



Five-Year Forecast November 2023

Deb Armbruster, Treasurer / CFO

We Commit to High Achievement for All Students

Forecast Methodology

- Methodology - Communication, collaboration, and analytics with key personnel to develop spending plans for a close to actual projection of revenue and expenditures
 - Superintendent
 - Director of Student Services
 - Business Affairs
 - Assistant Superintendent
- Capitalize on grants and additional funding to relieve the General Fund
 - Local Grants
 - State Grants
 - Federal Grants



Important to Remember:

- A five-year forecast is an **ESTIMATE**. It represents what we know **now**.
- Circumstances in Ohio school finance are constantly changing - inflation, the state funding formula, tax collections
- The forecast makes assumptions concerning numerous variables that are not yet known (property values, state funding, supply chain, interest rates, etc).
- The five-year forecast represents only the General Fund of the District.
- **Assumptions** are located in BoardDocs which contain more details.





May 2023 Forecast vs FY 2023 Year End
The starting point

May 2023 Estimate vs Actual FY 2023

	<u>May 2023 Estimate</u>	<u>FY 2023 Year-End Actual</u>
Beginning Balance	24,715,450	24,715,450
+ Revenue	38,189,284	38,185,779
- Expenditures	(39,455,299)	(39,087,343)
Annual Surplus/ <u>Deficit</u>	(1,266,015)	(901,564)
Ending Cash Balance	<u>23,449,435</u>	<u>23,813,886</u>
Ending Cash Balance w/purchase open orders	<u>22,949,435</u>	<u>23,441,220</u>

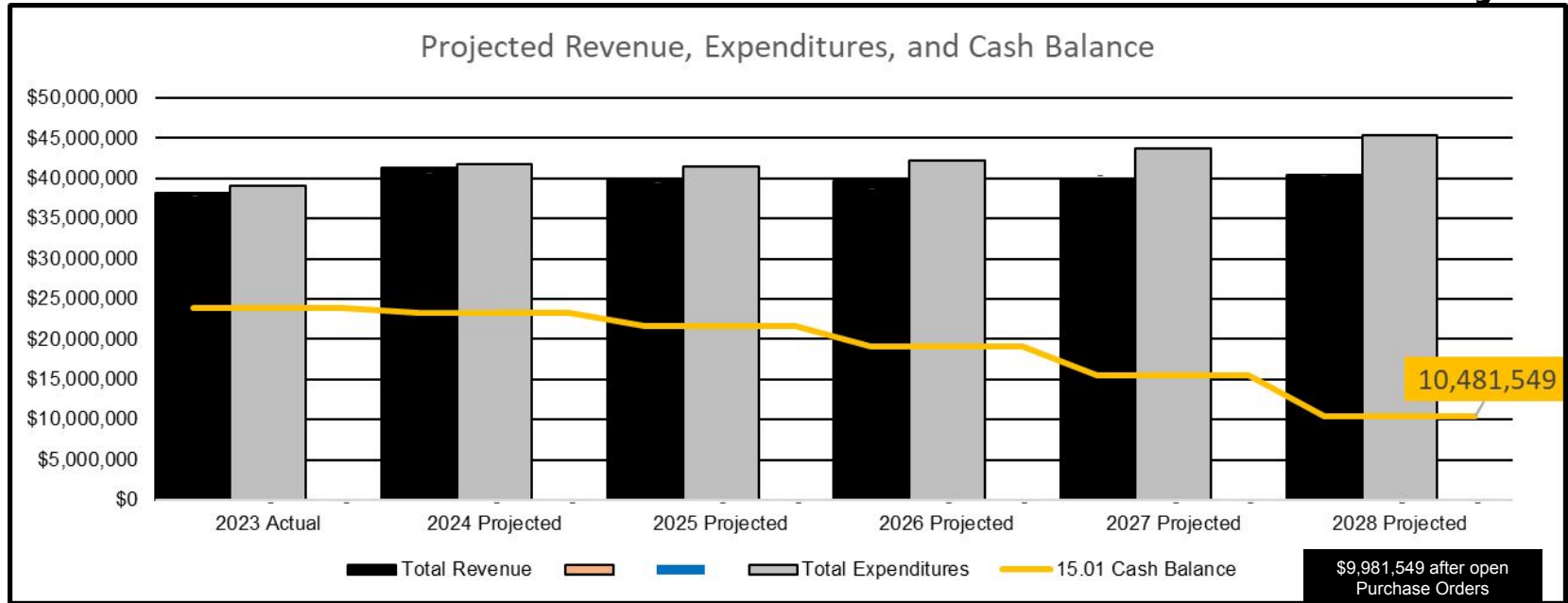


\$491,785 better than anticipated
 Why - close revenue projections and remaining under budget.



**November 2023 Forecast
for Fiscal Year 2024**

November 2023 Five-Year Forecast Summary



The Plan - To align the Five-Year Forecast with the 2023-2028 district Success Plan. Concentration aligns with district goals for safety and security, facilities and operations, communications, resources and fiscal responsibilities, and engaged student learning.



Note - Deficit spending is when expenditures exceed revenue for a given year (gray bar higher than the black bar)



Revenue

May (1.070) Revenue Estimates vs. November (1.070) Estimates

	<u>2023 (Actual)</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Estimated (1.070) Revenue May	36,710,396	39,439,083	37,899,939	38,088,397	38,574,475
Estimated (1.070) Revenue November	36,713,400	40,010,978	38,613,231	38,534,793	38,816,992
Difference	-3,004 (less restricted funding, slightly less interest)	+571,895 (increased inside-mill, increased state funding)	+713,292 (increased inside-mill, increased state funding, increased interest)	+446,936 (increased inside-mill, increased state funding, reduced interest)	+242,517 (increased inside-mill, increased state funding, reduced interest)

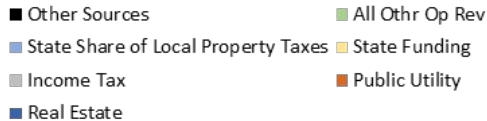
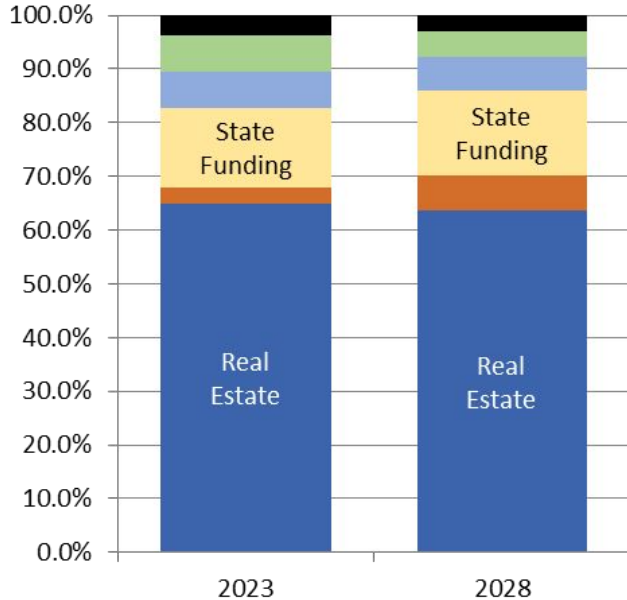
Slight increases in inside-mill, state funding, and interest income

- Collection rate is set to 98% as certified by the County
- 1 mill of inside-mill moved to Permanent Improvement fund in FY 2024
- Interest/investment continues to increase, currently at 5.71%
- FY 2023 is a triennial update year for property taxes - adjusted for HB920
- FSFP - projected a small but steady increase in state funding



2024 Total Revenue Estimate - Percent to total

Sources of Revenue Over Time



Summary of Revenue

- | | | |
|----|--------------|--------------------------------|
| 1. | <u>65.0%</u> | <u>Real Estate</u> |
| 2. | 2.9% | Public Utility |
| 3. | 0.0% | Income Tax |
| 4. | <u>14.8%</u> | <u>State Funding</u> |
| 5. | 6.7% | Prop Tax Alloc |
| 6. | <u>6.6%</u> | <u>All Other Operating Rev</u> |
| 7. | 3.9% | Other Sources |

74.6% from taxes (Real Estate, Public Utility, Prop Tax Alloc)



Revenue

Property Tax (65%), State Funding (14.8%)

Public Utility (2.9%)

(All revenues are detailed in the assumptions in BoardDocs)

Property Tax Revenue (65.0% of Total)

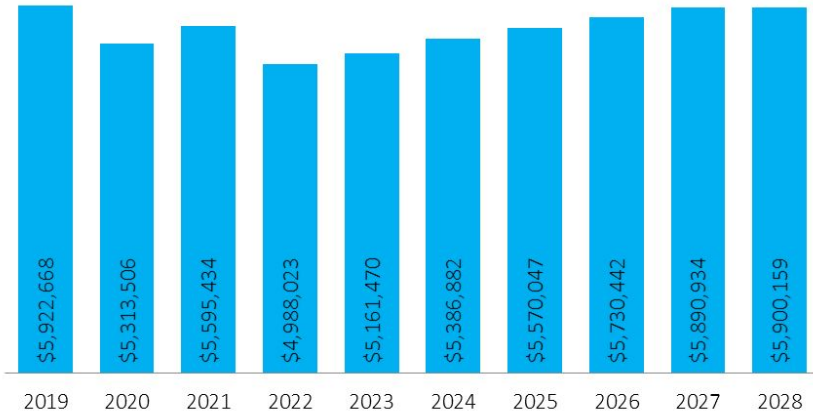


- Collection rate = 100.27 (estimated at 98% by Geauga County Treasurer)
- Assumption for 18.8% valuation increases (Residential, Commercial , PUPP)
- Slight increase projected for the next five years to account for inside-mill / new construction
- 2025 decrease to account for 1 mill move to the Permanent Improvement Fund
- Exempt Property 17.26% of total (2.74 Geauga County Offices, 1.95% Geauga Parks)

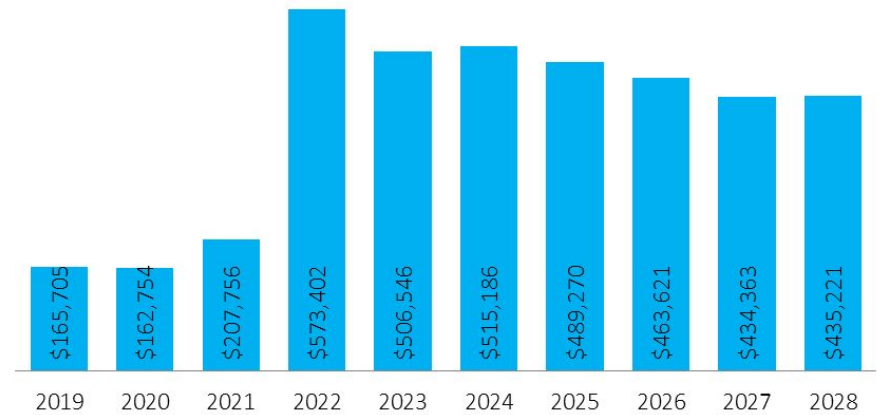
State Funding

(14.8% of total)

1.035 - Unrestricted Grants-in-Aid



1.040 & 1.045 - Restricted Grants-in-Aid



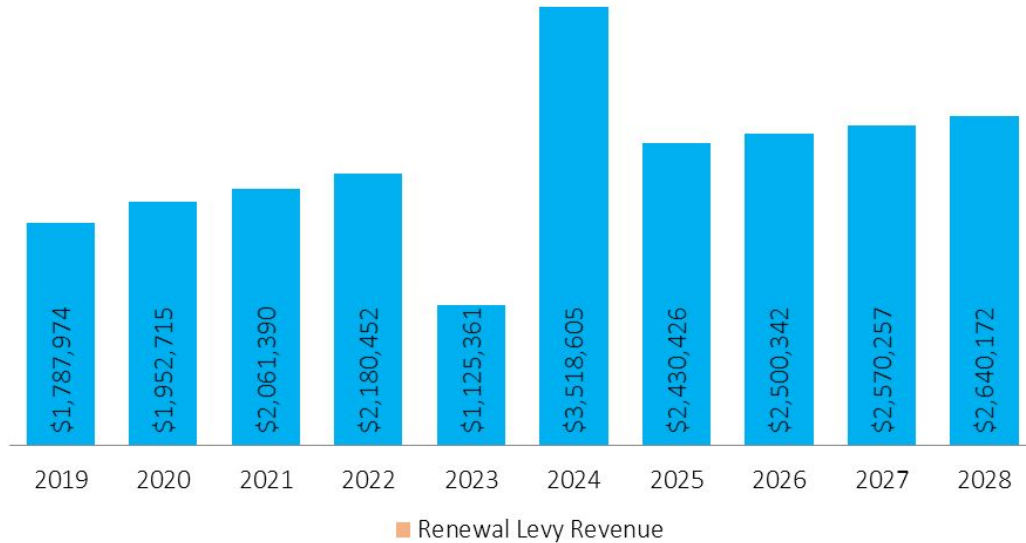
1.035 Unrestricted

- Revenue decrease in 2022 with the implementation of the FSFP (reduced revenue & expenditures)
- Guarantee District with slight increase for the next five years, **but**
- **Unknown:** State revenue calculations after 2025 - FSFP is only approved for fiscal years through 2025

1.040 & 1.045

- Catastrophic Cost Reimbursement has nearly doubled in 2022, but declining in 2024-2028
- Student Wellness funds were moved to General Fund in 2022, but are declining in 2024 - 2028

Public Utility (2.9% of Total)



- Shortfall in 2023 of \$1.1M due to delinquent payments by utility companies then collected in 2024
- Slight increase projected for the next five years for increased values (2.9%).
- Orwell Trumbull Pipeline sold assets separately from the liabilities, revenue lost on \$2,624,880 of property valuations for many years resulting in delinquent taxes for Chardon area entities at **\$5,717,007**.



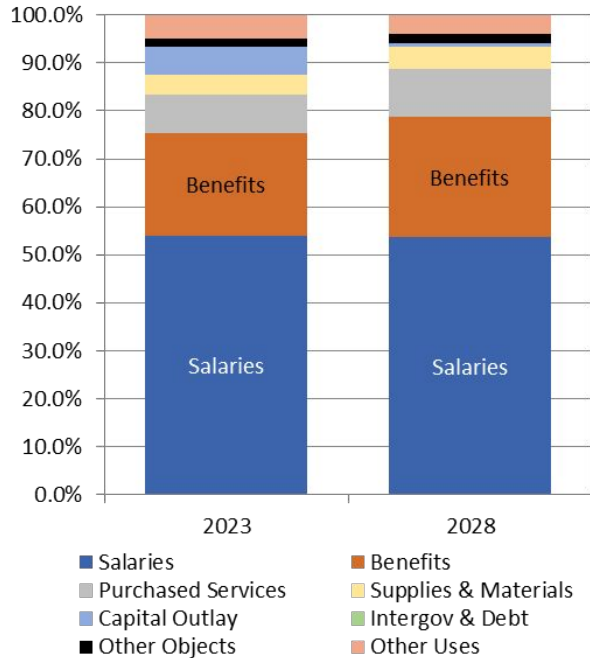
Expenditures

Expenditures - May 2023 Estimates vs. November 23 Estimates

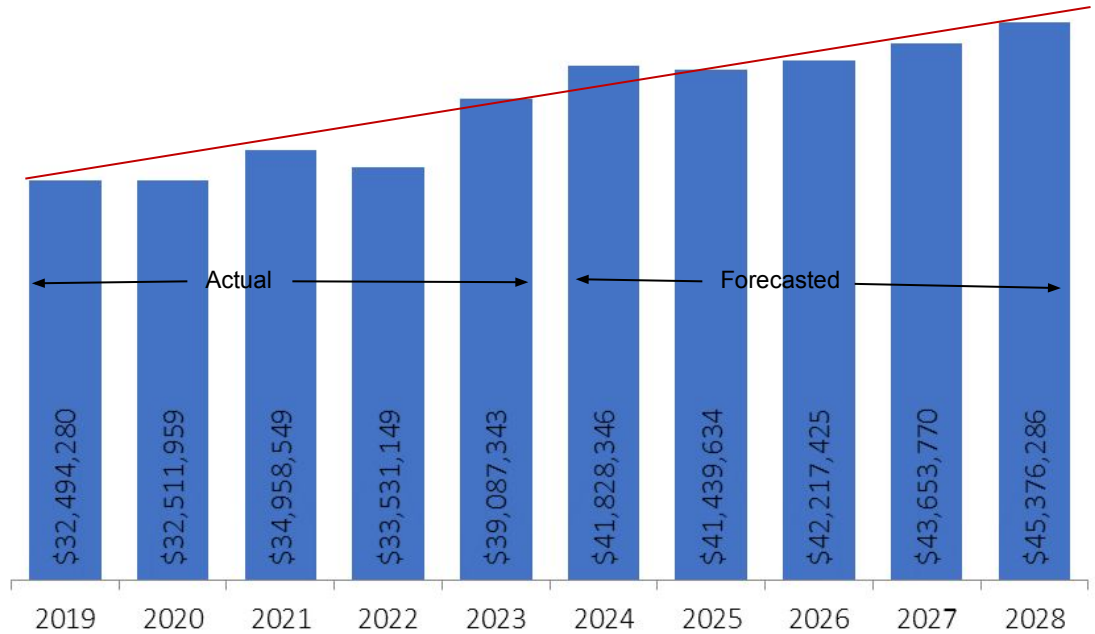
	<u>2023 Actual</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Estimated Expenditure (4.50) May	39,455,299	41,170,050	40,266,731	41,606,666	42,675,932
Estimated Expenditure (4.50) Nov	39,087,343	41,828,346	41,439,634	42,217,425	43,653,770
Difference	-367,957	658,296	1,172,903	610,759	977,838

- 2023 - 2028 Supplies increased \$150 annually to pay for student supply fees
- 2024 - 2028 Increased estimates for inflation (3% to 4%)
- 2024 - 2028 Changes in Insurance percentages (6.5, 7, 9, 9, 9)
- 2023 Textbook Purchases - reducing in 2024, increasing 2025-2028 for inflation (3%)
- 2025 Technology and Network upgrades were moved from the PI fund to the General Fund
- 2026 - 2028 increased 1.0% placeholder for salary increases to 2% for all three years

Expenditure Categories Over Time



10 Year - Year-over-Year Expenditures



- 2021 COVID-19 - increased salaries to accommodate in class instruction during COVID-19
- 2023 - Increased with negotiated agreements for both unions
- 2023 - Purchased \$1.675M Property on Washington Street for Business/Transportation Compound
- 2024 & 2025 - EPC Buyout, replace staff with less expensive replacements, cost \$1.4M 2024, \$548K 2025
- 2023 - 2025 - Upgrade Promethean Boards in all buildings (\$900K over three years)
- 2024 - Transferred \$400M to PI for first half of Permanent improvement 1 mill move (starts in 2nd half of 2024)



Expenditures

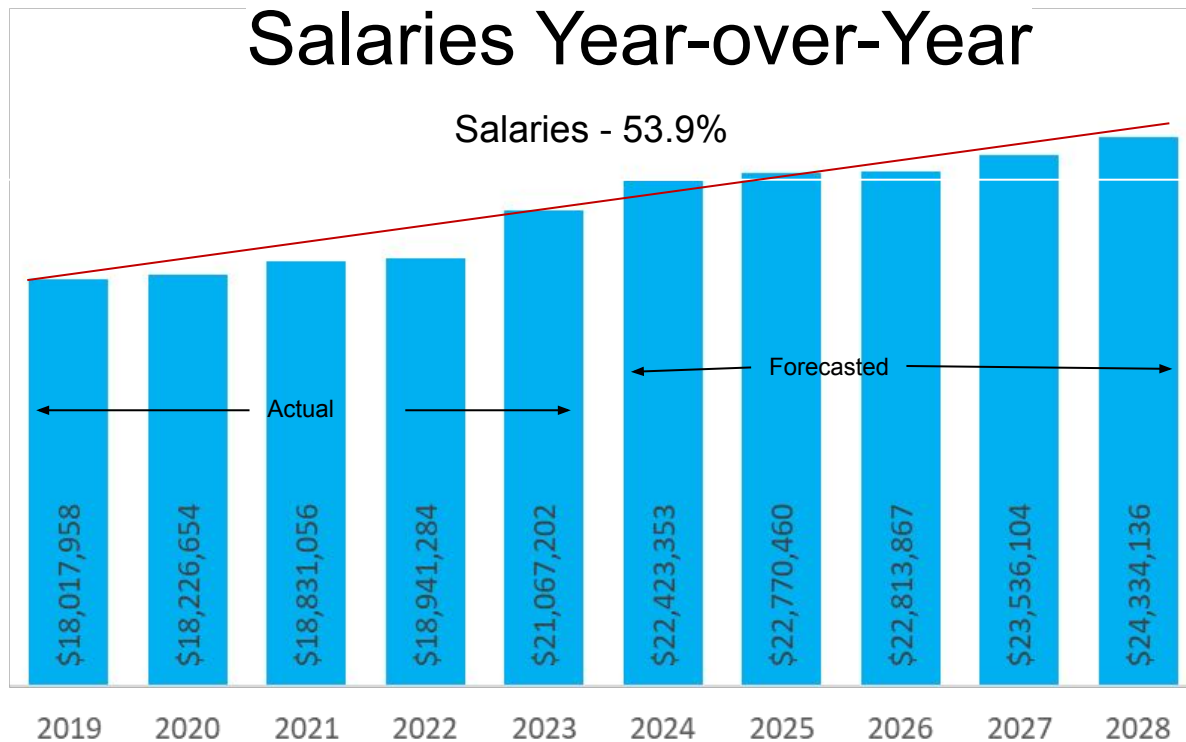
Salaries and Benefits

(Two Largest Expenditures)

(All expenditures are detailed in the assumptions in BoardDocs)

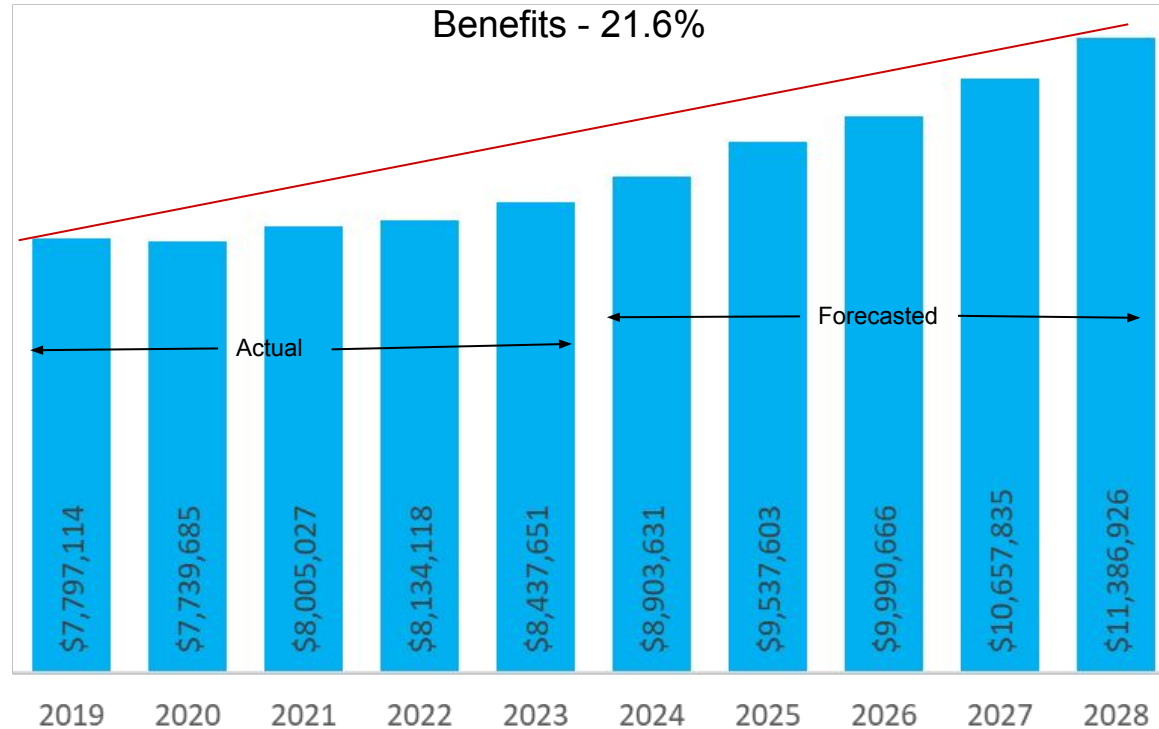


Salaries Year-over-Year



- Salary Assumptions - very similar pattern to Total Expenditures - 53.9% of total
- No plans to decrease or increase staff at this time
- 2023-2025 - 2.25% base plus step increase for Certified staff plus \$1,000 Front-line pay (first year)
- 2023-2025 - Classified staff - 2023 schedule change with 2.25% base increase, 2.25% for 2024 and 2025
- 2026-2028 - 2.0% base plus step increase for both Certified and Classified staff
- 2024-2025 - EPC Retirement Buyout included

Salaries & Benefits Year-over-Year



- Benefit Assumptions - Steady increase - 21.6% of total.
- 0% increase in 2022, 6.5% in 2023, 7% in 2024 and 9% for 2025 through 2028
- 24.2% increase in Claims from 2023-2024, assumption to remain stable in 2024, then increase
- Retirement increases follow salary increases for SERS and STRS retirement systems

The Latest Accomplishments

Interest on Investment accounts are aiding in the increase of revenue along with the change in state funding and an increase in inside-mill.

Negotiated agreements - 2023 - 2025 for certified staff at 2.25% for three years plus a one time \$1,000 stipend. Classified staff with a schedule change plus 2.25% in 2023 and 2.25% for 2024 and 2025.

2026 - 2028 includes 2.0% base increase plus steps for all staff.

Technology capital expenditures continue to be included in the General Fund, adding Network expenditures for 2025.

Some Permanent Improvement expenditures have been moved to the General Fund.

Textbook replacement plan has been adjusted for accuracy within supplies.

Activity and Athletic fees have been eliminated, along with reduced supply fees saving District families \$560,000 annually.

Five-Year Effect on Cash Balance

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	23,813,885	23,331,429	21,670,755	19,153,854	15,482,806
+ Revenue	41,345,890	39,778,961	39,700,523	39,982,722	40,375,029
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(41,828,346)	(41,439,634)	(42,217,425)	(43,653,770)	(45,376,286)
= Revenue Surplus or Deficit	(482,456)	(1,660,673)	(2,516,901)	(3,671,048)	(5,001,257)
Line 7.020 Ending Balance with renewal/new levies	23,331,429	21,670,755	19,153,854	15,482,806	10,481,549

Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	(482,456)	(1,660,673)	(2,516,901)	(3,671,048)	(5,001,257)
Ending Balance w/o Levies	23,331,429	21,670,755	19,153,854	15,482,806	10,481,549

Assumption - deficit spending for the next five years - positive cash balance in 2028 - \$10,481,549

[Link: Five-Year Forecast Report](#)

[Link: Five-Year Full Assumptions Report](#)

\$9,981,549 when including open purchase orders (\$500K).



Important to Remember

Property valuation increases **occur typically every three years.**

Property taxes are the primary source of revenue (not sales tax or income tax) for the District, and the District is NOT on the 20 mill floor. HB920 adjusts tax millage rates down to compensate for any increases in property valuations. The primary revenue growth in property tax is from inside-millage and new construction.

Annual revenue increases are not keeping pace with inflation. Buses have increased 19.34%, property/automobile insurance has increased 16.6%, health insurance increased 24.2% and even with new roofs and windows electric increased 4.4% in the last year.

The District took steps to give back to the community. In 23-24, the Chardon Board of Education eliminated most student fees resulting in annual savings of \$560,000 to parents.

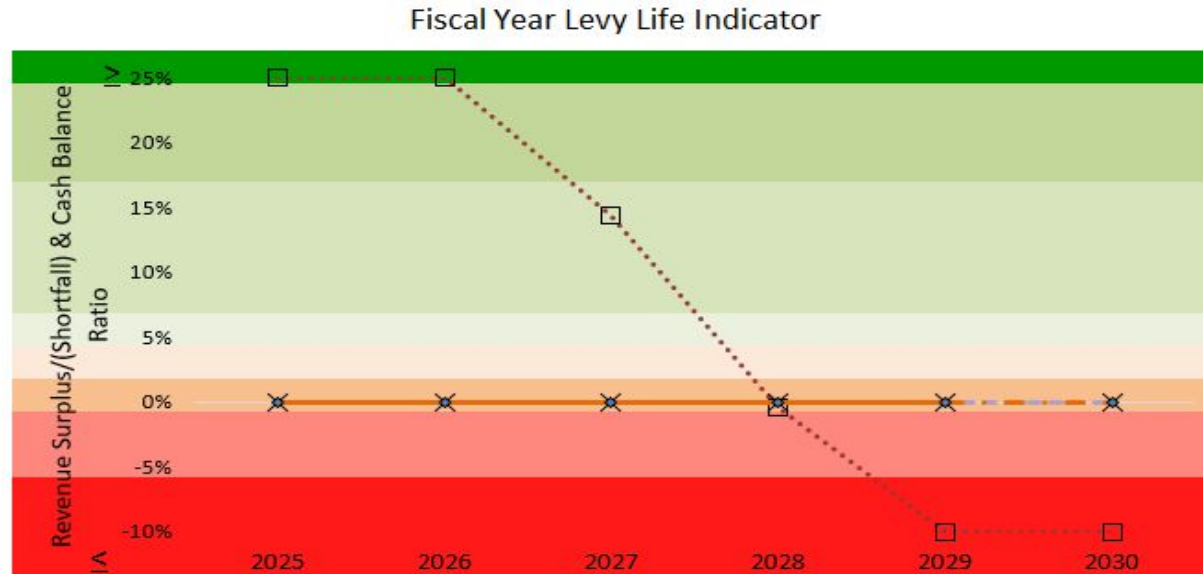
The District responded to the recommendations of the Geauga County Budget Commission to address the cash balance. One time purchases were made to increase safety and security and 1 mill of inside-mill was moved to the Permanent Improvement fund to continue this venture.



Chardon - Levy Life Indicator

The District takes seriously its responsibility to stretch resources.

- Our cash reserve has grown through careful spending and obtaining additional grant funding to operate, pushing the need for a new levy further into the future.
- A reduction in anticipated revenue will cause the District to be on the ballot sooner.
- The graph below shows the District's levy timeline. Cash Balance projection of **(3,600,646)** by 2030



Reminder:

- A five year forecast is an ESTIMATE.
- The projected Cash Balance in 2028 is \$10,481,549 without open purchase orders included and \$9,981,549 when included.
- There are numerous variables that are out of our control that could significantly impact the General Fund such as HB187, State Funding changes, HB601 Retirement changes, ect.
- The five year forecast is updated every six months to allow for any changes that may occur.



QUESTIONS