

Twinsburg City School District

Summit County, Ohio



Five-Year Forecast Review
July 1, 2024 Through June 30, 2029

November 20, 2024

Presented By:
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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 include:**
 - General Funds (001);
 - Any special cost center associated with general fund money;
 - Emergency levy funds (016); and
 - Any debt service (002) activity that would otherwise have gone to the general fund.



Objectives of the Forecast

- To engage the Board of Education and the community 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 & Workforce and the Auditor of State to identify districts headed toward financial difficulties.



Purpose of the Forecast

- A planning tool to be used by the district's Board of Education and administration to identify and prepare for future district funding issues in support of its mission and vision.
- A key tool in meeting the district's priority of respecting taxpayers' investment by providing responsible management of resources as we continue our commitment to student success.
- Since information changes, twice/year the forecast will be updated.

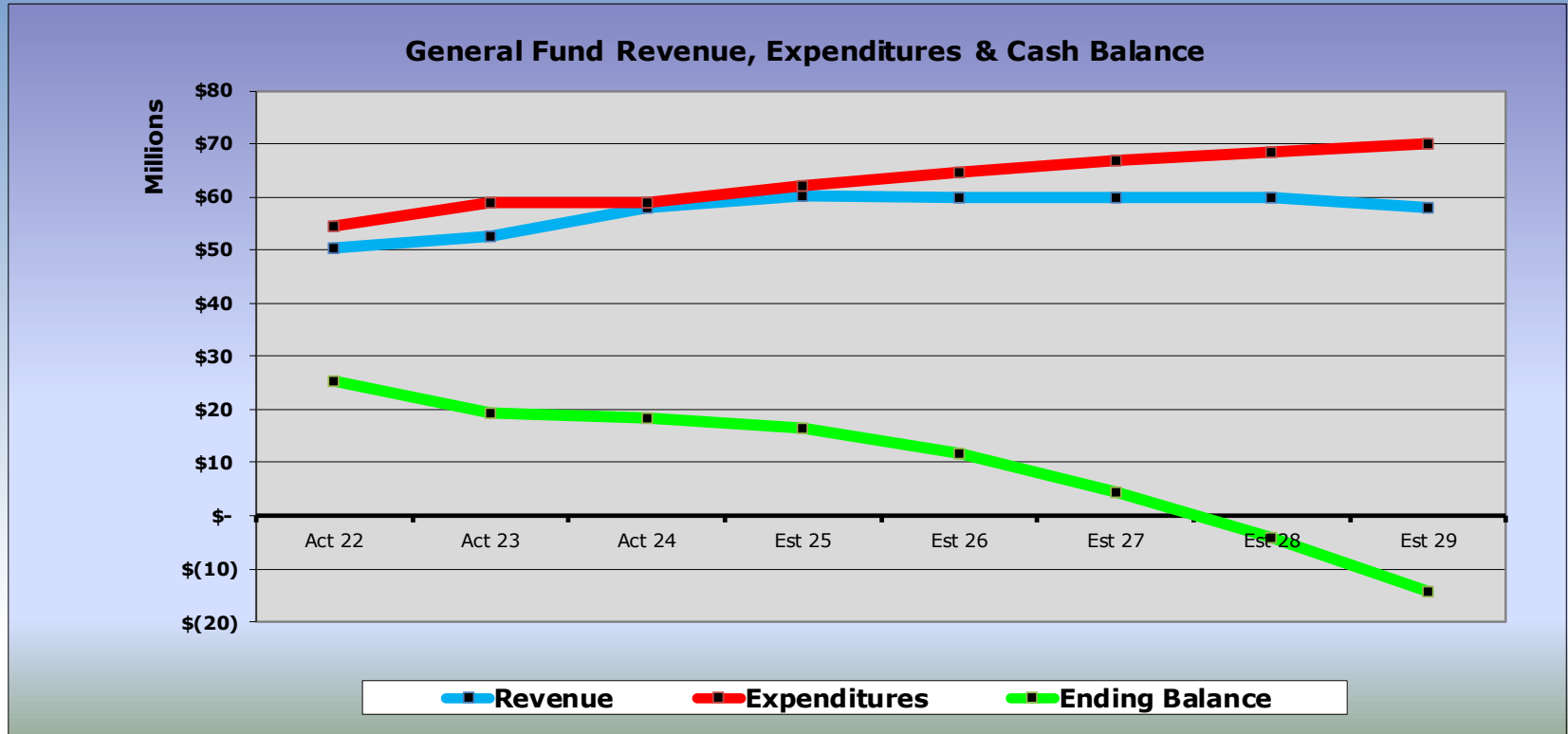


Key Line Items

- The five-year forecast is divided into two sections: 1) Revenue; and 2) Expenditures.
- A district's revenue is made up of two main sources: 1) Local; and 2) State funding.
- The expenditures mostly consist of salary and wages, benefits, purchased services, and supplies and materials.

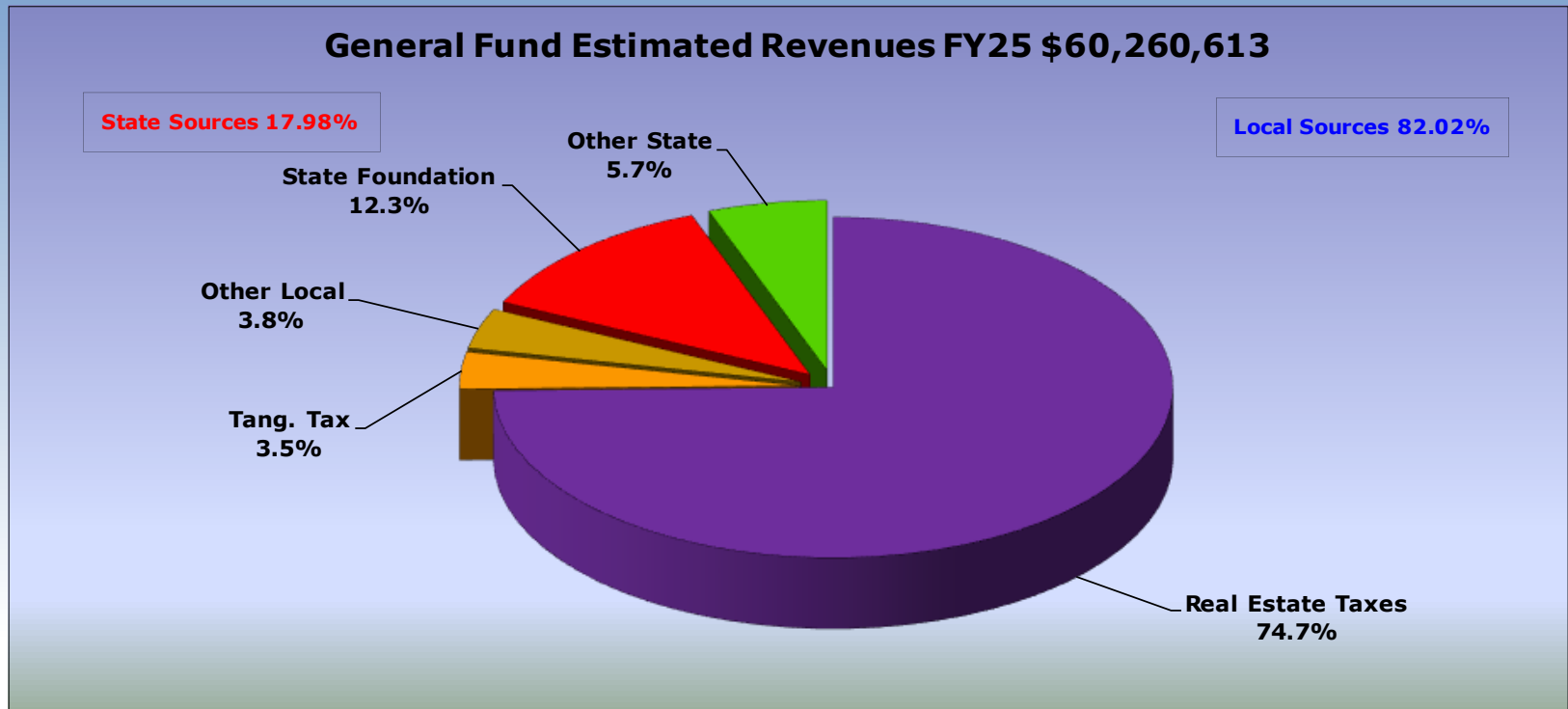


Revenue Vs. Expenditure



- Thanks to our supportive community, the \$6,210,000 levy passed on November 7, 2023, which has a major positive impact in our revenues.
- Models October #2 payment detail for State funding.
- Expenditures still exceed revenues in each year of the forecast.

Est. General Fund Revenue Sources FY25



- State of Ohio only contributes 17.98% in FY25 (less & less annually).
- District mostly reliant on local taxpayers for support.

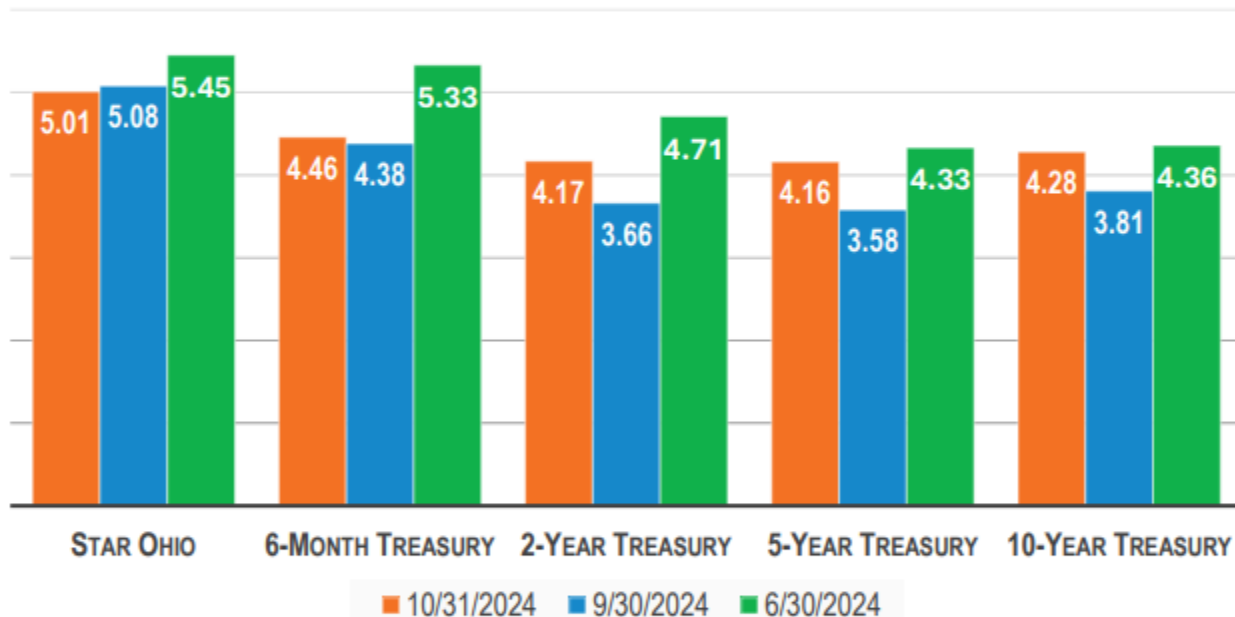
Operating Revenues

- TPP state reimbursement ended in FY22 when we received our final payment of \$633,610. As a recap, in FY19 we received \$3,108,754, and in FY15 we received \$6,671,486.
- Department of Education and Workforce lowered our revenue significantly this fiscal year due to rising property values and income levels.
- The above listed reasons leave us with no options but heavily relying on our residents, agricultural and commercial property taxes:
 - o Emergency levy of 6.2 million passed in November 2023; and
 - o The difference is from District valuation increase on the inside millage (about \$900K)



Benchmark Interest Rates

Interest Rates Movement

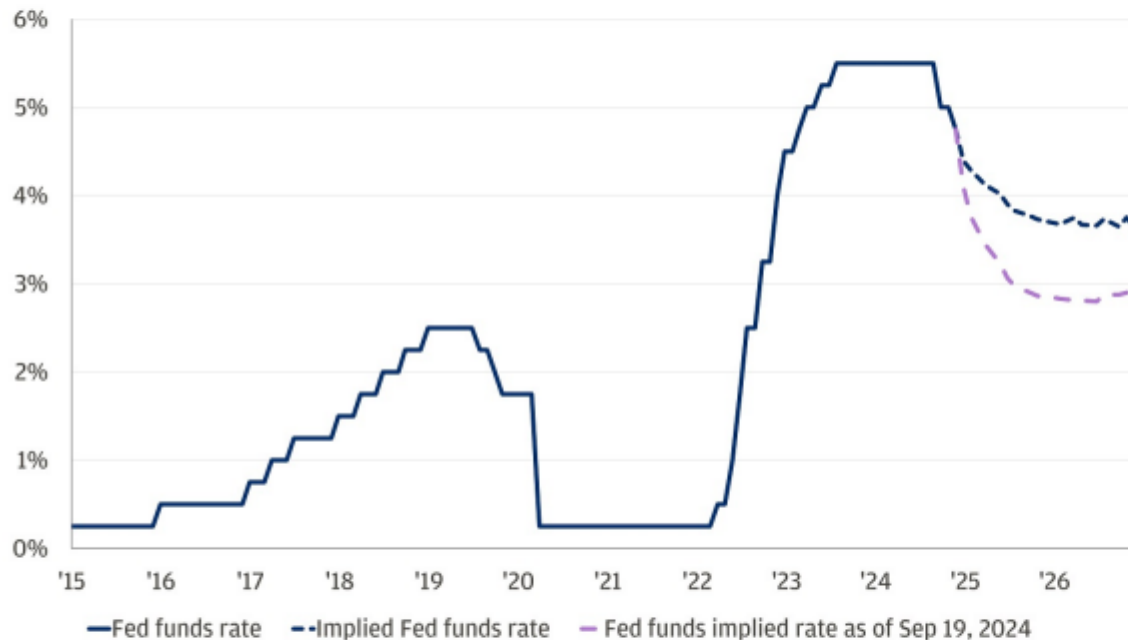


- Rates remain volatile as the market tries to predict future Fed decisions.
- Fed recently executed a 25 basis-point rate cut after lowering rates by 50 basis-points in September.
- Market rates increased after the election and remain volatile.

Market Still Forecasting Further Rate Cuts

The market is pricing Fed cuts through 2026

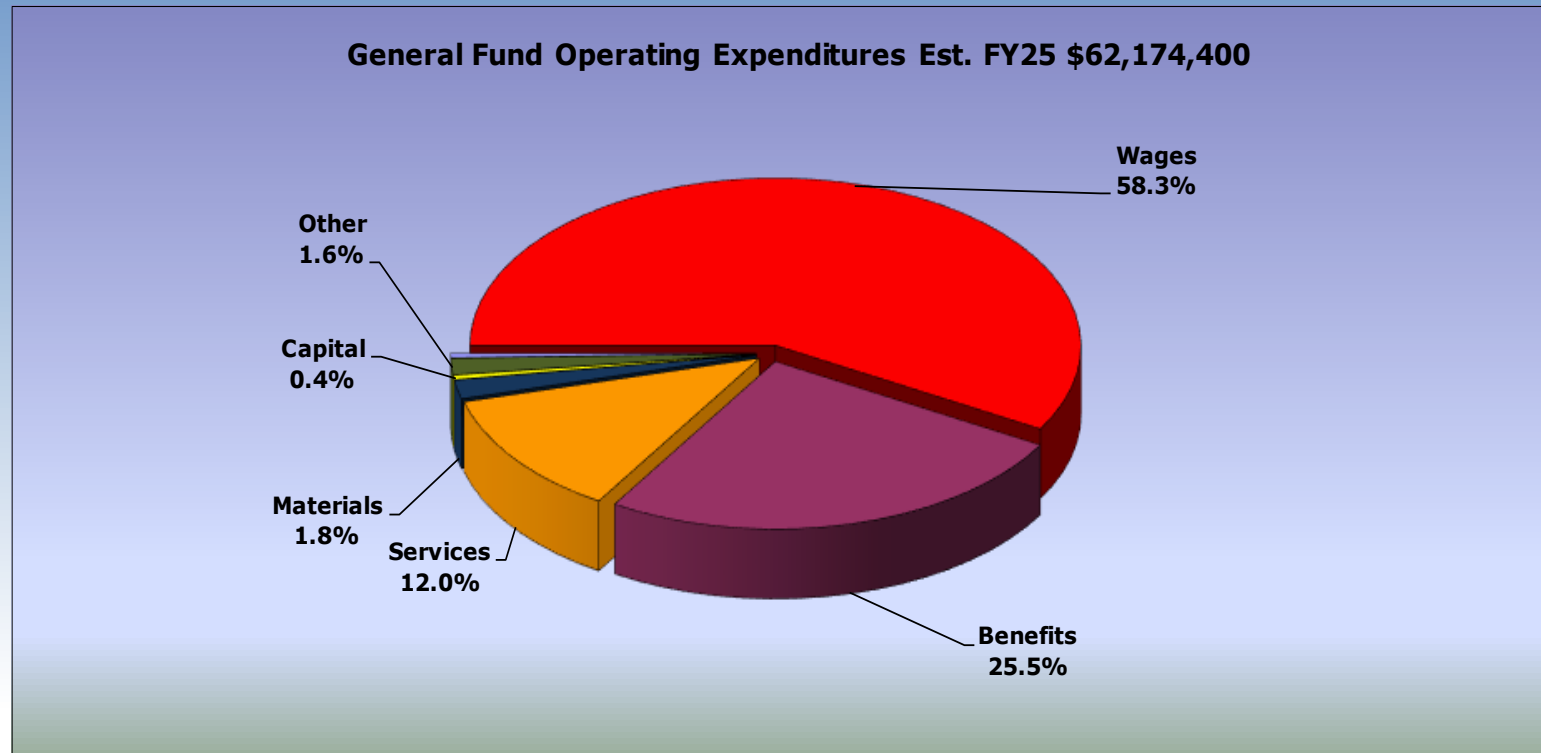
Fed funds and implied Fed funds rate, %



Source: Bloomberg Finance L.P. Data as of November 7, 2024.

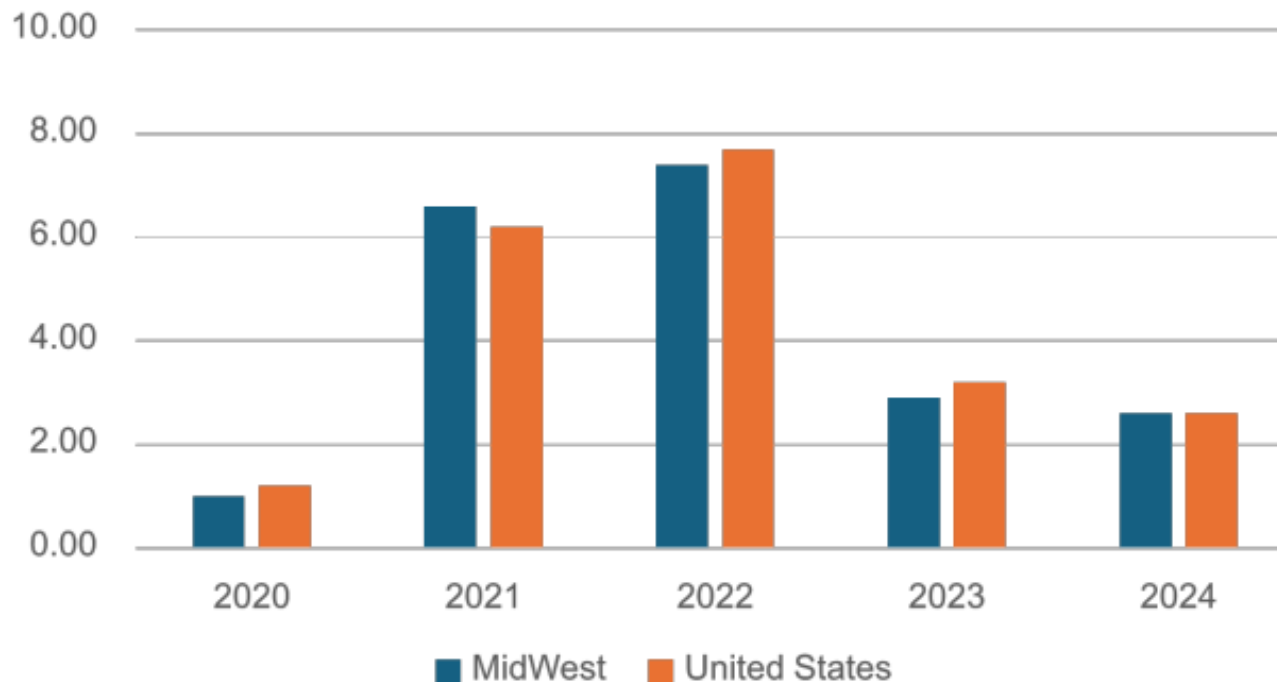
- Further rate cuts are expected but at a slower pace.
- 60% chance the Fed reduces rate by another 25 basis points in December.
- Market is suggesting the Fed takes a pause in January, assuming no major shift in economic releases.

Est. General Fund Expenditures FY25



- Wages and benefits are estimated at 83.8%. We also have additional wages in the “Purchased Services” section through the Educational Service Center of NE Ohio and the City of Twinsburg.
- Fringe benefits follow wages, and is the 2nd highest cost (and the fastest growing category) in this forecast.

Inflation Rates – Midwest vs United States
For the Periods Ending October 31st



- Inflation in the Midwest is following the same trends as the rest of the country
- Same concerns remain with the unknowns related to the likely tariffs and results on prices.

Increased Salary Expenses After Negotiations

- The staff reduction of May 2023 lowered our payroll cost in FY24 compared to FY23.
 - However, Negotiations of Spring 2024 are now being reflected as opposed to no increases were reflected in the Forecast in May 2024. This has caused a complete change in our Forecast (as we knew it would).
- As a recap, the Negotiations resulted in:
 - Certificated base increases of 2.5% for FY25 – FY27 and an annual signing bonus equivalent to three-quarters of one percent (0.75%) of the Base Salary.
 - Step increases cost the District anywhere between 2-4% annually.
 - Support staff received a \$1 per hour increase in FY25, a 2.0% base increase for FY26 and a 2.5% base increase for FY27.



Fringe Benefits:

- Prior years' forecasts included two (2) premium holidays for the entire forecast period, which then was changed in FY23 and after, to one (1) premium holiday each year.
- In the most recent years, FY2023, FY2024 and FY2025 we received one (1) premium holiday as opposed to between FY2010 and FY2022 the District has had either two (2) or three (3) months' worth of premium holidays. A history of rate increases are reflected in the next slide.



Rate and Premium History

The heat map illustrates a visual representation of rate increases:

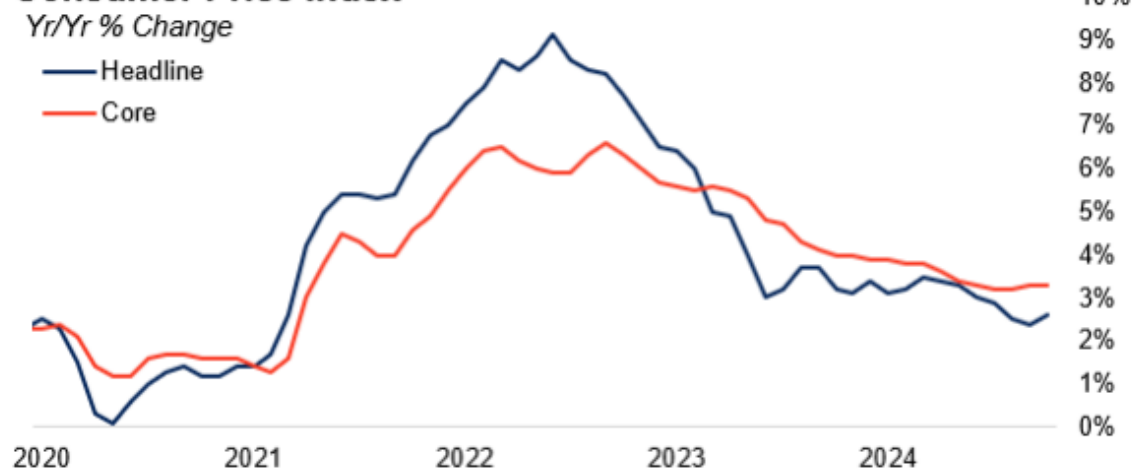
- **Green** – 5% or less
- **Yellow** – 5.1% - 10%
- **Red** – 10.1%+



YEAR	Premium Holidays	Percentage Increase		
		Medical & RX	Dental	Vision
97/98	1	5.0%	5.0%	5.0%
98/99	2	2.0%	2.0%	2.0%
99/00	1	2.0%	2.0%	2.0%
00/01	1	9.90%	9.90%	9.90%
01/02	1	8.0%	8.0%	8.0%
02/03	1	14.0%	14.0%	14.0%
03/04	1	8.0%	8.0%	8.0%
04/05	1	10.0%	10.0%	10.0%
05/06	1	10.0%	10.0%	10.0%
06/07	1	9.0%	9.0%	9.0%
07/08	1	9.80%	9.80%	9.80%
08/09	1	6.75%	6.75%	6.75%
09/10	2	9.80%	9.80%	9.80%
10/11	2	9.8%	9.8%	9.8%
11/12	3	5.0%	5.0%	5.0%
12/13	3	5.0%	5.0%	5.0%
13/14	2	4.5%	4.5%	4.5%
14/15	2	5.0%	5.0%	5.0%
15/16	2	2.6%	2.6%	2.6%
16/17	3	2.5%	2.5%	2.5%
17/18	2	5.4%	5.4%	5.4%
18/19	3	6.85%	6.85%	6.85%
19/20	2	3.25%	0.00%	0.00%
20/21	2	3.85%	0.00%	0.00%
21/22	2	3.90%	0.00%	0.00%
22/23	1	7.35%	0.00%	0.00%
23/24	1	7.98%	5.75%	2.50%
24/25	1	6.48%	3.95%	0.00%

The Latest on Inflation

Consumer Price Index



Source: BLS, Macrobond

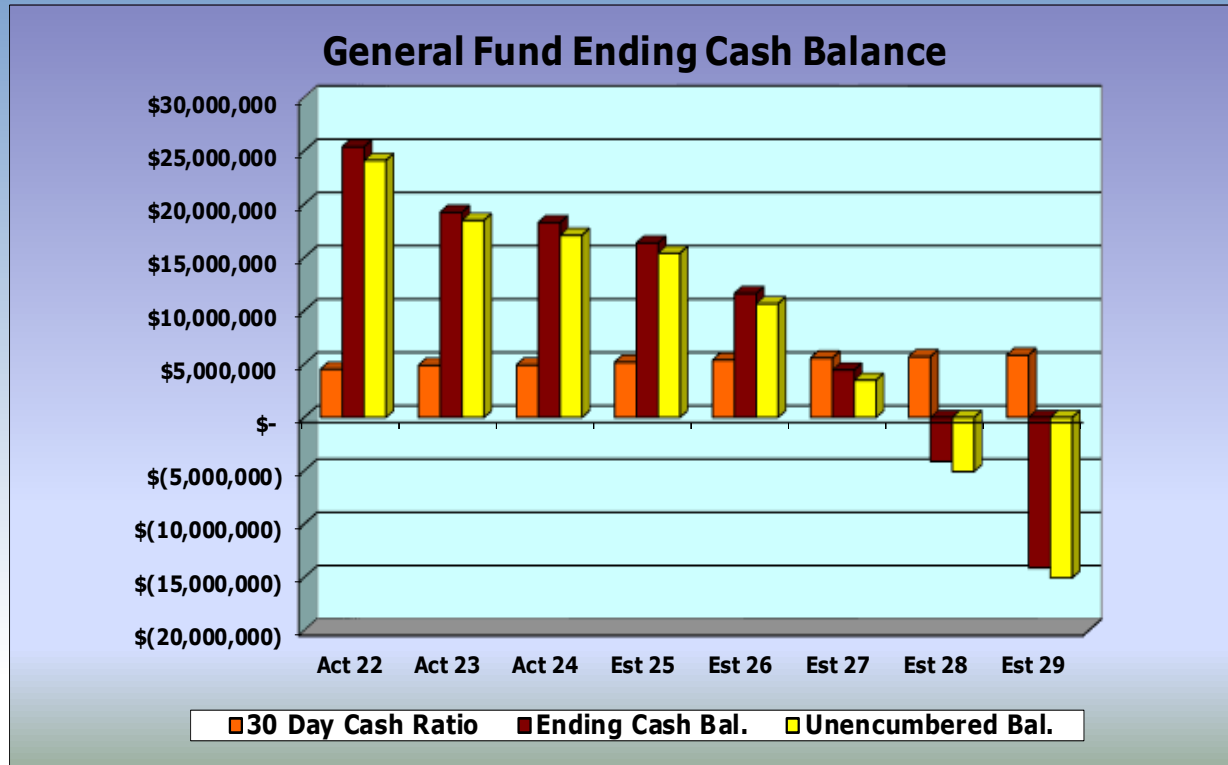
- CPI rose by 0.2% in October 2024, for a 2.6% year over year gain.
- Core inflation rose for the third month in a row to 3.3%. Core inflation removes food and energy.
- Inflation numbers give confidence the past Fed actions are moving in the right direction.

Source: Wall Street Journal



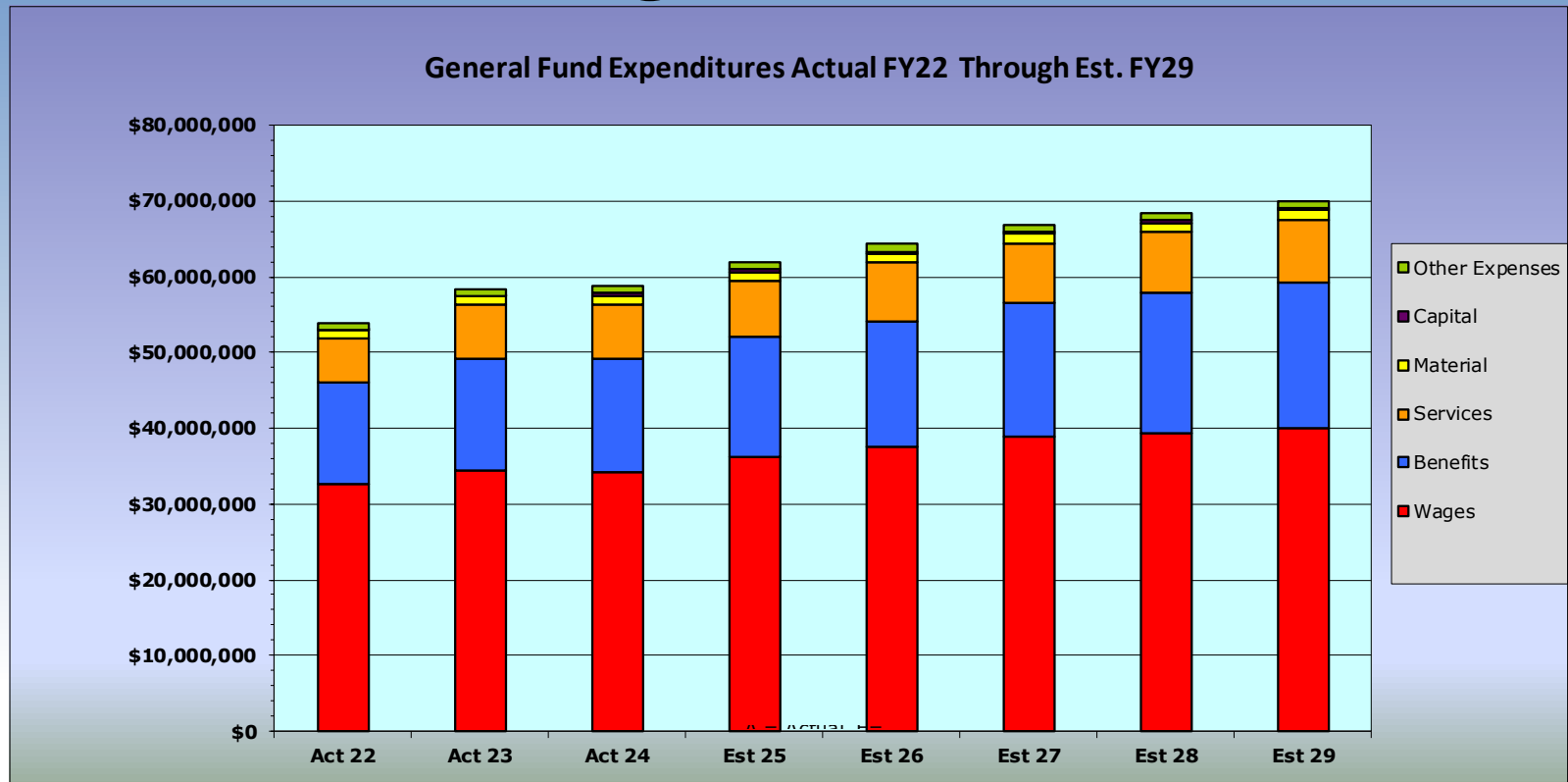
REDTREE
INVESTMENT GROUP

Ending Cash Balance - Includes Nov. 2023 Levy



- 30 – 60 day cash balance is a responsible and recommended target to end each fiscal year.
- No less than \$0, as required by Ohio law.
- Due to the Expenditure Reduction Plan, a supportive community passing the levy in November 2023, as well as the property valuation increases, we are projecting a positive cash balance throughout FY27.

General Fund Expenditures by Object FY22 Through Est. FY 29



- Expenses are projected to increase at about 4% year over year from FY24 through FY29.
- Revenue will be decreasing about 0.59% each forecasted year.
- The levy has helped the District's financials, but expenses continue to exceed revenues each year.

Summary

- The loss of \$6.6 million of TPP each year is something that we aren't able to recover from.
- In spite of the increased tax collections, we are still deficit spending every year of this forecast.
- Decreased state foundation revenues.
- Increased wage and benefit costs – we are the 2nd largest employer in Twinsburg.



Action Steps

- Continue to stay on course with the Reduction Plan.
- Finance Committee meeting scheduled for 12/16/24.
- Board of Education and Administrative team will continue exploring ways to lower expenses.



Thank You for Listening!

Questions and Answers



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