

CLEVELAND METROPOLITAN SCHOOL DISTRICT



Five-Year Forecast

May 10, 2022



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Five-Year Forecast Requirement

- Required to submit twice annually to the Ohio Department of Education:
 - Initial Fiscal Year Forecast due by November 30th
 - An update is required between April 1st and May 31st
- 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.

Financial Planning Context

- We continue to invest in the CMSD Experience as part of our pandemic response utilizing Federal grants.
 - Academic, social-emotional, attendance, enrollment, facilities, etc.
- We continue to preserve the General Fund to sustain effective investments after the pandemic grants expire.
- Understanding the new State Foundation Formula, which started to be phased in beginning January 2022.
- Unpacking the impact of HB126, which reduces our ability to challenge property tax valuations.

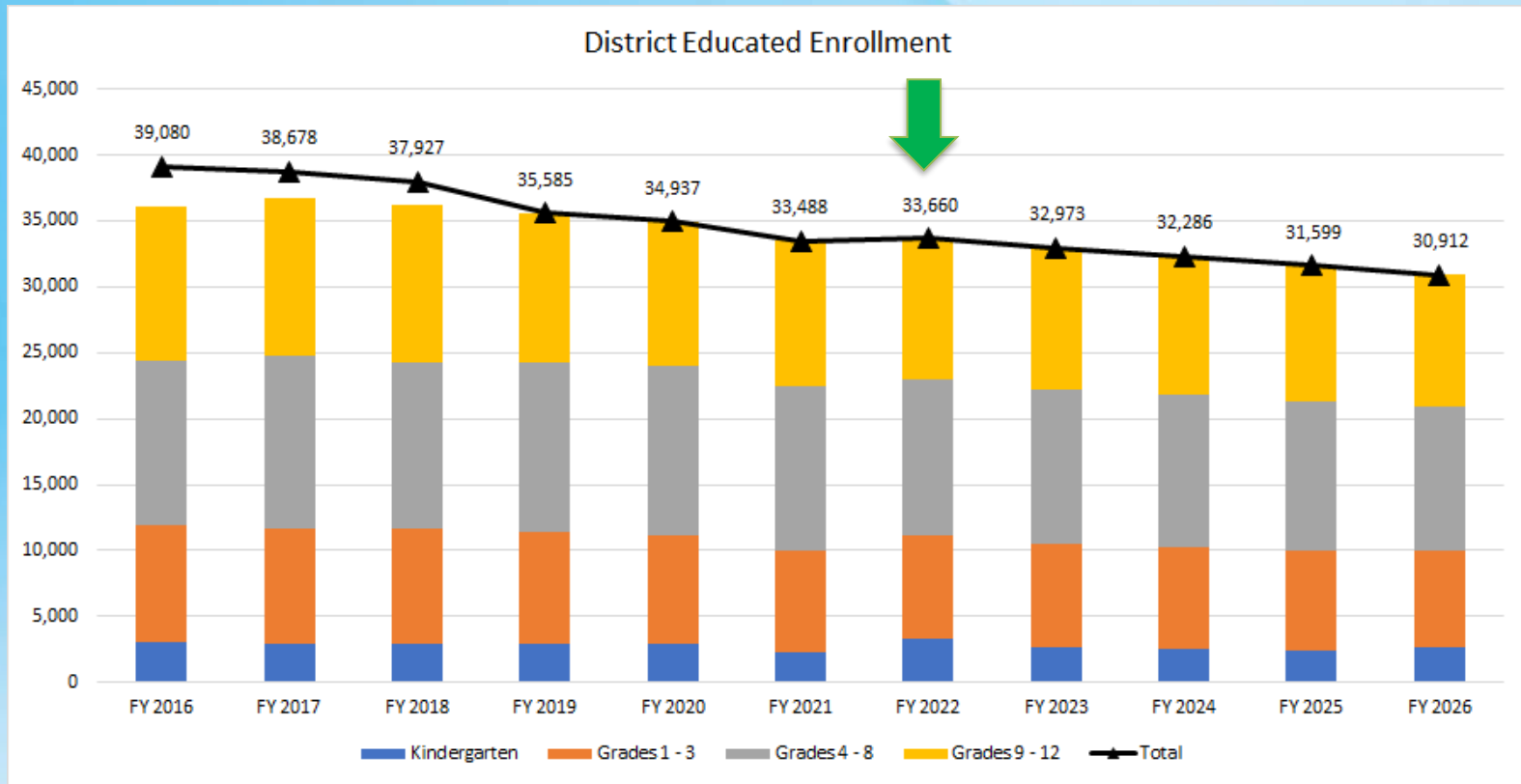
Federal, Pandemic-Response Grants

	CMSD's Allocation	% Spent / Encumbered	Spend By Date
CARES	\$26.9M	100%	9/30/2022
CRF	\$2.6M	100%	12/31/2022
ESSER	\$131.5M	80%	9/30/2023
ARP (5 awards)	\$299.4M	12%	9/30/2024

Fair School Funding Formula

- Major Changes from Prior Formula
 - “Cost To Educate” methodology determines a unique base cost and categorical funding.
 - Resident wealth incorporated with property values to determine state / local share.
 - Funding follows students to the educating district (i.e., no charter or scholarship pass-thru)
- CMSD Realized Impact
 - The State began implementing the new Foundation Formula in January 2022 and has ‘rolled out’ additional components and corrections with each semi-monthly payment.
 - Factoring all components, our net benefit from the new formula is ~\$9.3M, compared to a simulated benefit of \$6.7M.
 - CMSD is “on the guarantee”; however, we are ~750 students away from being “on the formula”.

Fair School Funding Formula (cont.)



Fair School Funding Formula (cont.)

- Continued Advocacy Necessary Around Phase-In

	SY21-22	SY22-23	SY23-24	SY24-25	SY25-26	SY26-27
Economically Disadvantaged	0%	14%	50%	67%	83%	100%
Other Components	16%	33%	50%	67%	83%	100%
	Current Biennium		Next Biennium		Biennium After That	

General Fund Revenue Inputs & Assumptions

- Local Property Tax is ~44% of estimated FY22 General Fund Revenue
 - The Forecast reflects current valuations as well as the historical pattern of changes following triennial re-evaluations.
 - The Forecast uses a three-year average collection rate of 87.9% for current collections and 8.6% for delinquent collections (as a percent of current collections).
 - The Forecast reflects an annual reduction of \$4 million due to the recently passed HB126, which limits the Board's ability to challenge and defend property tax valuation proposals.
- The State Foundation Formula is ~50% of estimated General Fund Revenue
 - The Forecast assumes the new Fair School Funding Plan (HB110) in all five years with the proposed phase in of DPIA and other elements.

General Fund Expenditure Inputs & Assumptions

- Salaries and Benefits
 - The Forecast includes a 3.0% wage increase in FY23 and a 2.0% wage increase in FY24.
 - The Forecast reflects a return to pre-COVID levels of substitutes.
 - The Forecast projects an annual 6.5% increase in healthcare costs.
- Purchased Services, Supplies, and Capital Outlay
 - The Forecast continues to exclude charter school and Cleveland Scholarship pass-through expenses (Fair School Funding).
 - The Forecast reflects a return of pre-COVID levels of transportation expenses.
 - The Forecast applies historical cost inflation factor ... *though hard to predict in our current environment.*
- Investments in the CMSD Experience
 - The Forecast reflects \$38M annually in sustained Investments post-ARP (FY25 and FY26).

Five Year Forecast – May 2022

	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24	SY24-25	SY25-26
Total Revenue	\$750.7	\$763.4	\$636.8	\$630.3	\$635.7	\$635.8	\$639.1
Total Expenditures	\$750.9	\$699.0	\$600.4	\$629.1	\$645.5	\$697.7	\$707.1
Net Revenue	(\$0.2)	\$64.4	\$36.4	\$1.3	(\$9.8)	(\$61.9)	(\$68.0)
Ending Cash Balance	\$37.9	\$102.3	\$138.7	\$140.0	\$130.1	\$68.2	\$0.2
Encumbrances	\$15.6	\$13.0	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
Unencumbered Balance	\$22.3	\$89.3	\$122.7	\$124.0	\$114.1	\$52.2	(\$15.8)

Invest in CMSD Experience and Pandemic Response Using ESSER / ARP Grants

Sustaining Investments

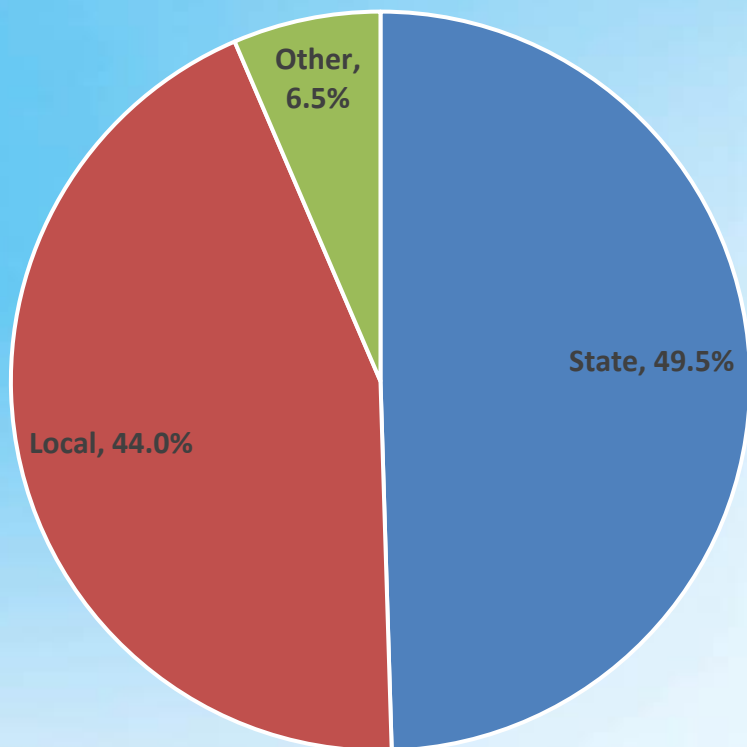


QUESTIONS

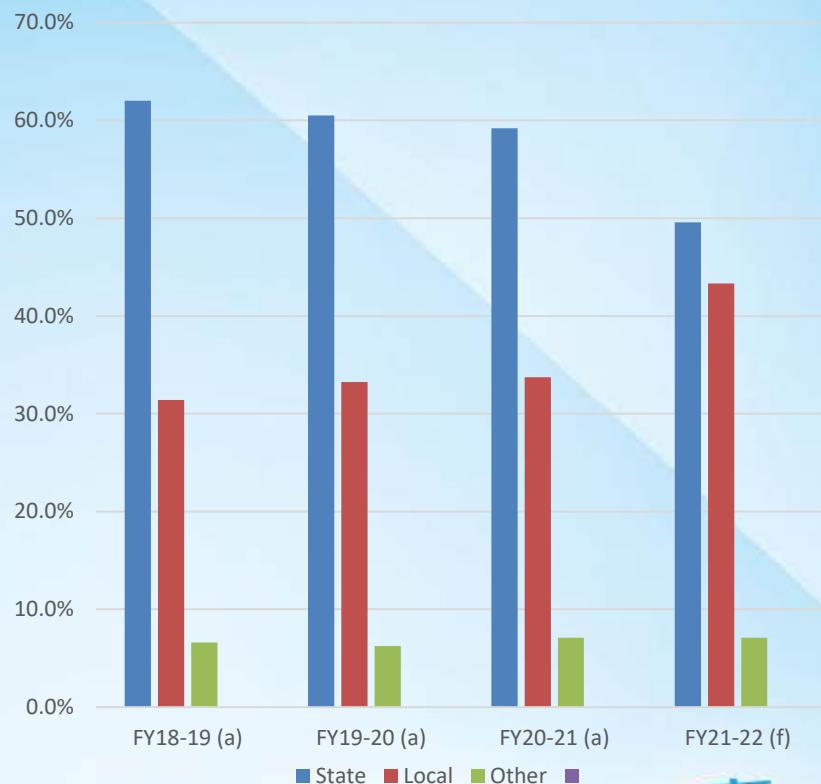
APPENDIX

Revenue Sources

SY21-22 Projected General Fund Revenue



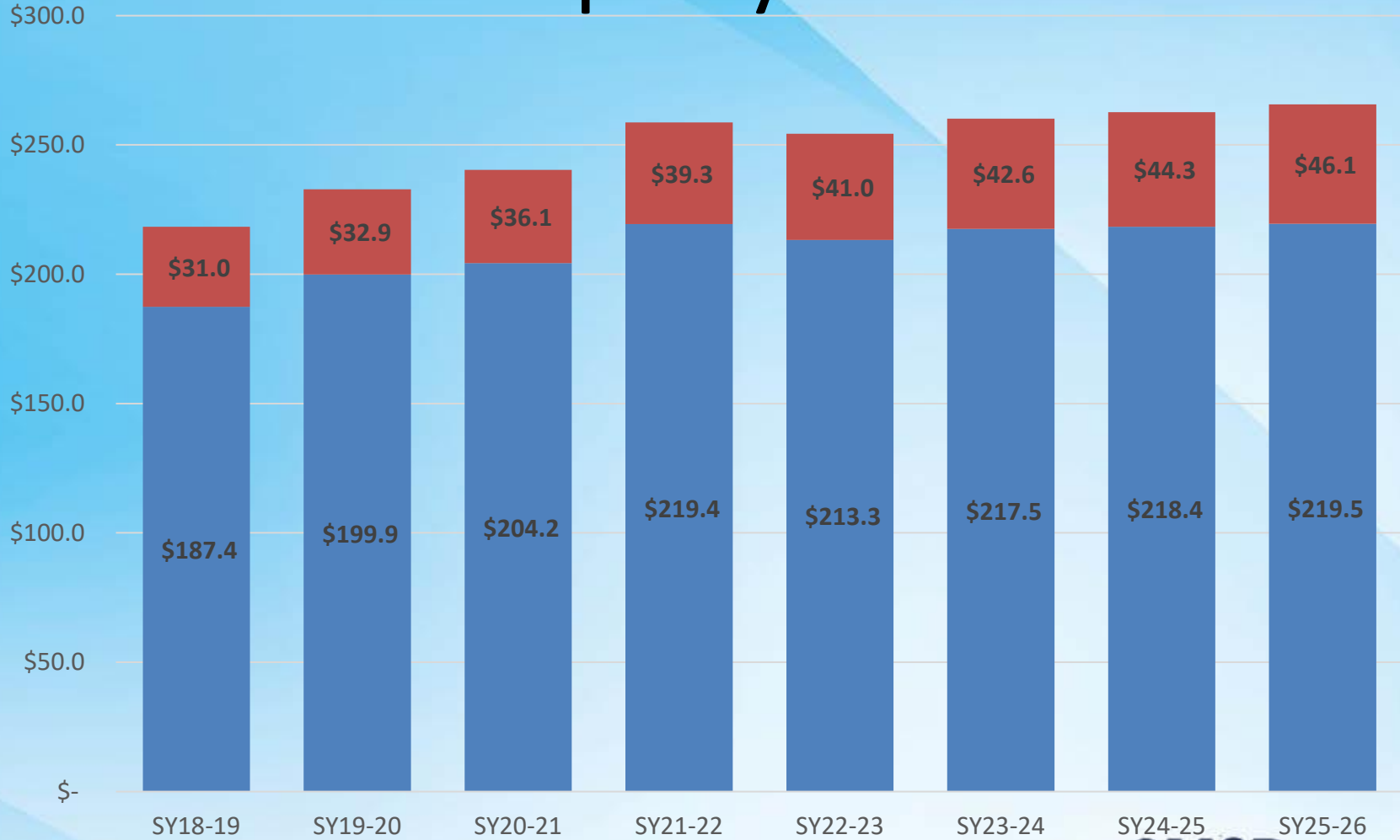
Multiyear Trend



State Aid



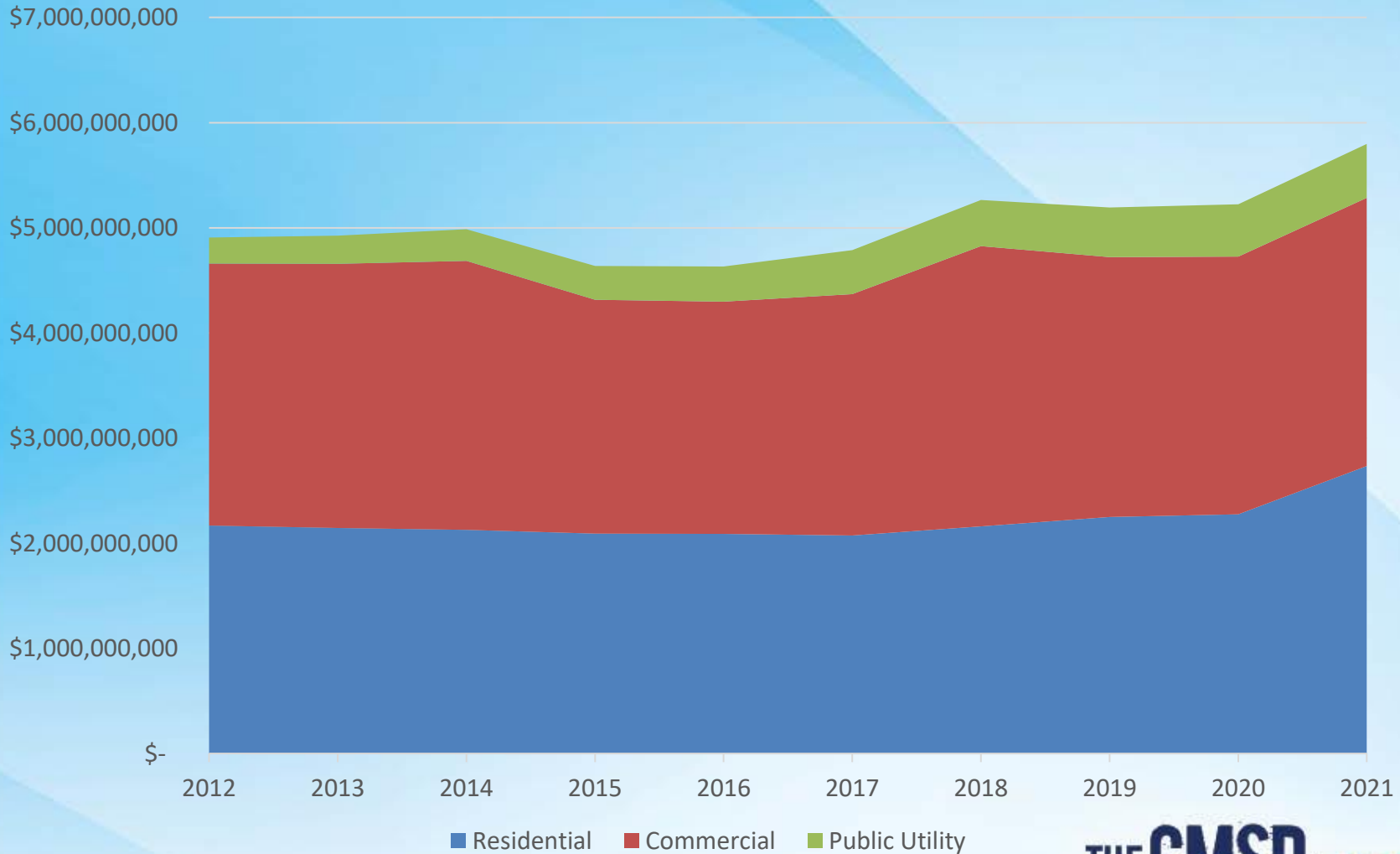
Local Property Tax Revenue



■ General Property Tax (Real Estate) ■ Tangible Property Tax



Historic Assessed Valuations



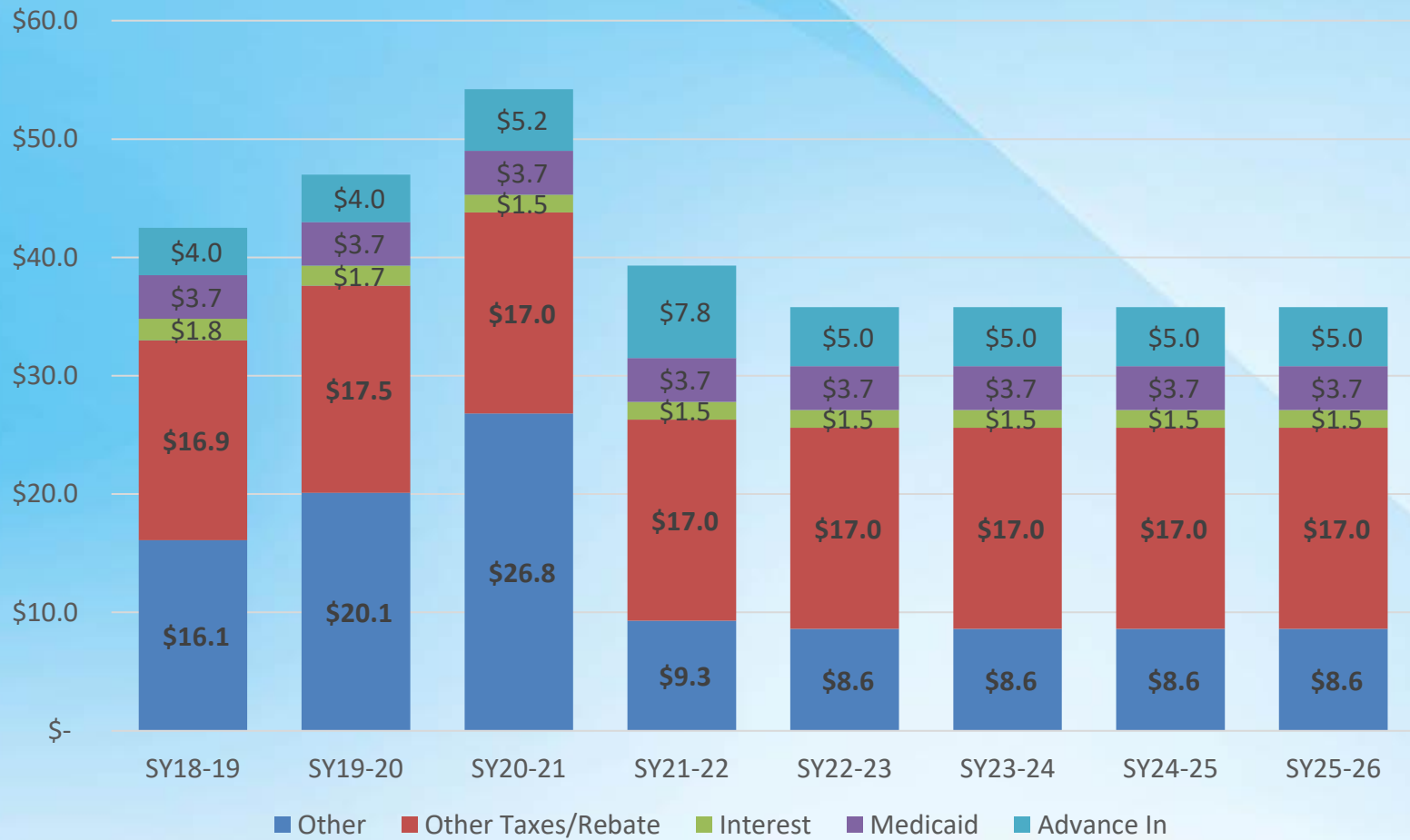
Property Tax Collection Rates



State Reimbursements



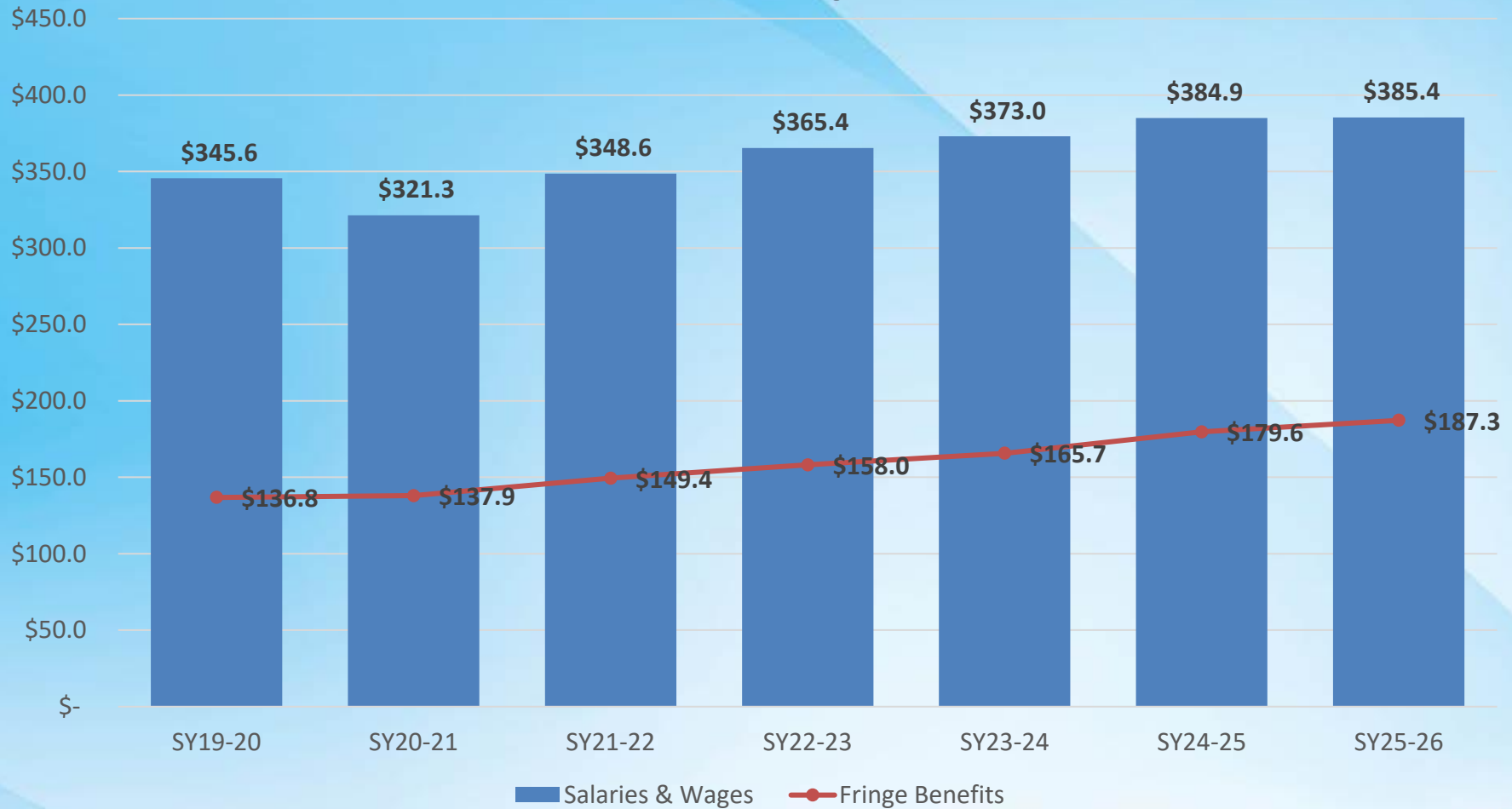
Other Revenue



Revenue Forecast – General Fund



Personnel Expenditures



Non-Personnel Expenditures



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

Expenditure Forecast – General Fund

