181.4	182.4	194.3	206.2	207.2	219.2	231.3
Total Projected Expenditures	154.9	162.3	171.3	180.6	189.1	197.2	205.7	214.5	223.5	233.2	243.3
Surplus (Deficit)	0.7	(5.1)	(13.3)	(10.9)	(7.7)	(14.8)	(11.4)	(8.3)	(16.3)	(13.9)	(12.0)
Beginning Cash Balance Less Enc.	103.3	104.0	98.9	85.7	74.8	67.0	52.2	40.8	32.5	16.2	2.2
Ending Cash Balance Less Enc.	104.0	98.9	85.7	74.8	67.0	52.2	40.8	32.5	16.2	2.2	(9.8)
Budget Reserve	(25.7)	(27.0)	(28.5)	(30.0)	(31.5)	(32.9)	(34.3)	(35.8)	(37.3)	(38.9)	(40.6)
Ending Unreserved Balance	78.3	71.9	57.2	44.7	35.6	19.3	6.5	(3.3)	(21.1)	(36.6)	(50.3)



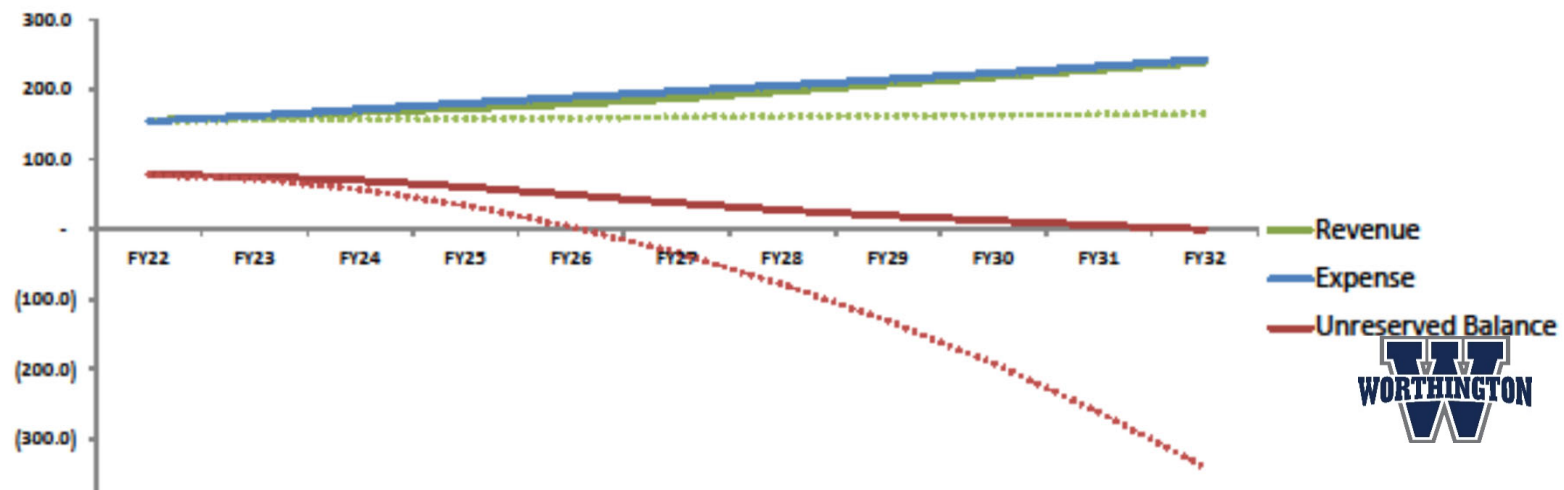
Incremental 2.9 Mills 2022, +2+2+2

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Projected Revenue	155.6	160.6	167.4	173.1	178.9	182.4	183.4	184.4	185.4	186.4	187.4
Total Projected Expenditures	154.9	162.3	171.3	180.6	189.1	197.2	205.7	214.5	223.5	233.2	243.3
Surplus (Deficit)	0.7	(1.6)	(3.9)	(7.5)	(10.2)	(14.9)	(22.3)	(30.2)	(38.1)	(46.8)	(55.9)
Beginning Cash Balance Less Enc.	103.3	104.0	102.4	98.5	91.0	80.8	65.9	43.6	13.4	(24.8)	(71.6)
Ending Cash Balance Less Enc.	104.0	102.4	98.5	91.0	80.8	65.9	43.6	13.4	(24.8)	(71.6)	(127.5)
Budget Reserve	(25.7)	(27.0)	(28.5)	(30.0)	(31.5)	(32.9)	(34.3)	(35.8)	(37.3)	(38.9)	(40.6)
Ending Unreserved Balance	78.3	75.4	70.0	60.9	49.3	33.0	9.3	(22.4)	(62.0)	(110.5)	(168.1)



Incremental 2.9 in 2022, 3.8 annually 2026

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Total Projected Revenue	155.6	160.6	167.4	173.1	178.9	187.0	197.3	207.6	217.9	228.3	238.8
Total Projected Expenditures	<u>154.9</u>	<u>162.3</u>	<u>171.3</u>	<u>180.6</u>	<u>189.1</u>	<u>197.2</u>	<u>205.7</u>	<u>214.5</u>	<u>223.5</u>	<u>233.2</u>	<u>243.3</u>
Surplus (Deficit)	0.7	(1.6)	(3.9)	(7.5)	(10.2)	(10.3)	(8.4)	(7.0)	(5.5)	(4.8)	(4.5)
Beginning Cash Balance Less Enc.	103.3	104.0	102.4	98.5	91.0	80.8	70.5	62.1	55.1	49.6	44.7
Ending Cash Balance Less Enc.	104.0	102.4	98.5	91.0	80.8	70.5	62.1	55.1	49.6	44.7	40.2
Budget Reserve	(25.7)	(27.0)	(28.5)	(30.0)	(31.5)	(32.9)	(34.3)	(35.8)	(37.3)	(38.9)	(40.6)
Ending Unreserved Balance	78.3	75.4	70.0	60.9	49.3	37.6	27.8	19.4	12.3	5.9	(0.3)



Capital Recommendation

- Consider \$234M bond issue combined with 1.9 mill continuing Permanent Improvement levy
 - Funds major HS Construction via long term bonds
 - Secures permanent funding for bus, vehicle, and equipment replacement as well as technology infrastructure and some deferred maintenance
 - Over long term, PI keeps taxes lower compared to bond issues: many districts have them
 - Need 3.5-4 mills of PI eventually



Operating Recommendation

- Consider incremental operating levy in 2022 similar to last one (2.9 mills with three 2 mill increments)
 - Smaller than 3.4-3.8 mills necessary for true balance
 - Gradually brings down fund balance, no cliff
 - Consistent with planning in 2018
 - Timing aligns with Master Facilities Plan, secures operating needs when buildings open
 - Good position in 2026 when growth/elementary phase is better known



Recommendation

Operating

Collection Year	Additional Mills	Additional Cost per \$100,000 Appraised Value
2023	2.9	\$101.50
2024	2.0	\$70.00
2025	2.0	\$70.00
2026	2.0	\$70.00

Capital

\$234 Million Bond Issue combined with 1.9 Mill continuing PI	
\$234 Million Bond Issue	4.6 Mills
Projected Existing Debt Millage Decrease	(3.6) Mills
New Continuing Permanent Improvement Levy	<u>1.9</u> Mills
Net Projected 2023 Millage Increase	2.9 Mills
Net Additional Cost Per \$100,000 Appraised Value	\$101.50

- \$217 Million for High School Construction
- \$17 Million for Cont./Deferred Maint. Other Bldgs.
- PI projected to provide \$4.2 million annually for buses, tech infrastructure, furnishing/equipment, and other deferred maintenance projects
- Current bond millage 5.60, projected to go to 6.60

Timeline

	Legal Deadline	Meeting Deadline	Suggested Date
Resolution of Necessity for Bonds & PI	July 11, 2022	June 27, 2022	May 9, 2022
Resolution of Necessity for Operating	July 11, 2022	June 27, 2022	May 9, 2022
Resolution to Proceed with Bonds/PI	July 25, 2022	July 25, 2022	June 13, 2022
Resolution to Proceed with Operating	July 25, 2022	July 25, 2022	June 13, 2022



Questions?

