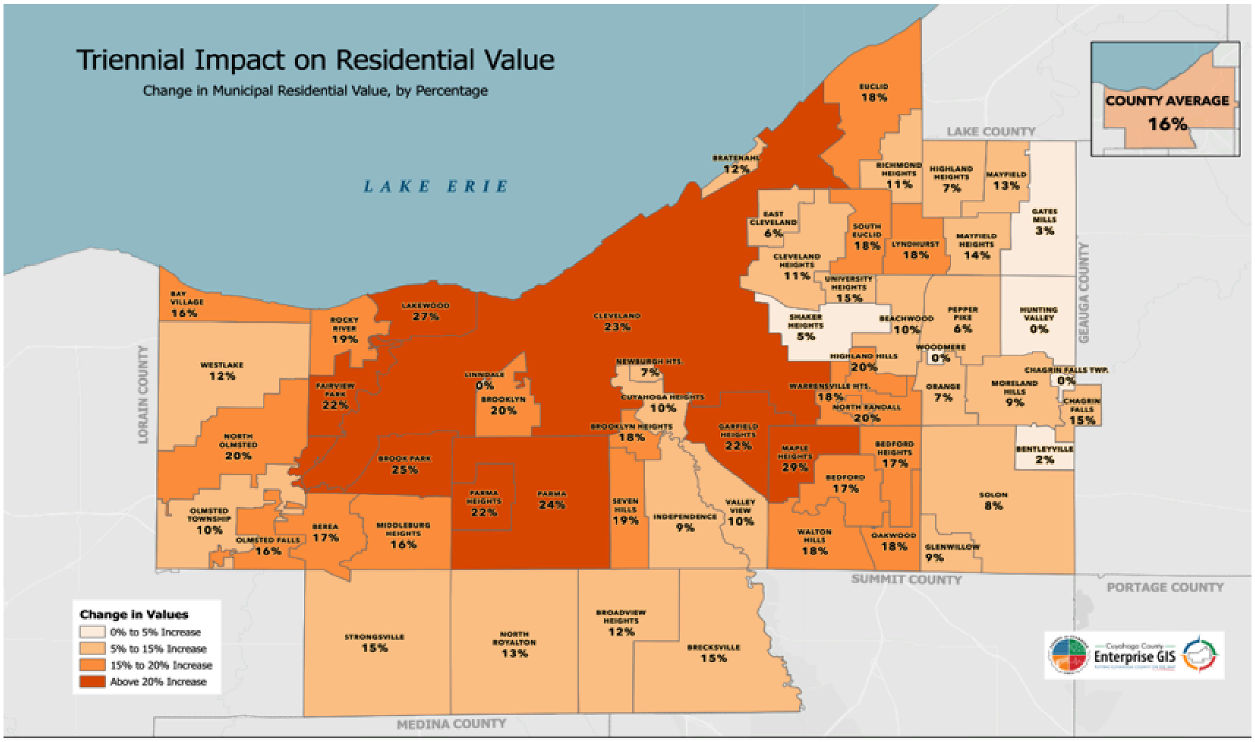
Ask the Treasurer

Meghan Rohde, Treasurer

QUESTION:
Are Bay Village residents impacted by the Triennial Update performed by the Cuyahoga County Department of Taxation and Equalization?

Answer:
Cuyahoga County went through the Triennial Update in 2021. Every three years, the county performs either an update or a complete reappraisal, as mandated by the Department of Taxation and Equalization. The triennial update is less comprehensive than the reappraisal, and property valuations are updated based on home sales data from the prior three years. In a complete reappraisal, property appraisers visit each property to make adjustments to property values.

Based on the home sales data gathered, the Cuyahoga County Auditor's Office determined that across the entire county, properties will increase on average by 16%. Among the county's municipalities, the highest increase in property value is 23% (Cleveland) and the lowest is 0% (Woodmere).



<u>How are Bay Village residents impacted by the triennial update?</u>

Bay Village property values are increasing by an average of 16%, which is in alignment with the Cuyahoga County-wide average increase.

<u>Will residents' property tax bills also increase by 16%?</u>

No. Taxes on voted school levies (the majority of the district's levies are voted levies) will **not** increase by 16%. There is legislation in place (Ohio House Bill 920) to help stabilize residents' tax bills. As property values increase, tax rates decrease so tax bills remain constant on voted levies.

Residents will see an increase on un-voted levies, also referred to as inside millage/mills. Of the 46.55 total effective mills collected on residential property for the school district levies, only 4.61 mills are inside millage.

It is important to keep in mind that district residents pay taxes on assessed values of real property. In Ohio, real property is assessed at 35% of its appraised or market value for taxation purposes. (tax.ohio.gov) So, taxpayers are taxed on 35% of their property's appraised value.

Example: Effect of Triennial Property Update

$ 290,000	New Market Value after Triennial Update (16% increase)
- 250,000	Former Market Value
40,000	Property Valuation Increase
x 35%	Factor Applied to Achieve Assessed/Taxable Value
14,000	Taxable Portion of Increase
x .00461	Bay Village City Schools Inside Millage Factor (4.61 mills)
$ 64.54	Approximate increase in school district taxes

(This amount is also affected by the resident's filing status regarding the State tax exemption programs)

<u>Where can I find out more information about my tax bill?</u>

The Cuyahoga County Fiscal Officer website has a Property Tax Estimator tool that residents can use to enter their property values to estimate their taxes. Follow this link to the tool on the Cuyahoga County Fiscal Officer's website: [Property Tax Estimator](#).

QUESTION:
Is the Bay Village City School District operating in the red?

Answer:
The short answer is yes, the District did end the fiscal year/school year in the red (deficit spent) for 2020-2021. In other words, the district spent more in 2020-2021 than it brought in in revenues in that same year. However, this was anticipated and forecasted, so the District, Administration and Board were not surprised, and had actually planned on this deficit spending. Additionally, the District spent within its operating budget for the 2020-2021 year. I do anticipate deficit spending into the future, as well. With the way school funding is set up in the state of Ohio, this is a normal challenge that school districts face.

I'd like to discuss the following points regarding the deficit spending:

- The District has a cash balance on hand to absorb the deficit spending. After a year or several years of deficit spending, Bay Village Schools has a decision to make regarding bringing additional funds into the District.

- The District's main source of revenue/funding is from local taxpayers. We do receive funding from the state of Ohio, but I do not anticipate an increase or a significant increase in state funding in the future after looking at the recently passed two-year state budget. In the last few years, the state of Ohio has not provided an increase to account for inflation in their contribution to all school districts across the state, as state funding has been flat since fiscal year 2019. That means the District has to look locally for additional revenues. It has been since 2016 that the District has had a new operating levy. I looked back at levy data since 1987 and saw that there are between 3 to 6 years between levies, or in a levy cycle.

- When districts in the state of Ohio pass a new levy, they receive a surge of new revenue/income. Most times, this results in a revenue surplus in the initial year(s) of the levy cycle. This surplus results in the district carrying over cash to the subsequent years, or putting cash away in the district's savings account. This savings account builds up and can carry a district through the latter years of a levy cycle when the district begins deficit spending. School districts then have to analyze and determine how long their savings account can sustain deficit spending and when it is time to bring their current levy cycle to an end and put a new levy on the ballot. Bay Village Schools is in the latter years of our current levy cycle. The timing of the District's next levy is something that will need to be navigated by the Board.

- These two cycles -- 1) involving new money coming in from a newly passed levy and 2) deficit spending in later cycle years -- happen in schools across the state. With the way the state of Ohio has set up public school education funding, school districts have to rely on local funding support, some districts more than others. Bay Village relies on local taxpayers for almost three quarters of its revenue.

- A way a school district can achieve significant revenue growth locally, other than a new tax levy, is through building growth -- new residential homes, new commercial property growth -- as this brings in new taxpayers. However, Bay Village is a mostly built-out bedroom community. There is not a lot of available land for new homes or commercial business growth. Therefore, there is extremely limited opportunity for this type of revenue growth. Property values have been rising in the past, but a rise in property value does not change the amount on our voted levies due to legislation House Bill 920. HB920 ensures that taxpayers' bills do not go up as their property values rise on voted levies. This means that Bay Village would have to pass a new tax levy to significantly raise revenue.

- Regarding District spending, I did an analysis on the change in expenses year to year for the past several years and compared it to the inflation growth. The District's expenses increased at a lower rate. I also analyzed our salaries expense growth over a period of time versus the median district income growth, and I found that to be lower than the median income growth of District residents. These two metrics pointed me in a direction that the District was being financially responsible in all expense categories, including our main one -- salaries and wages.

QUESTION:
What is a five-year forecast?

Answer:
Please click on this link to see a short presentation that explains a five-year forecast.

If you have any financial questions regarding Bay Village Schools, please email [Treasurer Meghan Rohde.]