

Cleveland Municipal School District

Five Year Forecast Financial Report

November, 2023

Table of Contents

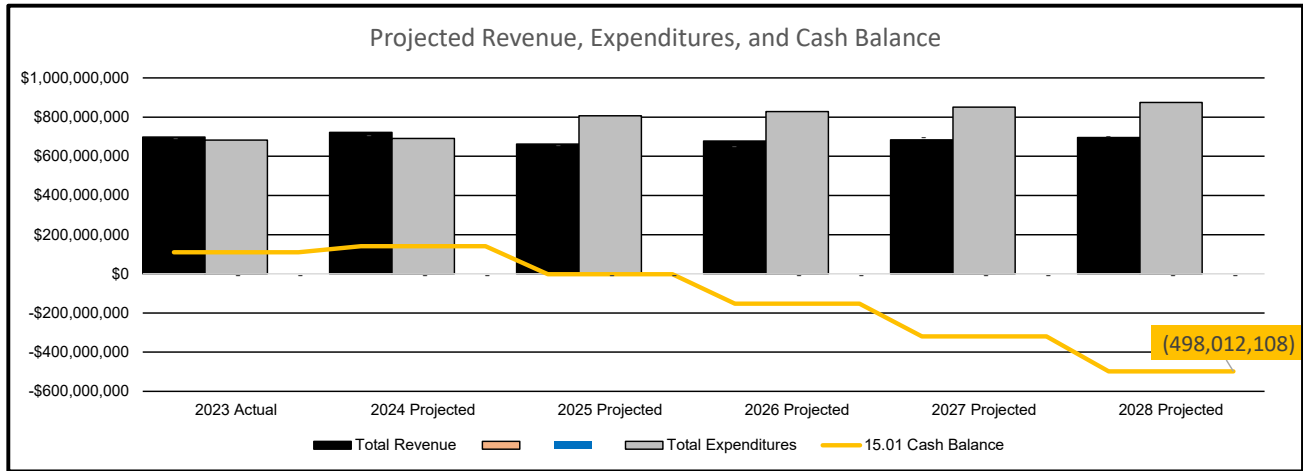
	<u>Page</u>
Table of Contents	2
Forecast Summary	3
Revenue Sources and Forecast Year-Over-Year Projected Overview	4
1.010 - General Property Tax (Real Estate)	5
1.020 - Public Utility Personal Property	6
1.030 - Income Tax	7
1.035 - Unrestricted Grants-in-Aid	8
1.040 & 1.045 - Restricted Grants-in-Aid	9
1.050 - State Share-Local Property Taxes	10
1.060 - All Other Operating Revenues	11
2.070 - Total Other Financing Sources	12
Expenditures Overview	13
3.010 - Personnel Services	14
3.020 - Employee Benefits	15
3.030 - Purchased Services	16
3.040 - Supplies and Materials	17
3.050 - Capital Outlay	18
3.060 - 4.060 - Intergovernmental & Debt	19
4.300 - Other Objects	20
5.040 - Total Other Financing Uses	21
Five Year Forecast	22

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 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
Beginning Balance (Line 7.010) Plus Renewal/New Levies Modeled	109,516,971	140,928,279	(2,334,639)	(152,033,031)	(319,019,129)
+ Revenue	722,398,495	662,904,521	678,109,973	683,691,709	695,438,679
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(690,987,187)	(806,167,439)	(827,808,365)	(850,677,807)	(874,431,658)
= Revenue Surplus or Deficit	31,411,308	(143,262,917)	(149,698,392)	(166,986,098)	(178,992,979)
Line 7.020 Ending Balance with renewal/new levies	140,928,279	(2,334,639)	(152,033,031)	(319,019,129)	(498,012,108)

Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	31,411,308	(143,262,917)	(149,698,392)	(166,986,098)	(178,992,979)
Ending Balance w/o Levies	140,928,279	(2,334,639)	(152,033,031)	(319,019,129)	(498,012,108)

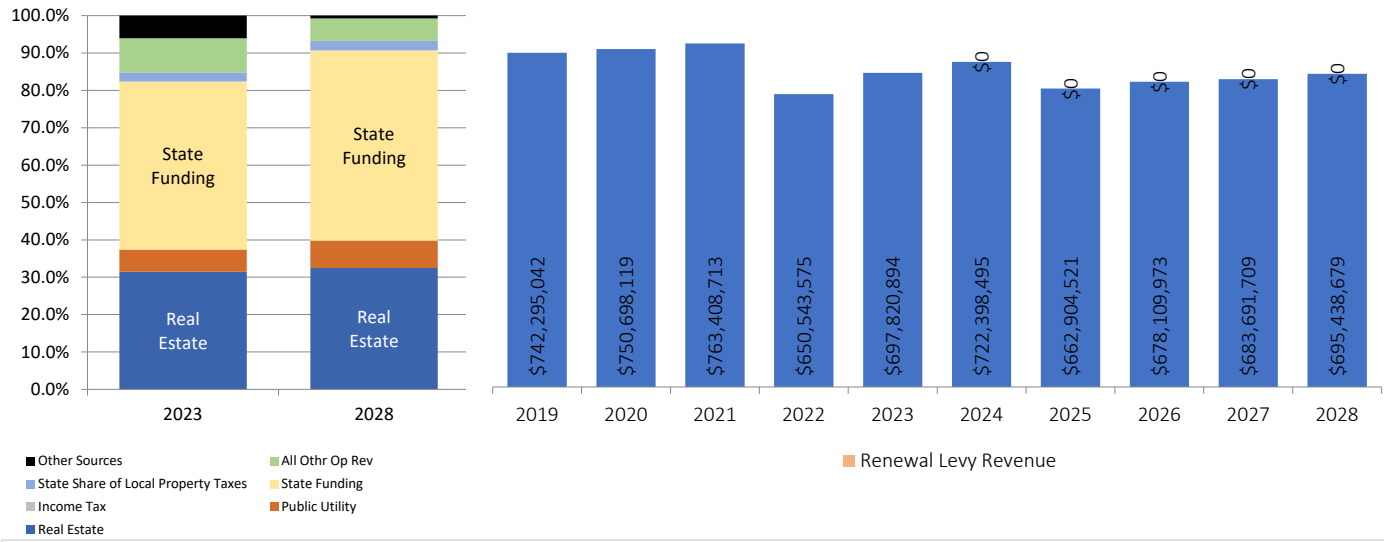
In FY 2024 a revenue surplus is expected. This means that expenditures are expected to be less than revenue by -\$31,411,308 in FY 2024. By the last year of the forecast, FY 2028, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$178,992,979. The district would need to cut its FY 2028 projected expenses by 20.47% in order to balance its budget without additional revenue.

The district's cash balance is positive at year-end in FY 2024 and is projected to worsen by FY 2028. A worsening cash balance can erode the district's financial stability over time.

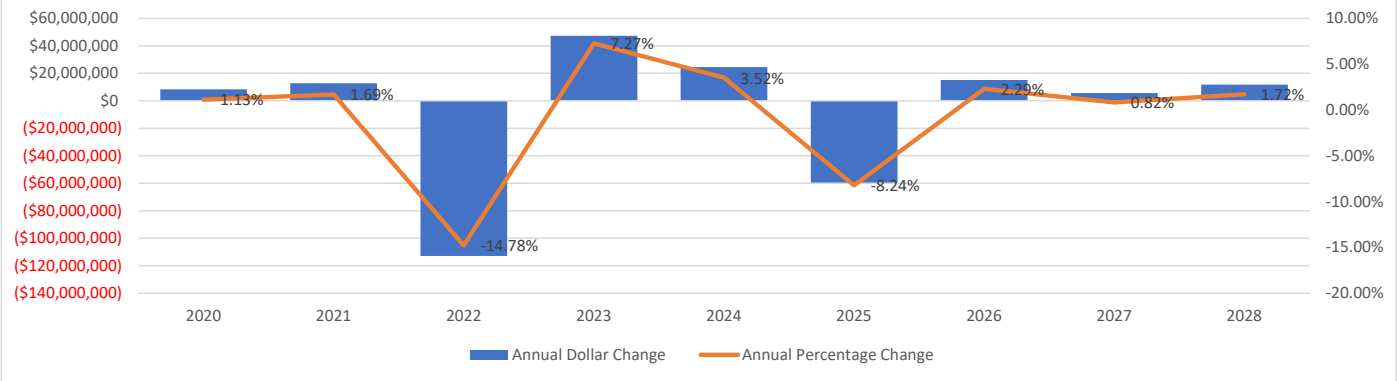
This forecast includes the Fair School Funding Plan (FSFP) adopted by Ohio starting in FY 2022. In addition to calculated results, this forecast includes a CFO adjusted trend calculation of the FSFP impact using current information. As information changes the estimates will be updated. The district is considered a formula 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



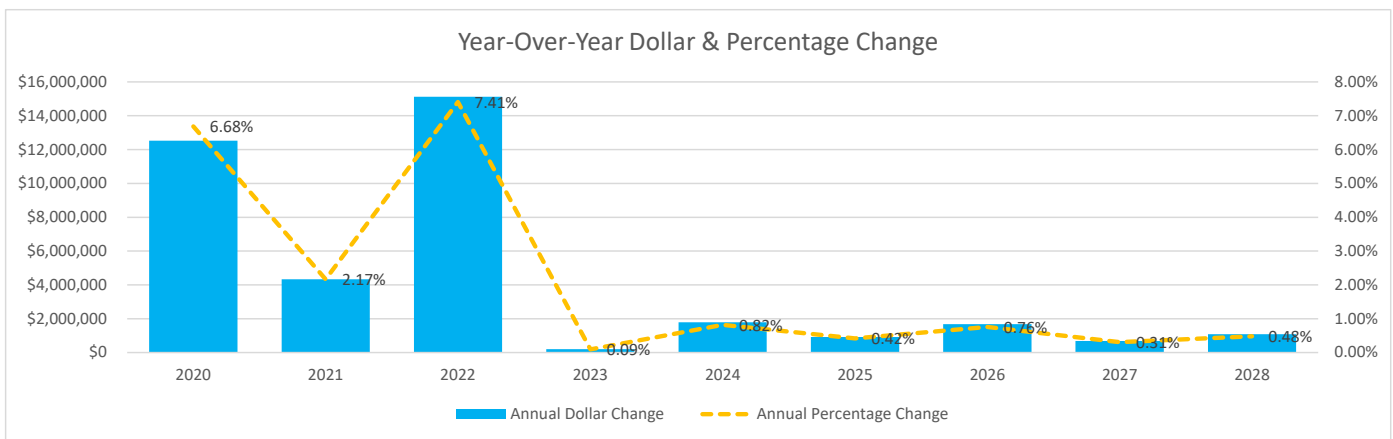
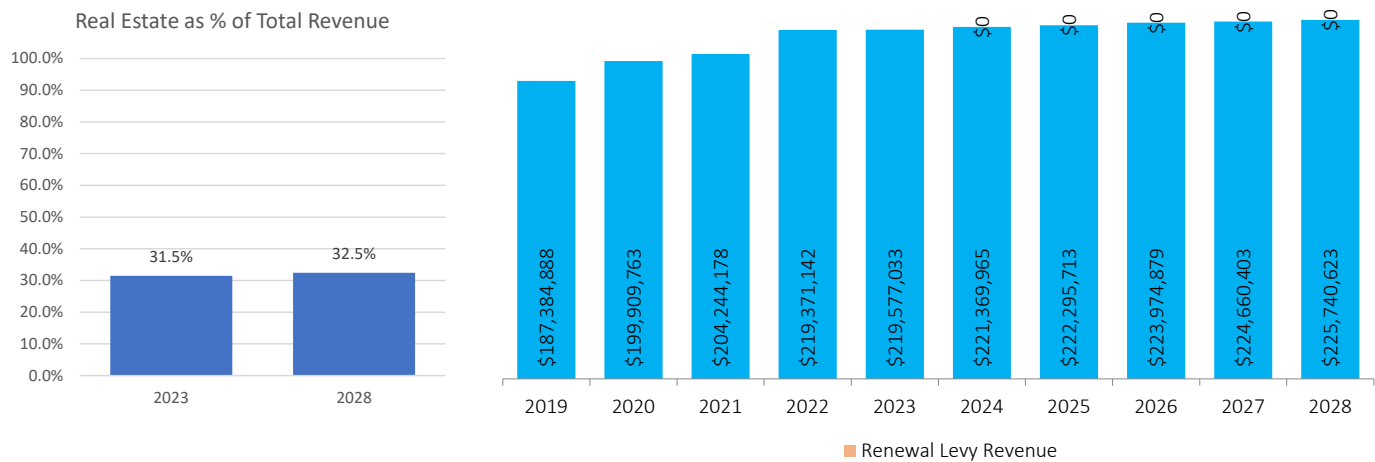
4-Year Historical Actual Average Annual Dollar Change Compared to 5-year Projected

	Historical Average Annual \$\$ Change	Projected Average Annual \$\$ Change	Projected Compared to Historical Variance	Total revenue decreased -1.17% or -\$11,118,537 annually during the past 4-Year period and is projected to increase 0.02% or -\$476,443 annually through FY2028. State Funding has the most projected average annual variance compared to the historical average at \$44,495,107
Real Estate	8,048,036	1,232,718	(\$6,815,318)	
Public Utility	\$2,601,512	\$1,884,575	(\$716,937)	
Income Tax	\$0	\$0	\$0	
State Funding	(\$36,440,182)	8,054,925	\$44,495,107	
Prop Tax Alloc	(\$30,914)	\$137,631	\$168,545	
All Othr Op Rev	\$5,175,920	(\$4,399,330)	(\$9,575,250)	
Other Sources	\$9,527,090	(\$7,386,963)	(\$16,914,053)	
Total Average Annual Change	(11,118,537)	(476,443)	\$10,642,094	
	-1.17%	0.02%	1.20%	

Note: Expenditure average annual change is projected to be > \$38,328,146 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).



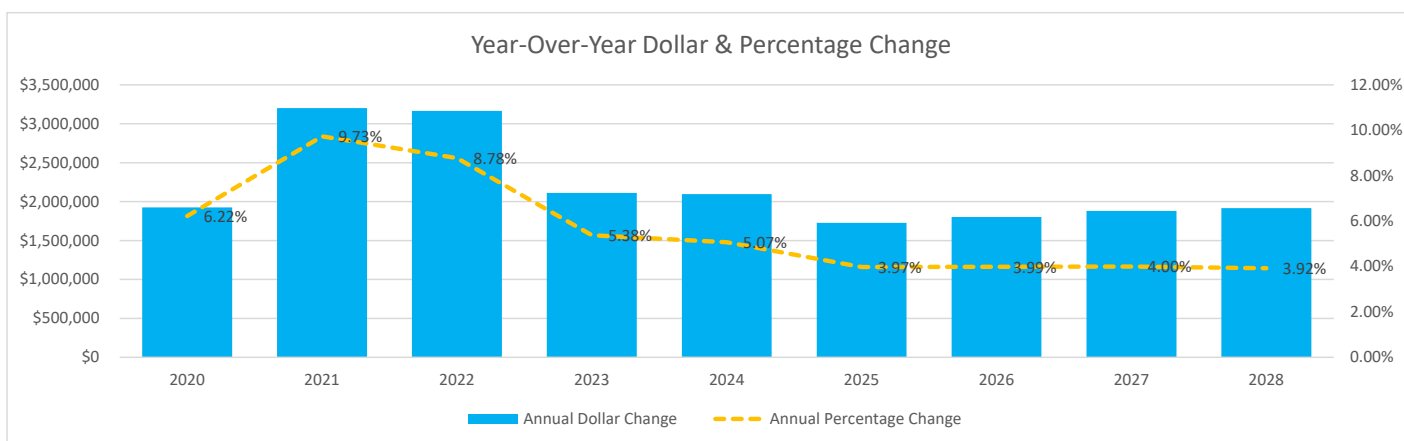
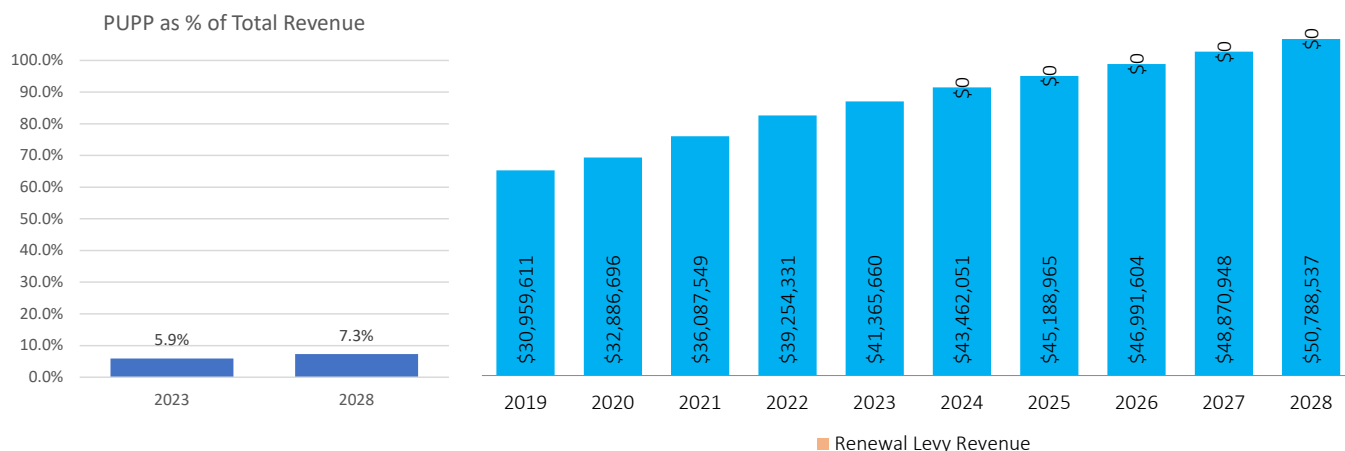
Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class II Rate	Change	
2022	5,427,325,130	32,260,000	38.94	-	51.74	-	97.9%
2023	5,417,325,130	(10,000,000)	39.03	0.10	51.93	0.19	97.2%
2024	6,114,325,130	697,000,000	33.01	(6.02)	50.51	(1.42)	97.2%
2025	6,105,325,130	(9,000,000)	33.13	0.12	50.78	0.27	97.2%
2026	6,107,325,130	2,000,000	33.20	0.07	50.96	0.18	97.2%
2027	6,312,325,130	205,000,000	32.00	(1.20)	50.34	(0.62)	97.2%

Real estate property tax revenue accounts for 31.47% of total revenue. Class I or residential/agricultural taxes make up approximately 40.35% of the real estate property tax revenue. The Class I tax rate is 39.03 mills in tax year 2023. The projections reflect an average gross collection rate of 97.2% annually through tax year 2027. The revenue changed at an average annual historical rate of 4.09% and is projected to change at an average annual rate of 0.56% through FY 2028.

*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.



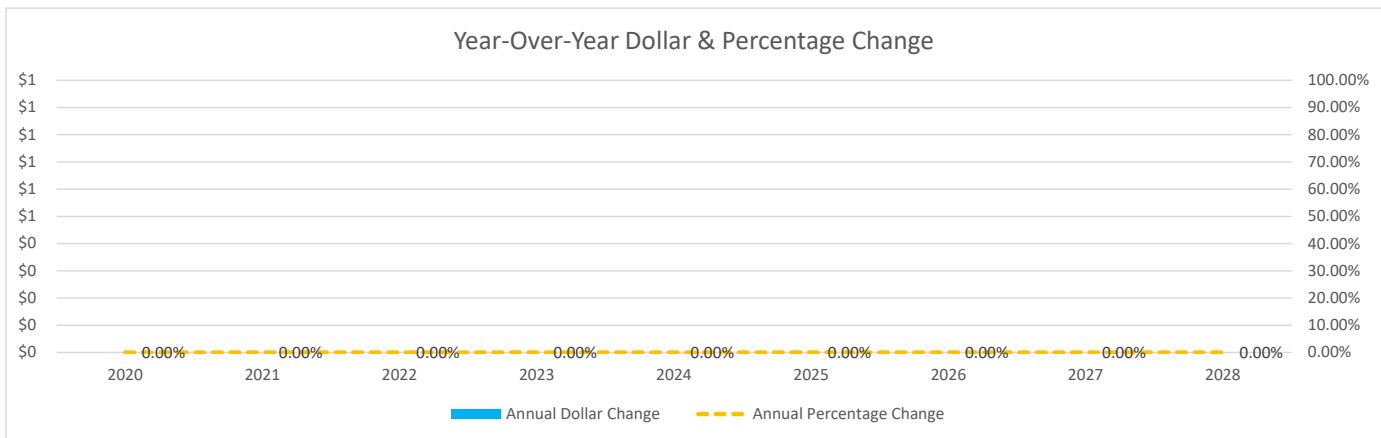
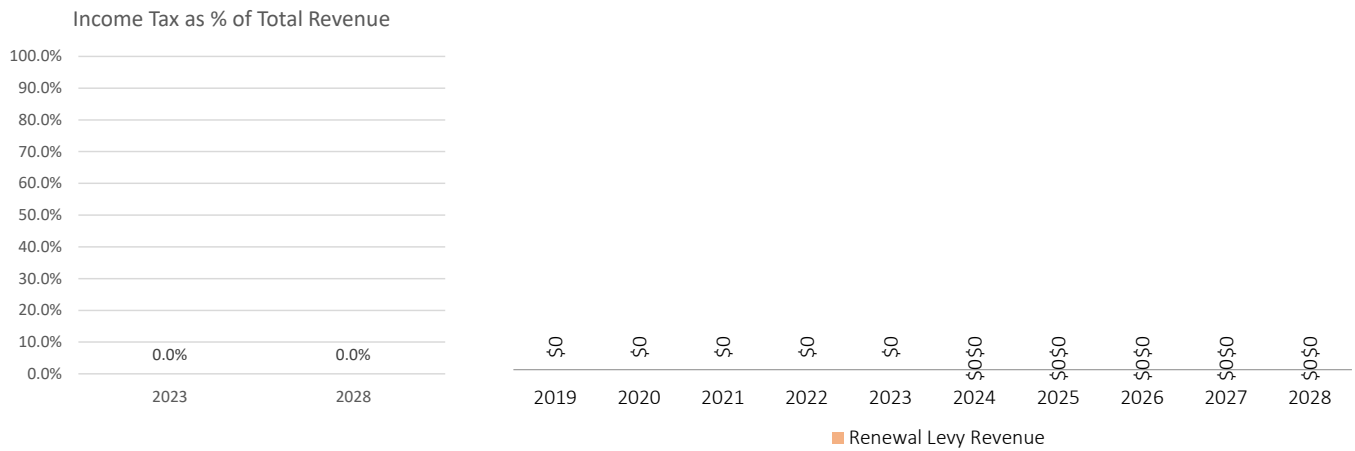
Values and Tax Rates					Gross Collection Rate Including Delinquencies
Tax Year	Valuation	Value Change	Full Voted Rate	Change	
2022	555,606,100	32,526,250	76.70	-	100.0%
2023	577,606,100	22,000,000	76.70	-	100.0%
2024	600,606,100	23,000,000	76.70	-	100.0%
2025	624,606,100	24,000,000	76.70	-	100.0%
2026	649,606,100	25,000,000	76.70	-	100.0%
2027	674,606,100	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 5.93% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2023 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 \$2,601,512 and is projected to change at an average annual dollar amount of \$1,884,575 through FY 2028.

*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.

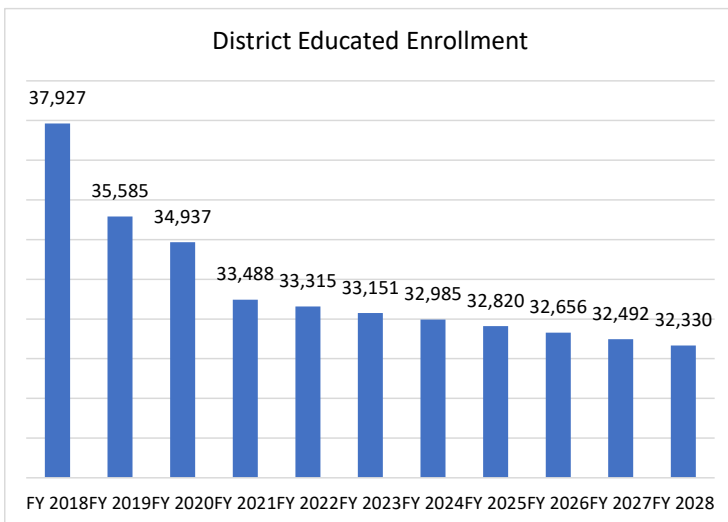
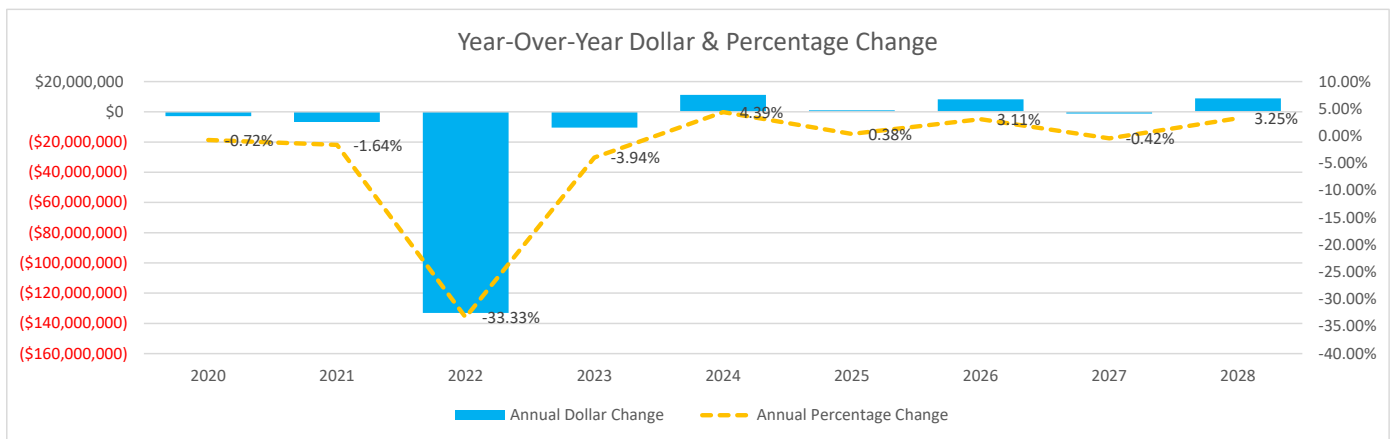
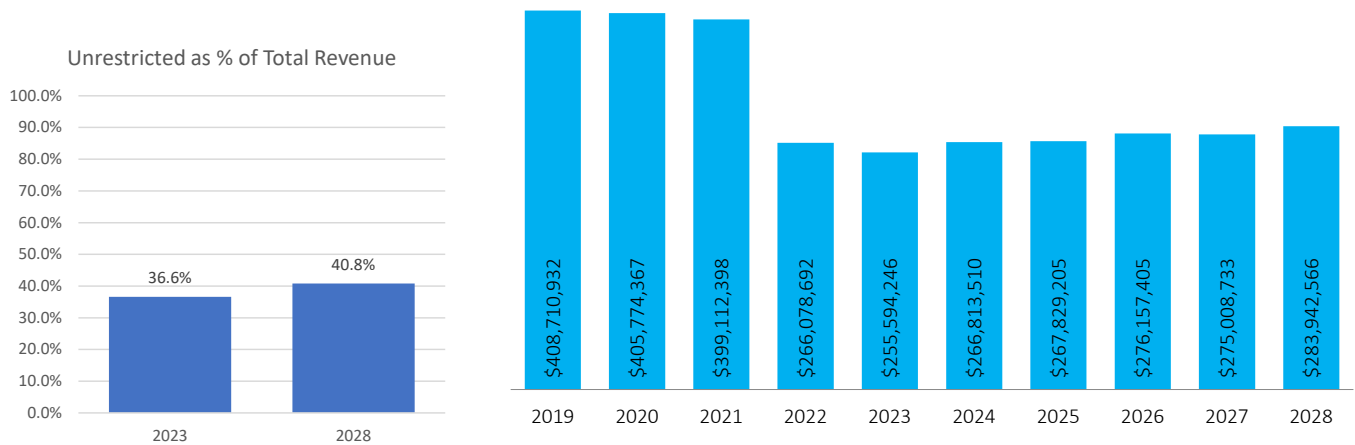


The district does not have an income tax levy.

**Projected % trends include renewal levies*

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



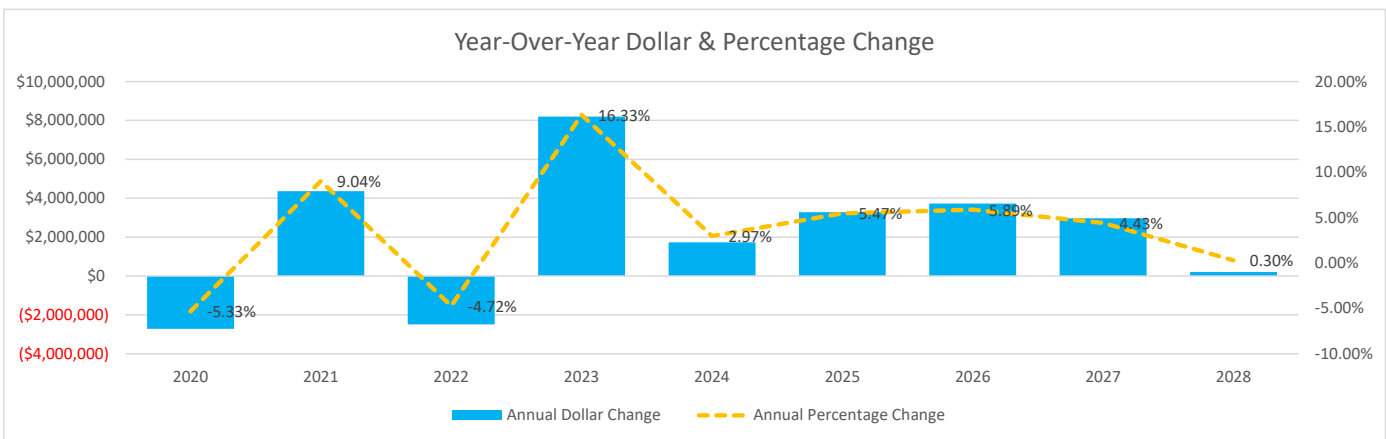
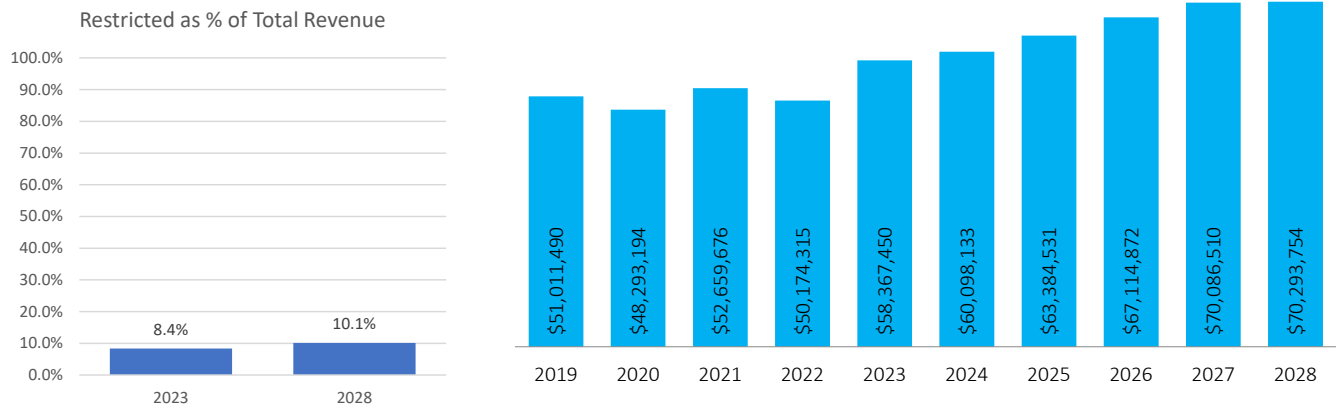
Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual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

For Cleveland Municipal School District the calculated Base Cost total is \$269,608,455 in FY 2023. The state's share of the calculated Base Cost total is \$182,388,074 or \$5,529 per pupil.

The FSFP also started funding students where they attended school. Therefore district educated enrollment is now used for per pupil funding. At the same time, the FSFP eliminated tuition transfer payments from school districts.

1.040 & 1.045 - Restricted Grants-in-Aid

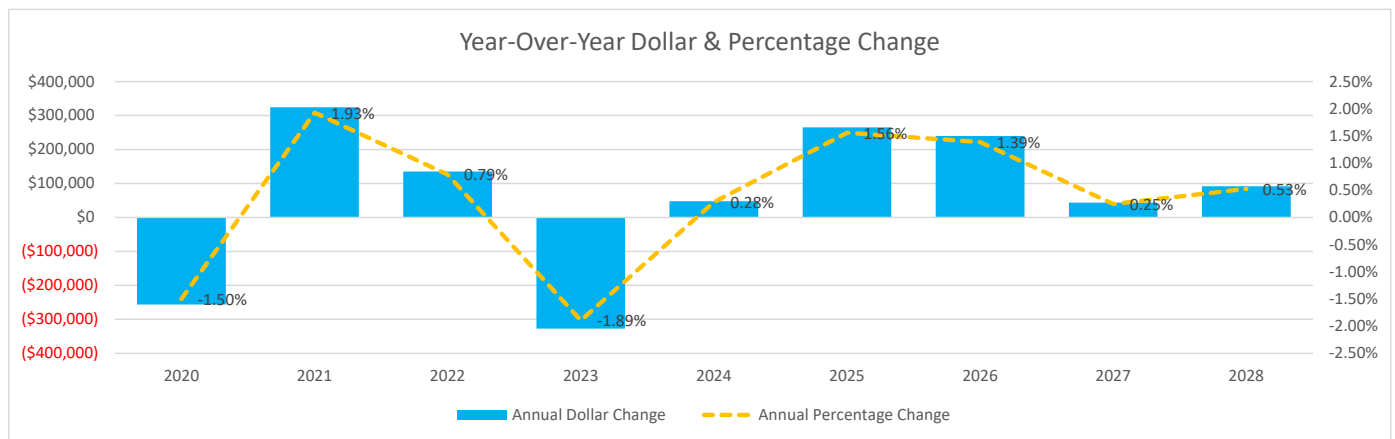
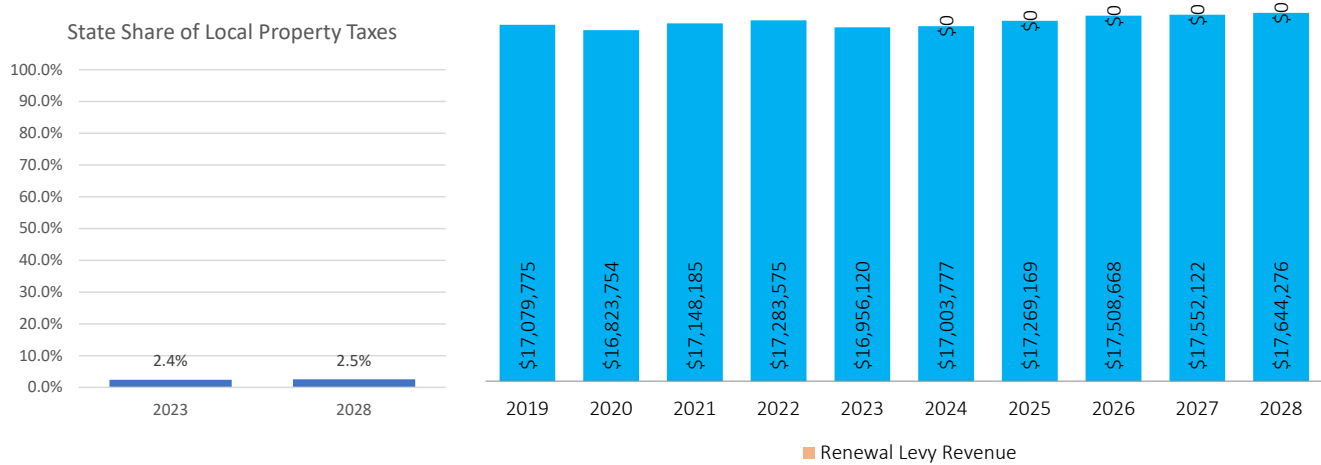
Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



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 \$3,358,085 and is projected to change annually on average by \$2,385,261. Restricted funds represent 8.36% 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 \$7,945,282. 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 - State Share of Local Property Taxes

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

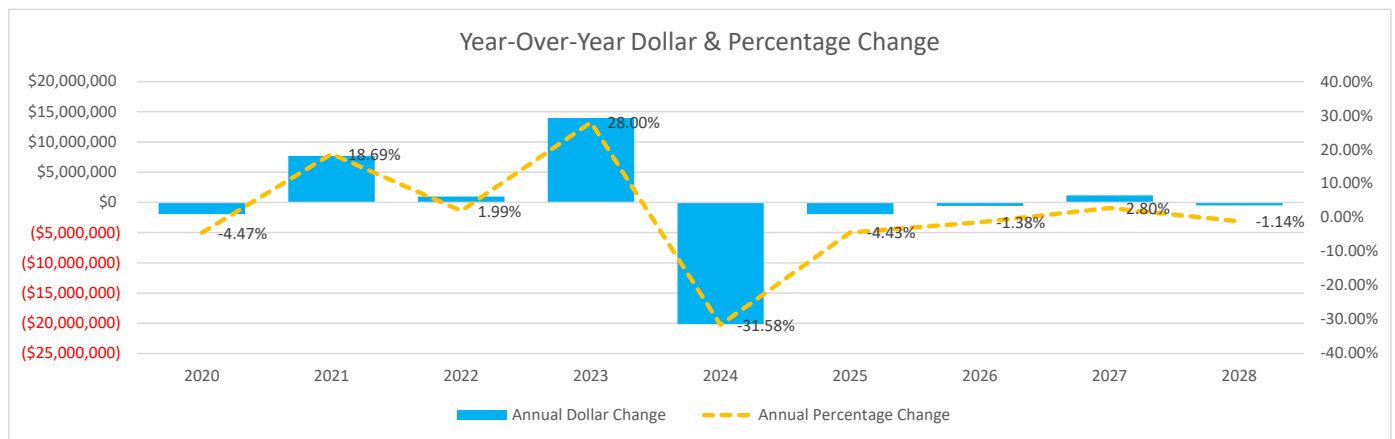
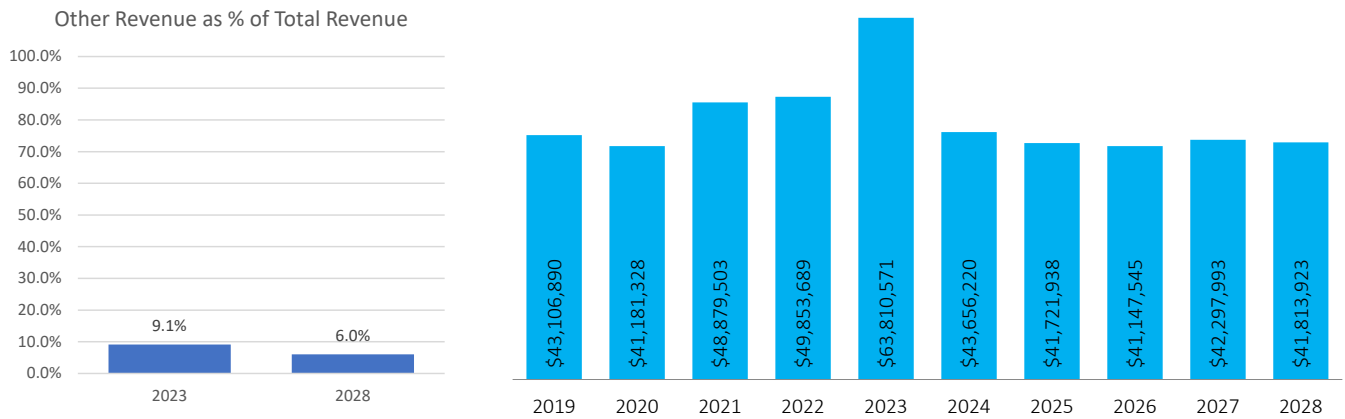


State Share of Local Property Taxes primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2024, approximately 10.4% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 4.7% will be reimbursed in the form of qualifying homestead exemption credits.

*Projected % trends include renewal levies

1.060 - All Other Operating Revenues

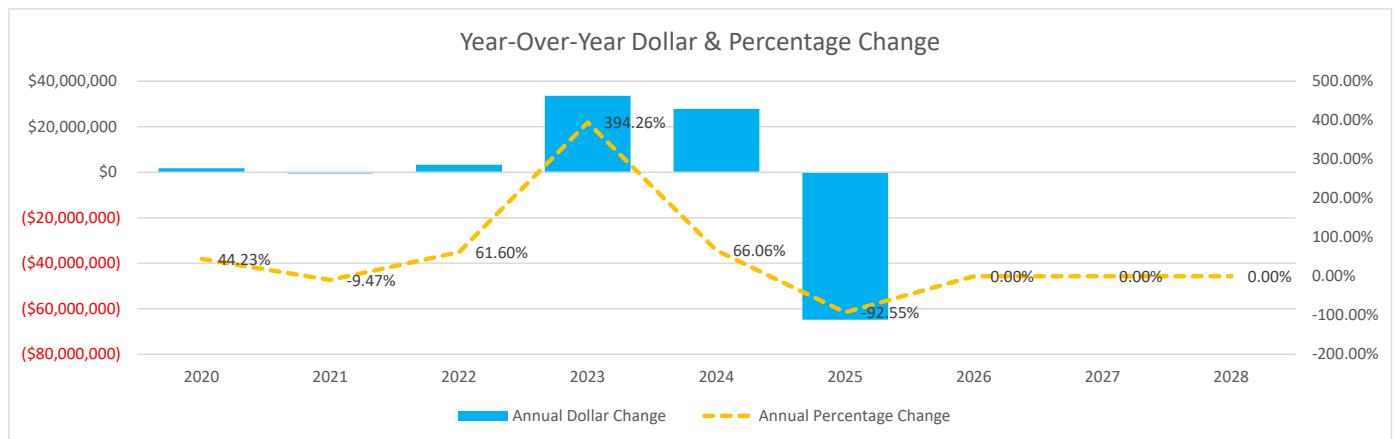
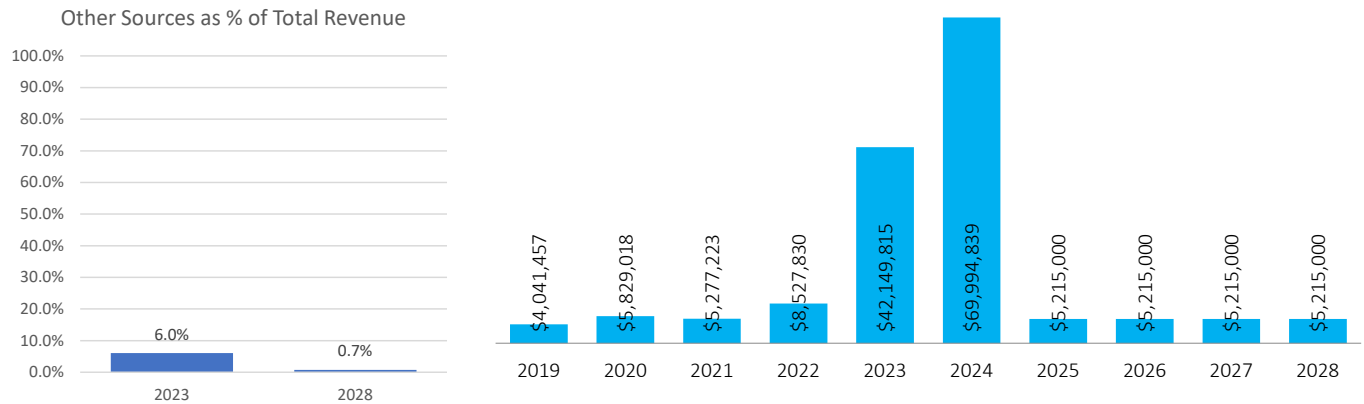
Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



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 \$5,175,920. The projected average annual change is -\$4,399,330 through FY 2028.

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.

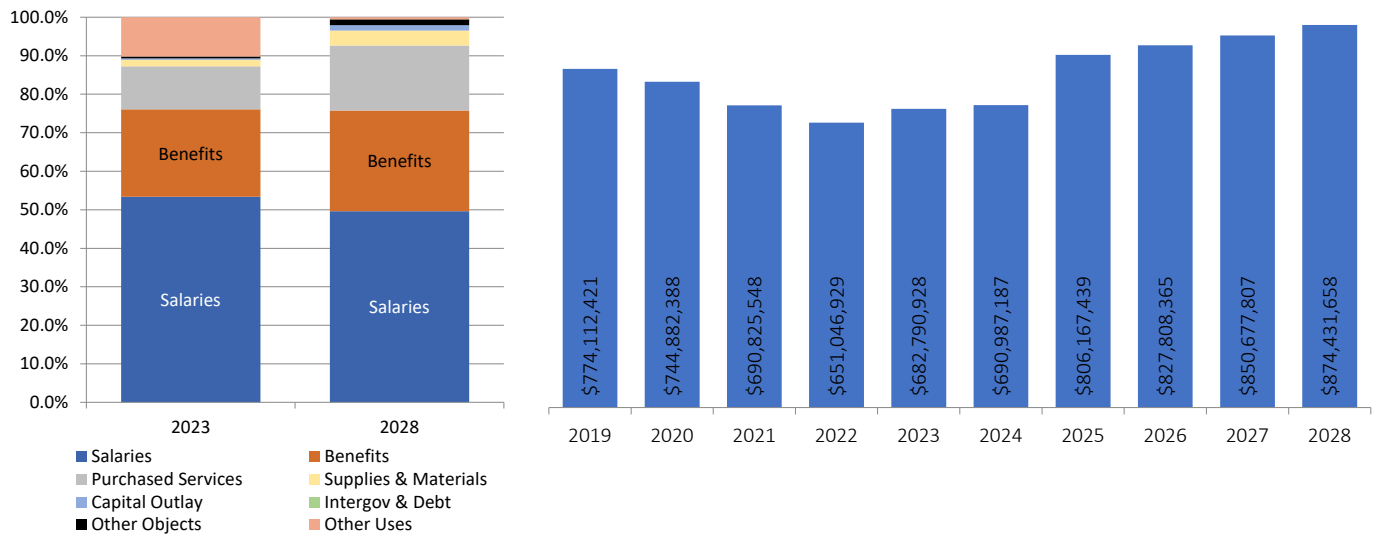


	2023	FORECASTED				
	2023	2024	2025	2026	2027	2028
Transfers In	-	-	-	-	-	-
Advances In	42,091,908	69,779,839	5,000,000	5,000,000	5,000,000	5,000,000
All Other Financing Sources	57,908	215,000	215,000	215,000	215,000	215,000

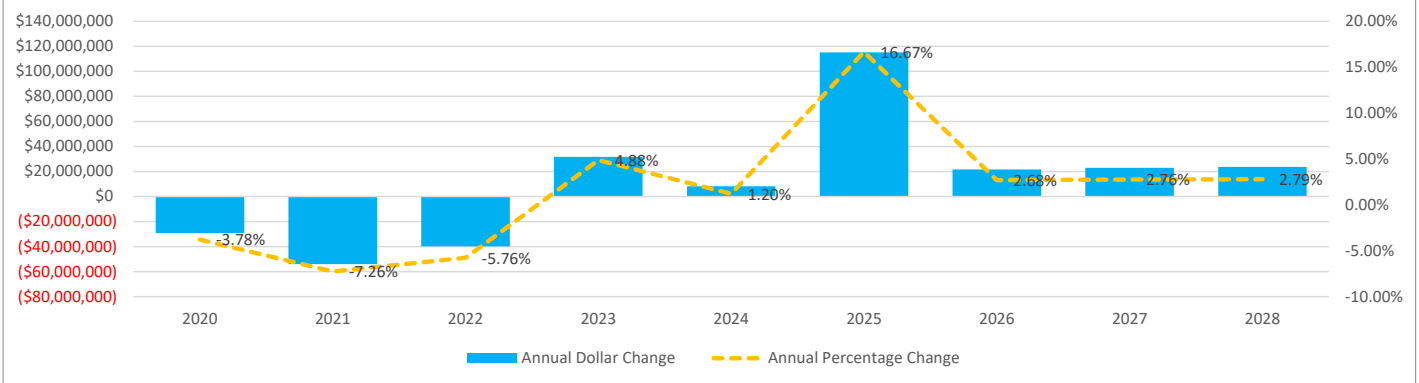
Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In FY 2023 the district receipted \$42,091,908 as advances-in and is projecting advances of \$69,779,839 in FY 2024. The district also receives other financing sources 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 2024 and average \$215,000 annually through FY 2028.

Expenditure Categories and Forecast Year-Over-Year Projected Overview

Expenditure Categories Over Time



Year-Over-Year Dollar & Percentage Change



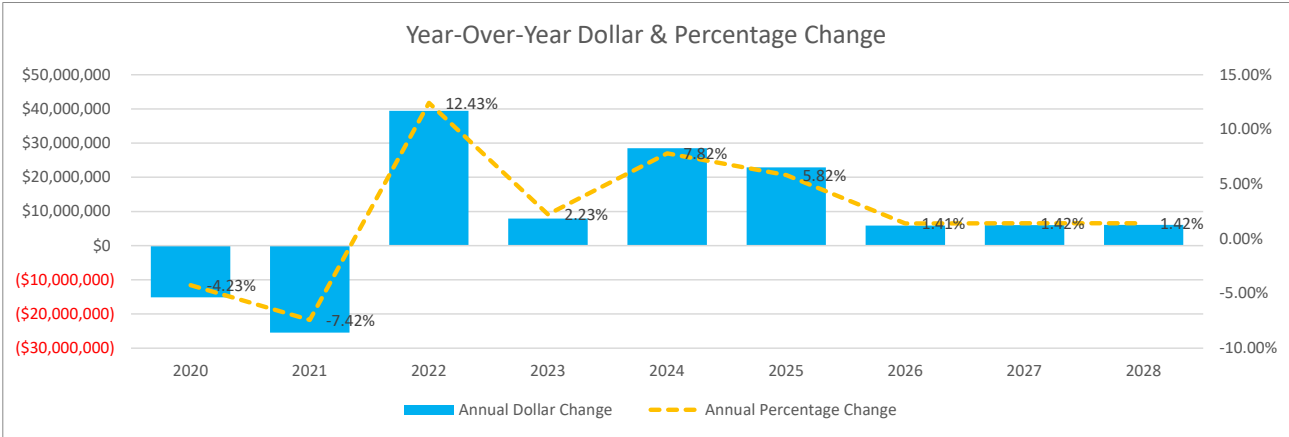
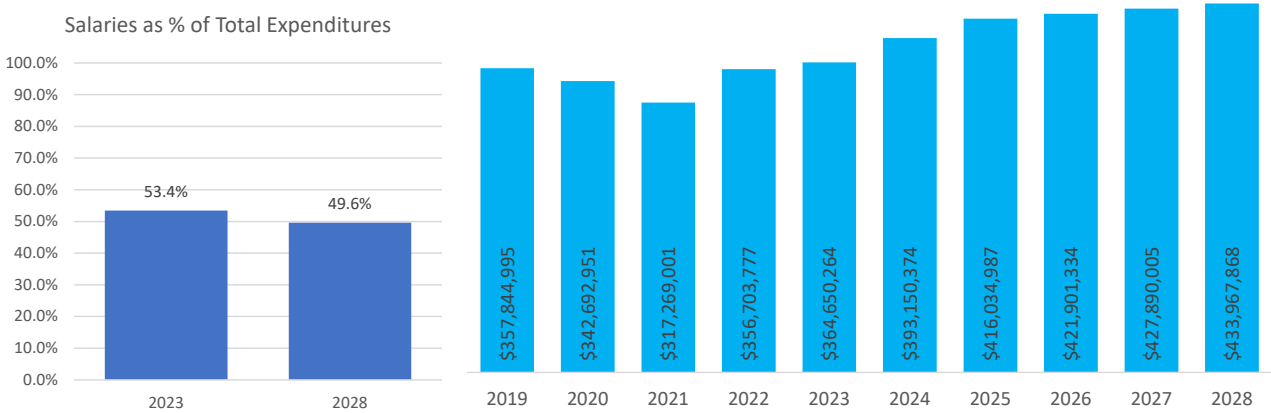
4-Year Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$\$ Change	Projected Average Annual \$\$ Change	Projected Compared to Historical Variance	Total expenditures decreased -2.98% or -\$22,830,373 annually during the past 4-Year period and is projected to increase 5.61% or \$38,328,146 annually through FY2028. Purchased Services has the largest projected average annual variance compared to the historical average at \$57,778,669.
Salaries	1,701,317	13,863,521	\$12,162,204	
Benefits	\$4,513,252	\$14,692,049	\$10,178,796	
Purchased Services	(\$43,434,045)	\$14,344,624	\$57,778,669	
Supplies & Materials	(\$411,692)	\$4,428,376	\$4,840,068	
Capital Outlay	(\$377,588)	\$1,977,445	\$2,355,033	
Intergov & Debt	\$0	\$0	\$0	
Other Objects	(\$1,266,577)	\$1,978,099	\$3,244,677	
Other Uses	\$16,444,960	(\$12,955,968)	(\$29,400,927)	
Total Average Annual Change	(\$22,830,373)	\$38,328,146	\$61,158,519	
	-2.98%	5.61%	8.59%	

Note: Revenue average annual change is projected to be > (\$476,443) On an annual average basis, revenue are projected to contract while expenditures grows

3.010 - Personnel Services

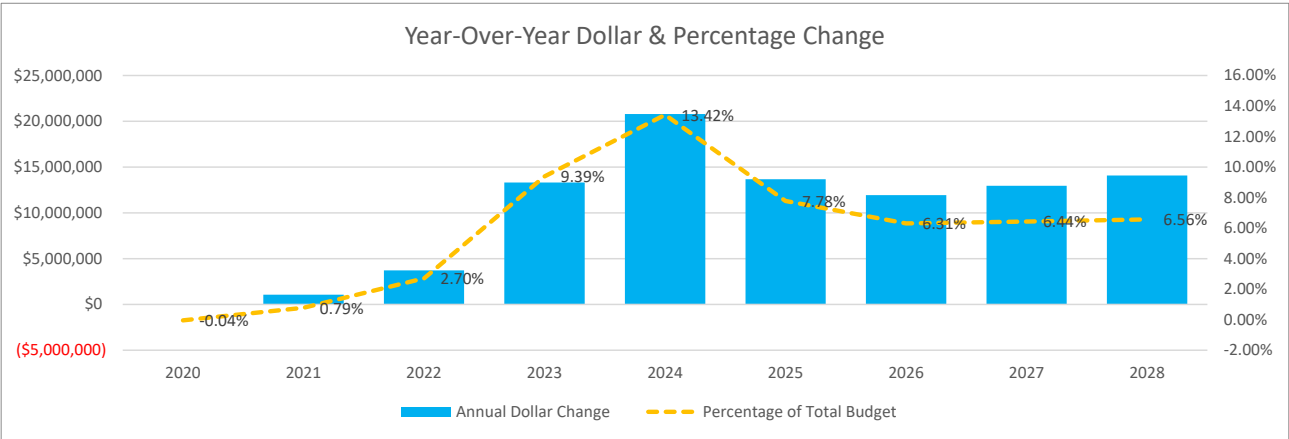
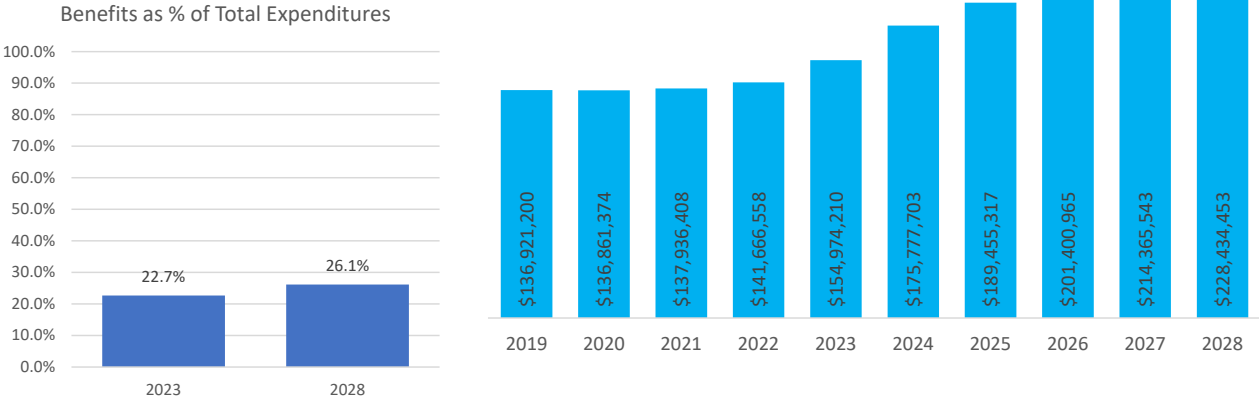
Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



Salaries represent 53.41% of total expenditures and increased at a historical average annual rate of 0.75% or \$1,701,317. This category of expenditure is projected to grow at an annual average rate of 3.58% or \$13,863,521 through FY 2028. The projected average annual rate of change is 2.83% more than the five year historical annual average.

3.020 - Employees' Benefits

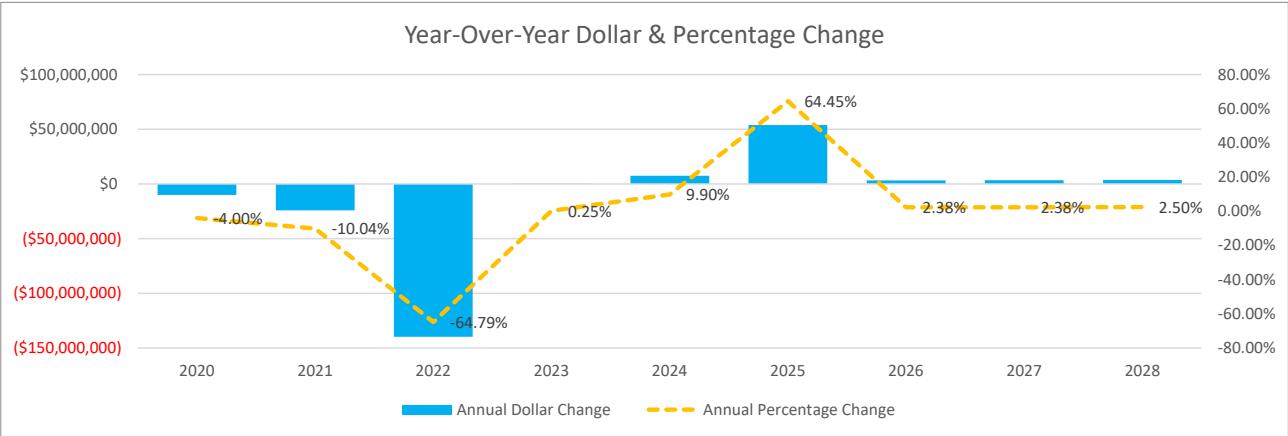
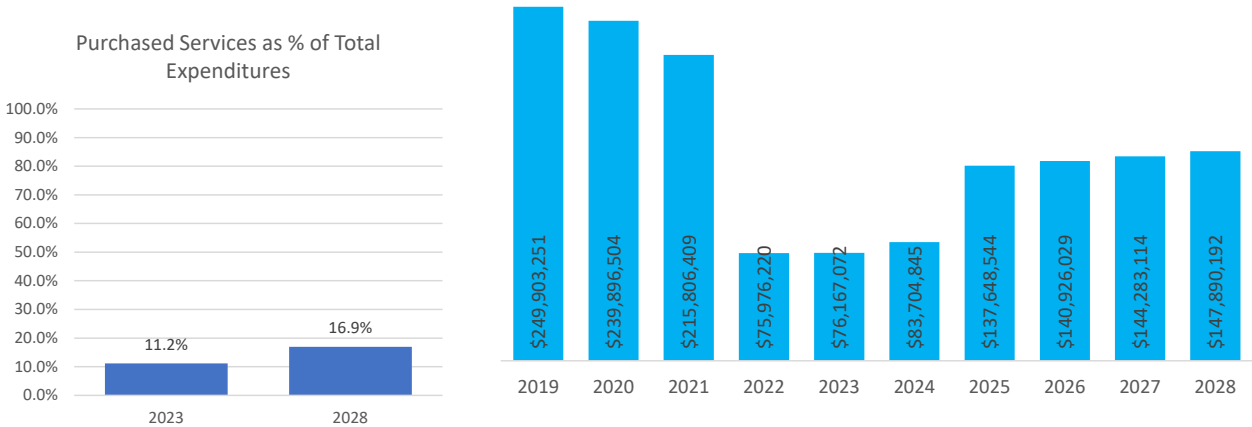
Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



Benefits represent 22.70% of total expenditures and increased at a historical average annual rate of 3.21%. This category of expenditure is projected to grow at an annual average rate of 8.10% through FY 2028. The projected average annual rate of change is 4.89% more than the five year historical annual average.

3.030 - Purchased Services

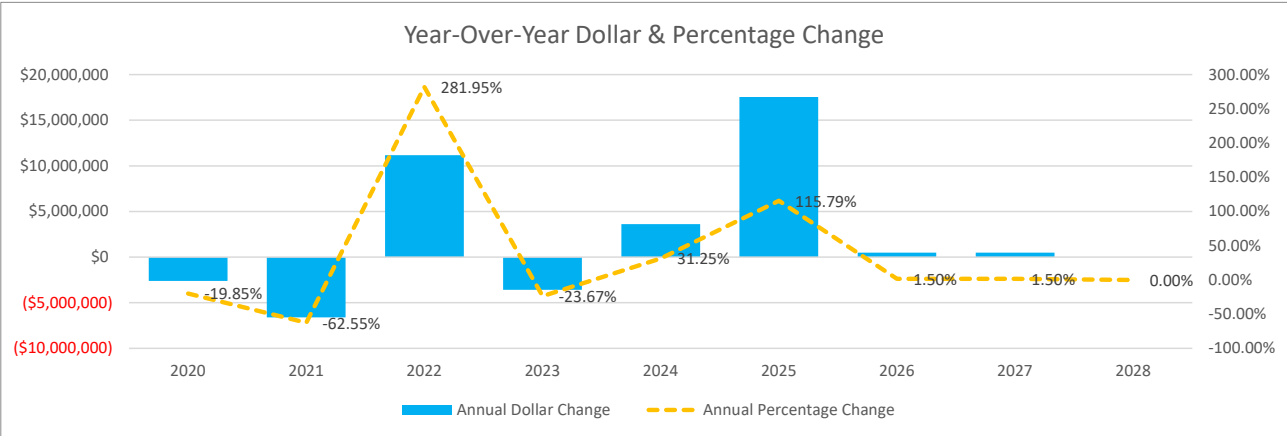
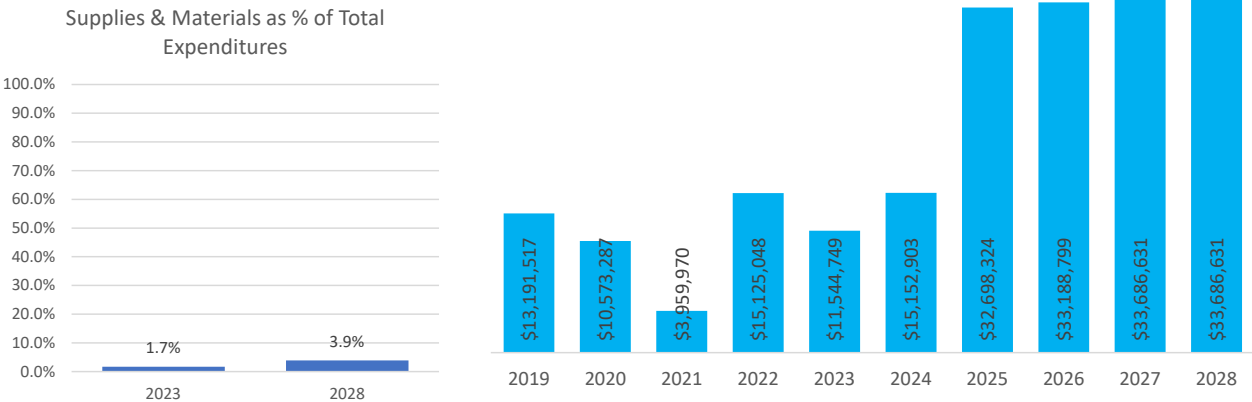
Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, expenses for tuition paid to other districts, utilities costs and other services which the school district may purchase.



Purchased Services represent 11.16% of total expenditures and decreased at a historical average annual rate of -19.65%. This category of expenditure is projected to grow at an annual average rate of 16.32% through FY 2028. The FSFP funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. This change resulted in lower district cost but also less per pupil state revenue since per pupil funding was paid directly by the state to the attending school.

3.040 - Supplies & Materials

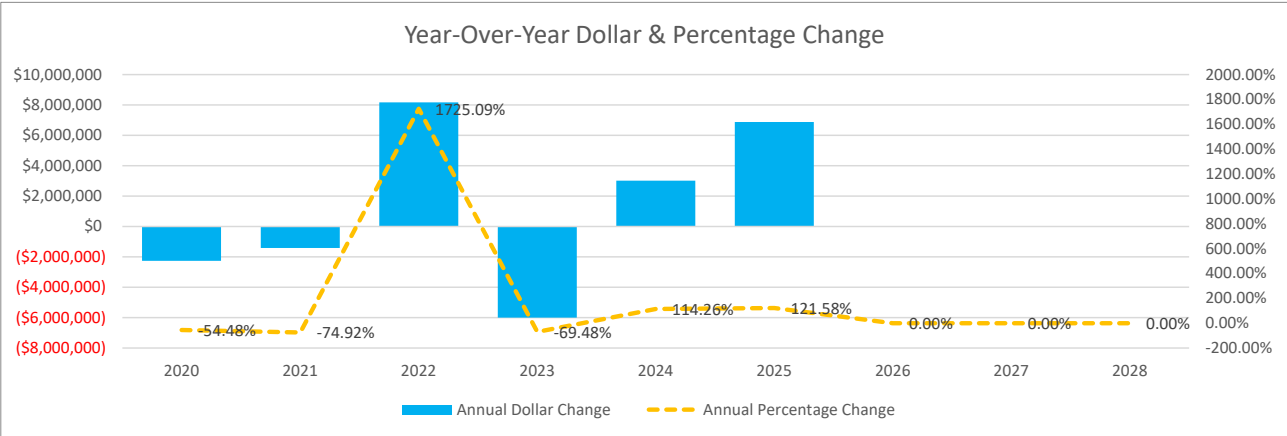
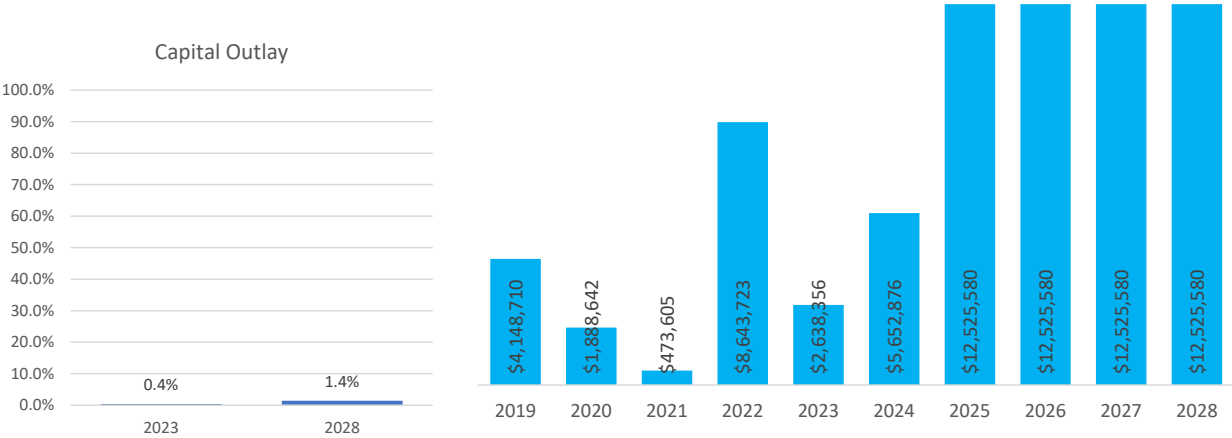
Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



Supplies & Materials represent 1.69% of total expenditures and increased at a historical average annual rate of 43.97%. This category of expenditure is projected to grow at an annual average rate of 30.01% through FY 2028. The projected average annual rate of change is -13.96% less than the five year historical annual average.

3.050 - Capital Outlay

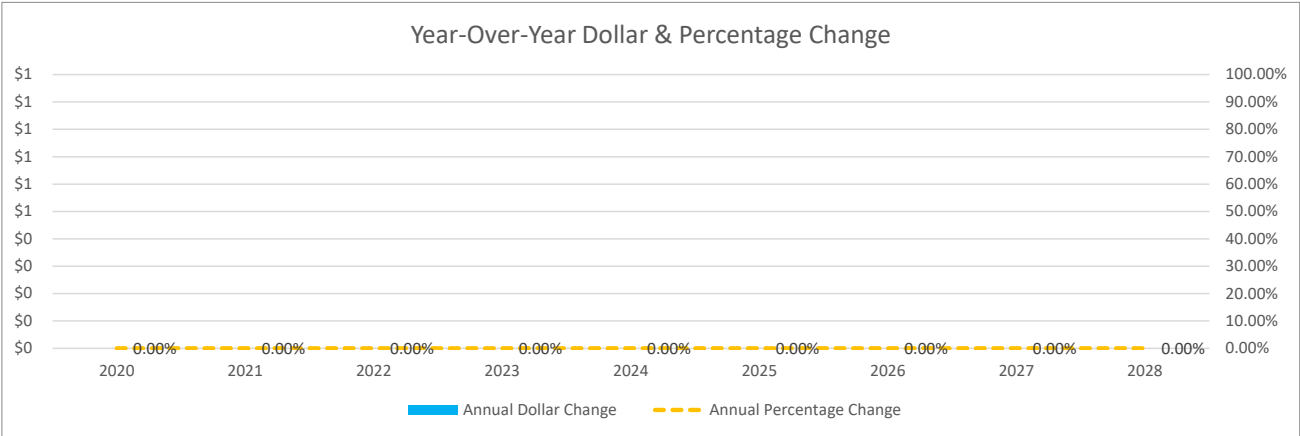
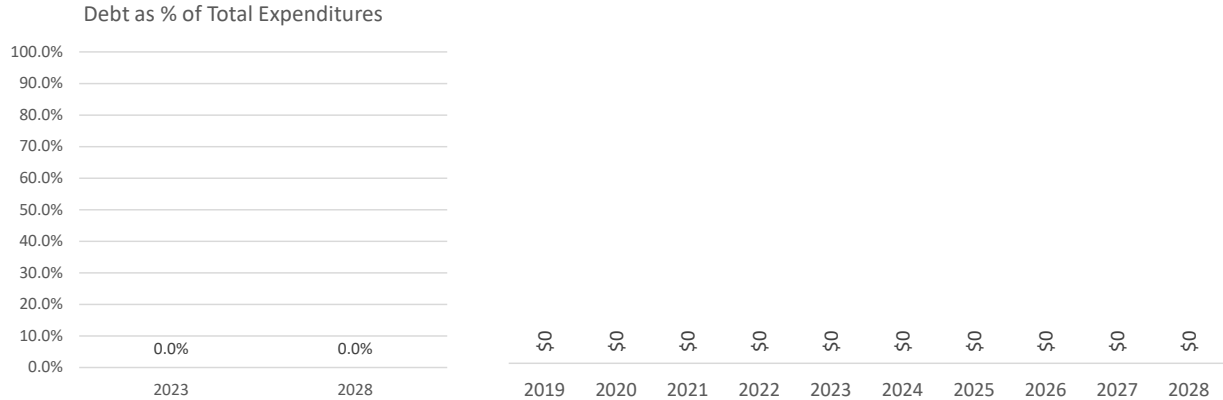
This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



Capital Outlay represent 0.39% of total expenditures and decreased at a historical average annual amount of -\$377,588. This category of expenditure is projected to grow at an annual average rate of \$1,977,445 through FY 2028. The projected average annual change is less than the five year historical annual average.

3.060-4.060 - Intergovernmental & Debt

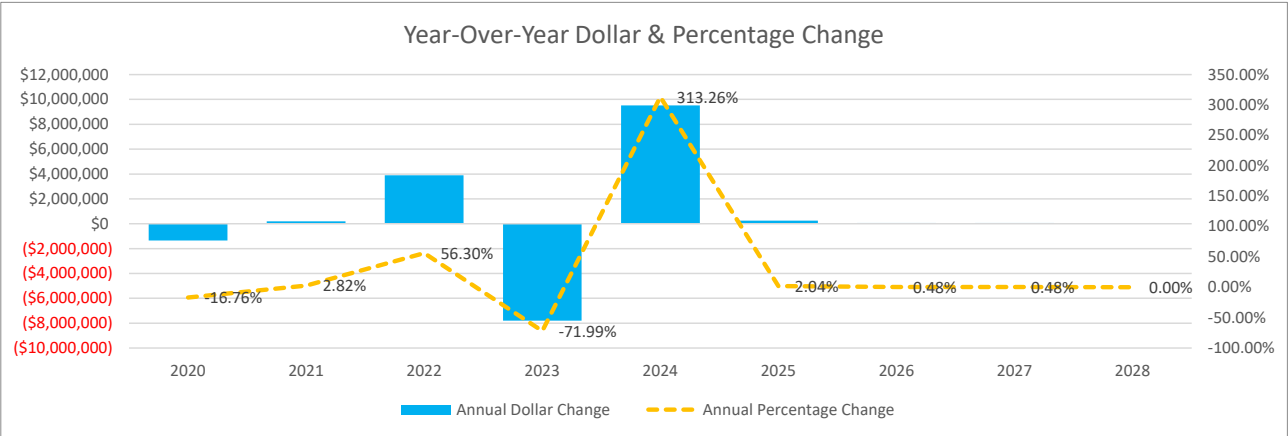
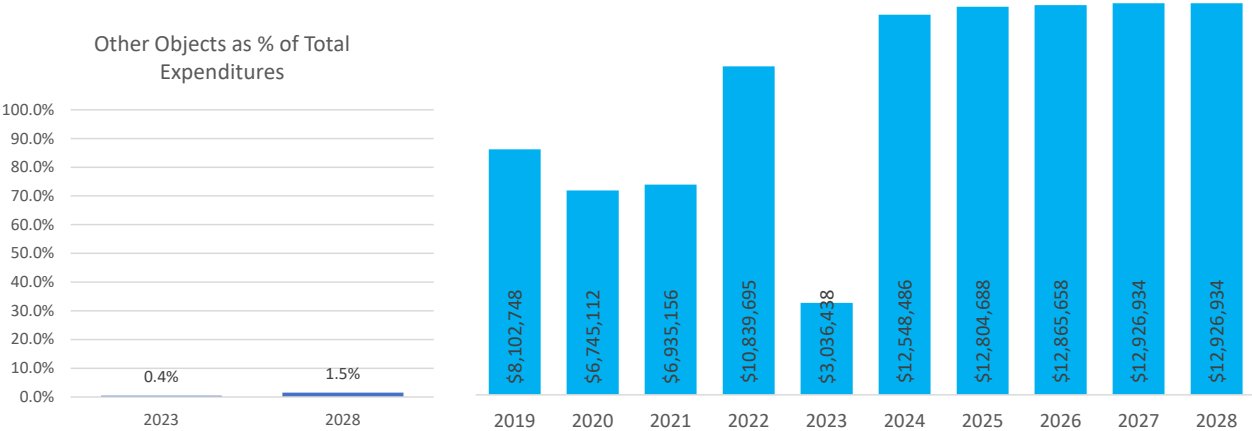
These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



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

4.300 - Other Objects

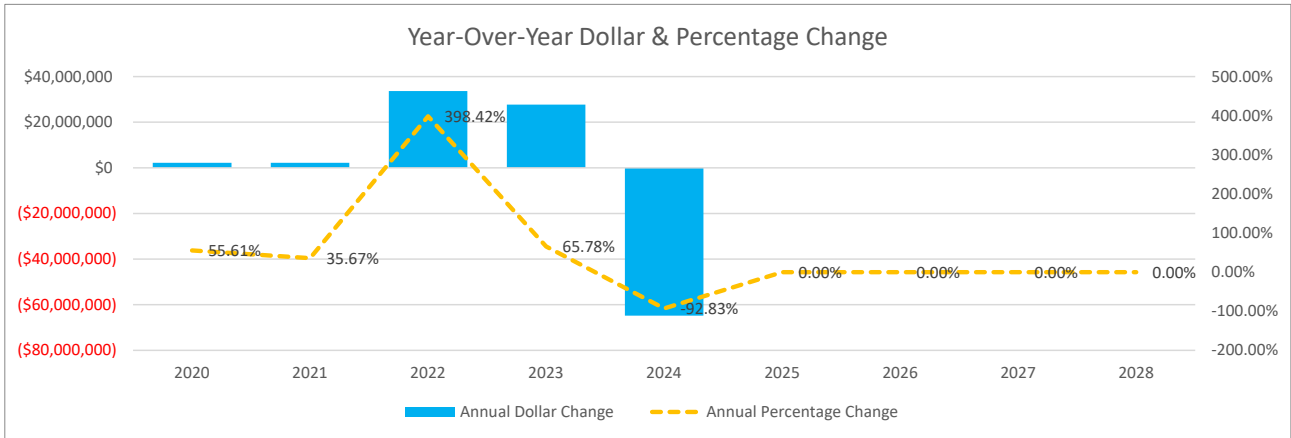
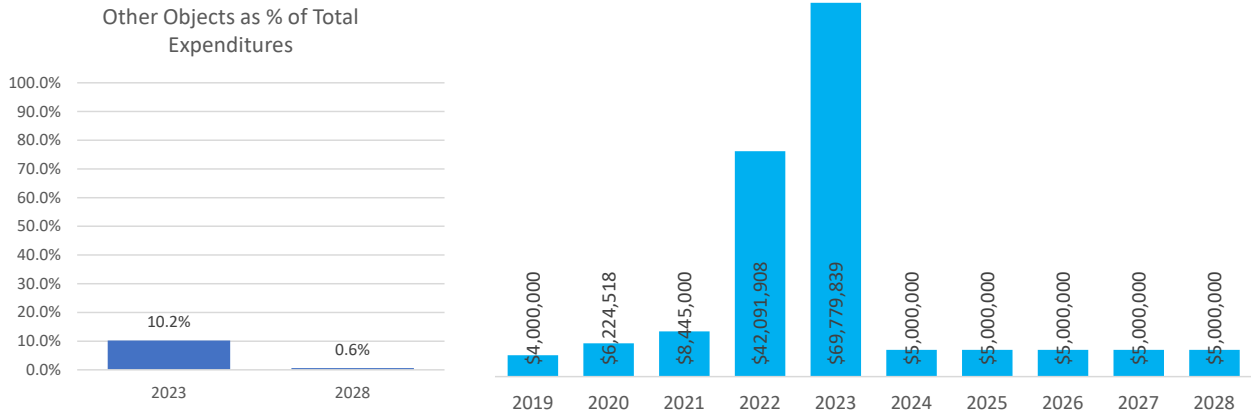
Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



Other Objects represent 0.44% of total expenditures and decreased at a historical average annual rate of -7.41%. This category of expenditure is projected to grow at an annual average rate of 63.25% through FY 2028. The projected average annual rate of change is 70.66% more 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.



	2023	FORECASTED				
		2024	2025	2026	2027	2028
Transfers Out	-	-	-	-	-	-
Advances Out	69,779,839	5,000,000	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 2023 the district had advances-out and has advances-out forecasted through FY 2028. The district can also move general funds permanently to other funds and as the schedule above presents, the district has no transfers forecasted through FY 2028. 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				
	2023	2024	2025	2026	2027	2028
Revenue:						
1.010 - General Property Tax (Real Estate)	219,577,033	221,369,965	222,295,713	223,974,879	224,660,403	225,740,623
1.020 - Public Utility Personal Property	41,365,660	43,462,051	45,188,965	46,991,604	48,870,948	50,788,537
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	255,594,246	266,813,510	267,829,205	276,157,405	275,008,733	283,942,566
1.040 - Restricted Grants-in-Aid	58,367,450	60,098,133	63,384,531	67,114,872	70,086,510	70,293,754
1.050 - State Share-Local Property Taxes	16,956,120	17,003,777	17,269,169	17,508,668	17,552,122	17,644,276
1.060 - All Other Operating Revenues	63,810,571	43,656,220	41,721,938	41,147,545	42,297,993	41,813,923
1.070 - Total Revenue	655,671,079	652,403,656	657,689,521	672,894,973	678,476,709	690,223,679
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	42,091,908	69,779,839	5,000,000	5,000,000	5,000,000	5,000,000
2.060 - All Other Financing Sources	57,908	215,000	215,000	215,000	215,000	215,000
2.070 - Total Other Financing Sources	42,149,815	69,994,839	5,215,000	5,215,000	5,215,000	5,215,000
2.080 - Total Rev & Other Sources	697,820,894	722,398,495	662,904,521	678,109,973	683,691,709	695,438,679
Expenditures:						
3.010 - Personnel Services	364,650,264	393,150,374	416,034,987	421,901,334	427,890,005	433,967,868
3.020 - Employee Benefits	154,974,210	175,777,703	189,455,317	201,400,965	214,365,543	228,434,453
3.030 - Purchased Services	76,167,072	83,704,845	137,648,544	140,926,029	144,283,114	147,890,192
3.040 - Supplies and Materials	11,544,749	15,152,903	32,698,324	33,188,799	33,686,631	33,686,631
3.050 - Capital Outlay	2,638,356	5,652,876	12,525,580	12,525,580	12,525,580	12,525,580
Intergovernmental & Debt Service	-	-	-	-	-	-
4.300 - Other Objects	3,036,438	12,548,486	12,804,688	12,865,658	12,926,934	12,926,934
4.500 - Total Expenditures	613,011,089	685,987,187	801,167,439	822,808,365	845,677,807	869,431,658
Other Financing Uses						
5.010 - Operating Transfers-Out	-	-	-	-	-	-
5.020 - Advances-Out	69,779,839	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	69,779,839	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
5.050 - Total Exp and Other Financing Uses	682,790,928	690,987,187	806,167,439	827,808,365	850,677,807	874,431,658
6.010 - Excess of Rev Over/(Under) Exp	15,029,966	31,411,308	(143,262,917)	(149,698,392)	(166,986,098)	(178,992,979)
7.010 - Cash Balance July 1 (No Levies)	94,487,005	109,516,971	140,928,279	(2,334,639)	(152,033,031)	(319,019,129)
7.020 - Cash Balance June 30 (No Levies)	109,516,971	140,928,279	(2,334,639)	(152,033,031)	(319,019,129)	(498,012,108)
		Reservations				
8.010 - Estimated Encumbrances June 30	16,000,000	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	93,516,971	124,928,279	(18,334,639)	(168,033,031)	(335,019,129)	(514,012,108)
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	93,516,971	124,928,279	(18,334,639)	(168,033,031)	(335,019,129)	(514,012,108)
Revenue from New Levies						
13.010 & 13.020 - New Levies	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	93,516,971	124,928,279	(18,334,639)	(168,033,031)	(335,019,129)	(514,012,108)

