West Clermont Local School District

General Fund

Five Year Forecast

July 1, 2022 Through June 30, 2027

May 22, 2023

Presented By Daniel Romano, Treasurer/CFO

O.R.C. and O.A.C. Requirements

- ✓ O.R.C. 5705.391 and O.A.C. 3301-92-04
  - ✓ Require a Board of Education to submit a five-year projection of operational revenues and expenditures along with assumptions to the Ohio Department of Education prior to November 30th and an update by May 31st of each fiscal year
  - ✓ Required funds to be included in the five-year forecast are:
    - ✓ General Funds (001)
    - ✓ Any special cost center associated with general fund money
    - ✓ Emergency levy funds (016)
    - ✓ Any debt service (002) activity that would otherwise have gone to the general fund

Purposes and Objectives of the Forecast

- ✓ To engage the Board of Education and the community in long range planning and discussions of financial issues facing the school district.

- ✓ 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”.

- ✓ To provide a method for the Ohio Department of Education and Auditor of State to identify school districts with potential financial problems.

Before we get to the numbers…

- ✓ A financial forecast is somewhat like a painting of the future based upon a snapshot of today.

- ✓ The five-year forecast is viewed as a key management tool and should be updated periodically.

- ✓ In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, one must review and consider the *Notes and Assumptions* before drawing conclusions or using the data as a basis for other calculations.

- ✓ The five-year forecast encourages district management teams to examine future years' projections and identify when challenges will arise.

- ✓ This helps district management to be proactive in meeting those challenges.

Recognitions

- ✓ ***We continue to be grateful …***

- ✓ ***To our residents*** for their support beyond approving the May 2020 $11.5 million ten-year emergency levy and their continued support throughout an unprecedented time.

- ✓ ***To our WC employees*** for their commitment to the youth of our district by keeping them in school, for ensuring our schools are one of the safest places for children during the time of a pandemic, and working through the pandemic challenges.

- ✓ ***To the Board of Education and the WC leadership team*** for a focus and adherence to the commitments made to our community and to the students by keeping them forefront in every decision made.

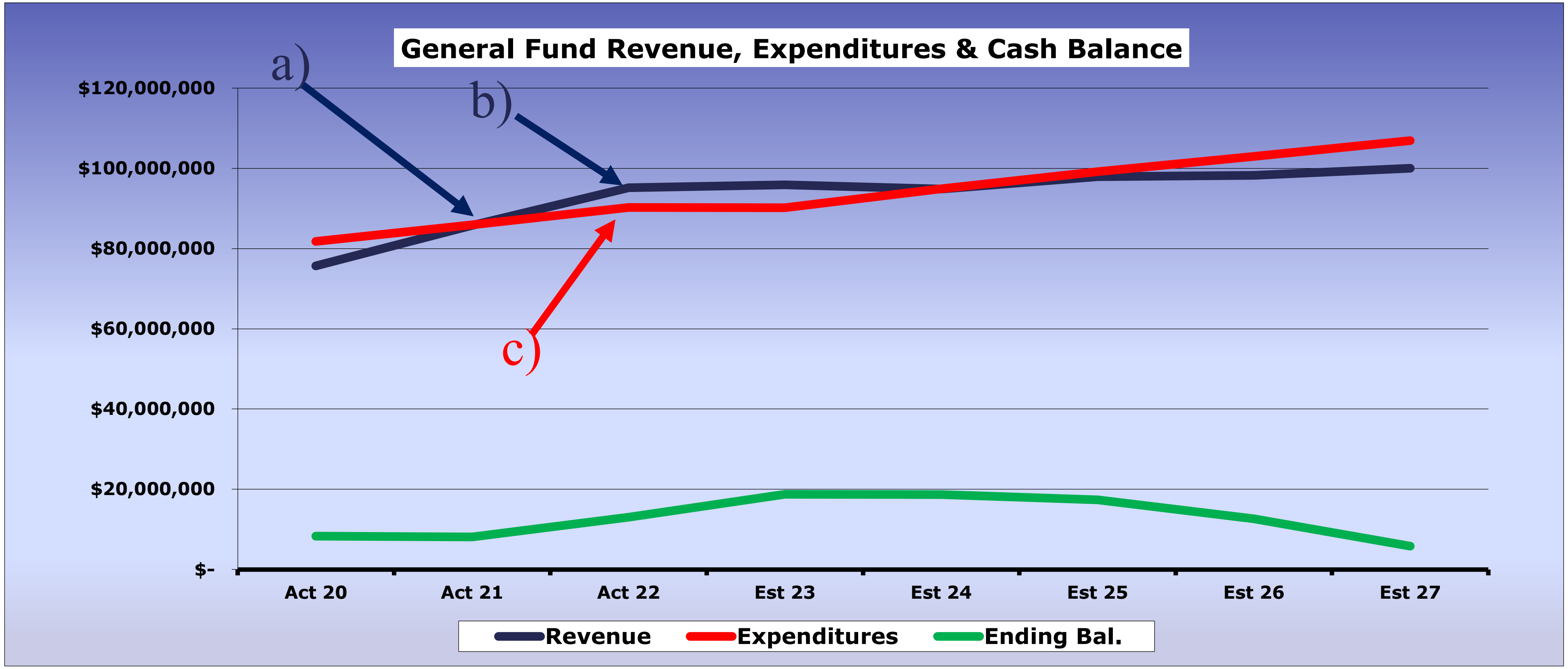
What is a Five Year Forecast

- ✓ A Management Planning Tool
- ✓ Required to be filed with Ohio Department of Education (ODE) by May 31st and November 30th of each year
- ✓ Includes: Historical 3-Years and Projected 5-Years for the District’s General Fund (Operating Fund)
- ✓ Projections are based upon the most accurate information available at the time
- ✓ Guides our ability to sign the fiscal certificate

Forecast Overview

- ✓ We show collection of the ***2020 levy*** beginning with a half a year of collections in FY21 and continuing with full year collections in FY22 forward.
- ✓ The ***2020 reappraisal of property values*** provided a growth to the real estate property tax collections with collections remaining at normal levels - 98.5%. The triennial update is slated for 2023 includes modest increases Class I (23%) and overall 12.71%.
- ✓ ***36.6%*** of our revenue is from the State in FY23 and ***63.4%*** from Local sources.
- ✓ We will receive an estimated ***$4.33M in ESSER II and $9.71M in ESSER III*** to help offset the impact of COVID and providing the ability to invest in the District's Onward and Upward initiative.
- ✓ Expenses in ***FY21 were maintained at a continuation level*** with adjustments for our response to COVID-19.
- ✓ Expenses in FY22, FY23, and beyond include the ***Onward and Upward*** investments in our people, programs, support systems to the extent they are matched with ongoing additional revenues.
- ✓ ***Positive cash balances*** are projected through ***June 30, 2027***.
- ✓ ***FY24*** is projected to be substantially a ***balanced budget*** with a ***spending deficit (Line 6.01)*** *beginning in* ***FY25***.
- ✓ ***Cash balances improved*** and we hope to be at recommended levels of 60 days (cash available) through the forecast.

Revenue vs. Expenditure

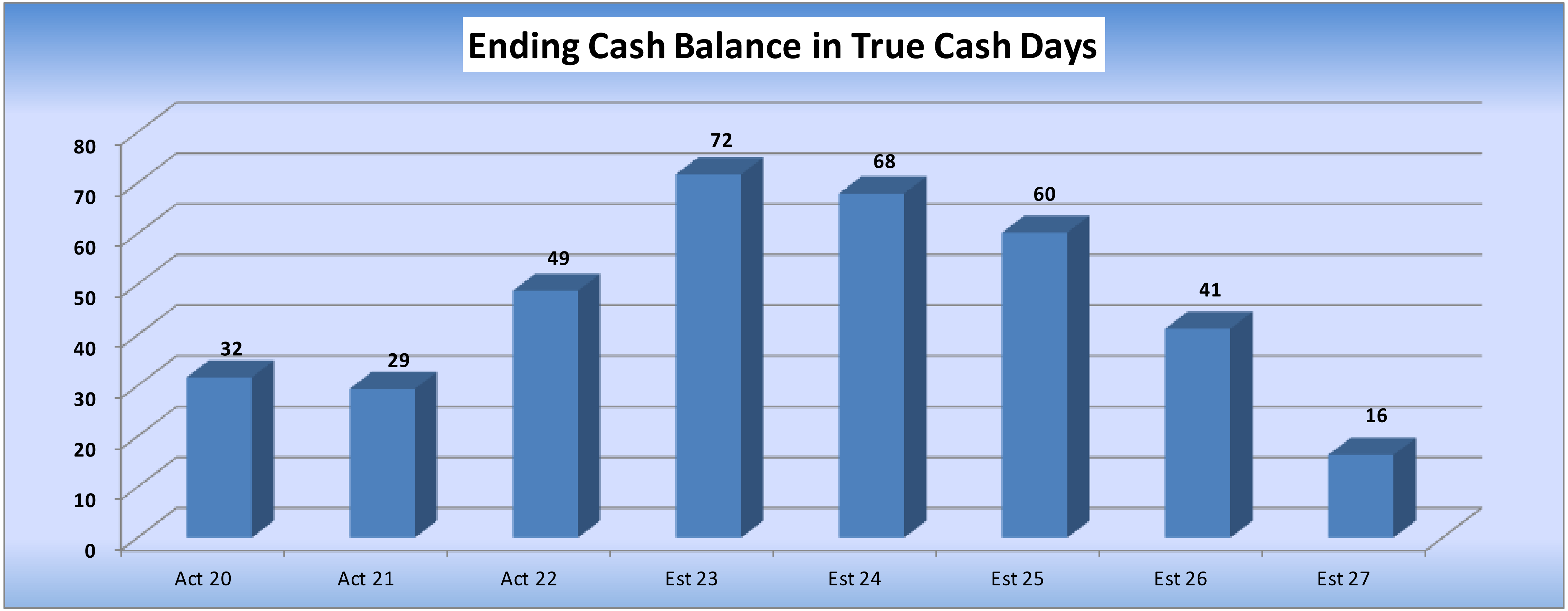


a) Shows new emergency levy revenue beginning in FY21 (half year) and in FY22 forward (full year collection), and the impact of the 2020 property reappraisal.

b) For FY22 & forward, State Revenue reflects HB110 Fair School Funding Plan

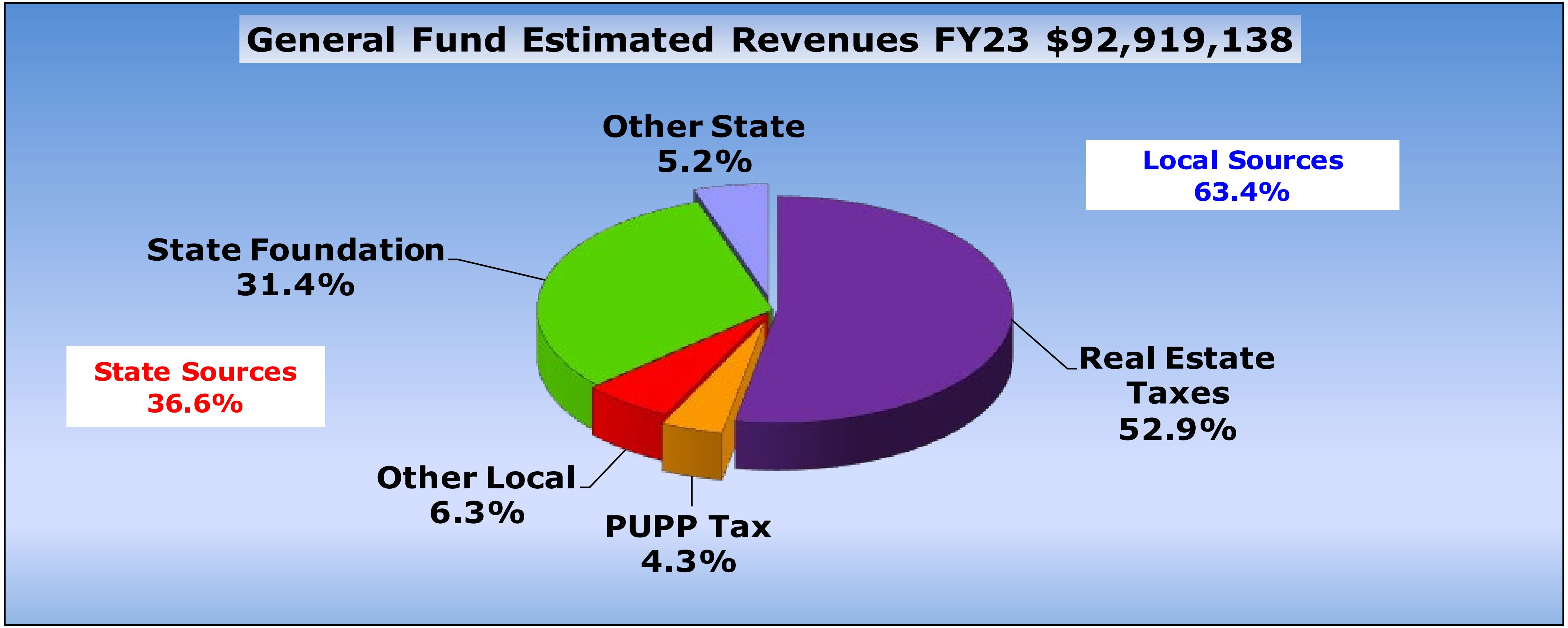
c) For FY22 & forward, Expenditures reflect HB110 Fair School Funding reductions in Tuition for Charter Schools, Vouchers, and Scholarships.

True Day Cash Balance



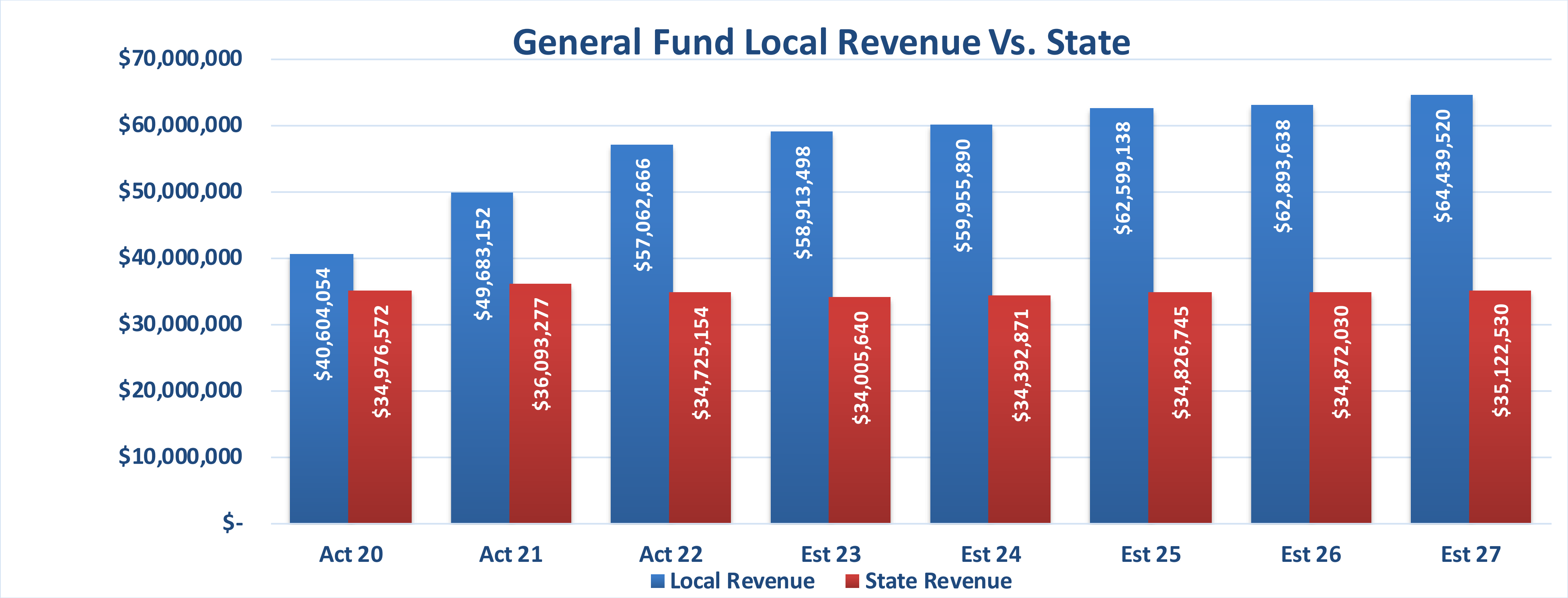
- ✓ Shows new emergency levy revenue beginning in FY21.
- ✓ Reflects revenue increases from the ‘20 Sexennial and ’23 Triennial Reappraisals
- ✓ FY24 reflects substantially a balanced budget (revenues = expenses)
- ✓ FY25 first year of deficit spending Line 6.01

Est. General Fund Revenue Sources FY23



- ✓ Local Sources support increases to 63.4% of revenue driven by the 2020 levy passage and increased property values from the 2020 reappraisal.
- ✓ In FY23 State of Ohio contributes 36.6% based on a new formula that funds the students we educate.
- ✓ HB 110 increases pressure for ***local support*** in future years.

Local vs. State Funding



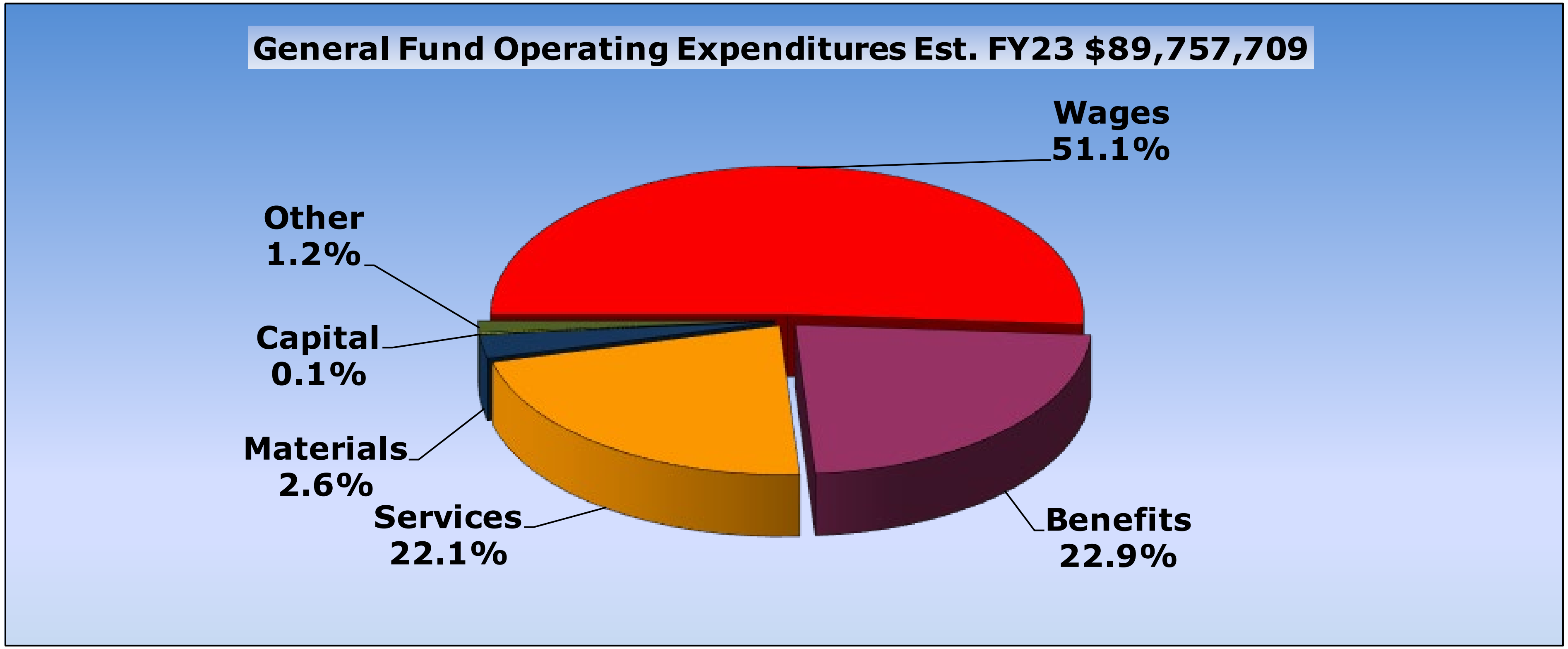
- ✓ HB110 restores funding to FY21 (which equates to FY19) levels when considering direct payments but state revenue expected to <u>remain mostly flat</u>.
- ✓ Local revenues relatively flat after full new levy collection in FY22 until….
- ✓ The 2023 reappraisal with collection of increase beginning in January 2024.

	Act 19	Act 20	Act 21	Est 22	Est 23	Est 24	Est 25	Est 26
Local Revenue	53.72%	57.92%	62.17%	63.40%	63.55%	64.25%	64.33%	64.72%
State Revenue	46.28%	42.08%	37.83%	36.60%	36.45%	35.75%	35.67%	35.28%

Operating Revenue
Uncertainties, Challenges, and Opportunities

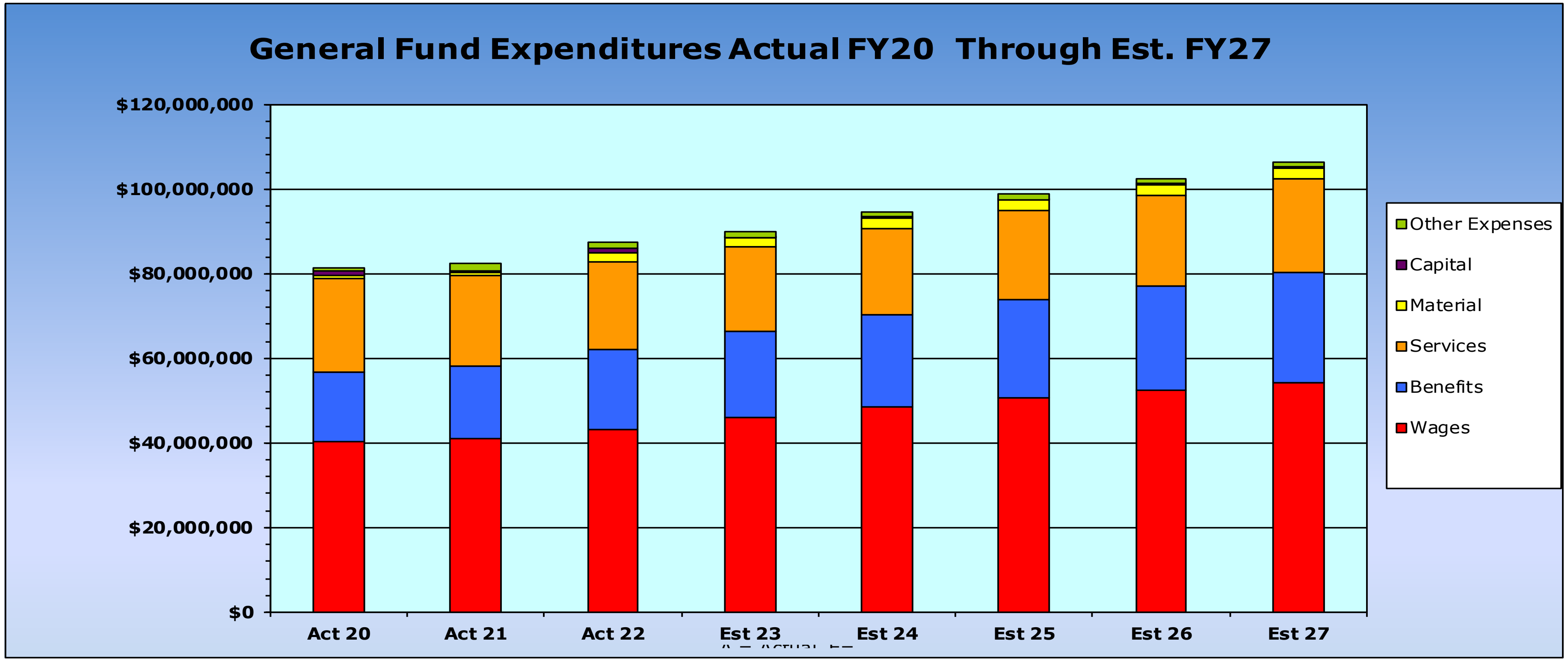
✓	HB110 as amended by HB583, the Fair School Funding Plan made many changes to state funding payments and expenses. Funds students where educated.
✓	This will lower line 1.06, line 1.035, increase line 1.04 and lower costs on line 3.03 for direct payments for OE, Community & STEM schools and scholarships.
✓	School Funding Plan has us frozen on a guarantee in FY22 and FY23 not likely to change.
✓	Total revenue is estimated to grow by 1.75 % over the next 4 years while expenses are estimated to grow on average, by 4.25% a year.
✓	HB126 will severely limit our ability to challenge valuation reductions which will impact property values and taxes.
✓	Enrollment growth will not necessarily translate into added revenues since our state funding places the district on a guarantee.
✓	A primary challenge: revenue growth does not keep pace with modest inflation, let alone the current increased rate of inflation post-covid.

Est. General Fund Expenditures FY23



- ✓ Wages and benefits are estimated at 74.0% are in line with comparable districts spending and reflect negotiated increases. It also includes increased staffing especially to address students with special needs.
- ✓ Benefits are the 2nd highest cost (retirement, insurances, workers comp, Medicaid).
- ✓ Purchase services reflect the reduction due to HB110's elimination of deductions for Community Schools, EdChoice Vouchers, and Scholarships. They also reflect increases due to post-covid inflation.
- ✓ All areas include increases to the investment in our Onward and Upward initiatives.

General Fund Expenditures by Object
FY20 through Est. FY27

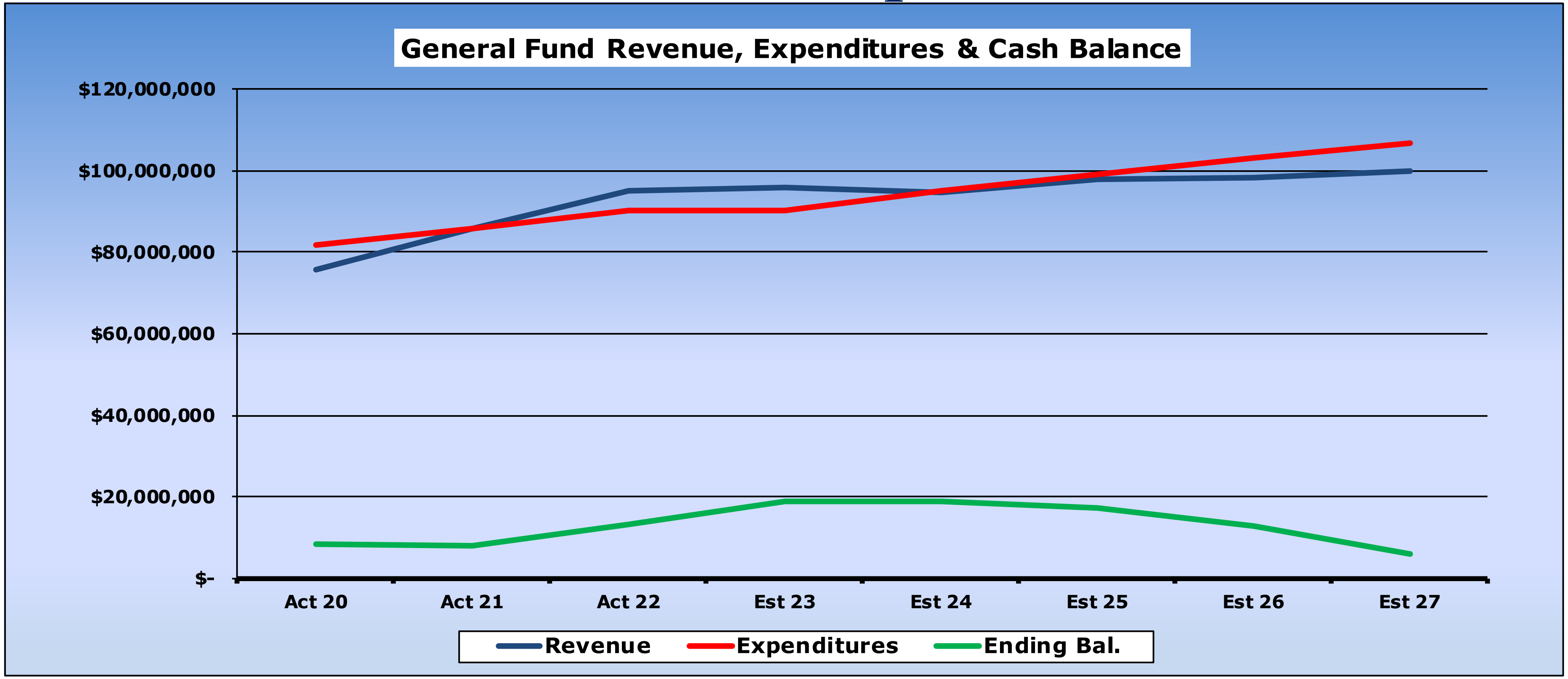


- ✓ Expenses have a steady growth (inflation, program, and enrollment) including negotiated and projected collective bargaining agreements.
- ✓ COVID-19 costs, in FY20, FY21, and into FY22.
- ✓ Expenses reflect program improvements from the Upward and Onward investments. These are primarily wages and benefits for additional staff and implementing a curriculum adoption cycle/plan.
- ✓ FY24 and beyond balance retaining our workforce, impact of ESSER funds ending September 2024, and resourcing the unmet needs of our students.

Uncertainties, Challenges, and Opportunities to Operating Expenses

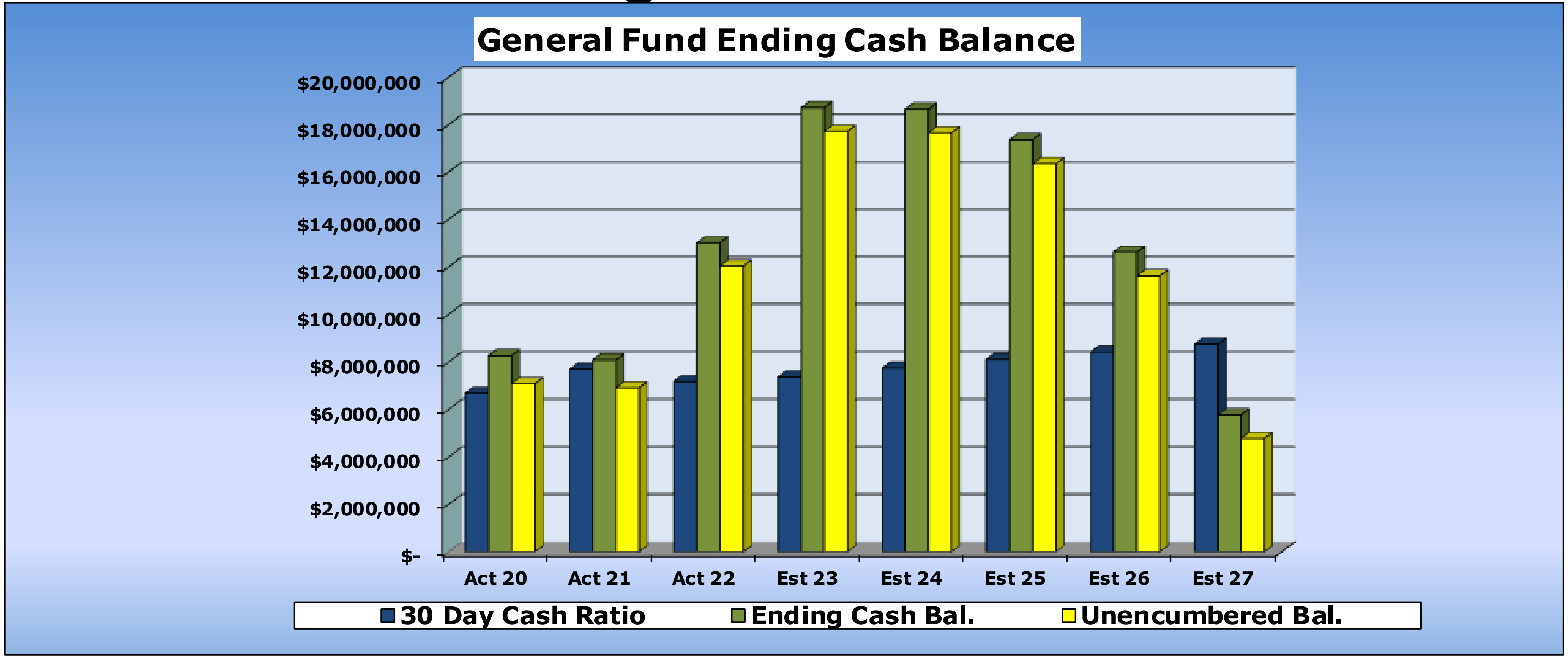
✓ The Fair School Funding Plan has limited any growth in state funding.
✓ Current state funding places the district on a guarantee back to FY19 levels.
✓ ESSER Funds may help reduce General Fund costs in FY21-24 of need student resources.
✓ Future funding is uncertain still for FY24-27 as Fair School Funding Plan not funded beyond FY23. New biennium budget will not be none until late June, 2023.
✓ Current proposed increases in state funding are being targeted to within the formula as opposed to outside of the formula limiting any increase to the district.
✓ Locally, the increased needs of our students and how we meet these needs will impact costs.
✓ Continuing to address the "learning loss" on top of a pre-existing learning gap will continue to add costs.
✓ A curriculum adoption cycle to update core curriculum at least every 5 -7 years is in place.

Revenue Vs. Expenditure



- ✓ Revenues "stairstep" and do not increase as quickly as expenditures.
- ✓ We will continue to have to make difficult financial decisions during all periods when we keep in mind future impact.
- ✓ The 2020 levy promise is being kept with any ***new*** voter-approved funding currently projected beyond 2024.

Ending Cash Balance



- ✓ 30 – 60 day cash balance a responsible target to end year.
- ✓ No less than $-0- required by Ohio law.

Uncertainties, Challenges and Opportunities to Operating Cash

✓ Cash balances FY23 through FY25 at 60 day target of available cash.
✓ The ability to look beyond a short horizon for program planning becomes challenging with state aid being substantially flat.
✓ As the revenue over expenses shifts to under expenses, the district again becomes subject to fiscal distress with deficit spending beginning in FY25.

What Now – What is Our Call to Action

✓	***Keep our commitment (FY24) top line and top of mind.***
✓	Revenue – **ADVOCATE** to protect revenues **locally** (i.e. property values and exemptions), while assisting the local economy's return. (HB-1 placed them under attack).
✓	Revenue – **ADVOCATE** at the **state level** for a fair share of revenue and share of the increase (if any) to the state's education budget. Targeted assistance should be outside the formula.
✓	Continue to look for **alternative revenue** sources.
✓	Continue to **appropriately match** ongoing **expenses** with ongoing **revenues** and one-time revenue with one-time expenses, including the appropriate utilization of state and federal grants.
✓	Continue to explore how we spend our dollars for greater **efficiencies and effectiveness** (review our systems and processes).
✓	Develop a detailed **3 to 5-year spending plan** as a roadmap for fiscal fitness.
✓	Develop a long-term ***2030 financial plan*** recognizing the limited ability to raise local dollars, but with a need in 2030 to at a minimum renew the emergency levy, but recognizing a need for increased revenue before that time period.
✓	Keep our **constituents informed and involved** – via multiple channels of communication. Be pro-active in developing an understanding of school finance.
✓	Strengthen, grow, and increase **partnerships** throughout the community.
✓	Continue the strategic use of **ESSER** funds through FY24.
✓	Monitor **the investment impact of our Onward and Upward Plan** with a focus on the impact to our students today and into the future.

Thank You for Listening

Questions and Answers

WEST CLERMONT
SCHOOL DISTRICT