

Lexington Local School District, Ohio

Community Taxation Policy

Purpose of the Policy

The primary aim of this taxation policy is to set clear targets and guidelines for generating new tax revenue to support school district operations. This policy outlines the types of taxes that may be used to achieve and maintain financial stability while minimizing the need for requests for additional tax levies.

The Board recognizes that Ohio's current tax system is imperfect and that future changes to State taxation may require updates to this policy. Nevertheless, the Board is committed to pursuing long-term financial sustainability while promoting fairness and balance in the taxation of our school community.

Objectives

The primary objectives of the taxation policy for the District are as follows:

- 1) **Secure sufficient operating, maintenance, and debt service revenue.** Ensure adequate revenue to maintain community standards and support the District's financial stability and credit quality.
- 2) **Identify when new tax requests are necessary.** Establish clear indicators for determining when new tax revenue is required for operational and capital needs.
- 3) **Promote financial sustainability without relying on new taxes.** Utilize all reasonable tools to support and sustain the District's financial operations and capital needs while minimizing the need for additional tax revenue from residents.
- 4) **Maintain affordability for community residents.** Keep overall tax burdens reasonable compared to neighboring districts while continuing to provide high-quality services and facilities to our students and community.
- 5) **Promote fairness through tax structure adjustments.** Implement or adjust tax structures to promote fairness, recognizing the financial impact on taxpayers, including those who may not directly benefit from District services.
- 6) **Manage the District's cost of services to limit the future taxpayer burden.** Continuously seek efficiencies in operations and facilities management to reduce long-term cost pressures while upholding community standards.
- 7) **Communicate the value delivered to the community.** Maintain ongoing engagement with the community to ensure residents understand, and feel they are receiving, the value associated with District services and investments.

Benchmarks and Measurements Report

The Treasurer/CFO shall prepare the Benchmark Report for submittal to the BOE. The Treasurer/CFO shall determine the format for such a report and will, to the best of his or her ability, include the most recent data available for the following:

- 1) General fund sensitivity analysis;
- 2) Monthly operating cash flow report;
- 3) Financial forecast;
- 4) Taxpayer affordability analysis comparison;
- 5) General fund balance as a percentage of expenditures (or Days of Cash) comparison;
- 6) Operating levy cycle comparison;
- 7) Outstanding debt balances and associated interest rates;
- 8) Key historical and current demographics of the District including, but not limited to:
 - a. Total population;
 - b. Population under 18;
 - c. Population 65 and over;
 - d. Population at or below the poverty level;
 - e. Population receiving social security and/retirement income;
 - f. Median home value;
 - g. Median family income;
 - h. Renter occupied housing;
 - i. Income tax comparison between earned and traditional income taxes;
 - j. Per pupil expenditures comparison;
 - k. Performance index comparison.
- 9) Assessed valuation history

Benchmarks and Measurements Targets

The BOE hereby establishes the following benchmarks and targets to guide decisions related to the District's financial stability, requests for the new property or income tax revenues, and any reduction of taxes:

- 1) **General Fund Balance:** Maintain a minimum of 90 days and a maximum of 180 days of cash on hand, or any statutorily imposed limit on the General Fund balance;
- 2) **Taxpayer Affordability:** Maintain taxpayer affordability as low as possible of the 20 districts in the comparison group;
- 3) **Operating Levy Cycle:** Target an operating levy cycle (the period when additional operating taxes are requested) of no sooner than 10 years from the approval of this policy, not including the effort to convert the existing emergency levies into an alternative tax structure, if necessary;
- 4) **Tax Rate Floor:** Class I and Class II tax rates should reach and remain at the 20-mill (or equivalent) floor, when applicable.

Key actions and guidelines

To improve financial sustainability and ensure fairness in taxation, the BOE hereby establishes the following actions and guidelines. These include considerations for property values, income demographics, tax structures, expenditure minimization, and revenue growth:

- 1) The District shall seek to create and maintain revenue streams that adjust for inflation whenever possible;
- 2) The Treasurer/CFO and Superintendent shall use their best efforts to minimize expenditures and maximize revenue growth opportunities to avoid the need for new taxes.
- 3) The Treasurer/CFO shall report regularly to the BOE on efforts to control expenditures and pursue revenue growth;
- 4) If General Fund balances fall below the minimum days of cash, the BOE shall direct the Treasurer/CFO to recommend corrective actions.
- 5) If a new money levy becomes necessary, the Treasurer/CFO shall recommend the required amount to the BOE. The BOE may adjust or reject the recommendation but must ensure that the final decision preserves the District's ability to remain solvent (maintaining a positive General Fund Balance) for at least a five-year period following the passage of such new money levy.
- 6) If 33% or greater of the residents of the District are receiving social security and/or retirement income, the District should consider an income tax.
- 7) The District should avoid, when possible, any type of tax that would remove it from the 20-mill floor, or equivalent.
- 8) All new levies should be approved for a continuing period of time.

Use of Surplus Fund Balances

The BOE will make its best efforts to follow these guidelines to direct the use of any surplus balances accumulated in the General Fund, including but not limited to, in no particular order, as recommended by Superintendent and Treasurer/CFO:

- Maintaining, enhancing or adding educational programs provided to students;
- Constructing, purchasing, or improving District facilities, equipment, and furnishings;
- Paying down or paying off outstanding debt of the District when such debt's interest rates exceed the rate of interest earned on the District's investments. However, the BOE may pay down or retire debt if it determines such action is in the taxpayers' best interest;
- Reducing the amount of taxes collected from taxpayers by any legally available means at the time of such decision; and/or
- Retaining such remaining balances to reduce or eliminate the need for future taxation of District residents.

Tax Incentive Proposals

The BOE hereby establishes the following guidelines to direct the participation in any tax incentive proposals related to economic development using tax abatements and/or Tax Increment Financings (TIFs) requiring BOE approval:

- 1) First, the BOE hereby establishes that it will be supportive of economic development proposals, subject to its review.
- 2) The BOE will require a 90-day waiting period after the BOE is given a formal written proposal before acting on such proposal.
- 3) The BOE will retain the assistance of an outside consultant, at its discretion, to assist in any negotiations regarding a proposal.
- 4) The CFO/Treasurer will review all past agreements to ensure that the proper funds are paid to the District.

Review Process and Disclosure

Annually, or at the preference of the Board of Education (BOE), the Treasurer/CFO shall provide the BOE with a summary of the District's performance against established benchmarks and measurements ("Benchmark Report"). Upon review of the Benchmark Report, if no concerns arise, the BOE shall pass a Resolution stating such conclusion.

If the BOE determines that material concerns exist, the Treasurer/CFO and Superintendent shall, within 60 days, provide the BOE with an analysis and recommendations addressing those concerns. The BOE shall consider these recommendations before making any decisions regarding:

- Requests for new taxes;
- Reductions, renewals, replacements, or substitutions of existing taxes;
- Extensions or reductions of levy terms;
- Movement of inside millage;
- Approval of tax incentives (including TIFs) or compensation agreements;
- Use of surplus funds;
- Reductions in services, staffing, or programs.

The BOE shall document the rationale for any actions taken as a result of this process. At a minimum, such documentation shall be made available to the public on the District's website prior to BOE direction to the Treasurer/CFO and Superintendent or prior to BOE action.

Community Taxation Policy Adoption

The Community Taxation Policy shall take effect after approval by the BOE.