

MAY 2020 FORECAST UPDATE

Brecksville-Broadview Heights City School District

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WHAT IS A FORECAST?

A forecast is a snapshot at a specific point in time and based off the most current information available.

Disclaimers:

1. A forecast is a living document and can change within hours or days of publication.
2. Assumptions laid out in this presentation in no way represent a baseline for any current or future negotiations with CBAs.
3. Due to the COVID-19 Pandemic all schools are in uncharted territory both academically and financially. BBHCSD will continue to monitor its financial situation as information becomes available and if necessary submit a formal update to the forecast should it create a large enough variance.

KIS STATEMENT

NOVEMBER TO NOW

	2020	2021	2022	2023	2024
Beginning Cash Balance	\$17,475,491	\$19,078,562	\$18,944,758	\$16,960,016	\$13,180,938
+ Revenue	\$53,015,495	\$52,609,270	\$52,889,175	\$53,149,454	\$53,428,678
+ Renewal Levies	\$0	\$0	\$0	\$0	\$0
+ New Levies	\$0	\$0	\$0	\$0	\$0
- Expenditures	\$51,412,424	\$52,743,074	\$54,873,917	\$56,928,532	\$59,201,689
= Revenue Surplus or Deficit	\$1,603,071	-\$133,804	-\$1,984,742	-\$3,779,078	-\$5,773,011
Ending Cash Balance with Levies	\$19,078,562	\$18,944,758	\$16,960,016	\$13,180,938	\$7,407,927

	2020	2021	2022	2023	2024
Beginning Cash Balance	\$17,475,491	\$18,796,718	\$18,623,374	\$17,547,870	\$14,984,844
+ Revenue	\$52,637,408	\$50,929,163	\$51,962,824	\$52,620,306	\$53,192,538
+ Renewal Levies	\$0	\$0	\$0	\$0	\$0
+ New Levies	\$0	\$0	\$0	\$0	\$0
- Expenditures	\$51,316,181	\$51,102,507	\$53,038,328	\$55,183,332	\$56,931,728
= Revenue Surplus or Deficit	\$1,321,227	-\$173,344	-\$1,075,504	-\$2,563,026	-\$3,739,190
Ending Cash Balance with Levies	\$18,796,718	\$18,623,374	\$17,547,870	\$14,984,844	\$11,245,654

HOW DID WE GET HERE FROM NOVEMBER?

- New CFO began February 2020
- Concerns existed since November of the rapidly decreasing cash balance by 2024
- COVID 19 Pandemic hits in full force March 2020
- Education quickly pivots to online learning
- Federal Government passes legislation to help schools financially – CARES
 - BBHCSD will receive approximately \$240,000
- State slashes the budget for FY20
 - Disproportionately affected “wealthier” districts. BBHCSD lost \$1.1 million in 60 days.
(23% of state funding)
- Using same methodologies from November and making no adjustments could result in a negative cash balance by 2025.

Revenues

Scenario	2020	2021	2022	2023	2024
	Amount	Amount	Amount	Amount	Amount
MAY FORECAST FINAL	\$52,637,408	\$50,929,163	\$51,962,824	\$52,620,306	\$53,192,538
November Forecast Recon CY1	\$53,015,495	\$52,609,270	\$52,889,175	\$53,149,454	\$53,428,678

Expenditures

Scenario	2020	2021	2022	2023	2024
	Amount	Amount	Amount	Amount	Amount
MAY FORECAST FINAL	\$51,316,181	\$51,102,507	\$53,038,328	\$55,183,332	\$56,931,728
November Forecast Recon CY1	\$51,412,424	\$52,743,074	\$54,873,917	\$56,928,532	\$59,201,689

Ending Cash Balances					
Scenario	2020	2021	2022	2023	2024
	Amount	Amount	Amount	Amount	Amount
MAY FORECAST FINAL	\$18,796,718	\$18,623,375	\$17,547,871	\$14,984,845	\$11,245,656
November Forecast Recon CY1	\$19,078,562	\$18,944,758	\$16,960,015	\$13,180,937	\$7,407,925

REVENUE HISTORY AND ASSUMPTIONS

- Revenues saw a large jump from 2017 to 2018 due to the passage of a levy and reappraisal from the county auditor.
- Revenues then jumped again in FY 2020 due to growth in valuation.
- Real Estate Taxes
 - Accounts for 72% of total revenue – Class I (residential 78% of that)
 - Historically real estate growth has been 6%, but we project 1.6% thru 2024
 - Revenues should be kept conservative
 - Impacts of COVID-19 are unknown at this time.
- Public Utility Personal Property – PUPP
 - Taxed at full voted tax rate (2019 – 78.43 mills)
 - Historically this has increased by \$104,927 – we project \$65,000 annually through FY 2024

REVENUE HISTORY AND ASSUMPTIONS CONTINUED

- Unrestricted State Aid
 - BBHCSD has been on the guarantee – thus this has remained extremely stable year after year. Until COVID...
 - BBHCSD will absorb an almost \$700,000 loss in FY2020 and carryover approximately \$400,000 loss (for FY2020) into FY2021.
 - Additionally we assume that FY21 aid will be an equal reduction (1.1million) bringing state aid reduction for FY21 to approximately \$1.5million.
 - In FY22, we assume we would recover half of the loss back (plus we would true up the \$400,000 carryover from FY20). This adds about \$900,000 back for FY22.
 - In FY23, we assume we would recover a quarter of the original loss.
 - In FY24, we assume to return to FY19 funding levels.

REVENUE HISTORY AND ASSUMPTIONS CONTINUED

- Restricted Grants in Aid
 - Economically disadvantaged funding
 - Career and Tech Funding
 - Catastrophic Aid – unpredictable number year to year.
 - Less than 1% of total revenue
 - Assumes equal funding for FY20 and FY21
 - Assumes zero for 22-24. Update expected for November 2020.
- Property Tax Allocation
 - Homestead and Rollback – slowly decreases over time as part of this is phased out.
- Other Revenue
 - Can vary the most from year to year – assumes relatively steady revenue. 3% of total revenue.
 - Casino Revenue projected to decrease due to COVID-19
- TIF – no revenues have been assumed into this forecast regarding the TIF

EXPENDITURE HISTORY AND ASSUMPTIONS

- Personnel Services

- Accounts for 62% of all expenditures
- Assumes 2% base increase per CBA in FY21
- Assumes 1% base increase in FY22 thru 24 (approx. \$240,000)
- Assumes steps continue year after year
 - Approx (\$360,000 annually)
- Assumes reduction of approximately \$800,000 in salaries for FY21
- Assumes increase of \$400,000 in salaries for FY22 and FY23 respectively

- Benefits

- Retirements, W.C, Incentives, Medicare, Healthcare benefits
- Accounts for 22-24%
- Assumes 10% increases each year in healthcare (historically accurate)
- Other items are straight percentage of salaries and increases trend with salaries.

EXPENDITURE HISTORY AND ASSUMPTIONS CONTINUED

- Purchased Services
 - Accounts for 10% of total expenditures
 - Examples in this category
 - Tuition
 - Special Education Tuition
 - Special Education Transportation
 - Legal Fees
 - Substitutes
 - Utilities, etc
 - Reductions of some contracts are assumed.
 - 1% increase assumed after that
- Supplies
 - Anticipation of increased supplies for FY21 due to COVID-19
 - FY20 is decreased due to the school year moving to online instruction. Many supply orders were not placed.
 - Re-evaluation of all supplies is currently underway.
- Capital Outlay
 - Capping this at \$100,000 per year.

GENERAL COMMENTS

- If we do nothing, we seriously put our financial position in jeopardy far sooner than anticipated.
- We expect to hear within the next 4 weeks what the Governor will propose for FY21 budget adjustments.
- The district will hold off on all decisions for reductions/concessions as long as we feasibly can.
 - Reductions is a comprehensive look at all district operations and will continue to evolve
 - Bussing, PTP, Salaries, Benefits, etc.
- New Building Assumptions
 - At the time of this forecast, information is not available to project reductions/savings as a part of the new PreK-5 building. We hope to have preliminary information for the November forecast.