

Cleveland Municipal School District

Five Year Forecast Financial Report

May, 2023

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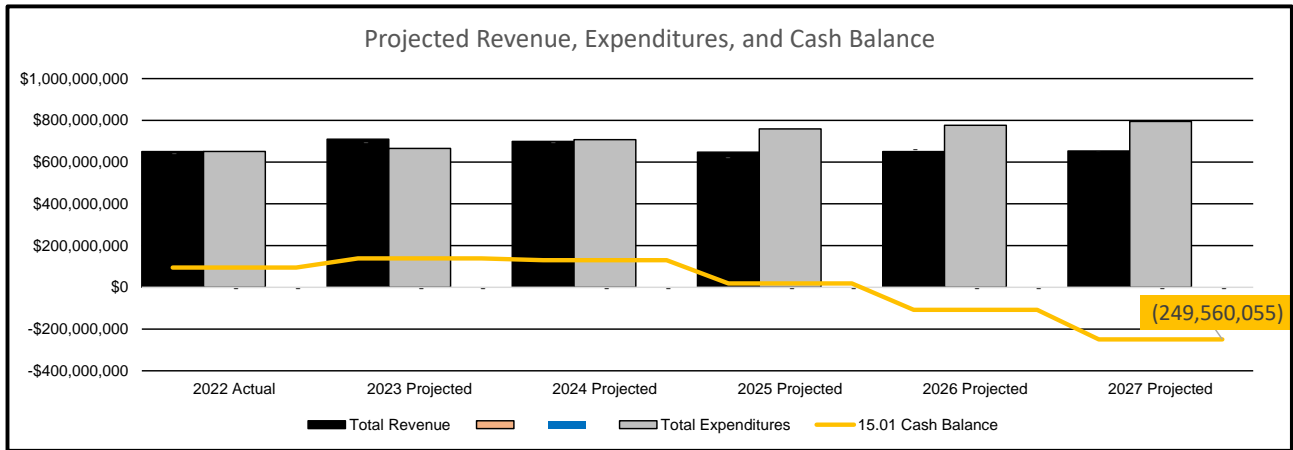
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Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

Forecast Methodology - This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year and while cash flow monitoring helps to identify unexpected variances no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.



Note: Cash balance (Line 7.020) plus any existing levy modeled as renewed or new during the forecast.

Financial Forecast

	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Beginning Balance (Line 7.010) Plus Renewal/New Levies Modeled	94,487,006	138,510,635	129,719,253	18,377,291	(107,785,553)
+ Revenue	709,472,755	698,863,909	647,450,534	650,230,709	652,962,524
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(665,449,126)	(707,655,292)	(758,792,496)	(776,393,552)	(794,737,027)
= Revenue Surplus or Deficit	44,023,629	(8,791,383)	(111,341,962)	(126,162,844)	(141,774,503)
Line 7.020 Ending Balance with renewal/new levies	138,510,635	129,719,253	18,377,291	(107,785,553)	(249,560,055)

Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	44,023,629	(8,791,383)	(111,341,962)	(126,162,844)	(141,774,503)
Ending Balance w/o Levies	138,510,635	129,719,253	18,377,291	(107,785,553)	(249,560,055)

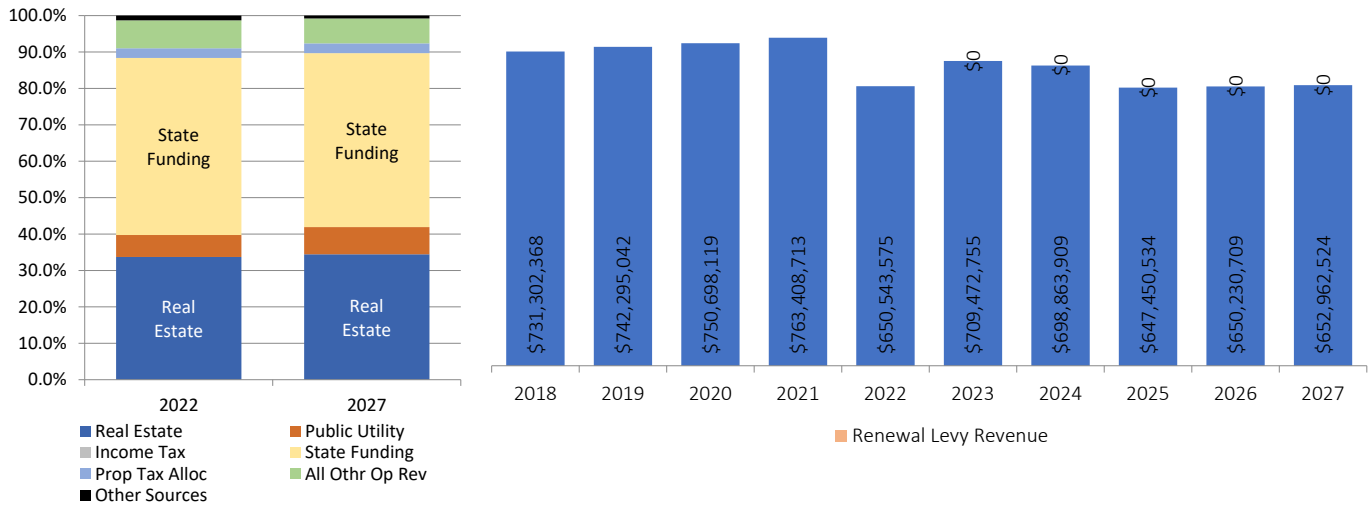
In FY 2023 a revenue surplus is expected. This means that expenditures are expected to be less than revenue by -\$44,023,629 in FY 2023. By the last year of the forecast, FY 2027, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$141,774,503. The district would need to cut its FY 2027 projected expenses by 17.84% in order to balance its budget without additional revenue.

The district's cash balance is positive at year-end in FY 2023 and is projected to worsen by FY 2027. A worsening cash balance can erode the district's financial stability over time.

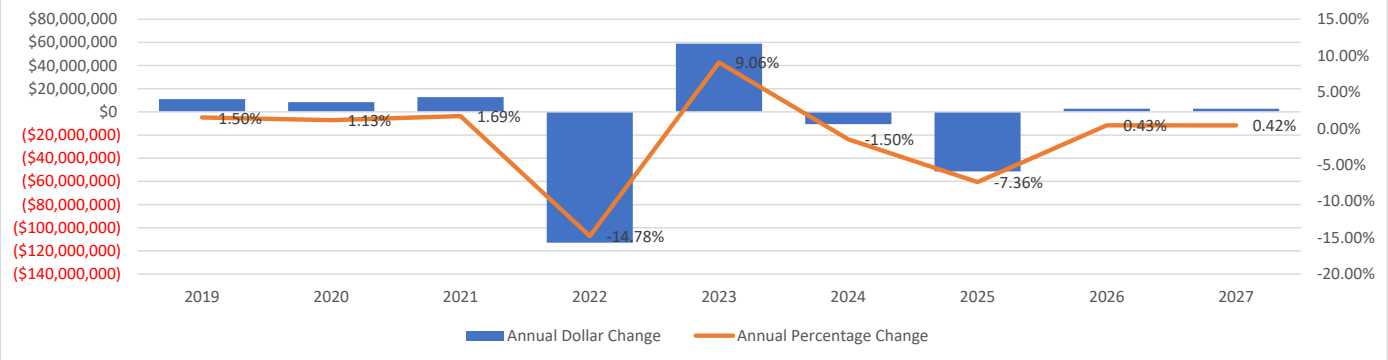
This forecast includes the Fair School Funding Plan (FSFP) adopted by Ohio starting in FY 2022. The district expects a combined impact of \$5,614,897 in FY 2023. This forecast includes a CFO adjusted trend calculation of the FSFP impact using current information. As information changes the estimates will be updated. The district is considered a guarantee district in FY 2023. A detailed state funding supplement to this forecast has been prepared and should be reviewed and considered part of the forecast assumptions.

Revenue Sources and Forecast Year-Over-Year Projected Overview

Sources of Revenue Over Time



Year-Over-Year Dollar & Percentage Change



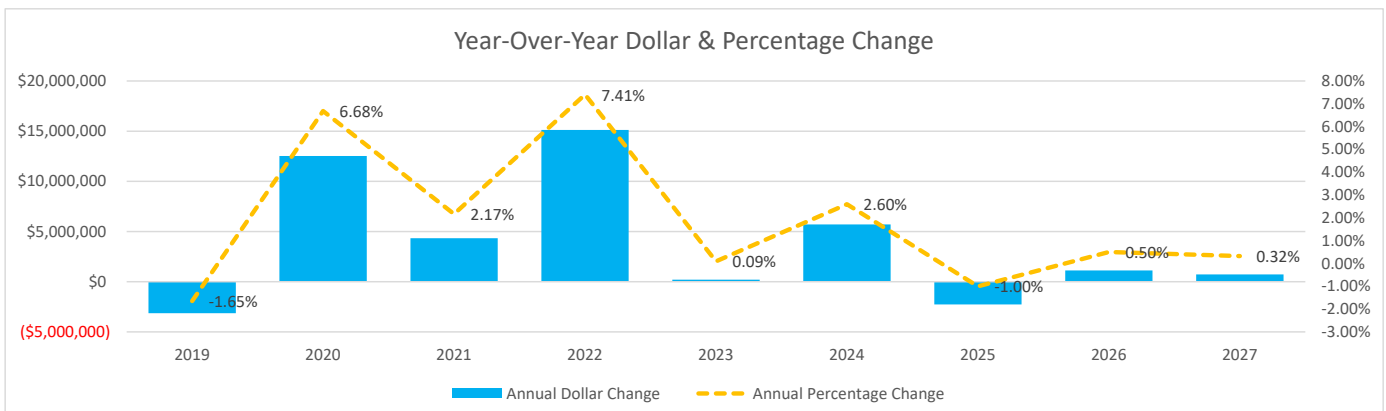
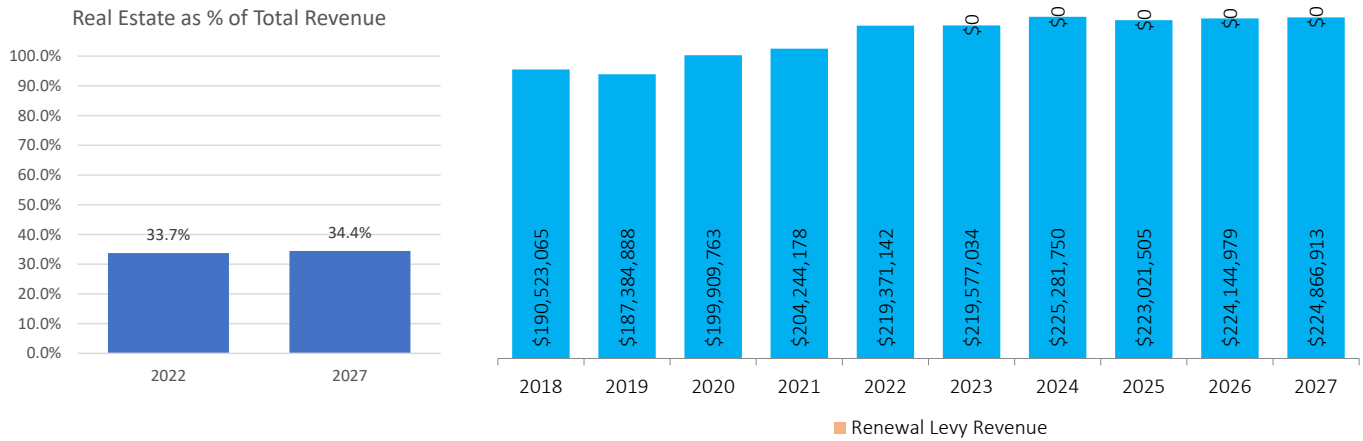
3-Year Historical Actual Average Annual Dollar Change Compared to 5-year Projected

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total revenue decreased -4.24% or -\$30,583,823 annually during the past 3-Year period and is projected to increase 0.07% or \$483,790 annually through FY2027. State Funding has the most projected average annual variance compared to the historical average at \$46,953,305
Real Estate	10,662,085	1,099,154	(\$9,562,931)	
Public Utility	\$2,764,907	\$1,922,993	(\$841,913)	
Income Tax	\$0	\$0	\$0	
State Funding	(\$47,823,138)	(869,833)	\$46,953,305	
Prop Tax Alloc	\$67,933	\$51,253	(\$16,680)	
All Othr Op Rev	\$2,248,933	(\$1,057,211)	(\$3,306,144)	
Other Sources	\$1,495,458	(\$662,566)	(\$2,158,024)	
Total Average Annual Change	(30,583,823)	483,790	\$31,067,613	
	-4.24%	0.07%	4.31%	

Note: Expenditure average annual change is projected to be > \$28,738,020 On an annual average basis, expenditures are projected to grow faster than revenue.

1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



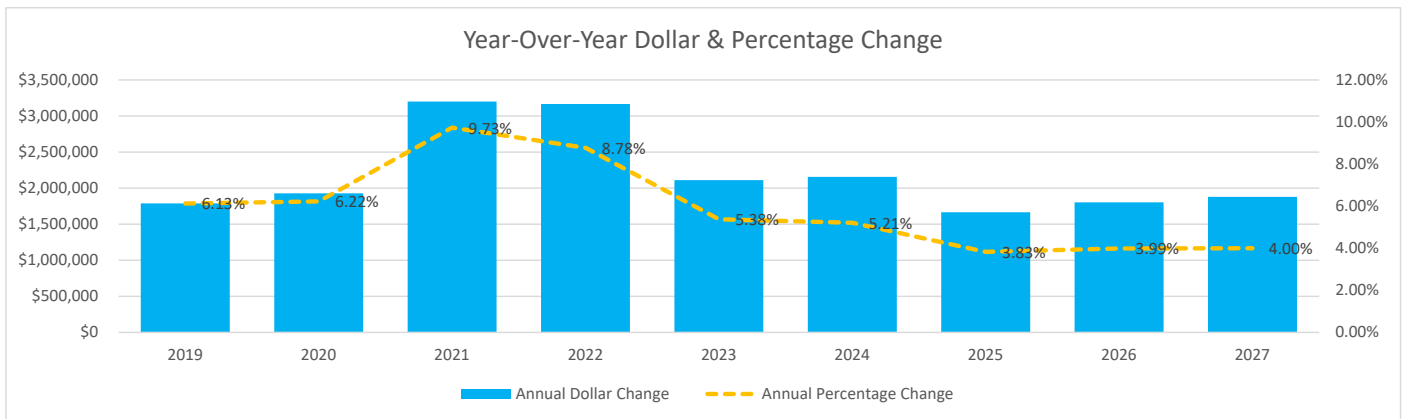
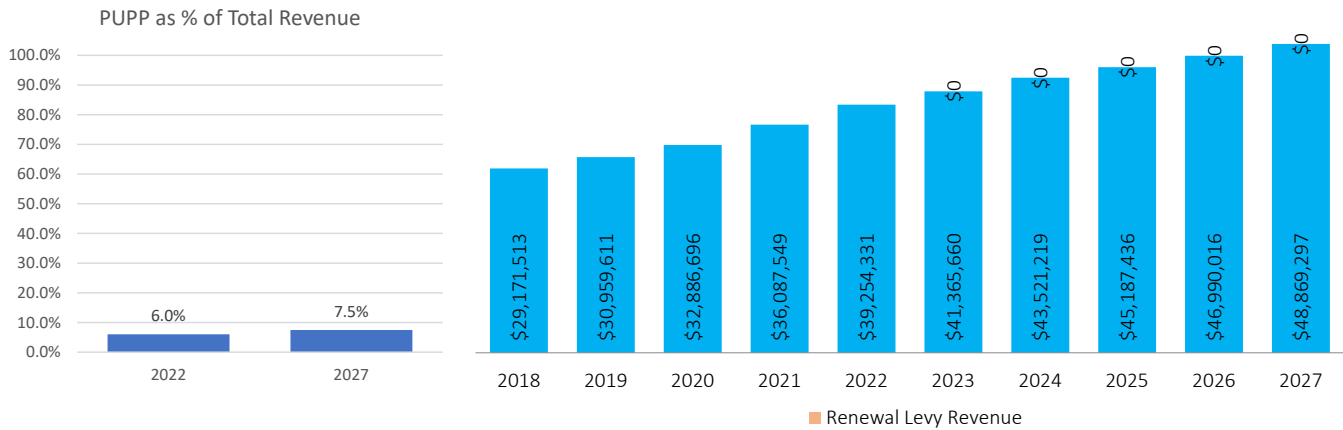
Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class II Rate	Change	
2021	5,395,065,130	669,440,800	38.94	-	52.18	-	97.6%
2022	5,427,325,130	32,260,000	38.94	(0.00)	51.75	(0.43)	97.4%
2023	5,417,325,130	(10,000,000)	39.03	0.10	51.94	0.19	97.9%
2024	5,714,325,130	297,000,000	36.77	(2.27)	50.52	(1.42)	97.9%
2025	5,705,325,130	(9,000,000)	36.92	0.15	50.79	0.27	97.9%
2026	5,707,325,130	2,000,000	37.00	0.09	50.97	0.18	97.9%

Real estate property tax revenue accounts for 33.72% of total revenue. Class I or residential/agricultural taxes make up approximately 39.39% of the real estate property tax revenue. The Class I tax rate is 38.94 mills in tax year 2022. The projections reflect an average gross collection rate of 97.8% annually through tax year 2026. The revenue changed at an average annual historical rate of 5.13% and is projected to change at an average annual rate of 0.49% through FY 2027.

*Projected % trends include renewal levies

1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



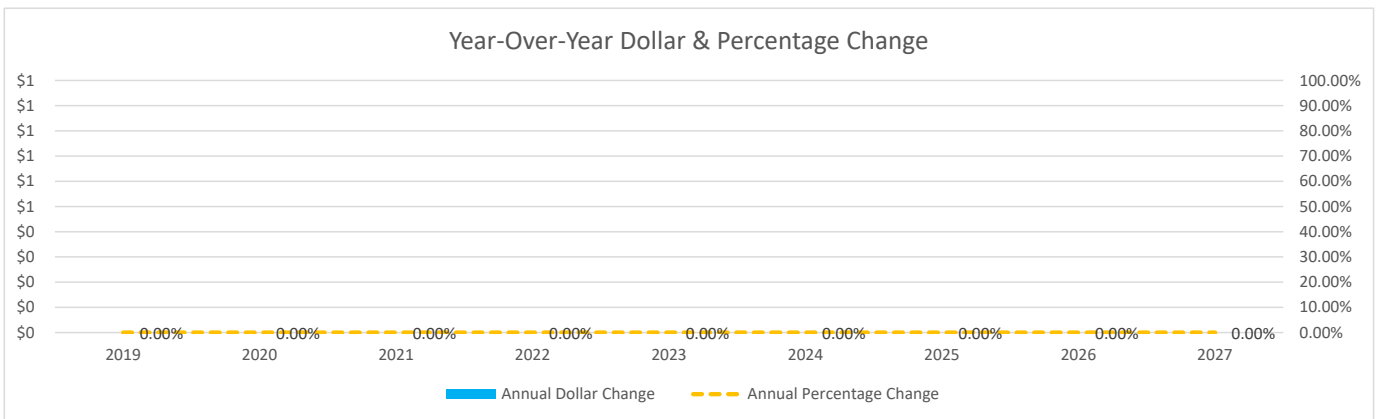
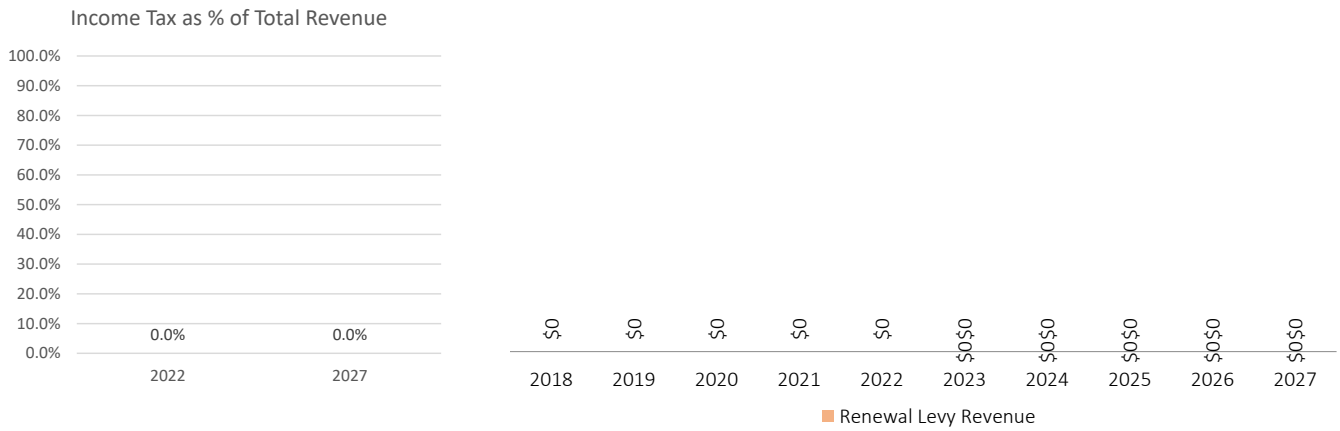
Values and Tax Rates					Gross Collection Rate Including Delinquencies
Tax Year	Valuation	Value Change	Full Voted Rate	Change	
2021	523,079,850	24,128,320	76.70	-	100.0%
2022	555,606,100	32,526,250	76.70	-	100.0%
2023	577,606,100	22,000,000	76.70	-	100.0%
2024	600,606,100	23,000,000	76.70	-	100.0%
2025	624,606,100	24,000,000	76.70	-	100.0%
2026	649,606,100	25,000,000	76.70	-	100.0%

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. This category currently makes up 6.03% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2022 is 76.7 mills. The forecast is modeling an average gross collection rate of 100.00%. The revenue changed historically at an average annual dollar amount of \$2,764,907 and is projected to change at an average annual dollar amount of \$1,922,993 through FY 2027.

*Projected % trends include renewal levies

1.030 - No Income Tax

Revenue collected from income tax earmarked specifically to support schools with a voter approved tax by residents of the school district; separate from federal, state and municipal income taxes.

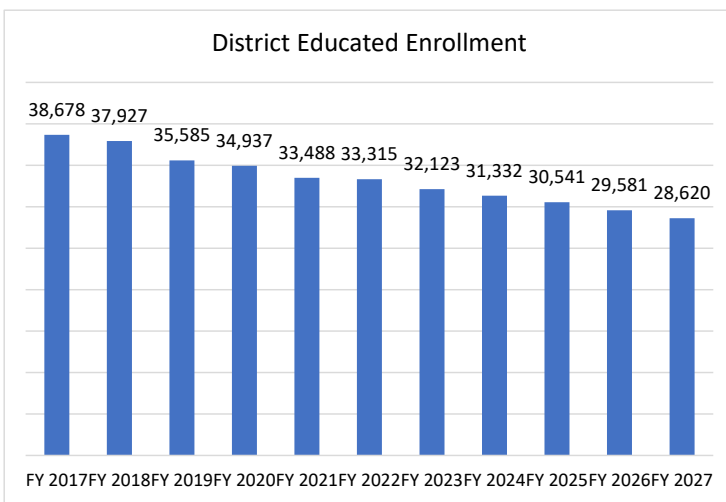
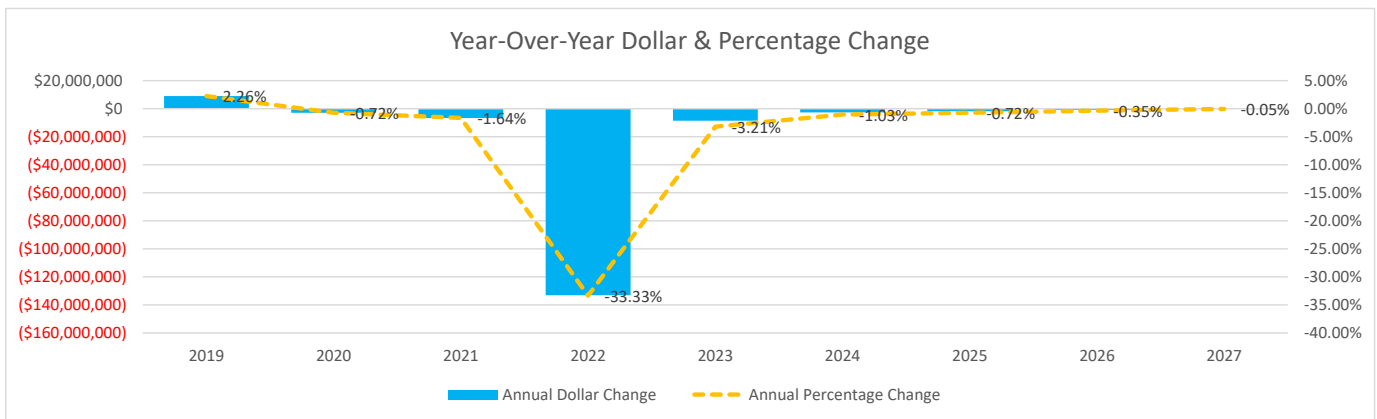
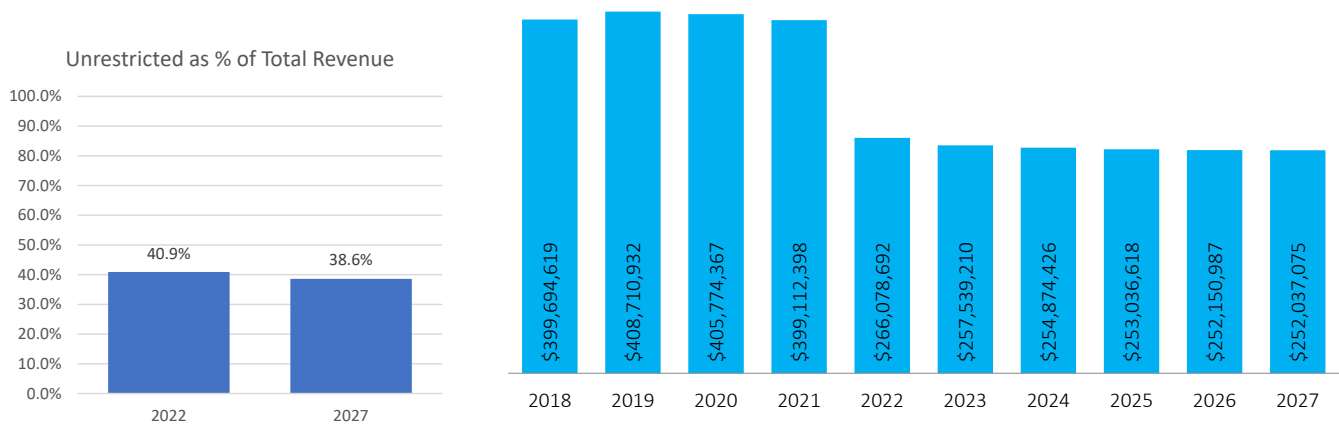


The district does not have an income tax levy.

**Projected % trends include renewal levies*

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



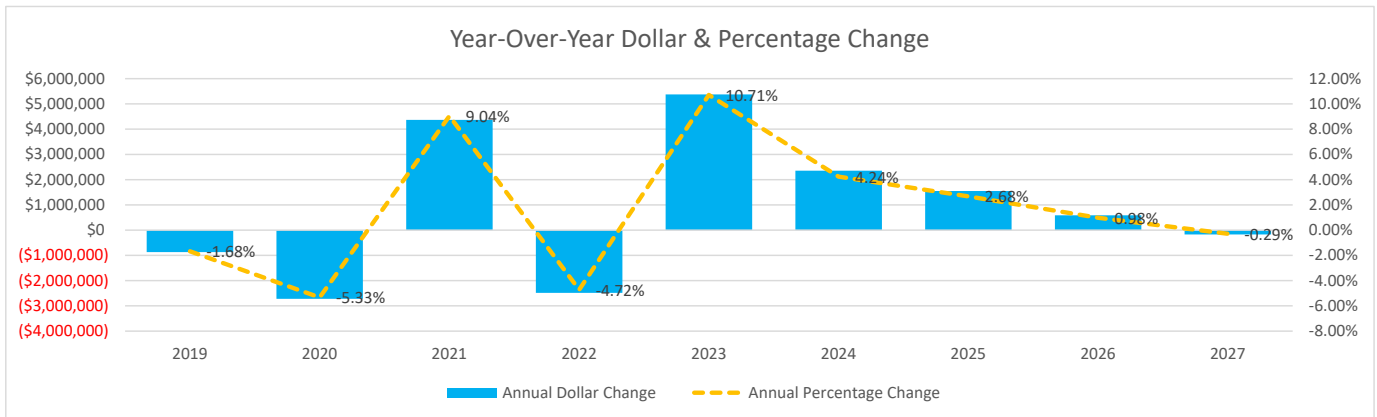
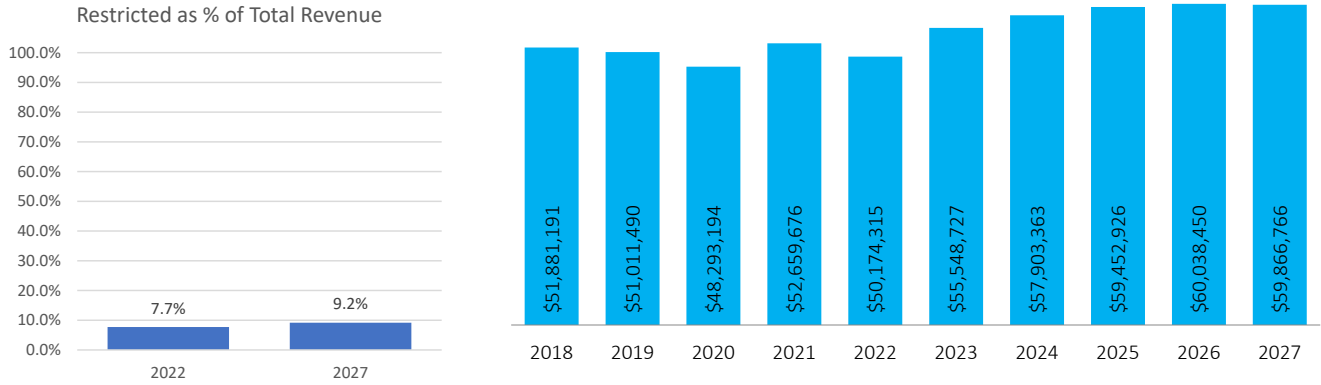
Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data.

For Cleveland Municipal School District the calculated Base Cost total is \$245,277,266 in FY 2023. The state's share of the calculated Base Cost total is \$154,197,686 or \$4,800 per pupil.

For reference: The FSFP change to district educated enrollment could be lower than the district's historical formula funded enrollment but also potentially reduces tuition cost. In FY 2021, the district had approximately \$161,108,316 in possible tuition cost reductions. These reductions will be reflected in the purchased services expenditure note.

1.040 & 1.045 - Restricted Grants-in-Aid

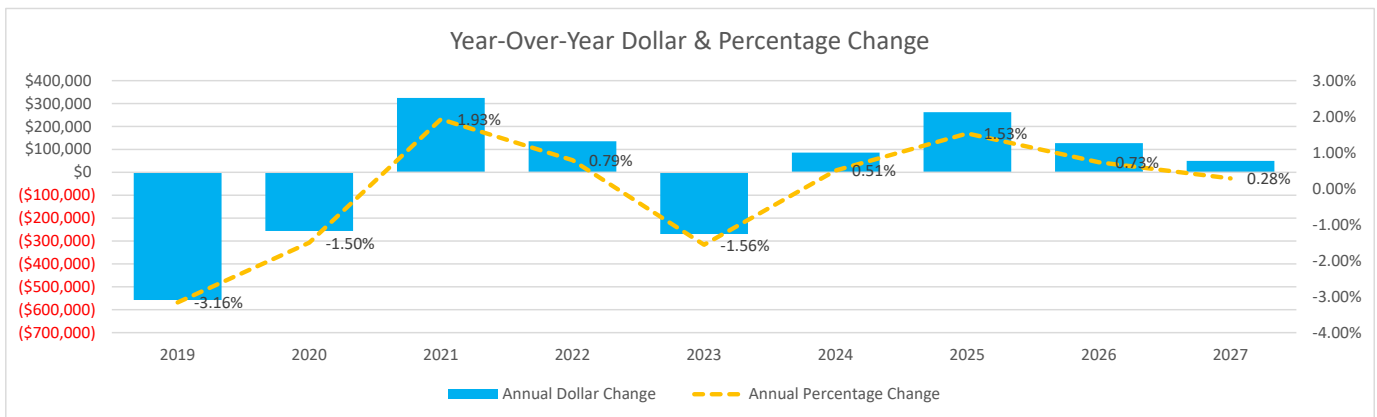
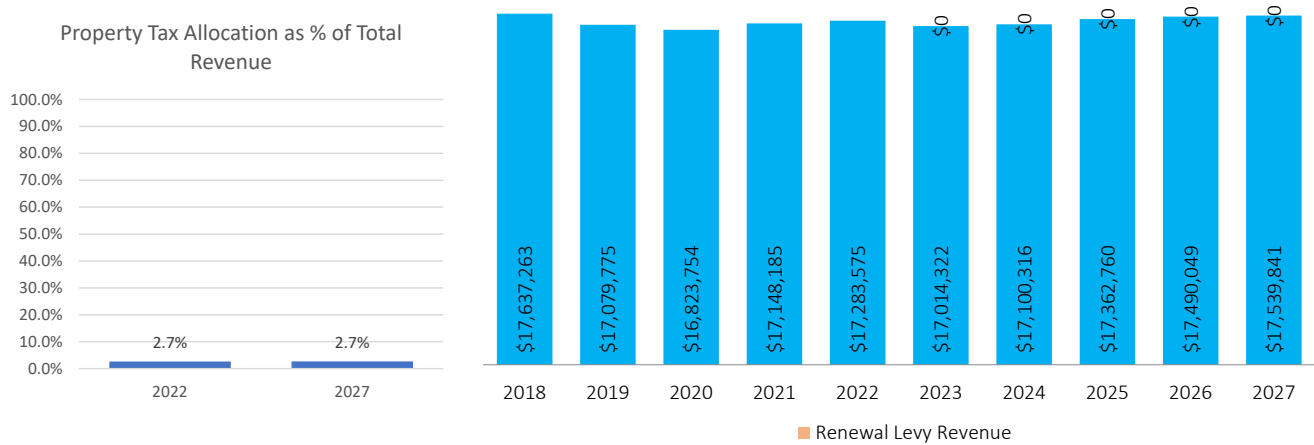
Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Historically the district's restricted state aid changed annually on average by -\$279,058 and is projected to change annually on average by \$1,938,490. Restricted funds represent 7.71% of total revenue. Starting in FY 2022 the district's Success & Wellness funding is considered restricted, the state's share of this funding is recorded as restricted is \$7,323,222. This funding has implications on general fund expenditures in that certain spending now occurring in a fund external to the general fund could shift to the general fund. The expenditures in this forecast are adjusted to reflect this change.

1.050 - Property Tax Allocation

Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.

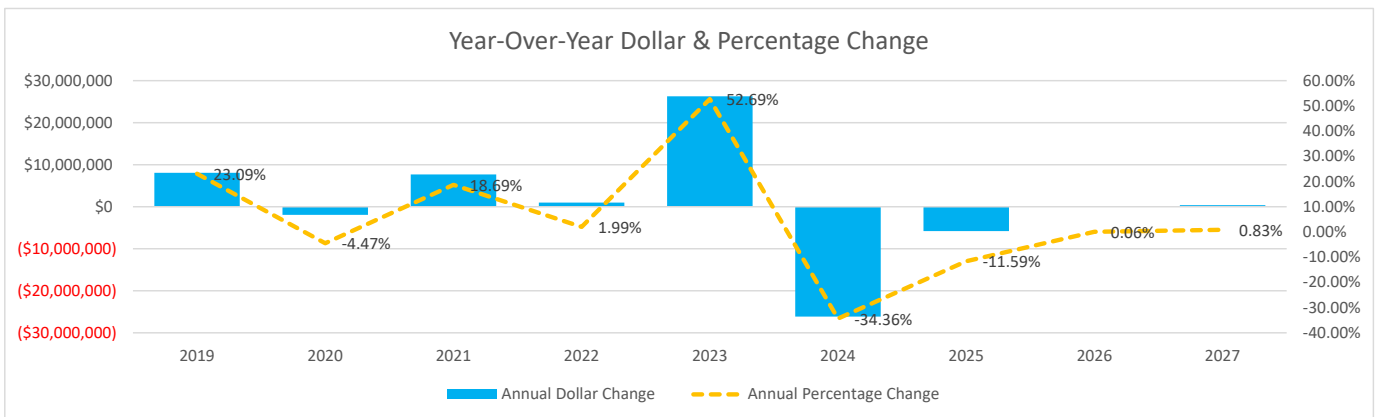
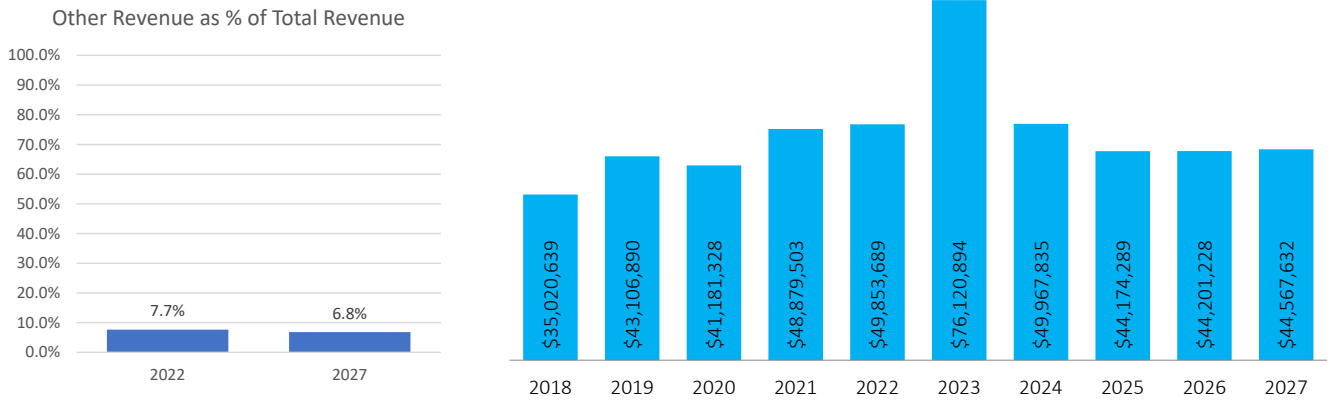


Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2023, approximately 10.4% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 4.8% will be reimbursed in the form of qualifying homestead exemption credits.

*Projected % trends include renewal levies

1.060 - All Other Operating Revenues

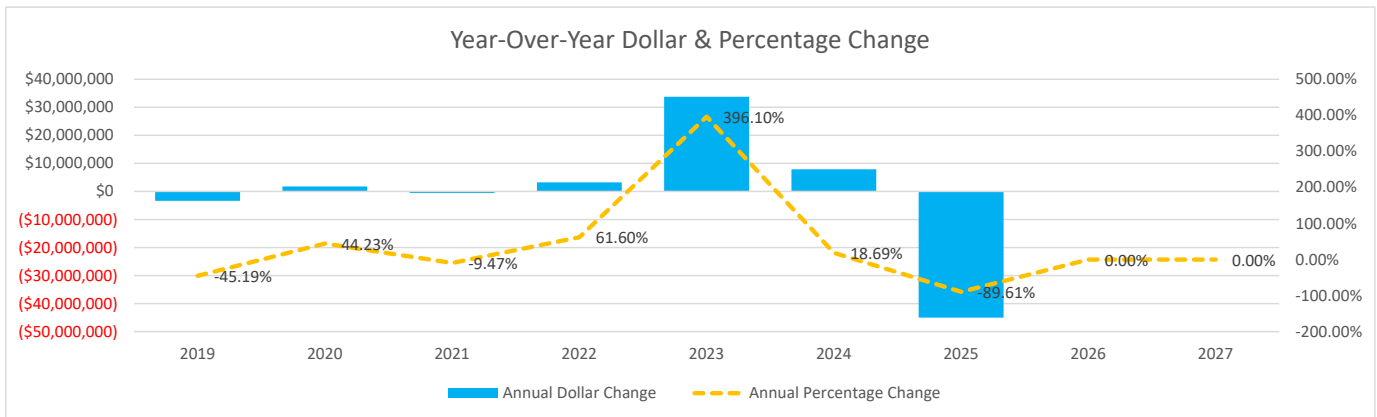
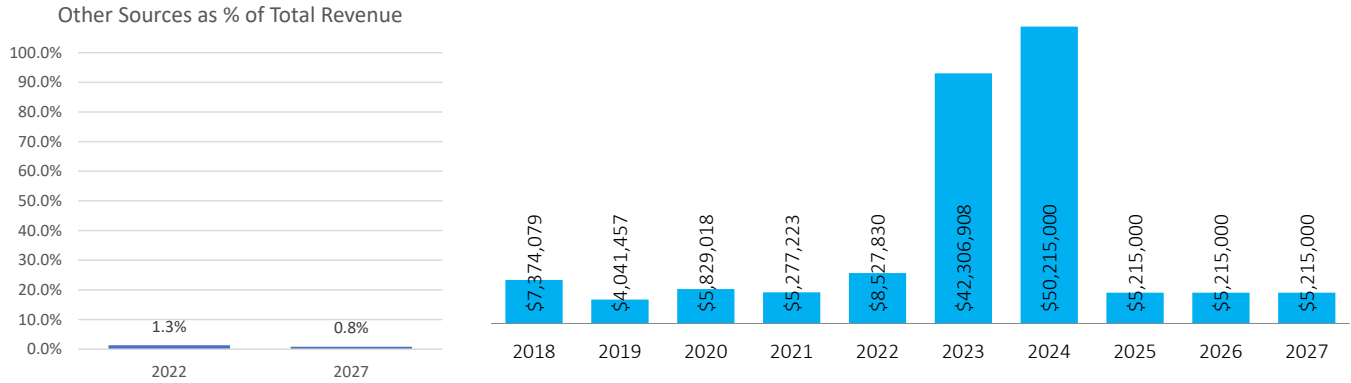
Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was \$2,248,933. The projected average annual change is -\$1,057,211 through FY 2027. The FSFP includes per pupil funding for any open enrollment in students the district is educating. This revenue, if any, was recorded in 'other revenue' prior to FY 2022. Fiscal year 2022 and beyond will not include any open enrollment in revenue. The district posted revenue code 1227 open enrollment in revenue of \$7,396,524 in FY 2021.

2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.

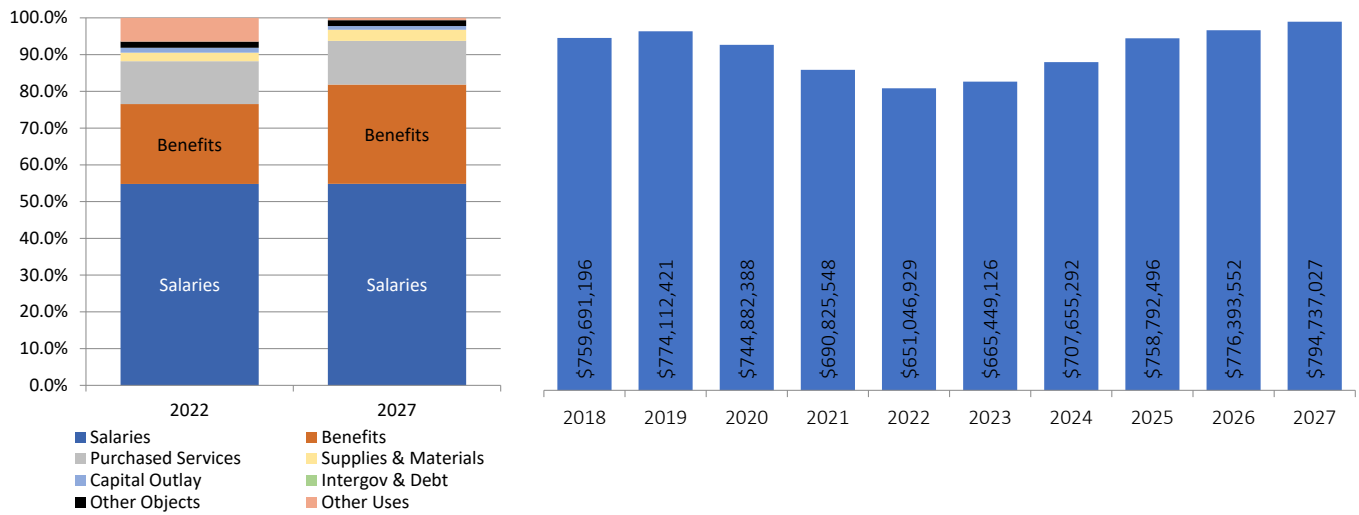


	2022	2023	2024	FORECASTED		
				2025	2026	2027
Transfers In	-	-	-	-	-	-
Advances In	7,845,000	42,091,908	50,000,000	5,000,000	5,000,000	5,000,000
All Other Financing Sources	682,830	215,000	215,000	215,000	215,000	215,000

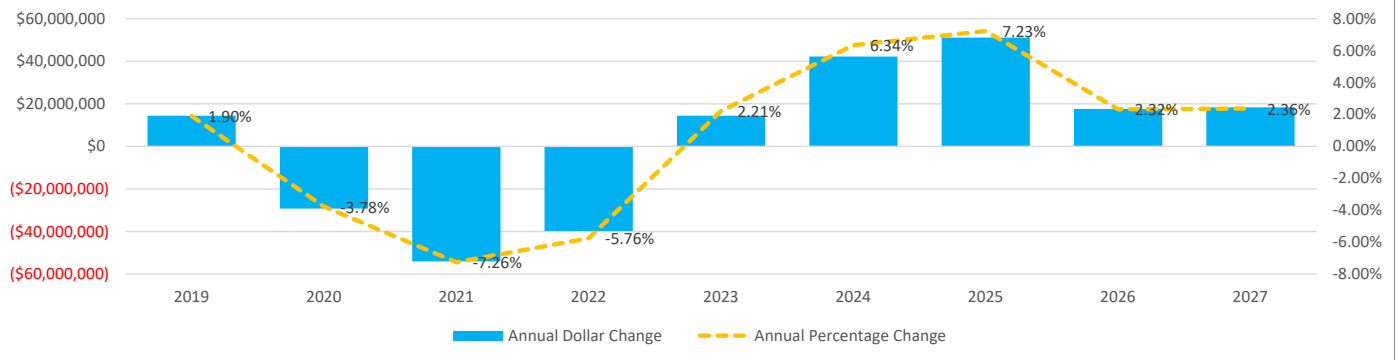
Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In FY 2022 the district received \$7,845,000 as advances-in and is projecting advances of \$42,091,908 in FY 2023. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$215,000 in FY 2023 and average \$215,000 annually through FY 2027.

Expenditure Categories and Forecast Year-Over-Year Projected Overview

Expenditure Categories Over Time



Year-Over-Year Dollar & Percentage Change



3-Year Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

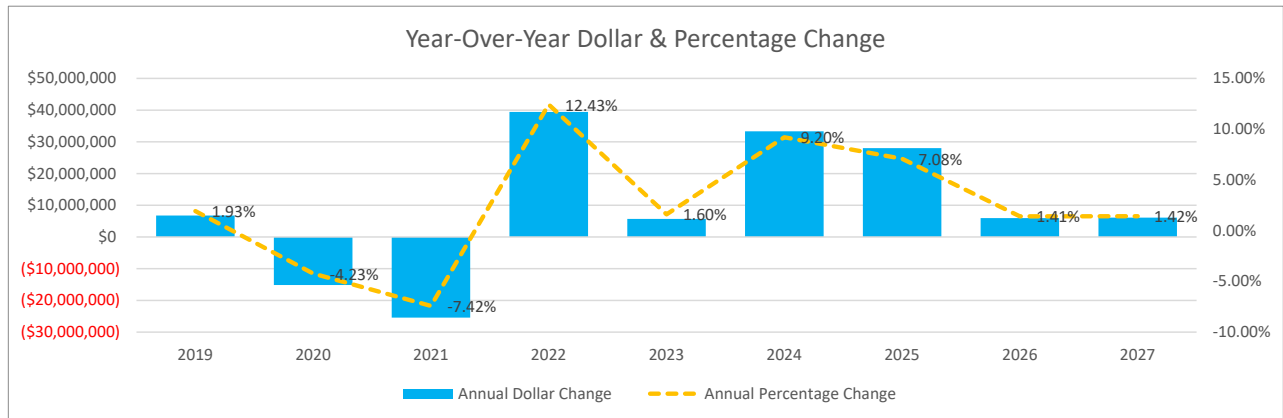
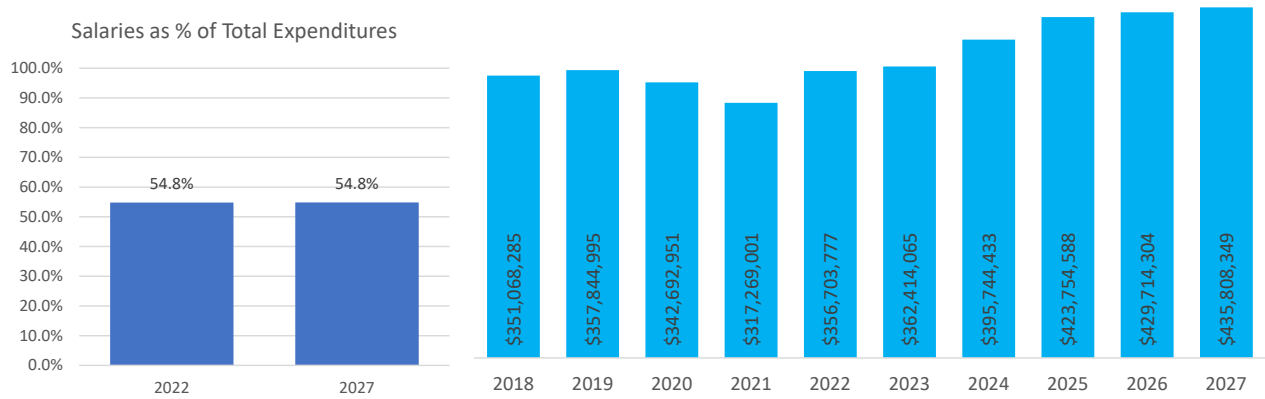
	Historical Average Annual \$\$ Change	Projected Average Annual \$\$ Change	Projected Compared to Historical Variance	Total expenditures decreased -5.90% or -\$41,021,831 annually during the past 3-Year period and is projected to increase 4.41% or \$28,738,020 annually through FY2027. Purchased Services has the largest projected average annual variance compared to the historical average at \$61,666,514.
Salaries	(380,406)	15,820,914	\$16,201,320	
Benefits	\$1,581,786	\$14,618,324	\$13,036,538	
Purchased Services	(\$57,975,677)	\$3,690,836	\$61,666,514	
Supplies & Materials	\$644,510	\$1,794,155	\$1,149,644	
Capital Outlay	\$1,498,338	(\$146,169)	(\$1,644,507)	
Intergov & Debt	\$0	\$0	\$0	
Other Objects	\$912,315	\$378,341	(\$533,974)	
Other Uses	\$12,697,303	(\$7,418,382)	(\$20,115,684)	
Total Average Annual Change	(\$41,021,831)	\$28,738,020	\$69,759,850	
	-5.90%	4.41%	10.31%	

Note: Revenue average annual change is projected to be > \$483,790

On an annual average basis, revenues are projected to grow slower than expenditures.

3.010 - Personnel Services

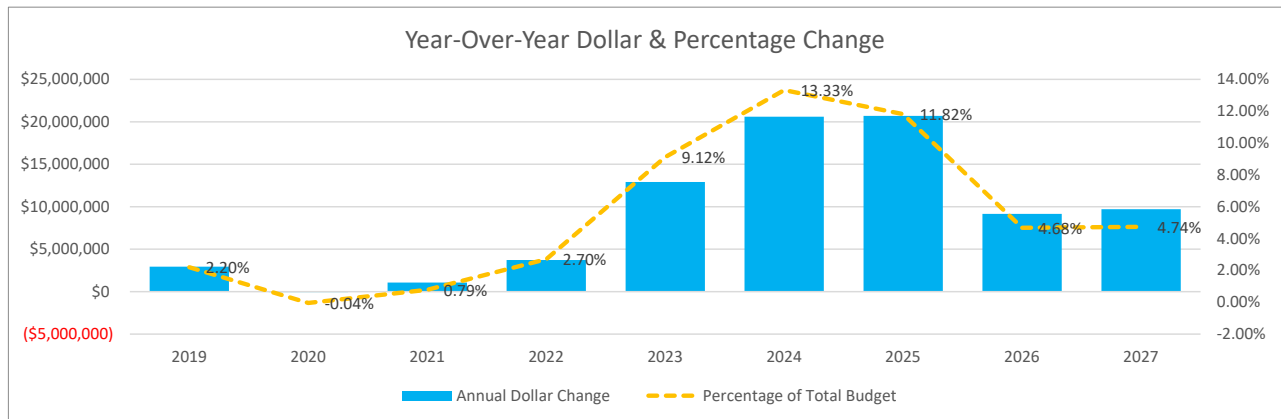
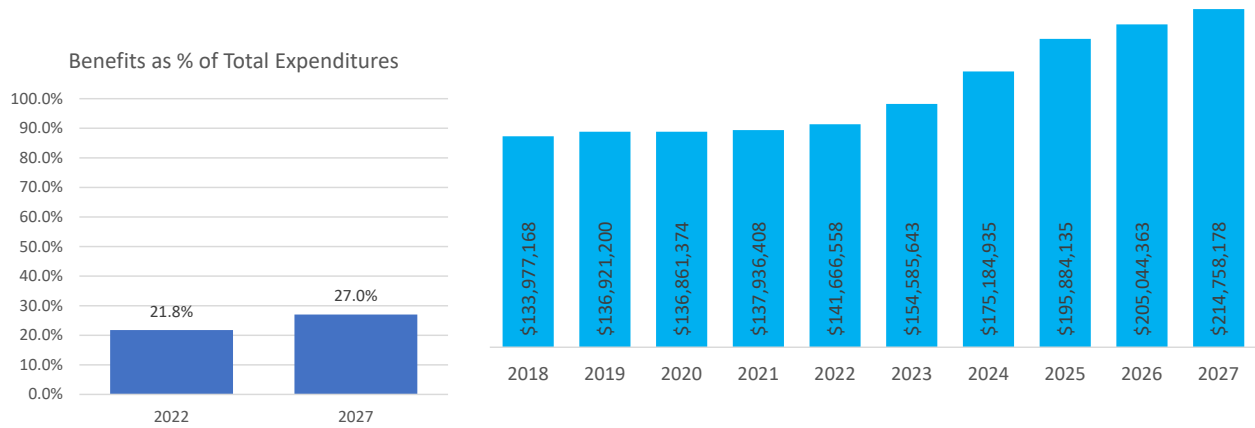
Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



Salaries represent 54.79% of total expenditures and decreased at a historical average annual rate of -0.11% or -\$380,406. This category of expenditure is projected to grow at an annual average rate of 3.86% or \$15,820,914 through FY 2027. The projected average annual rate of change is 3.98% more than the five year historical annual average.

3.020 - Employees' Benefits

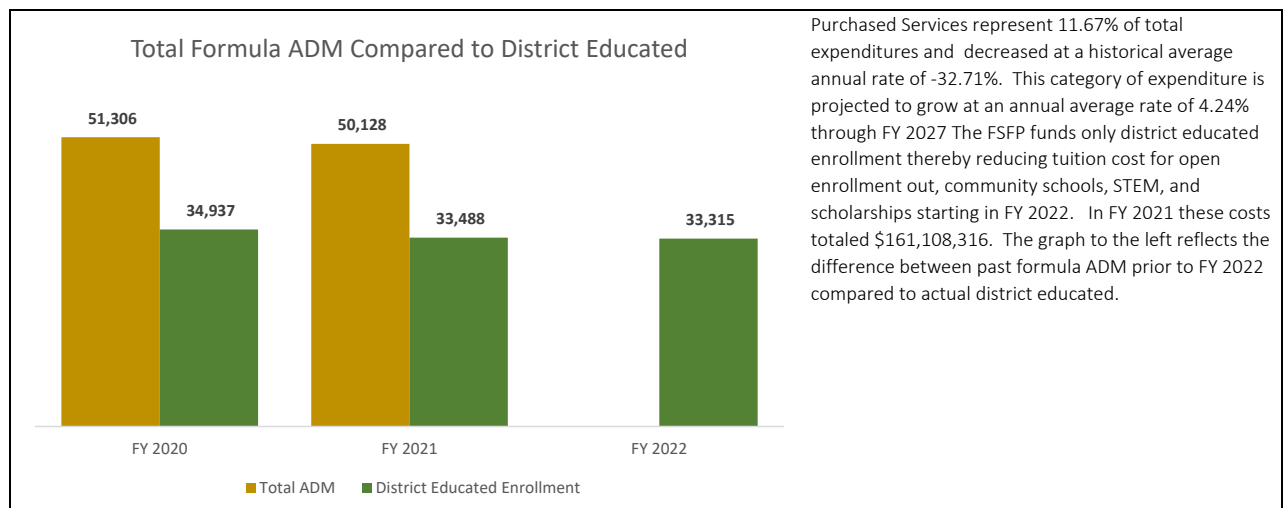
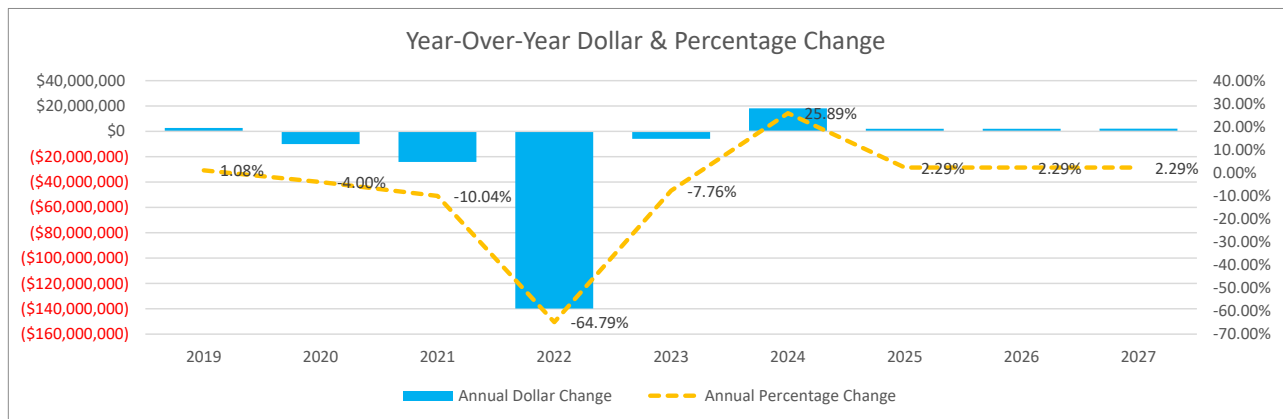
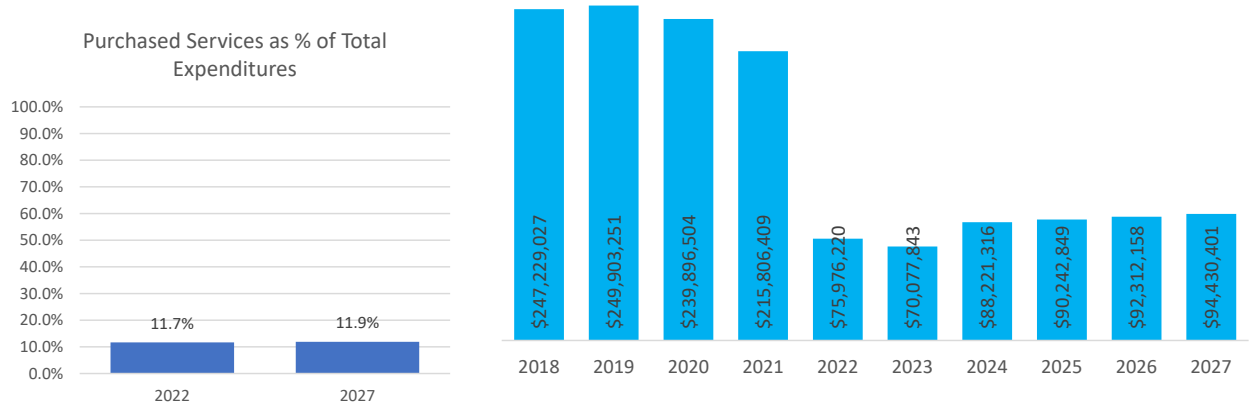
Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



Benefits represent 21.76% of total expenditures and increased at a historical average annual rate of 1.14%. This category of expenditure is projected to grow at an annual average rate of 7.73% through FY 2027. The projected average annual rate of change is 6.59% more than the five year historical annual average.

3.030 - Purchased Services

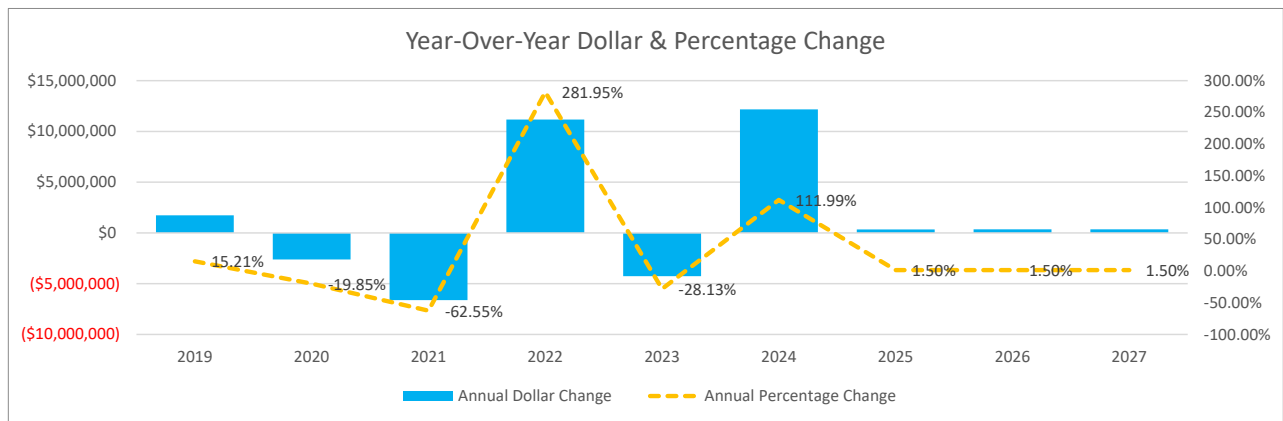
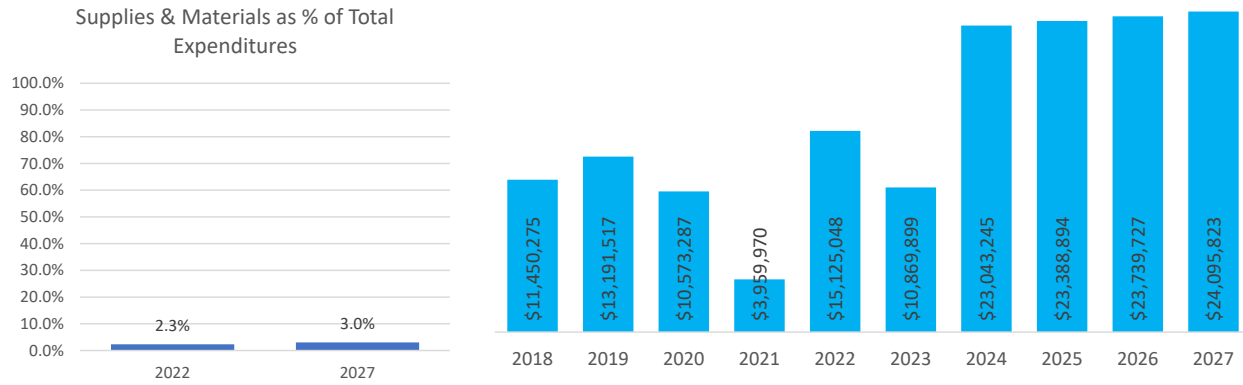
Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, expenses for tuition paid to other districts, utilities costs and other services which the school district may purchase.



Purchased Services represent 11.67% of total expenditures and decreased at a historical average annual rate of -32.71%. This category of expenditure is projected to grow at an annual average rate of 4.24% through FY 2027. The FSFP funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. In FY 2021 these costs totaled \$161,108,316. The graph to the left reflects the difference between past formula ADM prior to FY 2022 compared to actual district educated.

3.040 - Supplies & Materials

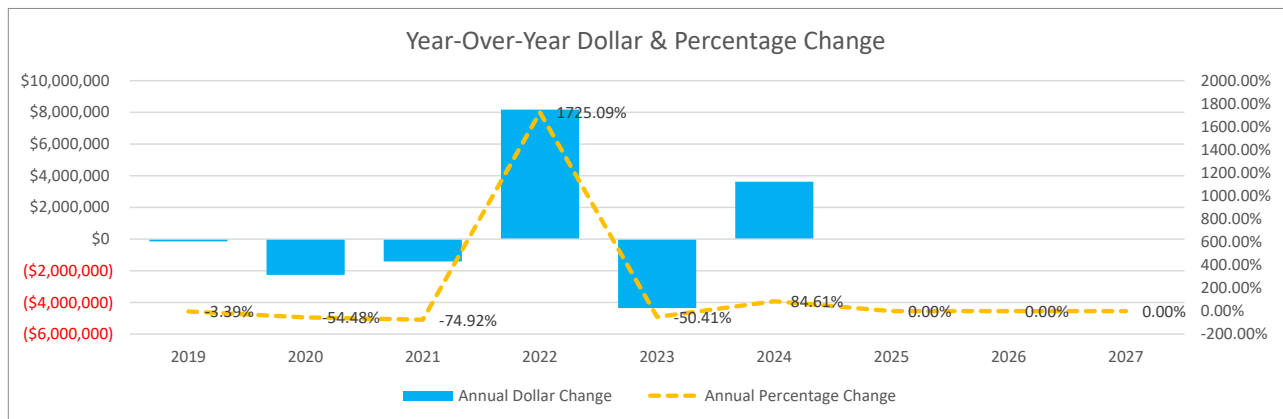
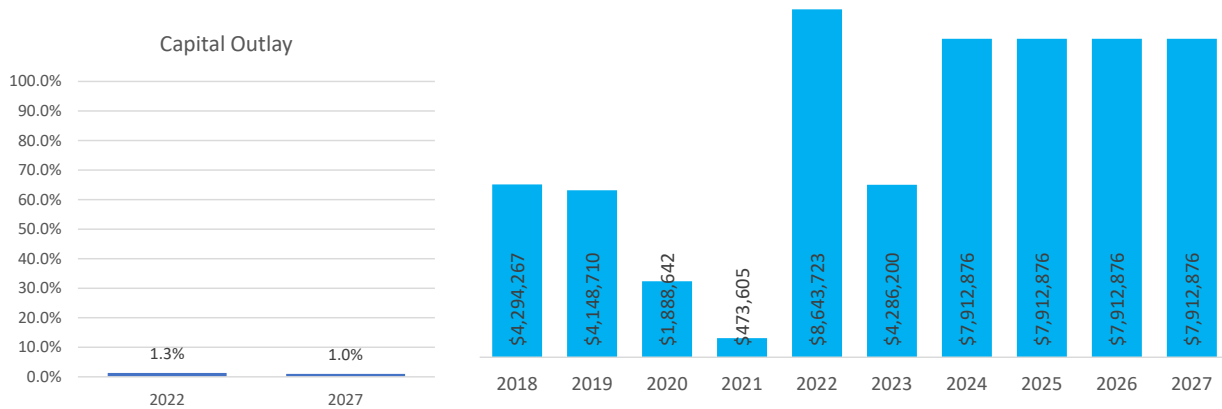
Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



Supplies & Materials represent 2.32% of total expenditures and increased at a historical average annual rate of 6.52%. This category of expenditure is projected to grow at an annual average rate of 8.53% through FY 2027. The projected average annual rate of change is 2.01% more than the five year historical annual average.

3.050 - Capital Outlay

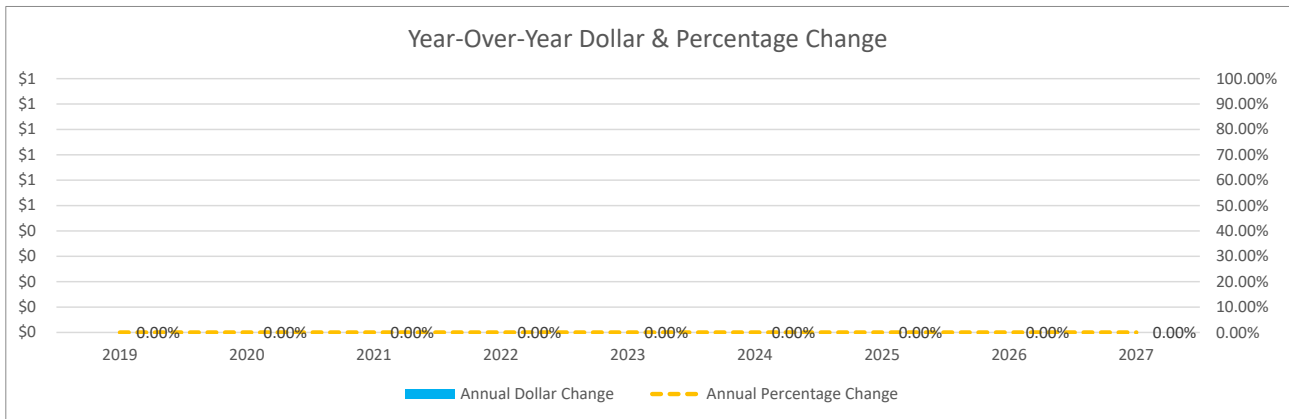
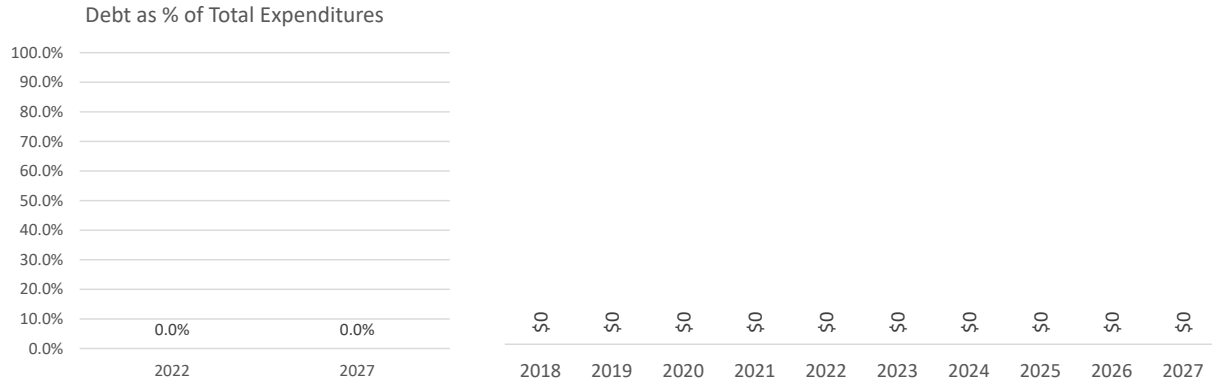
This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



Capital Outlay represent 1.33% of total expenditures and increased at a historical average annual amount of \$1,498,338. This category of expenditure is projected to decrease at an annual average rate of -\$146,169 through FY 2027. The projected average annual change is less than the five year historical annual average.

3.060-4.060 - Intergovernmental & Debt

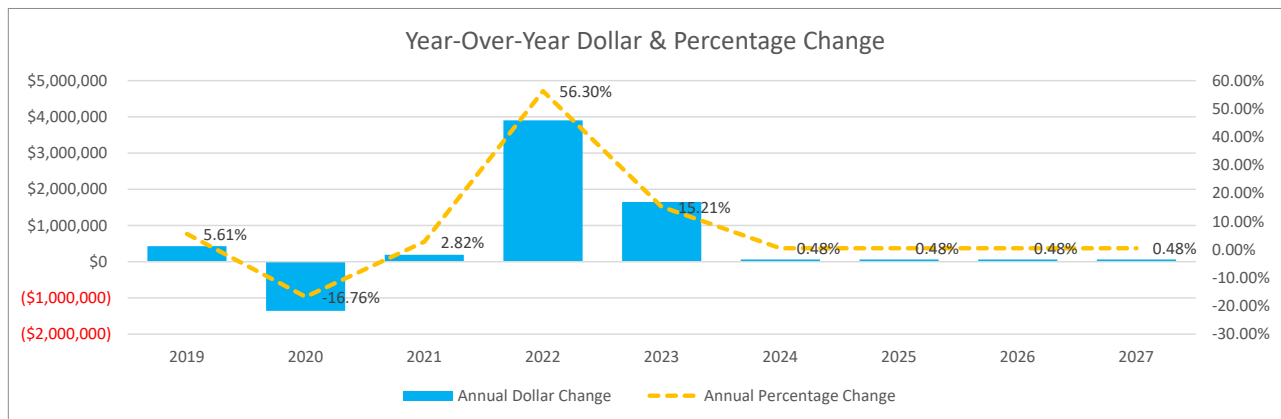
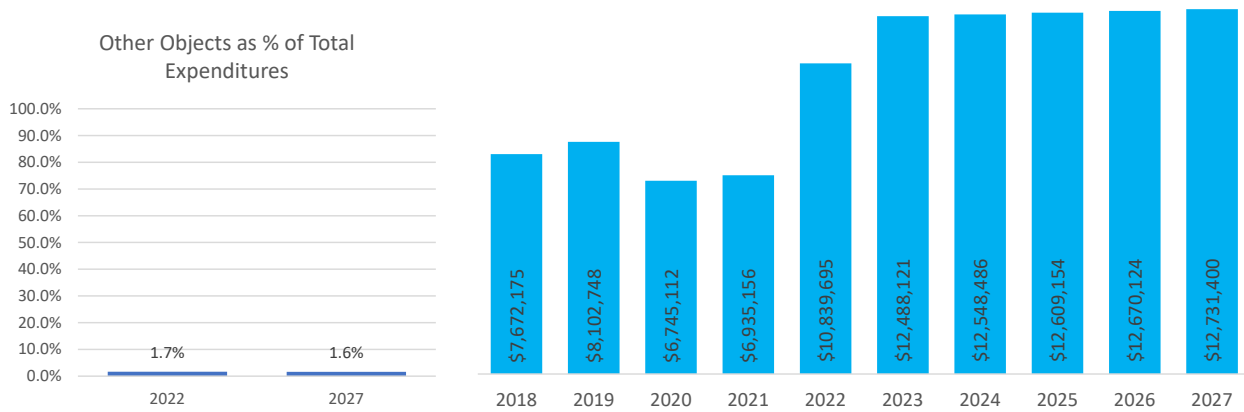
These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



The Intergovernmental/Debt expenditure category details general fund debt issued by the District.

4.300 - Other Objects

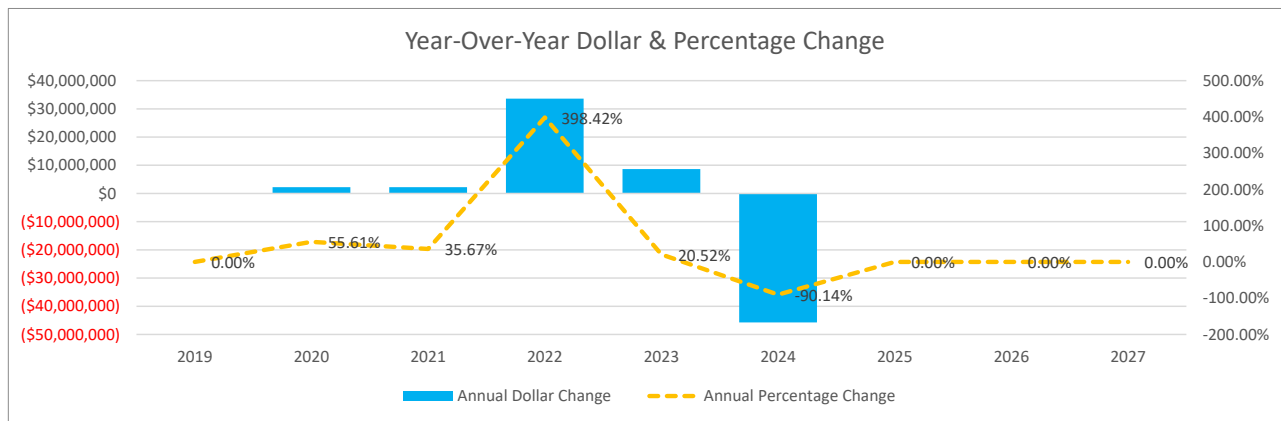
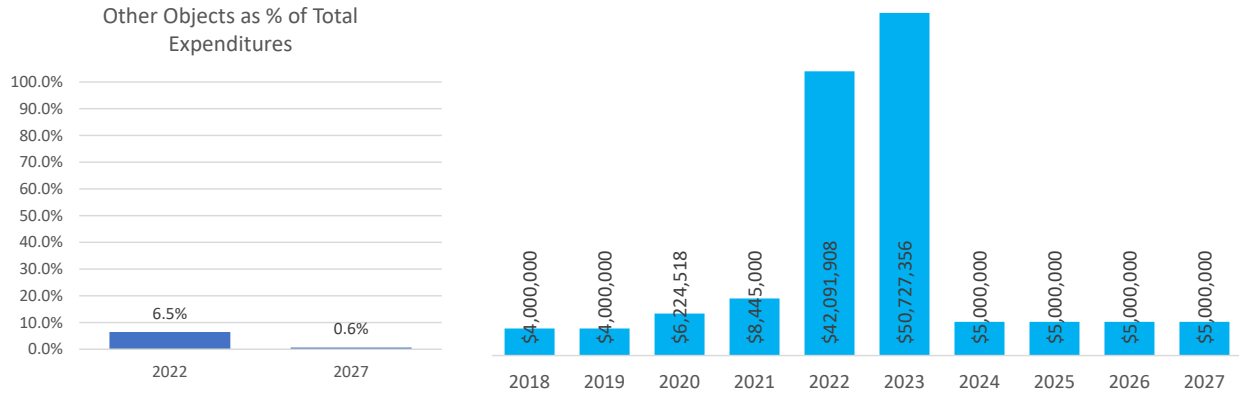
Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



Other Objects represent 1.66% of total expenditures and increased at a historical average annual rate of 11.16%. This category of expenditure is projected to grow at an annual average rate of 3.00% through FY 2027. The projected average annual rate of change is -8.16% less than the five year historical annual average.

5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



	2022	2023	2024	2025	2026	2027
Transfers Out	-	727,356	-	-	-	-
Advances Out	42,091,908	50,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Other Financing Uses	-	-	-	-	-	-

Other uses includes expenditures that are generally classified as non-operating. It is typically in the form of advances-out which are then repaid into the general fund from the other district funds. In FY 2022 the district had advances-out and has advances-out forecasted through FY 2027. The district can also move general funds permanently to other funds and as the schedule above presents, the district has transfers forecasted through FY 2027. The table above presents the district's planned advances and transfers. The district can also have other uses of funds which is reflected in the table above.

Cleveland Municipal School District

Five Year Forecast

Fiscal Year:	Actual	FORECASTED				
	2022	2023	2024	2025	2026	2027
Revenue:						
1.010 - General Property Tax (Real Estate)	219,371,142	219,577,034	225,281,750	223,021,505	224,144,979	224,866,913
1.020 - Public Utility Personal Property	39,254,331	41,365,660	43,521,219	45,187,436	46,990,016	48,869,297
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	266,078,692	257,539,210	254,874,426	253,036,618	252,150,987	252,037,075
1.040 - Restricted Grants-in-Aid	50,174,315	55,548,727	57,903,363	59,452,926	60,038,450	59,866,766
1.050 - Property Tax Allocation	17,283,575	17,014,322	17,100,316	17,362,760	17,490,049	17,539,841
1.060 - All Other Operating Revenues	49,853,689	76,120,894	49,967,835	44,174,289	44,201,228	44,567,632
1.070 - Total Revenue	642,015,744	667,165,847	648,648,909	642,235,534	645,015,709	647,747,524
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	7,845,000	42,091,908	50,000,000	5,000,000	5,000,000	5,000,000
2.060 - All Other Financing Sources	682,830	215,000	215,000	215,000	215,000	215,000
2.070 - Total Other Financing Sources	8,527,830	42,306,908	50,215,000	5,215,000	5,215,000	5,215,000
2.080 - Total Rev & Other Sources	650,543,575	709,472,755	698,863,909	647,450,534	650,230,709	652,962,524
Expenditures:						
3.010 - Personnel Services	356,703,777	362,414,065	395,744,433	423,754,588	429,714,304	435,808,349
3.020 - Employee Benefits	141,666,558	154,585,643	175,184,935	195,884,135	205,044,363	214,758,178
3.030 - Purchased Services	75,976,220	70,077,843	88,221,316	90,242,849	92,312,158	94,430,401
3.040 - Supplies and Materials	15,125,048	10,869,899	23,043,245	23,388,894	23,739,727	24,095,823
3.050 - Capital Outlay	8,643,723	4,286,200	7,912,876	7,912,876	7,912,876	7,912,876
Intergovernmental & Debt Service	-	-	-	-	-	-
4.300 - Other Objects	10,839,695	12,488,121	12,548,486	12,609,154	12,670,124	12,731,400
4.500 - Total Expenditures	608,955,021	614,721,770	702,655,292	753,792,496	771,393,553	789,737,027
Other Financing Uses						
5.010 - Operating Transfers-Out	-	727,356	-	-	-	-
5.020 - Advances-Out	42,091,908	50,000,000	5,000,000	5,000,000	5,000,000	5,000,000
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	42,091,908	50,727,356	5,000,000	5,000,000	5,000,000	5,000,000
5.050 - Total Exp and Other Financing Uses	651,046,929	665,449,126	707,655,292	758,792,496	776,393,552	794,737,027
6.010 - Excess of Rev Over/(Under) Exp	(503,354)	44,023,629	(8,791,383)	(111,341,962)	(126,162,844)	(141,774,503)
7.010 - Cash Balance July 1 (No Levies)	94,990,360	94,487,006	138,510,635	129,719,253	18,377,291	(107,785,553)
7.020 - Cash Balance June 30 (No Levies)	94,487,006	138,510,635	129,719,253	18,377,291	(107,785,553)	(249,560,055)
		Reservations				
8.010 - Estimated Encumbrances June 30	17,251,299	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	77,235,707	122,510,635	113,719,253	2,377,291	(123,785,553)	(265,560,055)
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Renewal Levies	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	77,235,707	122,510,635	113,719,253	2,377,291	(123,785,553)	(265,560,055)
Revenue from New Levies						
13.010 & 13.020 - New Levies	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	77,235,707	122,510,635	113,719,253	2,377,291	(123,785,553)	(265,560,055)

State Funding Budget Process and May Financial Forecast

At the start of the state's FY 2024 and 2025 budget process the Governor introduced these key elements regarding the Fair School Funding Plan which started July 1, 2022:

- The FSFP would continue.
- It would be funded at the same 2018 base cost calculations
- Original phase-ins of the new formula would continue

While there is no legislatively approved state budget, the May forecast as prepared assumes the Governor's proposal. The 2018 base cost components as used in FY 2022 and 2023 and proposed by the Governor would be extended as follows:

- Base per pupil cost (funding) is calculated at the 2018 level through FY 2027
- FSFP phase-in continues until culminating at 100% phased-in by FY 2027

The Ohio House of Representatives introduced an amendment to the Governor's proposal that would update the base cost components to the 2022 cost data. This change is potentially significant for many districts, however some districts will benefit only minimally or not at all. While the state budget deliberations continue the 2022 base cost was modeled to see the potential impact on the district's forecast. This is only an estimate and is intended to show relative potential significance. The modeling assumes:

- That the 2022 base cost components will be used in FY 2024 and 2025.
- The 2022 base cost components will be updated to 2024 cost data in FY 2026 and 2027.
- That the formula is fully phased-in by FY 2027.

For our district the annual impact on revenue Over/(Under) the current forecast modeling is reflected below along with a cumulative potential impact on the district's cash balance. If warranted the Board may be asked to approve an amended forecast in June.

Other Observations:

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