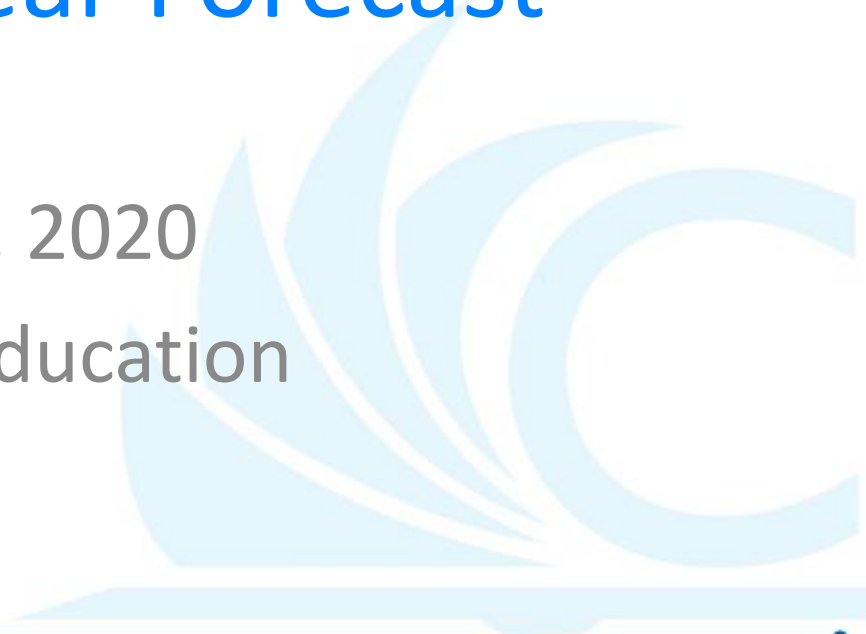




CMSD Five Year Forecast

May 12, 2020

Board of Education



Presentation Content

- Financial Impact of COVID-19
- SY20-21 Budget Approach
- Five Year Forecast
 - Assumptions of Revenue & Expenditures
 - Forecast
- Questions & Discussion



FINANCIAL IMPACT OF COVID-19



Our Five Year Forecast: November 2019

	SY17-18	SY18-19	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24
Total Revenue	\$731.1	\$742.3	\$744.0	\$715.8	\$687.7	\$695.1	\$702.0
Total Expenditures	\$765.8	\$790.1	\$761.8	\$764.9	\$781.1	\$786.8	\$792.9
Net Revenue	(\$34.7)	(\$47.8)	(\$17.8)	(\$49.1)	(\$93.4)	(\$91.7)	(\$90.9)

Ending Cash Balance	\$85.8	\$38.0	\$20.2	(\$28.9)	(\$122.3)	(\$214.0)	(\$304.9)
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Encumbrances	\$16.5	\$17.6	\$18.0	\$18.0	\$18.0	\$18.0	\$18.0
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Unencumbered Balance	\$69.3	\$20.4	\$2.2	(\$46.9)	(\$140.3)	(\$232.0)	(\$322.9)
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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	\$20.4	\$2.2	(\$13.9)	(\$40.9)	(\$65.6)	(\$89.5)

Our challenge in November was a very small fund balance this year and a negative fund balance next year.



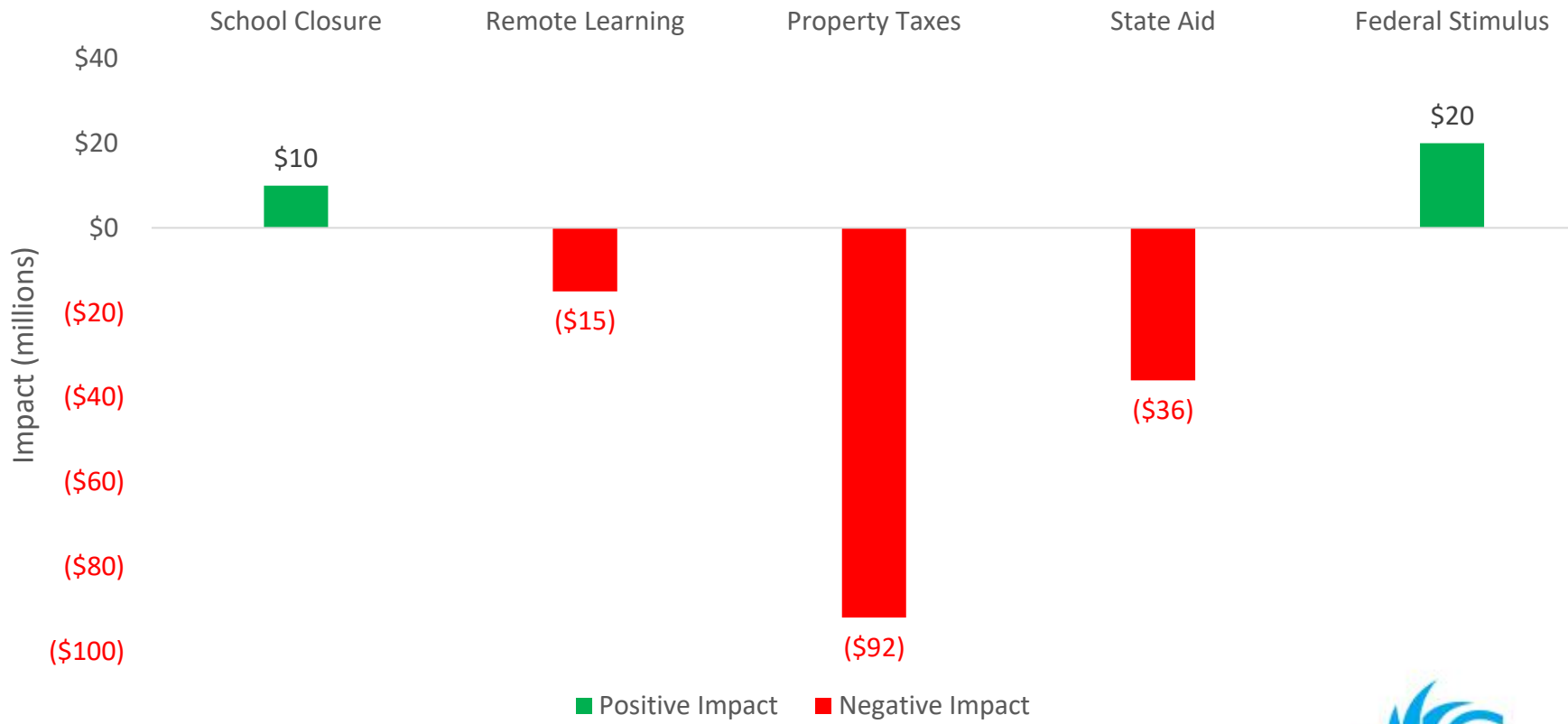
COVID-19: Potential Financial Impact

- Key Funding Sources at Risk
 - State Foundation Aid - \$ 6 million (1.1%)
 - State Wellness funds (SY20-21) - \$ 13 million (2.3%)
 - Levy Renewal (annually) - \$ 67 million (12.0%)
 - Recession-level Tax Delinquencies - \$ 25 million (4.5%)
 (*every 1% delinquency = \$2.5 million*)

- Other Factors
 - State K-12 Funding to 3-yr avg. -\$ 17 million (est.)
 - CARES Act funding +\$ 20 million (est.)
 - COVID-19 unplanned expenses - \$ 15 million (est.)
 - COVID-19 related savings +\$ 10 million (est.)



COVID-19: Potential Financial Impact



SY20-21 BUDGET APPROACH



Budget Development Challenges

- Our current budget level exceeds available resources
- We could end SY19-20 better than forecasted, but it not yet clear
- There is significant uncertainty about future revenues
- We need to align academic and operational service levels with available resources and new models in response to COVID-19
- We want to continue eliminating non-strategic spend
- We may need to reduce staffing levels to match available resources, but do not want to lay people off right now



Budget Approaches

“Traditional” Approach

- Set a fund balance target
- Make reduction decisions now ahead of the May Five Year Forecast and June appropriation

“Alternate” Approach

- Hold on further budget decisions until more information is known
- Take actions to limit unnecessary spending

We are recommending to use this approach for the SY20-21 budget.



We Need More Time ...

- To see what savings we can achieve this year.
- To design what instruction needs to look like over the Summer and into next school year.
- To understand the impact on property taxes and State aid.
- To assess the impact of economic conditions on our levy goals.



How Do We “Buy” Time While Being Fiscally Responsible

1. Ask the Board in May to approve a Five Year Forecast reflecting known changes for SY19-20 and setting SY20-21 expenditures to leave a \$2.5M fund balance for SY20-21
2. Ask the Board in June to approve a temporary budget for \$487.2M
 - 100% of pass-through payments for charters schools and non-CMSD tuition
 - 50% of everything else (wages, benefits, and non-personnel for schools, departments, substitutes, utilities, etc.)
3. Significantly Limit Spending
 - Continue to restrict expenditures to essential items only (e.g., remote instruction, cleaning facilities, and critical business operations.)
 - Implement identified cost savings measures
 - Remove all non-essential, vacant positions from the budget
 - Freeze all remaining department and school-based vacancies



What Does This Enable?

- Time to see where our expenditures land this year and what our revenue picture looks like next year.
- Time to build our academic plans for the summer and next school year
- Keeps all current staff employed during this public health crisis.
- Time for department leaders to identify additional cost savings and implement opportunistically.



What Does This Require?

- Reorganizing existing staff to deliver services and perform business operations
- Flexibility and adaptability from our employees and labor union partners to meet shifting needs.
- Recognizing that staffing actions and tough decisions are still likely to occur
- More frequent and detailed financial tracking and expenditure monitoring
- Clear guidance to our financial managers (department heads and principals)
- **“Esprit de corps” – We can and will get through this difficult time if we work together!!**



FIVE YEAR FORECAST



Statutory 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 and May 31st
- The forecast contains historical and projected financial data along with notes and assumptions.
- Serves as a planning tool to assess the financial health of a district.



Revenue Assumptions

- Local Property Tax (31.1% of Revenue)
 - Reflects a \$5.2 billion valuation based on the 2018 reappraisal, which resulted in a 10% increase in our valuation.
 - Uses a current collection rate is 88.3%, which is down 0.1% from prior year; assumes the same rate through 2024.
 - Does not reflect potential increases in property tax delinquencies.
 - Includes the 4-year, 15-mill levy, but, in the formal forecast, assumes it expires on December 31, 2020.
- State Foundation Formula (61.0% of Revenue)
 - Utilizes the current formula but reflects a \$5.6 million reduction for SY19-20 that was announced May 5th; forecasts the same reduction for SY20-21.
 - Forecasts Student Wellness and Success dollars for SY20-21, but not included beyond in SY21-22 or beyond.
 - Does not reflect the potential of additional reductions in State aid or Wellness funds.



Expenditure Assumptions

- The Forecast Includes
 - A 7.5% increase in healthcare costs each year
 - The final bus lease payment in SY20-21
 - Reductions from current and prior year budget reduction actions
 - Expenses related to Wellness funds returning to the General Fund in SY21-22
 - Slight annual increases in non-CMSD tuition and pass-through expenses
 - A \$2.0 million reduction in encumbrance levels
- The Forecast Does Not Include
 - Any changes to salaries in SY20-21 and beyond (i.e., across-the-board cost of living adjustment)
 - Potential savings from COVID-19 school closures
 - Potential expense reduction if charter schools experience reductions in State aid



Our Five Year Forecast: May 2020

	SY17-18	SY18-19	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24
Total Revenue	\$731.1	\$749.7	\$745.2	\$710.1	\$687.7	\$695.1	\$702.0
Total Expenditures	\$765.8	\$797.4	\$761.8	\$746.1	\$773.6	\$779.3	\$785.4
Net Revenue	(\$34.7)	(\$47.7)	(\$16.6)	(\$36.0)	(\$86.0)	(\$84.2)	(\$83.4)

Ending Cash Balance	\$85.8	\$38.1	\$21.5	(\$14.5)	(\$100.5)	(\$184.7)	(\$268.1)
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Encumbrances	\$16.5	\$17.6	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
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Unencumbered Balance	\$69.3	\$20.5	\$5.5	(\$30.5)	(\$116.5)	(\$200.7)	(\$284.1)
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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	\$20.5	\$5.5	\$2.5	(\$17.0)	(\$34.2)	(\$50.5)



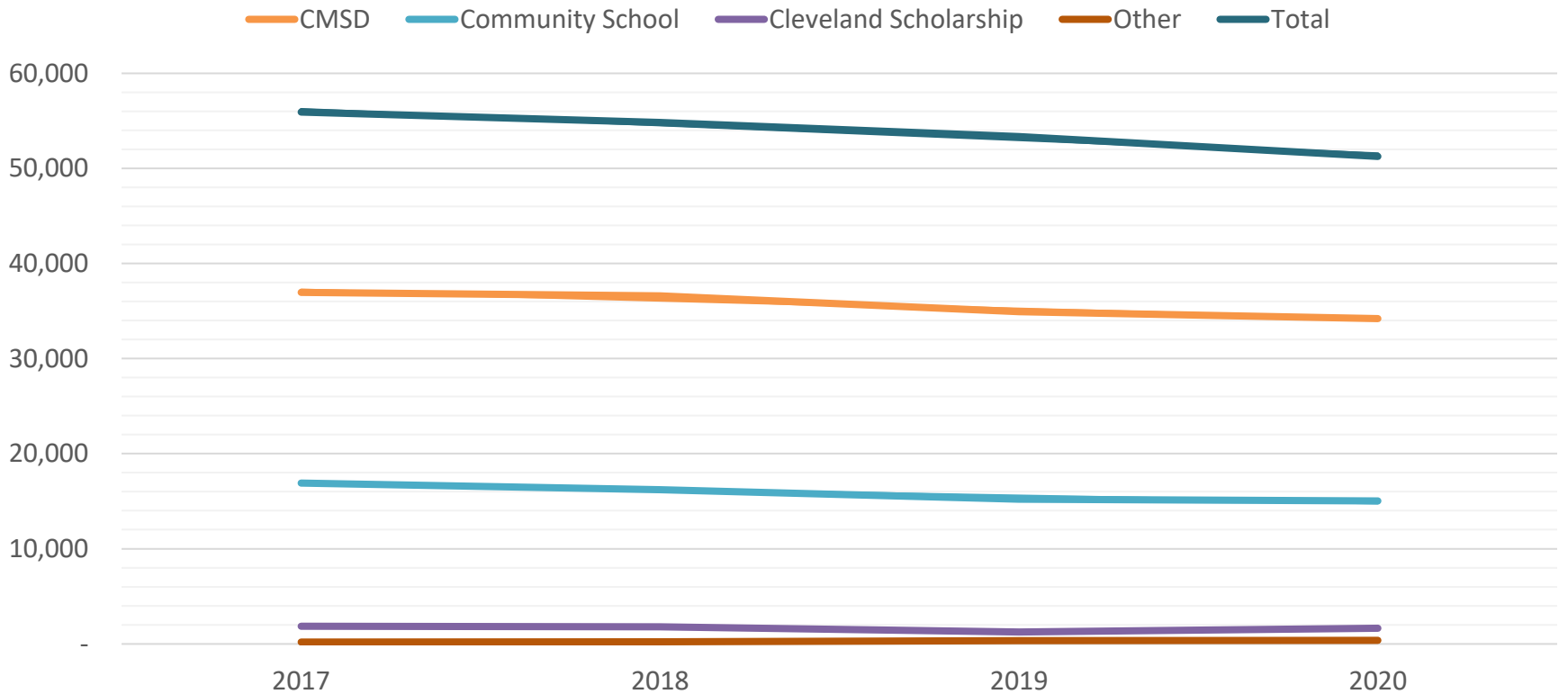
QUESTIONS & DISCUSSION



APPENDIX



Enrollment Trend



Enrollment Trend

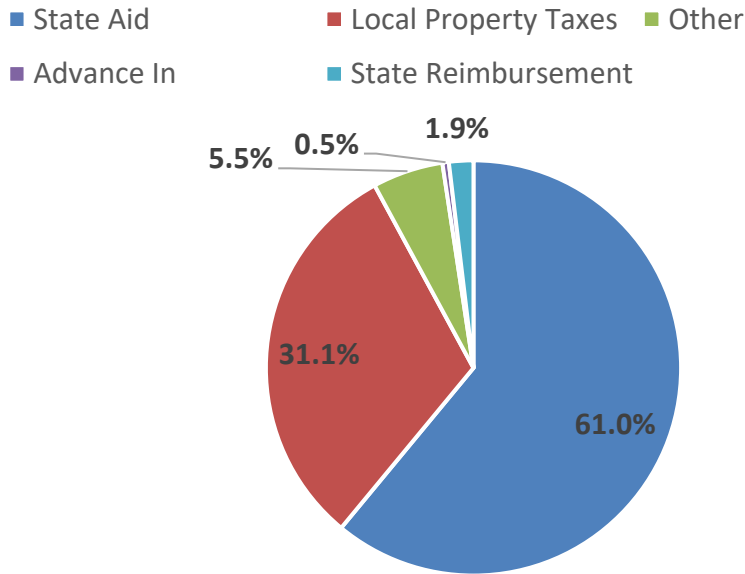
- Enrollment is forecasted at 51,246 student full-time equivalents (FTE), which reflects the current funded level.

	June 2019	Current Forecast	Difference
CMSD	34,926	34,193	-733
Community School	15,219	15,040	-179
Cleveland Scholarship	1,258	1,636	378
Other	326	376	50

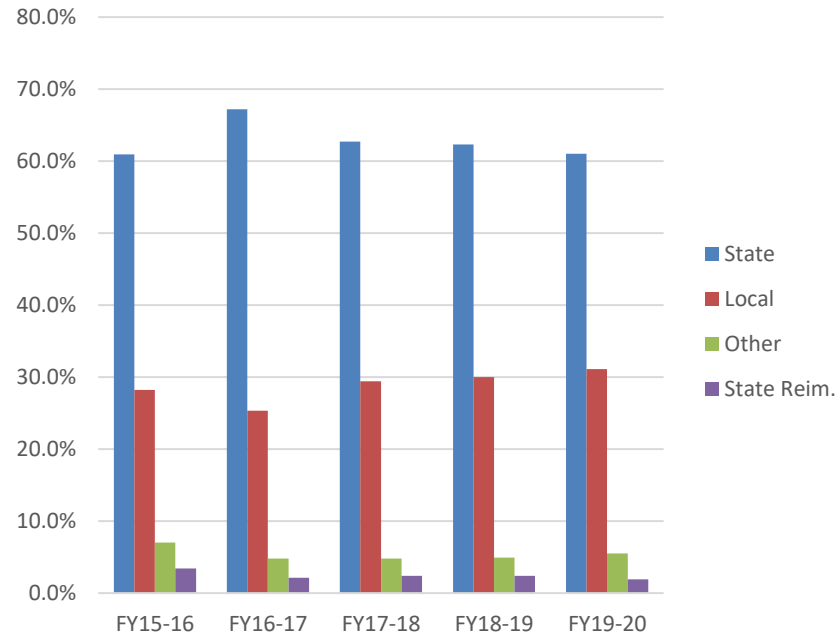


Revenue Sources

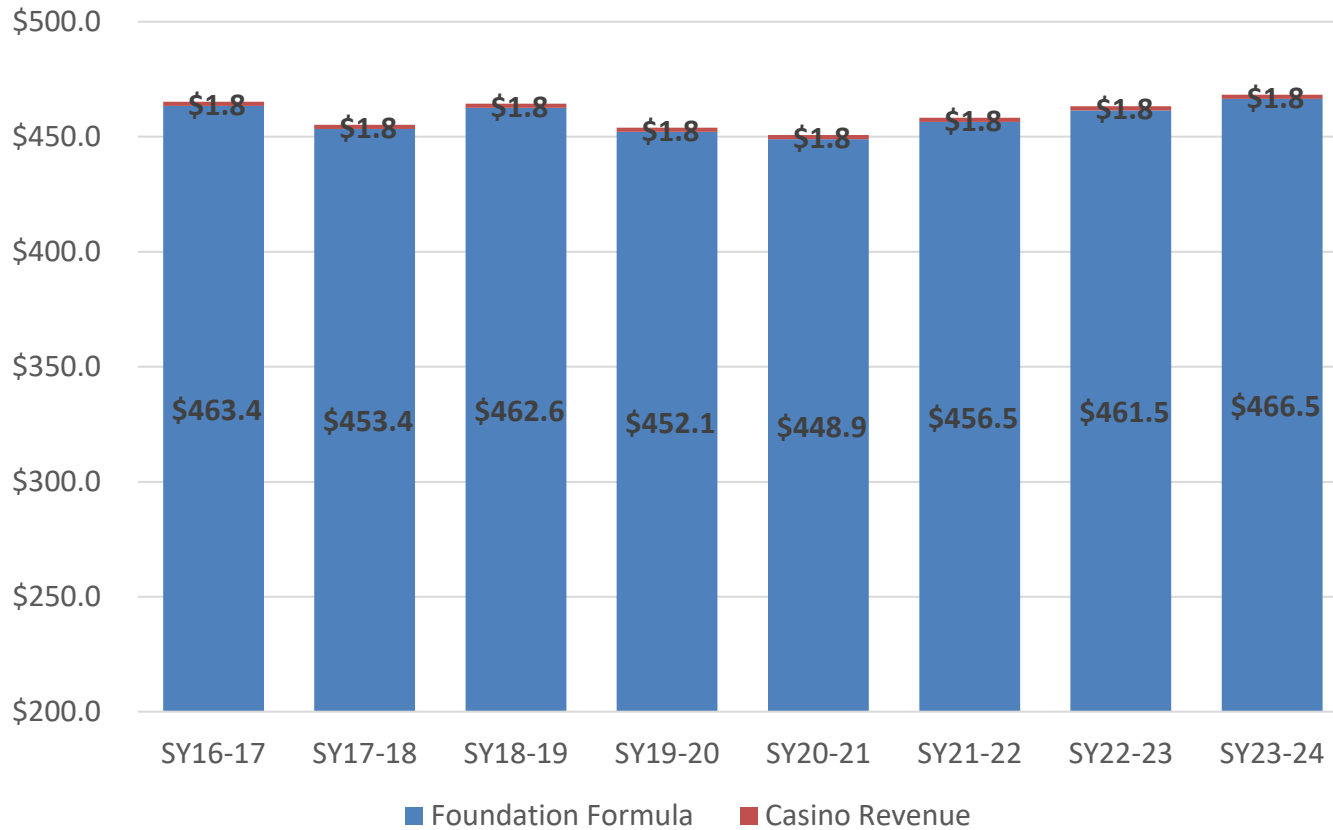
SY19-20 Projected General Fund Revenue



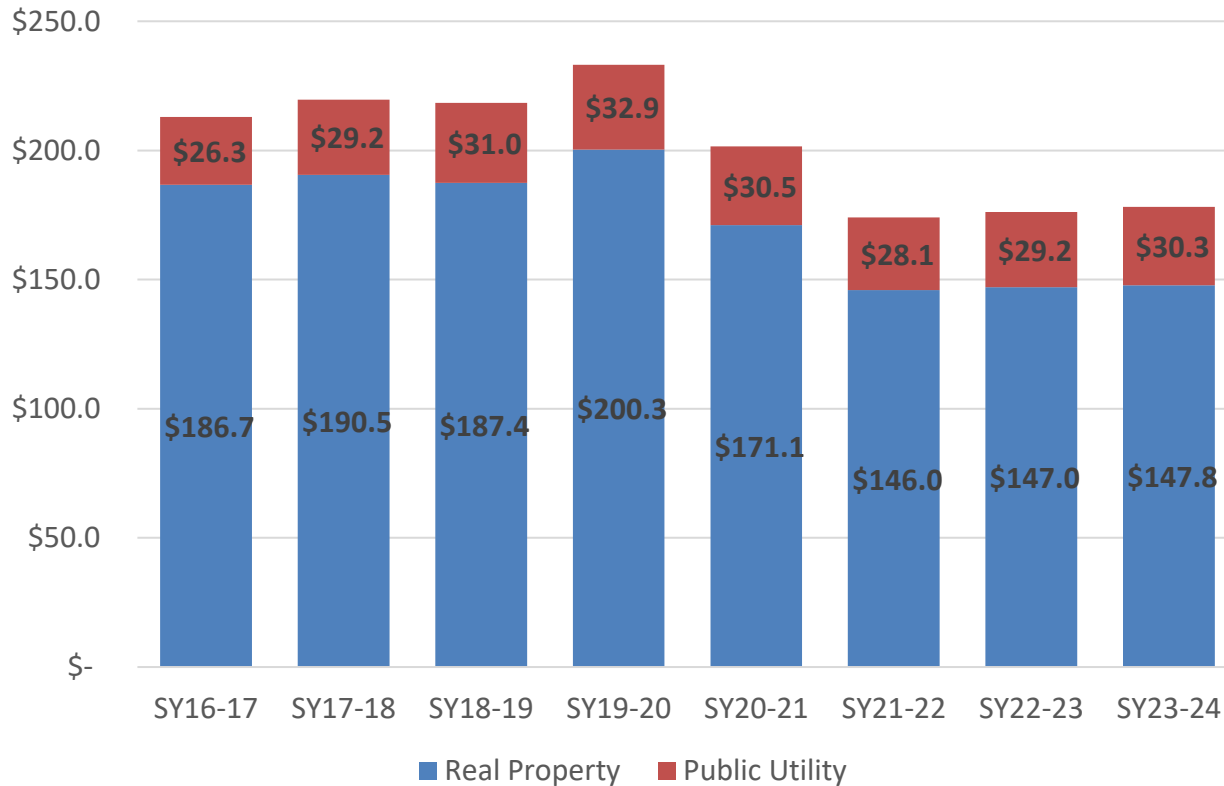
5-Year Trend



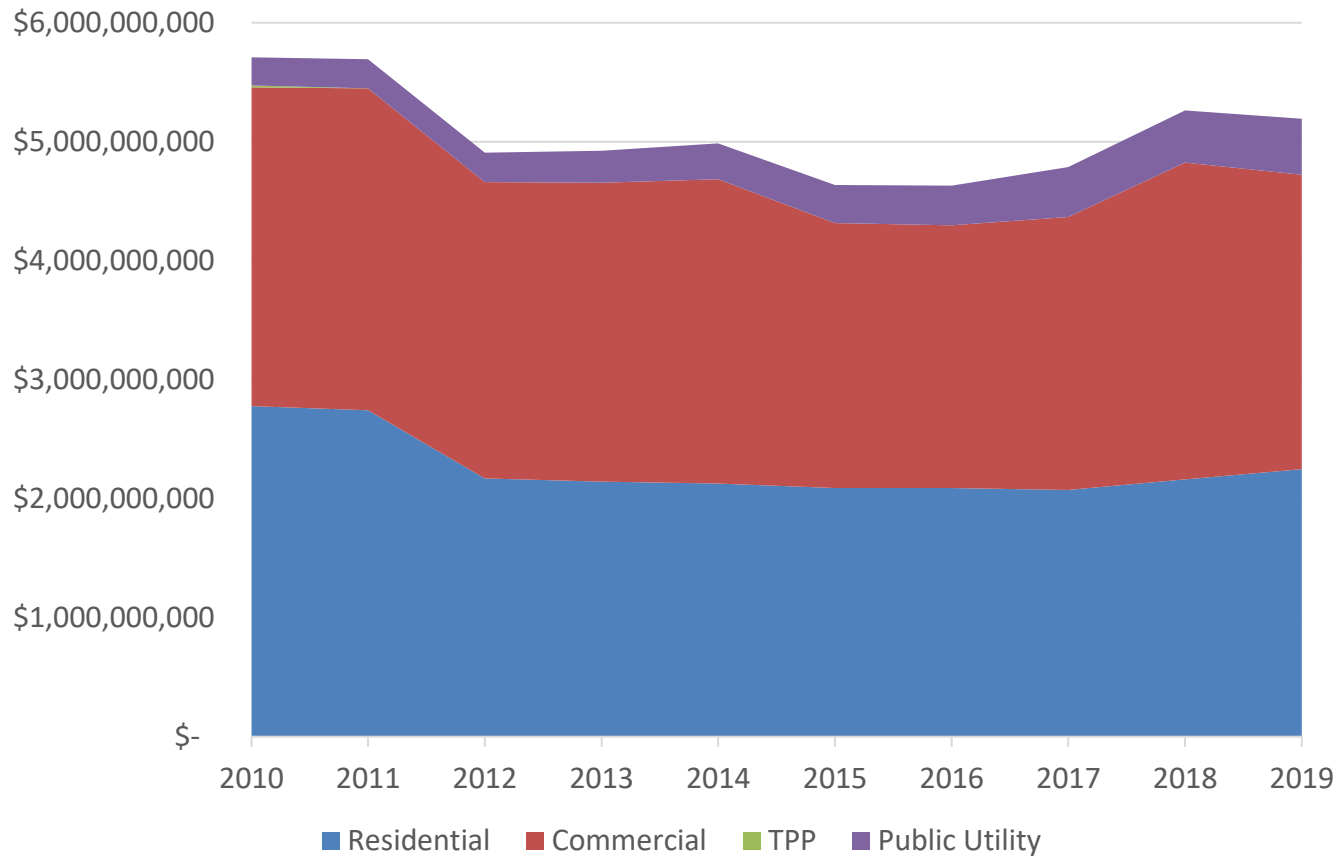
State Aid



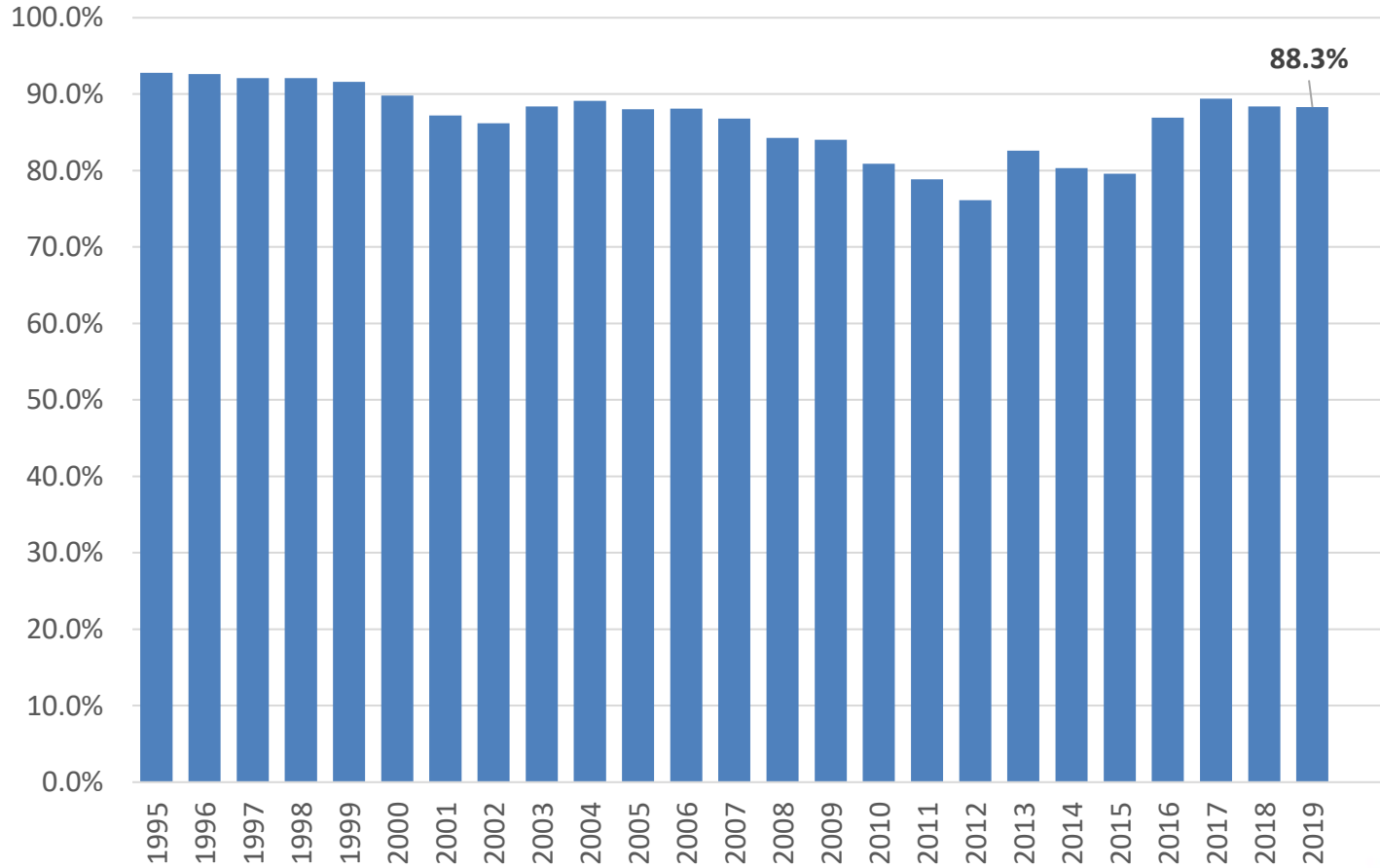
Local Property Tax Revenue



Historic Assessed Valuations



Property Tax Collection Rates



Property Tax Abatement Tracking

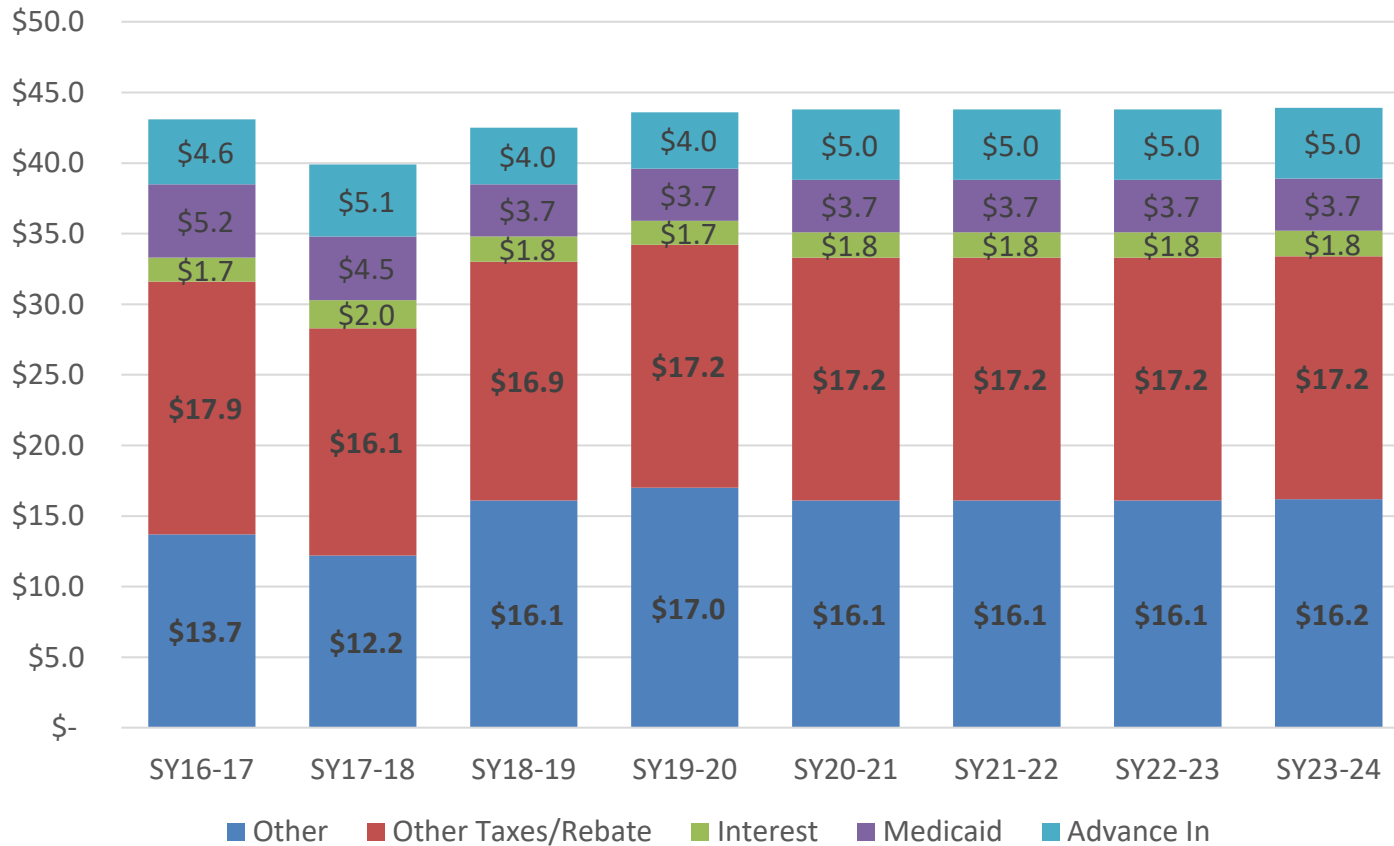
Cleveland Municipal School District
Abatement Impact on District

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

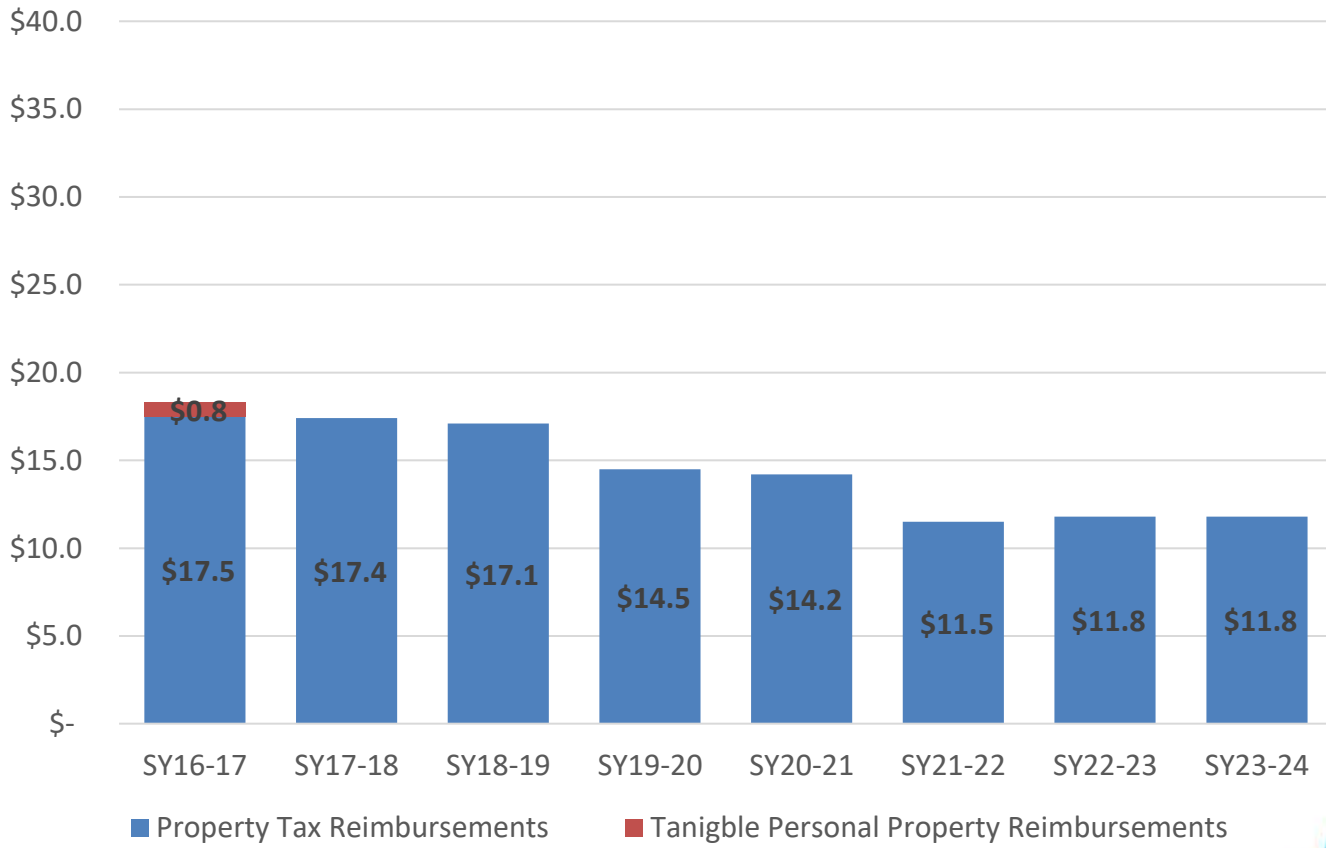
Calendar Year	Type	Abated Value	Additional Tax Receipts
2024	Commercial	10,550,800	206,460
	Residential	11,305,200	164,484
		<u>21,856,000</u>	<u>370,944</u>
2025	Commercial	16,546,400	323,784
	Residential	10,944,300	159,233
		<u>27,490,700</u>	<u>483,017</u>
2026	Commercial	4,428,700	86,662
	Residential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



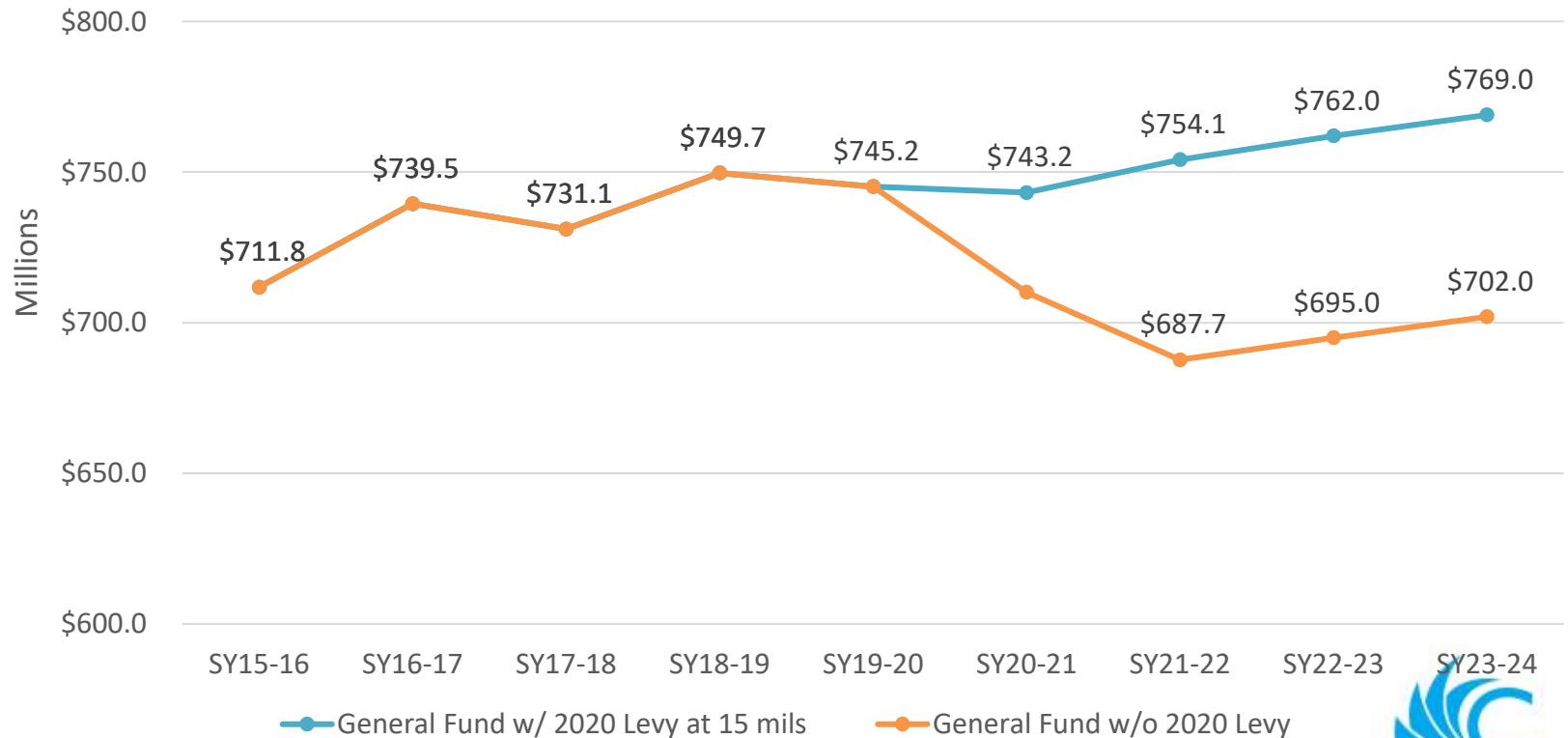
Other Sources & Advances



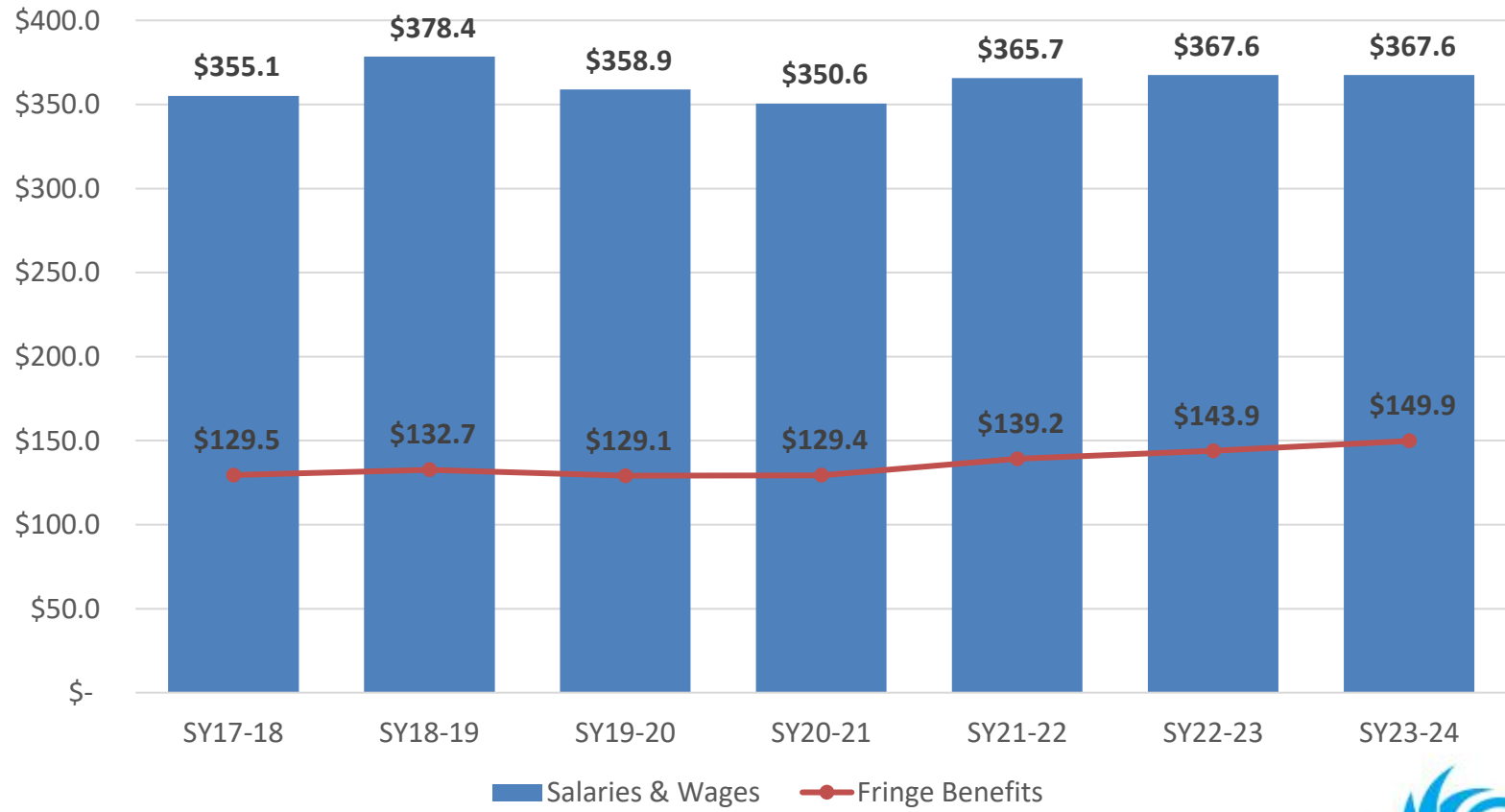
State Reimbursements



Revenue Forecast – General Fund

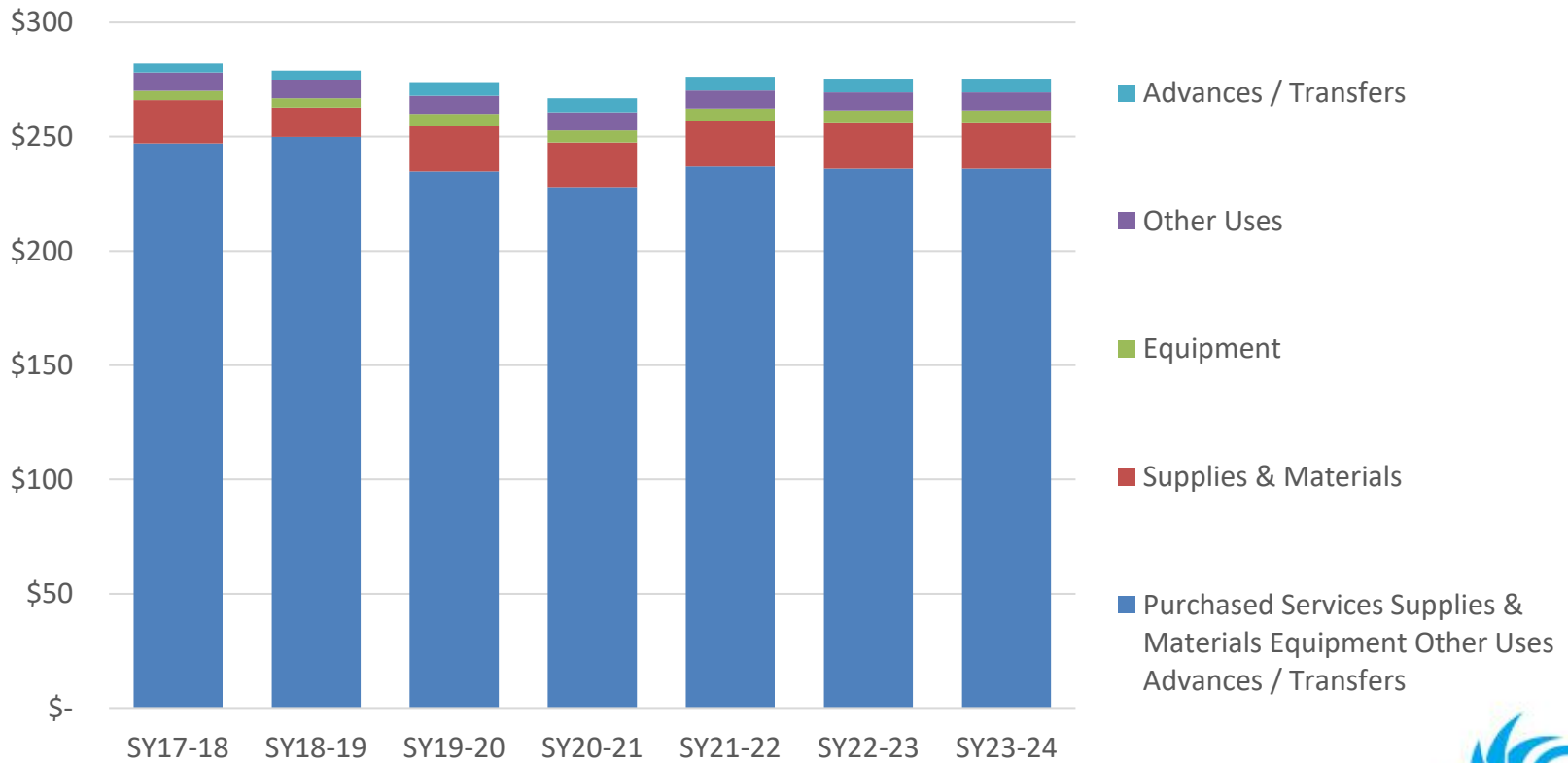


Personnel Expenditures



Non-Personnel Expenditures

Chart Title



Expenditure Forecast – General Fund

