

**BEACHWOOD CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2022, 2023 and 2024 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2025 THROUGH JUNE 30, 2029**



Forecast Provided By:

**Beachwood City School District
Treasurer's Office
Matthew Brown, Treasurer/CFO
October 28, 2024**

**Beachwood City School District
Cuyahoga County, Ohio
Notes to the Five-Year Forecast
General Fund Only
October 28, 2024**

Introduction to the Five Year Forecast

A forecast is somewhat like a painting of the future based upon a snapshot of today. That snapshot, however, will be adjusted because the further into the future the forecast extends, the more likely it is that the projections will deviate from experience. Various events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/replacement), salary increases, enrollment variances, or businesses moving in or out of the District. The five-year forecast is a crucial management tool and must be updated periodically. The five-year forecast enables 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. School Districts are encouraged to update their forecasts with the Ohio Department of Education and Workforce (ODEW) when events materially change their forecast or, at a minimum when required under the statute.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions to the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are fundamental to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected. It is recommended that the Treasurer/Chief Fiscal Officer be contacted with any questions you may have.

Here are three important purposes or objectives of the five-year forecast:

- (1) To engage the local Board of Education and the community in 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 Workforce and the Auditor of State to identify School Districts with potential financial problems.

O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five-year financial forecast by November 30th and May 31st, each fiscal year (July 1 to June 30). The five-year forecast includes three years of actual and five years of projected General Fund revenues and expenditures. The first year of the fiscal forecast is considered the baseline year. Our forecast is updated to reflect the most current economic data available for the November 2024 filing.

Economic Outlook

The current economic recovery began in the Fall of 2020 and remains robust through this forecast date. However, recent Federal Reserve Bank interest rate cuts foretell of a possible recession in the next six to twelve months from this forecast. The persistently high inflation that has impacted our state, country, and broader globalized economy has slowed to an annualized rate of 2.53% in August 2024 which is down from the 40 year high of 9.1% annualized rate posted in June 2022. Costs for goods and services in FY23 and FY24 were notably impacted in areas such as capital and durable goods, diesel fuel for buses, electric, natural gas, and building materials for facility maintenance and repair. Inflation affecting district costs is expected to continue in FY25. There is some good news, the Federal Reserve is projecting inflation to be closer to their target rate of 2% by calendar year end 2024 or early in 2025. It remains to be seen if the cumulative cost increases over the past two years are transitory on the District's goods and services or will last over the forecast period.

The Federal Reserve Bank cut Federal Fund rates in September 2024 by 50 basis points (0.5%) which indicates slowing inflation and a slowing economy. Employment levels have begun to fall. The national unemployment rate was 3.8% in September 2023 and rose to 4.2% in September 2024. A survey of prominent leading economists predicts there is roughly a 50% chance of a mild recession in calendar year 2025. How this news impacts the state of Ohio's FY26 and FY27 biennium budget deliberations and actions in late spring 2025 is unknown as this forecast is filed.

The state of Ohio has enjoyed economic growth over the past three years, and the state's Rainy Day Fund balance is at \$3.7 Billion. The new state funding formula is in the fourth year of a projected six-year phase-in. While increased inflation has impacted costs across Ohio, the state's economy has grown, and many school districts received new funding in HB33 for FY24 and FY25. The ongoing growth in Ohio's economy should enable the state to finalize the last two years of the phase-in of the new funding formula in FY26 and FY27 even if a cyclical recession occurs. Regardless of a recession, the state is well-positioned to continue state aid payments to Ohio's school districts.

Since 2020, all school districts were being aided in varying degrees by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER). The most recent allocation of ESSER funds must be encumbered by September 30, 2024. The loss of these funds in FY25 and future years may create a "fiscal cliff" as any ongoing costs will likely be absorbed back into the district General Fund. Fortunately, the District has fully utilized all of its ESSER funds awarded and there is no concern with the District experiencing the aforementioned "fiscal cliff".

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.

Forecast Risks and Uncertainty:

A five-year financial forecast has risks and uncertainty not only due to economic delays noted above but also due to state legislative changes that will occur in the spring of 2025 and 2027 due to deliberation of the following two (2) state biennium budgets for FY26-27 and FY28-29, both of which affect this five-year forecast. We have estimated revenues and expenses based on the best data available and the laws currently in effect. The items below give a short description of the current issues and how they may affect our forecast in the long term:

1) Property tax collections are the largest single revenue source for the school system. The real estate market in our District is stable. We project some growth in appraised values every three (3) years and modest new construction growth. Total local revenues, which are primarily local taxes, equates to 88.2% of the District's resources. Our tax collection in March 2024 and August 2024 increased by approximately 1% over the previous year. The overall property tax increase was tempered by a significant decrease in delinquency collections when compared to 2023 collections.

The second half PUPP collection (August 2024) was higher than normal, therefore making up for a lower than expected collection in March 2024. Generally, PUPP taxes are paid at 100%.

The state legislature has formed a “Joint Committee on Property Tax Review and Reform” which is pending as of this forecast. We are watching these deliberations closely as they could impact future reappraisals and possibly the 20-mill floor currently in law. Our district is not on the 20-mill floor for neither Class I nor Class II values. Regardless, we are watching the Joint Committee carefully and will keep the Board of Education apprised of any significant reforms or changes recommended.

2) Cuyahoga County will have a full reappraisal for Tax Year 2024, to be collected in Collection Year 25. We are estimating an average increase of 23% for residential/agricultural property and 9.50% for commercial/industrial properties. This is based on unofficial valuations provided by the County Fiscal Officer.

Changes in tax valuation of taxable property within the District is an area that requires monitoring as well. These changes are usually brought on through the Board of Revision and/or Board of Tax Appeals. For tax year 2023, \$6.3 million in tax valuation was removed from the District’s tax valuation due to changes from the Board of Revision, Board of Tax Appeals, and exempt status. On a positive note, new construction and growth has remained steady on both the residential front and commercial front.

3) Due to recent historic property value increases across the state, the state legislature has considered various proposals to help reduce non-voted tax increases on taxpayers. Recently, the Senate has proposed SB271 that seeks to limit growth through refund or a reduction of taxes to ensure annual income and property taxes do not exceed 5% of a qualified taxpayer’s income. If passed by the General Assembly, this will result in lowering tax increases for the residents who qualify. We are watching this legislation closely.

In addition to SB271, the legislature developed a Joint Committee on Property Taxation and Reform in 2024, as mentioned above, in response to the historic valuation increases. Their mission is to review Ohio’s property tax system and to make recommendations to the General Assembly on property taxation. The committee must report to the General Assembly by December 31, 2024. We are following any actions of the committee closely to determine what impact, if any, proposals to limit tax growth or to reduce taxes could have on our District.

4) HB33, the current state budget, continues to phase in the Fair School Funding Plan (FSFP). FY25 reflects 66.67% of the implementation as year four of a six-year phase-in plan. The phase-in plan increases by 16.66% for each year. The final two years of the phase-in are not guaranteed and are dependent on legislative actions for the FY26 and FY27 state biennium budget.

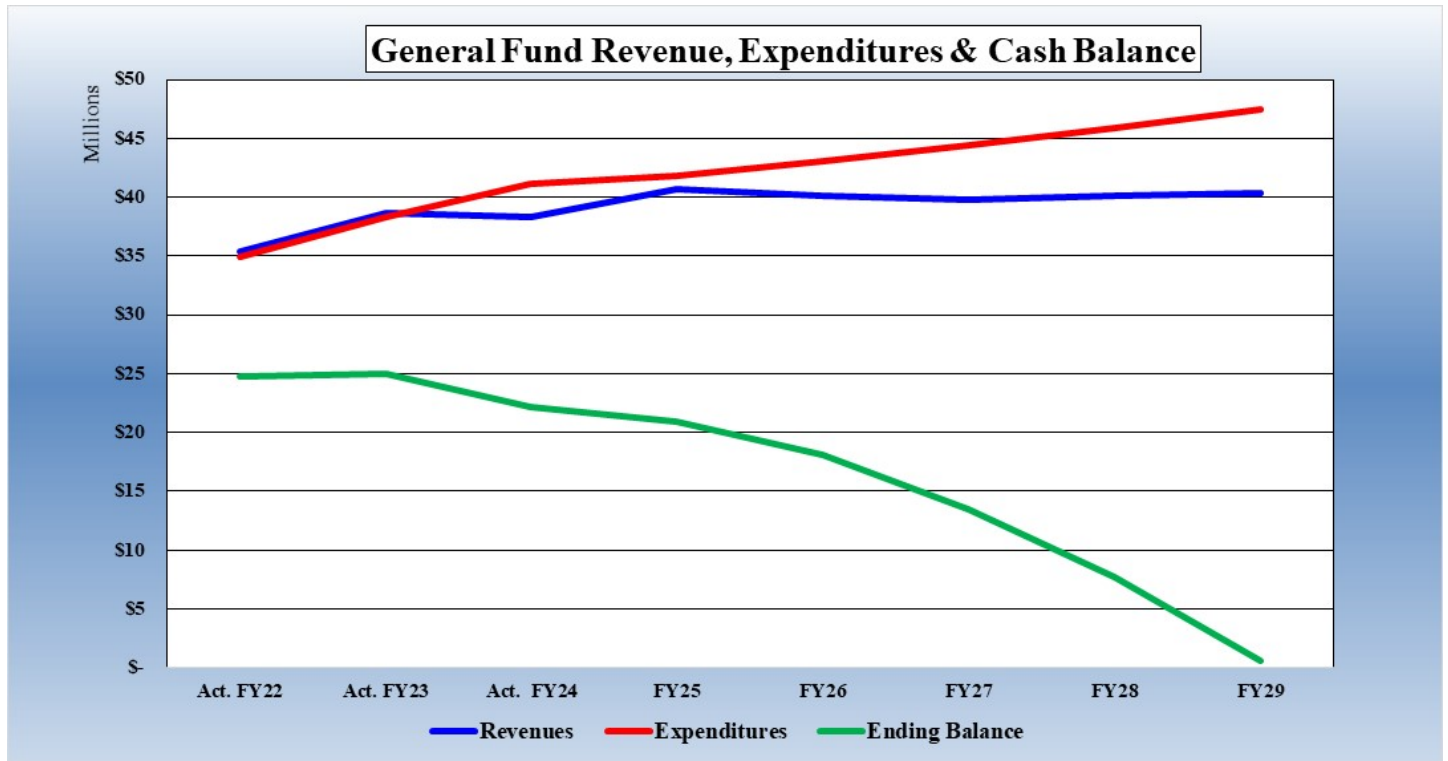
5) State funds represent 11.8% of District revenues, which is an increase of 1.4% over the previous year. This revenue could be at risk if the state economy stalls, or the last two (2) years of the Fair School Funding Plan is not funded in the next state biennium budget. Two future State Biennium Budgets, covering FY26-FY27 and FY28-FY29, are included in the forecast period. Due to the uncertainty of future state budget deliberations and the potential for an economic downturn, this forecast assumes state funding will remain flat with no further phase-ins through FY29. Adjustments will be made to the forecast as data that is more definitive becomes available.

Labor relations have been amicable with all parties working in the best interest of students while recognizing existing resource challenges. The current teacher union contract will expire at the end of school year 2025. Therefore, the Board of Education and teacher union will commence negotiations for a new contract in the early part of 2025. It is expected that this positive working relationship will continue into the future.

The major lines of reference are noted below in the headings to make it easier for the reader to relate the assumptions back to the forecast. If you would like further information, please feel free to contact Matthew Brown, Treasurer/CFO at 216-464-2600 Ext. 2211.

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY22-24 and Estimated FY25-29

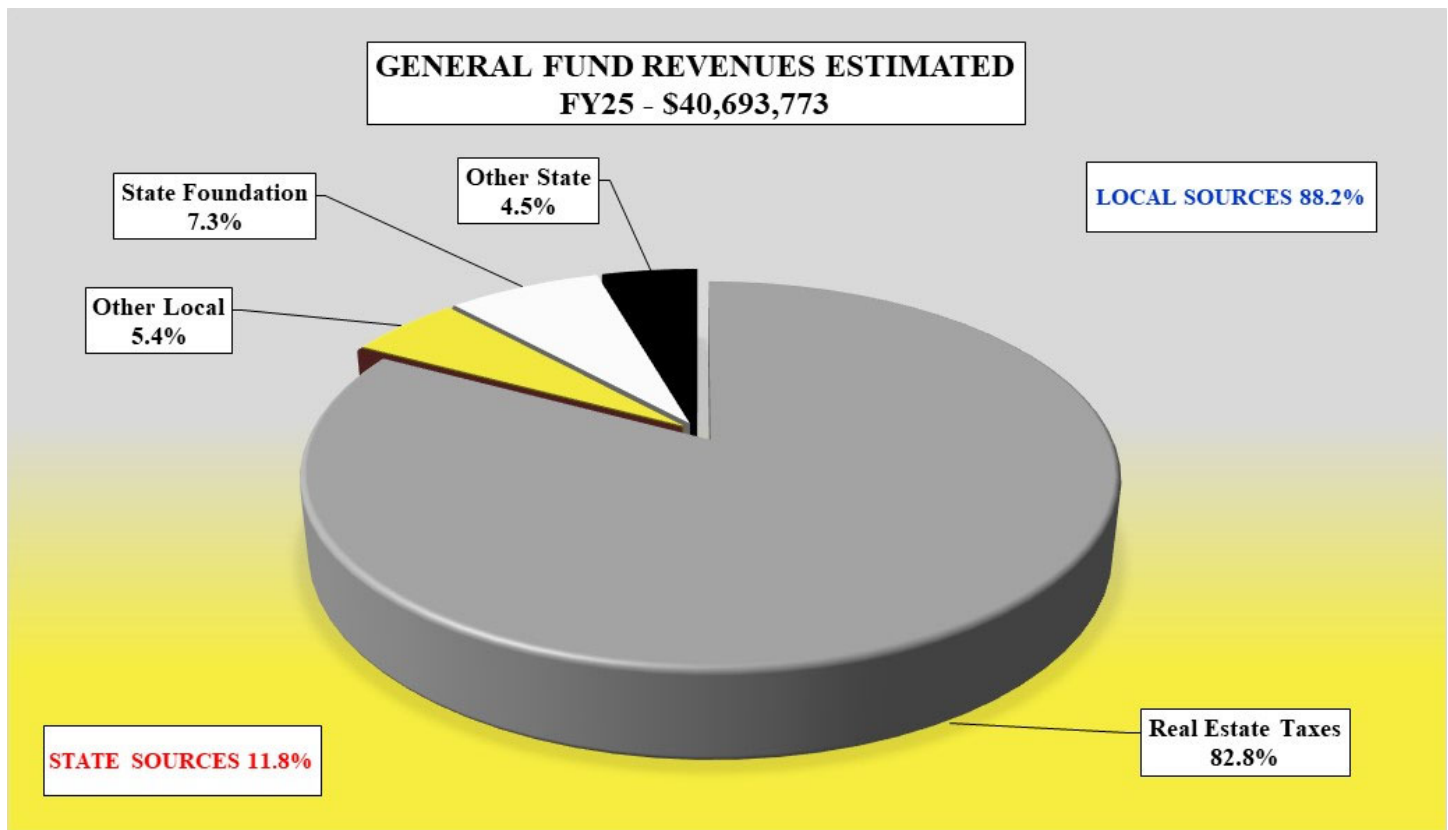
The graph captures in one snapshot the operating scenario facing the District over the next few years.



As the above chart reflects, the District began spending more than what it was bringing in for FY24. That trend is projected to continue throughout the life of this forecast.

Revenue Assumptions

Estimated Operating Revenue Sources - General Fund FY25



Property Value Assumptions – Line # 1.010

Property Values, established each year by the County Fiscal Officer, are based on new construction, demolitions, Board of Revision/Board of Tax Appeals activity, and completed reappraisals /updates. Residential/Agricultural value increases are led by inflationary increases in property values and a competitive housing market coupled with new construction. Commercial/Industrial value increases are mainly due to new construction, previously abated property returning to the tax rolls and decisions by the Board of Revision/Board of Tax Appeals.

Cuyahoga County will undergo a reappraisal for Tax Year 2024, collected in 2025. We are estimating a 23% increase in residential and a 9.5% increase in commercial/industrial property. With these estimates, the District is anticipating a valuation increase of \$153.3 million or 17.6% overall.

Public Utility Personal Property (PUPP) values are expected to increase by \$1.2 million in TY24 and then \$950,000 in each subsequent year of the forecast.

This forecast is estimating total assessed valuation to be at \$1,059,031,446 for TY28 which is a 3.8% increase over the TY2024 assessed valuation.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

	Estimated	Estimated	Estimated	Estimated	Estimated
	TAX YEAR 2024	TAX YEAR 2025	TAX YEAR 2026	TAX YEAR 2027	TAX YEAR 2028
Classification	COLLECT 2025	COLLECT 2026	COLLECT 2027	COLLECT 2028	COLLECT 2029
Res./Ag.	\$547,566,385	\$547,666,385	\$548,016,385	\$575,767,204	\$576,117,205
Comm./Ind.	475,648,753	475,748,753	476,548,753	482,114,240	482,914,240
Public Utility Personal Property (PUPP)	<u>18,282,660</u>	<u>19,232,660</u>	<u>20,182,660</u>	<u>21,132,660</u>	<u>22,082,660</u>
Total Assessed Value	<u>\$1,041,497,798</u>	<u>\$1,042,647,798</u>	<u>\$1,044,747,798</u>	<u>\$1,079,014,105</u>	<u>\$1,081,114,106</u>

Tax Rate Assumptions

The County Fiscal Officer sets the tax rates for each levy to provide tax revenues for the school district. Ohio law provides for “reduction factors” on most voted property tax levies, which adjusts the millage rates lower than the voted rate. This is to keep levies from growing with increases in property values. Thus, the tax revenue received by a District is the same as the actual amount of the levy at the time of the election.

The reduction factors are applied separately to Residential/Agriculture (Class I) and Commercial/Industrial (Class II) resulting in different effective millage rates. The District’s full voted rate for all General Fund levies is 85.20 mills, without reduction factors applied. Our Class I effective rate is 29.27 mills and Class II effective rate is 40.88 mills. Ohio law has a provision that the reduction factors cannot lower the total effective millage rate for each class to less than 20 mills (excluding emergency and substitute emergency levies). This is inclusive of both the voted and the non-voted millage rates and is called the “20-Mill Floor”.

General Property Tax (Real Estate) & PUPP Taxes– Line # 1.010

Property tax levies are estimated to be collected at 92% of the annual amount in FY25, which is an increase of 1% from the previous year. In general, 51% of the current Res/Ag and Comm/Ind property taxes are expected to be collected in the March tax settlement and 49% collected in the August tax settlement. CY24 delinquency collection rates were lower than the previous year.

Public Utility tax settlements (PUPP taxes) are estimated to be received 58.5% in March and 41.5% in the August settlement from the County Auditor and are accounted for in Line #1.01 totals below.

Source	FY25	FY26	FY27	FY28	FY29
Est. Real Estate Taxes	\$31,940,555	\$32,481,066	\$32,149,808	\$32,298,356	\$32,439,089
Est. Public Utility Personal Property (PUPP)	<u>\$1,760,194</u>	<u>\$1,605,033</u>	<u>\$1,685,973</u>	<u>\$1,766,913</u>	<u>\$1,847,853</u>
Total Line #1.01 Real Estate Taxes + PUPP	<u>\$33,700,749</u>	<u>\$34,086,099</u>	<u>\$33,835,781</u>	<u>\$34,065,269</u>	<u>\$34,286,942</u>

Estimated Tangible Personal Tax– Line # 1.020

The phase out of TPP taxes began in FY06 with HB66, adopted in June 2005. We do not receive any tangible taxes.

Renewal and Replacement Levies – Line # 11.020

No renewal or replacement levies are modeled in this forecast.

New Tax Levies – Line # 13.030

No new levies are modeled in this forecast.

State Foundation Revenue Estimates – Lines # 1.035, 1.040 & 1.045

Current State Funding Model per HB33 through June 30, 2025

A) Unrestricted State Foundation Revenue– Line # 1.035

HB33, the current state budget, continued the Fair School Funding Plan for FY24 and FY25, which funds students where they are educated rather than where they live. We have projected FY25 funding based on the October #2, 2024 foundation settlement report. Our District is currently a **formula** district and is expected to continue as such in FY26 through FY29.

For a detailed overview of how foundation funding is calculated please visit the Ohio Department of Education and Workforce at: <https://education.ohio.gov/Topics/Finance-and-Funding/Overview-of-School-Funding>

State Funding Phase-In FY25 and Guarantees

The Fair School Funding Plan was presented as a six (6) year phase-in plan. HB33 continued the phase-in for FY24 and FY25. The FSNP does not include caps on funding; instead, it consists of a general phase-in percentage for most components of 66.67% in FY25.

The funding formula includes three (3) guarantees: 1) “Formula Transition Aid,” 2) Supplemental Targeted Assistance, and 3) Formula Transition Supplement. The three (3) guarantees in both temporary and permanent law ensure that no district will receive fewer funds in FY24 and FY25, than they received in FY21.

Future State Budget Projections beyond FY25

Our funding status for FY26 through FY29 will depend on two (2) new state budgets. There is no guarantee that the current Fair School Funding Plan will be funded or continued beyond FY25. For this reason, funding is held constant in the forecast for FY26 through FY29. The forecast will be updated as more information becomes available. There is a small decrease in funding from FY25 to FY26 and this is mainly due to a one-time true-up payment from the State in FY25 for funding discrepancies identified in the latter part of FY24. FY24 funding was temporarily reduced due to an issue with the way the District was reporting students to the State. The District filed an appeal in July 2024 and the State honored the appeal and provided the funding for those students.

Casino Revenue

On November 3, 2009, Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four casinos in Cleveland, Toledo, Columbus, and Cincinnati. Thirty-three percent (33%) of the gross casino revenue is collected as a tax. School districts receive 34% of the 33% gross casino revenue. These funds are distributed to school districts on the 31st of January and August each year, which began for the first time on January 31, 2013.

Casino revenue in FY23 was \$113.1 million for schools or \$64.90 per pupil. In FY24, the funding totaled \$114.18 million or \$65.44 per pupil. We expect the Casino revenues to have resumed their historical growth rate and are assuming a 1.5% annual growth rate for the remainder of the forecast.

Source	FY25	FY26	FY27	FY28	FY29
Basic Aid-Unrestricted	\$1,709,159	\$1,543,527	\$1,543,527	\$1,543,527	\$1,543,527
Additional Aid Items	199,038	199,038	199,038	199,038	199,038
Basic Aid-Unrestricted Subtotal	\$1,908,197	\$1,742,565	\$1,742,565	\$1,742,565	\$1,742,565
Ohio Casino Commission ODT	92,636	94,021	95,431	96,863	98,316
Total Unrestricted State Aid Line #1.035	<u>\$2,000,833</u>	<u>\$1,836,586</u>	<u>\$1,837,996</u>	<u>\$1,839,428</u>	<u>\$1,840,881</u>

B) Restricted State Foundation Revenue – Line # 1.040

HB33 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding, as well as Gifted, English Learners (ESL), and Student Wellness. The amount of DPIA is limited to 66.67% in FY25. We have flat-lined funding at FY25 levels for FY26 through FY29, due to uncertainty on continued funding of the current funding formula.

The District has opted to account for threshold (previously known as catastrophic cost) reimbursements as restricted revenue. These reimbursements come from a pool established by the State, in which all districts contribute funds. The pool is divided among districts each year, based on expenses related to the education of special needs students. The District has historically recovered between \$600k to \$700k in thresholds reimbursements annually. This forecast assumes \$635k is recovered each year of the forecast.

HB33 set aside funds state-wide to subsidize the Science of Reading initiative. The District will be reimbursed for teacher in-service and associated fringe benefits upon proof of training and certified reimbursement requests. It is estimated that the district will receive \$141,000 from this one-time subsidy in FY25.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
DPIA	\$7,395	\$7,395	\$7,395	\$7,395	\$7,395
Career Tech - Restricted	5,727	5,727	5,727	5,727	5,727
Gifted	48,706	48,706	48,706	48,706	48,706
ESL	9,787	9,787	9,787	9,787	9,787
Student Wellness	35,137	35,137	35,137	35,137	35,137
Threshold reimb/Other Restricted State Funds	<u>863,041</u>	<u>669,093</u>	<u>669,093</u>	<u>669,093</u>	<u>669,093</u>
Total Restricted State Revenues Line #1.040	<u>\$969,793</u>	<u>\$775,845</u>	<u>\$775,845</u>	<u>\$775,845</u>	<u>\$775,845</u>

C) Restricted Federal Grants in Aid – Line # 1.045

There are no federal restricted grants projected during this forecast.

<u>SUMMARY</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Unrestricted Line #1.035	\$2,000,833	\$1,836,586	\$1,837,996	\$1,839,428	\$1,840,881
Restricted Line #1.040	969,793	775,845	775,845	775,845	775,845
Rest. Federal Funds #1.045	0	0	0	0	0
Total State Foundation Revenue	<u>\$2,970,626</u>	<u>\$2,612,431</u>	<u>\$2,613,841</u>	<u>\$2,615,273</u>	<u>\$2,616,726</u>

State Share of Local Property Tax – Line # 1.050**A) Rollback and Homestead Reimbursement**

Rollback funds are reimbursements paid to the District from the State of Ohio for tax credits given to owner-occupied residences. Credits equal 12.5% of the gross property taxes charged to residential taxpayers on levies passed before September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013.

Homestead Exemptions are 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 65 years or older or disabled regardless of income. Effective September 29, 2013, HB59 changed the requirement. Individual taxpayers who do not currently have their Homestead Exemption approved or those who did not get a new application approved for the tax year 2013 and who become eligible, will only receive a Homestead Exemption if they meet the income qualifications. 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.

This revenue line closely follows the property tax line since it is a percentage of property taxes collected. Therefore, the growth in property taxes experienced above will have the same result in this revenue line.

Summary of State Tax Reimbursement – Line # 1.050

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Total Tax Reimbursements #1.050	<u>\$1,834,898</u>	<u>\$1,895,390</u>	<u>\$1,896,869</u>	<u>\$1,910,982</u>	<u>\$1,925,065</u>

Other Local Revenues – Line # 1.060

All other local revenue encompasses any type of revenue that does not fit into the above lines. A main source of revenue in this area have been tax settlement agreements. These will lessen in the coming years due to HB126, which severely affected our ability to defend our property values and prohibited negotiated tax settlement agreements. Under the existing settlements, final payouts are expected to be made in FY25.

Other revenue sources include tuition for court placed students, and interest earnings. Currently, the interest income component is the largest revenue source in the Other Local Revenues line item. Interest income is based on the District’s cash balances. Increased interest rates over the past several years, due to the Federal Reserve raising rates to curb inflation, have brought additional revenue into the District. Once the economy stabilizes, there will be pressure on the Federal Reserve to lower interest rates, decreasing the opportunity for significant interest income for the District. We will continue to monitor the investments for the District. It is important to note that the District’s investments that are currently maturing are being re-invested at higher interest rates and will help offset any near-term rate reductions. As of September 2024, the current portfolio yield to maturity is 4.05% and the weighted average maturity of our investment portfolio is 2.35 years.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Tuition Related Payments	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
Interest Earnings	1,640,000	1,350,000	1,250,000	1,200,000	1,175,000
Rental Related Fees	15,000	15,000	15,000	15,000	15,000
Services Provided To Others	50,000	50,000	50,000	50,000	50,000
Miscellaneous	<u>397,500</u>	<u>77,500</u>	<u>77,500</u>	<u>77,500</u>	<u>77,500</u>
Total Other Local Revenue Line #1.060	<u>\$2,187,500</u>	<u>\$1,577,500</u>	<u>\$1,477,500</u>	<u>\$1,427,500</u>	<u>\$1,402,500</u>

Short-Term Borrowing – Lines # 2.010 & 2.020

There is no short-term borrowing projected in this forecast.

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

These are non-operating revenues. Transfers are one-time payments from other funds. Advances are the repayment of short-term loans to other funds in the previous fiscal year. Starting in FY28, the forecast is assuming the repayment of an advance originally made to the Permanent Improvement Fund.

All Other Financial Sources – Line # 2.060

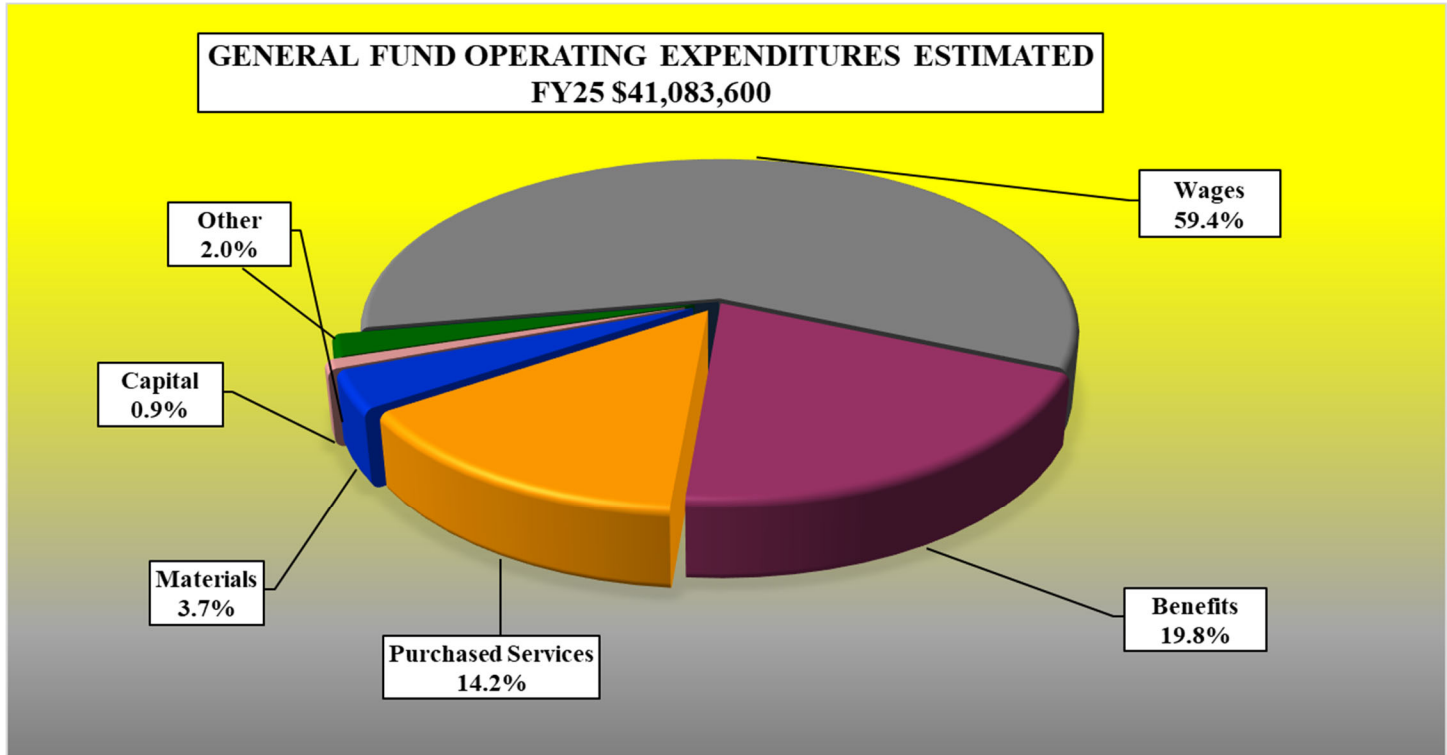
This funding source is typically a refund of prior year expenditures that is very unpredictable.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Refund of prior years expenditures	<u>\$7,500</u>	<u>\$7,500</u>	<u>\$7,500</u>	<u>\$7,500</u>	<u>\$7,500</u>

Expenditure Assumptions

The District's leadership team is always looking at ways to improve the education of the students whether it be with changes in programming, 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.

Estimated General Fund Operating Expenditures for FY25



Personal Services – Wages – Line # 3.010

The District has three bargaining units: Beachwood Federation of Teachers (BFT), Beachwood Union of Support Staff (BUSS) and Beachwood Educational Interpreters Union (BEIU). Other employee groups include our non-bargaining staff, which are Administrative/Supervisor and Confidential.

The most current 3-year BFT contract, which runs from September 1, 2022, through August 31, 2025, included base wages increases of 2.00%, 2.00% and 2.25%, respectively. A new salary schedule was adopted September 1, 2019, and all new staff hired after that date are placed on this alternative schedule. This reduces starting salaries as well as the pace at which salaries grow annually. This will help the District to control costs yet remain competitive.

The newest BUSS agreement is effective for FY24 through FY26 and has base salaries increasing annually by flat rate increases. This agreement contains a secondary salary schedule as well, implemented in 2012, and the majority of staff are currently on this schedule. While the intent of this alternative schedule was to contain costs, the District is cognizant of market wages and works to remain competitive to attract and retain staff.

The BEIU recently negotiated a new contract, effective for FY24 and FY25. This includes wage increases of 2.00% and 2.25% respectively. This bargaining unit currently has one position.

Other staff increases generally are 1.75%-2.00% of the base for each contract year. Estimates for step increases coupled with the projected base increases, mentioned above, bring the total wage increase to an average of 3.25% annually for FY25 through FY29.

All Unions and other employee groups have established pay schedules for FY25 and therefore the Forecast assumes current pay schedules for FY25. The BUSS contract is through FY26 and the Administrator/Supervisor handbook is through FY27. Those employee groups' salary projections are based off the current contract and handbook in place through the respective fiscal year. Beyond the current contracts, the forecast assumes a 2.00% increase on the base pay for these two employee groups.

For the BFT Union and the Confidential employees, there are established pay schedules in place for FY25 and therefore, the Forecast assumes current pay schedules for FY25. For the remaining fiscal years of the Forecast, a 2.00% increase on the base pay is assumed. It is important to note that this assumption is not a bargaining position of the Board of Education but is based on historical wage increases and is solely used for long-term financial planning. It is also important to note, that the District experienced significant retirements across all of its employee groups during FY24. The FY24 retirees consisted of seven BFT members, three BUSS members, one BEIU member and one Confidential employee. The District either replaced the retired BFT members with new hires or reorganized certain positions based on need throughout the District (music and physical education). All three retired BUSS members were replaced, however the retired BEIU member and Confidential employee were not replaced. These decisions helped control future increases in this expenditure line item.

Source	FY25	FY26	FY27	FY28	FY29
Total Wages Line #3.010	<u>\$24,393,307</u>	<u>\$25,146,262</u>	<u>\$26,016,439</u>	<u>\$26,860,936</u>	<u>\$27,723,965</u>

Employees' Retirement & Insurance Benefits – Line # 3.020

This area of the forecast captures all costs associated with benefits and retirement costs. These payments are included in the table below.

A) STRS/SERS and Medicare will increase as Wages Increase

As required by law, the Board of Education pays 14% of all employee wages to STRS or SERS. The District is also required to pay a SERS Surcharge, an additional employer charge based on the salaries of lower-paid members. It is used exclusively to fund retiree health care. Additionally, the Board of Education pays Medicare tax of 1.45% for all employee wages.

B) Insurance

The District is self-insured for all insurance benefits. The district experienced an unprecedented increase of 16% in CY23 for health insurance and followed that up with an increase of 10% in CY24. These measures were needed due to high claim costs and prescription drug cost increases. The Administration and the Health Insurance Committee has closely monitored the insurance plans' financial position over the past couple years and always is examining options to contain these unsustainable costs. Additionally, a change in the prescription drug plan was implemented with agreement from all bargaining units. For Plan Year 2025, the District will be able to increase total insurance premium rates by 2.25%. This lower than anticipated premium rate increase can be accomplished by a combination of things: 1) the rate increases taken in the past couple years 2) the recent claim experience has been better than expected and 3) changes to the prescription drug plan coupled with taking advantage of additional other prescription drug related saving opportunities. For planning purposes, we are estimating a 7% annual increase in FY26 through Y29 for insurance premiums.

C) Workers Compensation & Unemployment Compensation

An unusually high unemployment claim was filed in FY25. We believe this is an anomaly and costs are projected to remain at a very low level throughout the forecast.

Summary of Retirement/Insurance Benefits – Line # 3.020

Source	FY25	FY26	FY27	FY28	FY29
A) STRS/SERS and Medicare	\$4,116,051	\$4,245,452	\$4,390,736	\$4,525,910	\$4,666,598
B) Insurance's	3,800,000	4,066,000	4,350,620	4,655,163	4,981,024
C) Workers Comp/Unemployment	25,000	7,500	7,500	7,500	7,500
Other/Tuition/Annuities/Medical Waiver	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>
Total Fringe Benefits Line #3.020	<u>\$8,116,051</u>	<u>\$8,493,952</u>	<u>\$8,923,856</u>	<u>\$9,363,573</u>	<u>\$9,830,122</u>

Purchased Services – Line # 3.030

HB110, the previous state budget, impacted Purchased Services beginning in FY22, as the Ohio Department of Education and Workforce began to directly pay these costs to the educating districts for open enrollment, Community and STEM schools, and for scholarships granted to students to be educated elsewhere. College Credit Plus, excess costs and other tuition costs will continue to draw funds away from the District, which will continue in this area and are based on historical trend.

The major expenses in the area include maintenance services, contracted sub costs, College Credit Plus, vocational education with Excel TECC, out-of-district tuition, contracted transportation, and utilities. Most costs are expected to continue as they have historically, and we are assuming a 2% inflation rate. In FY26, there will be a new electric Capacity Charge that will be assessed on all electric bills to help expand Ohio's electric generating ability. This charge will begin June 2025 and end June 2026. It is anticipated it will increase electric costs by 20% annually for just that twelve (12) month period.

Source	FY25	FY26	FY27	FY28	FY29
Professional & Technical Services, ESC	\$1,075,000	\$1,096,500	\$1,118,430	\$1,140,799	\$1,163,615
Maintenance, Insurance & Garbage Removal	1,100,000	1,122,000	1,144,440	1,167,329	1,190,676
Professional Development	65,000	66,300	67,626	68,979	70,359
Communications, Postage, & Telephone	171,380	174,808	178,304	181,870	185,507
Utilities	987,566	1,150,069	1,073,072	1,115,995	1,160,635
Contracted Trades & Services	607,716	619,870	632,267	644,912	657,810
Tuition & Excess Costs	761,799	777,035	792,576	808,428	824,597
College Credit Plus & Other Tuition Costs	950,000	969,000	988,380	1,008,148	1,028,311
Contract Transportation	<u>120,000</u>	<u>122,400</u>	<u>124,848</u>	<u>127,345</u>	<u>129,892</u>
Total Purchased Services Line #3.030	<u>\$5,838,461</u>	<u>\$6,097,982</u>	<u>\$6,119,943</u>	<u>\$6,263,805</u>	<u>\$6,411,402</u>

Supplies and Materials – Line # 3.040

Expenses include curricular supplies and textbooks, office supplies, maintenance and custodial supplies, and bus fuel. The District has been proactive on its updates to curriculum and that approach is expected to continue through this forecast. FY25 includes a one-time purchase of math curriculum licenses (five-year license), new ELA curriculum as a result of the Science of Reading mandate and AI software. We are assuming a 4%-4.5% increase in fuel costs and 2% for all other expenses annually.

Source	FY25	FY26	FY27	FY28	FY29
General Office Supplies/Materials & Software	\$258,033	\$263,194	\$268,458	\$273,827	\$279,304
Textbooks & Instructional Supplies	503,355	269,414	274,802	280,298	285,904
Facility Supplies & Materials	351,980	359,020	366,200	373,524	380,994
Transportation Fuel & Supplies	392,164	403,929	416,047	428,528	441,384
Total Supplies Line #3.040	<u>\$1,505,532</u>	<u>\$1,295,557</u>	<u>\$1,325,507</u>	<u>\$1,356,177</u>	<u>\$1,387,586</u>

Capital Outlay – Line # 3.050

The District has invested heavily in technology, sustaining a 1:1 Chromebook and enhancing connectivity throughout the District. FY25 includes annual Chromebook replacements, teacher computer replacements as well as several other items. The District will utilize the funding available in the Permanent Improvement Fund to cover the cost of future vehicles, buses and other large ticket capital items (Parking Lots, Roofing, HVAC, etc.). If funding is not sufficient to cover these costs from the Permanent Improvement Fund, those costs will be brought back into the General Fund.

Source	FY25	FY26	FY27	FY28	FY29
Library furniture, other misc.	\$14,985	\$14,985	\$14,985	\$14,985	\$14,985
Technology/Misc Items	350,000	350,000	350,000	350,000	350,000
Total Equipment Line #3.050	<u>\$364,985</u>	<u>\$364,985</u>	<u>\$364,985</u>	<u>\$364,985</u>	<u>\$364,985</u>

Principal and Interest Payment – Lines # 4.01 thru 4.06

There are no borrowings planned in the forecast period.

Other Expenses – Line # 4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit, bank charges and other miscellaneous expenses. A rate of 1-3% increase is projected in this area.

Source	FY25	FY26	FY27	FY28	FY29
County Auditor & Treasurer Fees	\$505,323	\$520,483	\$536,097	\$552,180	\$568,745
ESC Deduction	9,822	9,822	9,822	9,822	9,822
Annual Audit Costs	37,608	37,984	38,364	38,748	39,135
Dues, Fees & other Expenses	<u>312,511</u>	<u>315,636</u>	<u>318,792</u>	<u>321,980</u>	<u>325,200</u>
Total Other Expenses Line #4.300	<u>\$865,264</u>	<u>\$883,925</u>	<u>\$903,075</u>	<u>\$922,730</u>	<u>\$942,902</u>

Transfers Out/Advances Out – Lines # 5.010 & 5.020

This account group covers fund-to-fund transfers and end of year short-term loans to other funds until they have received reimbursements and can repay the General Fund. Transfers of \$795,000 is planned for FY25 through FY29. These transfers are allocated between the Termination Benefits Fund (035), the Athletic Fund (300), the Natatorium Fund (013), the Capital Projects Fund (070), the Food Service Fund (006), and various other funds.

Source	FY25	FY26	FY27	FY28	FY29
Operating Transfers Out Line #5.010	\$795,000	\$795,000	\$795,000	\$795,000	\$795,000
Advances Out Line #5.020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Transfer & Advances Out	<u>\$795,000</u>	<u>\$795,000</u>	<u>\$795,000</u>	<u>\$795,000</u>	<u>\$795,000</u>

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.

	FY25	FY26	FY27	FY28	FY29
Estimated Encumbrances Line #8.010	<u>\$175,000</u>	<u>\$175,000</u>	<u>\$175,000</u>	<u>\$175,000</u>	<u>\$175,000</u>

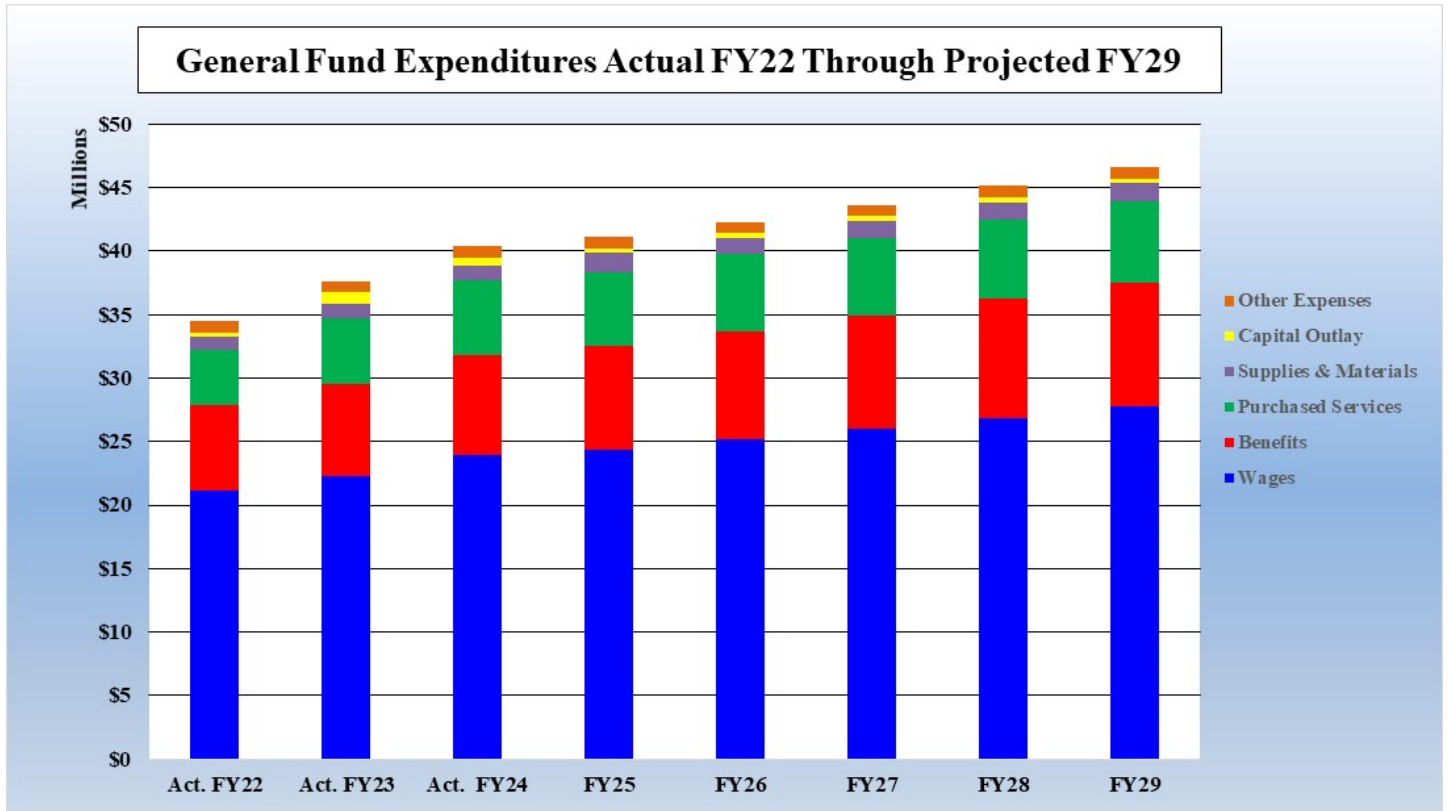
Budget Reserve – Line # 9.030

The requirement for this set-aside has been eliminated, however these funds can only be used under specific circumstances. At this time, the Board does not contemplate reducing this reserve.

Source	FY25	FY26	FY27	FY28	FY29
Total Reservations of Balance- Line#9.080	<u>\$134,873</u>	<u>\$134,873</u>	<u>\$134,873</u>	<u>\$134,873</u>	<u>\$134,873</u>

Operating Expenditures Actual FY21 through FY23 and Estimated FY24 through FY28

As the graph indicates, costs are increasing. We must maintain control over our expenses while balancing student academic needs. Note that transfers out and advances out are not included in the graph below.



Ending Unencumbered Cash Balance “The Bottom-line”– Line # 15.010

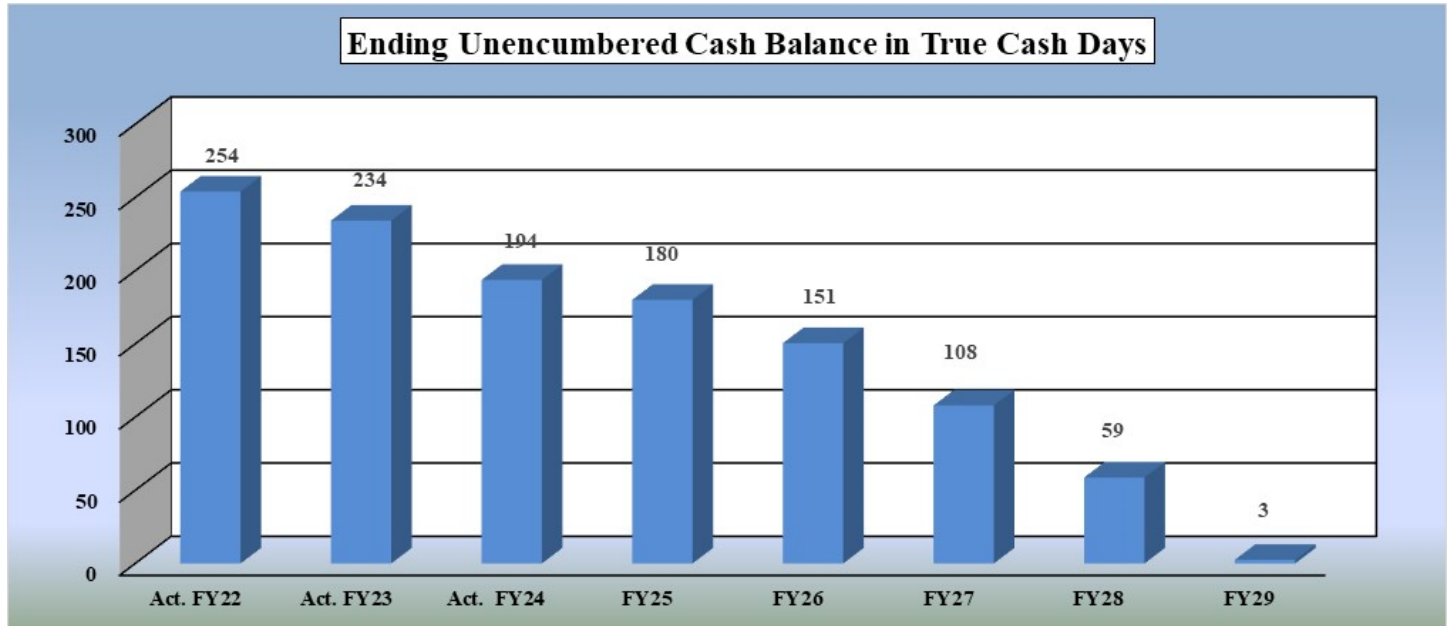
This amount must not go below \$-0- or the District’s General Fund will violate Ohio Budgetary Laws. Any multi-year contract which is knowingly signed, and results in a negative unencumbered cash balance is a violation of Ohio Revised Code section 5705.412, punishable by personal liability of \$10,000, unless an alternative “412” certificate can be issued pursuant to House Bill 153 effective September 30, 2011.

	FY25	FY26	FY27	FY28	FY29
Ending Unreserved Cash Balance Line #15.010	<u>\$20,664,537</u>	<u>\$17,765,794</u>	<u>\$13,148,480</u>	<u>\$7,397,798</u>	<u>\$330,569</u>

True Cash Days Ending Balance

Another way to look at ending cash is to state it in “True Cash Days”. This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) which equals the number of days the District could operate without additional resources or a severe resource interruption. The Government Finance Officers Association recommends that no less than two (2) months or 60 days of cash is on hand at year-end, but could be more depending on each District's complexity and risk factors for revenue collection. The calculation includes transfers, as this is a predictable funding source for other funds such as capital, athletics, and severance reserves.

To maintain a strong credit rating from Moody's, the District's “True Cash Days” is preferred to be approximately 150 days. This is not established through Board policy but rather an internal metric utilized by its Administration and monitored by the Audit Committee. This is one of the key metrics the District utilizes to determine when additional operational resource should be considered in the form of a levy.



As you read the notes and review the forecast, remember that the forecast is based on historical trends, current market conditions and the best information that is available to us at the time the forecast is prepared.