WARRENSVILLE HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2018, 2019 and 2020 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2021 THROUGH JUNE 30, 2025

Forecast Provided By
Warrensville Heights City School District
Treasurer's Office
Dr. Michael A. Rock, CPA, Treasurer/CFO

May 19, 2021

Warrensville Heights City School District – Cuyahoga County
Notes to the Five Year Forecast
General Fund Only
May 19, 2021

Introduction to the Five Year Forecast
School districts are required to file a five (5) year financial forecast by November 30, 2020, and May 31, 2021 for fiscal year 2021 (July 1, 2020 to June 30, 2021). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2021 (July 1, 2020-June 30, 2021) is the first year of the five-year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the May 2021 filing.

Economic Outlook
This five-year forecast is being filed during a recovery from the COVID-19 Pandemic and a health and financial struggle that encompassed our state, country and global economy. School districts play a vital role in their communities and we believe it is important to maintain continuity of services to our students and staff. The district has maintained services to students throughout the Pandemic. The State of Ohio's economic pressure has not been as great as first expected due to the effects of the pandemic thus the restoration of a portion of the original school foundation funding cuts was ordered by the Governor on January 22, 2021. Federal funding sent to school districts through the Elementary and Secondary Schools Education Relief Funds (ESSER) has also been a much needed resource to offset the loss of state funding. Additional Federal CARES Act funding was used to cover the costs of additional technology needs, personal protective equipment, and cleaning costs caused by the pandemic. Data and assumptions noted in this forecast are based on the best and most reliable data available to us as of the date of this forecast.

May 2021 Updates:

Revenues FY21:
The overview of revenues shows that we are substantially on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be $37,585,780 or 1.66% higher than the November forecasted amount of $36,972,984. This indicates the November forecast was 98.34% accurate.

State Aide, as noted above, began the year with continued cuts at the FY20 level; however, on January 22, 2021 Governor DeWine reinstated funding of approximately 53% of those reductions thus having a positive impact of $215,378 for our district's revenue.

Payment In Lieu of Tax (PILOT) payments came in $303,315 higher than anticipated in FY21.

All other areas of revenue are tracking as anticipated for FY21 based on our best information at this time.

Expenditures FY21:
Total General Fund expenditures (line 4.5) are estimated to be $35,557,132 for FY21 which is slightly higher the original estimate of $35,314,632 in the November forecast. Wages were up slightly over original estimates. The Student Wellness and Success Funds (SWSF) and ESSER Funds the district received has helped lower costs originally projected in the general fund. This will have a positive effect on the long term forecast.

Unreserved Ending Cash Balance:
With revenues increasing over estimates and expenditures matching estimates, our ending unreserved cash balance June 30, 2021 is anticipated to be roughly $38.58 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2025 if assumptions we have

made for state aid in future state budgets remain close to our estimates, and there are no future state budget cuts to our funding beyond FY21.

Forecast Risks and Uncertainty:
A five year financial forecast has risks and uncertainty not only due to economic uncertainties noted above but also due to state legislative changes that will occur in the spring of 2021 and 2023 due to deliberation of the next two (2) state biennium budgets for FY22-23 and FY24-25, both of which affect this five year forecast. We have estimated revenues and expenses based on the best data available to us and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

1) HB166 the current state budget for FY20-21 initially froze funding for all school districts in Ohio at their FY19 level with two exceptions; Student Wellness and Success Funding (SWSF) and Enrollment Growth Supplement funds. Student Wellness and Success is restricted in use and must be placed in Fund 467. This is not General Fund money and thus not included in the forecast. The current proposed state budget for FY22 - FY23 is Sub. HB110 and it includes increases for SWSF for each year of the biennium budget along with guarantees that no district will receive less funding than they received in FY21. We have assumed this money will continue through FY25. Enrollment Growth Supplement money is paid to a small number of growing districts and Sub. HB110 also proposes these funds be continued in FY22 and FY23 at current FY21 levels. We have assumed these funds will continue at the guarantee level through FY25. Our district is estimated to receive $112,954 in enrollment growth funds for FY21 and will treat it as guaranteed FY22-25.

2) While state funding was initially guaranteed at the FY19 level, the Coronavirus Pandemic caused the most rapid and largest decrease of employment in history. In order to balance the State Budget on May 6, 2020 the Governor ordered a reduction of state foundation funding to school districts by $300.5 million by the end of June 2020. These cuts were to continue through FY21 as well, however the Governor subsequently reinstated $160 million of these reductions to school districts in an executive order dated January 22, 2021. With the economy rebounding from the sharp drop in employment in March and April 2020 and state tax revenues well above estimates for FY21, we anticipate funding will remain unchanged for the rest of FY21. Governor DeWine submitted his FY22-FY23 biennial budget (Sub. HB110) which returns state foundation funding to schools at their FY19 funded level. The biennial budget is now working its way through the legislative process. HB1, also known as the Fair School Funding Bill, was introduced on February 4, 2021 and will work its way through the legislative process where it has been combined with Sub. HB110. The certainty of foundation funding levels will not likely be known until late June 2021. At this time the FY19 funding level is the basis for districts state funding in FY22 and FY23. We believe Ohio's economy will continue to improve through FY21 and that FY22-25 will see funding returned to the FY19 levels at a minimum. We will not project an increase beyond the FY19 levels at this time until the state budget it known for FY22 and FY23.

3) HB166 continued the Fixed Sum TPP reimbursement phase out over five years through FY21. There will be no fixed sum TPP reimbursement in FY22. Unlike the TPP Fixed Rate reimbursement, districts will not lose money due to this phase out. Instead, the amount of money the state is cutting will be added on to our emergency levy millage automatically each year and collected in local property taxes. The state directly shifted their financial obligation made in 2006 in HB66 to local taxpayers.

4) The State Budget represents 32.9% of district revenues and is an area of risk to revenue. The future risk comes in FY22 and beyond if the state economy stalls or worsens and the funding formula in future state budgets reduce funding to our district. There are two future State Biennium Budgets covering the period from FY22-23 and FY24-25 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY25. We have projected our state funding to be in line with the FY19 funding level FY22 through FY25, which we feel is

conservative and should be close to whatever the state approves for the FY22-23 biennium budget. We will adjust the forecast in future years as we have data to help guide this decision.

5) We appreciate the community's support for renewing the emergency levy on November 3, 2020. This levy is not a new tax, and will not increase our taxpayers' costs and has been renewed since 1990. The renewal of this levy will help to keep the district financially healthy long term.

6) Property tax collections are the largest single revenue source for the school system. The housing market in our district is stable and growing. We project continued growth in appraised values every three (3) years and new construction growth with continued modest increases in local taxes. Total local revenues which are predominately local taxes equate to 67.1% of the district's resources. Collection rates for the 1st half 2020 collection in 2021 did not show sharp declines due to increased delinquencies. We believe there is a low risk that local collections would fall below projections in the forecast.

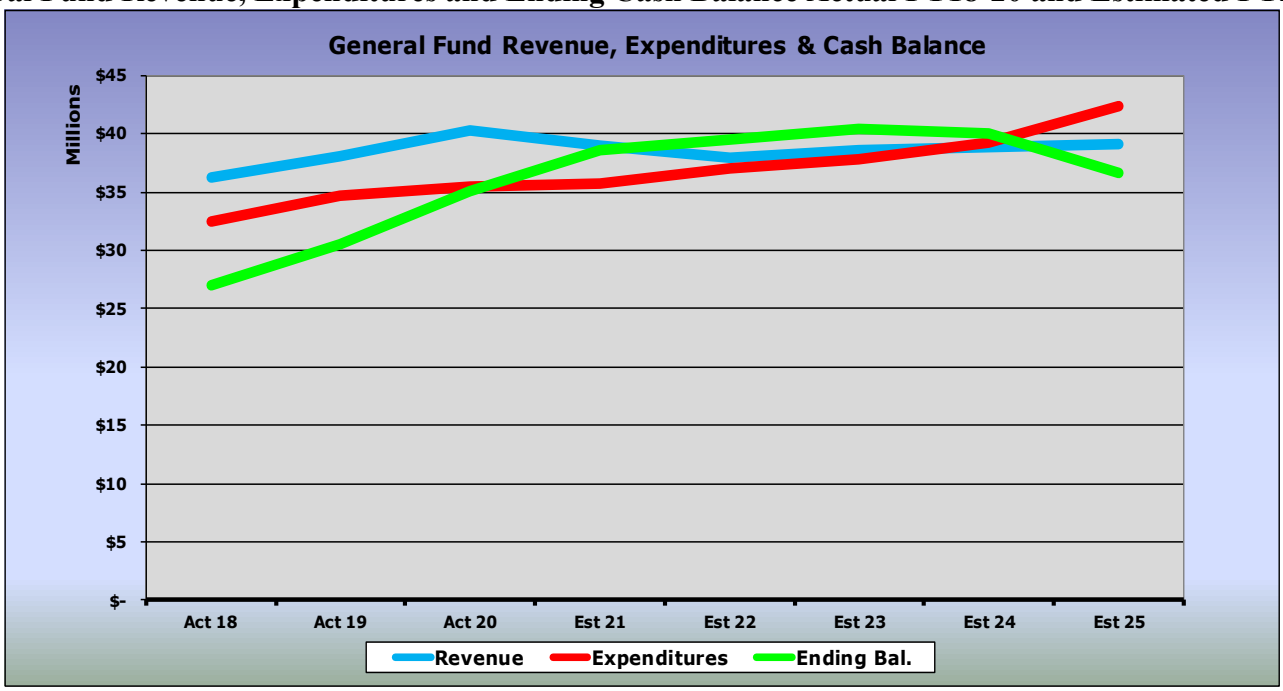
7) Cuyahoga County experienced a full reappraisal in the 2018 tax year to be collected in FY19. The 2018 update increased overall assessed values by $26.57 million or an increase of 10.59%. A reappraisal update will occur in tax year 2021 for collection in FY22. We anticipate value increases for Class I and II property by $14.14 million for an overall increase of 4.75%. There is however always a minor risk that the district could sustain a reduction in values in the next appraisal update but we do not anticipate that at this time.

8) HB166 continues the many provisions contained in prior state biennium budgets that will continue to draw funds away from our district through continuing school choice programs such as College Credit Plus, Community Schools and increases in per pupil scholarship amounts deducted from our state aid in the 2019-21 school years, even though funding for our students was not increased to our district for this biennium budget. We will continue to keep a close eye on the EdChoice Voucher legislation. HB197 passed in March 2020 freezes EdChoice eligibility at the 2019-2020 list of 517 buildings. The district currently has four (4) school buildings that are designated as underperforming but the measures used by the state could be changed for the future. These are examples of new choice programs that increase with each biennium budget that cost the district money. Expansion or creation of programs such as these exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely as the proposed new state budget bill Sub. HB110 moves through the legislative process.

9) Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges the District faces. We believe as we move forward our positive working relationship will continue and will only grow stronger.

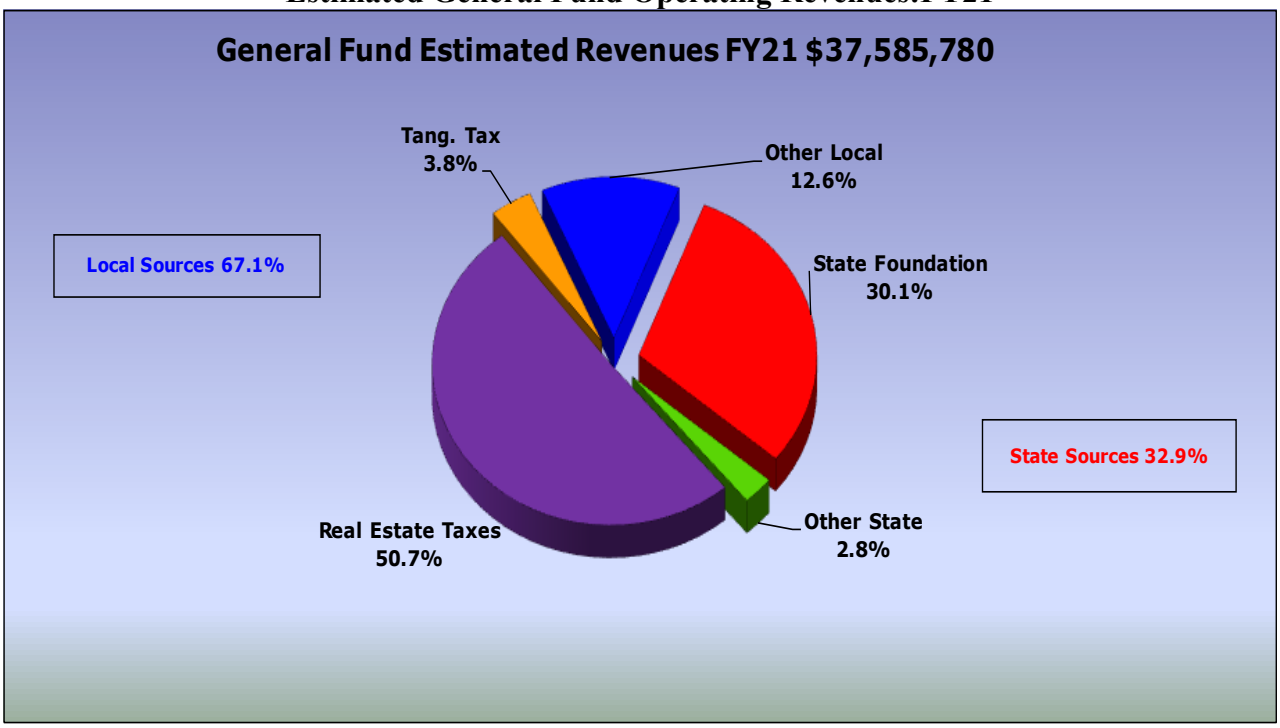
The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Dr. Michael A. Rock, CPA, Treasurer/CFO at 216.364.1007.

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY18-20 and Estimated FY21-25



Revenue Assumptions

Estimated General Fund Operating Revenues:FY21



Real Estate Value Assumptions – Line #1.010

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. Cuyahoga County experienced a reappraisal for the 2018 tax year to be collected in 2019. Residential/agricultural values increased 12.89% or $10.63 million due to the reappraisal led by an improving housing market. New construction in residential property was up slightly in 2018 by $213,590 in assessed value. Commercial/industrial values increased 7.12% or $22,190,240

of which $5.6 million due to new construction and $15.94 million due to reappraisal. The reappraisal increased residential and commercial value by a total of $26.2 million or 10.59% in 2018.

A reappraisal update will occur in 2021 for collection in 2022 for which the District is estimating a 7% increase in residential and a 3% increase for commercial/industrial property. When values increase due to reappraisals and updates (inflationary increases), reduction factors are increased and House Bill 920 decreases effective tax rates so the district tax revenues do not grow except for 5.1 inside unvoted mills. The District has estimated new construction based on trends, new housing and commercial construction data for future years which is reflected in continued growth in property taxes throughout the forecast period. The collection rate has returned to a more favorable rate in comparison to prior years due to two major hospitals changing to exempt status. This change increased exempt property values by approximately $60 million, as well as paying out refunds in FY2016 and FY2017. Amazon's investment in our community with the redevelopment of Randall Park Mall greatly reduced the districts delinquent tax liability.

Public Utility Personal Property (PUPP) values increased by $901,350 in Tax Year 2020. We expect our values to continue to grow by $500,000 each year of the forecast.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

	Actual	Estimated	Estimated	Estimated	Estimated
	TAX YEAR2020	TAX YEAR2021	TAX YEAR2022	TAX YEAR2023	TAX YEAR2024
Classification	COLLECT 2021	COLLECT 2022	COLLECT 2023	COLLECT 2024	COLLECT 2025
Res./Ag.	$92,038,530	$98,631,227	$98,881,227	$99,131,227	$106,220,413
Comm./Ind.	256,571,120	266,553,274	267,838,294	269,123,314	278,482,033
Public Utility Personal Property (PUPP)	17,988,450	18,488,450	18,988,450	19,488,450	19,988,450
Total Assessed Value	$366,598,100	$383,672,951	$385,707,971	$387,742,991	$404,690,896

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY21	FY22	FY23	FY24	FY25
Est. Real Estate Taxes -Line #1.01	$19,053,245	$19,394,975	$20,071,195	$20,233,655	$20,420,126

Property tax levies are estimated to be collected at 95% of the annual amount. This allows 5% delinquency factor. Lower collection rates predicted due to the COVID-19 pandemic and economic slowdown did not occur as advised by the County Auditor. In general, 52.50% of the Res. /Ag. and Comm./Ind. property taxes are expected to be collected in the February tax settlement and 47.50% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 60% in February and 40% in August settlement from the County Auditor and are noted in Line #1.02 totals below.

Levy Renewal –Line # 11.02

The District residents renewed the $1,850,000 emergency levy, which currently collects at 5.1 mills, on November 3, 2020. The levy was renewed for a five (5) year period and it will now expire December 31, 2025. Deficit spending starts to occur in fiscal year 2024 even with the renewal of the emergency levy, the District will continue to monitor deficit spending when comparing current year resources to current year expenditures as noted by Board Policy in this forecast.

New Tax Levies – Line #13.030

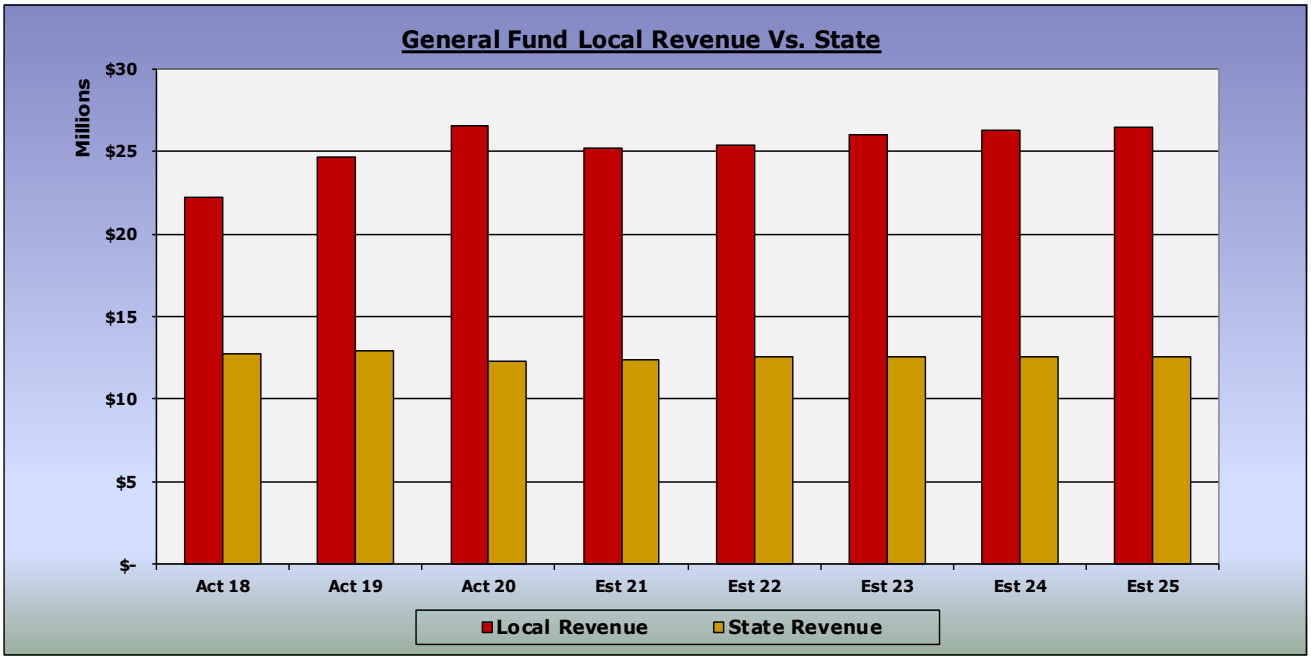
No new levies are modeled in this forecast at this time.

Estimated Public Utility Personal Property Tax (PUPP) – Line #1.020

Revenues posted on this line are ostensibly Public Utility Personal Property (PUPP) taxes which are collected at the districts' gross tax rates not subject to reduction factors. The District estimated past trend growth in these values for future years.

Source	FY21	FY22	FY23	FY24	FY25
Public Utility Personal Property	$1,432,304	$1,486,719	$1,529,359	$1,569,460	$1,606,963

Comparison of Local Revenue and State Revenue:
The graph below clearly shows that local taxpayers are the chief source of district operating dollars as the state funding formula is not attempting to help fund districts considered wealthy by the state.



State Foundation Revenue Estimates – Lines #1.035, 1.040 and 1.045
Current State Funding Model Per HB166 Through June 30, 2021
A) Unrestricted State Foundation Revenue– Line #1.035
The amounts estimated for state funding are based on HB166 which on May 6, 2020 was cut and then funding partially restored by executive order signed January 22, 2021 by the Governor. Initially state aid funding for all 610 traditional school districts and 49 Joint Vocational and Career Centers was frozen for FY20 & FY21 at the FY19 funding level. The State Foundation Funding Formula used since FY14 was dropped in FY20 after six (6) years. HB1, aka the Fair School Funding plan, is currently being considered by the legislature and has been combined with Sub. HB110 and will produce a successor funding formula for the FY22-23 biennium budget. Currently Sub. HB110, the proposed budget, projects funding for districts at FY19 guarantee amounts for FY22 and FY23. For this reason we have projected state aid flat at the FY19 funding level through FY25 as we have nothing authoritative to rely on at this time.

Foundation Funding Partially Restored January 22, 2021 for FY21
On January 22, 2021 the Governor signed an executive order reinstating $160 million of previous cuts to public schools thus reducing the cuts in FY21. At this time the state funding for FY21 is being reduced $180,650 from the FY19 amount.

Supplemental Funding for Student Wellness and Success (Restricted Fund 467)
Nearly all of the new funding for K-12 public education in the FY20-21 Executive Budget is provided through a formula allocating $250 million in FY20 and $358 million in FY21 based upon each district's percentage of students in households at or below 185% of the Federal Poverty Level (FPL) and the total number of students enrolled in each district. In FY21, proposed funding ranges from $30 per student to $360 per student. All schools and students are to receive a minimum additional funding of $36,000 in FY21. All districts are guaranteed to get 131% of what they received in FY20, and the proposed state budget (Sub. HB110) is guaranteeing all districts will get 100% of what they received in FY21 for FY22 and FY23. Our district is estimated to receive $564,181 in FY21. Money will be received twice each year in October and February. These dollars are to be deposited in a Special Revenue Fund 467 and are restricted to expenses that follow a plan developed in coordination with two approved community partner organizations per HB110.

Future State Budgets: Our funding status for the FY22-25 will depend on two (2) new state budgets which are unknown. With the change to the state funding and reductions for FY20-21 state amounts, the District will increase funding in FY22 back to FY19 levels and hold it level through FY25. The District believes our current state funding estimates for FY21-25 are reasonable and that we will adjust the forecast in the future when there is authoritative data to work with.

Casino Revenue
On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year which began for the first time on January 31, 2013.

Due to the COVID-19, casinos were closed from March 12, to June 18, 2020. We are reducing the amount of funding in FY21 by 26% then increasing the amount in FY22 back to FY20 levels as Casino revenues appear to have dipped largely due to their closure and not in response to the economic downturn. Prior to COVID-19 closure, casino revenues were growing modestly as the economy improved. Original projections for FY21-25 estimated a .4% decline in pupils to 1,778,441 and GCR increasing to $95.5 million or $53.75 per pupil. We believe it will be FY22 when revenues return to the post COVID-19 level.

Source	FY21	FY22	FY23	FY24	FY25
Basic Aid-Unrestricted	$8,765,597	$8,988,869	$8,988,869	$8,988,869	$8,988,869
Additional Aid Items	271,049	271,049	271,049	271,049	271,049
Basic Aid-Unrestricted Subtotal	9,036,646	9,259,918	9,259,918	9,259,918	9,259,918
Ohio Casino Commission ODT	67,062	86,709	88,993	91,333	93,732
Total Unrestricted State Aid Line #1.035	$9,103,708	$9,346,627	$9,348,911	$9,351,251	$9,353,650

B) Restricted State Foundation Revenue – Line #1.035
HB166 continues funding two restricted sources of revenues to school districts which are Economic Disadvantaged Funding and Career Technical Education Funding. The district has elected to also post Catastrophic Aid for special education as restricted revenues. The amount of the Economically Disadvantaged Aid is estimated to remain stable each remaining year of the forecast. The District has incorporated this amount into the restricted aid amount in Line #1.04 for FY21-25.

Source	FY21	FY22	FY23	FY24	FY25
Economically Disadvantaged Aid	$1,885,624	$1,885,624	$1,885,624	$1,885,624	$1,885,624
Career Tech - Restricted	92,870	92,870	92,870	92,870	92,870
Catastrophic Aid Reimbursement	227,670	227,670	227,670	227,670	227,670
Total Restricted State Revenues Line #1.040	$2,206,164	$2,206,164	$2,206,164	$2,206,164	$2,206,164

C) Restricted Federal Grants in Aid – Line #1.045

No federal unrestricted grants are projected FY21-25.

Source	FY21	FY22	FY23	FY24	FY25
Unrestricted Line #1.035	$9,103,708	$9,346,627	$9,348,911	$9,351,251	$9,353,650
Restricted Line #1.040	2,206,164	2,206,164	2,206,164	2,206,164	2,206,164
Rest. Federal Funds #1.045	0	0	0	0	0
Total State Foundation Revenue	$11,309,872	$11,552,791	$11,555,075	$11,557,415	$11,559,814

State Taxes Reimbursement/Property Tax Allocation

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66 the FY06-07 budget bill previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are also credits paid to the district from the State of Ohio for qualified elderly and disabled. In 2007 HB119 expanded the Homestead Exemption for all seniors over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013 HB59 changes the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who currently have their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will generally reduce homestead reimbursements to the district over time, and as with the rollback reimbursements above, the state is increasing the tax burden on our local taxpayers.

b) Tangible Personal Property Reimbursements – Fixed Rate

The district no longer receives fixed rate reimbursement from the state of Ohio.

c) Tangible Personal Property Reimbursements – Fixed Sum

HB 166 continued the Fixed Sum TPP phase out over five years through FY21. There will be no fixed sum TPP reimbursement in FY22. Districts will not lose money due to the phase out. The amount of money the state is cutting its reimbursement by will be added on the local fixed sum millage and collected in local property taxes. This is directly shifting the burden to local tax payers by the state cut in fixed sum TPP reimbursement.

Summary of State Tax Reimbursement – Line #1.050

Source	FY21	FY22	FY23	FY24	FY25
a) Rollback and Homestead	$1,007,597	$1,001,739	$1,012,423	$1,014,346	$1,019,725
b) TPP Reimbursement - Fixed Rate	-	-	-	-	-
c) TPP Reimbursement - Fixed Sum	51,147	0	0	0	0
Total Tax Reimbursements #1.050	$1,058,744	$1,001,739	$1,012,423	$1,014,346	$1,019,725

Other Local Revenues – Line #1.060

The District has elected to show revenue sharing agreements with Eaton, Highland Hills, Warrensville Heights, and Amazon Payment In Lieu of Taxes (PILOT) payments in other income separate from property taxes on Line 1.01. These are the largest other revenue sources in the General fund other than rentals, interest income and other miscellaneous revenues. The majority of the Warrensville Heights CRAs are expiring in 2020 and 2021. We actually collected $158,932 in FY20, and is projected to collect payments in FY21 of $158,192 and $100,000 in FY22. We are not anticipating collection past FY22 on Warrensville Heights. The Amazon revenue sharing started in FY19 and was at full collection in FY21 at $1,126,936. The projection for the Amazon revenue sharing is conservative due to FY20 being the first full year of collection. The projection for future years of the Amazon revenue sharing stream is based on lowest historical monthly collection at $1,200,000 on an annualized rate based on information provided from the Village of North Randall. The Eaton PILOT payment has remained consistent collecting approximately $2.2 million throughout the forecasted period. The district also receives roughly $52,000 and $37,500 from APP Controls and OMNova respectively.

Although interest revenue increased greatly between FY18 at $375,673 and FY19 at $643,093, beginning in FY20 interest is expected to decline due to fed rate reductions which will impact our earning capability in this area. The District has reduced FY21 interest by 75% and FY22 by another 25% due to the rapid reduction in interest rates to help stimulate the economy due to the COVID-19 recession. All other revenues are expected to continue on historic trends. Beginning in FY21 interest is expected to decline due to fed rate reductions which will impact our earning capability in this area. Fees and rentals are expected to be lower due to COVID-19 restrictions and lower participation. All other revenues are expected to continue on historic trends.

Source	FY21	FY22	FY23	FY24	FY25
Tuition payments	$483,264	$492,929	$502,788	$512,844	$517,972
Medicaid	261,513	289,256	292,149	295,070	298,021
PILOT payments	3,574,628	3,389,500	3,289,500	3,289,500	3,289,500
Interest	196,000	147,000	147,000	147,000	147,000
Dues & Fees	6,765	9,000	9,090	9,181	9,273
Miscellaneous Receipts	209,445	211,538	213,654	215,790	217,948
Total Other Local Revenue Line #1.060	$4,731,615	$4,539,223	$4,454,181	$4,469,385	$4,479,714

Transfers In / Return of Advances – Line #2.040 & Line #2.050

These are non-operating revenues which are the repayment of short term loans to other funds during the previous fiscal year and reimbursements for expenses incurred in the previous fiscal year. All advances during the current year are planned to be returned in the succeeding fiscal year and are not considered operating revenues and are of an immaterial amount.

Source	FY21	FY22	FY23	FY24	FY25
Transfers In - Line #2.040	$0	$0	$0	$0	$0
Advance Returns - Line #2.050	782,926	0	0	0	0
Total Transfer & Advances In	$782,926	$0	$0	$0	$0

All Other Financial Sources – Line #2.060

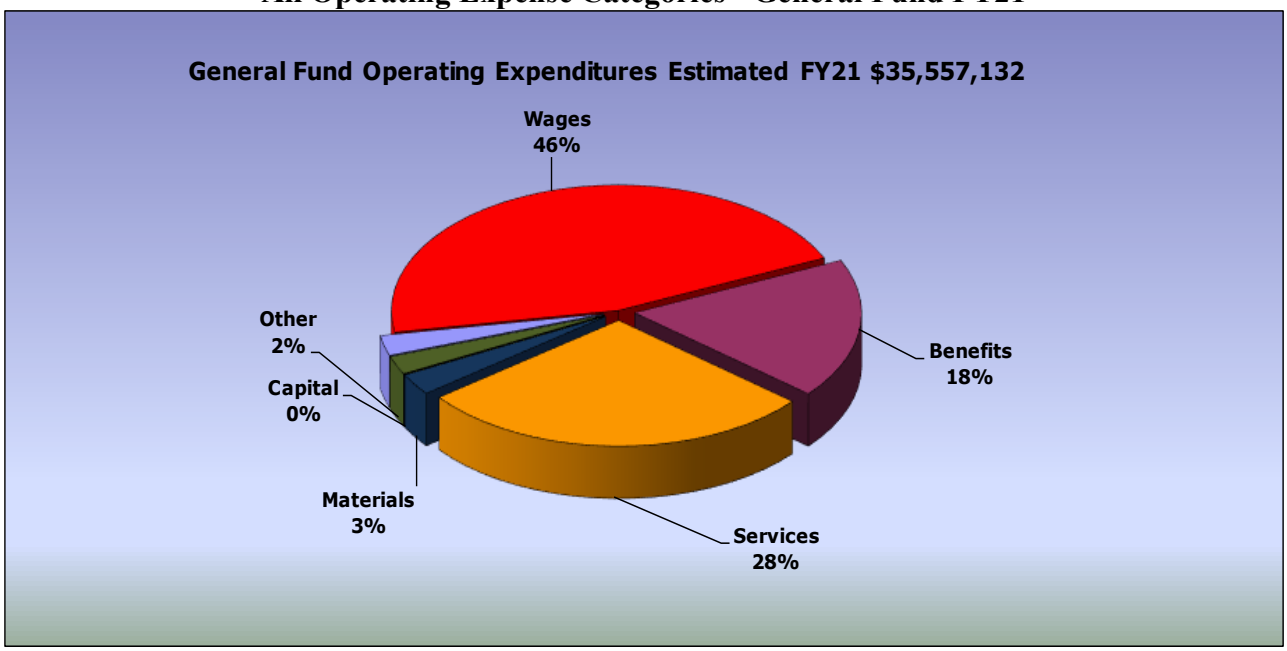
This funding source is typically a refund of prior year expenditures that is very unpredictable. The District received two (2) Bureau of Workers Compensation refund/dividends in FY21 of $586,885, but this is inconsistent year to year and we will not project that occurring in the remainder of the forecast.

Source	FY21	FY22	FY23	FY24	FY25
Refund of prior years expenditures	$589,885	$3,000	$3,000	$3,000	$3,000

Expenditures Assumptions

The district's leadership team is always looking at ways to improve the education of the students whether it be with changes in staffing, curriculum, or new technology needs. As the administration of the district reviews expenditures, the education of the students is always the main focus for resource utilization.

All Operating Expense Categories - General Fund FY21



Wages – Line #3.010

The model reflects both certified and classified bargaining units that are paid based on salary schedules. The district also employs administration and exempt employees. Personnel costs are based on negotiated agreements, current events, and anticipated staffing levels. Projections are based on current staff levels, anticipated staffing adjustments in the future, and anticipated overall adjustments due to the consolidation of buildings and educational program necessities. The Federal Coronavirus Relief Fund (507) was utilized in FY21 for specified payroll in order to preserve the vital teacher to student ratios in various classes providing a net decrease in wages as compared to the prior year.

Source	FY21	FY22	FY23	FY24	FY25
Base Wages	$16,331,819	$15,154,843	$15,749,927	$16,320,355	$17,925,232
Based Pay Increase	326,636	454,645	472,498	489,611	358,505
Steps & Academic Training	307,597	313,571	290,973	302,399	313,351
SWSF & ESSER Adjustment	(534,393)	534,393	-	-	-
Substitutes & Supplemental	215,058	215,703	216,350	216,999	217,650
New PreK-5	(250,000)	(250,000)	(250,000)	(250,000)	-
Retirement Savings	(75,000)	(75,000)	(75,000)	(75,000)	0
Total Wages Line #3.010	$16,321,717	$16,348,155	$16,404,748	$17,004,364	$18,814,738

Fringe Benefits Estimates Line #3.020

This area of the forecast captures all costs associated with benefits and retirement costs, which all except health insurance are directly related to the wages paid. The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

A) STRS/SERS

Generally the district must pay 14% of wages paid to both STRS and SERS. In addition, the district pays to SERS the employee surcharge which is an additional amount required over the 14% to provide added funds SERS collects to supplement contributions on lower paid short hour classified staff so they can have a pension when they retire.

B) Insurance

The district is a member of the Suburban Health Consortium which is made up of 19 school districts in northeast Ohio for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees. The district received a medical and RX increase of 9% and 7% respectively in FY19 and 4.69% medical and 3.37% RX increases in FY20 based on current consortium information. The District is estimating an increase of 0% for FY21, 6% in FY22, 8% in FY23 and 10% for FY24 and FY25 which reflects trend and the likely increase in health care costs. The district will continue to monitor this line and update as information is received. Dental and vision are forecasted to increase at 3% due to rates being set for longer periods of time.

The Further Consolidated Appropriations Act of 2020, included a full repeal of three taxes originally imposed by the Affordable Care Act (ACA): the 40% Excise Tax on employer-sponsored coverage (a.k.a. "Cadillac Tax"), the Health Insurance Industry Fee (a.k.a. the Health Insurer Tax), and the Medical Device Tax.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to remain at about .08% of wages for the forecasted period due to a moderated claim experience over prior years. Unemployment is expected to remain at a very low level FY20-FY24. However, the District has anticipated an increase in unemployment for FY20-21 due to the COVID-19 shutdowns. This increase has been caused by our reduced need for substitutes help during the COVID-19 Pandemic. The district is a direct reimbursement employer, which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Summary of Fringe Benefits – Line #3.020

Source	FY21	FY22	FY23	FY24	FY25
A) STRS/SERS	$2,238,582	$2,545,131	$2,572,595	$2,678,500	$2,968,533
B) Insurance's	3,780,000	4,006,800	4,327,344	4,760,078	5,236,086
C) Workers Comp/Unemployment	134,174	134,385	134,838	139,635	153,518
D) Medicare	234,321	244,413	237,049	237,869	247,651
Other/Tuition/Annuities	20,639	20,639	20,639	20,639	20,639
Total Fringe Benefits Line #3.020	$6,407,716	$6,951,368	$7,292,465	$7,836,721	$8,626,427

Purchased Services – Line #3.030

A large expense in this area is contracted payment for substitute teachers with the Northeast Ohio ESC which reduces district costs to acquire substitutes, and other contract services purchased for special education and other areas of special needs. Utility costs are assumed to increase 2% per year, but can fluctuate significantly due to factors outside of our control such as the weather and rate changes. Utilities will be further assessed after the completion of the new PK-5 building and consolidation of the old elementary buildings, when further information is available. Open enrollment and community schools continue to draw a significant number of students, which are major expenditures in this area and have been increased based on historical trend. In FY19, community school deductions have generally held steady from FY18 levels to account for the students and per pupil state funding which will flow through our funding formula to the community schools. In addition, the state mandated College Credit Plus tuition costs are paid out of this line. Legal fees have fluctuated greatly over the last two years due to negotiations, a major board of revision Supreme Court case, and a court case with a neighboring district where WHCSD won the summary judgement. Legal fees are projected to remain higher in FY20 due to an appeal by the neighboring district case and then the projections will begin to decrease throughout the remaining years of the forecast.

The District currently has four schools considered under performing and eligible for Ed Choice Vouchers but we are watching potential legislative amendments to the current law that may continue to affect our district negatively. Other professional services also included the cost of an owner's representative for the new Pre-K to 5 building. This cost will go away once phase one is completed. The cost of the owner's representative will move to construction fund 004 for Phase 2 as a non-integral cost. The new Pre-K to 5 building has an early estimate of savings of $400,000 included in the payroll projections above netted with a potential increase in purchased services due to the move of the Board of Education offices to leased office space at the cost of $180,000 (net savings $220,000). The District had a substantial savings in the cost of substitute teachers due to the COVID19 closure at approximately $190,000 for FY20. In FY21, community school and open enrollment deductions are expected to grow moderately due to slower growth of students leaving our district and smaller increases in per pupil scholarship from the state which will flow through our funding formula to these schools. The District will continue to monitor the effects of state budget cuts on the potential reductions in costs to tuition, community school, and scholarship and STEM school payments made to other organizations deducted from our foundation payments.

Source	FY21	FY22	FY23	FY24	FY25
Legal Fees& Prof. Services	$842,150	$771,733	$699,419	$625,163	$643,918
ESC Substitutes & Training, SRO, Other Misc.	694,740	729,477	765,951	804,249	844,461
Repairs & Maint., Property Ins., Other Misc.	647,230	653,702	660,239	666,841	673,509
Community Schools	2,969,626	3,118,107	3,274,012	3,437,713	3,609,599
Open Enrollment	398,804	418,744	439,681	461,665	484,748
Tuition, Excess Costs, CCP, Scholarship	2,547,048	2,674,400	2,808,120	2,948,526	3,095,952
Student Transportation	464,947	478,895	493,262	508,060	523,302
Utilities	778,201	801,547	825,593	850,361	875,872
Miscellanous	741,536	1,099,376	1,121,364	1,143,791	1,166,667
Total Purchased Services Line #3.030	$10,084,282	$10,745,981	$11,087,641	$11,446,369	$11,918,028

Supplies and Materials – Line #3.040

An overall inflation of 3% is being estimated for this category of expenses which are characterized by textbooks, copy paper, maintenance supplies and fuel. The district continues to maximize district funds through purchasing consortiums, bulk purchases, and negotiating prices when available.

Source	FY21	FY22	FY23	FY24	FY25
General Office Supplies and Materials	$517,699	$533,230	$549,227	$565,702	$582,673
Textbooks/GCOS/Building Repairs	174,070	179,292	184,671	190,211	195,917
Transportation Fuel and Supplies	287,418	296,041	304,922	314,070	323,492
Total Supplies Line #3.040	$979,187	$1,008,563	$1,038,820	$1,069,984	$1,102,084

Equipment – Line #3.050

Capital outlay is accumulated as purchases originally budgeted in supplies are determined to become capitalized assets or equipment for the district. In FY21 a nominal amount of $7,884 is expected to be spent. But future projections are set to begin at zero FY22 through FY25.

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of County Auditor and Treasurer Fees for collection of property taxes and advertising for delinquent taxes. Other expenses are liability insurance and dues and fees. The district negotiated a new property insurance coverage plan that provided more coverage at a substantial decrease in cost from $269,923 in FY18 to $107,424 FY19. The district will maintain a 1% increase to this cost until a trend is established.

Source	FY21	FY22	FY23	FY24	FY25
County Auditor & Treasurer Fees	$507,802	$517,214	$532,730	$548,712	$565,173
ESC Deduction	11,027	11,358	11,699	12,050	12,412
Other expenses	189,902	176,458	161,154	94,420	97,253
Liability Insurance	107,424	138,486	152,335	167,569	184,326
Total Other Expenses Line #4.300	$834,627	$843,516	$857,918	$822,751	$859,164

Principal and Interest charges on Short-Term COPs – Line #4.055 and #4.06

The table below shows estimated principal and interest payments for COPs payments for the $16.6 million Pre-K building to be paid off in FY37.

Source	FY21	FY22	FY23	FY24	FY25
Principal TANS Line #4.020	$0	$0	$0	$0	$0
Principal State Loans Line #4.030	0	0	0	0	0
Principal State Advances Line #4.040	0	0	0	0	0
Principal COPs 2017 Line #4.055	350,000	365,000	380,000	395,000	410,000
Total Principal Payments	$350,000	$365,000	$380,000	$395,000	$410,000

Source	FY21	FY22	FY23	FY24	FY25
Interest on COPS Dec 2017 4.060	$571,719	$557,419	$542,519	$527,019	$510,919

Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. The transfer of $170,000 is anticipated for the Athletic Fund 300, and $5,000 to the Recreation Fund 013.

Source	FY21	FY22	FY23	FY24	FY25
Operating Transfers Out Line #5.010	$212,000	$175,000	$175,000	$175,000	$175,000
Advances Out Line #5.020	0	0	0	0	0
Total Transfers and Advances	$212,000	$175,000	$175,000	$175,000	$175,000

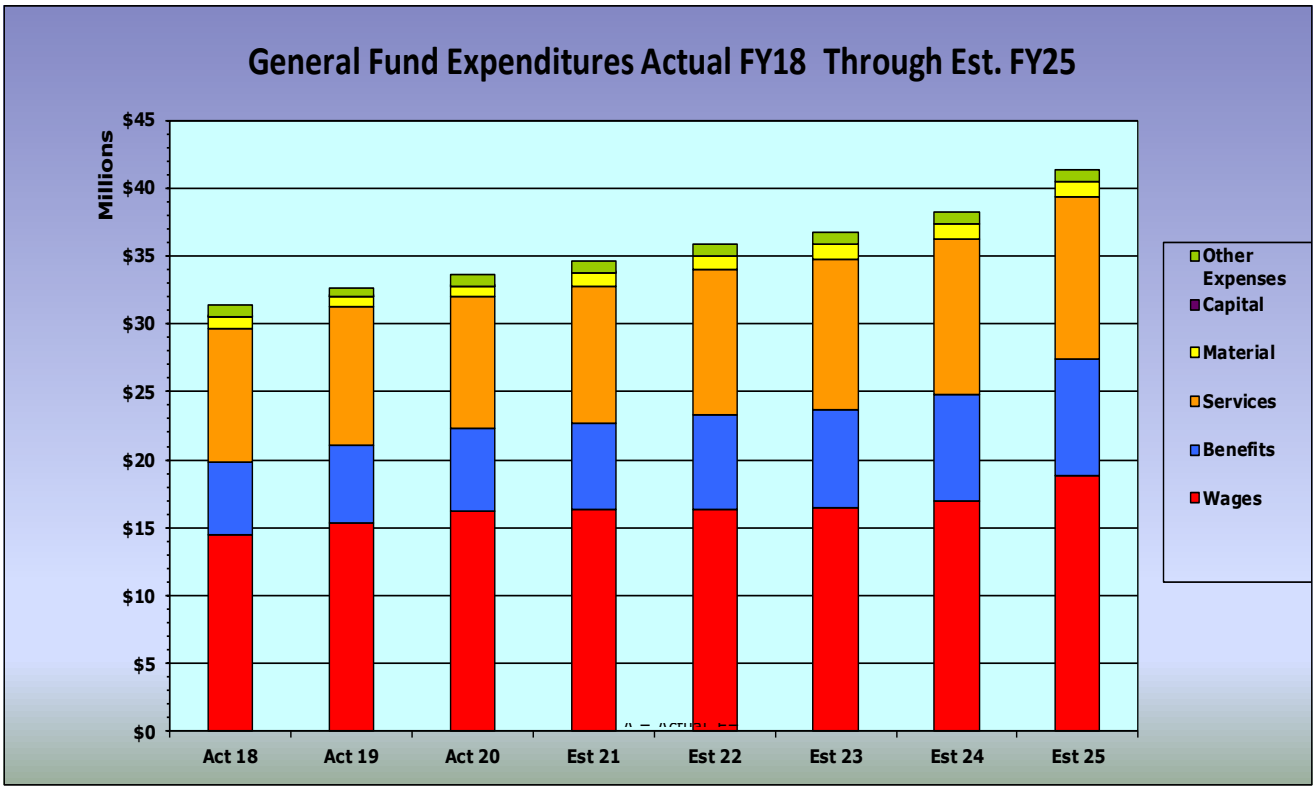
Encumbrances –Line#8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

Source	FY21	FY22	FY23	FY24	FY25
Estimated Encumbrances	$300,000	$300,000	$300,000	$300,000	$300,000

Operating Expenditures Actual FY18 through FY20 and Estimated FY21-FY25

As the graph on the following page indicates, the District has been diligent at reducing costs in reaction to lower and flat state revenues in the past. The District is maintaining control over our expenses while balancing student academic needs to enable them to excel and do well on state performance standards.



Ending Unencumbered Cash Balance "The Bottom-line" – Line #15.010
This amount must not go below $-0- or the district General Fund will violate Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of Ohio Revised Code section 5705.412, punishable by personal liability of $10,000, unless an alternative "412" certificate can be issued pursuant to House Bill 153 effective September 30, 2011. The concept of assessing and addressing deficit spending in relation to current year resources will delay the levy cycle for the District. In other words spending within current resources can delay the future need of a new operating levy, which is diligent fiscal planning for the school community and established Board Policy 6210 on December 12, 2018 and revised on October 22, 2018.

6210 – Fiscal Planning "Deficit Spending"
Deficit spending occurs when total current year expenditures exceed total current year revenue resources. The Board of Education intends to continue spending within current resources, but recognizes that scenarios and circumstances out of the control of the District may create deficit spending for a school year, such as low tax collection rates, exempt property cases, and unanticipated expenditures. In order to maximize District resources and to preserve conservative spending concepts, the Board of Education recognizes the necessity of financial benchmarks that promote balanced spending for District operations that avoid deficit spending. Although a deficit year may occur, the Board of Education shall follow the steps set forth below to address projected deficit spending:

A. Projected deficit spending in year three (3) of the then current Five Year Forecast (most current November or May Board approved Five Year Forecast or most current Board-approved Five Year Forecast) shall be documented in the notes of the Five Year Forecast with the Superintendent and Treasurer acknowledging the necessity to assess and address the projected deficit. The District will take necessary action(s) to capture current year savings or savings in the next school year to eliminate or reduce the projected deficit spending in year three (3).

B. Deficit spending in year two (2) of the then current Five Year Forecast (most current November or May Board approved Five Year Forecast or most current Board approved Five Year Forecast) will require an action plan approved by the Board of Education to eliminate the deficit spending or substantially reduce the deficit spending. The action plan shall be designed to return the District to a balanced budget (current spending less than current revenue) within two to three (2-3) years. The Board-approved action plan must eliminate or substantially reduce deficit spending through use of any of, or a combination of, the following measures:
   1. Budget reductions in spending;
   2. New tax revenue streams;
   3. Alternative increases in other revenue sources;
   4. The Board acceptance of a carryover cash balance ensuring six (6) months of cash carryover balance in line 15.010 Unreserved Fund Balance June 30 calculated by the following calculation method:

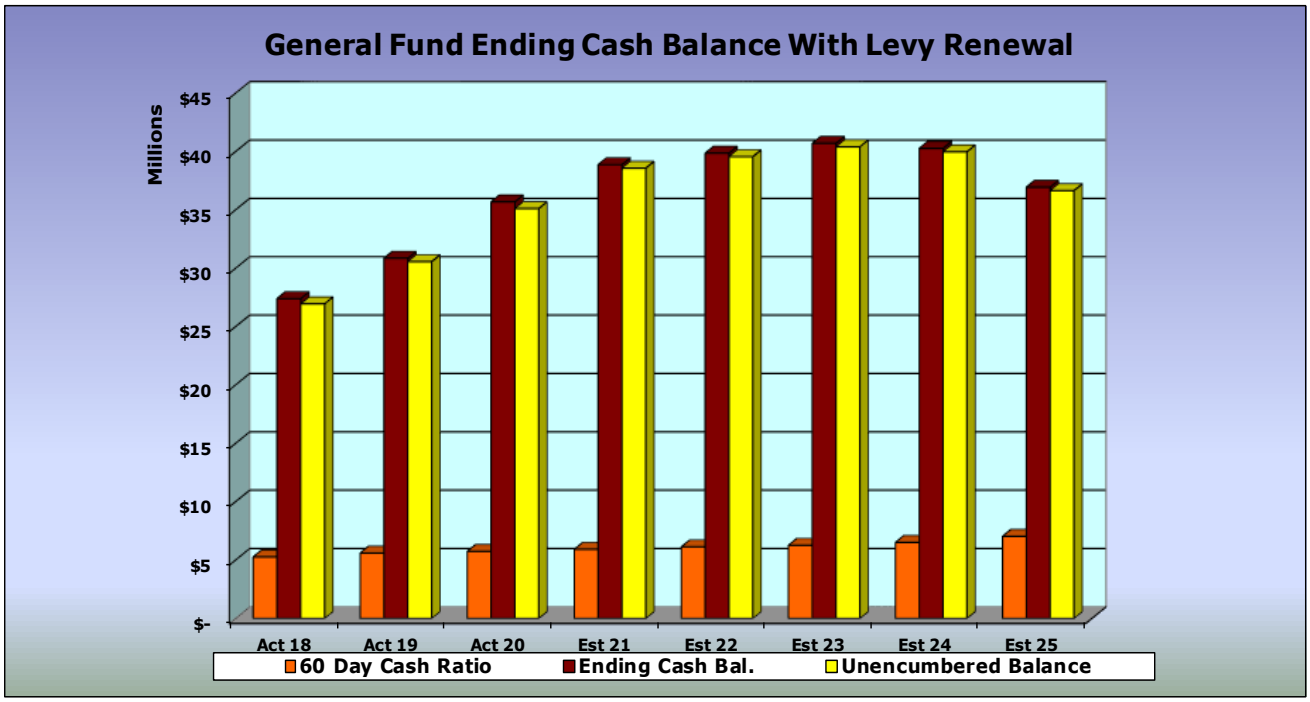
      Calculation Method: Fifty percent (50%) of Line 5.050 Total Expenditures and Financing Uses of the most current Board approved November or May Five Year Forecast or the most current Board approved Five Year Forecast for each year.

      Resulting minimum Cash Carryover Balance: At least the first three (3) years in the five (5) projected years for Line 15.010 Unreserved Fund Balance June 30 will be equal to or greater than the minimum cash carryover balance calculated above.

C. Deficit spending on Line 6.01 is projected in FY2024 (year 4 of the five year forecast). The Superintendent and Treasurer are anticipating operational savings due to the future consolidation of the Middle School and High School (Phase 2 of the Master Facilities Plan) due to open August 2023. The Superintendent and treasurer well continue to seek current year savings to impact the future.

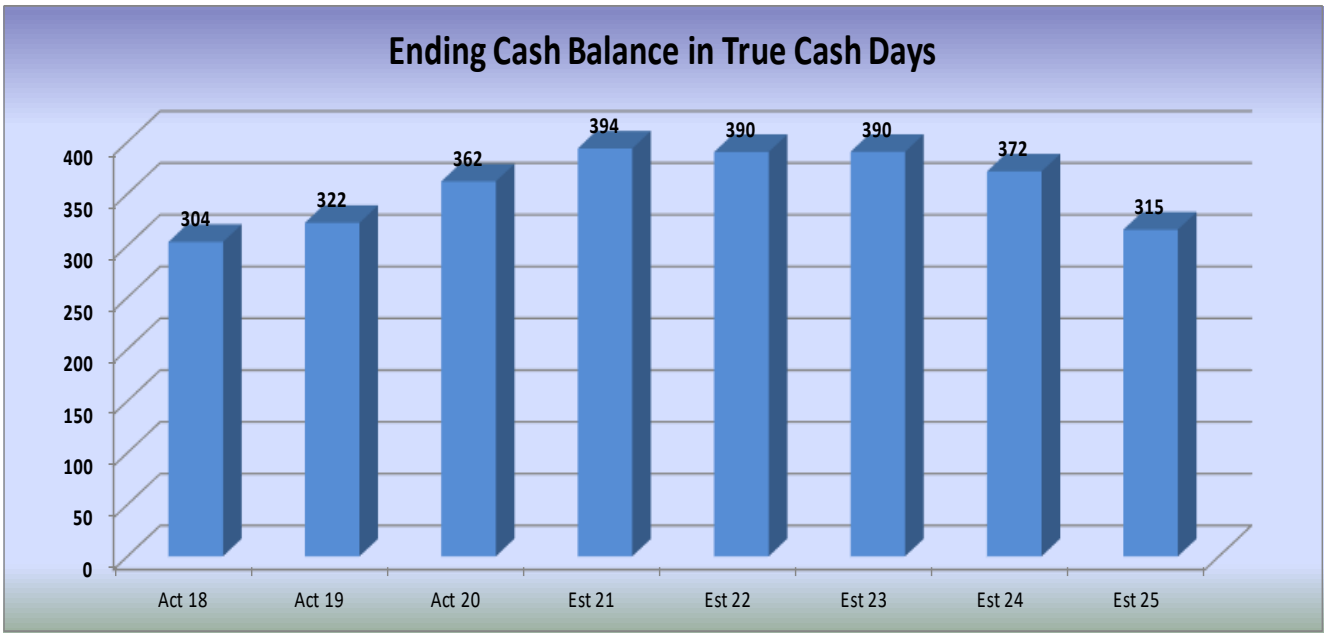
Ending Unencumbered Cash Balance – Line#15.010

Source	FY21	FY22	FY23	FY24	FY25
Ending Cash Balance	$38,582,882	$39,566,327	$40,412,450	$39,982,503	$36,655,485



True Cash Days Ending Balance

Another way to look at ending cash is to state it in 'True Cash Days". In other words, how many days could the district operate at year end if no additional revenues were received. This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = number of days the district could operate without additional resources or a severe resource interruption. The government finance officers association recommends no less than two (2) months or 60 days cash is on hand at year end but could be more depending on each districts complexity and risk factors for revenue collection. This is calculated including transfers as this is a predictable funding source for other funds such as capital, athletics and severance reserves.



As you read through the notes and review the forecast, remember that the forecast is based on the best information that is available to us at the time the forecast is prepared.