

# Five-Year Forecast May 2021

Board of Education (05/11/21)



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# Financial Planning Considerations

## Greater Clarity & Certainty

- Current Year Trend
- Federal Stimulus Grants
- Levy Commitments / “Big Bets”

## Some Clarity & Certainty

- Union Negotiations

## Less Clarity & Certainty

- Pandemic Duration & “Long Tail” Impact
- Enrollment
- Biennial Budget
- Federal Infrastructure Bill

# Current Year Trend

- We are trending to collect 2% more revenue than previous forecasted.
- We are trending to spend 4% less than previously forecasted.

Actuals Through: April

Date Completed:

5/11/2021

		YTD Actual + Remaining Estimates	Official Forecast/ Estimate	FY Variance
<b>REVENUES - OPERATIONAL</b>				
1.010	General Property Tax (Real Estate)	207,761,702	207,515,493	0%
1.020	Tangible Personal Property Tax	36,087,549	34,824,325	4%
1.035	Unrestricted State Grants-in-Aid	399,069,844	396,830,928	1%
1.040	Restricted State Grants-in-Aid	53,021,619	53,844,220	-2%
1.050	Property Tax Allocation	17,148,185	16,753,482	2%
1.060	All Other Revenues	53,693,880	38,475,048	40%
<b>TOTAL OPERATING REVENUE</b>		<b>766,782,779</b>	<b>748,243,495</b>	<b>2%</b>

## REVENUES - NON-OPERATING

2.050	Advances-In	5,224,789	5,224,518	0%
2.060	All Other Financing Sources	110,839	250,000	-56%
<b>2.070 Total Other Financing Sources</b>		<b>5,335,628</b>	<b>5,474,518</b>	<b>-3%</b>

<b>2.080 TOTAL REVENUE</b>		<b>772,118,407</b>	<b>753,718,013</b>	<b>2%</b>
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## EXPENDITURES

3.010	Personal Services	334,300,138	350,634,342	-5%
3.020	Benefits	137,623,445	138,387,420	-1%
3.030	Purchased Services	219,303,720	228,825,895	-4%
3.040	Supplies and Materials	10,050,397	12,427,958	-19%
3.050	Capital Outlay	1,119,169	1,379,910	-19%
4.300	Other Objects	7,117,254	7,858,463	-9%
5.010	Operating Transfers-Out	1,600,000	1,600,000	0%
5.020	Advances-Out	5,000,000	5,000,000	0%
<b>5.050 TOTAL EXPENDITURES</b>		<b>716,114,124</b>	<b>746,113,988</b>	<b>-4%</b>

# Federal Stimulus Awards

	Awarded	CMSD's Allocation	Spent / Encumbered	Expiration	Uses
<b>CARES</b>	March 2020	\$26.9M	\$26.9M (100%)	9/30/2022	<ul style="list-style-type: none"> <li>• Devices, Hotspots</li> <li>• Online Academic Tools</li> <li>• PPE, Cleaning, and Disinfecting</li> </ul>
<b>Governor's CRF</b>	March 2020	\$2.6M	\$2.6M (100%)	12/31/2020	<ul style="list-style-type: none"> <li>• Devices</li> <li>• Tech Support</li> </ul>
<b>ESSER II</b>	December 2020	\$131.5M	\$9.2M (7.0%)	9/30/2023	<ul style="list-style-type: none"> <li>• Pandemic Response</li> <li>• Recovery</li> <li>• "Learning Loss"</li> </ul>
<b>ARP / ESSER III</b> (not awarded yet)	March 2021	\$295.4M (preliminary)	\$0.0M	9/30/2024	<ul style="list-style-type: none"> <li>• Pandemic Response</li> <li>• Recovery</li> <li>• "Learning Loss" (Must Be 20%+)</li> </ul>

We will use ESSER II/III funds to place some "bets" where allowable uses align to our learning vision.

# Federal Stimulus: ESSER II & / ARP Plan

## *High-Level Planning*

Category	SY20-21	SY21-22	SY22-23	SY23-24
Academic Recovery & Acceleration <ul style="list-style-type: none"> <li>• Summer Experience</li> <li>• Online Programs</li> <li>• Innovation Grants</li> <li>• School-Based Allocations</li> <li>• Social-Emotion Supports</li> <li>• Encore Expansion</li> <li>• Career Pathways</li> </ul>	\$20.6M	\$102.7M	\$74.8M	\$66.7M
Pandemic Readiness & Response <ul style="list-style-type: none"> <li>• PPE</li> <li>• Nursing</li> <li>• Vaccine Clinics</li> <li>• Facilities</li> </ul>	\$7.7M	\$37.9M	\$13.3M	\$7.9M
Technology / 1:1 Device Strategy	\$6.5M	\$14.0M	\$13.0M	\$13.0M
Revenue Recovery / Expense Transfer	\$28.1M	\$14.7M	\$6.2M	

# Union Negotiations

- The recently approved CTU Agreement includes the following financial impacts:
  - Increases in art, music, physical education, nursing, and library aide positions.
  - Increases wage by 3%, 3%, and 2% in FY22, FY23, and FY24, respectively.
  - Adds an additional step to the salary schedule.
  - Increases severance payout with advanced notice of retirement.
  - Increases in healthcare premiums, spousal surcharge, and emergency room copayments.
- Bargaining with other unions is not complete.

# HB 110 – Fair School Funding Plan

- The Fair School Funding Plan (HB110) Plan aims to address Ohio’s school funding system, which has been declared unconstitutional 3 times since 1997.
- The Plan includes:
  - A base cost based on the cost of educating a student.
  - A state/local share factor based on both community wealth and resident income.
  - Targeted assistance and other categorical funding for different student needs, include economically disadvantaged, ELLs, students with disabilities, and gift.
- The Plan also funds community schools and voucher programs (i.e., Cleveland Scholarship Program) directly as opposed to passing through our foundation aid.
- Simulations released in April indicate CMSD would see a \$28.1M increase after the 6-year phase in.



# Revenue Inputs & Assumptions

- 31.7% of General Fund Revenue comes from Local Property Tax
  - The Forecast uses a three-year average collection rate of 89.3% in all years. The most recent collection rate was 91.3%, which is 3% higher than the prior year.
  - The Forecast does not include any projected increases to the District's Assessed Valuation from the upcoming triennial update.
- 58.8% of General Fund Revenue comes from State Foundation Formula
  - The Forecast reflects the Governor's pandemic-related reduction (\$2.5M) is restored in FY22 and beyond.
  - The Forecast does not reflect / assume a new funding formula.
- 9.5 % of General Fund Revenue comes from other sources
  - The one-time, \$12.5M Worker's Compensation rebates is reflected in FY21.

# Expenditure Inputs & Assumptions

- Salaries and Benefits
  - The Forecast includes a 3.0% across-the-board wage increases in FY22 and FY23 and a 2.0% across-the-board wage increase in FY24.
  - The Forecast projects an annual 6.5% increase in healthcare costs.
- Other
  - The Forecast includes a slightly reduced current year expenditure forecast (\$746M → \$740M).
  - The Forecast does not reflect Wellness fund expenses returning to the General Fund. We plan to use the ESSER grants to fund eligible expense.
    - The Wellness funds technically end this fiscal year. though the Governor has proposed a 2-year extension. The House plan incorporates Wellness funds into the Fair Funding Plan.
  - The Forecast reflects \$26M in ESSER-paid expenditures return to the General Fund in FY25.
  - The Forecast assumes a \$2M annual increase the District's charter school deduction.

# Five Year Forecast – May 2021

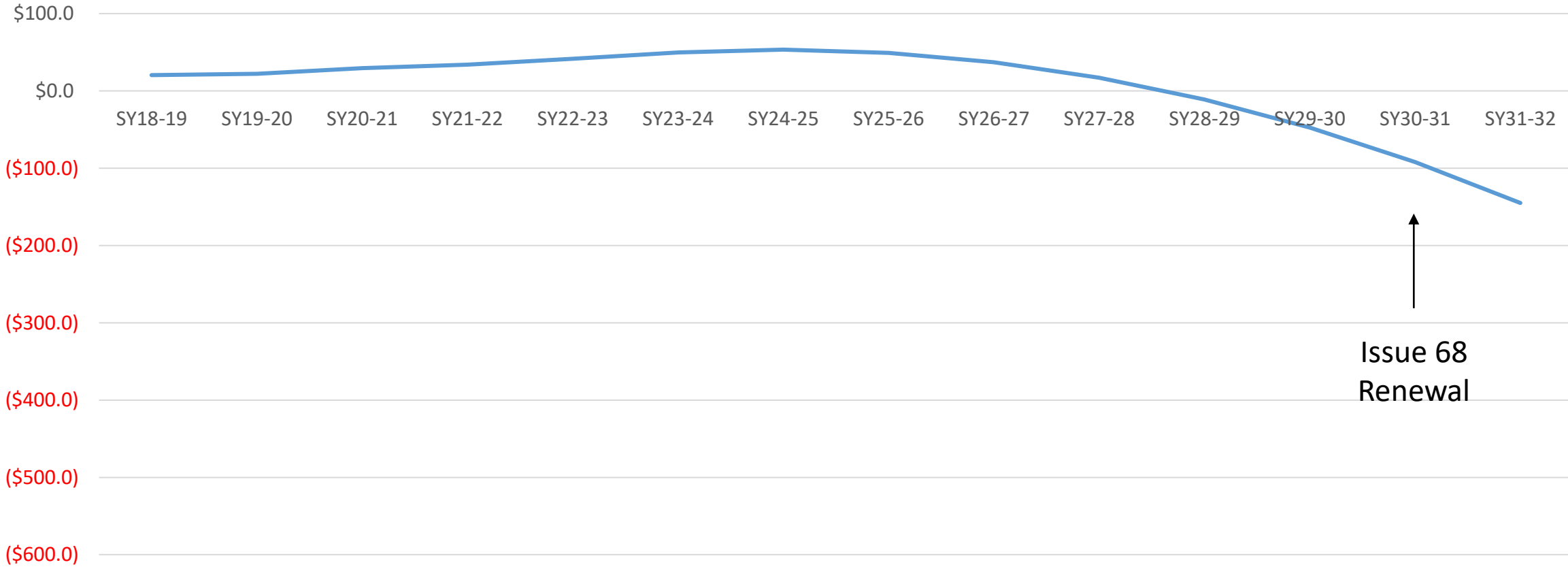
	<b>SY18-19</b>	<b>SY19-20</b>	<b>SY20-21</b>	<b>SY21-22</b>	<b>SY22-23</b>	<b>SY23-24</b>	<b>SY24-25</b>
<b>Total Revenue</b>	\$749.7	\$750.7	\$769.2	\$777.1	\$783.8	\$786.9	\$790.5
<b>Total Expenditures</b>	\$797.4	\$750.9	\$739.8	\$767.0	\$785.3	\$800.0	\$835.1
<b>Net Revenue</b>	(\$47.7)	(\$0.2)	\$29.4	\$10.1	(\$1.5)	(\$13.2)	(\$44.7)
<b>Ending Cash Balance</b>	\$38.0	\$37.9	\$67.2	\$77.3	\$75.8	\$62.6	\$18.0
<b>Encumbrances</b>	\$17.6	\$15.6	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
<b>Unencumbered Balance</b>	\$20.5	\$22.3	\$51.2	\$61.3	\$59.8	\$46.6	\$2.0



“Bets” hit the  
General Fund

# Extended Forecast: November 2020

General Fund – Fund Balance



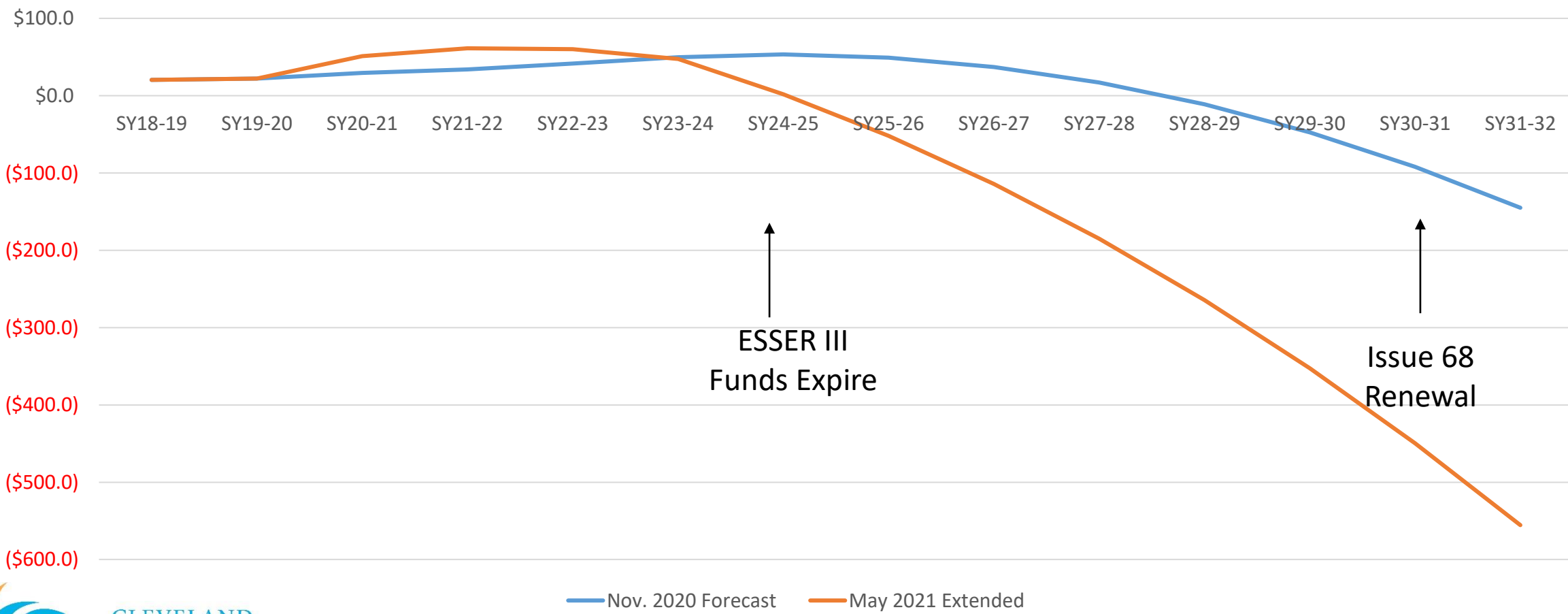
Issue 68  
Renewal

— Nov. 2020 Forecast



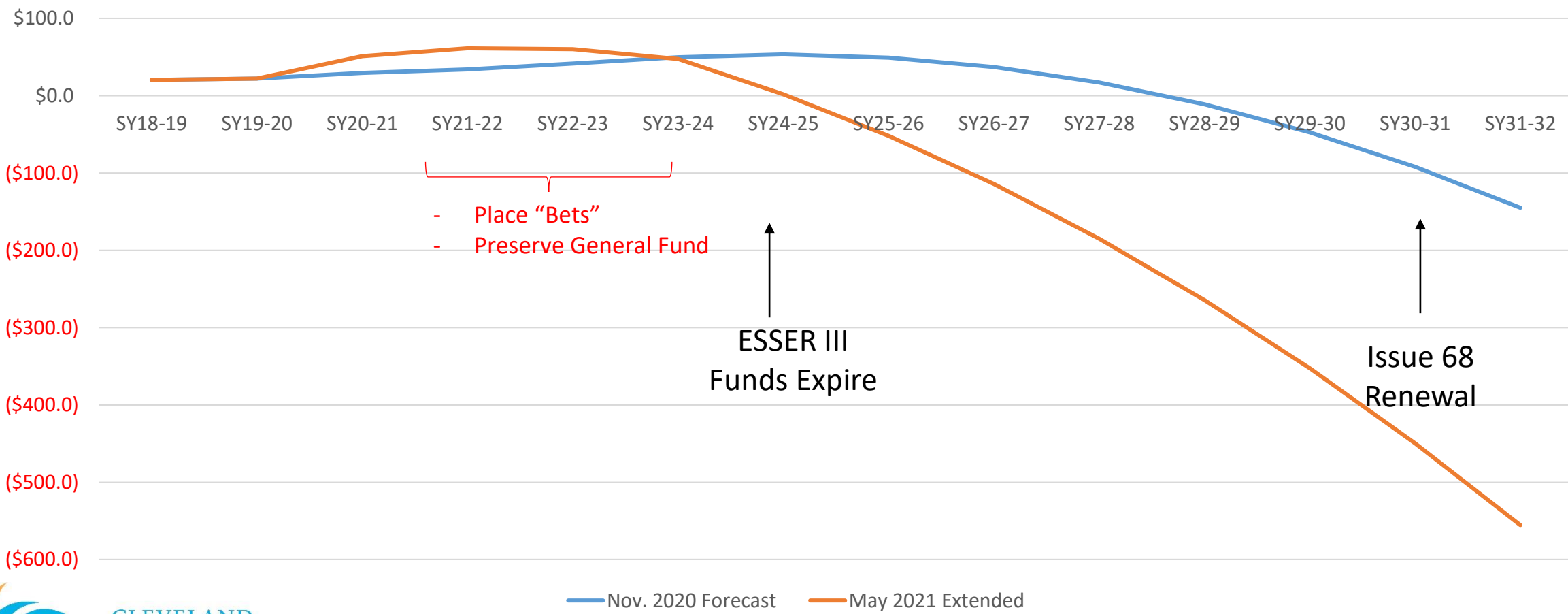
# Extended Forecast: November 2020

General Fund – Fund Balance



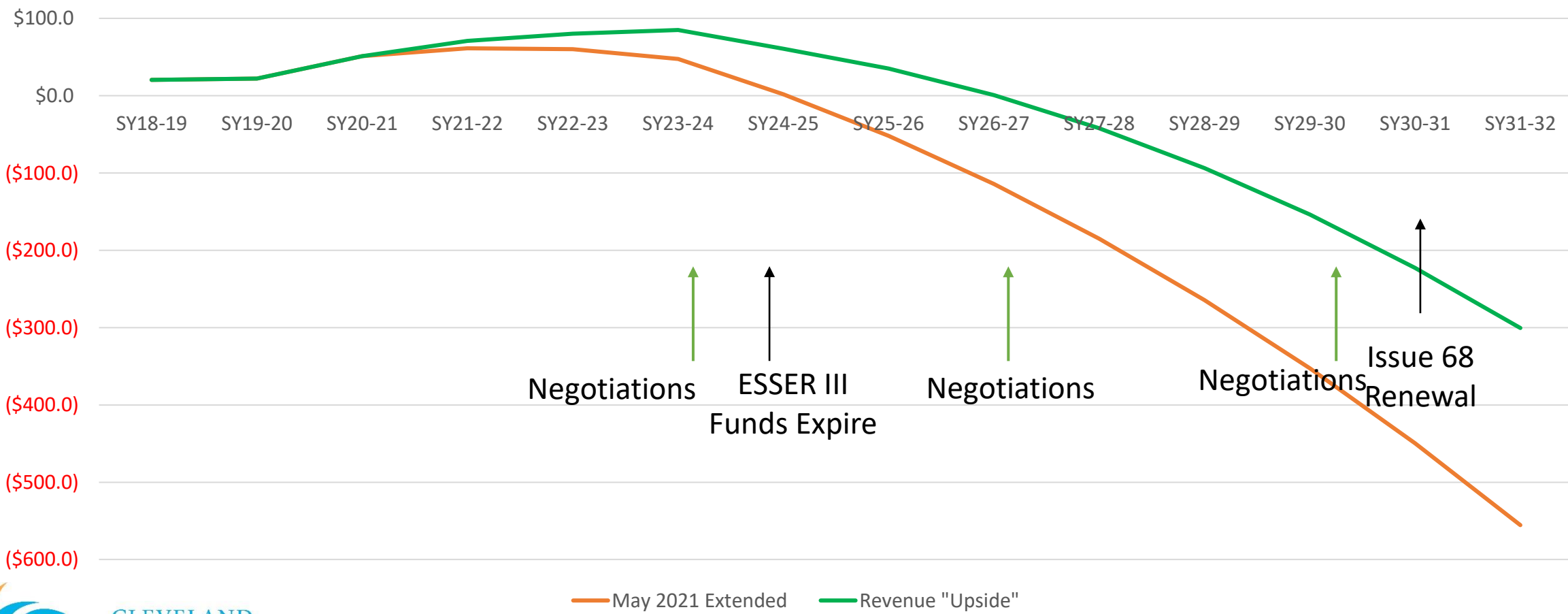
# Extended Forecast: November 2020

General Fund – Fund Balance



# Extended Forecast: November 2020

General Fund – Fund Balance



# Five Year Forecast – May 2021

	<b>SY18-19</b>	<b>SY19-20</b>	<b>SY20-21</b>	<b>SY21-22</b>	<b>SY22-23</b>	<b>SY23-24</b>	<b>SY24-25</b>
<b>Total Revenue</b>	\$749.7	\$750.7	\$769.2	\$777.1	\$783.8	\$786.9	\$790.5
<b>Total Expenditures</b>	\$797.4	\$750.9	\$739.8	\$767.0	\$785.3	\$800.0	\$835.1
<b>Net Revenue</b>	(\$47.7)	(\$0.2)	\$29.4	\$10.1	(\$1.5)	(\$13.2)	(\$44.7)
<b>Ending Cash Balance</b>	\$38.0	\$37.9	\$67.2	\$77.3	\$75.8	\$62.6	\$18.0
<b>Encumbrances</b>	\$17.6	\$15.6	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
<b>Unencumbered Balance</b>	\$20.5	\$22.3	\$51.2	\$61.3	\$59.8	\$46.6	\$2.0

Questions?



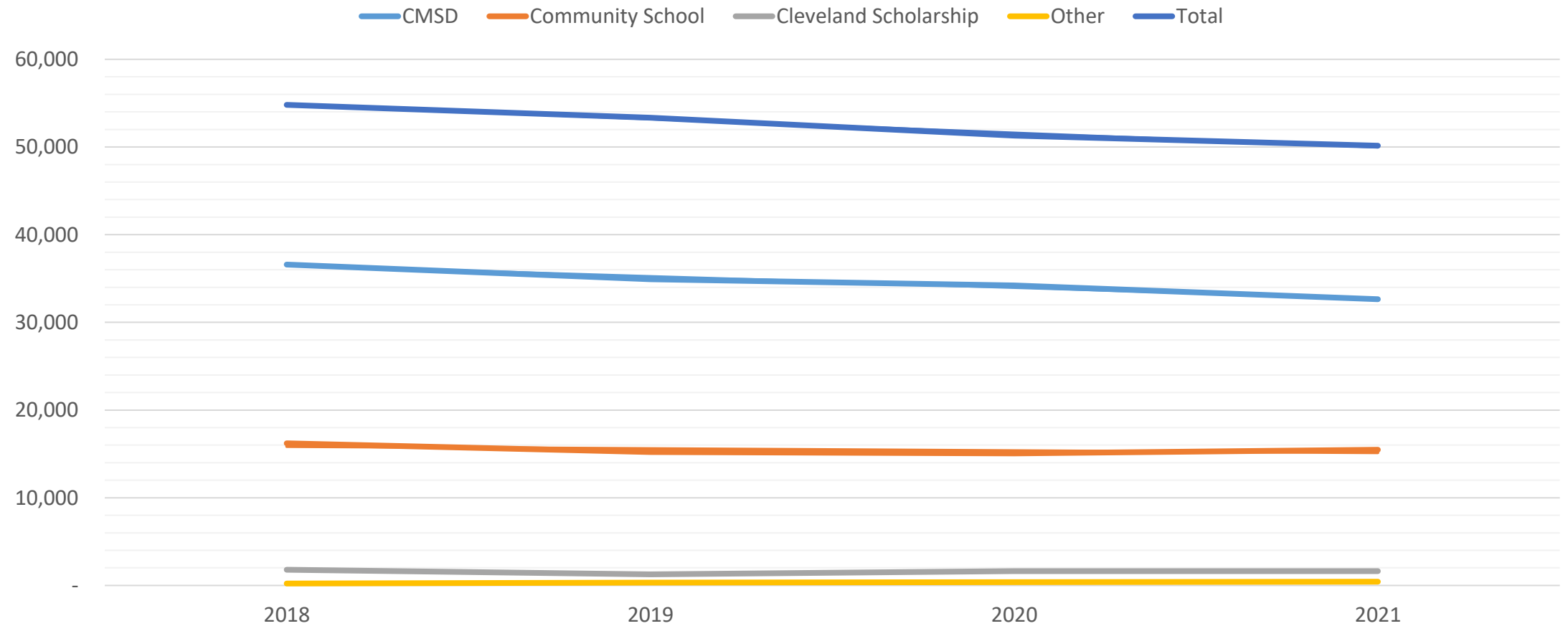
# Appendix

# Five Year Forecast Requirement

ORC 5705.391 & OAC 3301-92-04

- Required to submit twice annually to the Ohio Department of Education:
  - By November 30<sup>th</sup> (H.B. 87 effective 11/2/2018)
  - Between April 1<sup>st</sup> – May 31<sup>st</sup> (Update)
- The forecast contains two sections:
  - Historical and Projected Financial Data
  - Notes and assumptions
- Serves as a tool to assess the financial health of a district
- Serves as planning tool

# Enrollment Trend



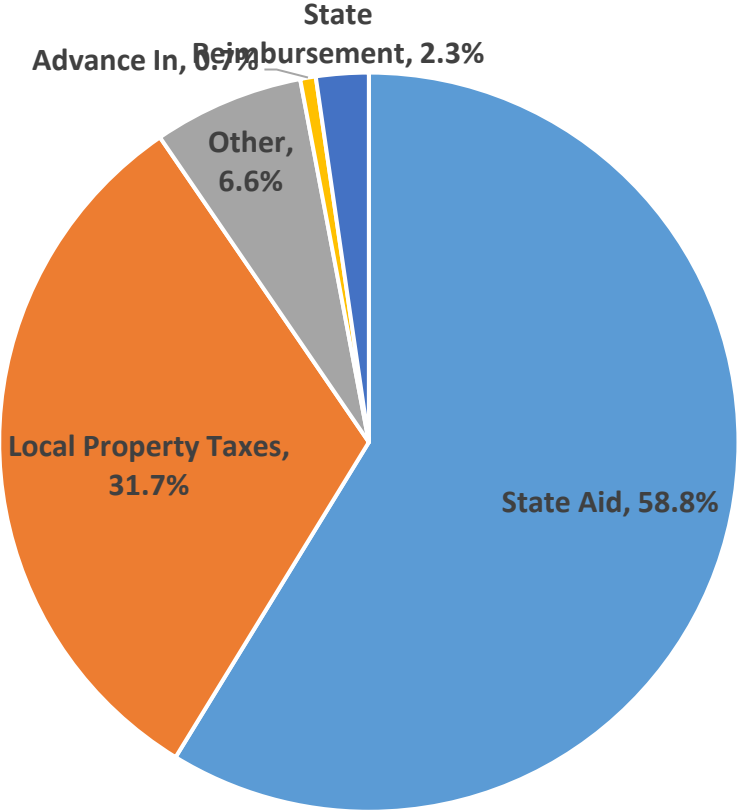
# Revenue Inputs & Assumptions

- Enrollment is forecasted at 50,158 student full-time equivalents (FTE), which reflects the current funded level.

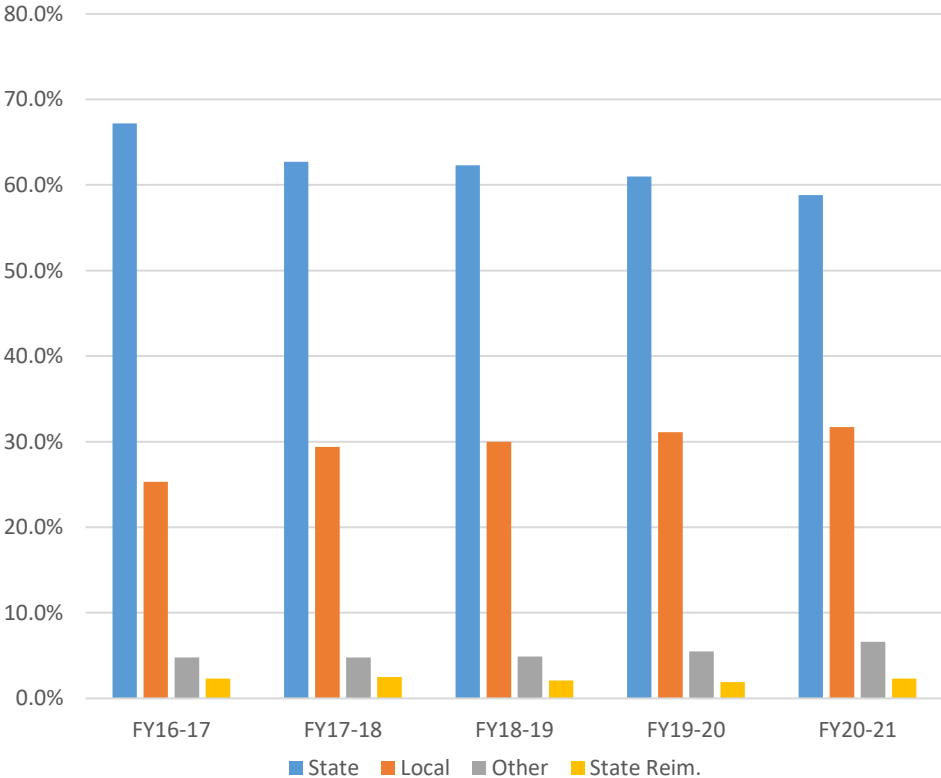
	June 2020	Current Forecast	Difference
CMSD	34,224	32,636	-1,588
Community School	15,067	15,473	406
Cleveland Scholarship	1,639	1,628	-11
Other	376	420	44

# Revenue Sources

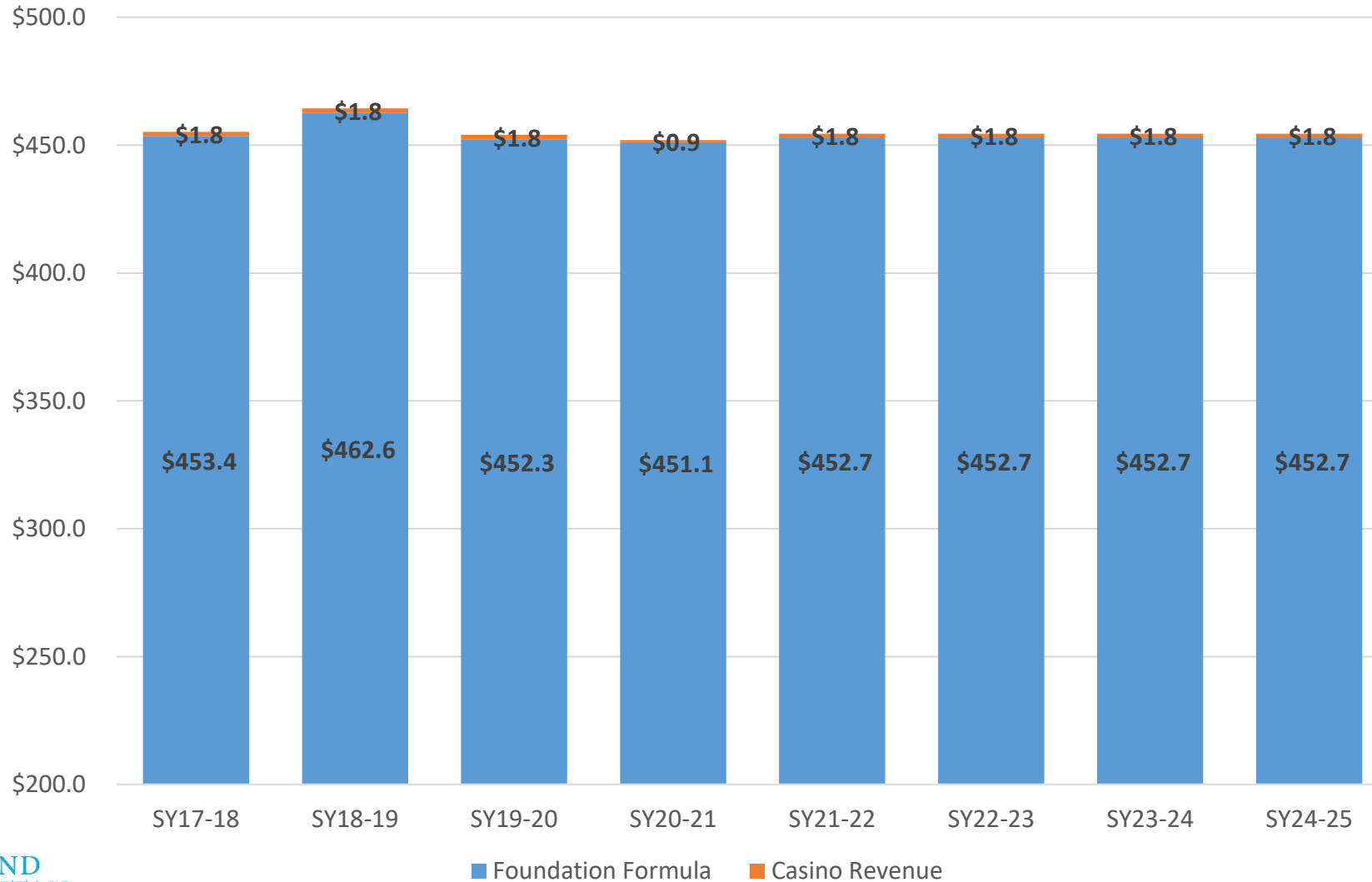
SY20-21 Projected General Fund Revenue



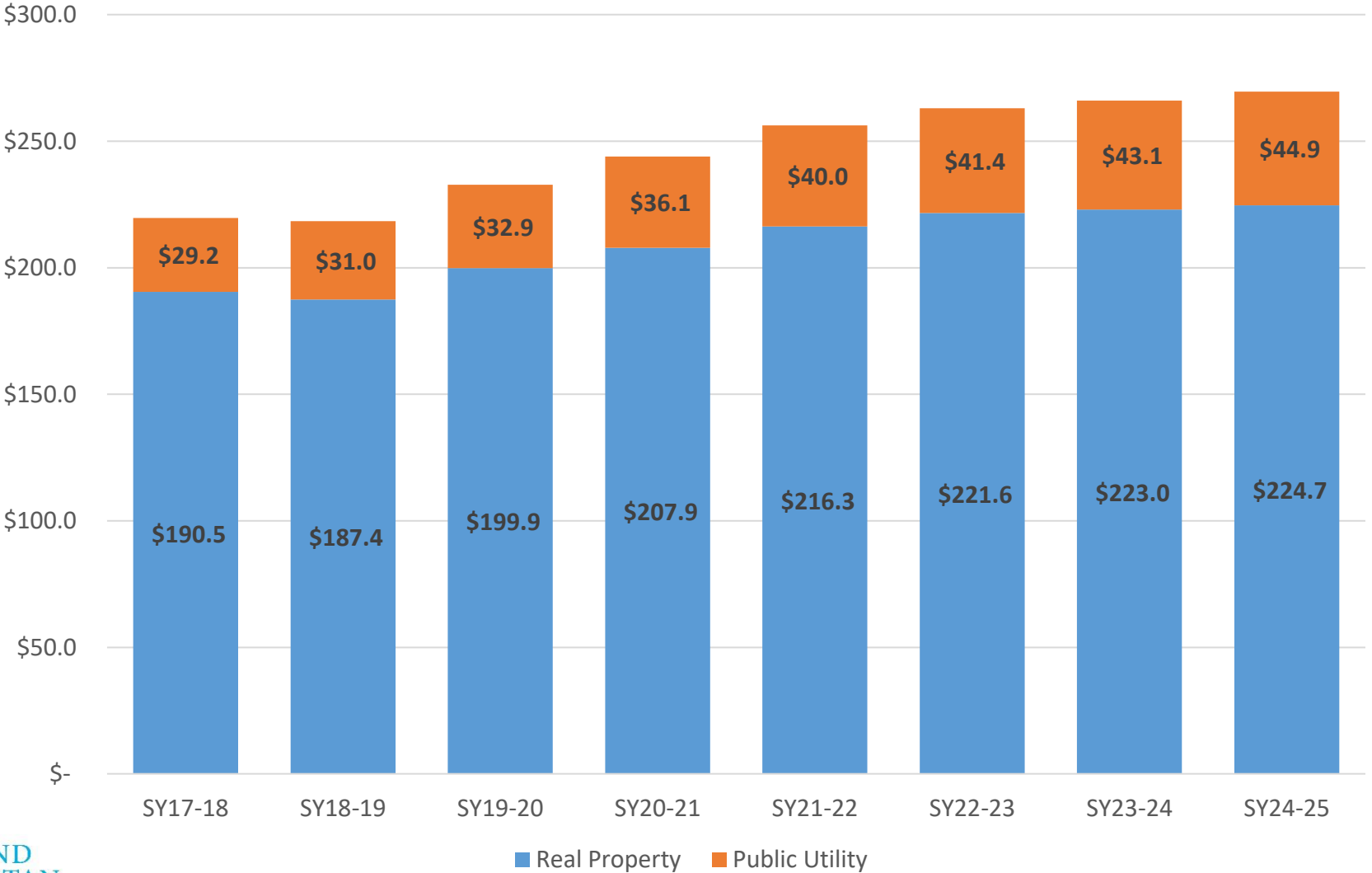
5-Year Trend



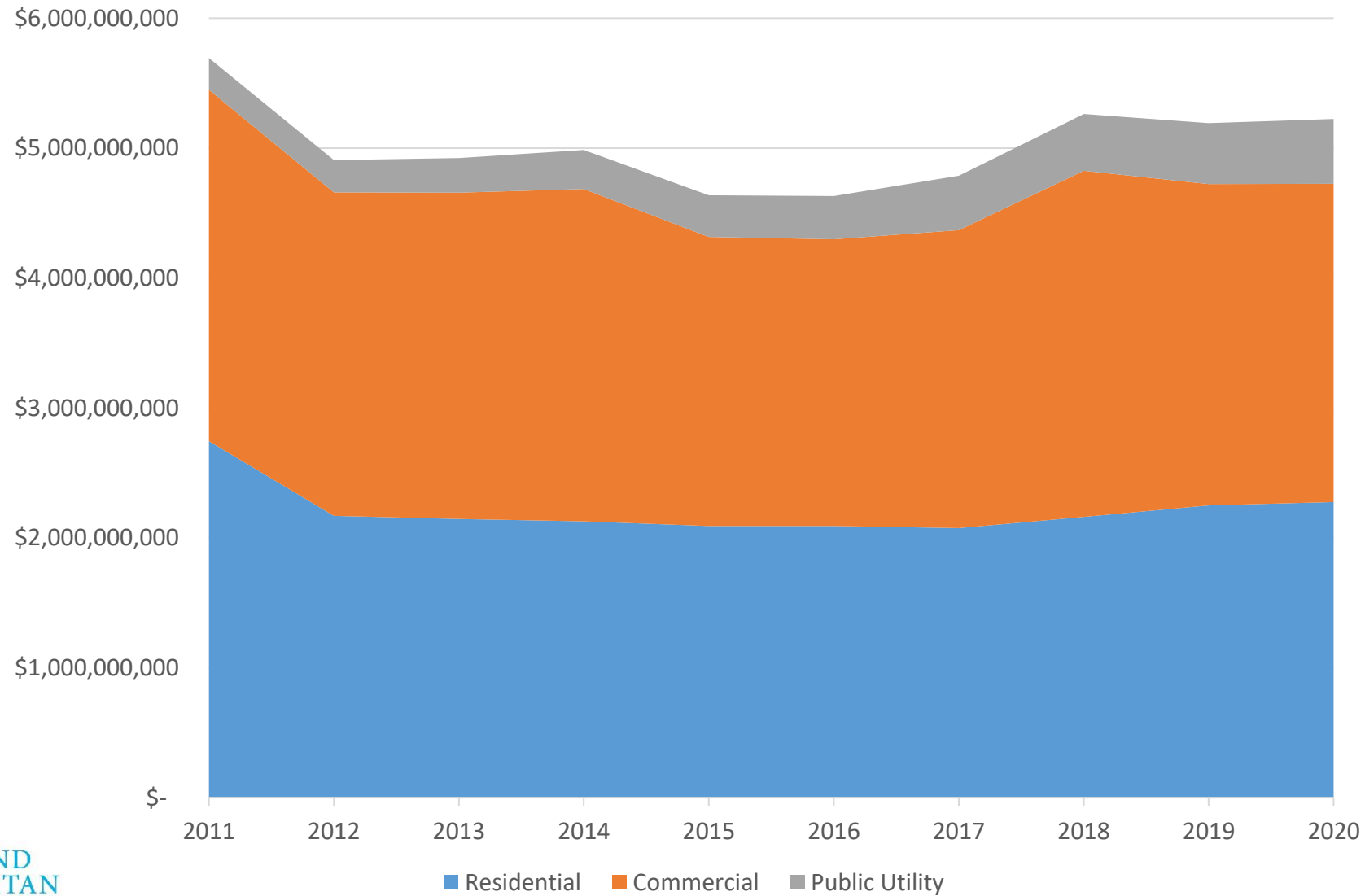
# State Aid



# Local Property Tax Revenue

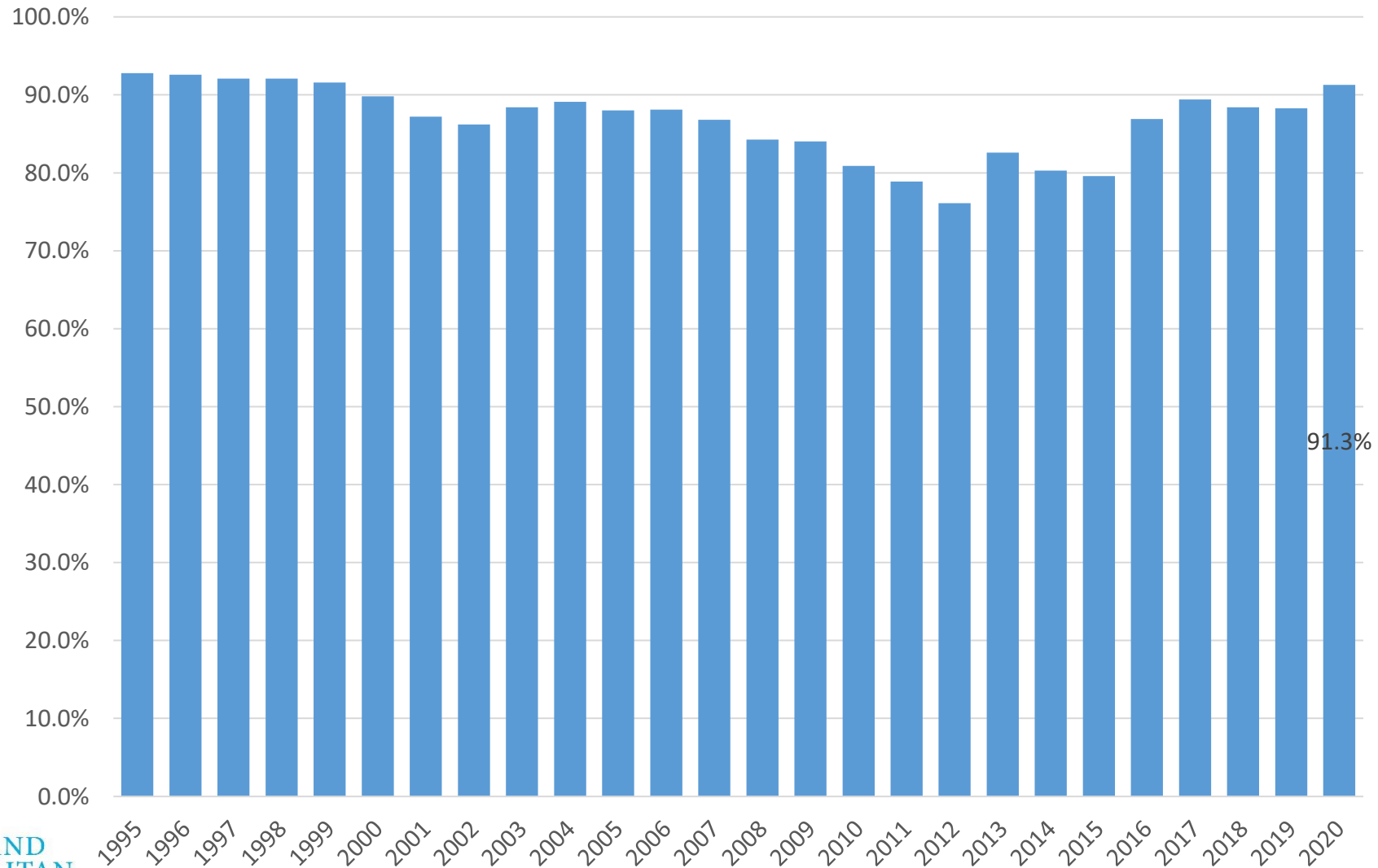


# Historic Assessed Valuations





# Property Tax Collection Rates

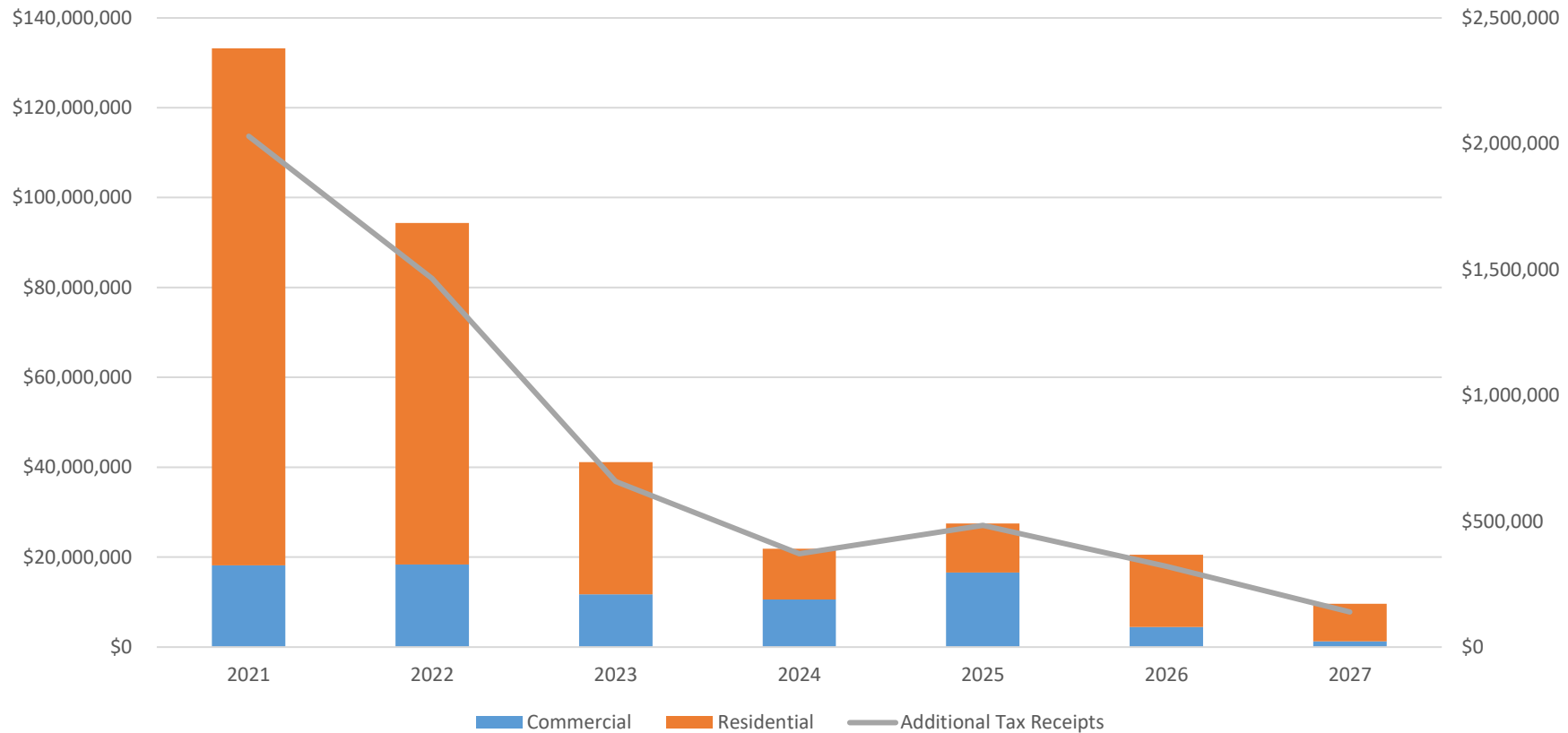


# Property Tax Abatement Tracking

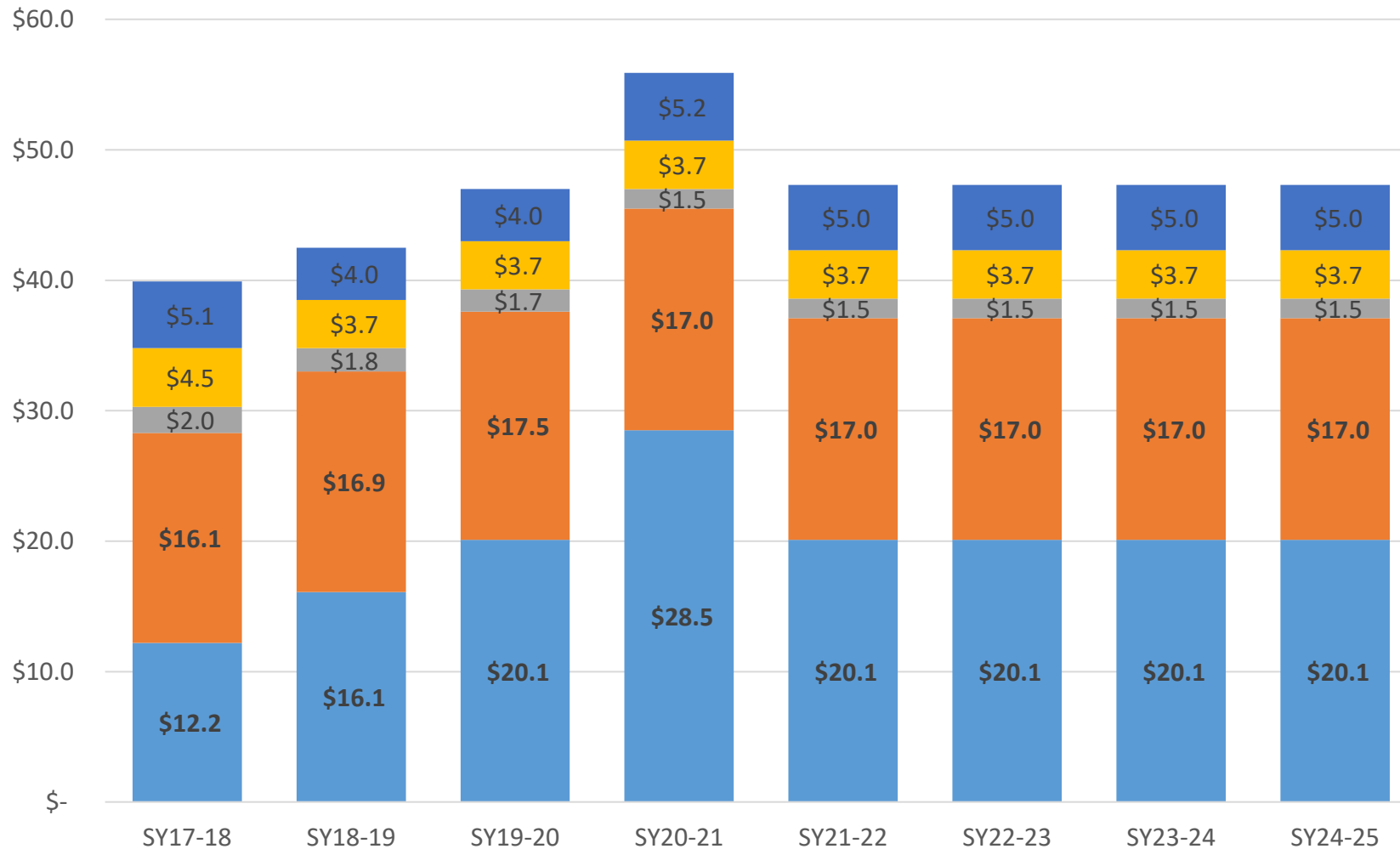
## Cleveland Municipal School District Abatement Impact on District

Calendar Year	Type	Abated Value	Additional Tax Receipts	Calendar Year	Type	Abated Value	Additional Tax Receipts
2020	Commercial	23,227,600	454,523	2024	Commercial	10,550,800	206,460
	Residential	60,406,400	878,879		Residential	11,305,200	164,484
		<u>83,634,000</u>	<u>1,333,402</u>			<u>21,856,000</u>	<u>370,944</u>
2021	Commercial	18,162,200	355,402	2025	Commercial	16,546,400	323,784
	Residential	115,057,400	1,674,020		Residential	10,944,300	159,233
		<u>133,219,600</u>	<u>2,029,422</u>			<u>27,490,700</u>	<u>483,017</u>
2022	Commercial	18,355,600	359,187	2026	Commercial	4,428,700	86,662
	Residential	75,987,100	1,105,569		Residential	16,087,200	234,060
		<u>94,342,700</u>	<u>1,464,756</u>			<u>20,515,900</u>	<u>320,722</u>
2023	Commercial	11,710,900	229,162	2027	Commercial	1,234,105	17,955
	Residential	29,419,200	428,033		Residential	8,365,700	121,716
		<u>41,130,100</u>	<u>657,195</u>			<u>9,599,805</u>	<u>139,671</u>

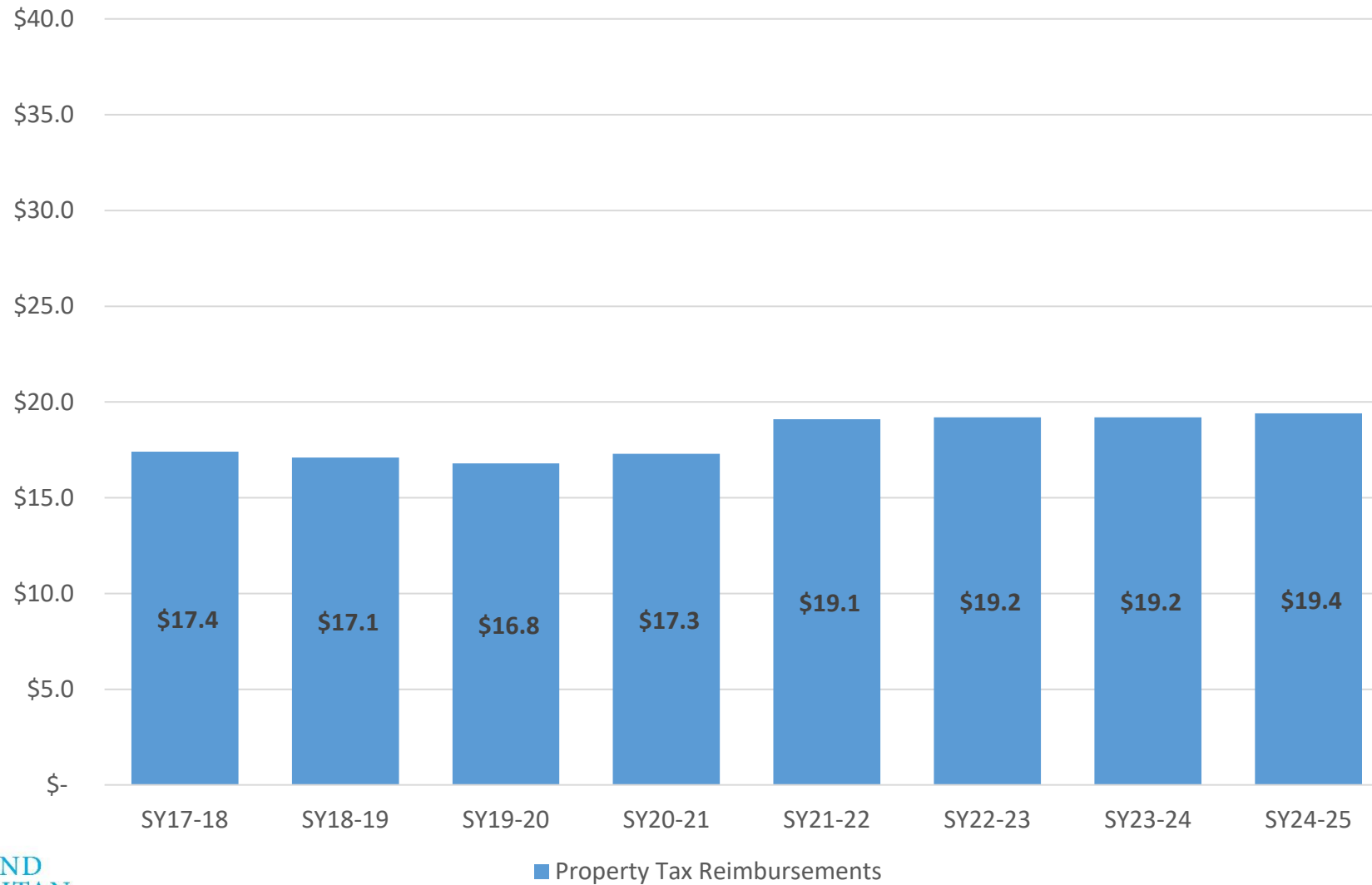
# Property Tax Abatement Tracking



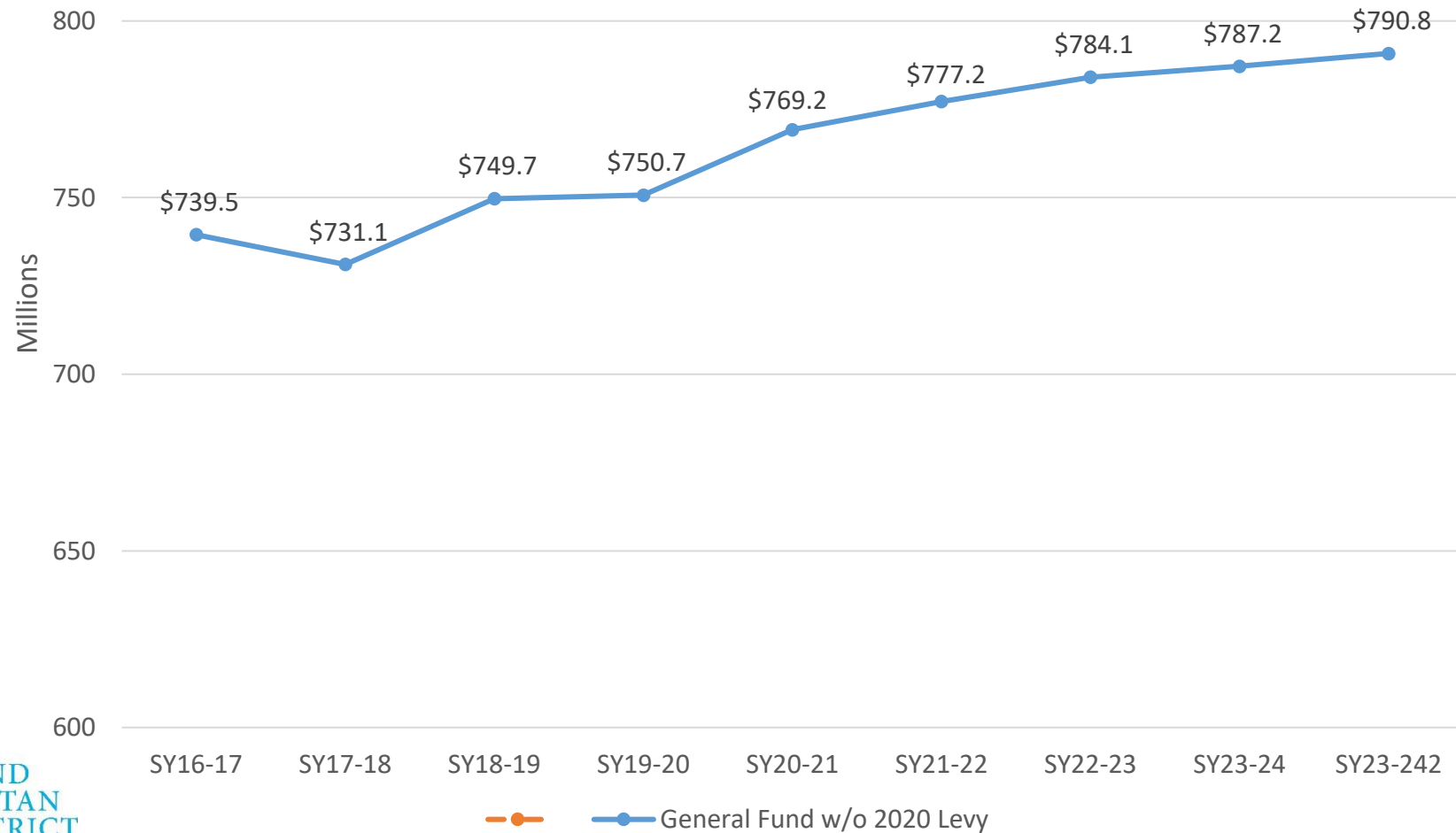
# Other Sources & Advances



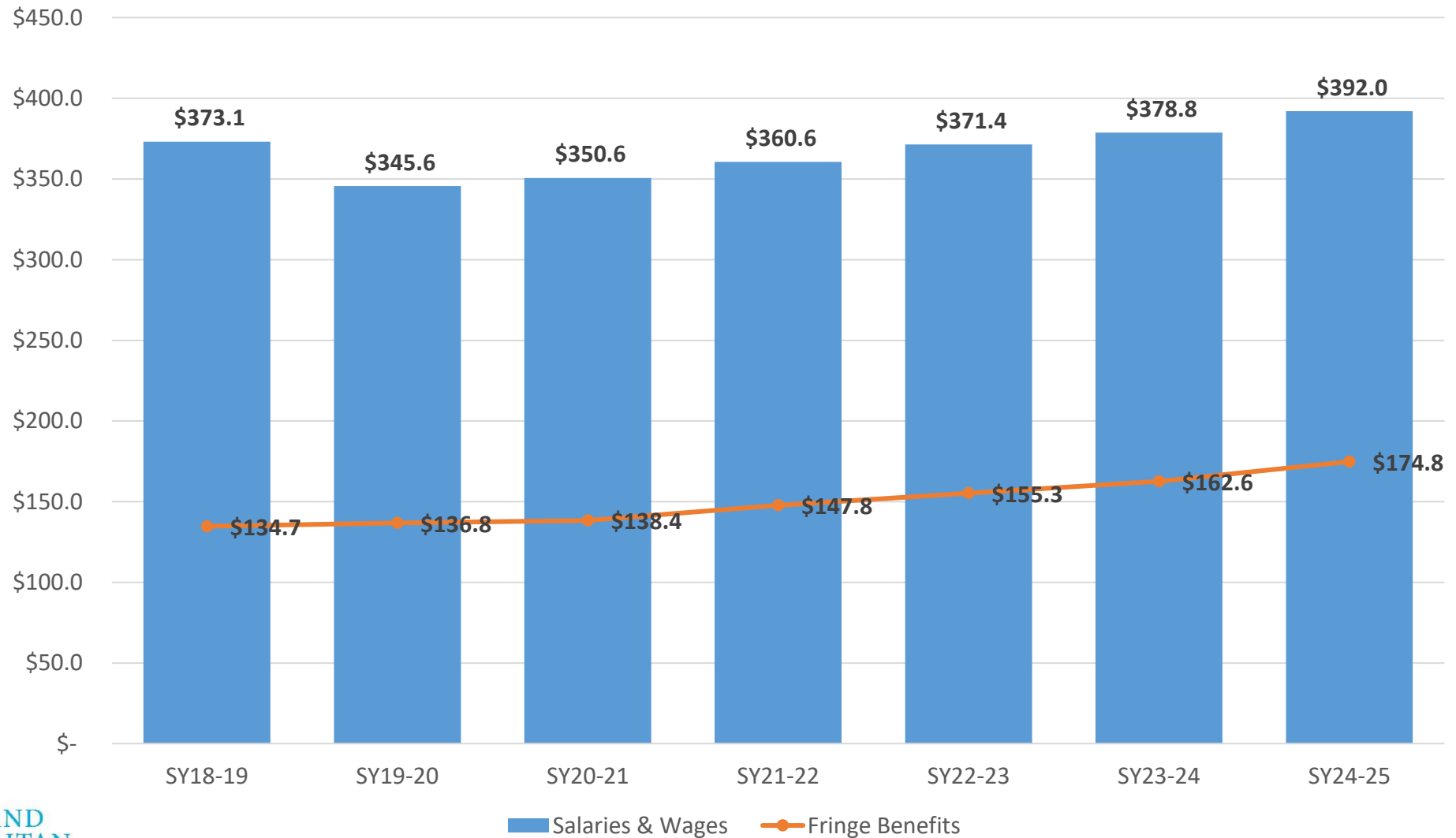
# State Reimbursements



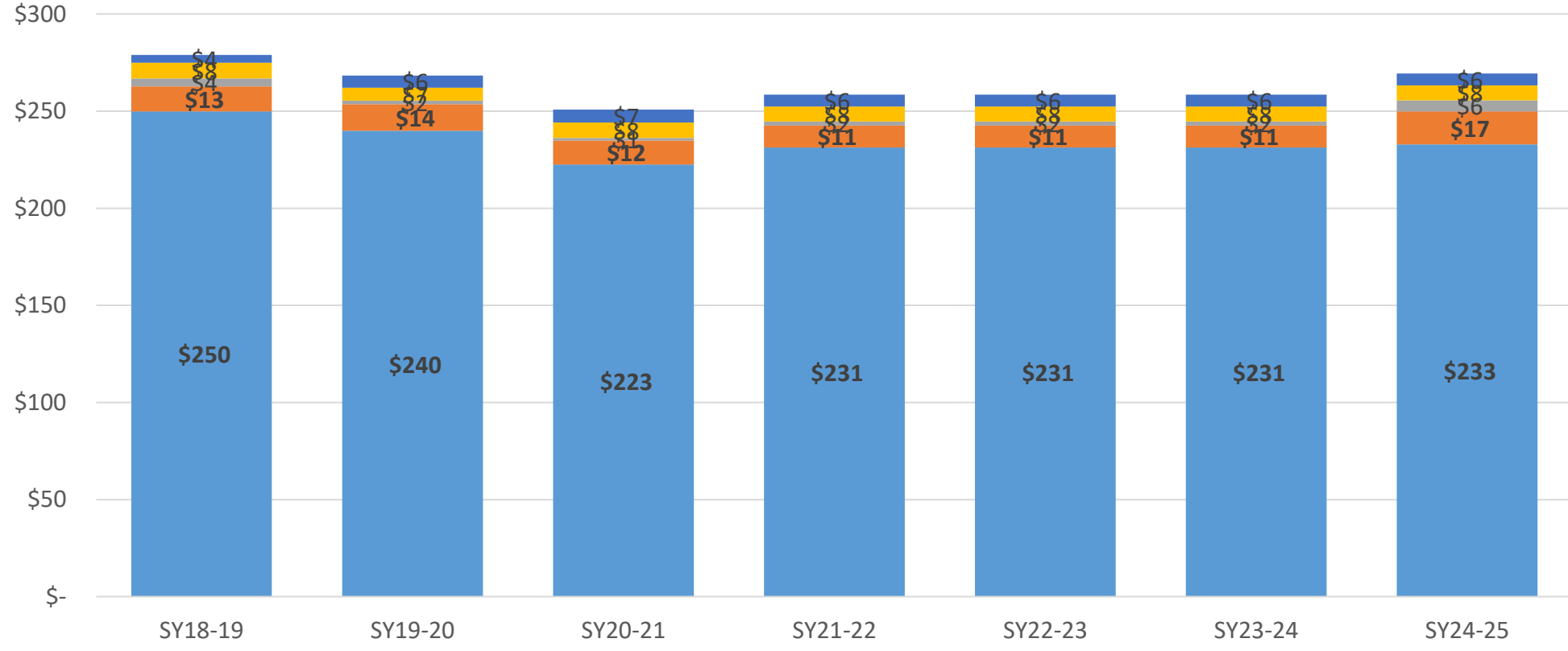
# Revenue Forecast – General Fund



# Personnel Expenditures



# Non-Personnel Expenditures



- Purchased Services
- Supplies & Materials
- Equipment
- Other Uses
- Advances / Transfers



# Expenditure Forecast – General Fund

