

General Fund

Five Year Forecast

July 1, 2023, Through June 30, 2028

November 13, 2023

Presented By Julio Valladares, MBA, Treasurer/CFO



**Newark City Schools**

A Community of Opportunity and Learning

# 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 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.

# Key Line Items

- The five-year forecast is divided into two sections: revenue and expenditures
- A district's revenue is made up of two main sources, local and state funding
- The expenditures are mainly salary and wages, benefits, purchased services, and supplies and materials

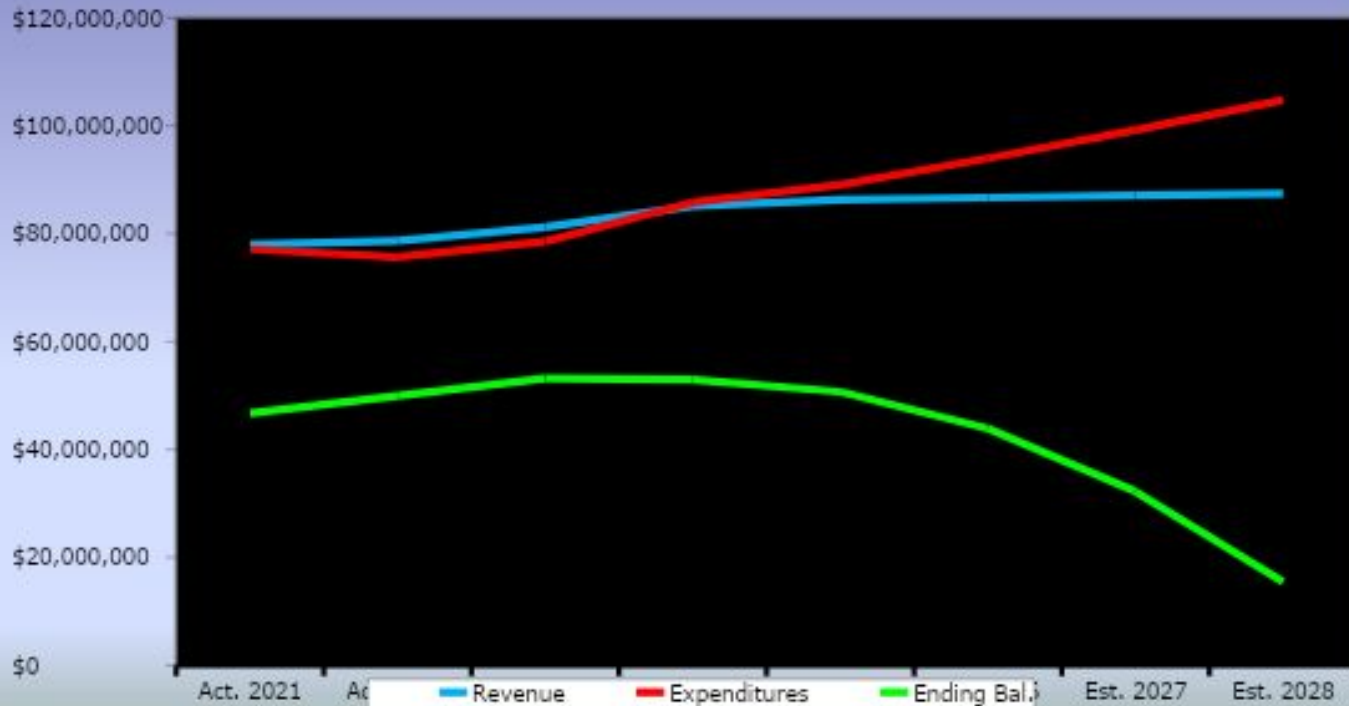
# Forecast Overview

- The changes in school funding as a result of HB110, as amended by HB583 have been estimated with the information we have available.
- Biennial budgets beyond FY25 are unknown, and we have estimated state foundation to be almost static for future years of the forecast.
- Expenditures are outpacing revenues starting this current fiscal year (FY24), decreasing cash balance.

# Revenue Vs. Expenditure



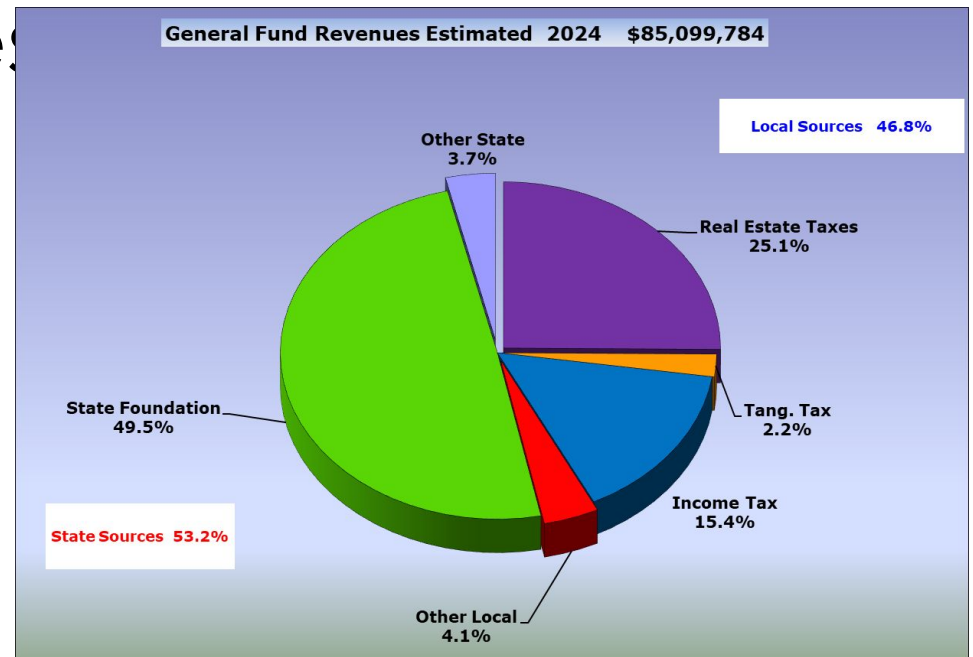
General Fund Revenue, Expenditures & Cash Balance



- Expenses exceed revenues starting in FY24

# Est. General Fund Revenue Sources FY24

- ▶ • District continues to have a high dependency on state revenues.
- ▶ state revenues.



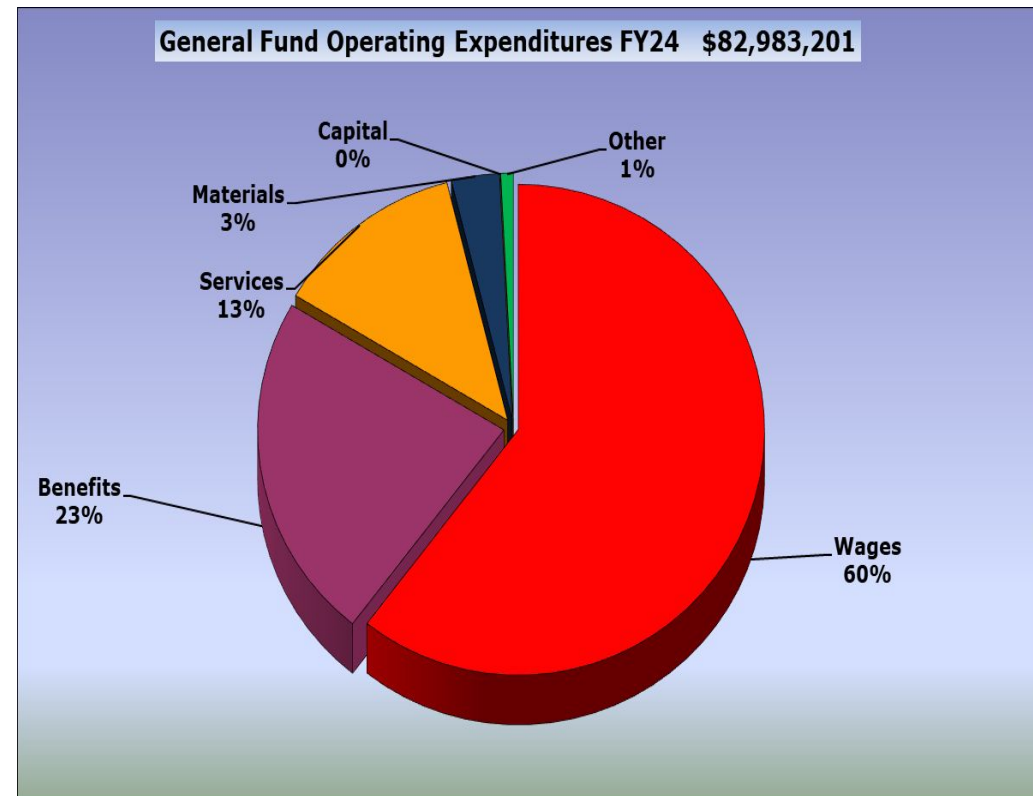


# Challenges To Operating Revenue

- ▶ Increasing local revenues
  - ▶ With real estate property taxes (New development)
  - ▶ Job creations (Income taxes)
  - ▶ State budgets uncertainty
- ▶ HB110 significant changes to school funding represent future uncertainty to the District's operations.
  - ▶ State Biennial Budget for FY26-27 & FY27-28

# Est. General Fund Expenditures FY24

- District Wages and benefits Estimate is 83%



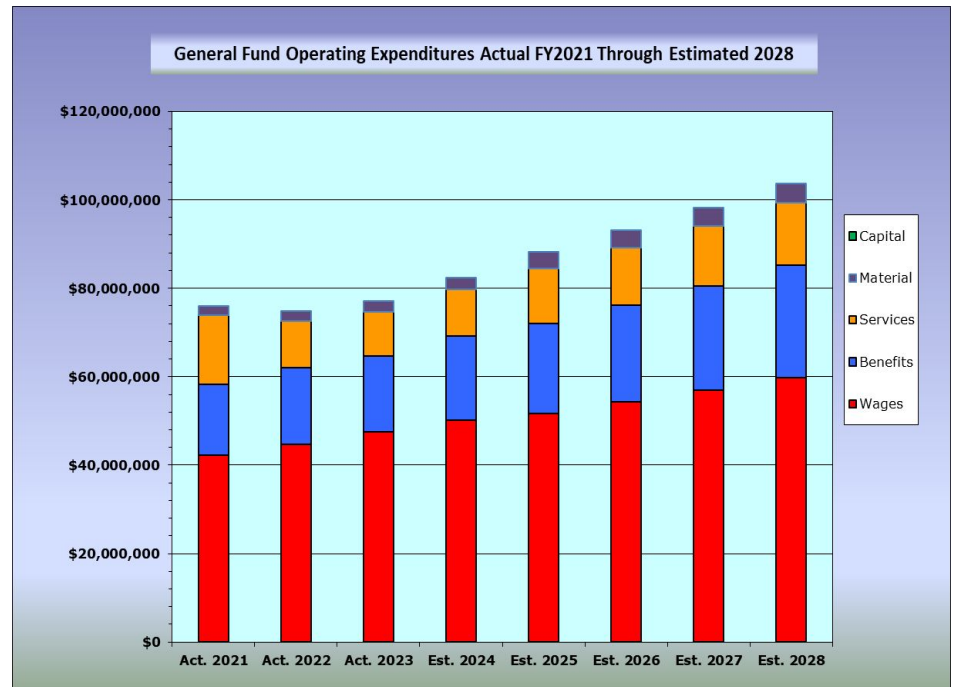
# Challenges To Operating Expenditures



- ▶ Current high inflation
  - ▶ Increasing cost of supplies and materials
- ▶ Future wages negotiations
- ▶ Health benefits
  - ▶ Medical and Dental cost control measures

# General Fund Expenditures By Object FY21 through Est. FY 28

- ▶ Outside salary and wages, purchased services represents the next major category, which includes ESC services, utilities, etc....



# Purchased Services Trend



**Federal sources reduce Purchase Services during FY22-24**

# Ending Cash Balance

Ending Cash Balance in True Days Cash



**30 Day Cash Balance is a responsible target to end year**

# Conclusion



- ▶ Continue to look at programs and implement cost measures to achieve sustainability
- ▶ Long-term: Need to watch the next 2 State Biennial Budget deliberations, while continuing to operate conservatively
- ▶ Continue to look at the proposed budget bill HB187
  - ▶ Intent to help lower property taxes
  - ▶ Impact on school districts (Delay settlements)
  - ▶ Timing and methodology

# Thank You for Listening

- Questions and Answers

**Newark City Schools**

---

A Community of Opportunity and Learning