

Worthington City School District



General Fund

Five Year Forecast

July 1, 2020 Through June 30, 2025

May 10, 2021

Presented By TJ Cusick, CPA, Treasurer/CFO

Current Economic Climate

- Overall theme: back to pre-pandemic financial projections
- Actual state revenues have been consistently, surprisingly, above even pre-pandemic estimates
 - no \$2B shortfall
 - Total revenues \$763M higher than projected (4.3%)
 - Personal Income Tax (+2.9%)
 - Auto Sales Tax (+15%)
 - Non Auto Sales Tax (+2.9%)
- Unemployment rate 5% for Ohio in Feb. Initial claims 44,000/wk (peak was 275,000/wk)



Revenues

	Actual				Average Change	Forecasted				
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020			Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
Revenues										
1.010 General Property Tax (Real Estate)	\$ 93,925,327	\$ 98,600,412	\$ 98,956,525	2.7%		\$111,594,000	\$112,932,000	\$116,752,000	\$117,209,000	\$117,668,000
1.020 Tangible Personal Property	4,536,436	4,634,275	6,047,252	16.3%		\$5,836,000	\$6,551,000	\$6,813,000	\$7,017,000	\$7,228,000
1.035 Unrestricted State Grants-in-Aid	18,665,033	18,970,126	16,737,883	-5.1%		\$17,990,000	\$18,475,000	\$18,246,000	\$17,996,000	\$17,746,000
1.040 Restricted State Grants-in-Aid	786,746	860,028	941,499	9.4%		\$851,000	\$851,000	\$851,000	\$851,000	\$851,000
1.050 Property Tax Allocation	14,293,173	13,112,165	11,997,907	-8.4%		\$10,864,000	\$10,019,000	\$10,008,000	\$9,998,000	\$9,987,000
1.060 All Other Revenues	2,474,976	3,299,073	3,552,945	20.5%		\$2,510,000	\$1,755,000	\$1,555,000	\$1,455,000	\$1,355,000
1.070 Total Revenues	\$ 134,681,691	\$ 139,476,079	\$ 138,234,011	1.3%		\$ 149,645,000	\$ 150,583,000	\$ 154,225,000	\$ 154,526,000	\$ 154,835,000

- Local property taxes account for 78% of total revenue.
 - Increase 2 mills for collection years 21 and 22, then flat
 - Reappraisal does not create any substantial increase in tax revenue (HB920)
- State Aid is 13% of total revenue
 - Proposal to restore to FY19 funding and remains flat
 - Assumption that legislation expands scholarship (voucher) eligibility which reduces revenue under the current methodology



Revenue Changes From Prior Forecast

Total Revenues (in millions)							
	FY21	FY22	FY23	FY24	FY25		
Previous (Oct 2020)	145.2	148.4	152.0	152.4	152.9		
Current (May 2021)	150.0	150.6	154.3	154.6	154.9		
	4.8	2.2	2.3	2.2	2.0	13.5	
Pre Pandemic (Oct 2019)	147.0	151.8	154.8	155.7			
Change from Oct 2019	3.0	(1.2)	(0.5)	(1.1)			

- Increase of \$13.5 million in total revenues over the 5 year period
 - Restores state funding to pre-cut (FY19) levels = +\$2.2 million/year
 - \$3 million in commercial property valuation dispute settlements FY21



“CAP”



	FY21	FY22	FY23	FY24	FY25
Capped Formula Aid	16,323,000	17,272,000	17,011,000	16,740,000	16,459,000
Uncapped Formula Aid	<u>22,271,000</u>	<u>22,854,000</u>	<u>23,165,000</u>	<u>23,388,000</u>	<u>23,608,000</u>
Difference	(\$5,948,000)	(\$5,582,000)	(\$6,154,000)	(\$6,648,000)	(\$7,149,000)

- State hasn't fully funded the existing formula, so growing districts like ours are capped at prior year levels
 - Our enrollment continues to grow, driving us further into the CAP
 - Scholarship and voucher expansion further compound the issue



Expenditures

Expenditures										
3.010	Personal Services	\$ 78,474,466	\$ 84,201,316	\$ 85,098,811	4.2%	\$87,262,000	\$92,793,000	\$97,326,000	\$102,075,000	\$106,774,000
3.020	Employees' Retirement/Insurance Benefits	29,774,971	31,169,434	32,795,221	4.9%	\$35,007,000	\$37,708,000	\$39,900,000	\$42,657,000	\$45,431,000
3.030	Purchased Services	12,262,688	12,898,268	14,021,660	6.9%	\$14,823,000	\$16,204,000	\$16,939,000	\$17,501,000	\$18,082,000
3.040	Supplies and Materials	3,405,482	3,690,834	2,884,646	-6.7%	4,068,000	5,179,000	4,221,000	4,084,000	3,956,000
3.050	Capital Outlay	365,036	1,661,138	2,019,417	188.3%	2,234,000	2,031,000	1,706,000	1,824,000	2,252,000
4.300	Other Objects	1,777,632	1,847,482	1,604,515	-4.6%	\$1,854,000	\$2,184,000	\$2,256,000	\$2,276,000	\$2,297,000
4.500	<i>Total Expenditures</i>	<i>\$ 126,060,275</i>	<i>\$ 135,468,472</i>	<i>\$ 138,424,270</i>	<i>4.8%</i>	<i>\$ 145,248,000</i>	<i>\$ 156,099,000</i>	<i>\$ 162,348,000</i>	<i>\$ 170,417,000</i>	<i>\$ 178,792,000</i>
Other Financing Uses										
5.010	Operating Transfers-Out	\$ 2,809,677	\$ 538,650	\$ 564,846	-38.0%	\$538,000	\$328,000	\$328,000	\$328,000	\$328,000
5.020	Advances-Out	17,700	68,000	338,000	340.6%	50,000	50,000	50,000	50,000	50,000
5.040	<i>Total Other Financing Uses</i>	<i>\$ 2,827,377</i>	<i>\$ 606,650</i>	<i>\$ 902,846</i>	<i>-14.9%</i>	<i>\$ 588,000</i>	<i>\$ 378,000</i>	<i>\$ 378,000</i>	<i>\$ 378,000</i>	<i>\$ 378,000</i>
5.050	<i>Total Expenditures and Other Financing Uses</i>	<i>\$ 128,887,652</i>	<i>\$ 136,075,122</i>	<i>\$ 139,327,116</i>	<i>4.0%</i>	<i>\$ 145,836,000</i>	<i>\$ 156,477,000</i>	<i>\$ 162,726,000</i>	<i>\$ 170,795,000</i>	<i>\$ 179,170,000</i>
6.010	<i>Sources over (under) Expenditures and Other Financing Uses</i>	<i>\$ 5,842,286</i>	<i>\$ 3,426,521</i>	<i>\$ (964,097)</i>	<i>-84.7%</i>	<i>\$ 4,163,000</i>	<i>\$ (5,839,000)</i>	<i>\$ (8,446,000)</i>	<i>\$ (16,214,000)</i>	<i>\$ (24,280,000)</i>

- 85% of our budget is salaries and benefits (insurance/retirement)
- Assumptions include negotiated base and step increases and 8% annual insurance trend
- 29 additional staff next year
- 37 projected additional staff total over the following three years based on enrollment
- Only major capital items are student devices



Expenditure Changes From Prior Forecast

Total Expenditures (in millions)						
	FY21	FY22	FY23	FY24	FY25	
Previous (Oct 2020)	153.2	156.6	164.1	172.0	179.8	
Current (May 2021)	145.8	156.5	162.7	170.8	179.2	
	(7.4)	(0.1)	(1.4)	(1.2)	(0.6)	(10.7)
Pre Pandemic (Oct 2019)	150.2	158.0	164.1	171.8		
Change from Oct 2019	(4.4)	(1.5)	(1.4)	(1.0)		

- Reduction of \$10.7 million over five year period, majority in the current year
 - \$3.5M set aside for revenue loss in ADK, Food Service, and extra-curriculars covered by federal relief funds
 - \$2M under in salary/benefits due to relief funds & hybrid setting
 - Discretionary under budget; expect to finish slightly further under



Revenue Over (Under) Expenses

	FY21	FY22	FY23	FY24	FY25
Previous (Oct 2020)	(8.0)	(8.2)	(12.0)	(19.6)	(26.9)
Current (May 2021)	4.1	(5.8)	(8.4)	(16.2)	(24.3)
	12.1	2.4	3.6	3.4	2.6
Pre Pandemic (Oct 2019)	(3.2)	(6.2)	(9.3)	(16.1)	
Change from Oct 2019	7.3	0.4	0.9	(0.1)	

- Run rate grows substantially after FY23 as final increment is in place and revenue flattens



Projected Cash Position

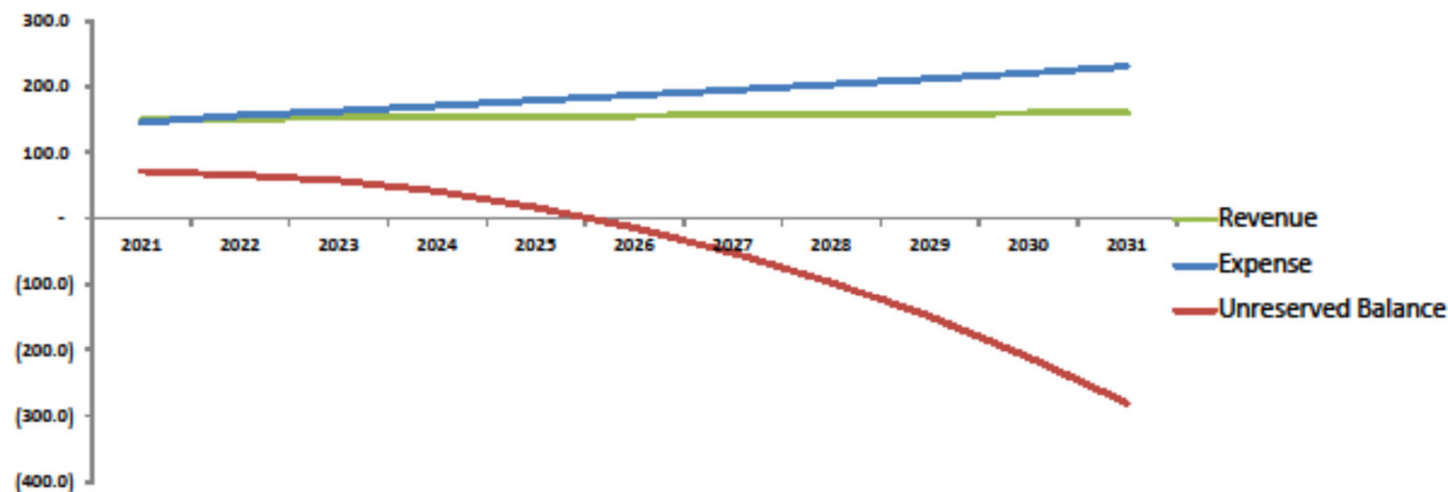
	FY21	FY22	FY23	FY24	FY25
Previous (Oct 2020)	90.2	82.1	69.9	50.4	23.5
Current (May 2021)	102.3	96.5	88.1	71.9	47.6
	12.1	14.4	18.2	21.5	24.1
Pre Pandemic (Oct 2019)	97.1	90.9	81.5	65.4	
Change from Oct 2019	5.2	5.6	6.6	6.5	

- The effects of this revision add \$24M to projected cash position at end of FY25, in line with pre-pandemic projections



Scenario 1: Current Forecast with no additional levies

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<i>Balanced Scenario Revenues</i>	<i>145.0</i>	<i>148.4</i>	<i>155.8</i>	<i>163.9</i>	<i>172.1</i>	<i>180.8</i>	<i>190.0</i>	<i>199.8</i>	<i>209.6</i>	<i>219.4</i>	<i>229.3</i>
Total Revenue	150.0	150.6	154.3	154.6	154.9	155.9	156.9	157.9	158.9	159.9	160.9
Total Expenditures	<u>145.8</u>	<u>156.5</u>	<u>162.7</u>	<u>170.8</u>	<u>179.2</u>	<u>186.8</u>	<u>194.9</u>	<u>203.3</u>	<u>211.8</u>	<u>221.0</u>	<u>230.7</u>
Surplus (Deficit)	4.2	(5.8)	(8.4)	(16.2)	(24.3)	(30.9)	(38.0)	(45.4)	(52.9)	(61.2)	(69.8)
Beginning Unreserved Balance	67.5	71.7	65.8	57.4	41.2	16.9	(14.0)	(52.0)	(97.4)	(150.3)	(211.5)
Ending Unreserved Balance	71.7	65.8	57.4	41.2	16.9	(14.0)	(52.0)	(97.4)	(150.3)	(211.5)	(281.3)

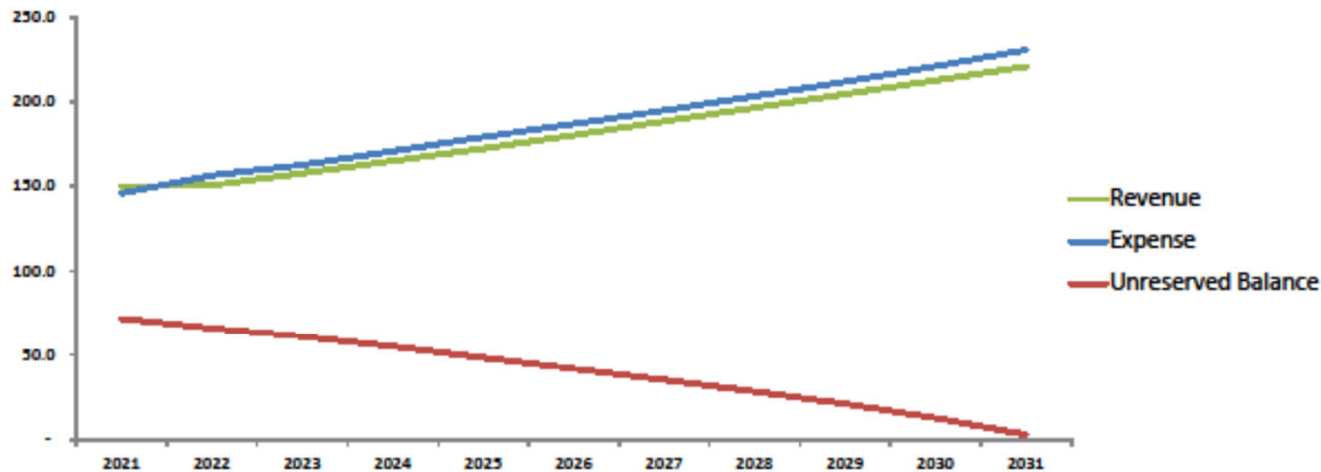


As you can see, even with the positive adjustments in this forecast, which were mostly one time adjustments, long term revenue still flattens out, while expenses continue to grow. We project to have positive fund balance until FY26, however waiting that long would create a need in excess of \$30 million to cover the run rate.



Scenario 2: "Balanced" - requires an additional 2.9 mills annually beginning Nov 2022

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<i>Balanced Scenario Revenues</i>	<i>145.0</i>	<i>148.4</i>	<i>155.8</i>	<i>163.9</i>	<i>172.1</i>	<i>180.8</i>	<i>190.0</i>	<i>199.8</i>	<i>209.6</i>	<i>219.4</i>	<i>229.3</i>
Total Revenue	150.0	150.6	157.7	165.0	172.3	180.3	188.4	196.4	204.5	212.7	220.9
Total Expenditures	<u>145.8</u>	<u>156.5</u>	<u>162.7</u>	<u>170.8</u>	<u>179.2</u>	<u>186.8</u>	<u>194.9</u>	<u>203.3</u>	<u>211.8</u>	<u>221.0</u>	<u>230.7</u>
Surplus (Deficit)	4.2	(5.8)	(5.0)	(5.8)	(6.9)	(6.5)	(6.5)	(6.9)	(7.3)	(8.4)	(9.8)
Beginning Unreserved Balance	67.5	71.7	65.8	60.8	55.1	48.2	41.7	35.2	28.3	21.0	12.7
Ending Unreserved Balance	71.7	65.8	60.8	55.1	48.2	41.7	35.2	28.3	21.0	12.7	2.9



If you recall, this balanced scenario required approximately 3.2 mills per year last fall, and now is reduced to 2.9 mills based on the updated forecast. This is an improvement, but still higher than the roughly 2.25/yr the community has supported in prior years.

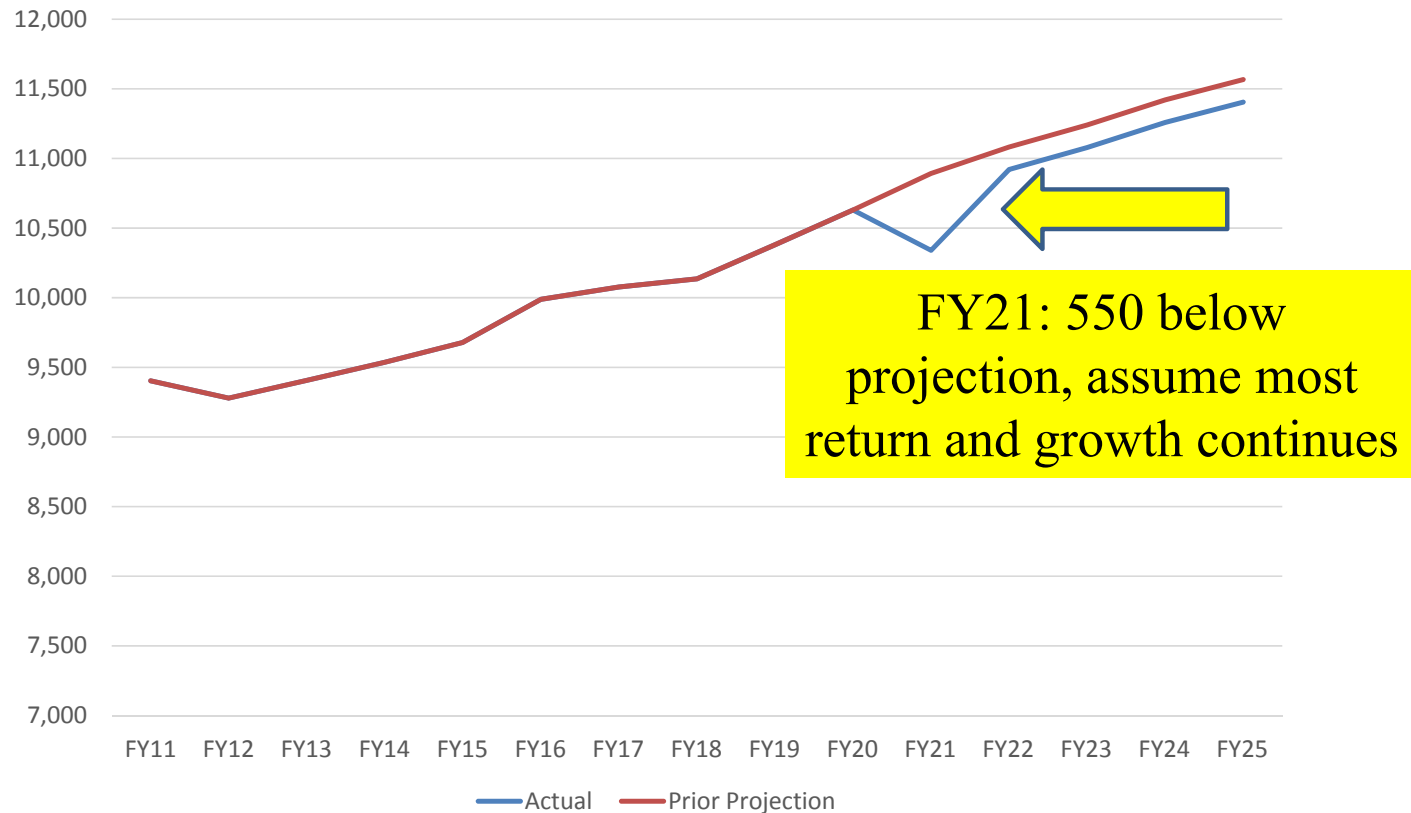


Risks and Assumptions

- Enrollment: Economic influence & geographic influence
 - Both capital and operating impacts
 - Forecast includes 29 new staff next year (14 cert, 13 class, 2 admin)
 - 37 additional over next 3 years (no change)
- COVID: Another wave and shutdown, impact to other fund revenues, impact to commercial values
 - Impact to cities with income tax revenue, indirect impact
- Community School and Voucher Expansion
- Assumption of future bond levy passage for capital needs
 - Busing, technology, equipment



Enrollment



- FY20: 10,630
- FY21 Projection: 10,892 Actual: 10,340



COVID

Federal COVID Relief Funds (In Millions)

	ESSER 1	CRF	BrdBand	ESSER2	ESSER3	Total
Awarded	\$0.75	\$0.50	\$0.15	\$3.20	\$7.10	\$11.70
Spent/Known	<u>(\$0.75)</u>	<u>(\$0.50)</u>	<u>(\$0.15)</u>	<u>(\$1.90)</u>	<u>(\$1.67)</u>	<u>(\$4.97)</u>
Remaining	\$0.00	\$0.00	\$0.00	\$1.30	\$5.43	\$6.73

- Covered our PPE, ADK/Food Service revenue loss, and our online learning platform staff
- Will cover our Post-Pandemic Recovery Plan initiatives including summer intervention, additional mental health support, increased student technology devices
- Mitigate any unknowns



Community & Voucher Expansion

Source	FY21	FY22	FY23	FY24	FY25
Community/Stem Deduction	\$1,954,000	<u>\$1,550,000</u>	<u>\$1,600,000</u>	<u>\$1,650,000</u>	<u>\$1,700,000</u>
Scholarship Deduction	<u>\$1,749,000</u>	<u>\$2,109,000</u>	<u>\$2,320,000</u>	<u>\$2,541,000</u>	<u>\$2,772,000</u>
Total Deduction	\$3,703,000	\$3,659,000	\$3,920,000	\$4,191,000	\$4,472,000
Community/Stem ADM	215	155	160	165	170
Scholarship ADM	<u>106</u>	<u>111</u>	<u>116</u>	<u>121</u>	<u>126</u>
Total ADM	321.00	266.00	276.00	286.00	296.00

- Current methodology deducts full per pupil amount, even though we are both capped and subject to a proration due to our property values (state share index)
 - 200 additional students = \$0 additional state funding
 - 1 additional community school enrollee = loss of approx. \$6000



Capital Outlay

- 90 buses lasting 15 years equates to 6 replacements/year = \$560,000/year
- Technology infrastructure update/replacement cycle = \$1,600,000/year
- Equipment replacement cycle (desks, art kilns, maint. vehicles) = \$740,000/year
- Historically funded over 5 year periods through passage of bond issues
- Any bond issue failure would necessitate at least some increase in operating costs even if its not the entire \$2.9 million per year



Questions?

