

Five-Year Forecast

Board of Education (10/8/19)



Content

- Why We Do a Five Year Forecast?
- Revenue & Expenditure Forecast
 - Assumptions
 - Cleveland Scholarship Program
 - Student Wellness & Success Funds
- The Five-Year Forecast
- Questions

Five Year Forecast Requirement

ORC 5705.391 & OAC 3301-92-04

- Required to submit twice annually to the Ohio Department of Education:
 - By November 30th
 - Between April 1st – May 31st (Update)
- The forecast contains two sections:
 - Historical and Projected Financial Data
 - Notes and Assumptions
- Serves as a tool for both planning and monitoring the district's financial health

Revenue Inputs & Assumptions

- 61.3% of General Fund Revenue comes from State Foundation Formula
 - The forecast utilizes the current foundation formula, which essentially “freezes” school district funding at FY19 levels for the next two years.
 - The new Student Wellness and Success Funds are not reflected in the forecast because they will not be accounted for in the General Fund.
- 30.3% of General Fund Revenue comes from Local Property Tax
 - Our assessed valuation increased to \$5.3 billion from \$4.8 billion, a 10% increase, as a result of last year’s reappraisal.
 - Our current collection rate is at 88.3%, which is down 0.1% from the April forecast. Residential collections are up, while commercial collections are down.
 - We assume this collections rate through SY23-24.
 - The 4-year, 15-mill levy expires on December 31, 2020; our forecast must assume it is not renewed.

Expenditure Inputs & Assumptions

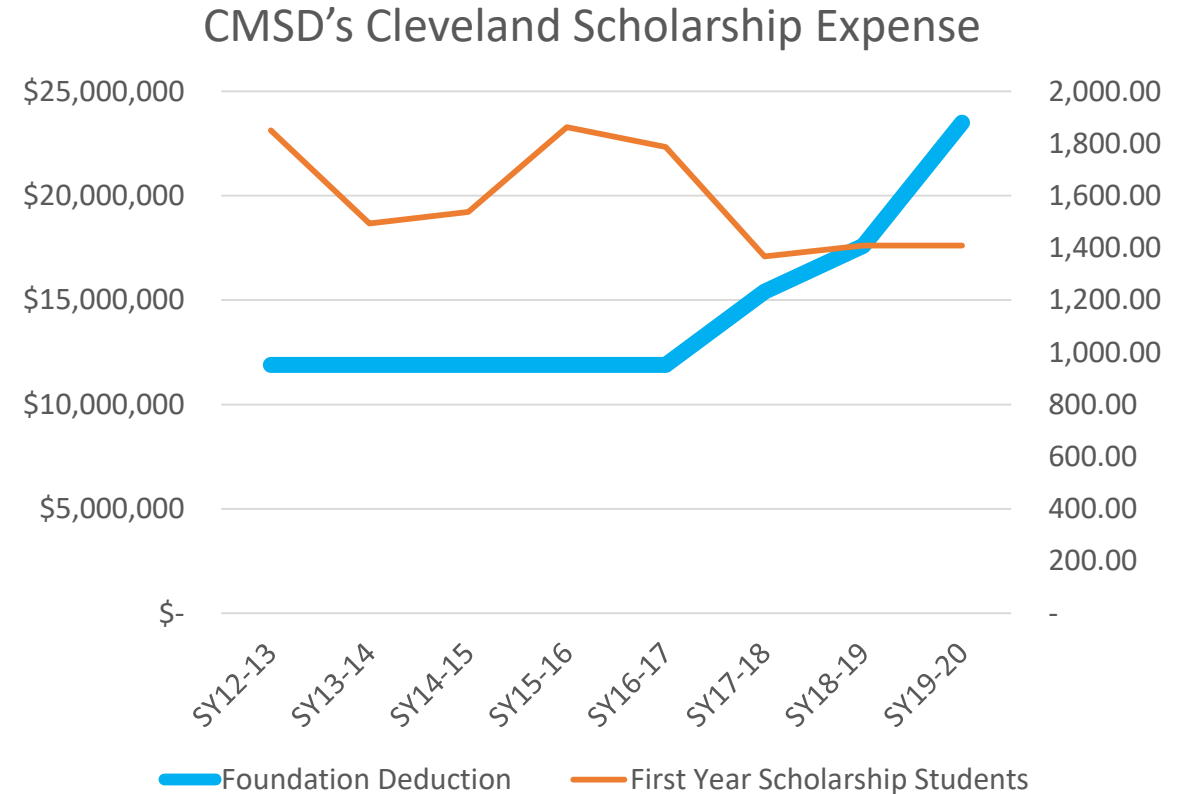
- Salaries & Benefits
 - The forecast reflects a 1% across-the-board salary increase effective with the 1st pay of the 2nd semester in SY19-20 as well as estimates for step increases and other incentive pay.
 - The forecast projects an annual 7.5% increase in healthcare costs.
- Other Notes
 - The forecast reflects a reduction in expenditures of ~\$28 million from SY18-19 to SY19-20.
 - The forecast reflects a \$5.9 million increase in the Cleveland Scholarship program in each year.
 - The forecast reflects reduced expenses in SY19-20 and SY20-21 of \$8.9 million and \$12.8 million, respectively, due to shifting eligible expenses to the Student Wellness & Success Funds account.
 - Those expenses are assumed to return to the General Fund in SY21-22.
 - The forecast reflects declining bus lease payments in SY19-20 and SY20-21. The final payment is in SY21.
 - The forecast reflects slight annual increases in tuition and pass-through expenses for out-of district placements.

The Cleveland Scholarship Program

- The Cleveland Scholarship Program is a voucher program designed to support K-12 students to attend private schools in Cleveland.
 - The State reimburses tuition up to \$4,650 for K-8 and \$6,000 for HS.
- The EdChoice program is similar and is available in all other Ohio school district. There are a few key differences though:
 - Deductions from districts' Foundation revenue are different under EdChoice and the Cleveland Scholarship Program
 - The Cleveland Scholarship Program is available to any student within CMSD, whereas EdChoice has some restrictions based on family income and the status of the school the student would be zoned to attend.

Cleveland Scholarship Program

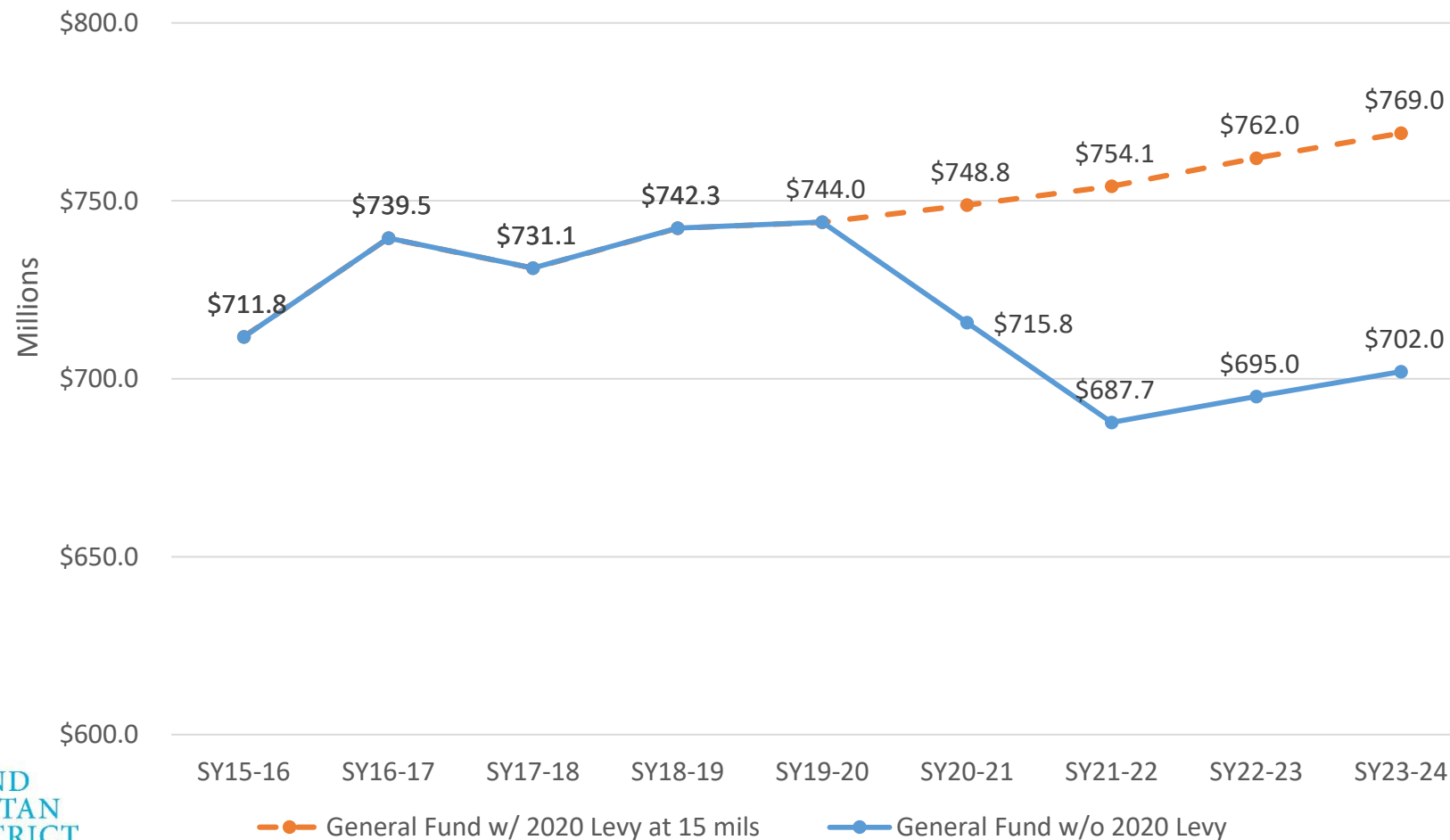
- Since the mid-90s, our Foundation deduction has been \$11.9 million
- The deduction has increased in each of the last three years:
 - To \$15.4 million in SY17-18
 - To \$17.6 million in SY18-19
 - To \$23.5 million in SY19-20.
- That is a **97% increase** over three years, while first-year enrollment in the program has been flat to decreasing over the same time period.



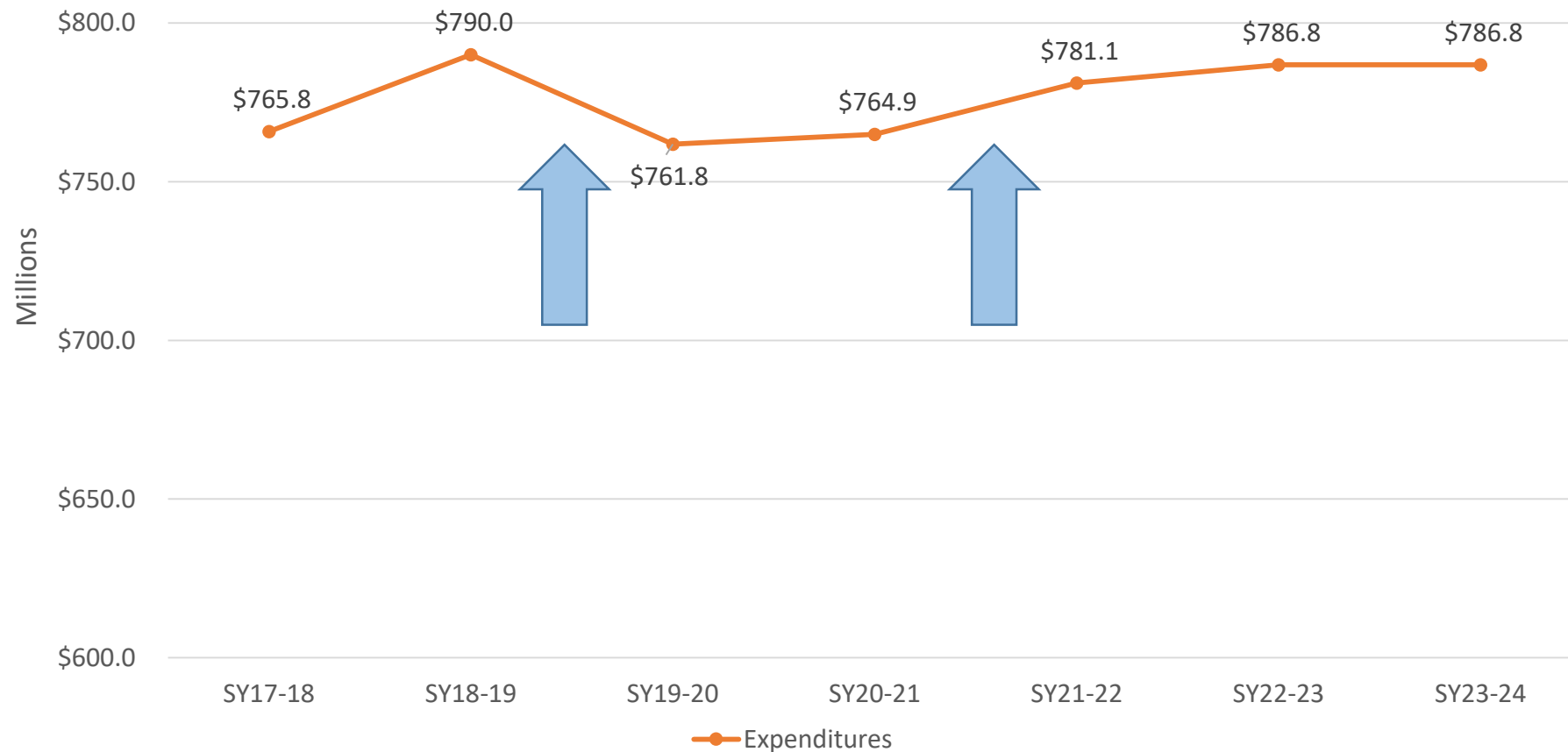
Student Wellness & Success Funds

- The State budget included \$675 million in Student Wellness and Success Funds to help districts and schools support their students' academic achievement through mental health counseling, wraparound services, mentoring, and after-school programs.
 - Est. \$8.9M in SY19-20
 - Est. \$12.8M in SY20-21
- We are a state-wide and national leader in this area – CASEL, Conditions for Learning, Wraparound Schools, Say Yes, etc.
- Until our financial health becomes more secure, we will leverage existing investments to meet the requirements of the Funds.

Revenue Forecast – General Fund



Expenditure Forecast – General Fund



Five Year Forecast

	SY17-18	SY18-19	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24
Total Revenue	\$731.1	\$742.4	\$744.0	\$715.7	\$687.6	\$695.1	\$702.0
Total Expenditures	\$765.8	\$790.0	\$761.8	\$764.9	\$781.1	\$786.8	\$792.9
Net Revenue	(\$34.7)	(\$47.6)	(\$17.8)	(\$49.2)	(\$93.5)	(\$91.7)	(\$90.9)
Ending Cash Balance	\$85.8	\$38.2	\$20.4	(\$28.8)	(\$122.3)	(\$214.0)	(\$304.9)
Encumbrances	\$16.5	\$17.5	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0
Unencumbered Balance	\$69.3	\$20.7	\$2.4	(\$46.8)	(\$140.3)	(\$232.0)	(\$322.9)

If 2020 levy passes at the current millage and assessed valuation ...

Levy Renewal				\$33.0	\$66.4	\$67.0	\$67.0
Unencumbered Balance	\$69.3	\$20.7	\$2.4	(\$13.8)	(\$73.9)	(\$98.6)	(\$122.5)

Five Year Forecast

If Cleveland Scholarship Payment Never Increased

	SY17-18	SY18-19	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24
Total Revenue	\$731.1	\$742.4	\$744.0	\$715.7	\$687.6	\$695.1	\$702.0
Total Expenditures	\$761.3	\$784.3	\$750.2	\$753.3	\$769.5	\$775.2	\$781.3
Net Revenue	(\$30.2)	(\$41.9)	(\$6.2)	(\$37.6)	(\$81.9)	(\$80.1)	(\$79.3)
Ending Cash Balance	\$90.3	\$48.4	\$42.2	\$4.6	(\$77.3)	(\$157.4)	(\$236.7)
Encumbrances	\$16.5	\$17.5	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0
Unencumbered Balance	\$73.8	\$30.9	\$24.2	(\$13.4)	(\$95.3)	(\$175.4)	(\$254.7)

If 2020 levy passes at the current millage and assessed valuation ...

Levy Renewal				\$33.0	\$66.4	\$67.0	\$67.0
Unencumbered Balance	\$73.8	\$30.9	\$24.2	\$19.6	(\$28.9)	(\$42.0)	(\$54.3)



This is **-\$13.8** million in
our current forecast

Addressing our Fund Balance Challenge

Our Approach

- Avoid Actions with Significant, Negative Impacts on Schools, The Cleveland Plan, and Our Theory of Action
- Avoid One-Size Fits All Reductions (i.e., budget sweeps)
- Reduce Non-Strategic Spend

Addressing our Fund Balance Challenge

- Strategic Cost Reductions
 - Reduced Departmental Budgets
 - Targeting Non-Strategic Spend Areas (i.e., utilities, cabs and vans, etc.)
 - Maximizing Revenue (i.e., Medicaid, catastrophic cost, etc.)
 - Limiting Costs in Certain Areas (i.e., overtime, travel, etc.)
- Advocating for State Budget Changes
- Considering Levy Options
- Long-Term Facility Planning

Appendix

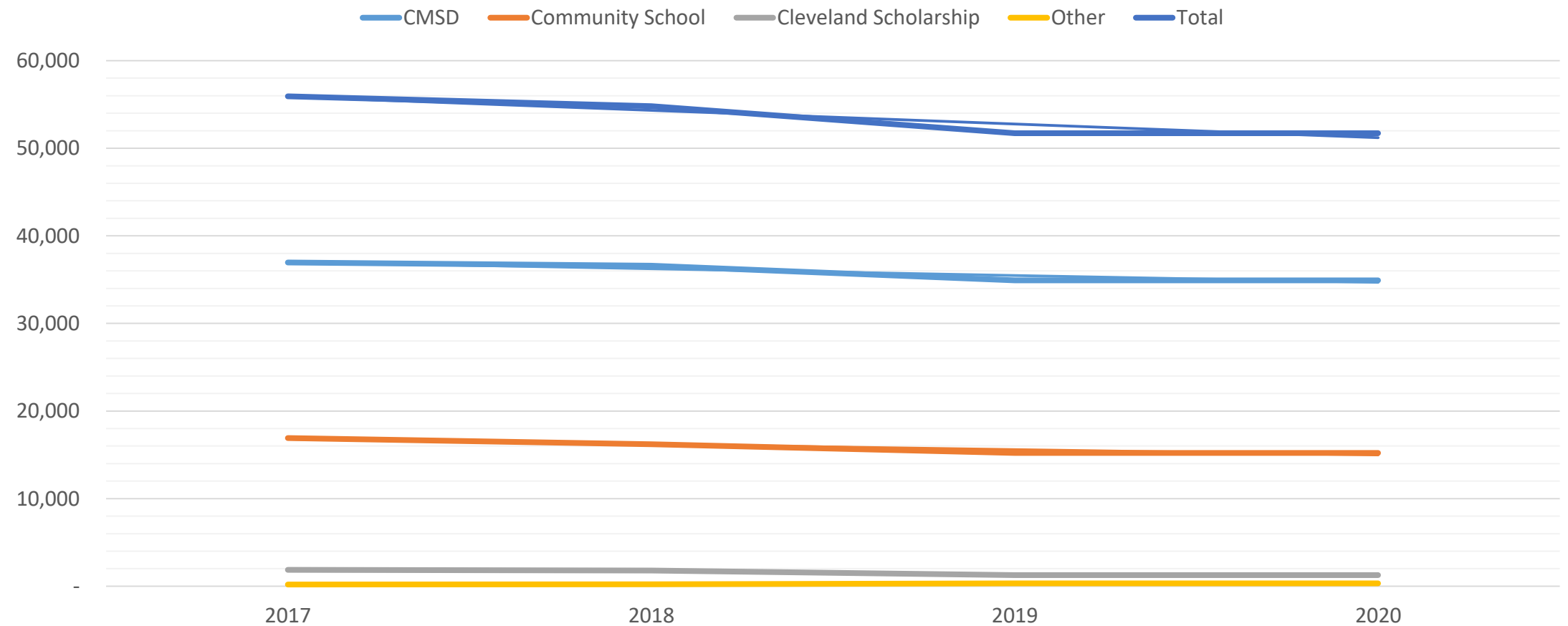
Addition Information

Revenue

Revenue Inputs & Assumptions

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Enrollment Trend



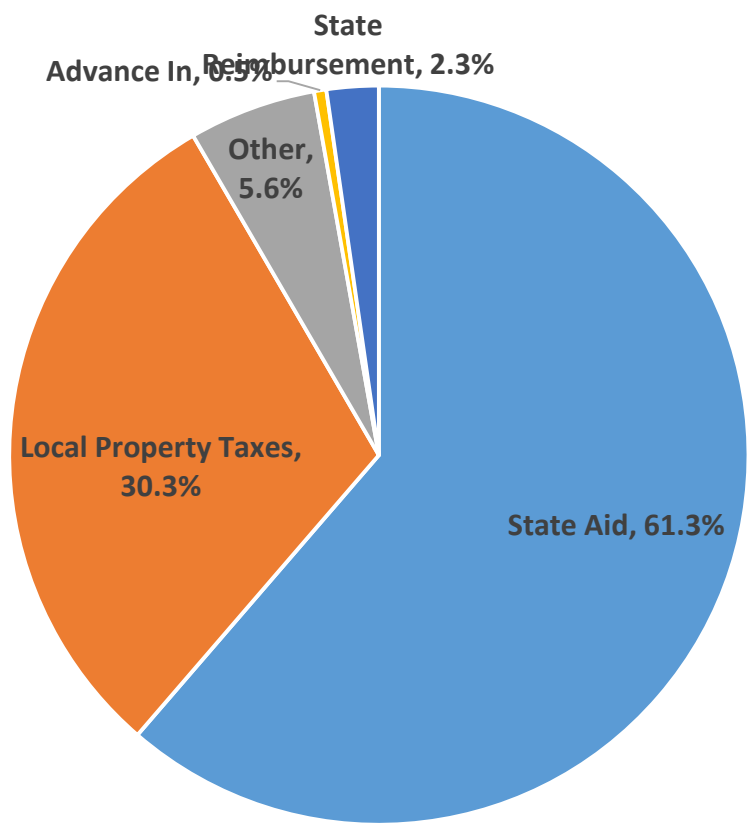
Revenue Inputs & Assumptions

- Enrollment is forecasted at 51,729 student full-time equivalents (FTE)
 - This is based on the final FTEs from June 2019.
 - We will begin receiving updated SY19-20 counts in October and November.

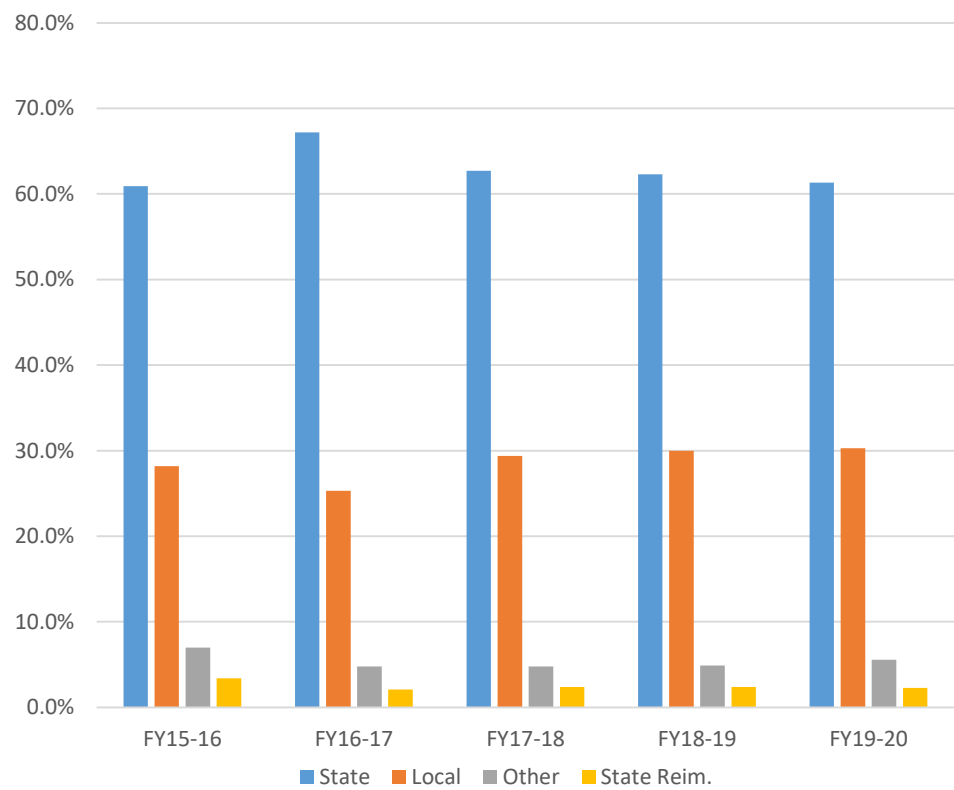
	April 2019	Current Forecast	Difference
CMUSD	34,735	34,926	191
Community School	15,292	15,219	-73
Cleveland Scholarship	1,217	1,258	41
Other	302	326	24

Revenue Sources

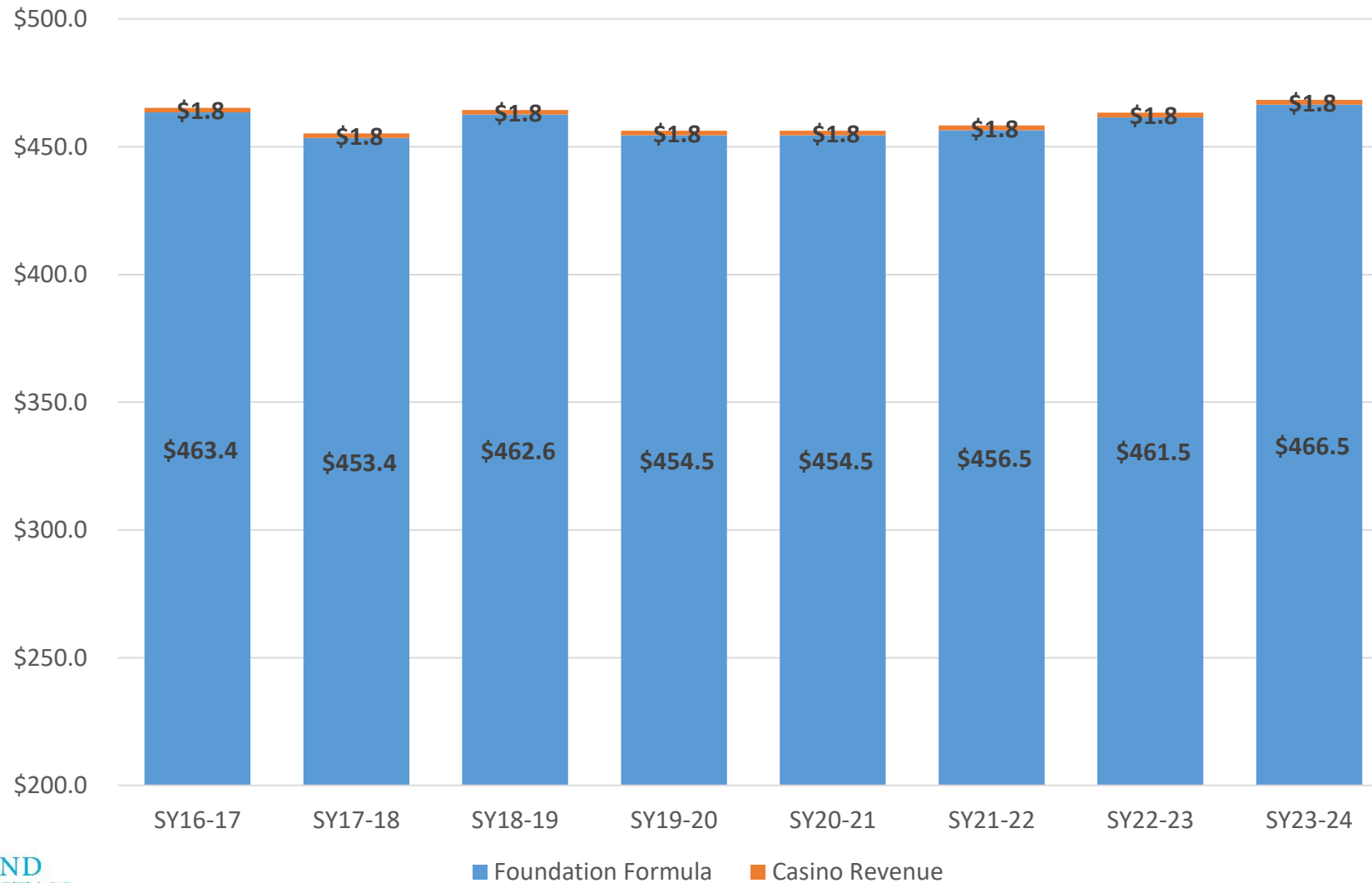
SY19-20 Projected General Fund Revenue



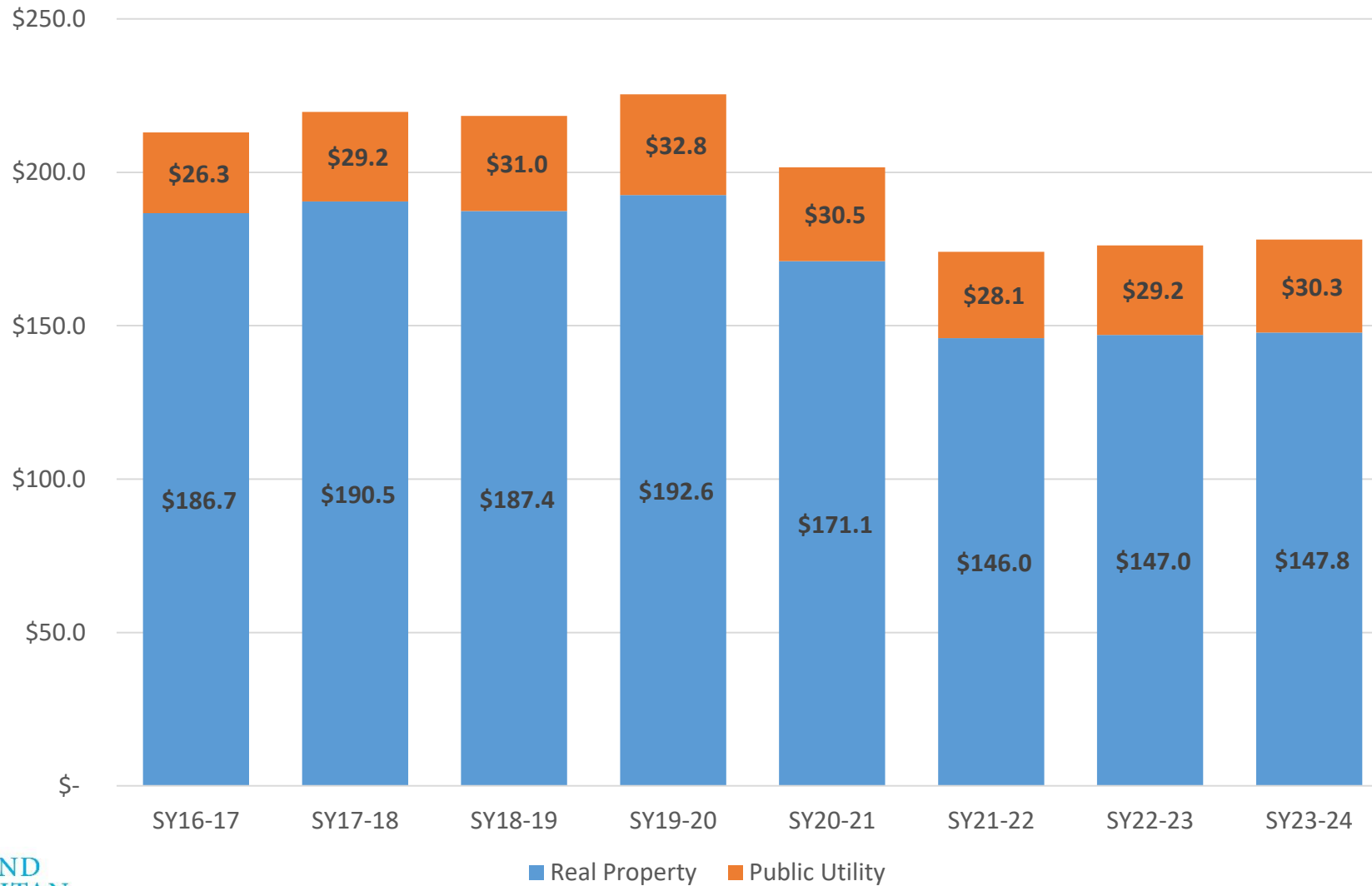
5-Year Trend



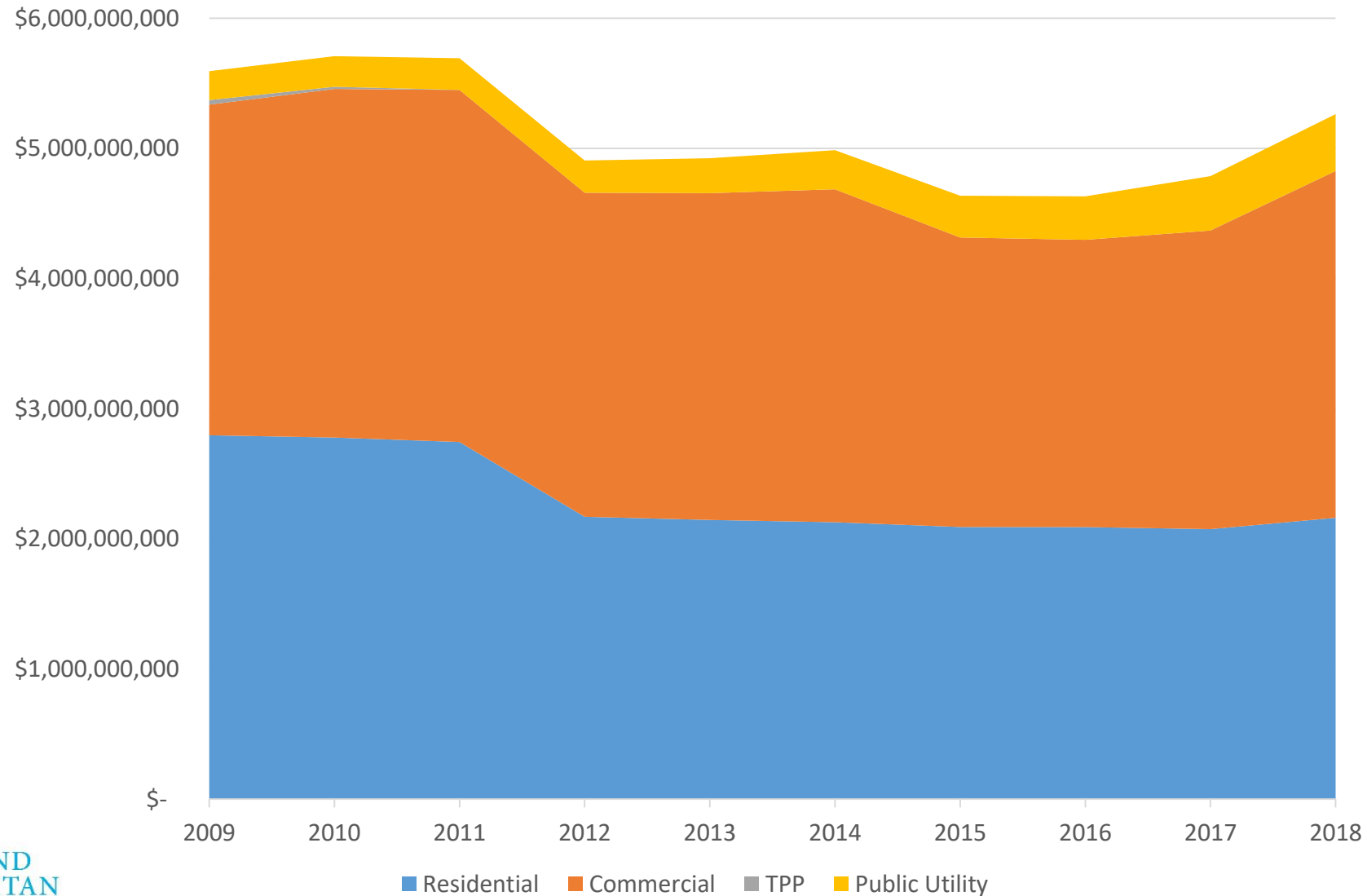
State Aid



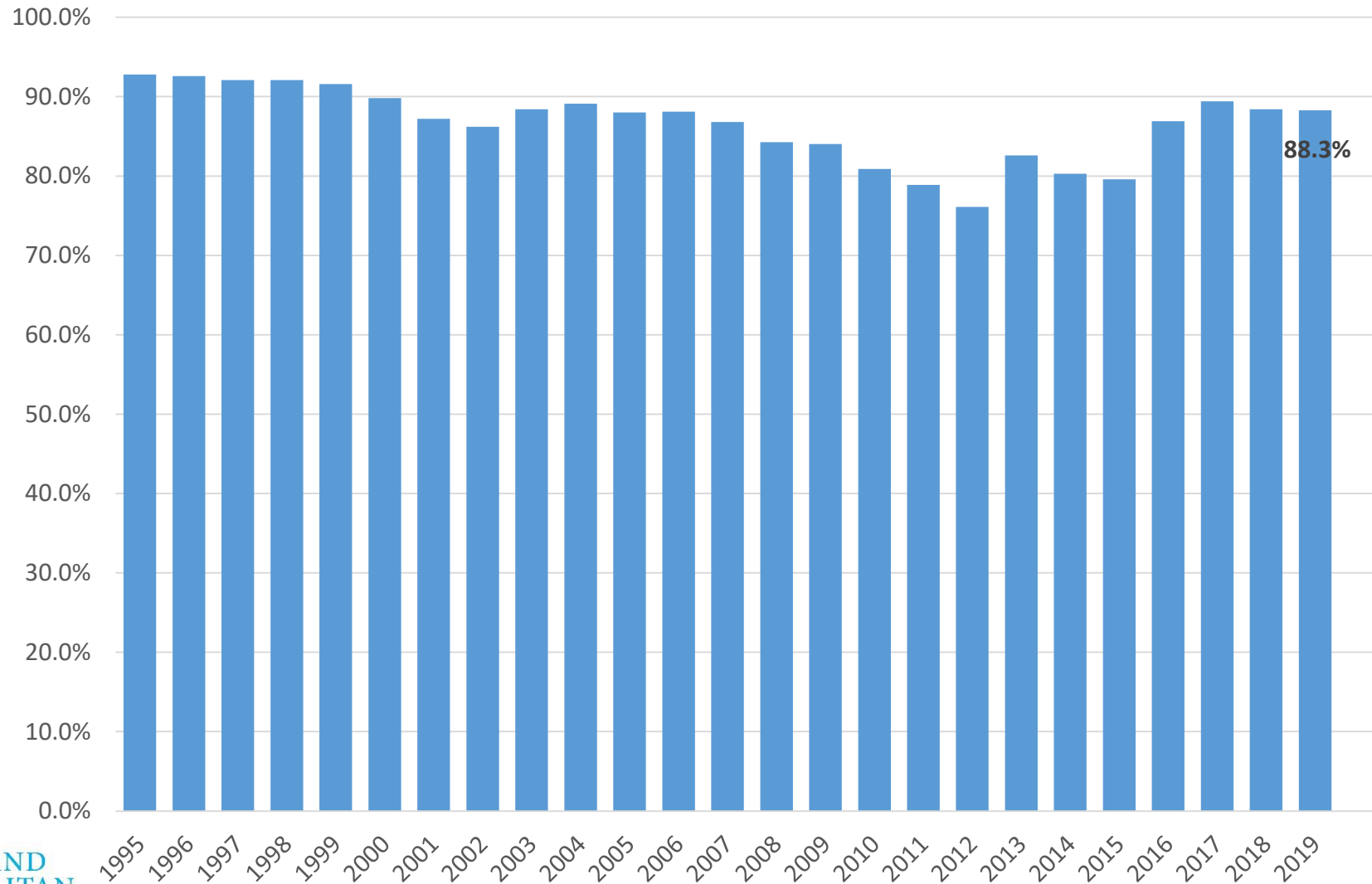
Local Property Tax Revenue



Historic Assessed Valuations



Property Tax Collection Rates



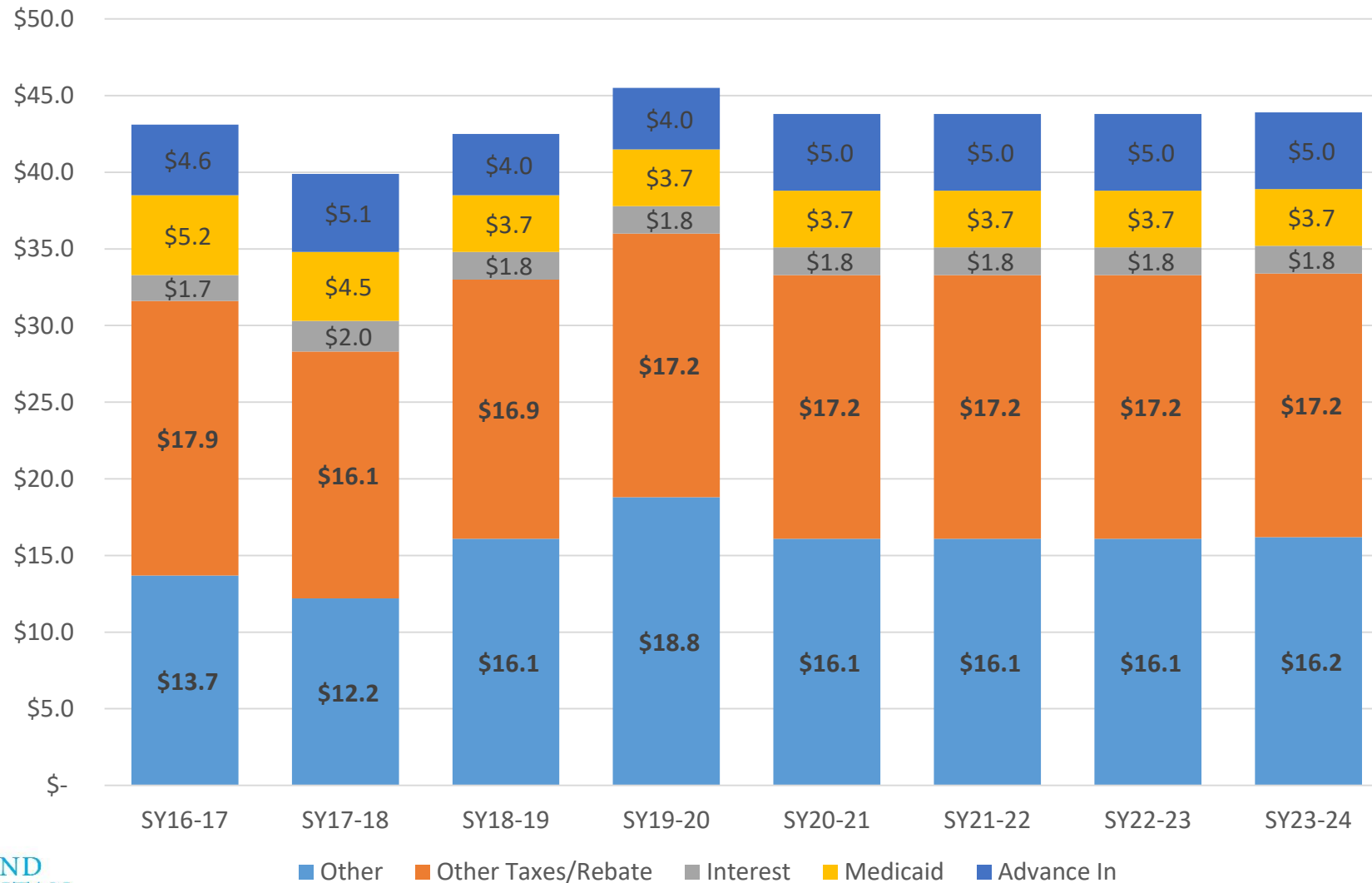
Property Tax Abatement Tracking

Cleveland Municipal School District Abatement Impact on District

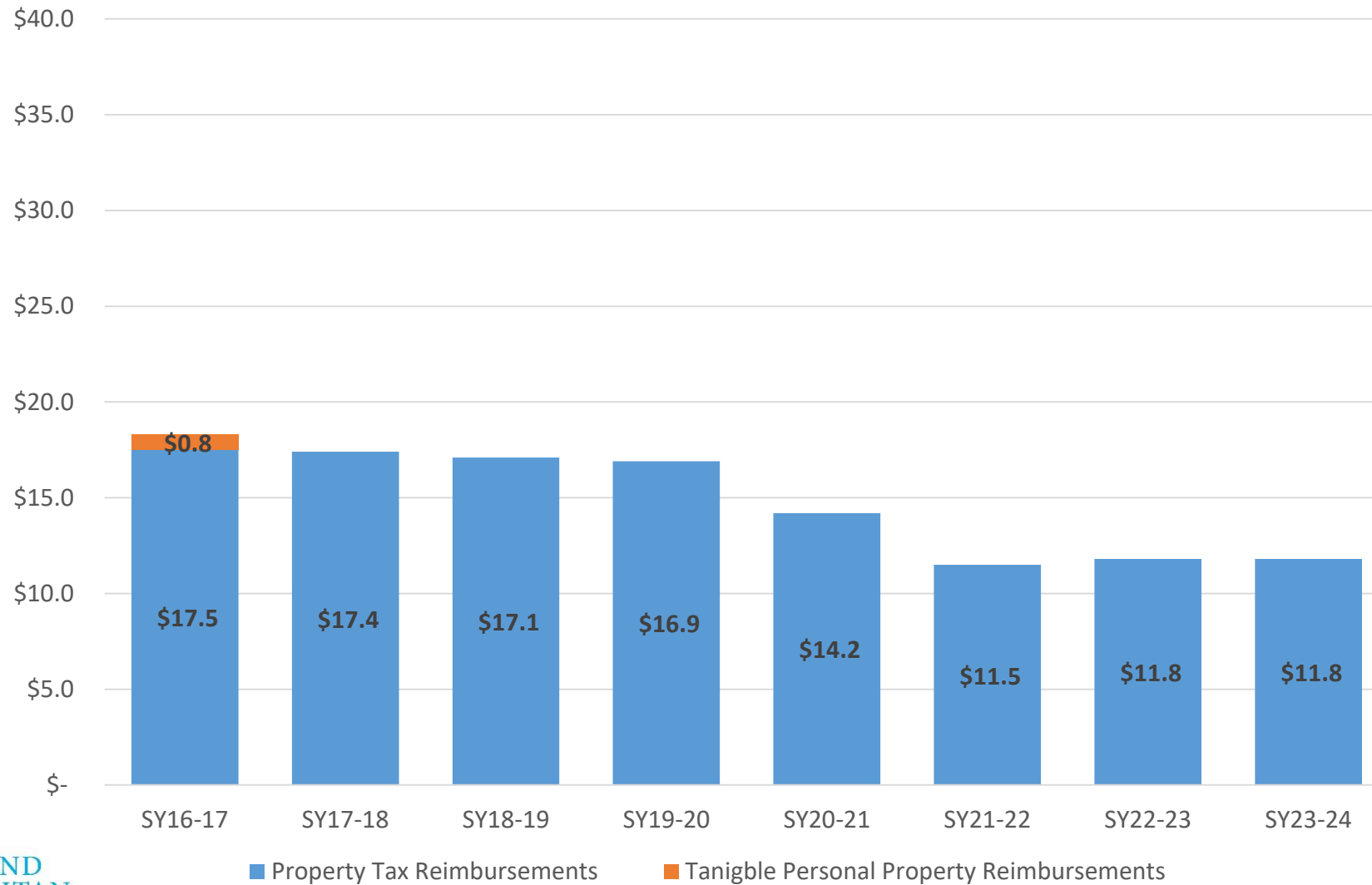
Calendar Year	Type	Abated Value	Additional Tax Receipts
2019	Commercial	20,165,400	394,601
	Residential	67,178,100	977,403
		87,343,500	1,372,004
2020	Commercial	23,227,600	454,523
	Residential	60,406,400	878,879
		83,634,000	1,333,402
2021	Commercial	18,162,200	355,402
	Residential	115,057,400	1,674,020
		133,219,600	2,029,422
2022	Commercial	18,355,600	359,187
	Residential	75,987,100	1,105,569
		94,342,700	1,464,756
2023	Commercial	11,710,900	229,162
	Residential	29,419,200	428,033
		41,130,100	657,195

Calendar Year	Type	Abated Value	Additional Tax Receipts
2024	Commercial	10,550,800	206,460
	Residential	11,305,200	164,484
		21,856,000	370,944
2025	Commercial	16,546,400	323,784
	Residential	10,944,300	159,233
		27,490,700	483,017
2026	Commercial	4,428,700	86,662
	Residential	16,087,200	234,060
		20,515,900	320,722
2027	Commercial	1,234,105	17,955
	Residential	8,365,700	121,716
		9,599,805	139,671
2028	Commercial	-	-
	Residential	8,633,927	125,615
		8,633,927	125,615

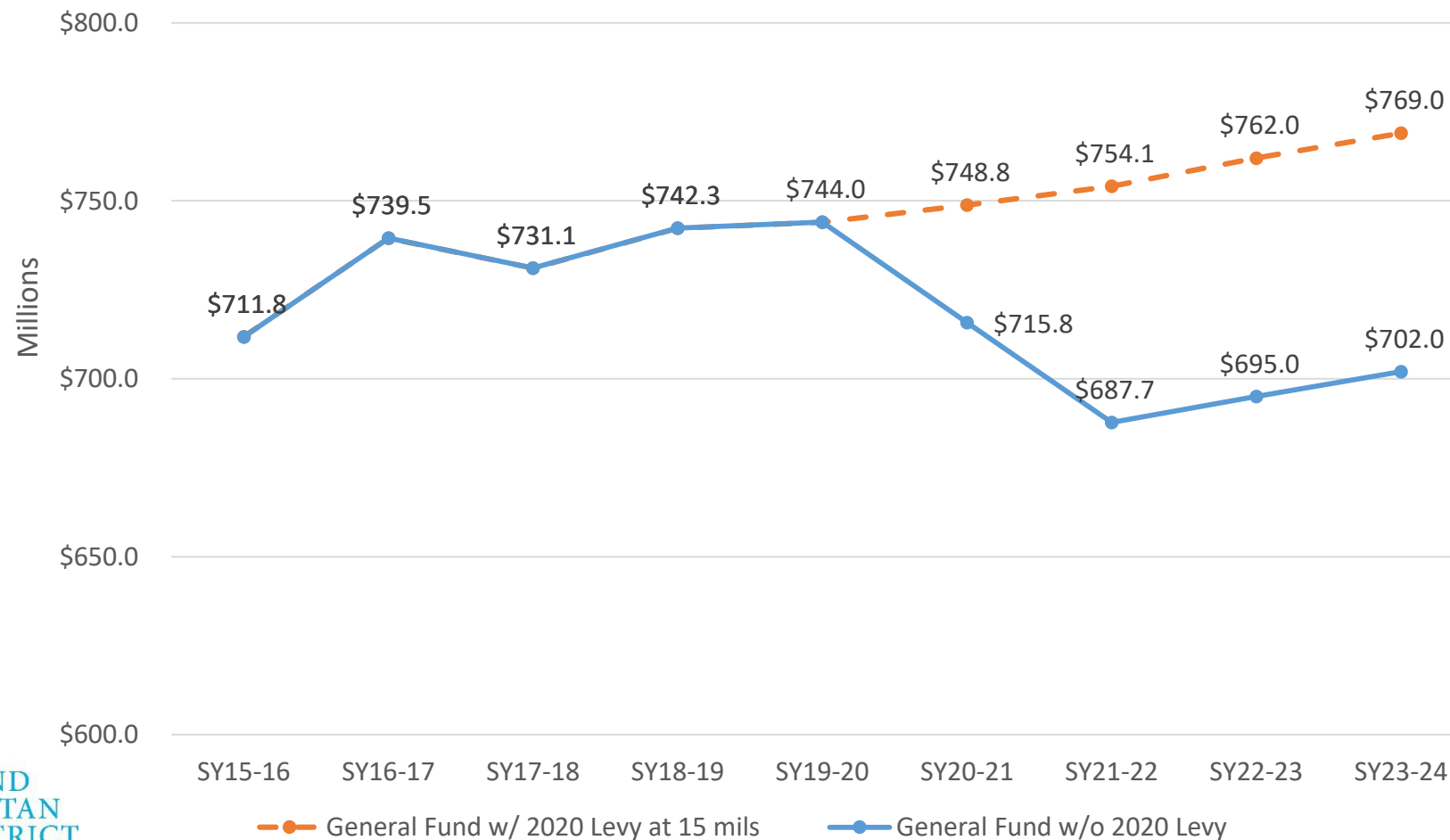
Other Sources & Advances



State Reimbursements



Revenue Forecast – General Fund

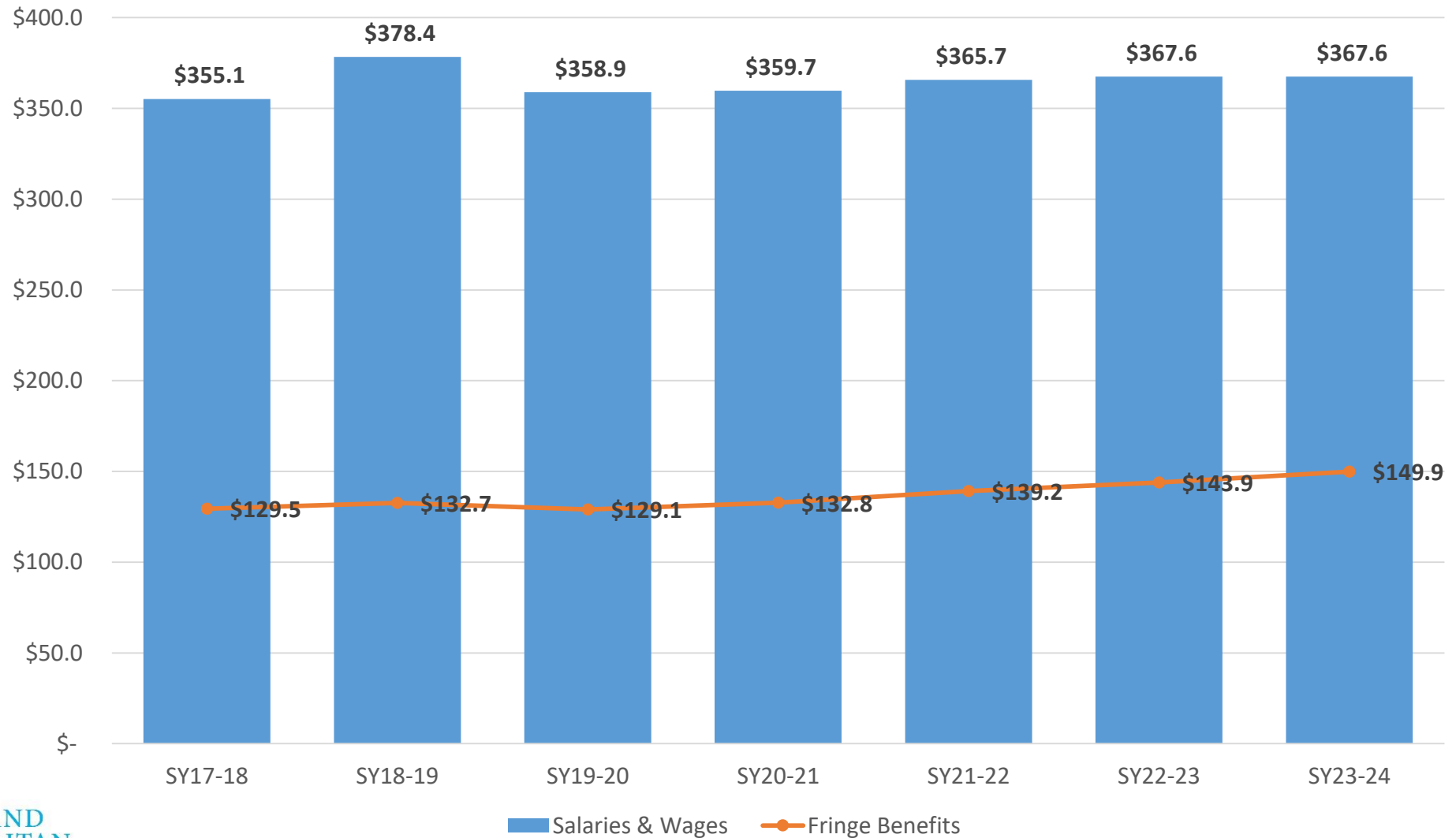


Expenditures

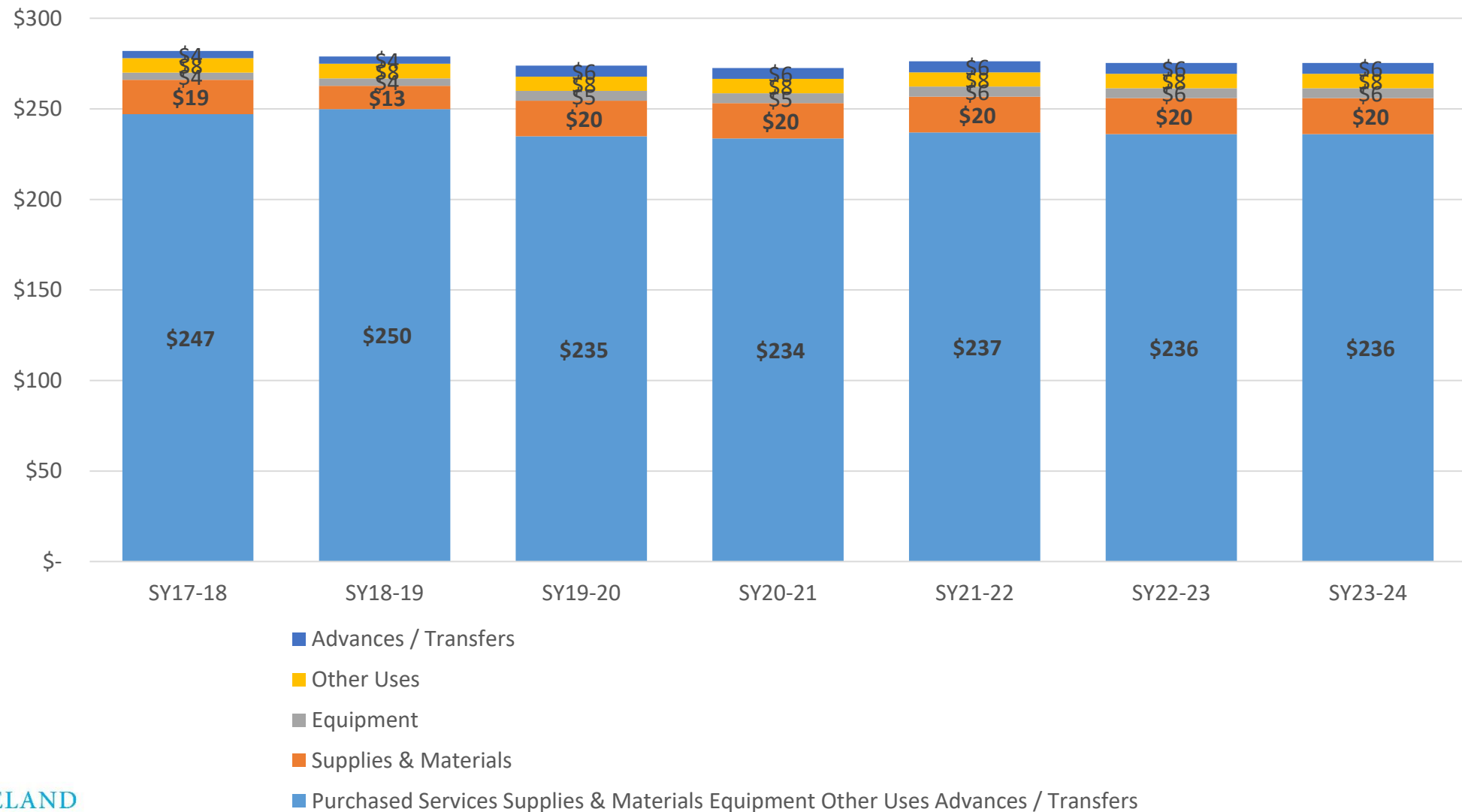
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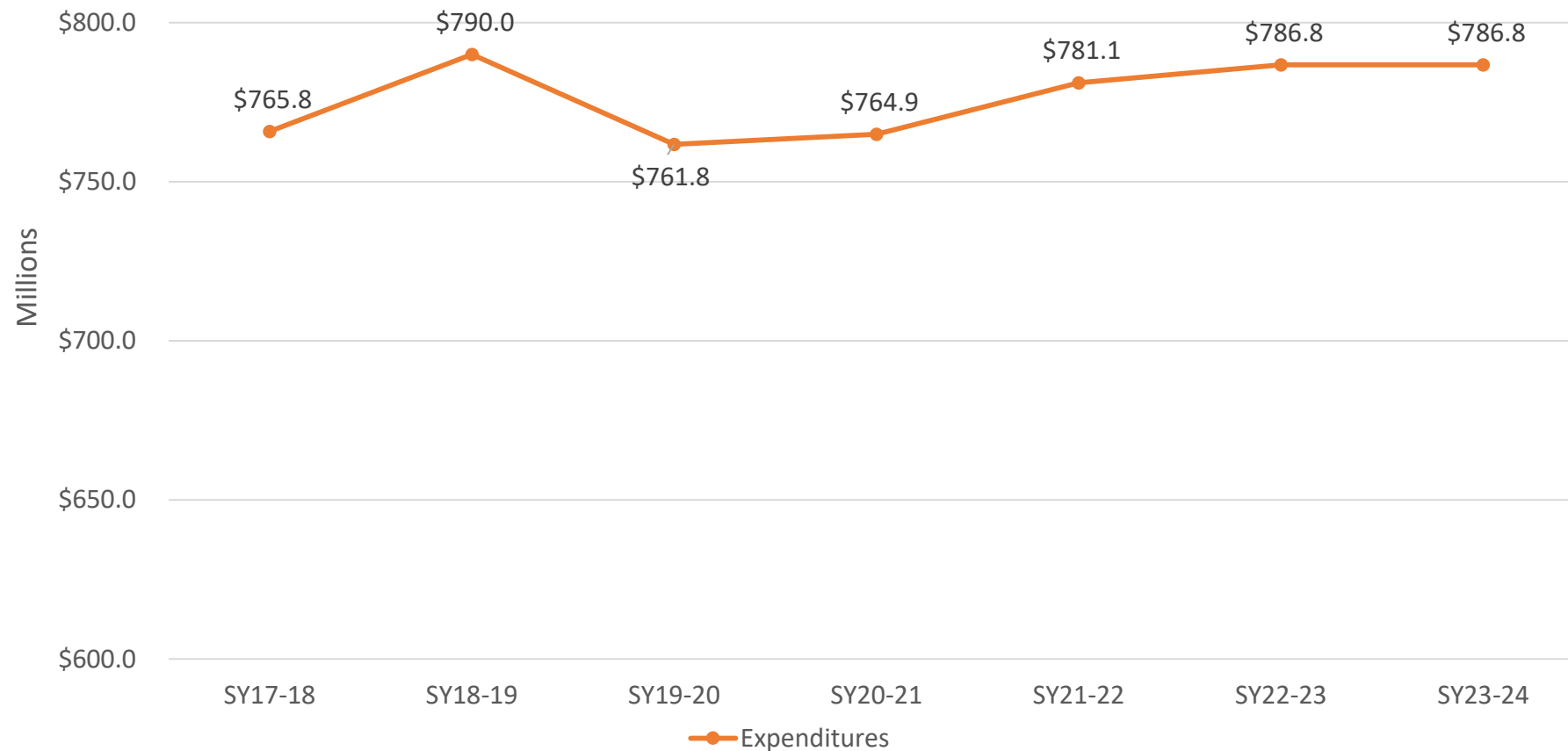
Personnel Expenditures



Non-Personnel Expenditures



Expenditure Forecast – General Fund



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