



**Akron Public  
Schools.**

# **Five Year Forecast Financial Report**

October, 2018

*Ryan Pendleton, CFO*

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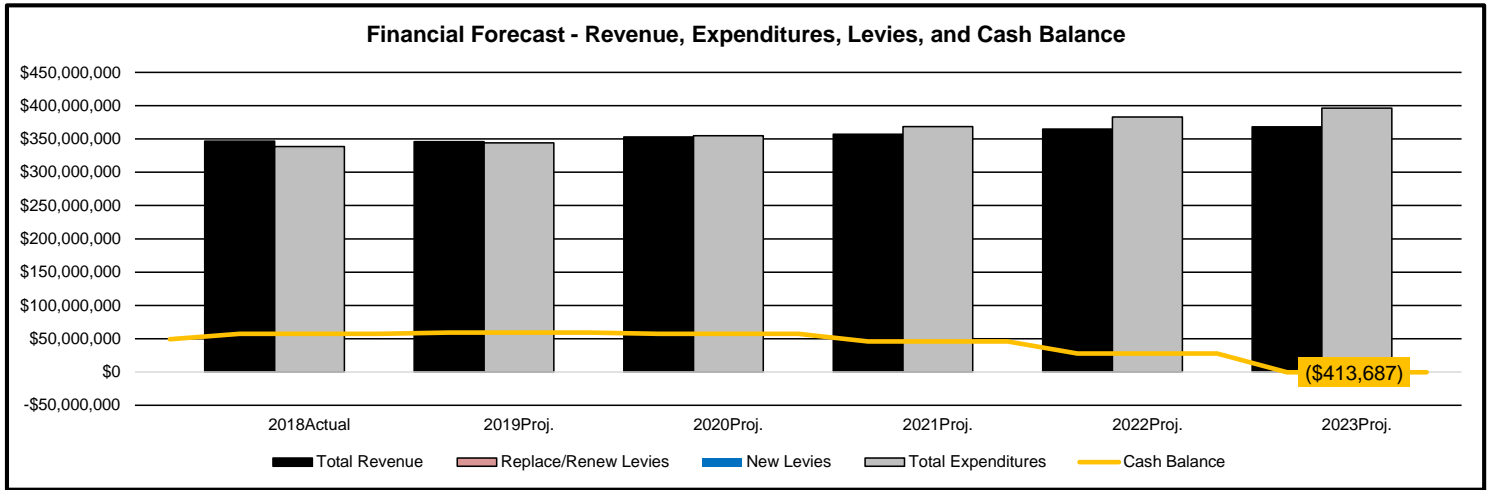
### Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. 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."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

**Forecast Methodology** - This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year and while cash flow monitoring helps to identify unexpected variances no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.

# Forecast Summary



## Akron Public Schools

### Financial Forecast

| Financial Forecast   | Fiscal Year<br>2019 | Fiscal Year<br>2020 | Fiscal Year<br>2021 | Fiscal Year<br>2022 | Fiscal Year<br>2023 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning Balance  | 57,459,579          | 59,217,238          | 57,326,705          | 45,851,983          | 27,711,733          |
| + Revenue  | 345,932,252         | 353,003,476         | 357,099,342         | 364,722,826         | 368,311,020         |
| + Proposed Renew/Replacement Levies                                      | -                   | -                   | -                   | -                   | -                   |
| + Proposed New Levies  | -                   | -                   | -                   | -                   | -                   |
| - Expenditures   | (344,174,593)       | (354,894,009)       | (368,574,064)       | (382,863,076)       | (396,436,440)       |
| = Revenue Surplus or Deficit   | 1,757,659           | (1,890,533)         | (11,474,722)        | (18,140,250)        | (28,125,420)        |
| Ending Balance with renewal levies<br>Note: Not Reduced for Encumbrances | 59,217,238          | 57,326,705          | 45,851,983          | 27,711,733          | (413,687)           |

### Analysis Without Renewal Levies Included:

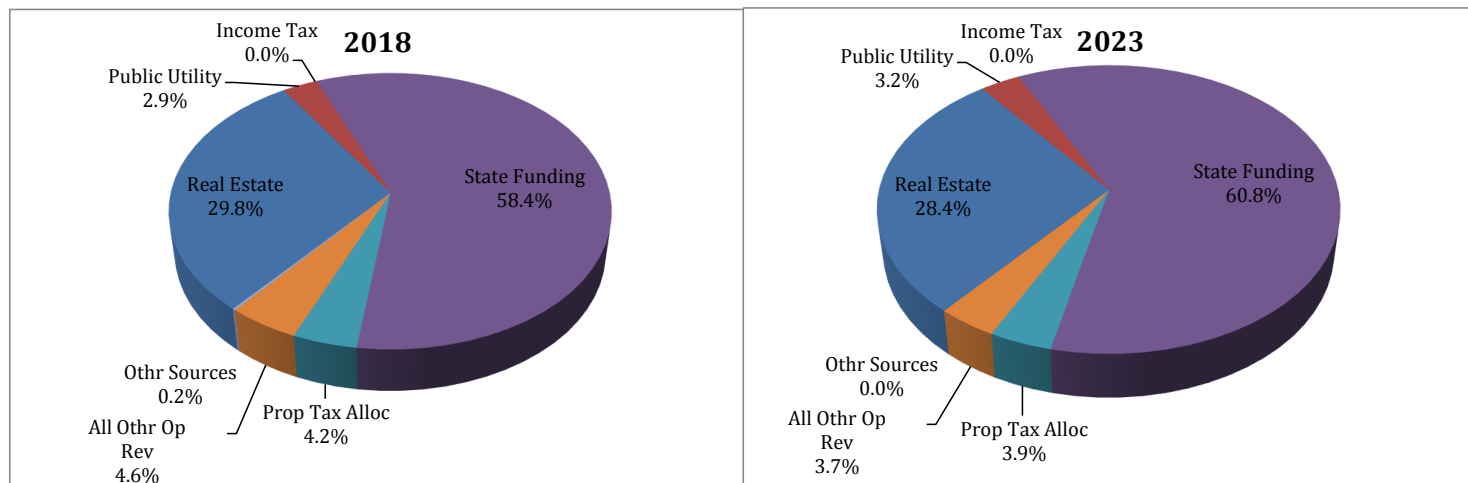
|                                       |            |             |              |              |              |
|---------------------------------------|------------|-------------|--------------|--------------|--------------|
| Revenue Surplus or Deficit w/o Levies | 1,757,659  | (1,890,533) | (11,474,722) | (18,140,250) | (28,125,420) |
| Ending Balance w/o Levies             | 59,217,238 | 57,326,705  | 45,851,983   | 27,711,733   | (413,687)    |

While stable, the district's current forecast indicates continued trend toward increasing revenue shortfall (yellow highlighted line). The revenue projections for the district are stagnant in response to economic conditions. Local property values remain flat. These conditions adversely impact local tax revenue and state per pupil funding. As a result revenue is projected to grow at an average annual pace of 1.21%, while projected expenditures are expected to grow at an average annual rate of 3.18%.

Also included in this forecast is the I Promise School (IPS) with a cumulative cost through FY 2023 of \$8,110,745 which is partially offset by the central office consolidated that is expected to save \$3,113,435 through FY 2023. The current financial forecast also includes the FY 2018 building closure effort, and despite the effort, a trend toward revenue shortfall remains. Revenue growth is not expected to keep pace with inflationary cost pressure.

The district's ability to avoid negative cash balance reserves will be most likely impacted by increased inflationary pressure on expenditures and increases in, or decreases in, state of Ohio per pupil funding. The superintendent and Board of Education have actively managed our footprint and programs.

## Revenue Sources and Forecast Year-Over-Year Projected Overview



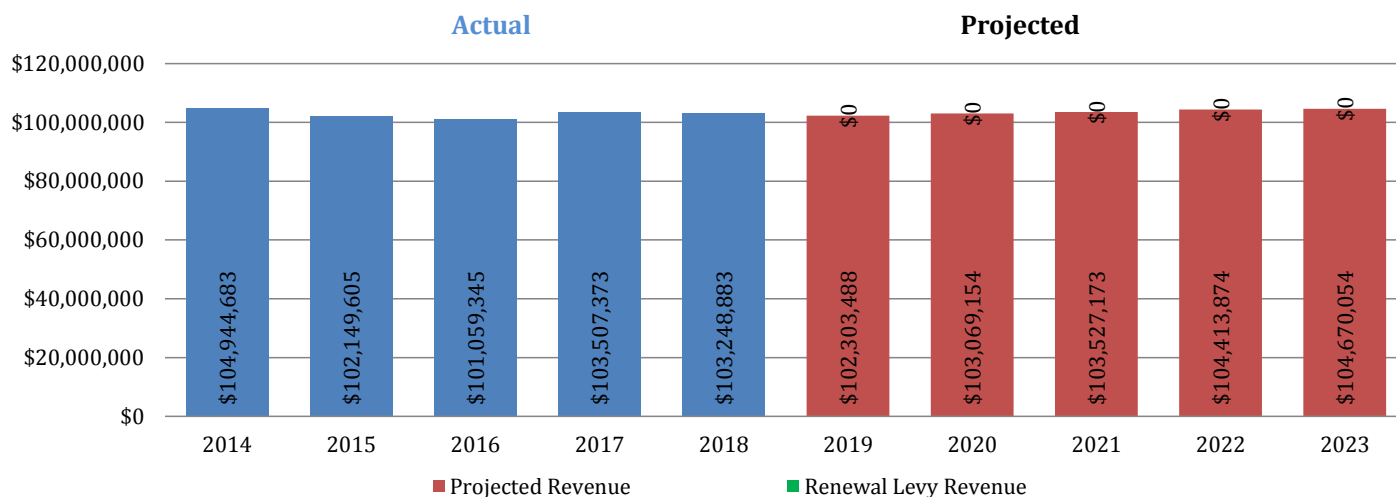
|                                  | Prev. 5-Year<br>Avg. Annual<br>Change | PROJECTED           |                     |                     |                     |                     | 5-Year<br>Avg. Annual<br>Change |
|----------------------------------|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------------------|
|                                  |                                       | Fiscal Year<br>2019 | Fiscal Year<br>2020 | Fiscal Year<br>2021 | Fiscal Year<br>2022 | Fiscal Year<br>2023 |                                 |
| <b>Revenue:</b>                  |                                       |                     |                     |                     |                     |                     |                                 |
| 1.010-Real Estate                | 2.90%                                 | -0.92%              | 0.75%               | 0.44%               | 0.86%               | 0.25%               | 0.28%                           |
| 1.020-Public Utility             | 8.65%                                 | 3.24%               | 3.27%               | 3.01%               | 3.01%               | 3.01%               | 3.11%                           |
| 1.030-Income Tax                 | n/a                                   | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%                           |
| 1.035-State Funding              | 3.67%                                 | 0.34%               | 3.34%               | 1.81%               | 3.34%               | 1.50%               | 2.06%                           |
| 1.040-Restricted Aid             | 148.25%                               | 10.78%              | 0.09%               | 0.04%               | -0.38%              | -0.05%              | 2.10%                           |
| 1.045-Restr Federal SFSF         | -100.00%                              | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%               | 0.00%                           |
| 1.050-Property Tax Alloc         | -5.39%                                | -0.74%              | -0.13%              | -0.01%              | -0.01%              | -0.13%              | -0.20%                          |
| 1.060-All Other Operating        | 13.45%                                | -18.01%             | 1.47%               | -0.39%              | 1.51%               | 0.77%               | -2.93%                          |
| <b>1.070-Total Revenue</b>       | <b>4.31%</b>                          | <b>-0.14%</b>       | <b>2.11%</b>        | <b>1.16%</b>        | <b>2.13%</b>        | <b>0.98%</b>        | <b>1.25%</b>                    |
| <b>2.070-Total Other Sources</b> | <b>1096.84%</b>                       | <b>-64.70%</b>      | <b>-100.00%</b>     | <b>0.00%</b>        | <b>0.00%</b>        | <b>0.00%</b>        | <b>-82.35%</b>                  |
| <b>2.080-Total w/Other Srcs</b>  | <b>4.35%</b>                          | <b>-0.26%</b>       | <b>2.04%</b>        | <b>1.16%</b>        | <b>2.13%</b>        | <b>0.98%</b>        | <b>1.21%</b>                    |

The district is heavily dependent upon per pupil funding from the State of Ohio. The state's share of total revenue in FY 2018 was 58.4% and is projected to grow to 60.8% in FY 2023. The line item is projected to experience only modest growth through FY 2023 according to currently legislated parameters.

The district's real estate revenue continues to be constrained by lack of local property value inflation.

## 1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



|                           | FORECASTED  |             |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                           | 2018        | 2019        | 2020        | 2021        | 2022        | 2023        |
| Total With Renewal Levies | 103,248,883 | 102,303,488 | 103,069,154 | 103,527,173 | 104,413,874 | 104,670,054 |
| YOY \$ Change             | (258,490)   | (945,395)   | 765,666     | 458,019     | 886,701     | 256,180     |
| YOY % Change              | -0.2%       | -0.9%       | 0.7%        | 0.4%        | 0.9%        | 0.2%        |

| Percentage of Total Revenue | 29.8% | 29.6% | 29.2% | 29.0% | 28.6% | 28.4% |
|-----------------------------|-------|-------|-------|-------|-------|-------|
|                             |       |       |       |       |       |       |

| Values, Tax Rates and Gross Collections |               |              |              |        |               |        | Gross Collection Rate Including Delinquencies |
|---|---------------|--------------|--------------|--------|---------------|--------|---|
| Tax Yr                                  | Valuation     | Value Change | Class I Rate | Change | Class II Rate | Change |   |
| 2017                                    | 2,185,345,440 | 4,130,240    | 51.67        | (0.68) | 62.79         | 2.49   | 98.5%   |
| 2018                                    | 2,181,202,166 | (4,143,274)  | 51.83        | 0.17   | 62.92         | 0.13   | 97.1%   |
| 2019                                    | 2,177,076,314 | (4,125,852)  | 52.00        | 0.17   | 63.05         | 0.13   | 97.4%   |
| 2020                                    | 2,227,497,763 | 50,421,449   | 50.82        | (1.18) | 62.46         | (0.59) | 98.4%   |
| 2021                                    | 2,223,092,963 | (4,404,800)  | 50.99        | 0.16   | 62.76         | 0.30   | 98.4%   |
| 2022                                    | 2,217,980,530 | (5,112,433)  | 51.17        | 0.19   | 63.05         | 0.29   | 98.4%   |

Real estate tax revenue provided 29.8% of total revenue in FY 2018. The revenue is driven by three key factors: property values, tax rates, and the payment or collection rate of taxes billed. With respect to property values the district has experienced decline in taxable values in the last several years. Residential property (69% of the district's total property valuation) declined 17.2% from 2009 through 2016. Residential values increased just 1.4% in tax year 2017 in response to the county's valuation review. This small amount of growth in the 2017 tax year is expected to be followed by small declines in 2018 and 2019. A 2.5% increase is projected in 2020 when the county will be conducting its reappraisal of all property. T

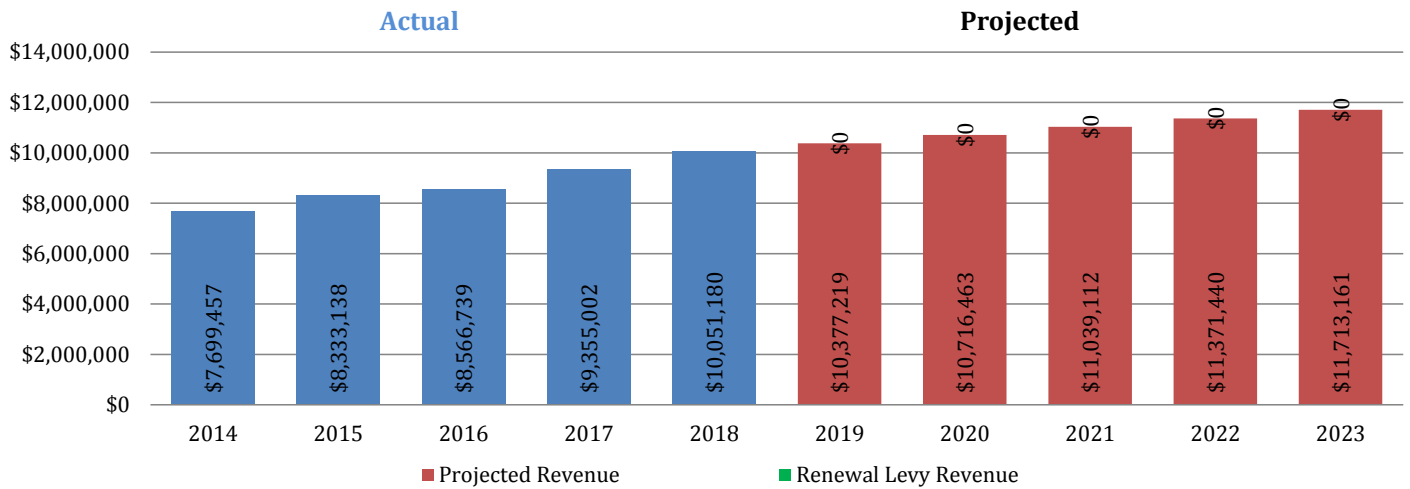
The district's taxpayers approved a new levy in 2012 which helped maintain revenue through the declining valuations.

The district's gross (current + prior year delinquencies paid) improved to 98.5% in 2018 collections (2017 tax year) and slipped slightly to 98.2% in 2017. The forecast is modeling an average annual gross collection rate similar to recent trend. There was some acceleration of taxpayer payments in response to federal tax law changes that improved first half collections for FY 2018 which reduced second half collections in FY 2019.

*\*Projected % trends include renewal levies*

### 1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



|                           | FORECASTED |            |            |            |            |            |
|---------------------------|------------|------------|------------|------------|------------|------------|
|                           | 2018       | 2019       | 2020       | 2021       | 2022       | 2023       |
| Total With Renewal Levies | 10,051,180 | 10,377,219 | 10,716,463 | 11,039,112 | 11,371,440 | 11,713,161 |
| YOY \$ Change             | 696,177    | 326,039    | 339,244    | 322,649    | 332,328    | 341,721    |
| YOY % Change              | 7.4%       | 3.2%       | 3.3%       | 3.0%       | 3.0%       | 3.0%       |

| Percentage of Total Revenue | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------------|------|------|------|------|------|------|
|                             | 2.9% | 3.0% | 3.0% | 3.1% | 3.1% | 3.2% |

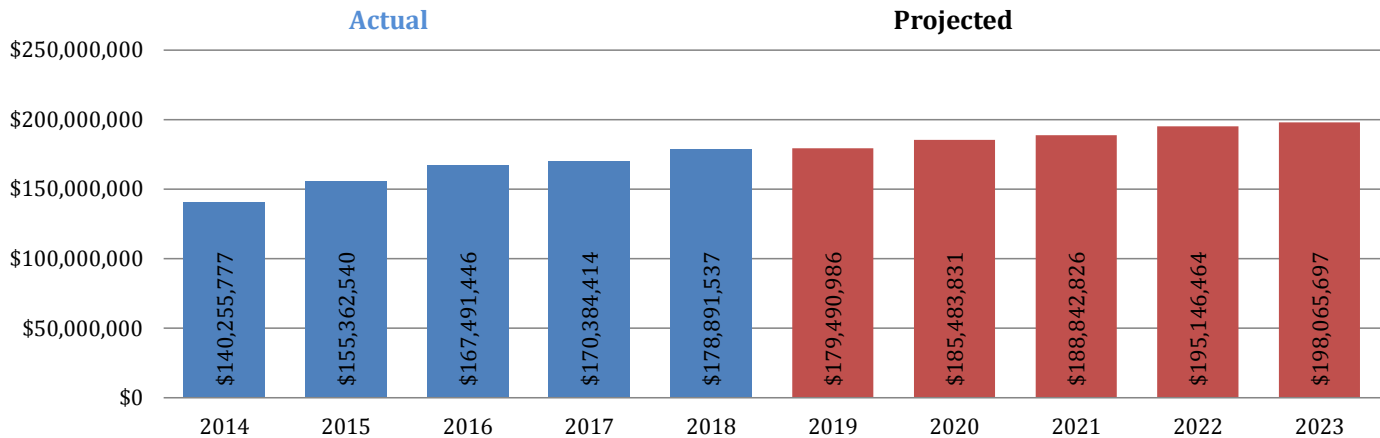
| Values and Tax Rates |             |              |                 |        | Gross Collection Rate Including Delinquencies |
|----------------------|-------------|--------------|-----------------|--------|---|
| Tax Year             | Valuation   | Value Change | Full Voted Rate | Change |   |
| 2017                 | 134,200,040 | 4,048,690    | 76.00           | -      | 100.0%  |
| 2018                 | 138,914,773 | 4,714,733    | 76.00           | -      | 100.0%  |
| 2019                 | 143,097,414 | 4,182,641    | 76.00           | -      | 100.0%  |
| 2020                 | 147,405,535 | 4,308,121    | 76.00           | -      | 100.0%  |
| 2021                 | 151,842,899 | 4,437,364    | 76.00           | -      | 100.0%  |
| 2022                 | 156,398,186 | 4,555,287    | 76.00           | -      | 100.0%  |

Public utility tax revenue is 2.9% of the district's revenue, but is expected to grow 3.1% (average) per year in 2018 through 2021. The growth is attributable to ongoing infrastructure investment by power and gas companies.

\*Projected % trends include renewal levies

## 1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



|                                    | FORECASTED  |             |             |             |             |             |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                    | 2018        | 2019        | 2020        | 2021        | 2022        | 2023        |
| Total                              | 178,891,537 | 179,490,986 | 185,483,831 | 188,842,826 | 195,146,464 | 198,065,697 |
| YOY \$ Change                      | 8,507,123   | 599,449     | 5,992,845   | 3,358,995   | 6,303,638   | 2,919,233   |
| YOY % Change                       | 5.0%        | 0.3%        | 3.3%        | 1.8%        | 3.3%        | 1.5%        |
| Percentage of Total Revenue        | 51.6%       | 51.9%       | 52.5%       | 52.9%       | 53.5%       | 53.8%       |
| Core Funding Per Pupil             | 6,010       | 6,020       | 6,050       | 6,100       | 6,150       | 6,200       |
| State Share Index (SSI)            | 72.4%       | 72.4%       | 74.0%       | 74.0%       | 75.7%       | 75.7%       |
| State Core Funding Per Pupil       | 4,349       | 4,356       | 4,476       | 4,513       | 4,657       | 4,695       |
| Formula ADM (Funded Student Count) | 26,528      | 26,255      | 26,273      | 26,112      | 26,120      | 25,842      |
| Funding Status                     | Capped      | Formula     | Capped      | Formula     | Capped      | Formula     |

The state's per pupil funding formula generates 51.6% of the district's revenue.

The district's state share formula calculation in FY 2018 was 72.4%, which provided \$4,349 of the state's FY 2018 core statewide aid per pupil of \$6,010. The district's state share index is projected to increase to 74.0% in FY 2020 and FY 2021 and is expected to increase to 75.7% in FY 2022 and FY 2023. The growth in state share under the current state formula is attributable to relatively stable enrollment and depressed property values relative to the state of Ohio as a whole.

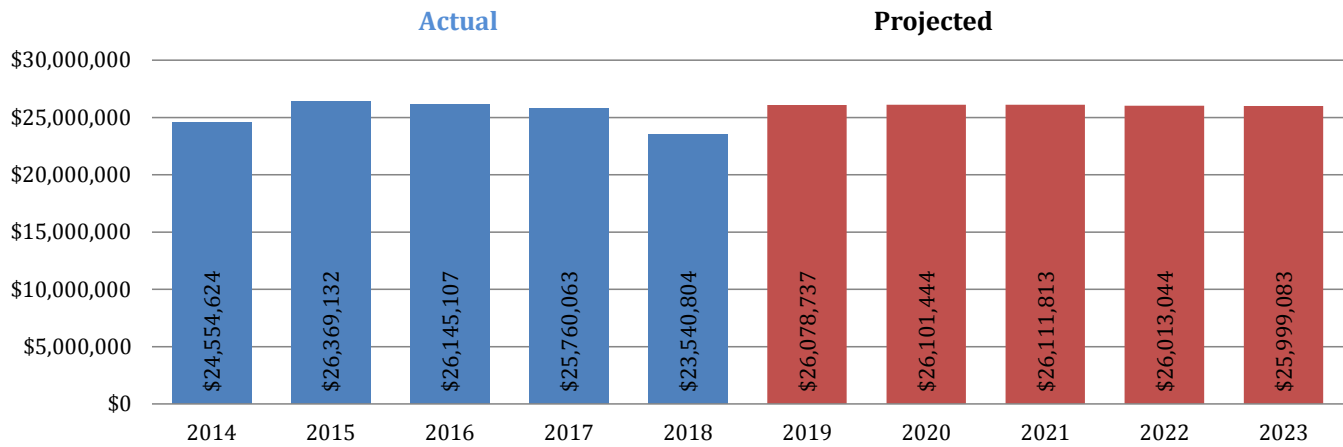
The forecast assumes some drop in formula enrollment through FY 2023 but at a subdued decline relative to the past several years. The district could generate additional funding if its enrollment exceeds the funded estimates. The forecast assumes a 3.0% year-over-year change in the legislative cap on growth in funding. Unless the enrollment outperforms what is projected then the imposed cap will have minimal impact. The calculations will be monitored on a semi-annual basis.

Casino revenue is estimated at \$49.50 per pupil, and is projected to be \$1.0 million in FY 2019.

FY 2019 is the second year of the state's two-year budget. History has shown that the state will revamp its per pupil funding formula in the next budget starting July 1, 2019 which could alter (improve or worsen) funding compared to what is forecasted now.

## 1.040 & 1.045 - Restricted Grants-in-Aid

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



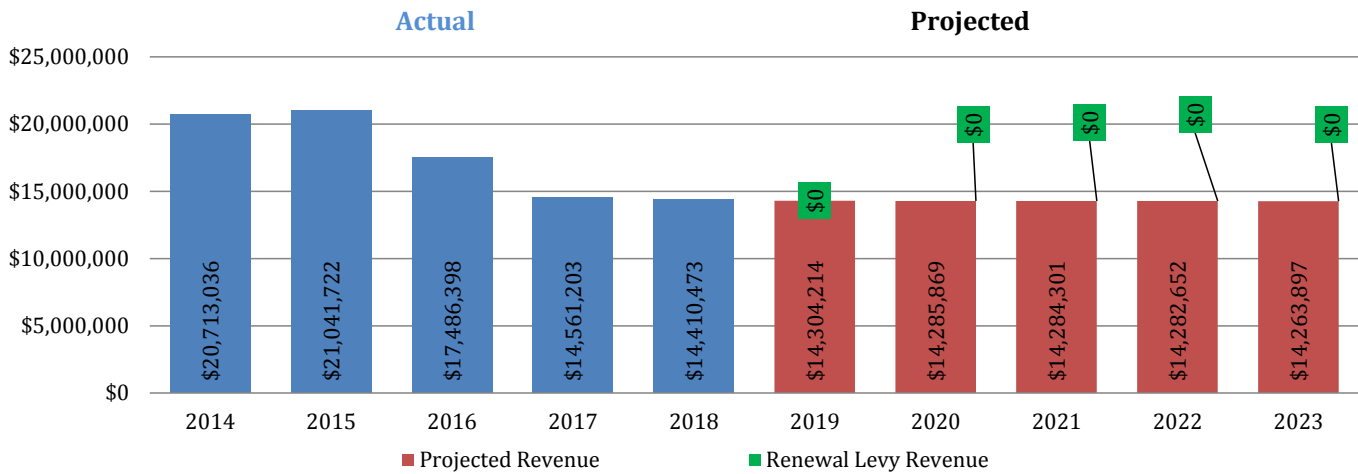
|                                      | FORECASTED  |            |            |            |            |            |
|--------------------------------------|-------------|------------|------------|------------|------------|------------|
|                                      | 2018        | 2019       | 2020       | 2021       | 2022       | 2023       |
| Total                                | 23,540,804  | 26,078,737 | 26,101,444 | 26,111,813 | 26,013,044 | 25,999,083 |
| YOY \$ Change                        | (2,219,259) | 2,537,933  | 22,707     | 10,369     | (98,769)   | (13,961)   |
| YOY % Change                         | -8.6%       | 10.8%      | 0.1%       | 0.0%       | -0.4%      | -0.1%      |
| Percentage of Total Revenue          | 6.8%        | 7.5%       | 7.4%       | 7.3%       | 7.1%       | 7.1%       |
| Economic Disadvantaged Funding       | 21,575,759  | 21,943,092 | 21,843,756 | 21,794,498 | 21,635,209 | 21,559,820 |
| Percentage of Disadvantaged Students | 90.0%       | 90.0%      | 90.0%      | 90.0%      | 90.0%      | 90.0%      |

Restricted state aid complements unrestricted state aid as it is the portion of the funding formula that must be designated as restricted; the restricted category is primarily 'economic disadvantaged' funding. Economic disadvantaged funding totaled \$21.6 million in FY 2018, and it is primarily driven by the district's relatively high student poverty level. In 2018, 90.0% of the district's students were identified as economic disadvantaged, compared to the state as a whole that had an average of 48.60% (FY 2018). Career Technical Education funding of \$4.1 million (FY 2018) is also included in the restricted category.

These two categories of the state's per pupil funding calculation are projected to remain relatively stable through FY 2023.

## 1.050 - Property Tax Allocation

Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.



|  | FORECASTED |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|
|  | 2018       | 2019       | 2020       | 2021       | 2022       | 2023       |
| Total With Renewal Levies                  | 14,410,473 | 14,304,214 | 14,285,869 | 14,284,301 | 14,282,652 | 14,263,897 |
| YOY \$ Change                              | (150,730)  | (106,259)  | (18,345)   | (1,568)    | (1,649)    | (18,755)   |
| YOY % Change                               | -1.0%      | -0.7%      | -0.1%      | 0.0%       | 0.0%       | -0.1%      |
| Percentage of Total Revenue                | 4.2%       | 4.1%       | 4.0%       | 4.0%       | 3.9%       | 3.9%       |
| % of Residential Real Estate 10% Rollback  | 9.96%      | 9.96%      | 9.96%      | 9.96%      | 9.96%      | 9.96%      |
| % of Residential Real Estate 2.5% Rollback | 1.70%      | 1.70%      | 1.70%      | 1.70%      | 1.70%      | 1.70%      |
| % of Residential Real Estate Homestead     | 5.66%      | 5.66%      | 5.66%      | 5.66%      | 5.66%      | 5.66%      |

Property tax allocation is now just 4.2% of the district's revenue after dropping consistently over the past few years. The category has declined significantly from its 2011 level because of the state's elimination of reimbursement for lost local personal property tax revenue.

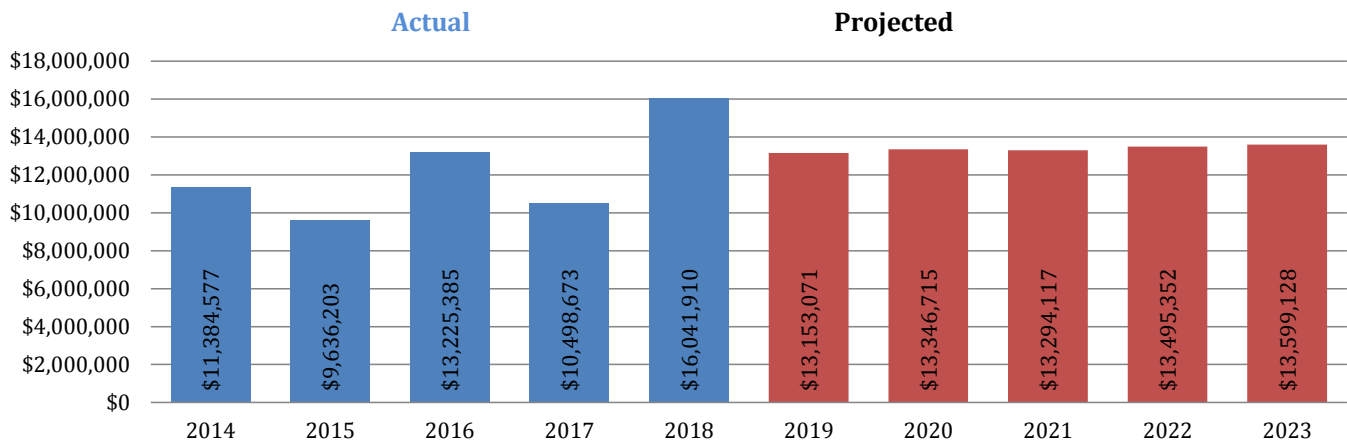
Today, this category includes only the state's reimbursements known as "rollback" and "homestead." These reimbursements reduce local taxpayer real estate tax obligations and track with residential real estate projections.

Historical Note: In addition to reimbursements for local residential real estate taxes, Akron also received reimbursement for Ohio's 2005 tax reform that eliminated local taxes on tangible personal property (equipment, inventory, etc.). This reimbursement was cut to \$5,652,518 in 2015, and was phased-out to \$0 in FY 2017. It is this cut in state reimbursement that has partially offset initial funding gains from the state funding formula. The cut in reimbursement also explains the decline in the historical revenue bars above.

*\*Projected % trends include renewal levies*

## 1.060 - All Other Operating Revenues

Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



|                             | FORECASTED |             |            |            |            |            |
|-----------------------------|------------|-------------|------------|------------|------------|------------|
|                             | 2018       | 2019        | 2020       | 2021       | 2022       | 2023       |
| Total                       | 16,041,910 | 13,153,071  | 13,346,715 | 13,294,117 | 13,495,352 | 13,599,128 |
| YOY \$ Change               | 5,543,238  | (2,888,839) | 193,644    | (52,598)   | 201,235    | 103,776    |
| YOY % Change                | 52.8%      | -18.0%      | 1.5%       | -0.4%      | 1.5%       | 0.8%       |
| Percentage of Total Revenue | 4.6%       | 3.8%        | 3.8%       | 3.7%       | 3.7%       | 3.7%       |

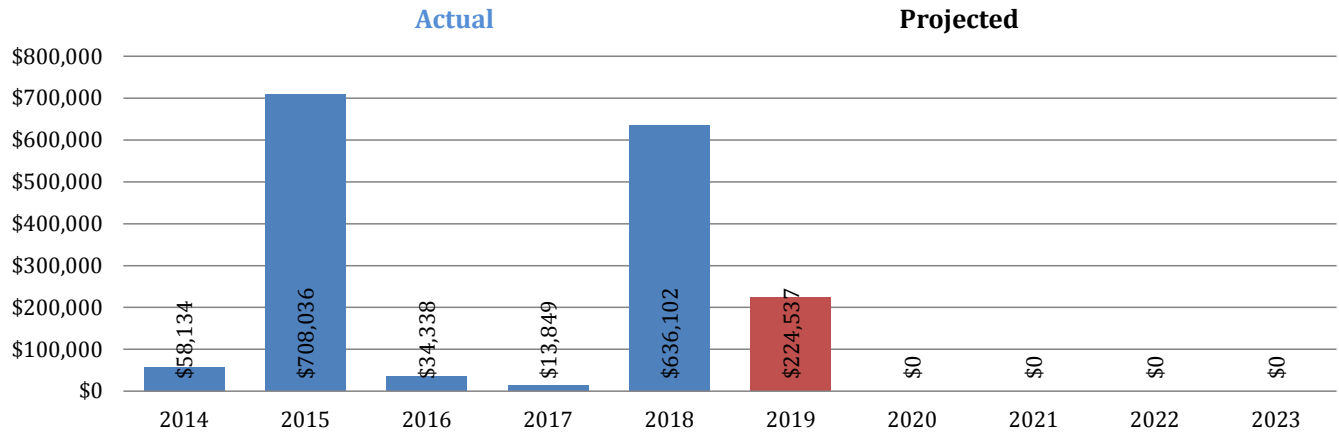
At 4.6%, the "other operating" category included open enrollment tuition at \$4,082,384 in FY 2018. Medicaid reimbursement totaled \$2,028,768 in FY 2018 which was a decline of \$260,000.

Business and payments in lieu of taxes (abatements and Tax Incentive Financings) totaled \$3,242,209 in FY 2018 and are expected to total \$3,307,023 in FY 2019. The annual projected revenue for FY 2019 through FY 2023 is based on the FY 2018 current revenue of \$3,242,209.

The timing and amount of these payments have been volatile and fluctuating over the past several years. The district and the City of Akron are working to establish the base annual level of revenue plus address arrearage issue. The FY 2018 revenue was inflated by payments totaling an additional \$3,045,362 as the City of Akron caught up on past payments.

## 2.070 - Total Other Financing Sources

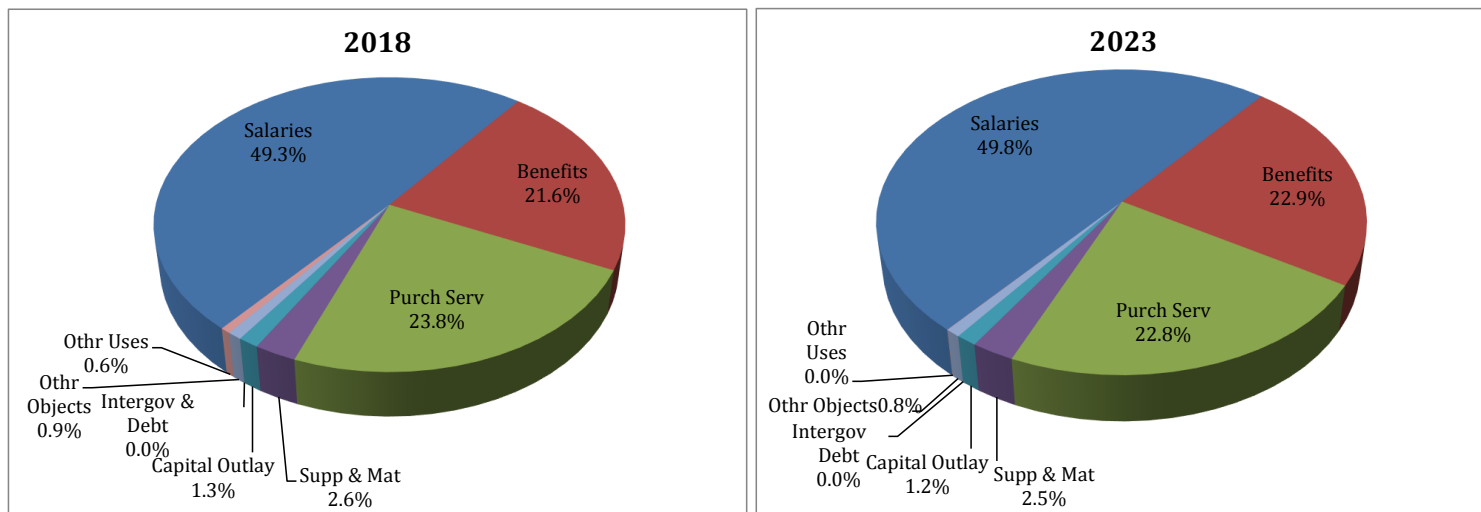
Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.



|                             | FORECASTED |           |           |      |      |      |
|-----------------------------|------------|-----------|-----------|------|------|------|
|                             | 2018       | 2019      | 2020      | 2021 | 2022 | 2023 |
| Total                       | 636,102    | 224,537   | -         | -    | -    | -    |
| YOY \$ Change               | 622,253    | (411,565) | (224,537) | -    | -    | -    |
| YOY % Change                | 4493.0%    | -64.7%    | -100.0%   | 0.0% | 0.0% | 0.0% |
| Percentage of Total Revenue | 0.2%       | 0.1%      | 0.0%      | 0.0% | 0.0% | 0.0% |
| Transfers In                | 578,702    | -         | -         | -    | -    | -    |
| Advances In                 | -          | -         | -         | -    | -    | -    |

The other sources category is minimal and includes irregular items such as Bureau of Workers' Compensation premium refunds, advances back to the general fund from other funds, and miscellaneous other refunds.

### Expenditure Categories and Forecast Year-Over-Year Projected Overview

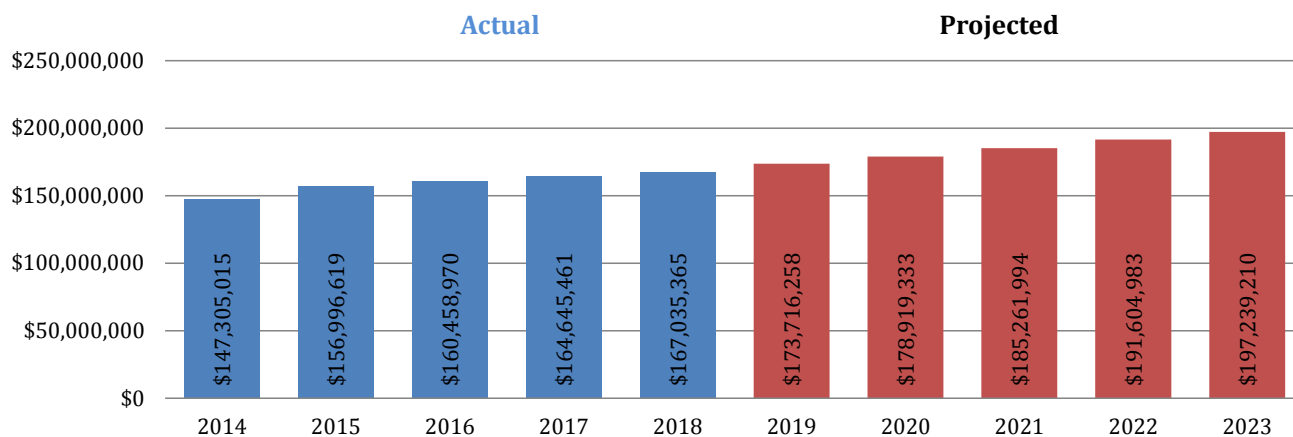


|                            | Prev. 5-Year Avg. Annual Change | PROJECTED        |                  |                  |                  |                  | 5-Year Avg. Annual Change |
|----------------------------|---------------------------------|------------------|------------------|------------------|------------------|------------------|---------------------------|
|                            |                                 | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 |                           |
| <b>Expenditures:</b>       |                                 |                  |                  |                  |                  |                  |                           |
| 3.010-Salaries             | 2.35%                           | 4.00%            | 3.00%            | 3.54%            | 3.42%            | 2.94%            | 3.38%                     |
| 3.020-Benefits             | 2.18%                           | -0.18%           | 4.00%            | 6.07%            | 6.35%            | 5.89%            | 4.43%                     |
| 3.030-Purchased Services   | 4.78%                           | 0.94%            | 2.64%            | 2.69%            | 2.72%            | 2.70%            | 2.34%                     |
| 3.040-Supplies & Materials | 9.28%                           | -1.50%           | 3.56%            | 3.83%            | 3.83%            | 3.84%            | 2.71%                     |
| 3.050-Capital Outlay       | 75.45%                          | 3.29%            | 2.38%            | 2.40%            | 2.43%            | 2.46%            | 2.59%                     |
| 3.060-Intergov             | n/a                             | n/a              | n/a              | n/a              | n/a              | n/a              | n/a                       |
| 4.010-4.060-Debt           | n/a                             | n/a              | n/a              | n/a              | n/a              | n/a              | n/a                       |
| 4.300-Other Objects        | -1.78%                          | 7.75%            | 1.33%            | 1.33%            | 1.33%            | 1.23%            | 2.59%                     |
| 4.500-Total Expenditures   | 3.02%                           | 2.24%            | 3.12%            | 3.86%            | 3.88%            | 3.55%            | 3.33%                     |
| 5.050-Total w/Other Uses   | 3.14%                           | 1.65%            | 3.11%            | 3.85%            | 3.88%            | 3.55%            | 3.21%                     |

Total expenditures are projected to increase at an average annual rate of 3.21% through FY 2023. The growth is in line with the most recent five year average annual change. While the growth is restrained the district's revenue is unable to keep up.

### 3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



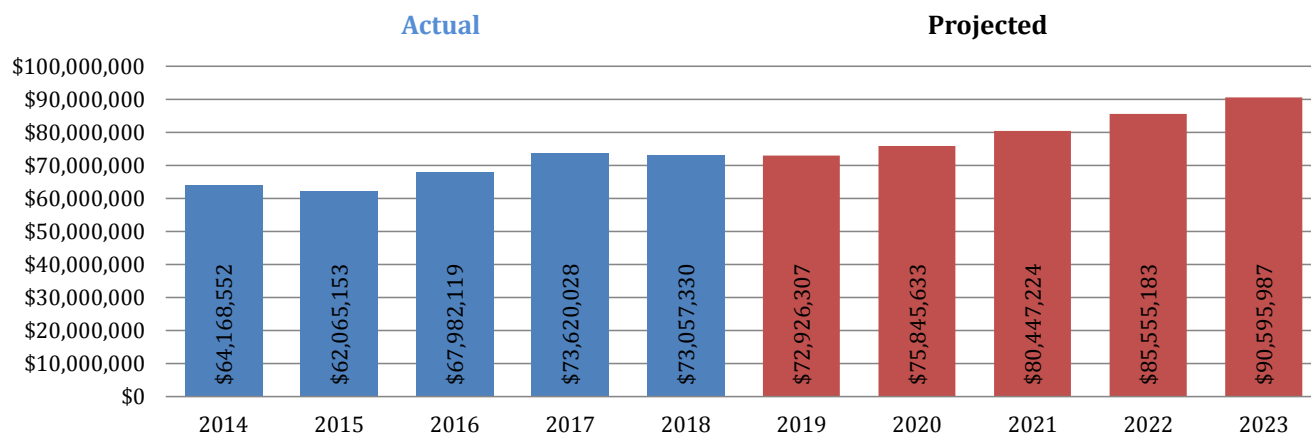
|                            | FORECASTED  |             |             |             |             |             |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                            | 2018        | 2019        | 2020        | 2021        | 2022        | 2023        |
| Total                      | 167,035,365 | 173,716,258 | 178,919,333 | 185,261,994 | 191,604,983 | 197,239,210 |
| YOY \$ Change              | 2,389,904   | 6,680,893   | 5,203,075   | 6,342,661   | 6,342,989   | 5,634,227   |
| YOY % Change               | 1.5%        | 4.0%        | 3.0%        | 3.5%        | 3.4%        | 2.9%        |
| Percentage of Total Budget | 49.3%       | 50.5%       | 50.4%       | 50.3%       | 50.0%       | 49.8%       |

Salaries are projected to be half of the district's total expenditures in FY 2019. The district cut costs in FY 2012, and the decline in salary cost continued through FY 2014. In FY 2015 the district's salary costs increased by 6.58%. Through FY 2016, salary costs remained below the FY 2011 level of \$162,371,841. Past growth was contained, in part, because of building closures, including FY 2018 closings. The current forecast reflects continued increases and inflationary trend, the addition of the I Promise School and savings from the central office consolidation.

The forecast also reflects retirement/replacement savings of approximately \$1.5 million per year, additional replacements could result in lower cost while fewer replacements than modeled will increase salary expense.

### 3.020 - Employees' Benefits

Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



|                            | FORECASTED |            |            |            |            |            |
|----------------------------|------------|------------|------------|------------|------------|------------|
|                            | 2018       | 2019       | 2020       | 2021       | 2022       | 2023       |
| Total                      | 73,057,330 | 72,926,307 | 75,845,633 | 80,447,224 | 85,555,183 | 90,595,987 |
| YOY \$ Change              | (562,698)  | (131,023)  | 2,919,326  | 4,601,591  | 5,107,959  | 5,040,804  |
| YOY % Change               | -0.8%      | -0.2%      | 4.0%       | 6.1%       | 6.3%       | 5.9%       |
| Percentage of Total Budget | 21.6%      | 21.2%      | 21.4%      | 21.8%      | 22.3%      | 22.9%      |

The third largest spending category is for fringe benefits at 22.6%. Fringe benefit costs have increased at a rate of 2.18% annually over the past five years. Increases in cost would have been greater had there not been staffing reductions. The single biggest contributor to increases in benefits is for health insurance.

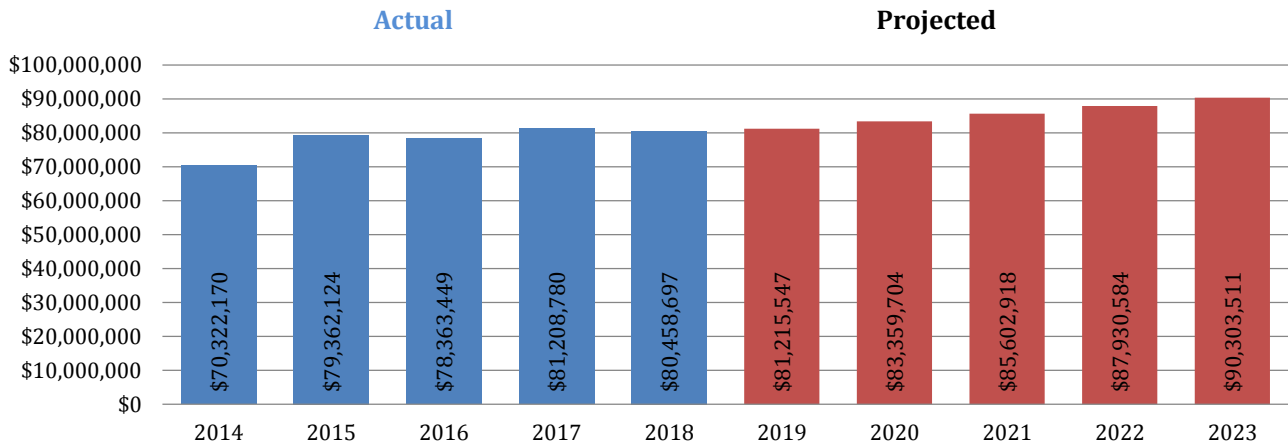
The fringe benefit costs are projected to increase 4.4% annually, on average, through FY 2023. The district's plan design changes and current claims results, coupled with strong reserves, has reduce projected cost increases.

Health insurance premiums were 60.1% of total benefit cost in FY 2017, and totaled \$44.26 million. Health insurance premium costs decreased to \$43,282,479 in FY 2018 as reserves remained stable. Because of an improvement in actual health care claims and plan design changes health insurance premiums are now projected to decrease -4.0% or \$1.7 million in FY 2019. The reserve funds have remained strong and future year-over-year premium increases are subdued in response to the fund's balance. Each year the reserve balance and premium level will be review and if warranted changes will be made to the financial projections.

Benefit costs also reflect reductions associated with 2017 and 2018 building closures and staffing reductions, as well as additional staff.

### 3.030 - Purchased Services

Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase.



|                            | FORECASTED |            |            |            |            |            |
|----------------------------|------------|------------|------------|------------|------------|------------|
|                            | 2018       | 2019       | 2020       | 2021       | 2022       | 2023       |
| Total                      | 80,458,697 | 81,215,547 | 83,359,704 | 85,602,918 | 87,930,584 | 90,303,511 |
| YOY \$ Change              | (750,083)  | 756,850    | 2,144,157  | 2,243,214  | 2,327,666  | 2,372,927  |
| YOY % Change               | -0.9%      | 0.9%       | 2.6%       | 2.7%       | 2.7%       | 2.7%       |
| Percentage of Total Budget | 23.8%      | 23.6%      | 23.5%      | 23.2%      | 23.0%      | 22.8%      |

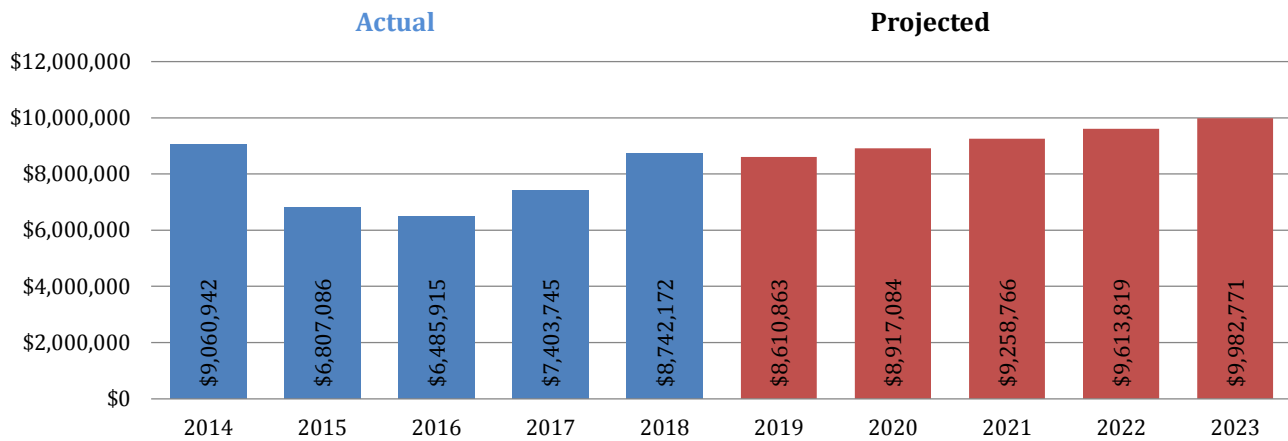
Purchased services are almost one-fourth of the district's operating budget. Tuition paid to community schools and others make-up 74% of the purchased services category. The district paid \$26,958,432 to community schools in FY 2018 which was down from FY 2017's \$27,641,807 amount. Vouchers totaled \$9,612,787 in FY 2018 which was a 16.1% increase over FY 2017's \$8,280,537 level. Open enrollment, and special education and regular education tuition paid through ODE's SF14 and SF14H program is expected to decrease about \$500,000 from the FY 2018 level.

All tuition totaled \$56,143,085 in FY 2016, \$59,765,168 in FY 2017, \$59,282,612 in FY 2018 is projected to total \$58,766,711 in FY 2019 which will serve as a basis for FY 2020 through FY 2023.

Utilities and other building services totaled \$8,768,492 in FY 2019 and are expected to total \$9,018,490 million in FY 2019. Transportation totaled \$6,681,886 in FY 2018 and is projected to grow 3.5% per year through FY 2023.

### 3.040 - Supplies & Materials

Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



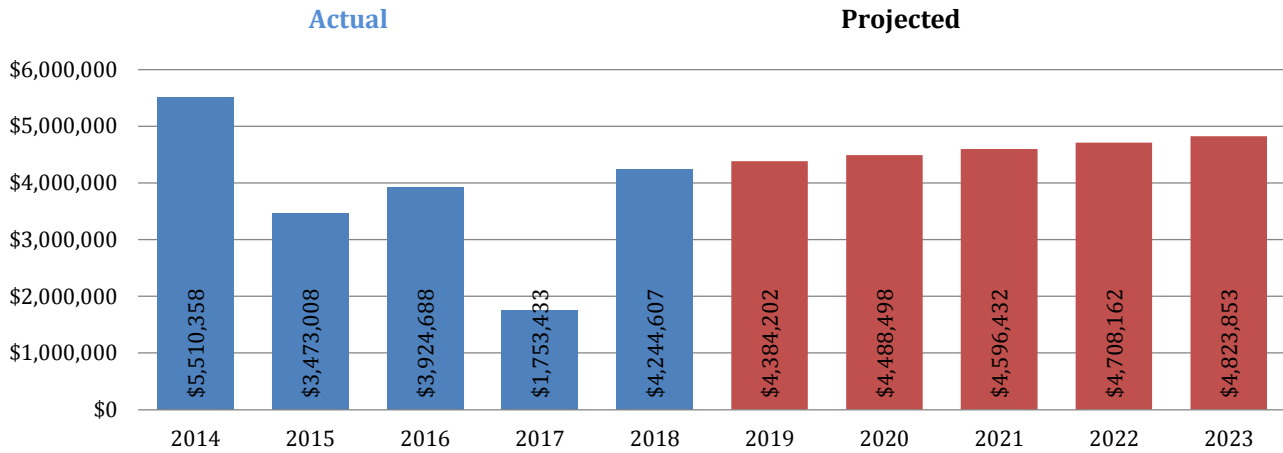
|                            | FORECASTED |           |           |           |           |           |
|----------------------------|------------|-----------|-----------|-----------|-----------|-----------|
|                            | 2018       | 2019      | 2020      | 2021      | 2022      | 2023      |
| Total                      | 8,742,172  | 8,610,863 | 8,917,084 | 9,258,766 | 9,613,819 | 9,982,771 |
| YOY \$ Change              | 1,338,427  | (131,309) | 306,221   | 341,682   | 355,053   | 368,952   |
| YOY % Change               | 18.1%      | -1.5%     | 3.6%      | 3.8%      | 3.8%      | 3.8%      |
| Percentage of Total Budget | 2.6%       | 2.5%      | 2.5%      | 2.5%      | 2.5%      | 2.5%      |

The district maintained supplies (including instructional) at 2.6% of the district's budget in FY 2018, which is up slightly from FY 2016's 2.0% level. The forecast projects FY 2019 through FY 2023 expenditures for supplies will remain at 2.5% of the total annual budget.

The projected FY 2018 level serves as the basis for FY 2019 through FY 2022. If the district does not utilize these forecasted amounts then the district's cash balance could improve. Decisions will be made annually regarding the need to adjust the level of funding up or down based upon budget constraints and program needs. Naturally, changes would impact the forecasted amounts.

### 3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



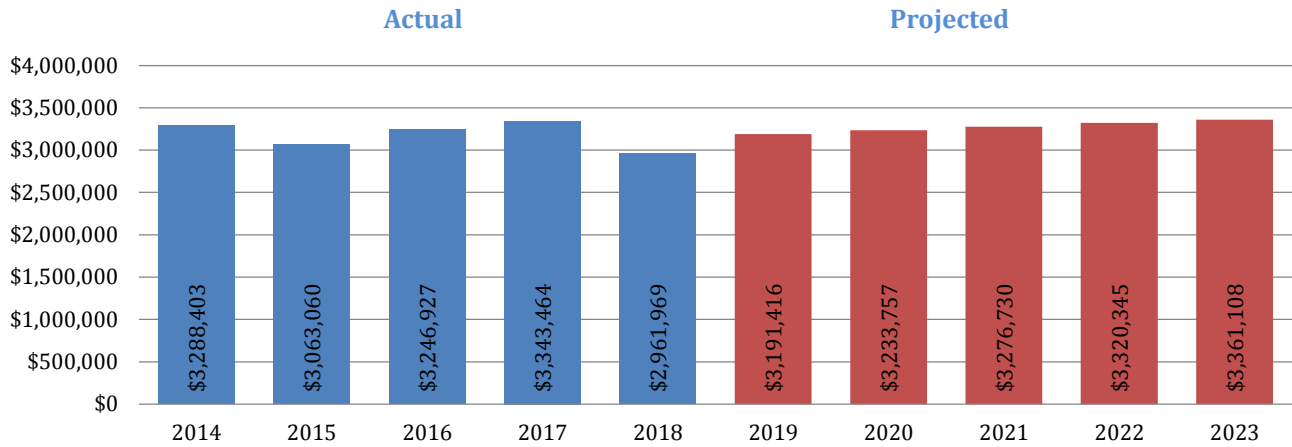
|                            | FORECASTED |           |           |           |           |           |
|----------------------------|------------|-----------|-----------|-----------|-----------|-----------|
|                            | 2018       | 2019      | 2020      | 2021      | 2022      | 2023      |
| Total                      | 4,244,607  | 4,384,202 | 4,488,498 | 4,596,432 | 4,708,162 | 4,823,853 |
| YOY \$ Change              | 2,491,174  | 139,595   | 104,296   | 107,934   | 111,730   | 115,691   |
| YOY % Change               | 142.1%     | 3.3%      | 2.4%      | 2.4%      | 2.4%      | 2.5%      |
| Percentage of Total Budget | 1.3%       | 1.3%      | 1.3%      | 1.2%      | 1.2%      | 1.2%      |

The district's investment in capital expenditures increased in FY 2018. The FY 2018 expenses included \$1,620,000 for building repairs and services. Bus and vehicle purchases totaled \$1,580,000 and other equipment totaled approximately \$900,000.

The district's FY 2018 level is being used as a basis for FY 2019 through FY 2023. However, building repairs are being analyzed and additional amounts may need to be added to the forecast to address the unmet repairs. The district will review the conclusions and recommendations from the building repair analysis during FY 2019 which could cause a change to this forecasted line item.

### 4.300 - Other Objects

Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.

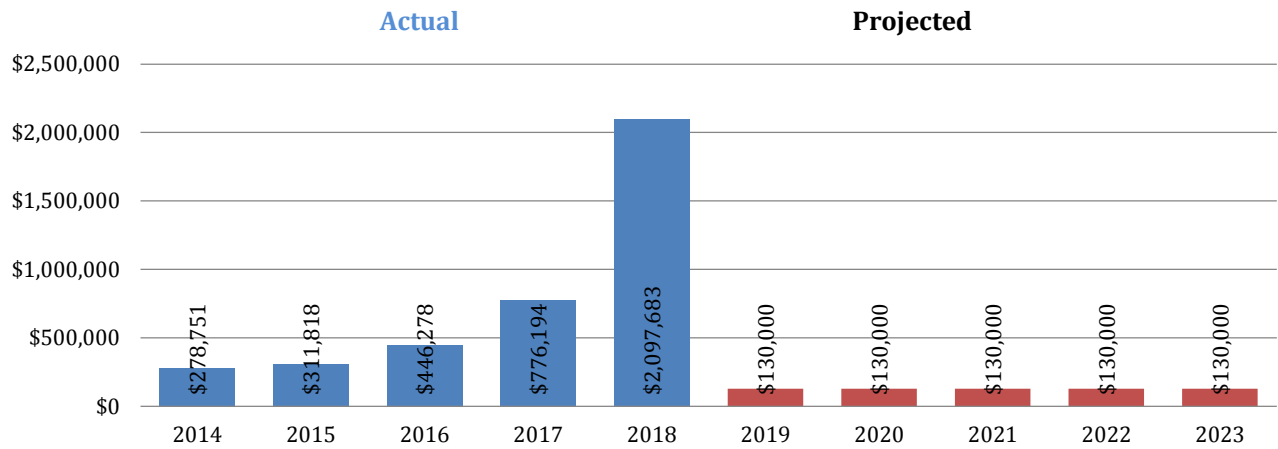


|                            | FORECASTED |           |           |           |           |           |
|----------------------------|------------|-----------|-----------|-----------|-----------|-----------|
|                            | 2018       | 2019      | 2020      | 2021      | 2022      | 2023      |
| Total                      | 2,961,969  | 3,191,416 | 3,233,757 | 3,276,730 | 3,320,345 | 3,361,108 |
| YOY \$ Change              | (381,495)  | 229,447   | 42,341    | 42,973    | 43,615    | 40,763    |
| YOY % Change               | -11.4%     | 7.7%      | 1.3%      | 1.3%      | 1.3%      | 1.2%      |
| Percentage of Total Budget | 0.9%       | 0.9%      | 0.9%      | 0.9%      | 0.9%      | 0.8%      |

Other objects includes county auditor and treasurer fees and are expected to remain slightly under 1.0% of the total annual budget.

### 5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



|               | 2018      | 2019        | 2020    | FORECASTED |         |         |
|---------------|-----------|-------------|---------|------------|---------|---------|
|               | 2018      | 2019        | 2020    | 2021       | 2022    | 2023    |
| Total         | 2,097,683 | 130,000     | 130,000 | 130,000    | 130,000 | 130,000 |
| YOY \$ Change | 1,321,488 | (1,967,683) | -       | -          | -       | -       |
| YOY % Change  | 170.3%    | -93.8%      | 0.0%    | 0.0%       | 0.0%    | 0.0%    |

| Percentage of Total Budget | 0.6% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
|----------------------------|------|------|------|------|------|------|
|----------------------------|------|------|------|------|------|------|

|               |           |         |         |         |         |         |
|---------------|-----------|---------|---------|---------|---------|---------|
| Transfers Out | 1,962,390 | 130,000 | 130,000 | 130,000 | 130,000 | 130,000 |
| Advances Out  | -         | -       | -       | -       | -       | -       |

The total annual other sources is typically minimal but in FY 2018 the district did increase the amount of transfers to other fund. The level for FY 2019 through FY 2023 is at pre-FY 2018 levels.

## Akron Public Schools

### Five Year Forecast

| Fiscal Year:   | Actual             | FORECASTED         |                    |                     |                     |                     |
|--|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
|  | 2018               | 2019               | 2020               | 2021                | 2022                | 2023                |
| <b>Revenue:</b>  |                    |                    |                    |                     |                     |                     |
| 1.010 - General Property Tax (Real Estate)               | 103,248,883        | 102,303,488        | 103,069,154        | 103,527,173         | 104,413,874         | 104,670,054         |
| 1.020 - Public Utility Personal Property                 | 10,051,180         | 10,377,219         | 10,716,463         | 11,039,112          | 11,371,440          | 11,713,161          |
| 1.030 - Income Tax                                       | -                  | -                  | -                  | -                   | -                   | -                   |
| 1.035 - Unrestricted Grants-in-Aid                       | 178,891,537        | 179,490,986        | 185,483,831        | 188,842,826         | 195,146,464         | 198,065,697         |
| 1.040 - Restricted Grants-in-Aid                         | 23,540,804         | 26,078,737         | 26,101,444         | 26,111,813          | 26,013,044          | 25,999,083          |
| 1.050 - Property Tax Allocation                          | 14,410,473         | 14,304,214         | 14,285,869         | 14,284,301          | 14,282,652          | 14,263,897          |
| 1.060 - All Other Operating Revenues                     | 16,041,910         | 13,153,071         | 13,346,715         | 13,294,117          | 13,495,352          | 13,599,128          |
| <b>1.070 - Total Revenue</b>                             | <b>346,184,786</b> | <b>345,707,715</b> | <b>353,003,476</b> | <b>357,099,342</b>  | <b>364,722,826</b>  | <b>368,311,020</b>  |
| <b>Other Financing Sources:</b>                          |                    |                    |                    |                     |                     |                     |
| 2.010 - Proceeds from Sale of Notes                      | -                  | -                  | -                  | -                   | -                   | -                   |
| 2.020 - State Emergency Loans and Adv                    | -                  | -                  | -                  | -                   | -                   | -                   |
| 2.040 - Operating Transfers-In                           | 578,702            | -                  | -                  | -                   | -                   | -                   |
| 2.050 - Advances-In                                      | -                  | -                  | -                  | -                   | -                   | -                   |
| 2.060 - All Other Financing Sources                      | 57,400             | 224,537            | -                  | -                   | -                   | -                   |
| <b>2.070 - Total Other Financing Sources</b>             | <b>636,102</b>     | <b>224,537</b>     | <b>-</b>           | <b>-</b>            | <b>-</b>            | <b>-</b>            |
| <b>2.080 - Total Rev &amp; Other Sources</b>             | <b>346,820,888</b> | <b>345,932,252</b> | <b>353,003,476</b> | <b>357,099,342</b>  | <b>364,722,826</b>  | <b>368,311,020</b>  |
| <b>Expenditures:</b>                                     |                    |                    |                    |                     |                     |                     |
| 3.010 - Personnel Services                               | 167,035,365        | 173,716,258        | 178,919,333        | 185,261,994         | 191,604,983         | 197,239,210         |
| 3.020 - Employee Benefits                                | 73,057,330         | 72,926,307         | 75,845,633         | 80,447,224          | 85,555,183          | 90,595,987          |
| 3.030 - Purchased Services                               | 80,458,697         | 81,215,547         | 83,359,704         | 85,602,918          | 87,930,584          | 90,303,511          |
| 3.040 - Supplies and Materials                           | 8,742,172          | 8,610,863          | 8,917,084          | 9,258,766           | 9,613,819           | 9,982,771           |
| 3.050 - Capital Outlay                                   | 4,244,607          | 4,384,202          | 4,488,498          | 4,596,432           | 4,708,162           | 4,823,853           |
| Intergovernmental & Debt Service                         | -                  | -                  | -                  | -                   | -                   | -                   |
| 4.300 - Other Objects                                    | 2,961,969          | 3,191,416          | 3,233,757          | 3,276,730           | 3,320,345           | 3,361,108           |
| <b>4.500 - Total Expenditures</b>                        | <b>336,500,139</b> | <b>344,044,593</b> | <b>354,764,009</b> | <b>368,444,064</b>  | <b>382,733,076</b>  | <b>396,306,440</b>  |
| <b>Other Financing Uses</b>                              |                    |                    |                    |                     |                     |                     |
| 5.010 - Operating Transfers-Out                          | 1,962,390          | 130,000            | 130,000            | 130,000             | 130,000             | 130,000             |
| 5.020 - Advances-Out                                     | -                  | -                  | -                  | -                   | -                   | -                   |
| 5.030 - All Other Financing Uses                         | 135,292            | -                  | -                  | -                   | -                   | -                   |
| <b>5.040 - Total Other Financing Uses</b>                | <b>2,097,683</b>   | <b>130,000</b>     | <b>130,000</b>     | <b>130,000</b>      | <b>130,000</b>      | <b>130,000</b>      |
| <b>5.050 - Total Exp and Other Financing Uses</b>        | <b>338,597,822</b> | <b>344,174,593</b> | <b>354,894,009</b> | <b>368,574,064</b>  | <b>382,863,076</b>  | <b>396,436,440</b>  |
| <b>6.010 - Excess of Rev Over/(Under) Exp</b>            | <b>8,223,066</b>   | <b>1,757,659</b>   | <b>(1,890,533)</b> | <b>(11,474,722)</b> | <b>(18,140,250)</b> | <b>(28,125,420)</b> |
| <b>7.010 - Cash Balance July 1 (No Levies)</b>           | <b>49,236,513</b>  | <b>57,459,579</b>  | <b>59,217,238</b>  | <b>57,326,705</b>   | <b>45,851,983</b>   | <b>27,711,733</b>   |
| <b>7.020 - Cash Balance June 30 (No Levies)</b>          | <b>57,459,579</b>  | <b>59,217,238</b>  | <b>57,326,705</b>  | <b>45,851,983</b>   | <b>27,711,733</b>   | <b>(413,687)</b>    |
|  |                    | Reservations       |                    |                     |                     |                     |
| 8.010 - Estimated Encumbrances June 30                   | -                  | -                  | -                  | -                   | -                   | -                   |
| 9.080 - Reservations Subtotal                            | -                  | -                  | -                  | -                   | -                   | -                   |
| <b>10.010 - Fund Bal June 30 for Cert of App</b>         | <b>57,459,579</b>  | <b>59,217,238</b>  | <b>57,326,705</b>  | <b>45,851,983</b>   | <b>27,711,733</b>   | <b>(413,687)</b>    |
| <b>Rev from Replacement/Renewal Levies</b>               |                    |                    |                    |                     |                     |                     |
| 11.010 & 11.020 - Renewal Levies                         | -                  | -                  | -                  | -                   | -                   | -                   |
| 11.030 - Cumulative Balance of Levies                    | -                  | -                  | -                  | -                   | -                   | -                   |
| <b>12.010 - Fund Bal June 30 for Cert of Obligations</b> | <b>57,459,579</b>  | <b>59,217,238</b>  | <b>57,326,705</b>  | <b>45,851,983</b>   | <b>27,711,733</b>   | <b>(413,687)</b>    |
| <b>Revenue from New Levies</b>                           |                    |                    |                    |                     |                     |                     |
| 13.010 & 13.020 - New Levies                             | -                  | -                  | -                  | -                   | -                   | -                   |
| 13.030 - Cumulative Balance of New Levies                | -                  | -                  | -                  | -                   | -                   | -                   |
| <b>15.010 - Unreserved Fund Balance June 30</b>          | <b>57,459,579</b>  | <b>59,217,238</b>  | <b>57,326,705</b>  | <b>45,851,983</b>   | <b>27,711,733</b>   | <b>(413,687)</b>    |