

General Fund Five-Year Forecast November 2023

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Context

- Must conform to specific categories (revenues, expenditures, and cash balances), document assumptions, be adopted by the Board, and be submitted in the Educational Management Information System (EMIS)
- Submissions are required at least twice annually to the Department of Education and Workforce (DEW)
- Reviewed and accepted by DEW
- DEW may require remedial action plans in cases of projected deficit

Sources: [Ohio Revised Code 5705.391](#) and [Ohio Administrative Code 3301-92-04](#)

Five-Year Forecast – November 2020

Five-Year Forecast: Post Levy

Thank You Cleveland Voters!

	SY18-19	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24	SY24-25
Total Revenue	\$749.7	\$750.7	\$753.7	\$769.6	\$778.2	\$785.2	\$787.2
Total Expenditures	\$797.5	\$750.9	\$746.1	\$764.9	\$770.7	\$776.9	\$783.6
Net Revenue	(\$47.8)	(\$0.2)	\$7.6	\$4.7	\$7.5	\$8.3	\$3.6

Ending Cash Balance	\$38.0	\$37.8	\$45.4	\$50.1	\$57.6	\$65.9	\$69.6
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Encumbrances	\$17.6	\$15.6	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
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Unencumbered Balance	\$20.4	\$22.3	\$29.4	\$34.1	\$41.6	\$49.9	\$53.6
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We are here



Key Assumptions:

- Revenue and expenses include charter pass-through
- Additional revenue from levy
- State funding formula stays at 2018 inputs
- No wage increases
- Health insurance +6.5%
- No other inflation
- No additional investments (e.g., 1:1 technology & Say Yes services from levy)



Five-Year Forecast – November 2021

Five Year Forecast – November 2021

	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24	SY24-25	SY25-26
Total Revenue	\$750.7	\$763.4	\$633.3	\$629.8	\$633.3	\$632.5	\$639.0
Total Expenditures	\$750.9	\$698.5	\$593.7	\$606.1	\$620.5	\$707.8	\$718.5
Net Revenue	(\$0.2)	\$64.9	\$39.6	\$23.7	\$12.8	(\$75.3)	(\$79.5)
Ending Cash Balance	\$37.9	\$102.8	\$142.4	\$166.1	\$178.9	\$103.6	\$24.1
Encumbrances	\$15.6	\$13.0	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
Unencumbered Balance	\$22.3	\$89.8	\$126.4	\$150.1	\$162.9	\$87.6	\$8.1

Investment Using
ESSER / ARP Grants

Sustaining
Investments

Key Assumptions:

- ARP/ESSER of \$458.4M
- Charter pass-through discontinued
- State funding formula stays at 2018 inputs
- Wage increases of 3% in FY22, 23 and 2% in FY24
- Health insurance +6.5%
- Nominal inflation
- \$43M ARP/ESSER spending returning to GF in FY25

Five-Year Forecast – [November 2021](#)

“Get More” Investment in Reopening, Recovery, and Reimagining

- Investing in Educators
 - Investing in teacher/educator-led communities of practice, using in-person and digital synchronous and asynchronous technologies
 - Investing in Innovative Learning Accelerator projects which serve as an opportunity to harvest and learn the great innovations from our teachers and other educators
 - Investing in Teacher Leaders in Language Arts and Mathematics Instruction
 - Investing in School-based and District-based leadership supports
 - Launching Diversity, Equity, and Inclusion Training, including a customized module for Cleveland and a post-training action planning module

These are the “Get More” investments using levy and ARP/ESSER funds

Five-Year Forecast – [November 2021](#)

“Get More” Investment in Reopening, Recovery, and Reimagining (cont.)

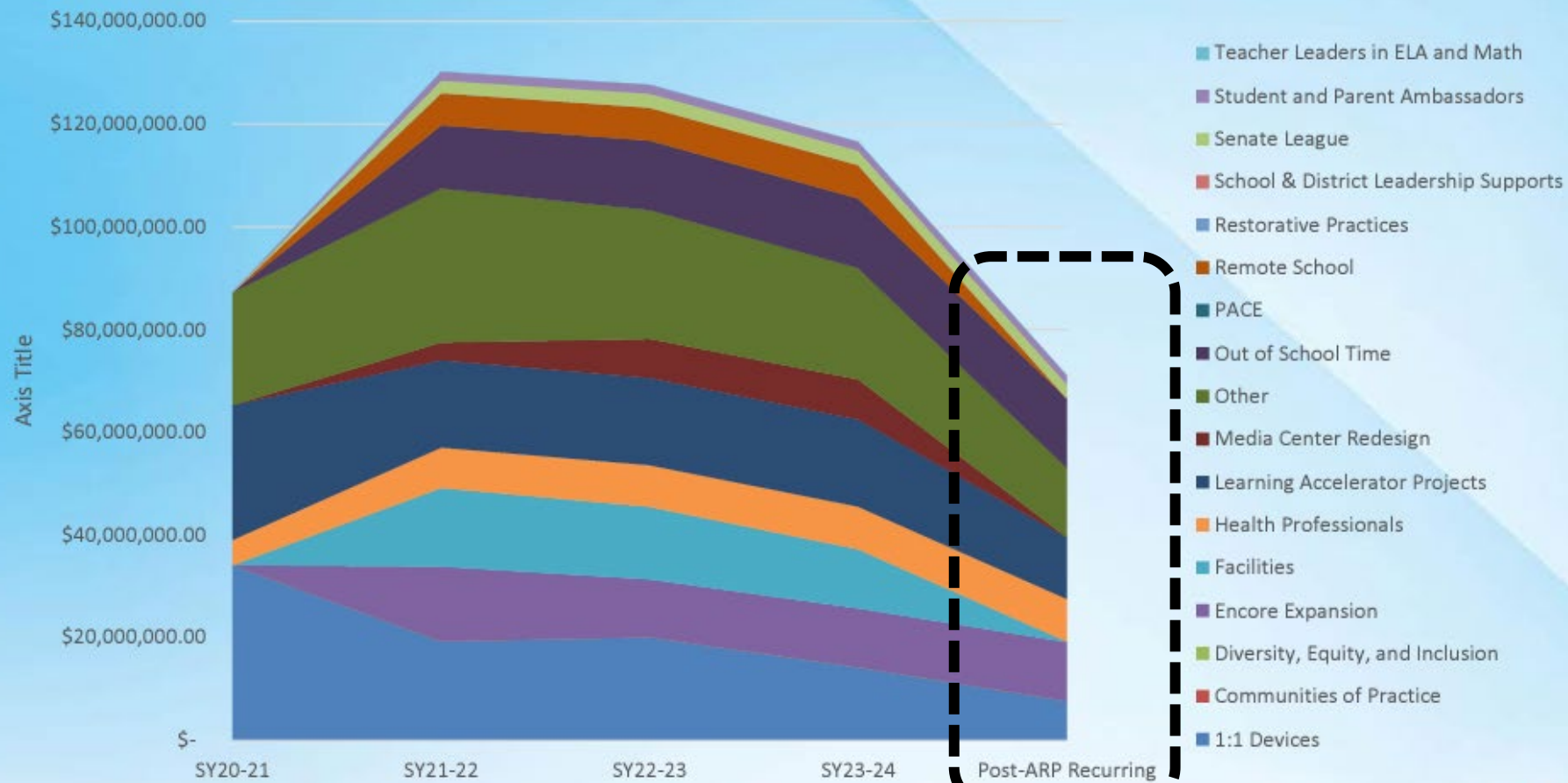
- Investing in Students & Schools

- Completing the conversion to a full 1:1 technology strategy for students and educators and implementing a four-year device replacement cycle
- Ensuring each CMSD campus has a full-time health professional
- Implementing a permanent remote learning school, in addition to our existing asynchronous virtual academy
- Implementing Student and Parent Ambassadors
- Implementing PACE, a 6-12+ grade planning and career exploration program designed to link CMSD students to living wage careers after graduation
- Investing in Restorative Practices training and support for all schools
- Making OFCC Segment 8 investments (new Clark, Lincoln-West, and Marion Seltzer and renovated Joseph Gallagher) and funding facilities improvements at multiple CMSD campuses
- Reinstating one-mile walk zone for student transportation services; implementing activity buses for PreK-8 students so they can access extended day activities
- Converting high school library/media centers into community, college, and career hubs that will be open before, during and after school for student and school community use (followed by PreK-8 library/media center in 2022-23)
- Investing in The Senate League athletics/ extra-curricular programming
- Extending the PreK-8 day, allowing for the expansion of art, music, physical education, and other clubs/activities in all PreK-8 Schools.
- Engaging a broad array of out-of-school-time providers to provide additional opportunities for our students
- Implementing more inclusive student dress expectations to replace previous uniform and dress code requirements

These are the “Get More” investments using levy and ARP/ESSER funds

Five-Year Forecast – November 2021

Investment, ESSER & ARP Planning

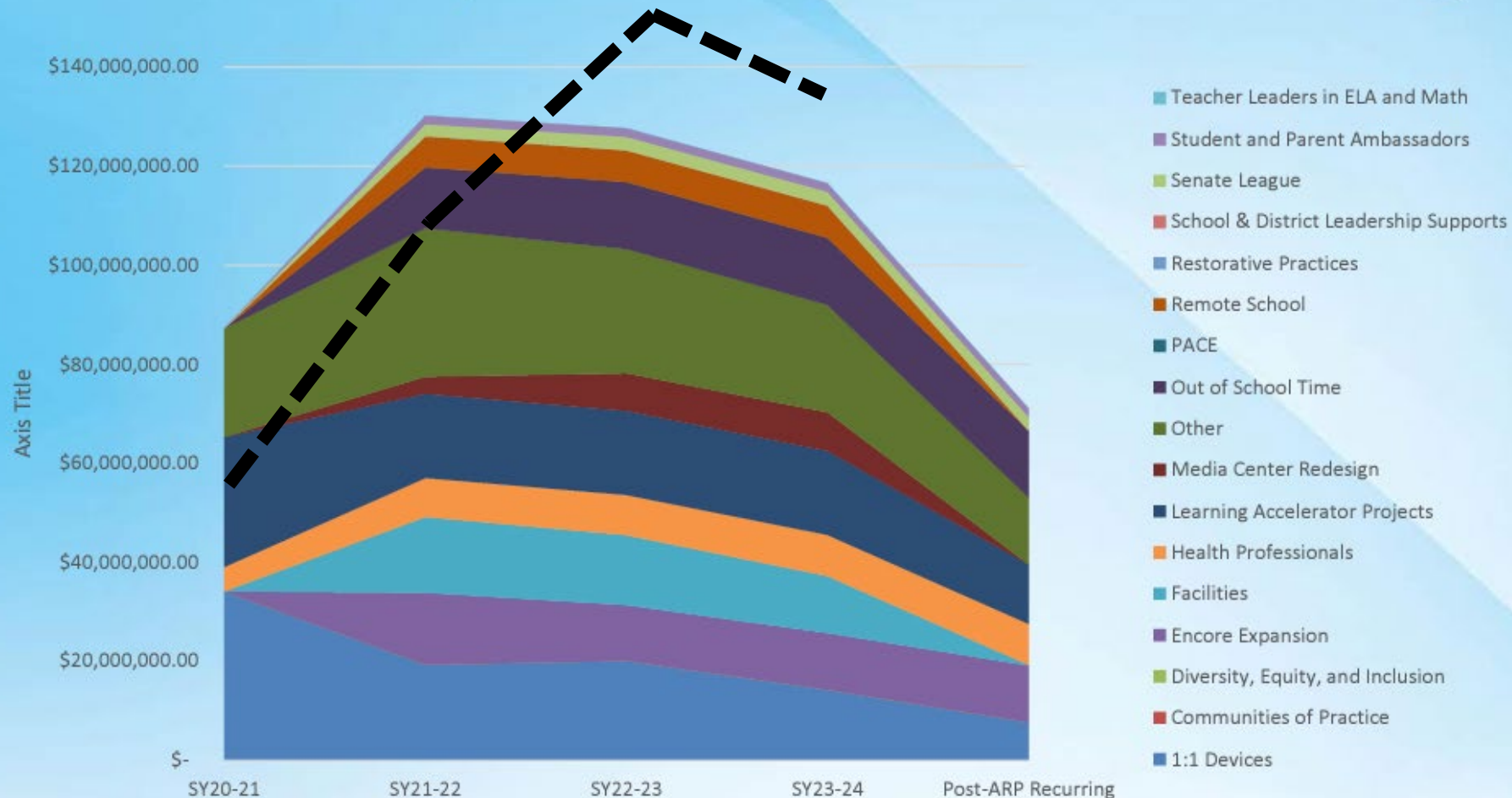


Planned
spending by
initiative

Other
includes
general fund
expenses
which
temporarily
shifted to
ARP/ESSER

Five-Year Forecast – November 2021

Investment, ESSER & ARP Planning



Actual total
spending
overlaid
(dotted line)

ARP/ESSER – Items Supported

- SY2022-2023 (returning to General Fund in SY2023-2024)
 - \$18.0 million – facility operations staff
 - \$5.9 million – nursing services staff
- SY2023-2024 (current ARP/ESSER expenses)
 - \$27 million – IT non-personnel expenses
 - \$25.2 million – facility improvements (Bethune, Martin, & Gallagher) (one-time)
 - \$16.6 million – Summer Learning Experience
 - \$14.6 – Contracted out-of-school time providers
 - \$8.0 million – HVAC maintenance
 - \$7.6 million – textbooks
 - \$2.0 million – Family and Community Engagement

Five-Year Forecast – November 2022

Summarized Five-Year Financial Forecast

	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
Total Revenues	\$650.5	\$681.6	\$647.3	\$649.1	\$651.0	\$648.3
Total Expenditures	\$651.0	\$624.6	\$707.0	\$757.8	\$775.1	\$793.1
Net Revenues Excess Shortfall	(\$0.50)	\$57.0	(\$59.7)	(\$108.7)	(\$124.1)	(\$144.8)
Ending Fund Cash Balance	\$94.5	\$151.1	\$91.8	(\$16.9)	(\$141.0)	(\$285.7)
Encumbrances	\$17.2	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
Unencumbered Fund Cash Balance	\$77.3	\$135.5	\$75.8	(\$32.9)	(\$157.0)	(\$301.8)

Key Assumptions:

- State funding formula stays at 2018 inputs, implementation continues
- Wage increases of 3% in FY23 and 2% in FY24
- Health insurance +6.5%
- Nominal inflation
- All personnel and 30% of non-personnel ARP/ESSER spending move to GF in FY25

Five-Year Forecast – May 2023

Summarized Five-Year Financial Forecast

	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27
Total Revenues	\$650.5	\$709.5	\$698.9	\$647.4	\$650.2	\$653.0
Total Expenditures	\$651.0	\$665.4	\$707.7	\$758.8	\$776.4	\$794.7
Net Revenues Excess (Shortfall)	(\$0.50)	\$44.1	(\$8.8)	(\$111.4)	(\$126.2)	(\$141.7)
Ending Fund Cash Balance	\$94.5	\$138.6	\$129.8	\$18.4	(\$107.8)	(\$249.5)
Encumbrances	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
Unencumbered Fund Cash Balance	\$78.5	\$122.6	\$113.8	\$2.4	(\$123.8)	(\$265.5)

Key Assumptions:

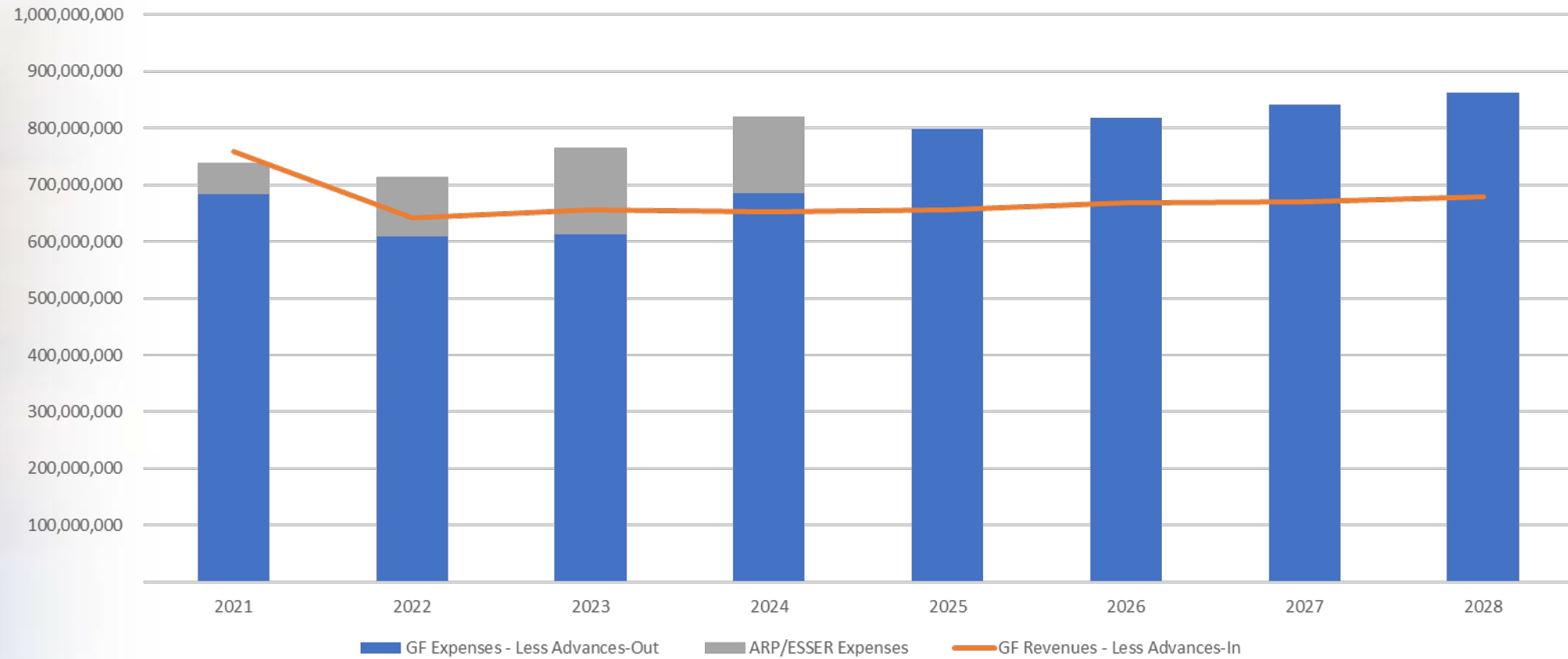
- State funding formula stays at 2018 inputs, is fully implemented
- Wage increases of 3% in FY23 and 2% in FY24
- Health insurance +6.5%
- Nominal inflation
- All personnel and 30% of non-personnel ARP/ESSER spending move to GF in FY25

Five-Year Forecast

	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28
Total Revenues	\$697.8	\$722.4	\$662.9	\$678.1	\$683.7	\$695.4
Total Expenditures	\$682.8	\$691.0	\$806.2	\$827.8	\$850.7	\$874.4
Net Revenues Excess (Shortfall)	\$15.0	\$31.4	(\$143.3)	(\$149.7)	(\$167.0)	(\$179.0)
Ending Fund Cash Balance	\$109.5	\$141.1	(\$2.3)	(\$152.0)	(\$319.0)	(\$498.0)
Encumbrances	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
Unencumbered Fund Cash Balance	\$93.5	\$125.1	(\$18.3)	(\$168.0)	(\$335.0)	(\$514.0)



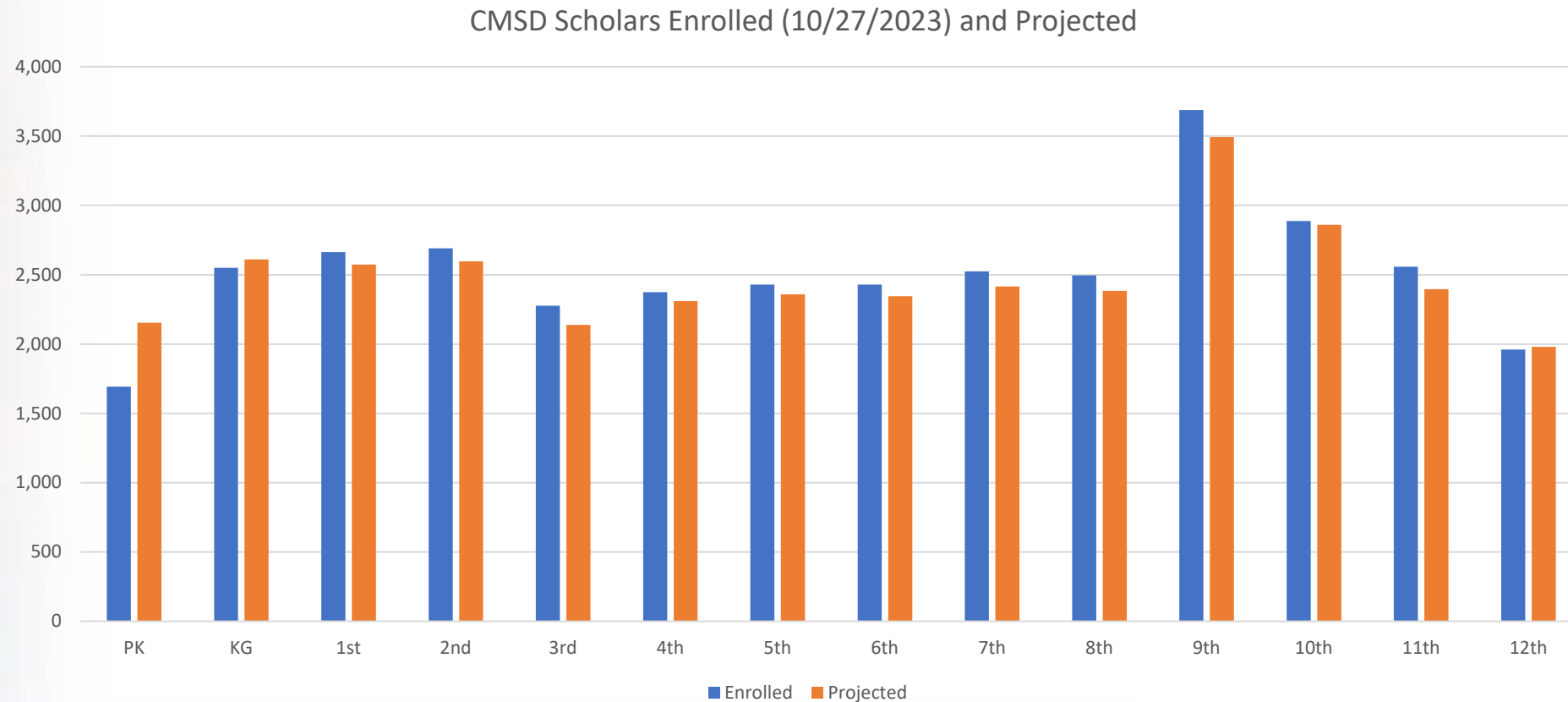
ARP/ESSER and General Fund Spending



Assumptions – Revenue – State Aid

- The state operating budget ([House Bill 33](#)) updated the Fair School Funding Plan (FSFP), most notably:
 - Increased the input costs (e.g., teacher salaries) from FY18 to FY22 actuals
 - Adjusted the base cost per pupil from \$7,352 (FY23) to \$8,242 (FY24)
 - Continued the funding phase-in from 33.33% (FY23) to 50% (FY24) and 66.67% (FY25)
- Medicaid reimbursement is not available – approximately \$2.5 million annually – for FY24 and FY25

Our Enrollment Is Tracking to Projection



Average Daily Membership (ADM)

School Year	Final ADM	Change	% Change
2018-2019	35,585		
2019-2020	34,937	-648	-1.82%
2020-2021	33,488	-1,449	-4.15%
2021-2022	33,315	-172	-0.51%
2022-2023	33,151	-164	-0.49%
2023-2024	32,985	-166	-0.50%
2024-2025	32,820	-165	-0.50%
2025-2026	32,656	-164	-0.50%
2026-2027	32,493	-163	-0.50%
2027-2028	32,330	-162	-0.50%

- ADM is the basis for state school funding, and excludes pre-kindergarten and students enrolled in multiple districts.
- Final ADM is compared across years to determine an appropriate projection.
- The last two years (in green) are used to develop an annual 0.50% projected decrease.
- Utilizing these projections, CMSD is not a “guarantee” district, so gains and losses to enrollment will change state aid.

Assumptions – Revenue – Property Taxes

- The Forecast reflects current valuations as well as the historical pattern of changes following triennial re-evaluations and reappraisals. Tax year 2024 is a full reappraisal year in Cuyahoga County.

	2018 Reappraisal	2021 Reevaluation	2024 Reappraisal
Residential	7.8%	23.5%	20.8%
Commercial/Industrial	12.4%	4.6%	3.0%
Public Utility	5.1%	4.8%	4.0%

- The Forecast uses a three-year average collection rate of 97.2%.

Assumptions – Expenses – Salaries and Benefits

- Salaries and Benefits
 - All personnel paid by ARP/ESSER will either return or shift to the general fund as the grants expire. The FY24 budget for these positions is \$36.8 million
 - The Forecast reflects bargaining unit wage increases in FY24 (2%) and assumes the same for non-bargaining unit employees. Other than step increases (estimated at 1%), there are no increases contemplated for FY25, FY26, FY27, or FY28
 - The Forecast projects a 9.1% increase in healthcare costs

Assumptions – Expenses – Other Expenses

- Purchases Services, Supplies, and Capital Outlay
 - Previous Forecasts have assumed 30% of ARP/ESSER expenses return to or shift to the general fund
 - This Forecast assumes 100% of such expenses move to general fund
 - The FY24 budget for these expenses is \$77.4 million
 - This forecast reflects inflationary increases based upon the spending category ranging from 0-3% annually

Risks

- The next General Assembly either does not continue phase-in of the Fair School Funding Plan or negatively modifies it
- [House Bill 126](#) (enacted) limits the ability of school districts to challenge property valuation
- [House Bill 187/Senate Bill 153](#) (under consideration) would limit property valuation increases during tax years 2023-2025
- Enrollment decreases faster than projected
- Inflation increases beyond expectations

Next Steps

- The Board provides feedback to approve Five-Year Forecast by November 22, 2023.
- CMSD and most of its partner labor unions have a December 1, 2023 deadline to provide one another notice of their intent to enter into negotiations for the 2024-25 academic year. To certify a CBA for the 2024-25 year, the District will be required to show a positive fund balance for that year.
- DEW will provide notice to CMSD of need for a fiscal pre-caution plan by December 31, 2023, due February 28, 2024.
- The CEO will provide scenario(s) to the Board for consideration during December and January.
- The Board will approve a plan at the Business Meeting on February 27, 2024.
- The written plan will be submitted to DEW on February 28, 2024.

Closing

- Revenue is stagnant due to stable enrollment and property taxes
- Expenses are increasing with inflation, with personnel as the primary driver
- CMSD operations are being maintained utilizing ARP/ESSER, which will end 9/30/24

Appendix



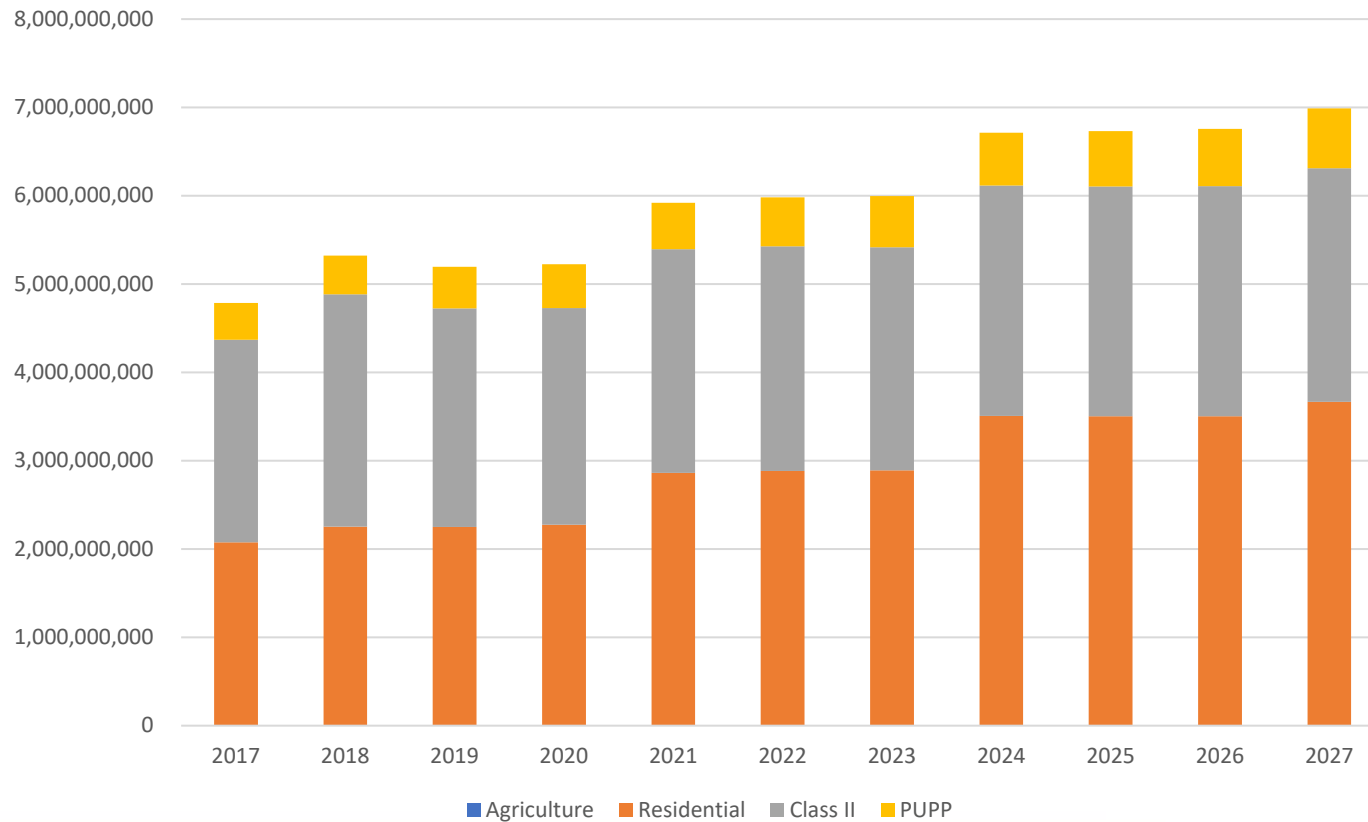
Enrollment

- Enrollment includes pre-kindergarten students, which are not included in ADM. It also counts students who are enrolled in multiple districts (or in a charter school).
- Districts submit disaggregated enrollment data throughout the school year, beginning at the end of October.
- DEW reviews and reconciles enrollment to create ADM, which is the basis for payment.

GRADE	COUNT	PROJECTION	DIFFERENCE
PK	1,693	2,153	-460
KG	2,549	2,611	-62
1st	2,663	2,574	-25
2nd	2,690	2,596	67
3rd	2,276	2,137	553
4th	2,375	2,310	-34
5th	2,428	2,358	17
6th	2,428	2,345	83
7th	2,525	2,415	13
8th	2,495	2,383	142
9th	3,687	3,492	195
10th	2,887	2,861	26
11th	2,558	2,396	162
12th	1,960	1,979	-19
TOTAL	35,214	34,610	604
Enrollment as of October 27, 2023			

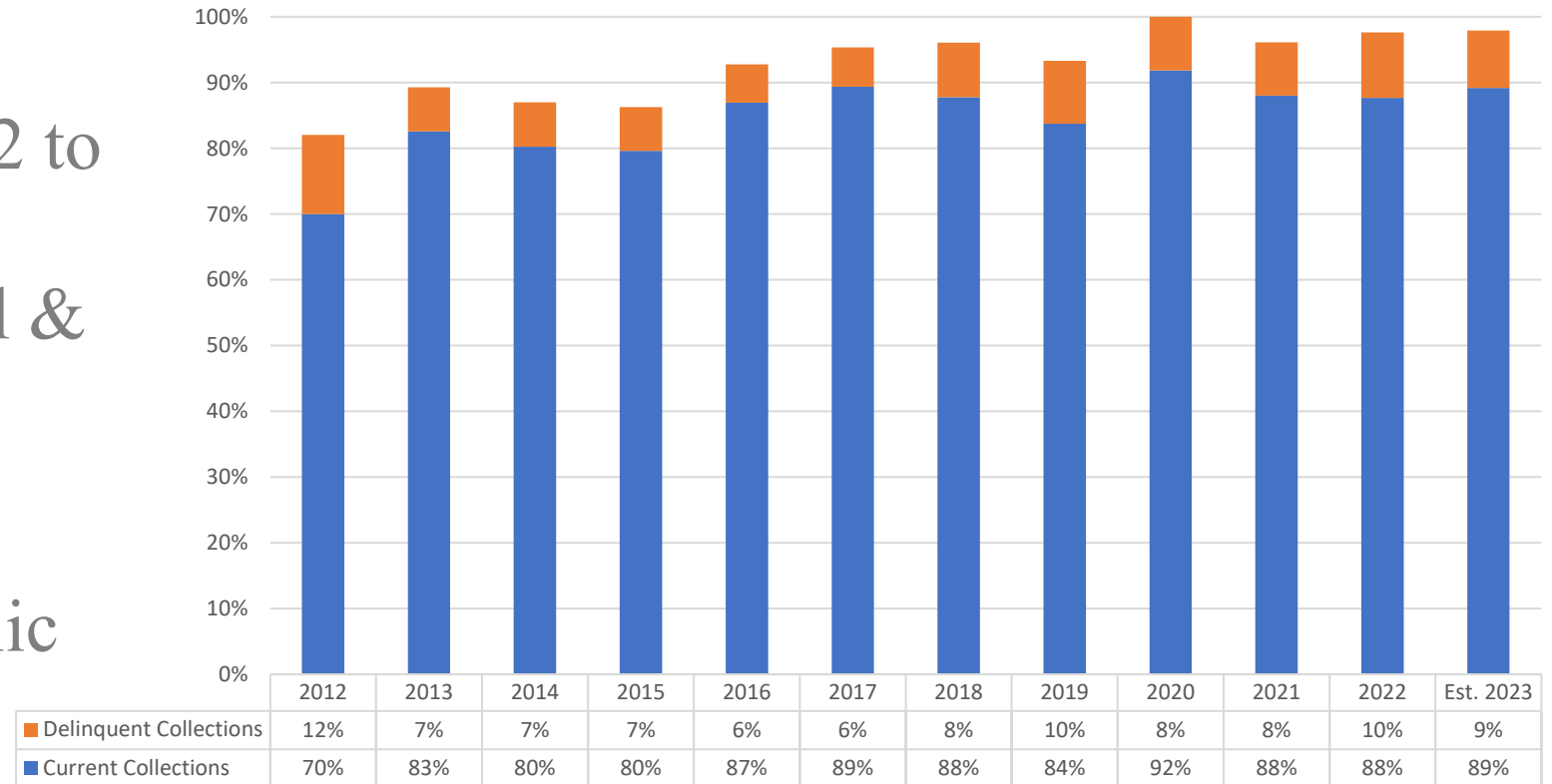
Assumptions – Revenue – Property Taxes

District's Property Values by Tax Year



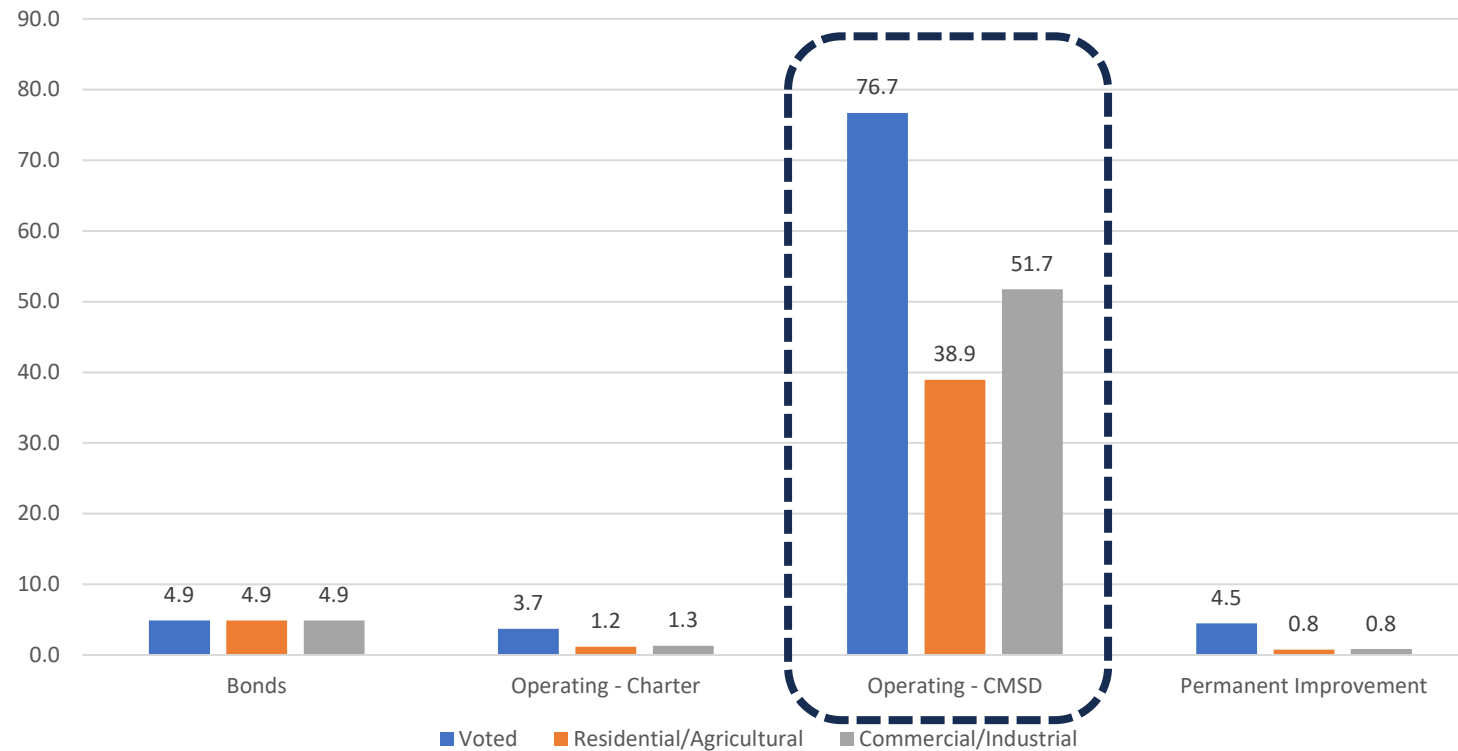
- Total collections have increased from 82% in 2012 to 98% in 2023 (estimated)
- Includes Class I (residential & agricultural) and Class II (commercial & industrial)
- Each point of collection is \$2.24M (not including public utility)

Property Tax Collection Rates

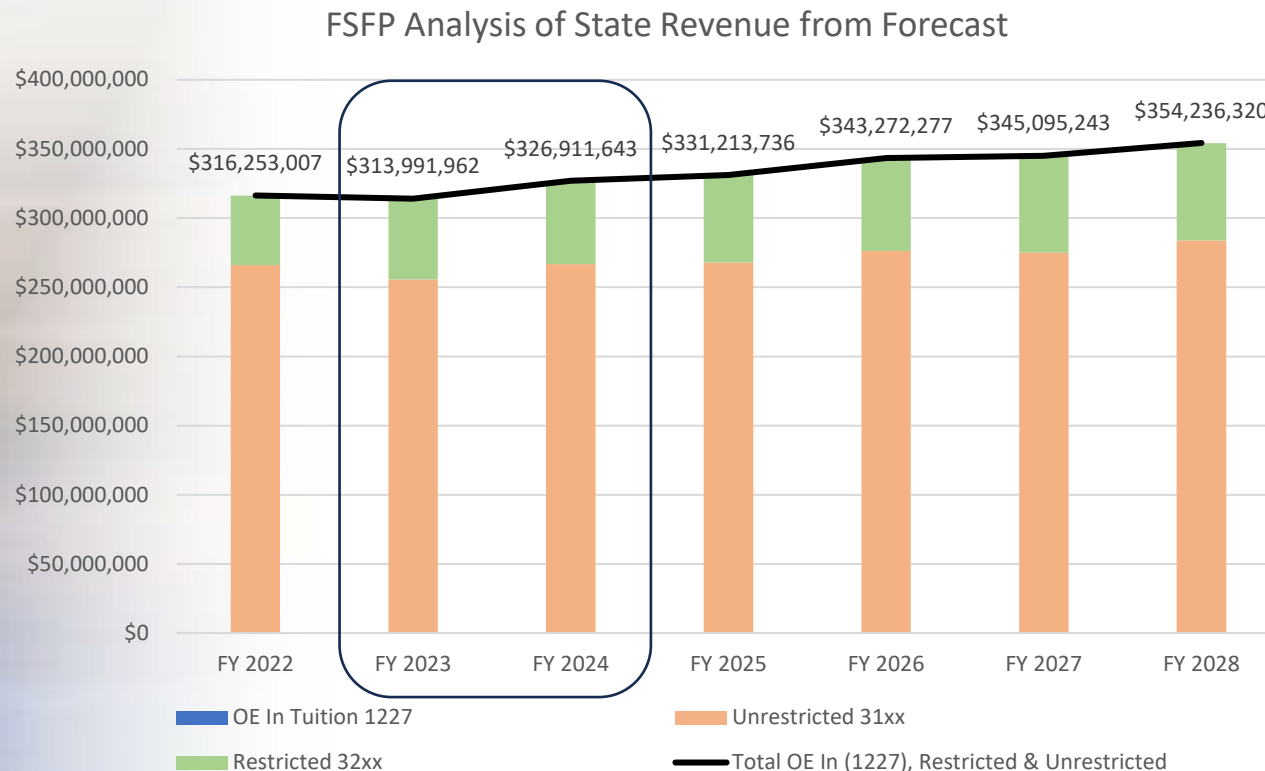


Source: [CMSD Budgets](#)

Voted and Effective Millage



Fair School Funding Plan



- State Budget (HB 33) updated input costs from 2018 to 2022 and continued the phase-in
- Funding within this biennium is effectively flat (+0.9%)
- FY26-28 projects full phase-in
- Assumes no overall reduction in state funding (such as a recession) or larger-than-anticipated enrollment reductions