

MADISON LOCAL SCHOOL DISTRICT



May 2023 Five Year Forecast Presentation

**Presented by:
Sarah Palm
Treasurer/CFO
May 9th 2023**

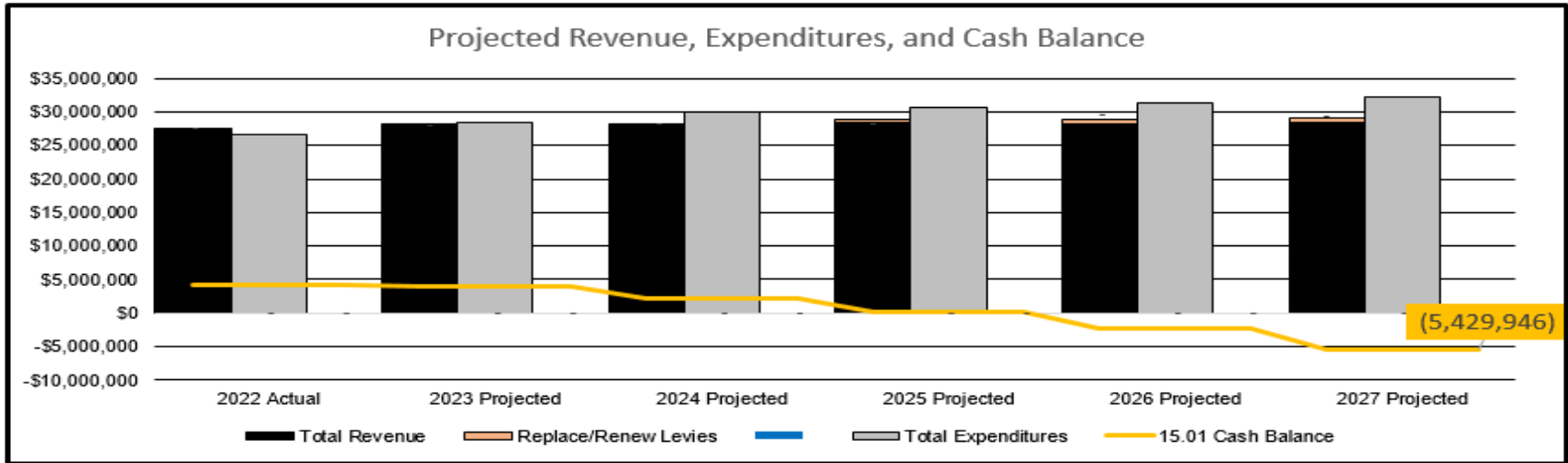


May Forecast Considerations

- This forecast follows the Board Approved Plan submitted to the Office of Budget and School Funding
- This forecast incorporates the 2018 Base Model Funding proposed by Governor DeWine. This is taking a more conservative approach to the forecast as the House of Representatives approved the 2022 Base Model Funding Formula which would garner Madison additional revenue. However I believe it is prudent to stay with the current model proposed and not adapt the 2022 model as it has not yet been voted into law. A lot can change in the next 6 weeks in regards to school funding.
- The cost of diesel fuel, food, and materials are all expected to continue to rise due to inflation.
- Special Education costs have risen significantly this year causing a large spike in salaries and purchased services for outplacements to other facilities
- A contract extension is factored into this forecast
- The Health Consortium recently announced that we would be receiving a “premium holiday” for either the months of June or July which had a favorable impact on the forecast in the amount of \$315,000
- Given the age of the fleet of our school buses, the cost of repairs continue to rise.
- The Permanent Improvement which was originally voted on in 1988 (and renewed ever since) and generates 1 mill or around \$186,080 is up for renewal and will need to be placed on the November 2023 ballot
- The Emergency Levy which was originally voted on in 2009 and generates 1.52 mills or \$656,386 will also be up for renewal and need to be placed on either the May 2024 or November 2024 Ballot.



Forecast Overview



Note: Cash balance (Line 7.020) plus any existing levy modeled as renewed or new during the forecast.

May 2023 Ending Cash Balances line (12.010):

- Fiscal Year 2023: \$3,056,021 (\$285,859 deficit)
- Fiscal Year 2024: \$1,250,824 (\$1,805,197 deficit)
- Fiscal Year 2025: -647,422 (\$2,251,624 deficit)
- Fiscal Year 2026: -\$3,147,834 (\$3,206,708 deficit)
- Fiscal Year 2027: -\$6,329,946 (\$3,887,494 deficit)



Financial Forecast Summary

Financial Forecast	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Beginning Balance (Line 7.010) Plus Renewal/New Levies Modeled	4,241,880	3,956,021	2,150,824	252,578	(2,247,834)
+ Revenue	28,221,034	28,187,046	28,413,971	28,206,893	28,307,688
+ Proposed Renew/Replacement Levies	-	-	353,378	706,296	705,382
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(28,506,894)	(29,992,243)	(30,665,595)	(31,413,601)	(32,195,182)
= Revenue Surplus or Deficit	(285,859)	(1,805,197)	(1,898,246)	(2,500,412)	(3,182,112)
Line 7.020 Ending Balance with renewal/new levies	3,956,021	2,150,824	252,578	(2,247,834)	(5,429,946)

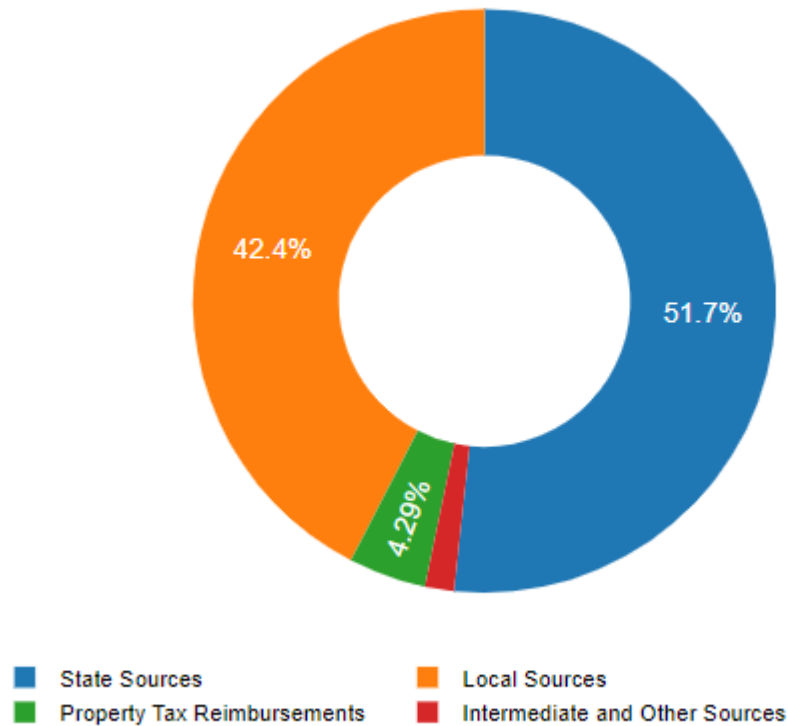
In FY 2023 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$285,859. By the last year of the forecast, FY 2027, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by **\$3,887,494**. The district would need to cut its FY 2027 projected expenses by 12.07% in order to balance its budget without additional revenue. **Please take note that this depiction does not include estimated encumbrances.**

The district's cash balance is positive at year-end in FY 2023 and is projected to worsen by FY 2027. A worsening cash balance can erode the district's financial stability over time.



General Fund Revenue

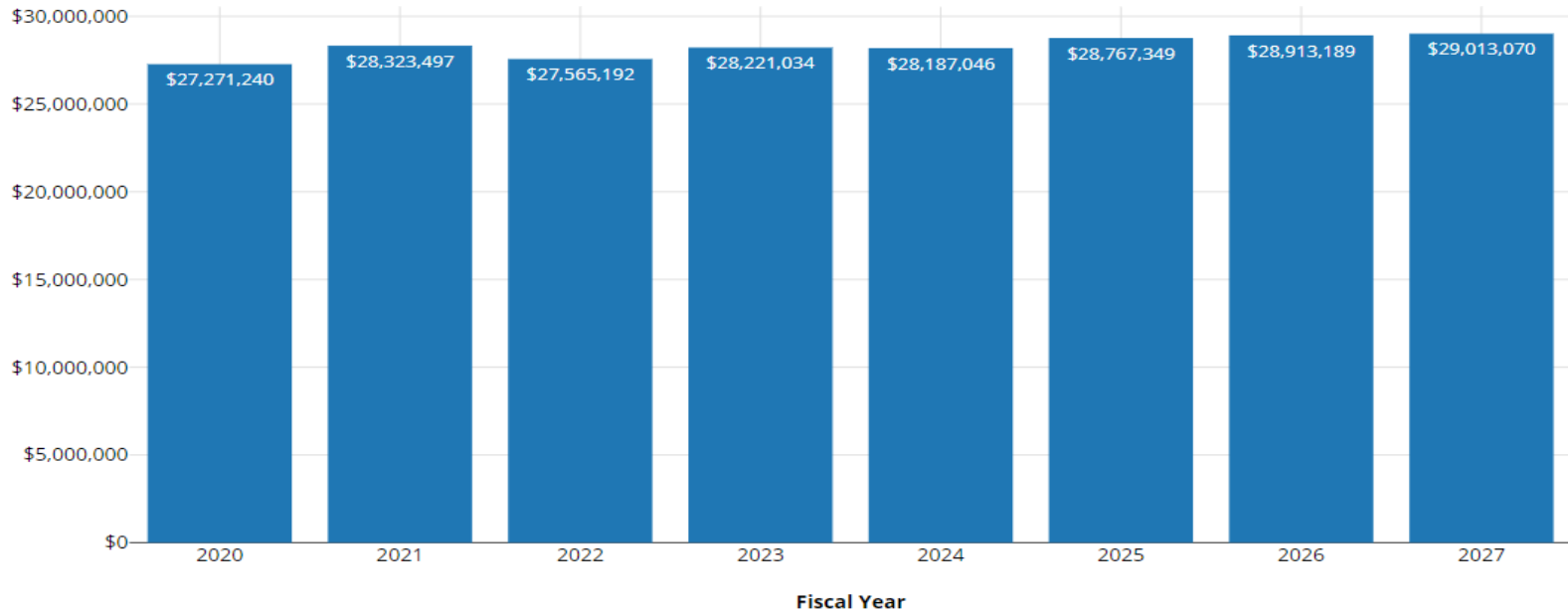
General Fund Current Year Revenue by Source





Total General Fund Revenue Overview

Total General Fund Revenue



Total revenue increased 0.53% or \$146,228 annually during the past 5-Year period and is projected to increase 1.01% or \$289,576 annually through FY2027. All Other Operating Revenue has the most projected average annual variance compared to the historical average at \$703,464

2023 Revenue-\$28,221,034

2024 Revenue-\$28,187,046

2025 Revenue-\$28,767,349

2026 Revenue-\$28,913,189

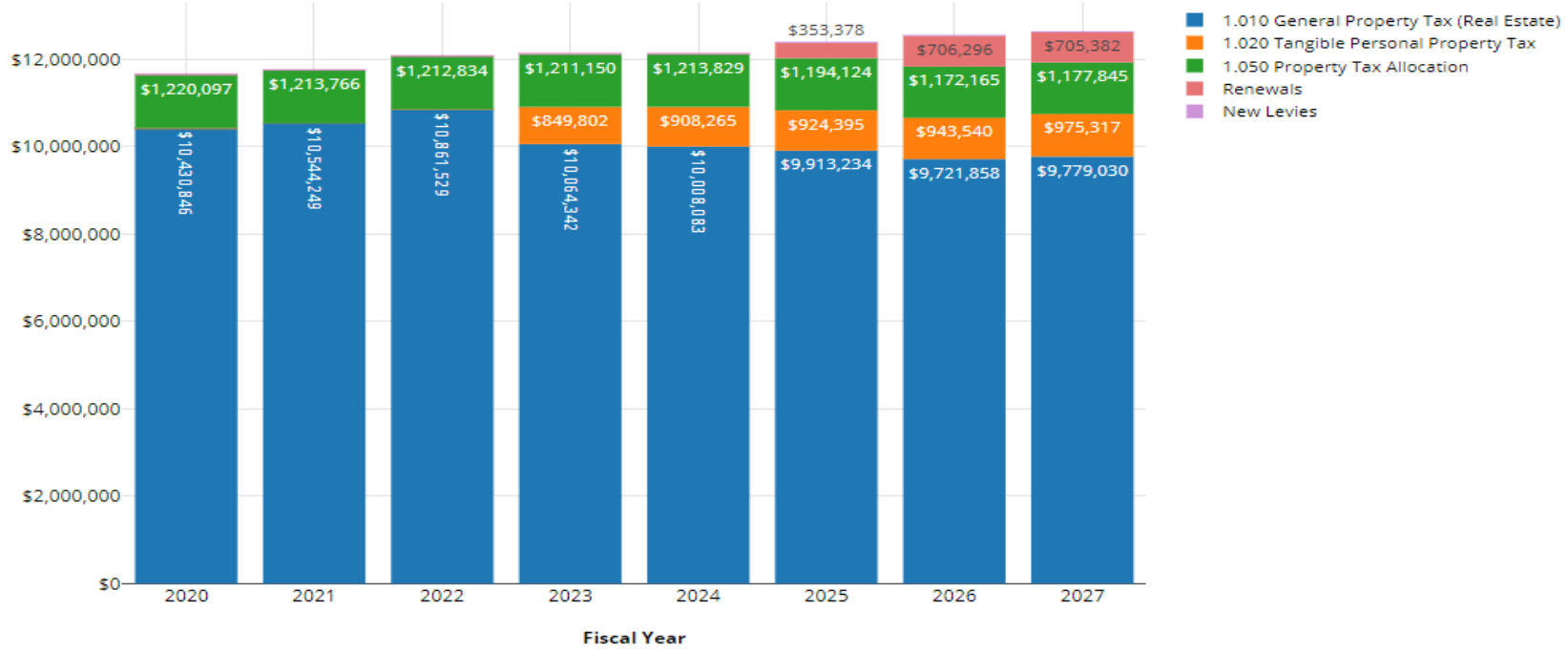
2027 Revenue-\$29,013,070



Tax and Property Tax Rollback

Below is a depiction of the tax and tax rollback revenue the district receives. Real Estate tax revenue accounts for 39.40% of total revenue. This forecast is modeling the upcoming renewal of the PI Levy and the Emergency Levy.

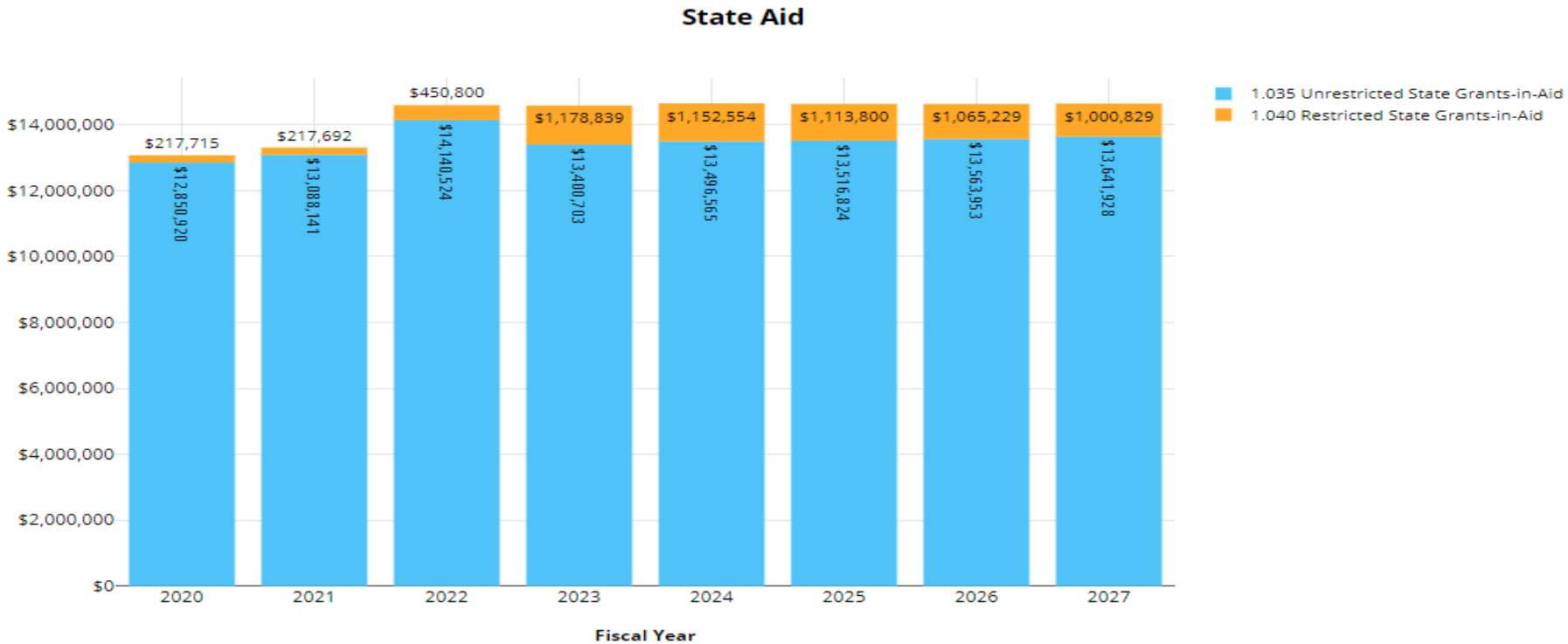
Tax and Property Tax Rollback Revenue





State Aid

This slide represents the amount of State Aid that Madison receives for both restricted and unrestricted uses. Please note these figures are based on the current 2018 model and could change over the course of the next 6 weeks.



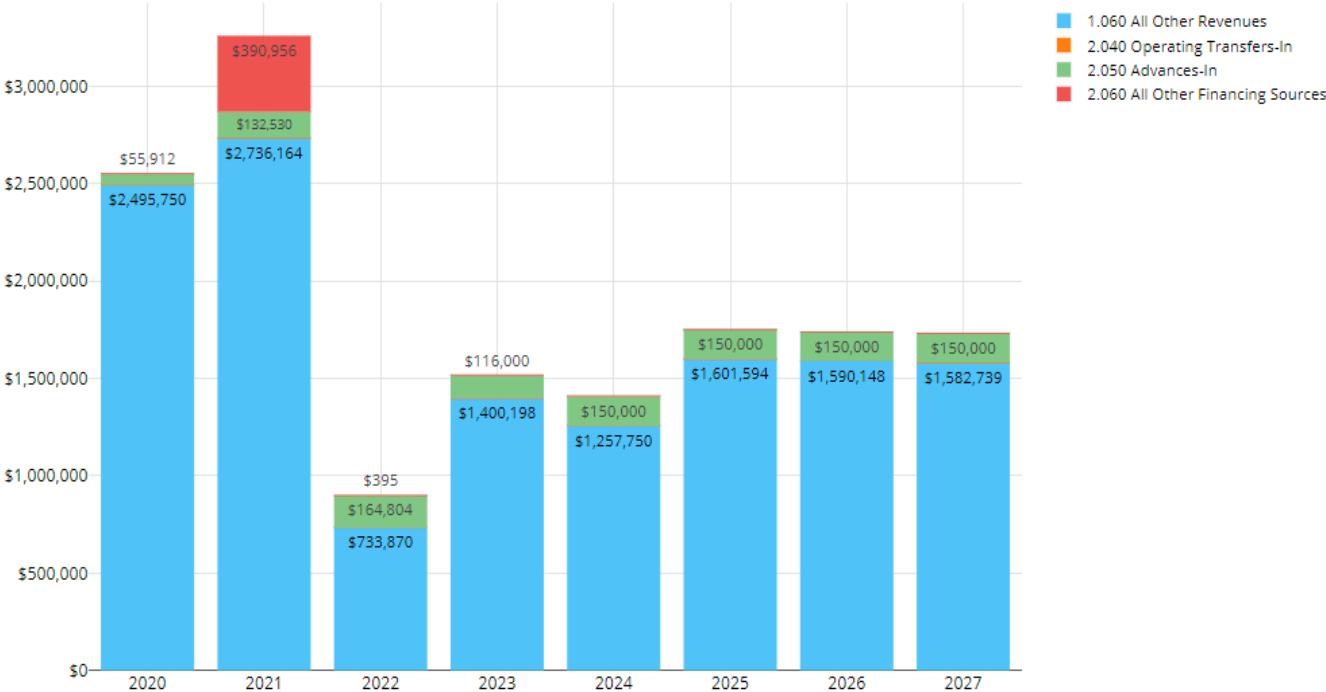


All Other Revenue

Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was **-\$533,690**. The projected average annual change is \$169,774 through FY 2027. The FSFP includes per pupil funding for any open enrollment in students the district is educating. This revenue, if any, was recorded in 'other revenue' prior to FY 2022. Fiscal year 2022 and beyond will not include any open enrollment in revenue. The district posted revenue code 1227 open enrollment in revenue of \$1,297,415 in

FY 2021

Other Revenue

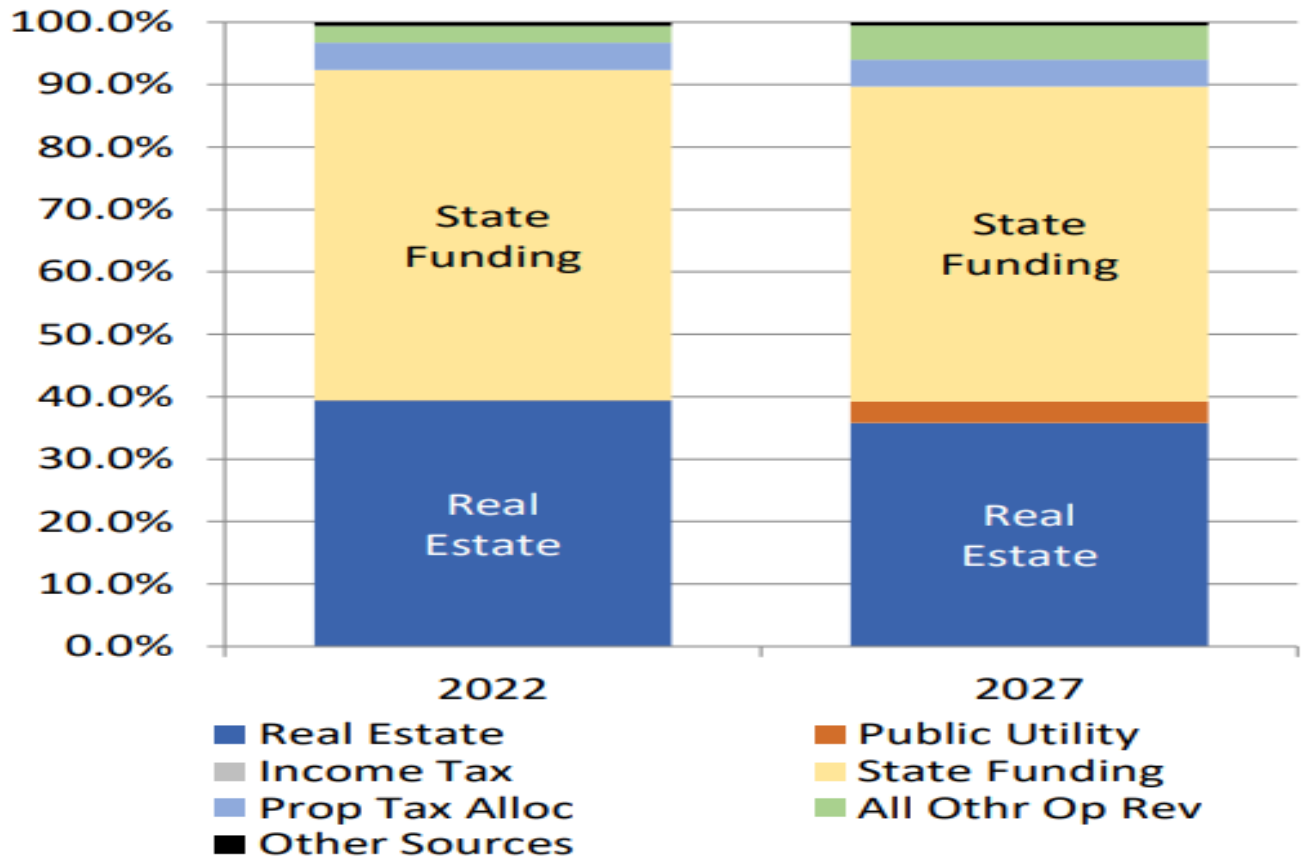




Sources of Revenue Over Time

The various ways in which Madison Schools receives funding is depicted in the below chart. The revenue sources are comprised of: Real Estate Income, State Funding, All Other Operating Revenue, Property Tax Allocation and Other Sources

Sources of Revenue Over Time





House Bill 33 Analysis

The Ohio House of Representatives passed last week the biennial budget bill by a vote of 78-19. House Bill 33, updates the school funding formula's base cost inputs to fiscal year 2022 and continues the phase-in for years three and four of the six year plan.

- Increases the federal poverty level for EdChoice vouchers (currently at 200%; proposed to 450% in the executive budget proposal).
- Eliminates the proposed \$388 million appropriation over the biennium for school resource officers
- Establishes deadlines for Student Wellness and Success Funds
- Appropriates \$500,000 for economically disadvantaged student cost study
- Earmarks funding to conduct a study of access to all-day kindergarten, including barriers to offering all day kindergarten and cut-off dates
- Requires ODE to reimburse public and private schools participating in the federal meal programs an amount equal to the difference between the federal free meal reimbursement rate and the federal reimbursement for a reduced-price meal for each student eligible for a reduced-price meal and receiving a meal

Traditional School District	County	FY 2023 Total State Support	FY 2024 Total State Support	FY 2024 School Resource Officer Funding	\$ Change between FY 2024 and FY 2023	FY 2025 Total State Support	FY 2025 School Resource Officer Funding	\$ Change between FY 2025 and FY 2023
Madison Local	Lake	\$14,281,153	\$14,295,265	\$226,078	\$240,190	\$14,244,172	\$226,078	\$189,096

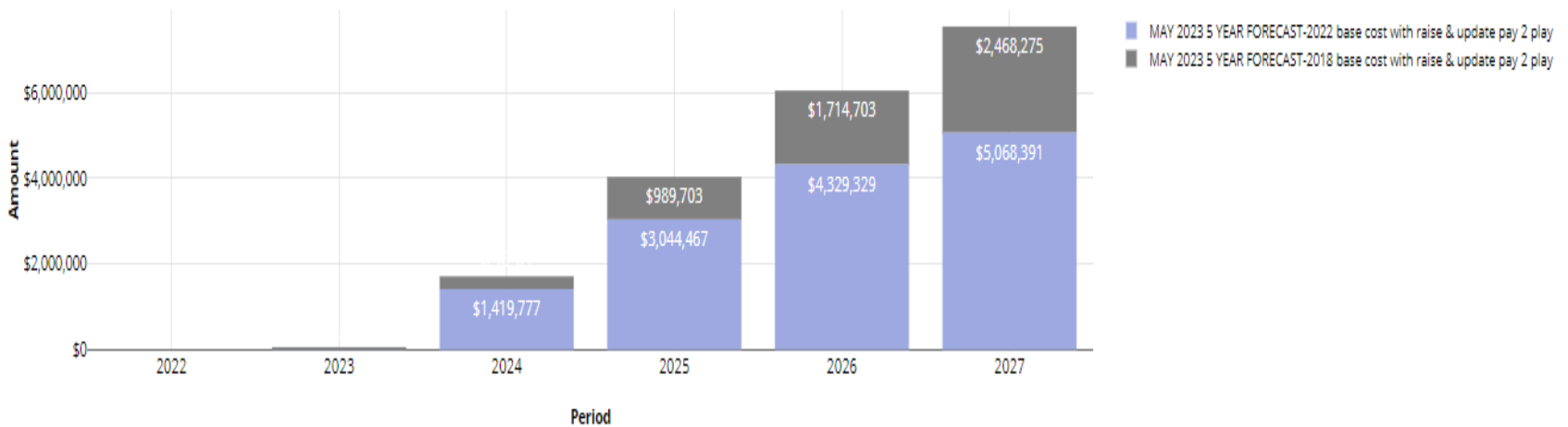


House Bill 33 Comparison Madison

The below chart is modeling the cash balance analysis of the 2018 Base Cost Funding Formula (which is what is used for this presentation) versus the 2022 Base Cost Funding Formula as proposed by the Ohio House of Representatives. The light blue is representative of the 2022 model and the grey is representative of the 2018 model. As you can see based on the 2022 model the annual cash balance change to the forecast would be \$1,419,777 in fiscal year 2024, \$3,044,467 in fiscal year 2025, \$4,329,329 in fiscal year 2026, and \$5,068,391 in fiscal year 2027.

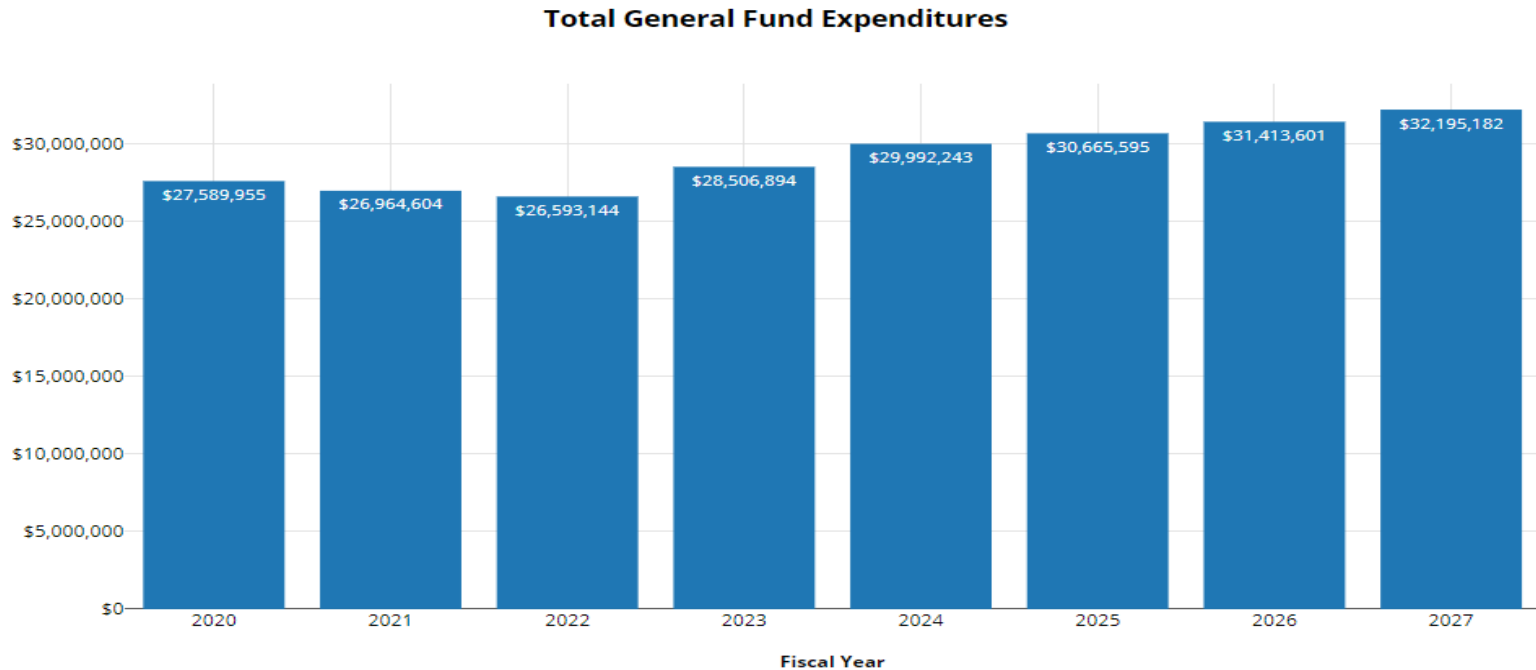
5-Year Cumulative Change FY 2023 - 2027

Current Forecast Cumulative Annual Cash Balance Change Compared to Base Forecast





Total General Fund Expenditure Overview



Total expenditures increased 0.24% or \$64,932 annually during the past 5-Year period and is projected to increase 4.21% or \$1,120,408 annually through FY2027. Salaries has the largest projected average annual variance compared to the historical average of \$490,308. Most of this is attributed to the expiration of the ESSER & ARP ESSER Grant funds throughout the course of the forecast.

2023 Expenditures-\$28,506,894

2024 Expenditures-\$29,992,243

2025 Expenditures-\$30,665,595

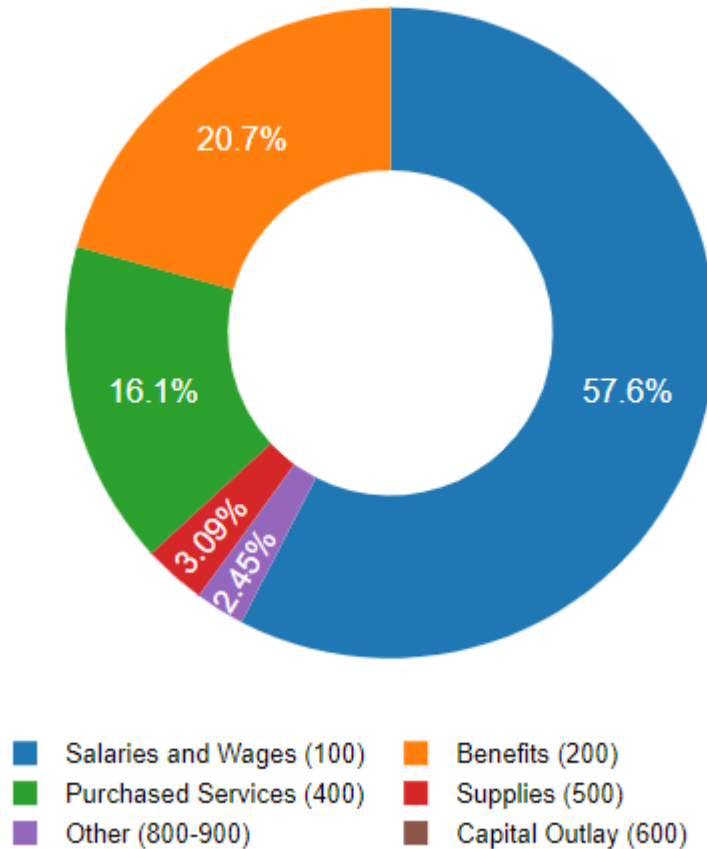
2026 Expenditures-\$31,413,601

2027 Expenditures-\$32,195,182



General Fund Expenditures

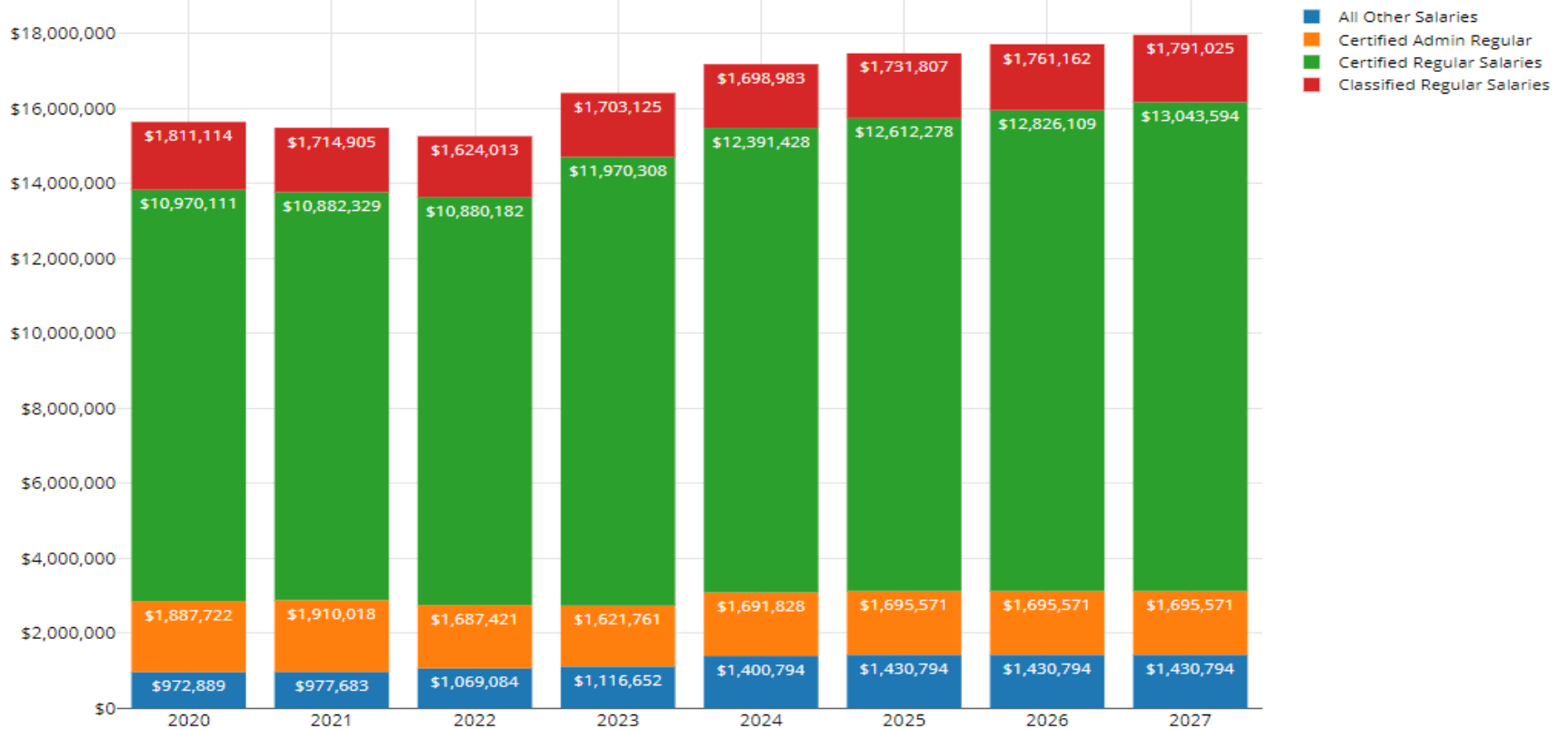
General Fund Current Year Expenses by Object





Salary Expenditures by Source

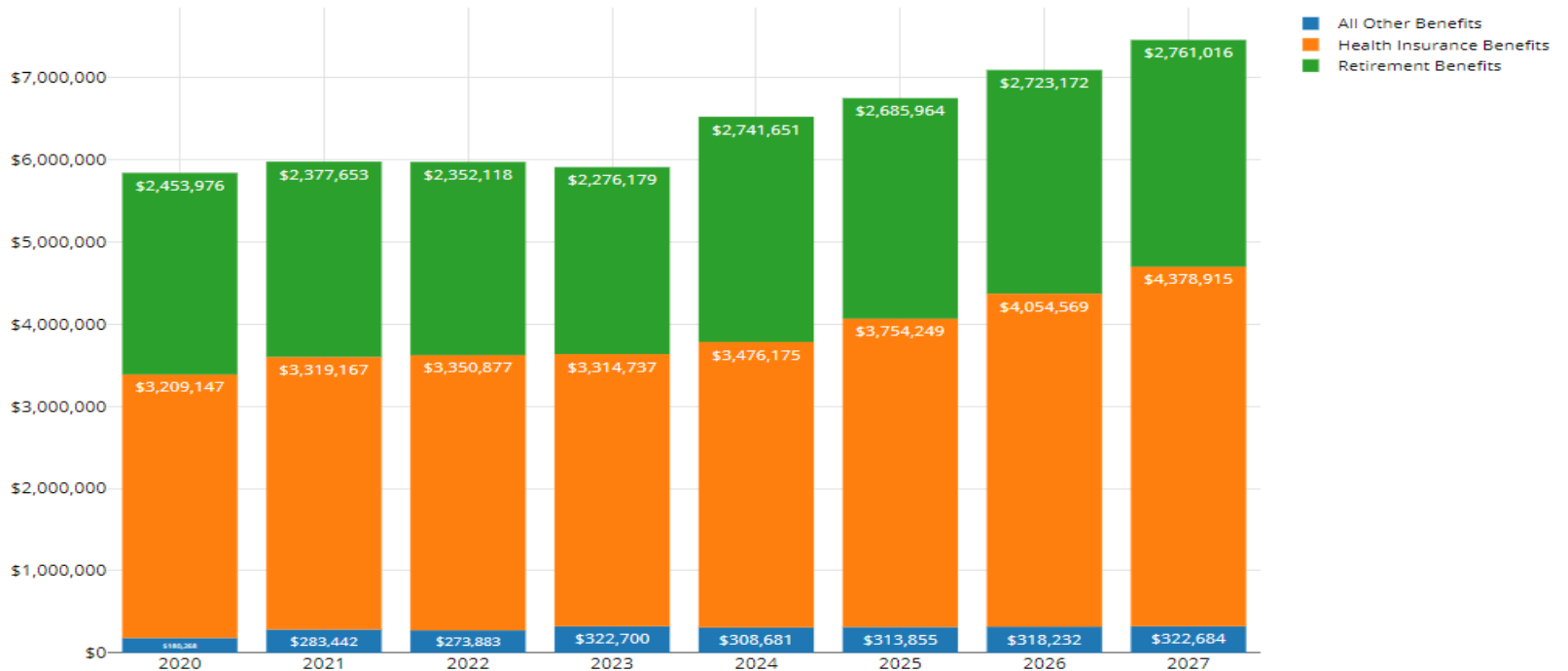
Salaries represent 57.6% of total expenditures and increased at a historical average annual rate of .32% or \$49,748. The projected annual rate of change is 2.805 more than the five year historical range.





Benefit Expenditures by Source

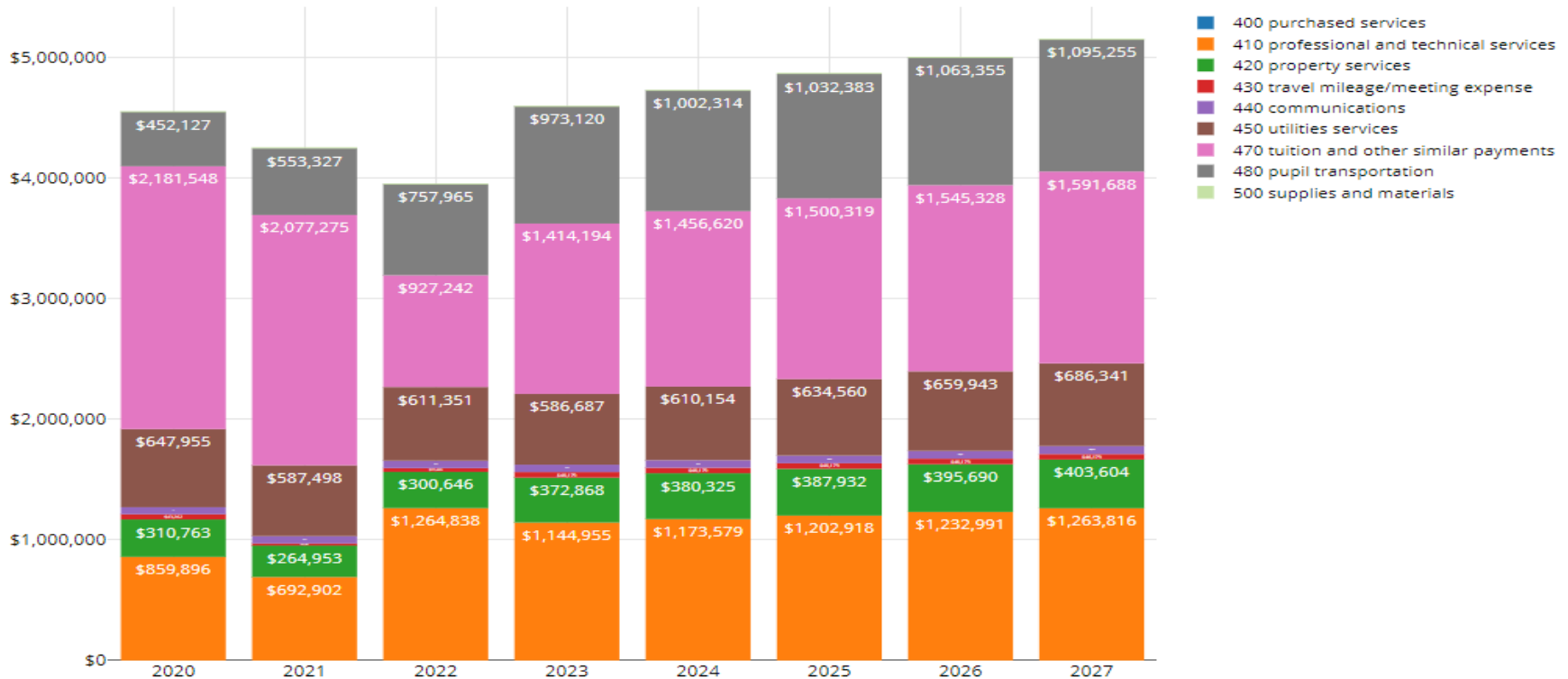
Benefits represent 22.48% of total expenditures and increased at a historical average of 1.93%. This category of expenditure is projected to grow at an annual average rate of 4.40% through FY2027. The projected annual rate of change is 2.47% more than the five year historical average. The health consortium recently announced a premium holiday which would be given to each district and will realize a savings of around \$400,000





Purchased Service Expenditures by Source

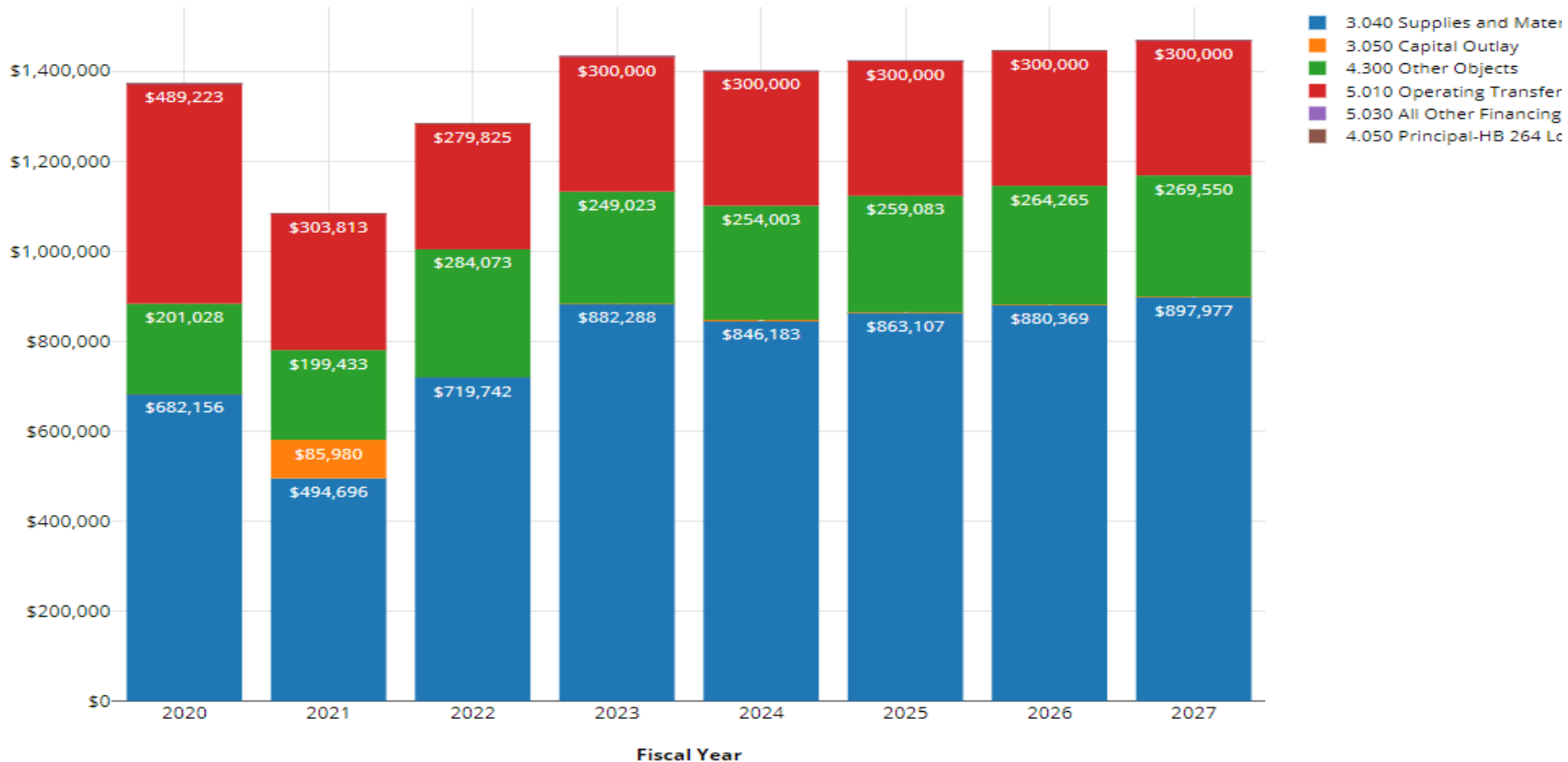
Purchased Services represents 14.87% of total expenditures and decreased at a historical average of -1.84%. This category of expenditure is projected to grow at an annual average rate of 4.92% through FY2027.





All Other Expenditures by Source

Supplies & Materials represents 2.71% of total expenditures and increased at a total average annual rate of 7.46%. This category of expenditure is projected to grow at an annual average of 4.08% through FY2027. Inflation and rising supply costs has contributed to the increase in this category as well as the age of our buildings, fleet, and repairs.

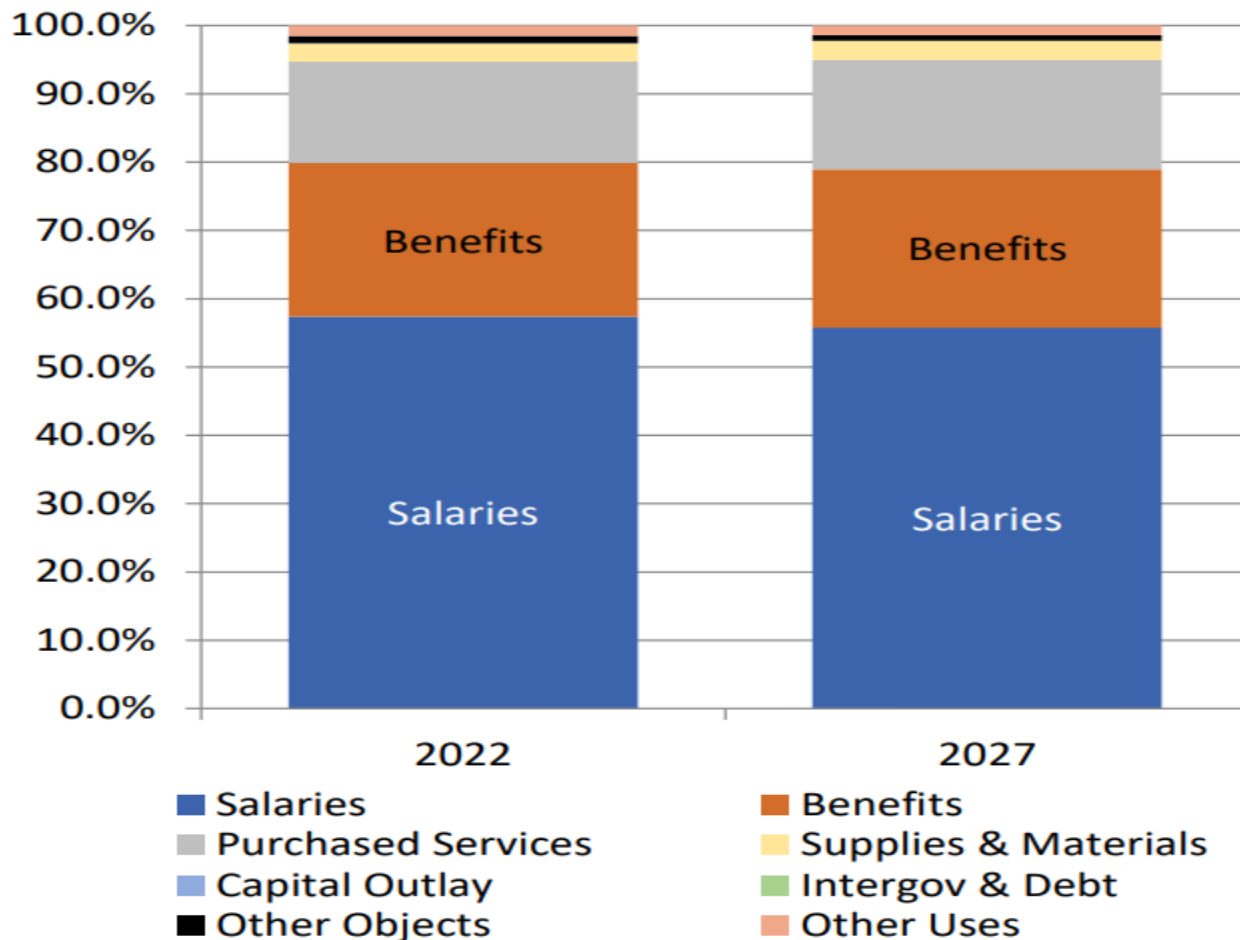




Sources of Expenditures Over Time

The expenditure categories for Madison Local Schools is comprised of the following: Salaries, Purchased Services, Benefits, Supplies & Materials, Capital Outlay and Other Objects

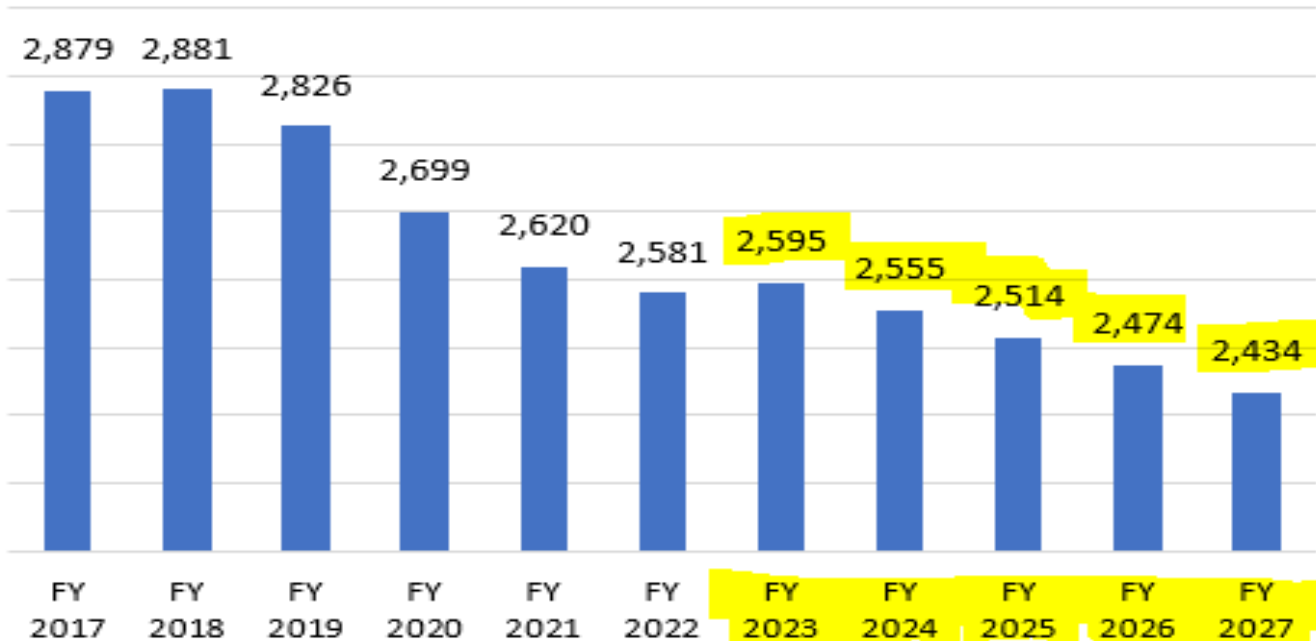
Expenditure Categories Over Time





Enrollment

District Educated Enrollment



Above is a depiction of historical and projected enrollment for Madison Local Schools. As you can see above in Fiscal Year 2017 enrollment was at 2,879 and has dropped to 2,595 for this year. In the subsequent years of 2024-2025 it is projected to drop to 2,434 based on live birth rates and historical trends.

Enrollment is directly correlated to funding from the state. Even with the phase in of the Fair School Funding Plan it is hard to tell how much that will equate if enrollment continues to decline.



Forecast at a Glance

Madison Local SD (Lake)

MAY 2023 5 YEAR FORECAST-2018 base cost
with raise & update pay 2 play

\$4,241,881

Cash Balance as of 6/30/22

\$28,221,034

2023 Forecasted Revenues

\$28,506,894

2023 Forecasted Expenses

\$3,956,022

Cash Balance as of 6/30/23



Final Insights and Considerations

- Closely monitor over the course of the next 6 weeks the progression of the biennial budget and whether or not the 2018 model or 2022 model is adopted.
- Plan for the expiration of the American Rescue Plan Grant Funds and the return of the expenditures that are currently being paid out of those funds to be returned to the general fund.
- Look into alternative revenue sources to decrease deficit spending in the future while providing best possible education for our students.
- Continue to use surplus funds towards projects that produce a cost savings in the future. This will effectively decrease future expenditures.
- Increase educational opportunities to increase overall district enrollment.
- The Permanent Improvement Levy which generates 1 mill will need to be renewed the November 2023 ballot.
- The Emergency Levy that generates 1.54 mills will need to go on either the May 2024 or November 2024 ballot.



Five Year Forecast

Madison Local School District Five Year Forecast

Fiscal Year:	Actual	FORECASTED				
	2022	2023	2024	2025	2026	2027
Revenue:						
1.010 - General Property Tax (Real Estate)	10,861,529	10,064,342	10,008,083	9,913,234	9,721,858	9,779,030
1.020 - Public Utility Personal Property	436	849,802	908,265	924,395	943,540	975,317
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	14,140,524	13,400,703	13,496,565	13,516,824	13,563,953	13,641,928
1.040 - Restricted Grants-in-Aid	450,800	1,178,839	1,152,554	1,113,800	1,065,229	1,000,829
1.050 - Property Tax Allocation	1,212,834	1,211,150	1,213,829	1,194,124	1,172,165	1,177,845
1.060 - All Other Operating Revenues	733,870	1,400,198	1,257,750	1,601,594	1,590,148	1,582,739
1.070 - Total Revenue	27,399,993	28,105,034	28,037,046	28,263,971	28,056,893	28,157,688
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	164,804	116,000	150,000	150,000	150,000	150,000
2.060 - All Other Financing Sources	395	-	-	-	-	-
2.070 - Total Other Financing Sources	165,199	116,000	150,000	150,000	150,000	150,000
2.080 - Total Rev & Other Sources	27,565,192	28,221,034	28,187,046	28,413,971	28,206,893	28,307,688
Expenditures:						
3.010 - Personnel Services	15,260,700	16,411,846	17,183,034	17,470,450	17,713,636	17,960,984
3.020 - Employee Benefits	5,976,878	5,913,616	6,526,507	6,754,068	7,095,973	7,462,615
3.030 - Purchased Services	3,955,106	4,599,326	4,731,721	4,868,092	5,008,563	5,153,261
3.040 - Supplies and Materials	719,742	882,288	846,183	863,107	880,369	897,977
3.050 - Capital Outlay	17	795	795	795	795	795
Intergovernmental & Debt Service	-	-	-	-	-	-
4.300 - Other Objects	284,073	249,023	254,003	259,083	264,265	269,550
4.500 - Total Expenditures	26,196,515	28,056,893	29,542,243	30,215,595	30,963,601	31,745,182
Other Financing Uses						
5.010 - Operating Transfers-Out	279,825	300,000	300,000	300,000	300,000	300,000
5.020 - Advances-Out	116,804	150,000	150,000	150,000	150,000	150,000
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	396,629	450,000	450,000	450,000	450,000	450,000
5.050 - Total Exp and Other Financing Uses	26,593,144	28,506,894	29,992,243	30,665,595	31,413,601	32,195,182
6.010 - Excess of Rev Over/(Under) Exp	972,048	(285,859)	(1,805,197)	(2,251,624)	(3,206,708)	(3,887,494)
7.010 - Cash Balance July 1 (No Levies)	3,269,833	4,241,880	3,956,021	2,150,824	(100,800)	(3,307,508)
7.020 - Cash Balance June 30 (No Levies)	4,241,880	3,956,021	2,150,824	(100,800)	(3,307,508)	(7,195,002)
		Reservations				
8.010 - Estimated Encumbrances June 30	900,000	900,000	900,000	900,000	900,000	900,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	3,341,880	3,056,021	1,250,824	(1,000,800)	(4,207,508)	(8,095,002)
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Renewal Levies	-	-	-	353,378	706,296	705,382
11.030 - Cumulative Balance of Levies	-	-	-	353,378	1,059,674	1,765,056
12.010 - Fund Bal June 30 for Cert of Obligations	3,341,880	3,056,021	1,250,824	(647,422)	(3,147,834)	(6,329,946)
Revenue from New Levies						
13.010 & 13.020 - New Levies	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	3,341,880	3,056,021	1,250,824	(647,422)	(3,147,834)	(6,329,946)