

Reading Community City School District Five-Year Forecast Update – November 20, 2020



Colette Lewis, Treasurer

Five-Year Forecast Objectives

The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.

Objectives for the five-year forecast are:

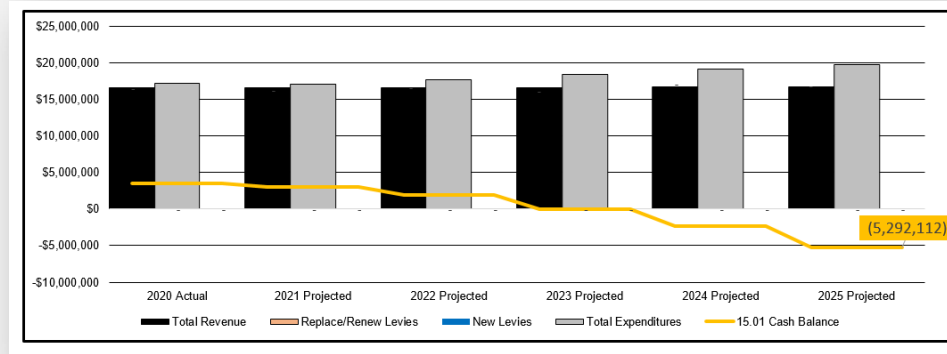
1. To engage the BOE and community in the long term planning and discussions of the school district's finances.
2. To serve as a basis for determining the school district's ability to sign the "412 certificate" required by O.R.C. §5705.41
3. To provide a method for the ODE and Auditor of State to identify school districts with potential financial problems.
 - Forecasts are submitted in May and November.

Forecast Methodology:

1. This forecast is prepared based upon historical trends and current factors.
2. The information is then extrapolated into estimates for future years and variables can change multiple times throughout the fiscal year.



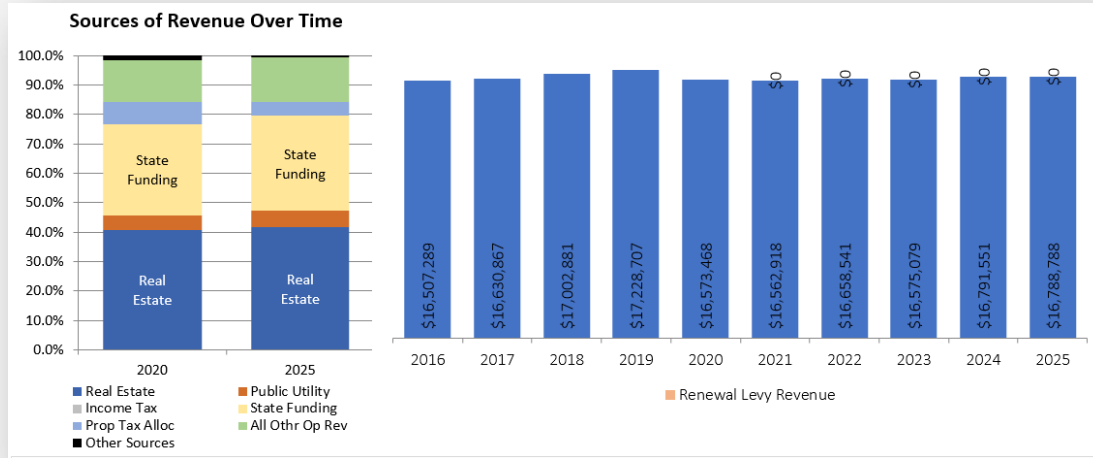
Executive Summary



In FY 2021 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by ~\$553,000 in FY 2021. By the last year of the forecast, FY 2025, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by ~\$2,995,000.

The district would need to cut its FY 2025 projected expenses by 17.84% in order to balance its budget without additional revenue. The district's cash balance is positive at year-end in FY 2021 and is projected to worsen by FY 2025.

Revenue

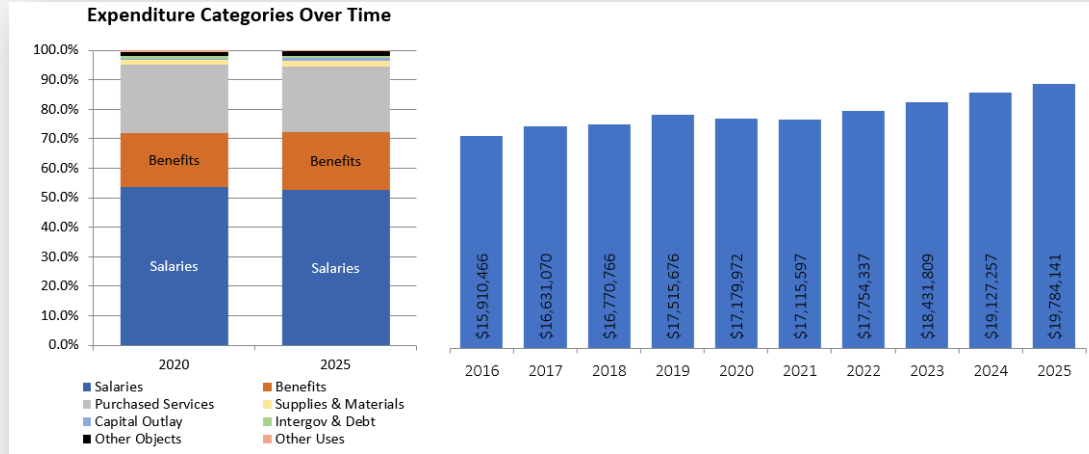


As previously discussed, state funding was impacted by the global pandemic in May 2020. The forecast is projecting the current state funding reductions through FY 2024. In addition, the forecast is continuing to phase out the tangible personal property through FY 2024, reduced casino revenue in FY2021 and returning to normal rates in FY2022.



On an annual average basis, expenditures are projected to grow faster than revenue.

Expenditures



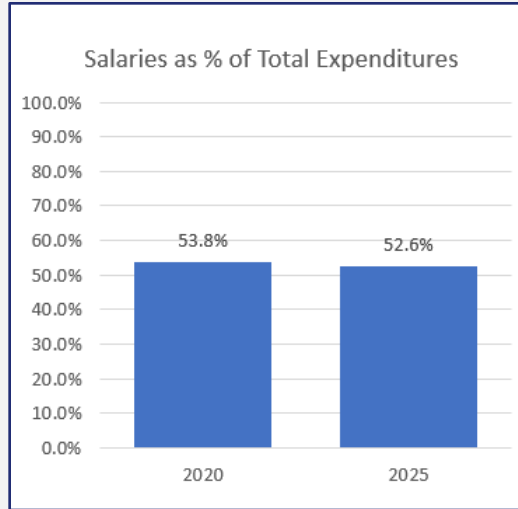
Total expenditures increased 1.12% or \$183,000 annually during the past five years and is projected to increase 3.03% or \$521,000 annually through FY2025. Purchased Services has the largest projected average annual variance compared to the historical average at \$203,000. The current forecast has included assumptions to incorporate additional needs to allow for future financial planning (maintenance, technology, and curriculum).



On an annual average basis, revenues are projected to grow slower than expenditures.

Salaries and Staffing Assumptions

Staff salaries make up about 53.8% of the total budget.



Salaries represent 53.8% of total expenditures and increased at a historical average annual rate of 2.93% (\$254,681). This category of expenditure is projected to grow at an average annual rate of 2.49% (\$234,485) through FY 2025.

Ohio Department of Education notified The District in December 2019 that it was considered to be in “precautionary” watch due to a negative cash balance in FY2023. To offset increased cost and loss of funding, the district implemented approximately \$1.8M in budget reductions (staffing, building budgets, & purchased services).

In FY 2020 and FY 2021 staff agreed to a 0% increase to their base salaries. The current forecast does include assumptions for an average increase of 1.88% to the base salary for future years and accounts for years of experience.

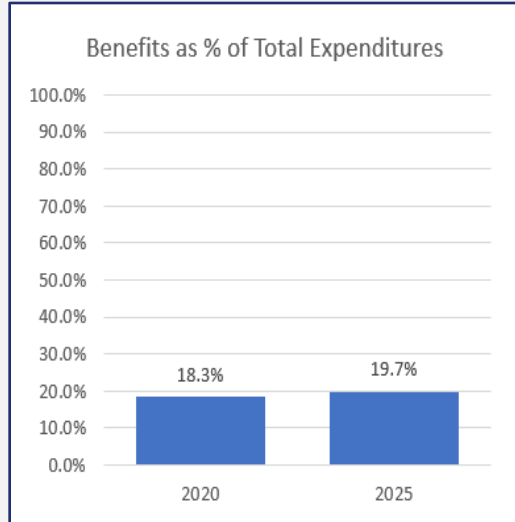
In FY2022 the forecast assumes the following:

- Reimplementing 3 teaching positions
- .5 FTE Dean of Students

Major shifts in programming and/or delivery models resulting in additional staff will significantly impact this forecast.

Staff Benefit Assumptions

Staff benefits make up 18.3% of the total budget.



Benefits represent 18.3% of total expenditures and increased at a historical average annual rate of 3.14% in the previous five years.

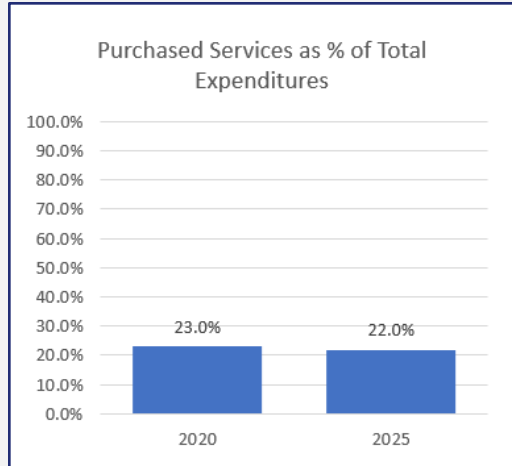
Staff benefits represent the cost of employee retirement, health, dental, and life insurance. The cost consist mostly of employer retirement contributions (14%) and employer paid health insurance premiums (85%).

Health insurance reflects a 4.0% increase (actual) in FY 2021, and a increase of 9.0% through FY 2025. The increase of 10% in FY 2019 is driving the assumptions for the remaining years of the forecast.

This category of expenditure is projected to grow at an annual average rate of 1.36% through FY 2025 which is lower than previous forecast. This decrease in average rate is due to the staff reductions that were implemented during the FY2021 school year.

Purchased Services

Purchased Services make up 23.0% of the total budget



Purchased services accommodates amounts paid for personnel who are not on the RCCSD payroll. This category includes transportation, support education paraprofessionals, legal support, substitute teachers, clinic nurses, custodial staff, communication, and technology support.

The District has made additional efforts in FY2021 to help reduce cost by transitioning to new custodial and technology companies as well as eliminating six aide positions as a result of realignment.

In addition, the district will be implementing a new maintenance plan to support and maintain the 215,000 square foot building. In order to maintain and operate the PK-12 building additional personnel and support is required (assumed in this forecast). Our current maintenance department consist of one personnel.

Abbreviated Forecast

Reading Community City SD

Fall Submission

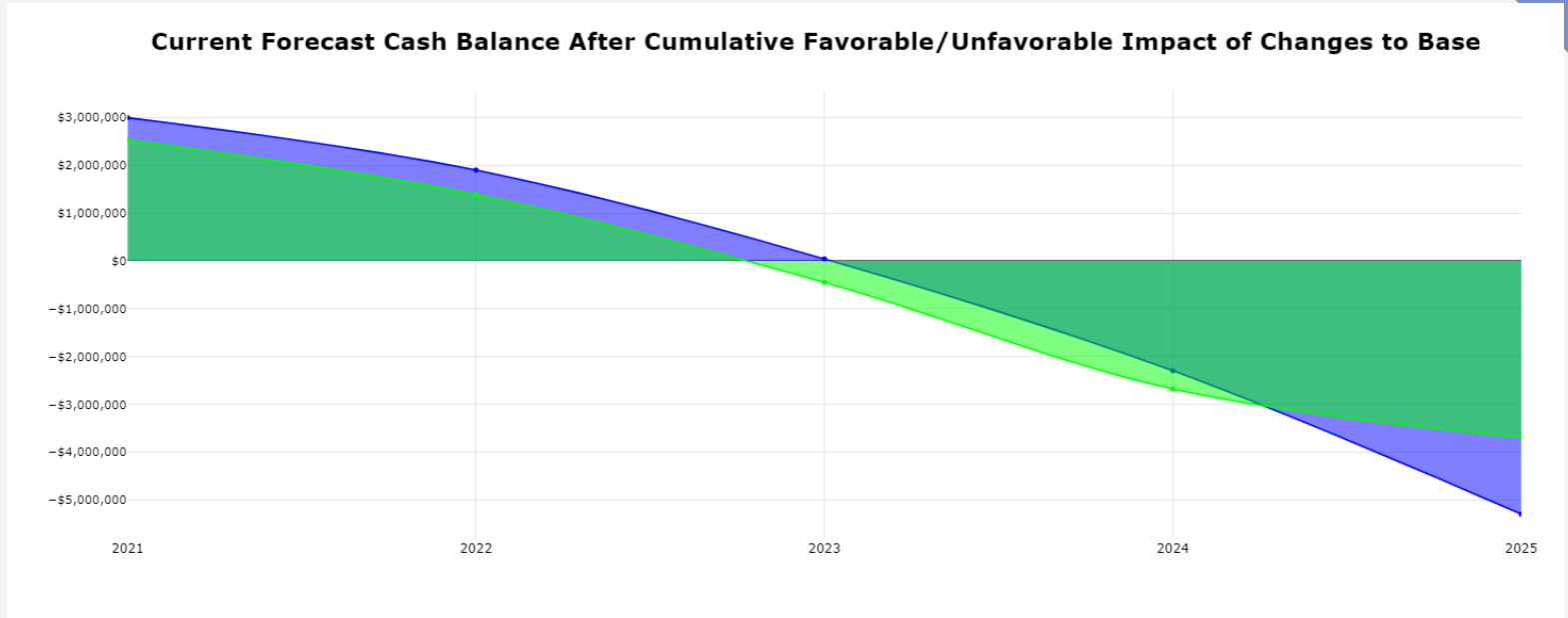
Simplified Financial Statement

	2021	2022	2023	2024	2025
Beginning Cash Balance	\$3,544,153	\$2,991,474	\$1,895,678	\$38,948	-\$2,296,758
+ Revenue	\$16,562,918	\$16,658,541	\$16,575,079	\$16,791,551	\$16,788,788
+ Renewal Levies	\$0	\$0	\$0	\$0	\$0
+ New Levies	\$0	\$0	\$0	\$0	\$0
- Expenditures	\$17,115,597	\$17,754,337	\$18,431,809	\$19,127,257	\$19,784,141
= Revenue Surplus or Deficit	-\$552,679	-\$1,095,796	-\$1,856,730	-\$2,335,706	-\$2,995,353
Ending Cash Balance with Levies	\$2,991,474	\$1,895,678	\$38,948	-\$2,296,758	-\$5,292,111
Revenue Surplus or Deficit without Levies	-\$552,679	-\$1,095,796	-\$1,856,730	-\$2,335,706	-\$2,995,353
Ending Cash Balance without Levies	\$2,991,474	\$1,895,678	\$38,948	-\$2,296,758	-\$5,292,111

**Balances not reduced for encumbrances or reservations



Impact of Reductions



Summary and Next Steps

Key Components:

- RCCSD has been forecasting a deficit for the last two years.
- In November of 2018, the local taxpayers approved a continuous substitute levy that replaced an expiring emergency levy.
- The District faced unexpected budget cuts due to the global pandemic in May 2020.
- In FY 2021 a revenue shortfall is still expected and the shortfall is anticipated to continue to grow throughout the entire forecast.
- The district's cash balance is positive at year-end in FY 2021.
- The forecast cash balance is expected to erode before FY2024.

Additional Considerations:

Previous five-year forecast assumptions have indicated a need for an operating levy in 2020. However, the Board of Education approved reductions totaling ~\$1.8M for FY2021 to avoid an operating levy during a global pandemic. The negative cash balance is an indicator that levy planning should begin in FY2021.

The District should begin developing an operating levy strategy to be on the ballot no later than November 2021.

