Twinsburg City School District

Summit County Ohio

General Fund
Five Year Forecast Review
July 1, 2022 Through June 30, 2027
May 17, 2023

Presented By: *Julia Rozsnyai, Treasurer/CFO*

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 are:
    - General Funds (001)
    - Any special cost center associated with general fund money
    - Emergency levy funds (016)
    - Any debt service (002) activity that would otherwise have gone to the general fund

Purposes and 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 and Auditor of State to identify school districts with potential financial problems.

Before we get to the numbers …

- A financial forecast is somewhat like a painting of the future based upon a snapshot of today.
- The five-year forecast is viewed as a key management tool and should be updated periodically.
- In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, one must review and consider the *Notes and Assumptions* before drawing conclusions or using the data as a basis for other calculations.
- The five-year forecast encourages 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.

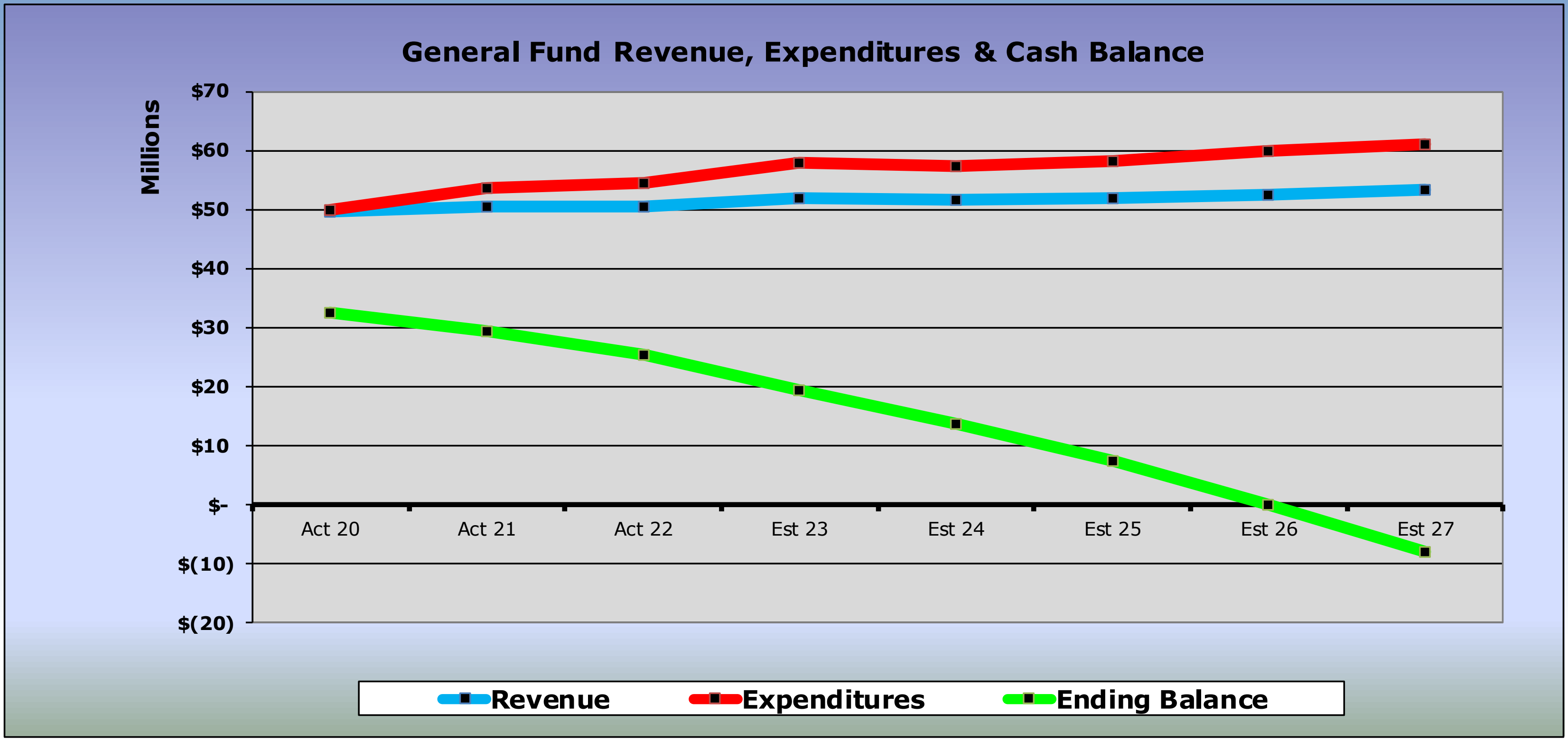
Key Line Items

- The five-year forecast is divided into two sections: revenue and expenditures.
- A district’s revenue is made up of two main sources, local and state funding.
- The expenditures are mainly salary and wages, benefits, purchased services, and supplies and materials.

Forecast Overview

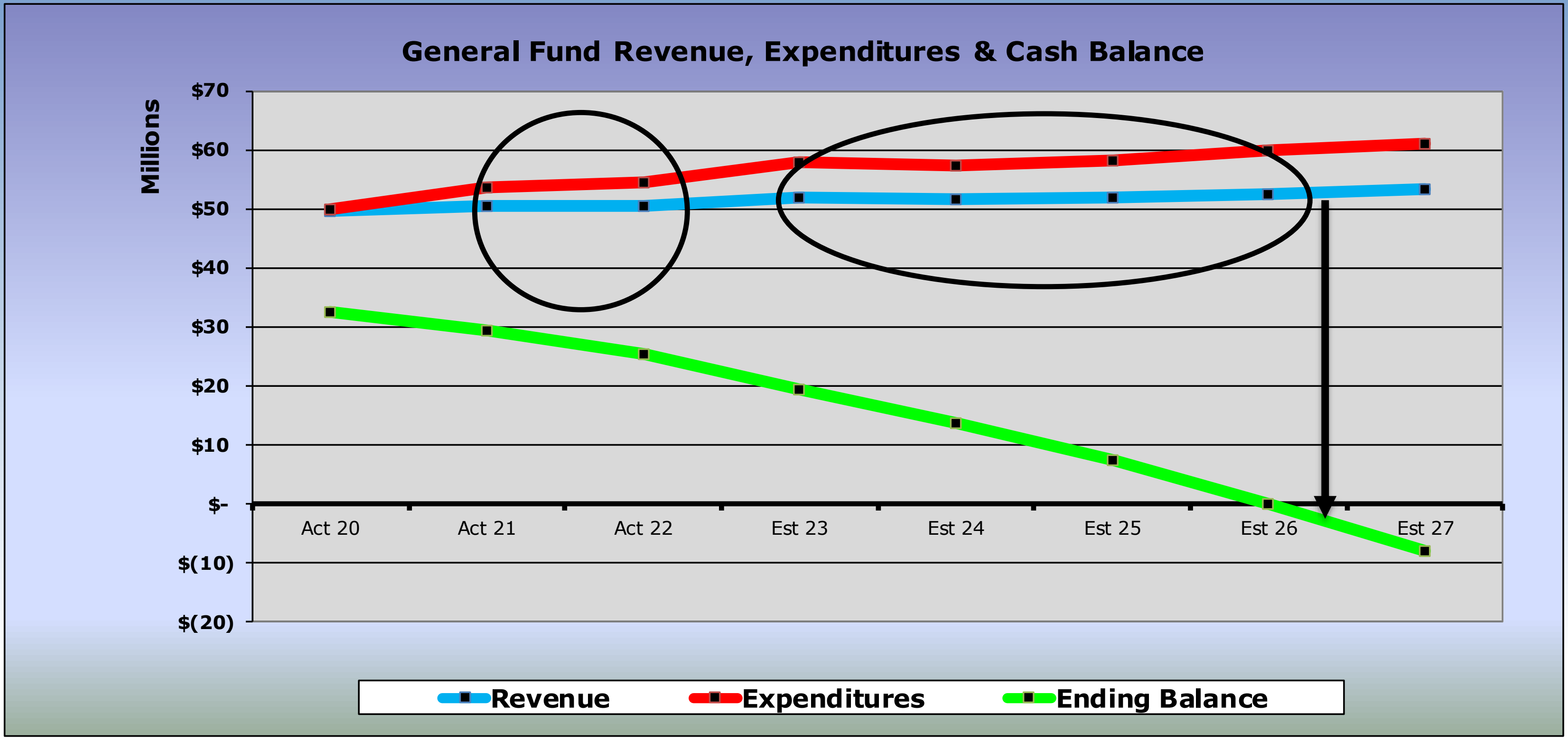
- HB166 the state budget initially froze funding at FY19 levels for FY20 & FY21, then budget cuts occurred in FY20 and FY21.
- May 6, 2020 due to COVID-19 state funding cut for FY20 & FY21… $1,419,260 combined total (= to 1.36 mills).
- FY22-26 restored to FY19 funding levels as part of the Guarantees in HB110 the Fair School Funding Plan which was new July 1, 2021.
- We are a formula district on the new state funding model.
- Property tax collections did not fall over the past two years due to the pandemic, in fact we are essentially at 100% collection with very little delinquencies.
- Our TPP state reimbursement continues to fall and be cut. FY22 is our last payment of $633,610….now it is gone.
- In FY19 we received $3,108,754….in FY15 we received $6,671,486.
- These are substantial revenue losses to our district and we must not forget that the small increases in state foundation funding will not make these losses up.
- With the drop in TPP reimbursement our revenue over the 5 year forecast is essentially flat at 1% growth while expense grow 2.6% on average each year.

Revenue Vs. Expenditure



- Expenditures began exceeding revenues in FY20.
- Models most current state revenue data for FY22 & FY23 with HB110 new funding model.

Revenue Vs. Expenditure



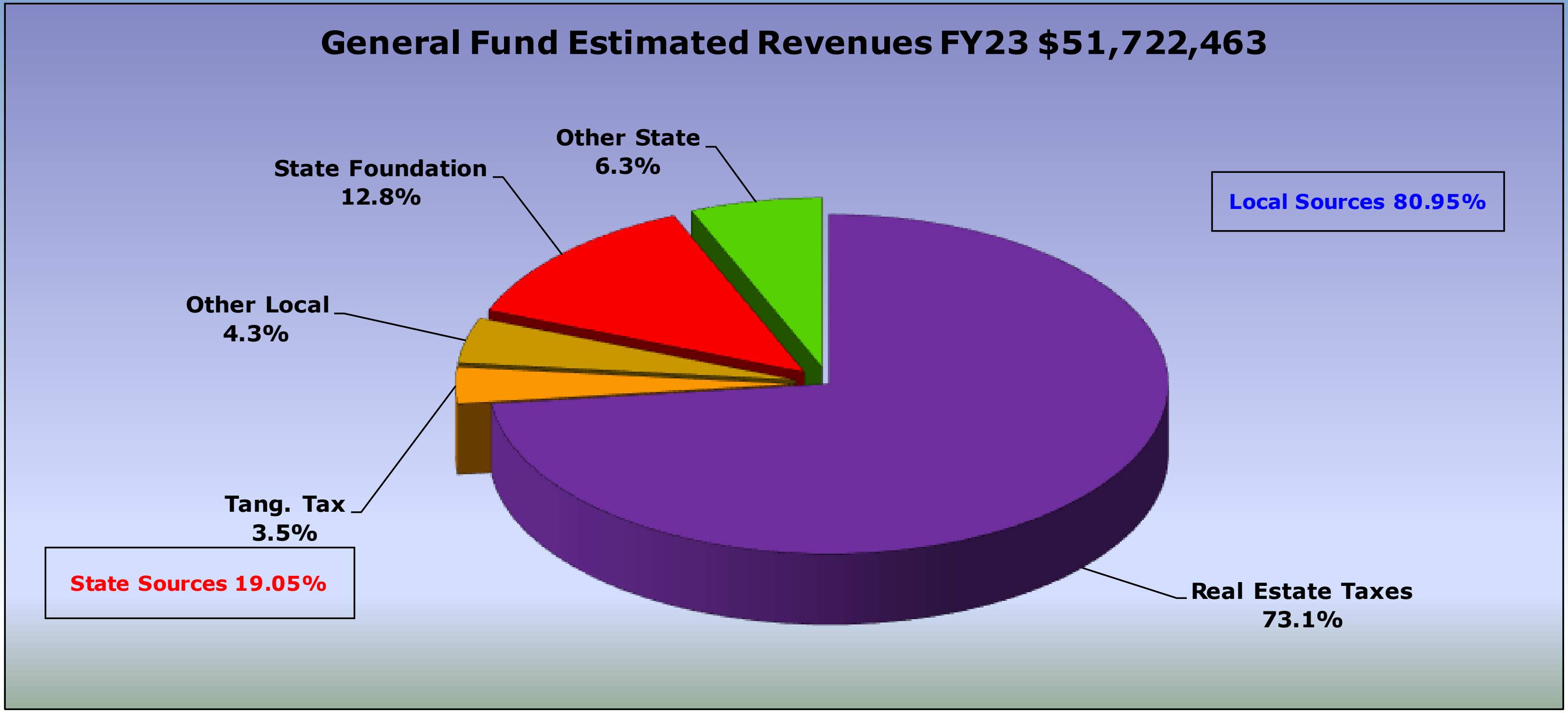
- Expenditures began exceeding revenues in FY20.
- Models most current state revenue data for FY22 & FY23 with HB110 new funding model.
- There is not any significant good news for District revenue.

Line 6.01 Is A Key to Watch

5.050	*Total Expenditures and Other Financing Uses*	$50,032,373	$53,495,132	$54,453,016	4.4%	$57,800,410	$57,291,461	$58,265,721	$60,005,215	$61,164,475
6.010	*Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	($319,740)	($3,125,260)	($4,009,670)	452.9%	($6,014,147)	($5,764,754)	($6,262,764)	($7,411,113)	($7,881,505)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	$32,837,153	$32,517,413	$29,392,153	-5.3%	$25,382,483	$19,368,336	$13,603,582	$7,340,818	($70,295)
7.020	*Cash Balance June 30*	$32,517,413	$29,392,153	$25,382,483	-11.6%	$19,368,336	$13,603,582	$7,340,818	($70,295)	($7,951,801)

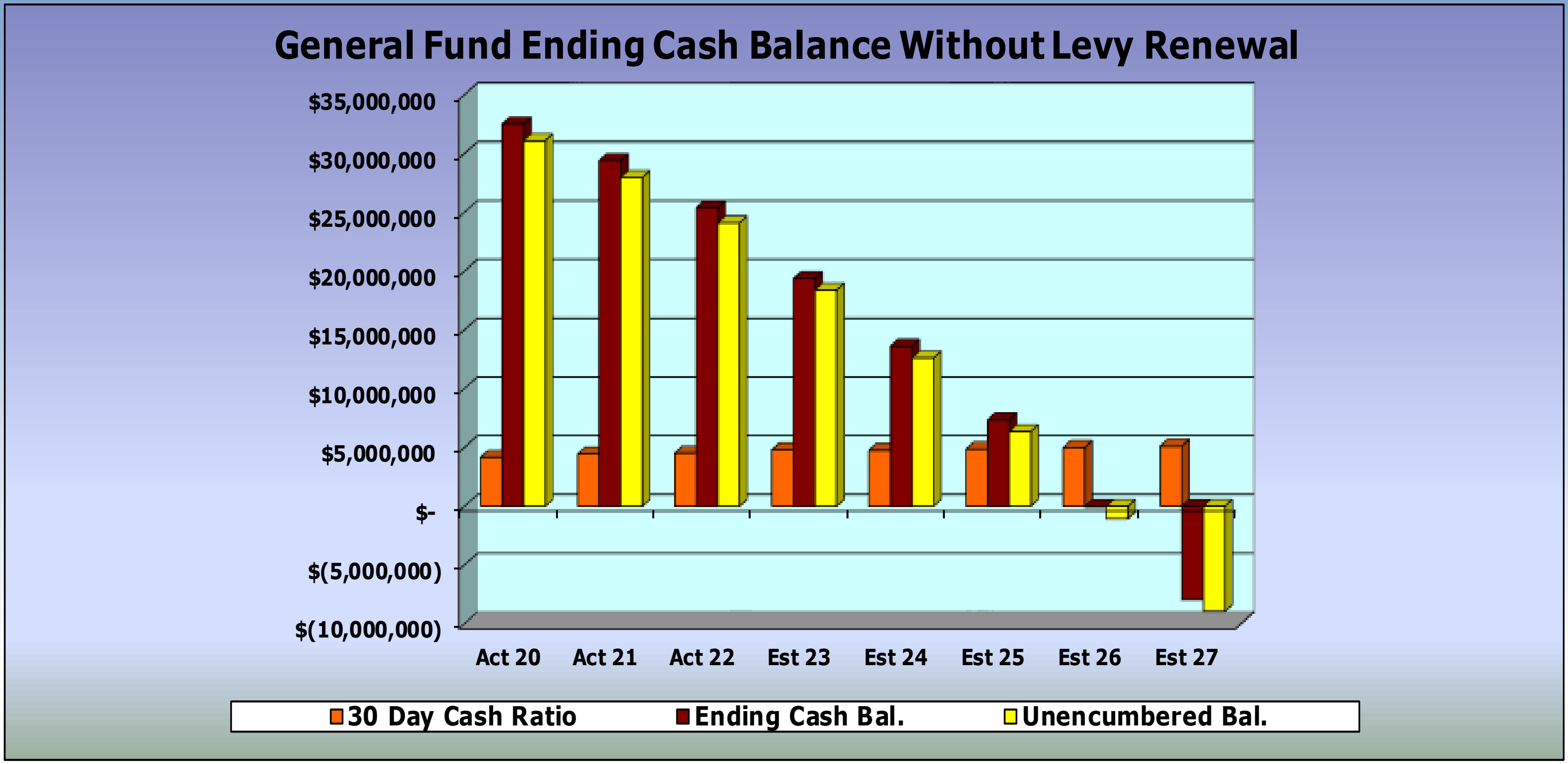
- Line 6.01 was barely positive in FY19. Negative FY20 on.
- The past and current cuts in the State TPP Reimbursement has a lasting impact on district revenue.
- *We have made a plan to address the negative balance in FY25 projected in the November forecast so the district can* ***be removed from fiscal precaution status.***

Est. General Fund Revenue Sources FY23



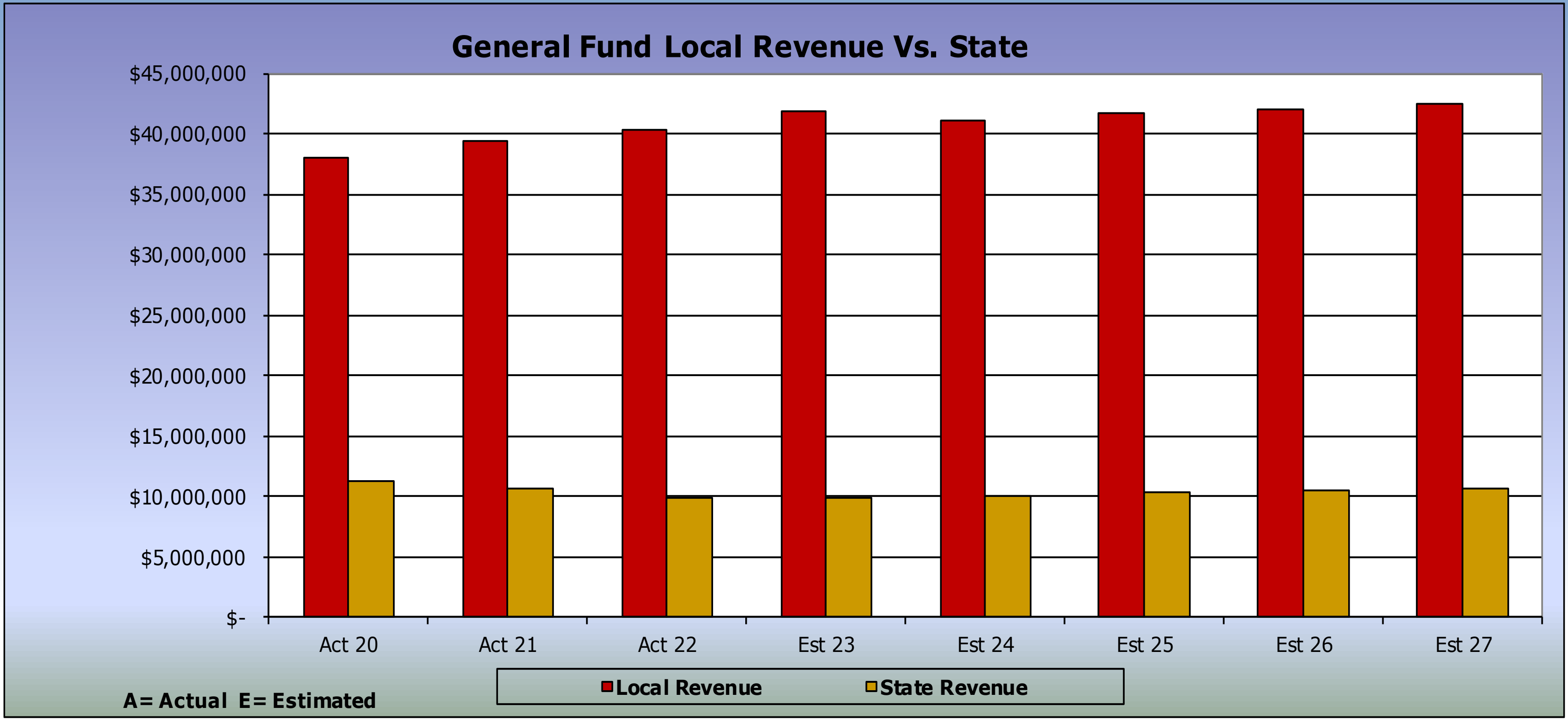
- State of Ohio contributes just 19.05% in FY23 they are not much of a partner for funding the District
- District mostly reliant on local taxpayers for support

Ending Cash Balance-Includes New Levy



- 30 – 60 day cash balance a responsible and recommended target to end each fiscal year
- No less than $-0- required by Ohio law
- If we don't maintain and keep to the Reduction Plan submitted and approved by ODE, we will find ourselves in Fiscal Precaution soon again

Local vs. State Funding

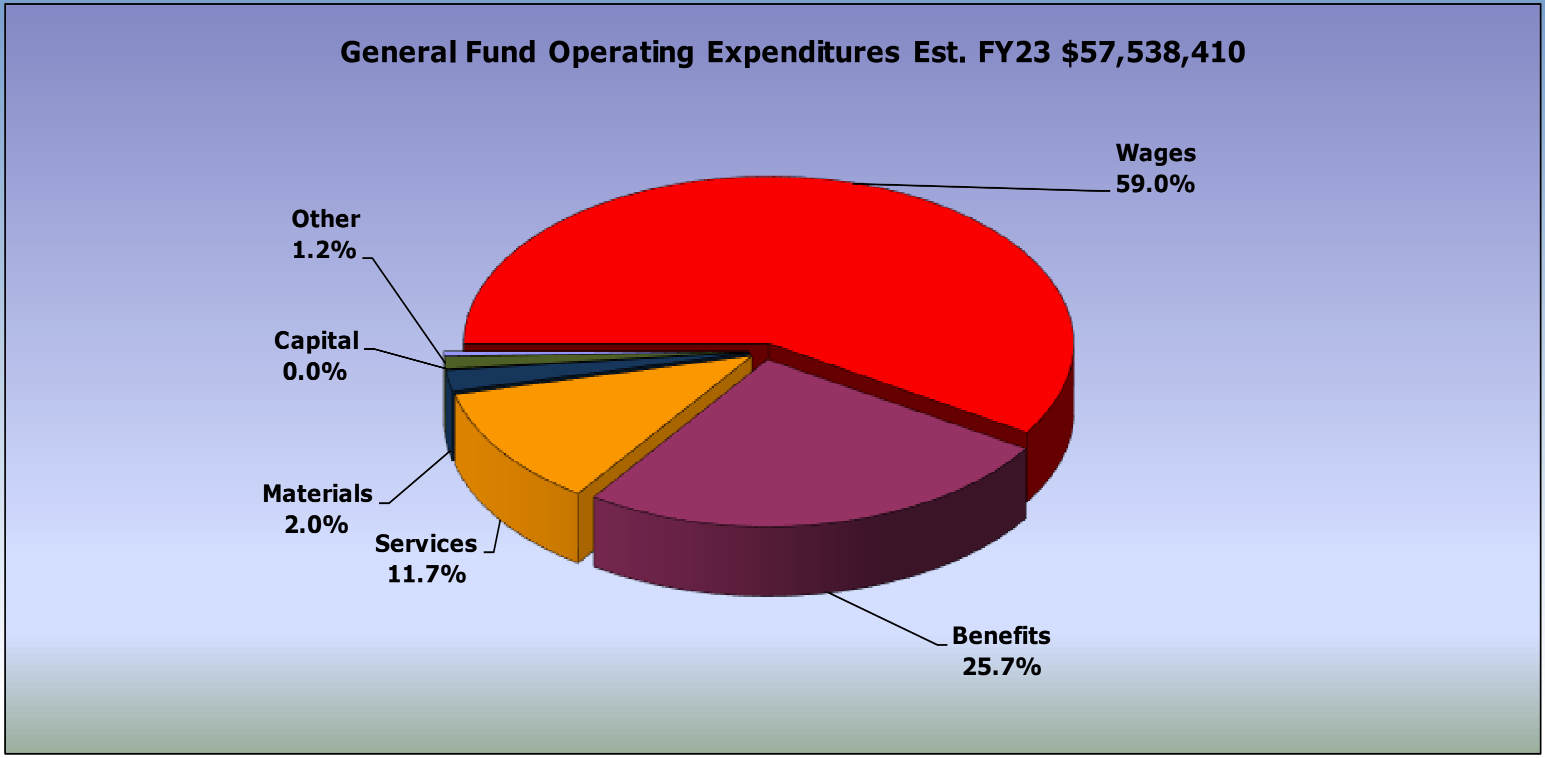


- State funding cut FY20 & 21 due to COVID-19 Recession $1,419,260
- We anticipate state revenue to stay at FY19 levels FY22-27….which
- Were frozen at FY19 levels….hardly any increase in state funds since FY17

Many Challenges To Operating Revenue

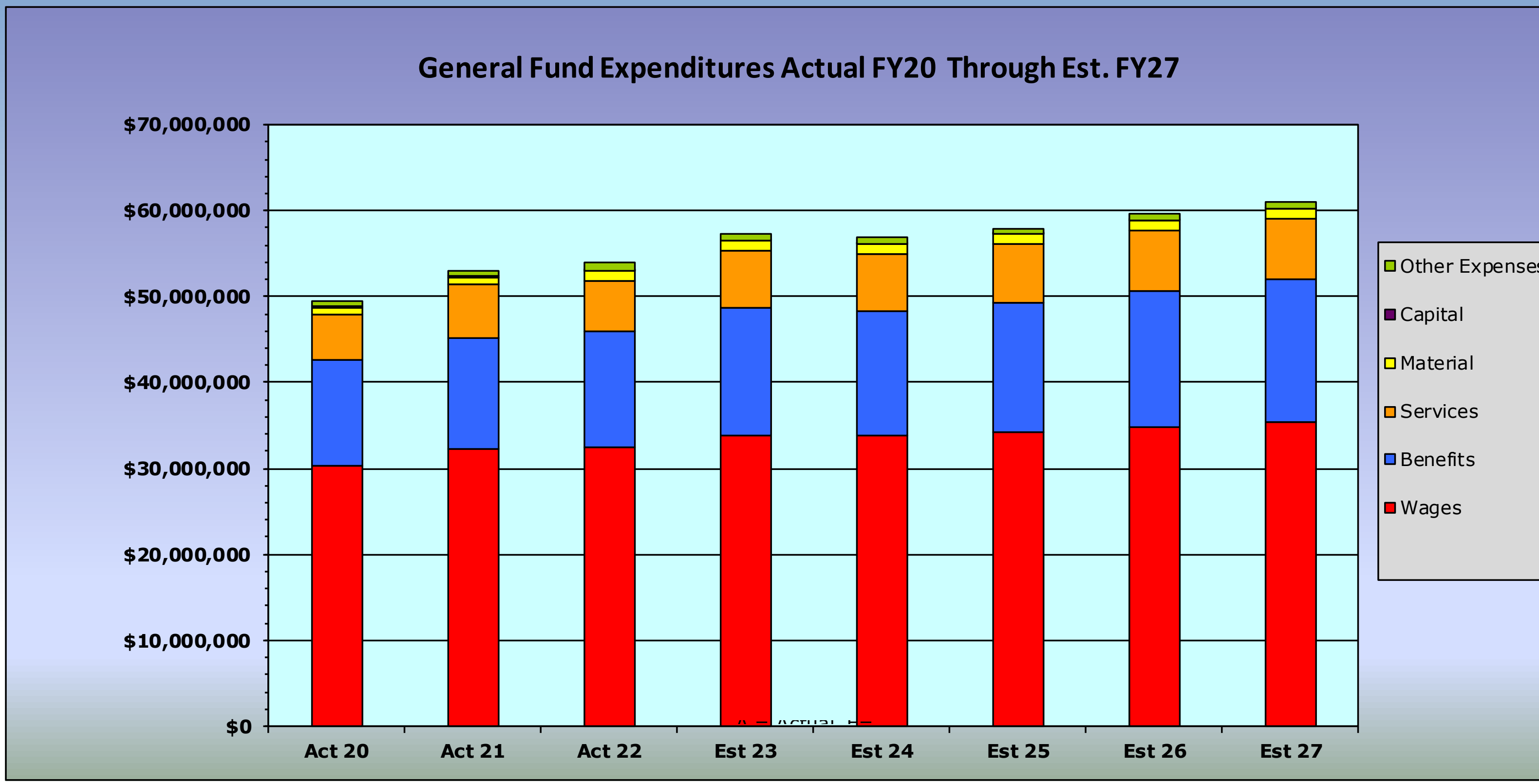
- The District has a revenue growth problem…less than 1% a year. There is no real source of revenue growth. This is not a unique story to our District.
- Not significant local tax revenue growth without new levy.
- Restricted Student Wellness and Success Funds (SWSF) was an increase but had to be placed in Fund 467; and now moved into General Fund money.
- CARES and ESSER Funds 507 since FY21 are gone at the end of this Fiscal Year.
- Our expenses grow 2.6% on average over the Forecast while revenue grows about 1%.

Est. General Fund Expenditures FY23



- Wages and benefits Est. 84.7%...this is very high and should be less than 80%
- Fringe benefits follow wages and is the 2nd highest cost and the fastest growing category in this forecast

General Fund Expenditures By Object FY20 through Est. FY 27



- Expenses increasing 2.6% year over year FY20 through FY27
- Revenue increasing about than 1%
- Revenue stagnation is a major part of the issue

What Now

- State budget HB166 initially froze funding at FY19 levels then cut a combined $1.4 million from us….equivalent to 1.36 mills.
- We anticipate that state funding will return to FY19 levels FY22-27 and increase since we are on the formula currently…if the current funding system in continued in the next state budget.
- But when considering the TPP state reimbursement cuts, overall state funding has not increased.
- Other state budget issues such as College Credit Plus, Special Ed. Scholarships and Community Schools are expected to increase our costs going forward and will be continued in new state budgets.
- Revenue growth after full levy collection less than 1% a year and expenses grow 2.6% a year. Expenses growing more than 2.5 X revenue. That is unsustainable.
- To remain financially solvent, we must stay with the Reduction Plan.

Action Steps

First step taken – Reduction Plan

Board and Administration to engage
in future discussions to
continue looking for fiscally responsible solutions.

Thank You for Listening

Questions and Answers