



FIVE YEAR FORECAST & REQUIRED FINANCIAL RECOVERY PLAN

Board of Education Meeting
October 13, 2020

Agenda

- Financial Results: SY19-20 and SY20-21 (YTD)
- COVID-19 Grants
- Five Year Forecast
- Post-Levy Planning
 - Required Financial Recovery Plan



FINANCIAL RESULTS FOR SY19-20 AND SY20-21 (YTD)



SY19-20 Financial Results

- Our revenue was \$750.7 million, which is a modest 1.2% more than the prior year.
- Our expenses were \$750.9, which is under the forecast and attributable to restrictions related to our COVID-19 response.
- Overall, our SY19-20 fund balance exceeded projections ... however, we are currently forecasting \$10+ million in COVID-19 expenses without a funding source.



SY20-21 (YTD) Financial Trends

- Revenue
 - Through the first quarter, revenue is 0.1% above target.
 - Property tax collections between February and August were up 1% year-over-year.
 - We need to remain cautious because tax impacts associated with recessions/depressions tend to lag
- Expenses
 - Through the first quarter, expenditures are 2.3% under budget.
 - Expenditures-to-date are influenced by hiring restrictions, limiting spending, and utilizing COVID-19 relief grants.
 - Healthcare claims are up 11.5% year-over-year so we need to continue to watch those.



COVID-19 GRANTS



Pandemic Relief for Students

Grant	Budget	Spent	Available
CARES (ESSER)	\$26.9M	\$16.5M	\$10.4M
Coronavirus Relief Fund	\$2.6M	\$2.4M	\$0.2M
Ohio Broadband	\$0.2M	\$0.0M	\$0.2M

Anticipated Expenses (\$20.1M)

- \$6.1M Devices & Hotspots
- \$5.8M PPE, Cleaning & Disinfecting
- \$5.0M Food Service Revenue Shortfall
- \$2.5M Transportation / Operations
- \$0.7M Additional Instruction Software, Resources



FIVE YEAR FORECAST



Revenue Assumptions

- 28.4% of General Fund Revenue comes from Local Property Tax
 - Reappraisal was completed in 2018, which reflected a 10% increase in property values (from \$4.8 billion to \$5.3 billion). The current valuation is \$5.2 billion.
 - Due to House Bill 920 (from 1976), the increased valuation reduced our effective millage from 57.4 mills to 52.9 mills. The 15-mill levy decreased from 14.9 mills to 13.5 mills.
 - The current tax collection rate is 88.3%, which is down 0.1% from prior year. The collection rate for most recent year is not yet available. This collection is assumed through 2024.
 - The assumptions reflect the 15-mill levy expiring on December 31, 2020 and it does not include the additional 5-mill.



Revenue Assumptions (cont.)

- 63.5% of General Fund Revenue comes from State Foundation Formula
 - The forecast includes the \$5.6M reduction the State announced in May related to COVID-19 funding issues for both SY19-20 and SY20-21.
 - The forecast utilizes the current foundation, which guarantees all school district will receive the same amount received in SY18-19.
 - The forecast does not assume Student Wellness and Success dollars (\$12.6 million) are available to the District in SY21-22 and beyond.



Expenditure Assumptions

- The forecast does not include across-the-board salary increases in any year, but it does include estimates for step increases and other incentive pay.
- The forecast projects an annual increase in healthcare costs in each year.
- The forecast reflects the final bus lease payment in made this year (SY20-21).
- The forecast reflects \$12.6 million of Student Wellness and Success expenses returning to the general fund in SY21-22 and beyond.
- The forecast does not current reflect potential expenses related to the District's 1:1 device strategy, investment in residential Internet, or other expenses related to COVID-19 after SY20-21.
- The forecast reflects slight annual increases in tuition and pass-through expenses for out-of-district placements.



Our Five-Year Forecast

	SY18-19	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24	SY24-25
Total Revenue	\$749.7	\$750.7	\$710.1	\$687.7	\$695.1	\$702.0	\$704.0
Total Expenditures	\$797.5	\$750.9	\$746.1	\$765.1	\$770.8	\$777.1	\$783.8
Net Revenue	(\$47.8)	(\$0.2)	(\$36.0)	(\$77.4)	(\$75.7)	(\$75.1)	(\$79.8)
Ending Cash Balance	\$38.0	\$37.8	\$1.8	(\$75.6)	(\$151.3)	(\$226.4)	(\$306.2)
Encumbrances	\$17.6	\$15.6	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
Unencumbered Balance	\$20.4	\$22.3	(\$14.2)	(\$91.6)	(\$167.3)	(\$242.4)	(\$322.2)



**We Are
Here**



POST LEVY PLANNING & REQUIRED FINANCIAL RECOVERY PLAN



Post Levy Planning

- While we believe Cleveland voters recognize progress made under the Cleveland Plan and will continue to support us with their tax dollars, it is prudent and responsible to plan for the worst-case scenario.
- We began post levy planning in July to meet a requirement set by the Ohio Department of Education.



ODE Fiscal Caution Status

- Effective June 30th, the Ohio Department of Education (ODE) moved CMSD from Fiscal Precaution to Fiscal Caution.
 - CMSD has been in Fiscal Precaution since October 2018 due to low fund balances forecasted in SY19-20 and beyond.
 - The status change is due to the significant financial impact of the November 2020 levy.
 - The District is required to submit a Board-approved Financial Recovery Plan to ODE.



ODE Fiscal Caution Requirements

- Submit Monthly Financial Reports
 - Revenues, Expenses, Cash Flow, and Fund Balance Tracking
 - Board Reports and Minutes
- Submit a Board-Adopted Financial Recovery Plan
 - Must demonstrate actions we could take that would result in positive fund balances in FY21, FY22, and FY23.
 - Plan A (Levy Passes) & Plan B (Levy Fails)



ODE Fiscal Caution Requirements

- Purpose of the Financial Recovery Plan
 - Demonstrate that we can balance the budget
 - Demonstrate that the Board and public are aware of our current fiscal condition



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“Plan B”

If the 20-mill levy passes at the current millage and assessed valuation ...

“Plan A”

Levy Renewal/New Levy			\$43.3	\$87.6	\$88.8	\$88.8	\$88.8
Unencumbered Balance	\$20.4	\$22.3	\$29.1	\$39.3	\$52.4	\$65.8	\$74.8



Actions Taken Since SY18-19

We have taken a number of steps to ensure we are running an efficient business and maximizing taxpayer-provided resources:

- Approved a revised long-term master facility plan in November 2019, which will result in building or renovating 4 schools, closing 8 buildings, and closing or consolidation 12 programs.
- Reduced \$8 million and \$20 million in general operating expenses in FY19 and FY20, respectively without impact on our strategy, schools, kids, and classrooms.
- Reducing another \$14 million in general operating expenses for FY21.
- Controlling healthcare growth (1.2% in FY19 and FY20 compared to 6.0% nationally) through wellness programs, re-bidding contracts, low-cost options, and claim audits.
- Partnering with a national leader in energy conservation to optimize our energy usage and utility expense.



Financial Recovery Plan: Plan A

- Actions Related to Plan A
 - Pass Issue 68!
- What Will It Pay For?
 - Preserve and update quality programs
 - 71.6% increase in high quality preschool programs
 - Continue improvement of test scores and graduation rates
 - Top 15% K-3 literacy improvement
 - 80.1% graduation rate, which is a 27.9 percentage point (53%) growth in graduation rates
 - Graduation rates for Hispanic and African-American students than exceeds state averages
 - Keep good teachers and reasonable class sizes
 - Add and maintain 1:1 technology and internet connectivity
 - Prepare all students for college and career



Financial Recovery Plan: Plan B

- Actions Related to Plan B
 - Close schools
 - Reduce / eliminate programming
 - Reduce staff



Financial Impact of Plan B Actions

- There are many combinations of the three actions that could result in a balanced budget.
- ***For the purposes of the Financial Recovery Plan we will submit to ODE, we forecast closing 25 schools, reducing \$16 million in programming, and reducing ~15% of our workforce.***
 - There have been no discussions or decisions about which schools or staff.

	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24
Fund Balance w/o Levy	\$22,290,462	\$(14,105,295)	\$(91,375,908)	\$(166,965,757)	\$(241,837,931)
Spending Reductions		\$16,290,502	\$75,371,080	\$78,786,887	\$78,786,887
New Fund Balance	\$22,290,462	\$2,185,206	\$285,668	\$3,482,711	\$7,397,424



Next Steps

- 10/27
 - Board adopts Financial Recovery Plan
- 10/28
 - CFO submits Financial Recovery Plan to ODE
- 11/3
 - Cleveland Voters Pass Issue 68!
- 11/4
 - Present updated Five-Year Forecast to Board



QUESTIONS?

