

# Reading Community City School District Five-Year Forecast Update – May 5, 2021

Colette Lewis, Treasurer



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*Ensuring transparent and responsible use of district resources to provide the highest quality education for our students.*

# What is a Five-Year Forecast?

The intent is to provide the district's financial trend over five years and it is the roadmap to help make decisions that are financial sustainable.

## **Objectives for the five-year forecast are:**

1. To engage stakeholders regarding the school district's finances
2. To serve as a basis for determining the school district's ability to sign a "412 certificate" required by O.R.C. §5705.41
3. To provide a method for ODE and Auditor of State to identify school districts with potential financial problems

## **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

By law every Board of Education is required to approve a forecast and it must be submitted to ODE in May and November.

Forecast are constantly changing and adapting to the needs of the district.



# Five-Year Forecast

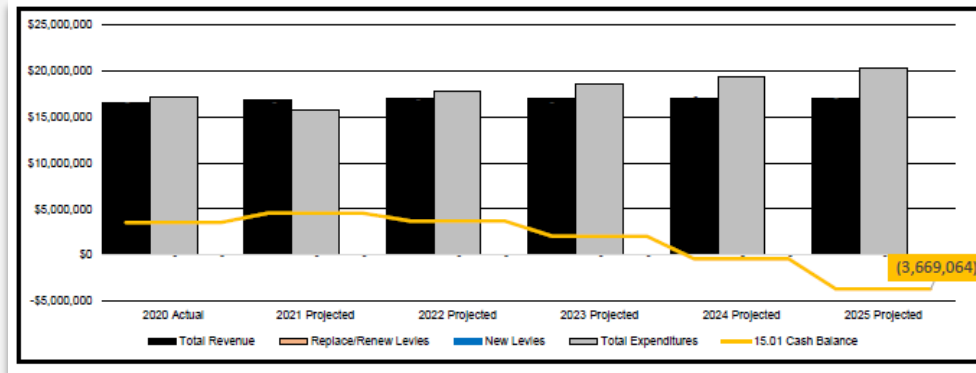
This five-year forecast is being filed during a recovery from the COVID-19 Pandemic and a health and financial struggle that encompassed our state, country and global economy. School districts play a vital role in their communities and we believe it is important to maintain continuity of services to our students and staff. The district has maintained services to students throughout the Pandemic in accordance with Ohio and Hamilton County Department Health guidelines.

The State of Ohio's economic pressure has not been as great as first expected due to the effects of the pandemic thus the restoration of a portion of the original school foundation funding cuts was ordered by Governor DeWine on January 22, 2021. Federal funding sent to school districts through the Elementary and Secondary Schools Education Relief Funds (ESSER) has also been a much needed resource to offset additional expenses like personnel, personal protective equipment, and cleaning costs caused by the pandemic.

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.



# Executive Summary

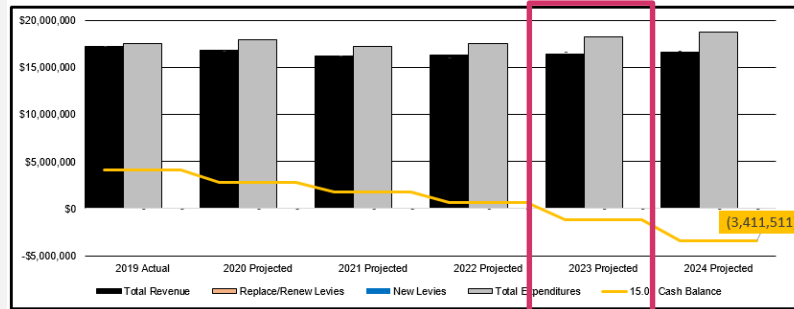


In FY 2021 a revenue surplus is expected because of the ability to supplant ESSER II funds and budget reductions made prior to the start of the 2020-2021 school year. This means that expenditures are expected to be less than revenue by  $-\$1,027,430$  in FY 2021. By the last year of the forecast, FY 2025, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue causing an expected negative cash balance of  $\$3,669,064$ .

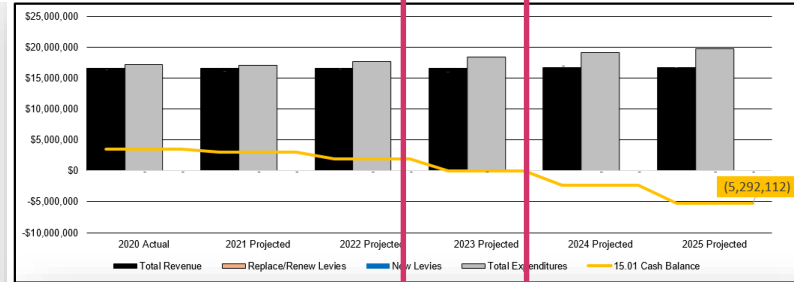
The district would need to cut its FY 2025 projected expenses by 16.15% in order to balance its budget without additional revenue.



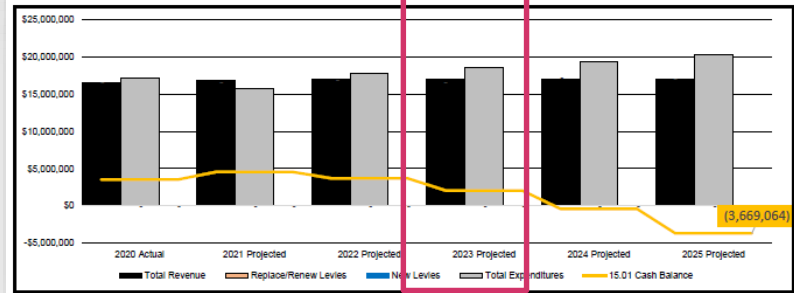
## May 2020 Submission Forecast



## November 2020 Submission Forecast

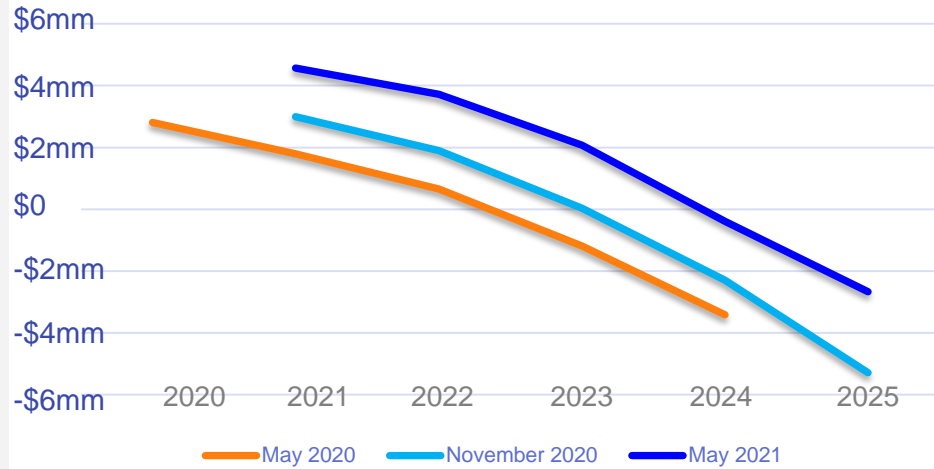


## May 2021 Submission Forecast



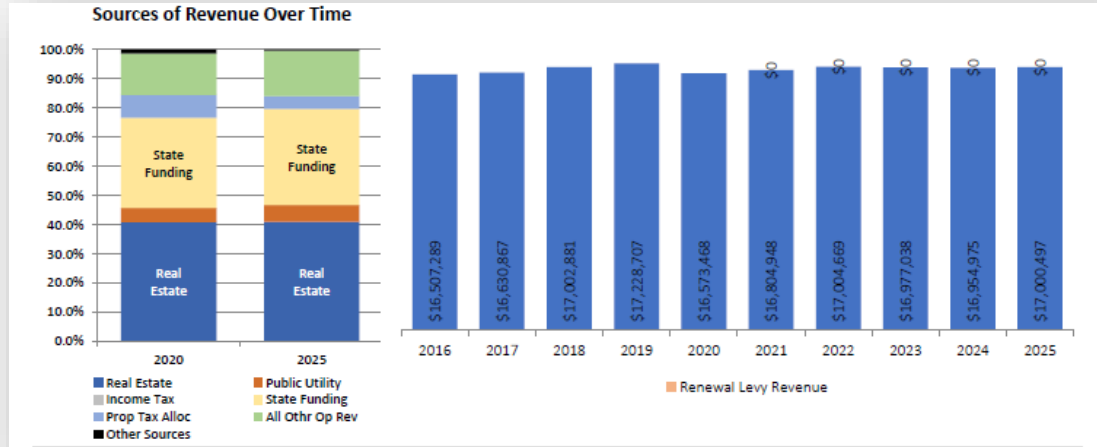
\* The last two years in the forecast indicate there is still a need for an operating levy in the near future.

## Fiscal Year End Cash Balance



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# Revenue



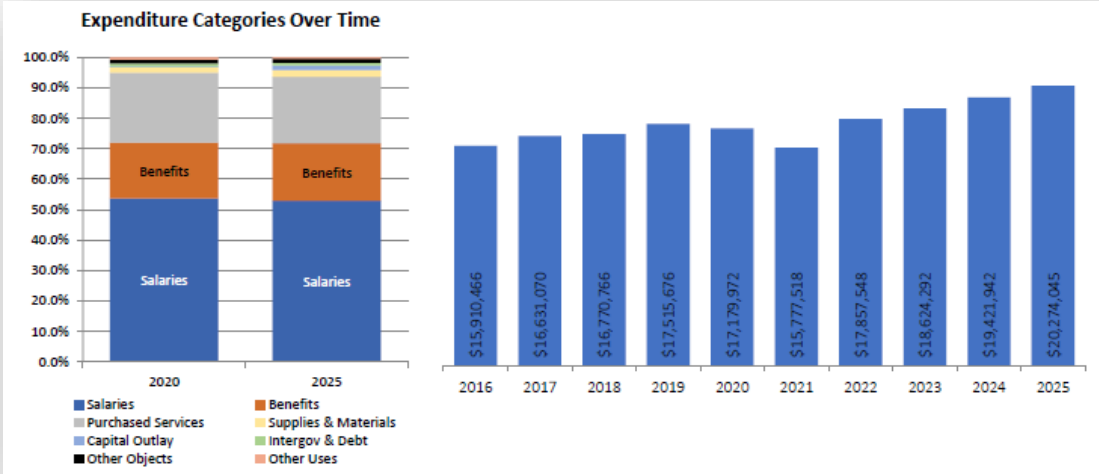
The forecast is projecting the current state funding to return to ~FY2019 levels. It is important to note that this submission of the forecast has not made any other assumptions regarding funding formulas that are currently in legislation, ESSER III funds, or the Duke Pipeline project.

The forecast is continuing to phase out the Tangible Personal Property through FY 2024, casino revenue returning to normal rates in FY2022, and open enrollment rates to continue at the FY2021 levels.



If needed, the forecast can be reevaluated and resubmitted at a future date.

# Expenditures



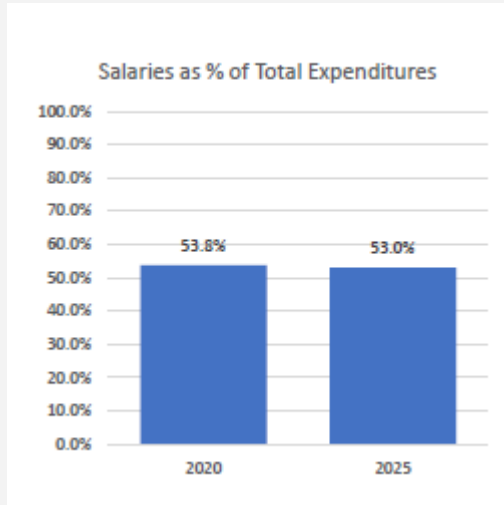
Total expenditures increased 1.12% or \$182,967 annually during the past five years and is projected to increase 3.60% or \$618,814 annually through FY2025. Purchased Services has the largest projected average annual variance compared to the historical average at \$218,190. The current forecast has included assumptions to incorporate additional needs to allow for future long term financial planning (maintenance, technology, and curriculum).





# 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% or \$254,681. This category of expenditure is projected to grow at an average annual rate of 3.41%.

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 \$1.8 million 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.

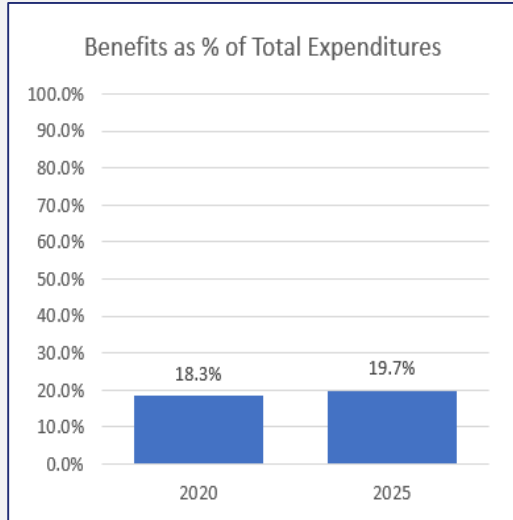
The forecast accounts for three accepted retirements and the severance payments for the next two school years.



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.

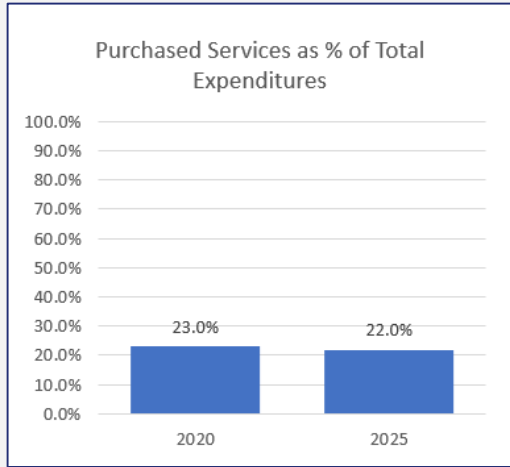
Staff benefits represent the cost of employee retirement, health, dental, and life insurance. The cost consist mostly of employer retirement contributions (14%) and employer paid health insurance premiums (85%).

Health insurance reflects a 4.0% increase (actual) in FY 2021, 1% increase (actual) in FY 2022, and an 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 4.27% through FY 2025.

# 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 transitioned to a new custodial & maintenance company, integrated a new technology company and reduced six aide positions in FY2021. The district will continue to evaluate the needs of the district. Summer maintenance and planning will focus around painting, window cleaning, and additional maintenance needs that can only occur in the summer months. The district has implemented a long term maintenance plan and will continue to develop a long term plan for technology.

The pandemic has caused additional concerns around labor cost and the future impacts are being evaluated on a daily basis.

# Abbreviated Forecast

## Simplified Financial Statement

	2021	2022	2023	2024	2025
Beginning Cash Balance	\$3,544,153	\$4,571,583	\$3,718,704	\$2,071,449	-\$395,517
+ Revenue	\$16,804,948	\$17,004,669	\$16,977,037	\$16,954,976	\$17,000,498
+ Renewal Levies	\$0	\$0	\$0	\$0	\$0
+ New Levies	\$0	\$0	\$0	\$0	\$0
- Expenditures	\$15,777,518	\$17,857,548	\$18,624,292	\$19,421,942	\$20,274,045
<b>= Revenue Surplus or Deficit</b>	<b>\$1,027,430</b>	<b>-\$852,879</b>	<b>-\$1,647,255</b>	<b>-\$2,466,966</b>	<b>-\$3,273,547</b>
Ending Cash Balance with Levies	\$4,571,583	\$3,718,704	\$2,071,449	-\$395,517	-\$3,669,064
Revenue Surplus or Deficit without Levies	\$1,027,430	-\$852,879	-\$1,647,255	-\$2,466,966	-\$3,273,547
Ending Cash Balance without Levies	\$4,571,583	\$3,718,704	\$2,071,449	-\$395,517	-\$3,669,064

\*\*Balances not reduced for encumbrances or reservations



# Summary and Next Steps

## Key Components:

- FY2020: BOE approved reductions of ~\$1.8 million to be implemented prior to FY 2021
- FY2020: The District faced unexpected budget cuts due to the global pandemic in May 2020 but a portion reinstated in FY2021.
- FY2021: The district's cash balance is positive thru FY2023 due to supplanting of the ESSER funds.
- FY2024: The forecast cash balance is expected to erode before the end of FY2024
- Duke Pipeline: This forecast is not accounting for any revenue from the Duke Pipeline project.
- ESSERIII Funds: Not available in the Federal Grants System at this time but could provide additional relief.
- State Budget: Still unknown but expected to go back to the FY2019 level for the next biennium budget

## 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 ~\$1.8 million for FY2021 to avoid an operating levy during a pandemic. In addition the district received unexpected federal grants that provided direct relief to the general fund. **The negative cash balance is an indicator that levy planning should still be top of mind and further conversations on when RCCSD should be on the ballot.**

