

Elyria City School District

Five Year Forecast Financial Report

May, 2023

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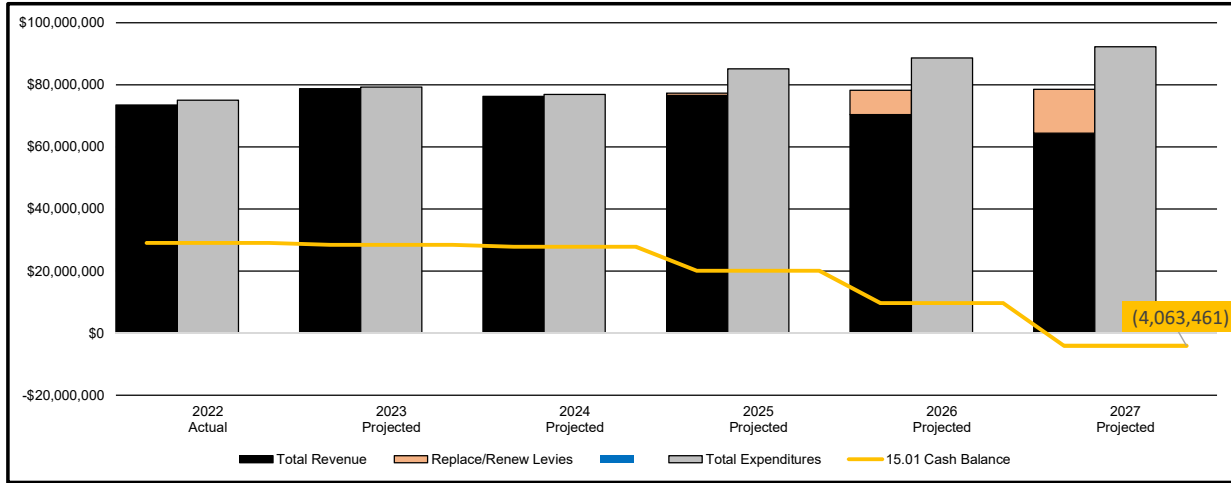
Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. 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."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

Forecast Methodology - This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year and while cash flow monitoring helps to identify unexpected variances no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.

Forecast Summary



Note: Cash balance (Line 7.020) plus any existing levy modeled as renewed or new during the forecast.

Financial Forecast

	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Beginning Balance (Line 7.010) Plus	29,062,430	28,481,739	27,873,832	20,068,997	9,677,538
+ Revenue	78,777,714	76,314,594	76,654,572	70,476,572	64,459,576
+ Proposed Renew/Replacement Levies	-	-	716,898	7,780,972	14,136,568
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(79,358,405)	(76,922,500)	(85,176,306)	(88,649,002)	(92,337,143)
= Revenue Surplus or Deficit	(580,691)	(607,906)	(7,804,836)	(10,391,459)	(13,740,999)
Line 7.020 Ending Balance with renewal/new levies	28,481,739	27,873,832	20,068,997	9,677,538	(4,063,461)

Analysis Without Renewal Levies Included:

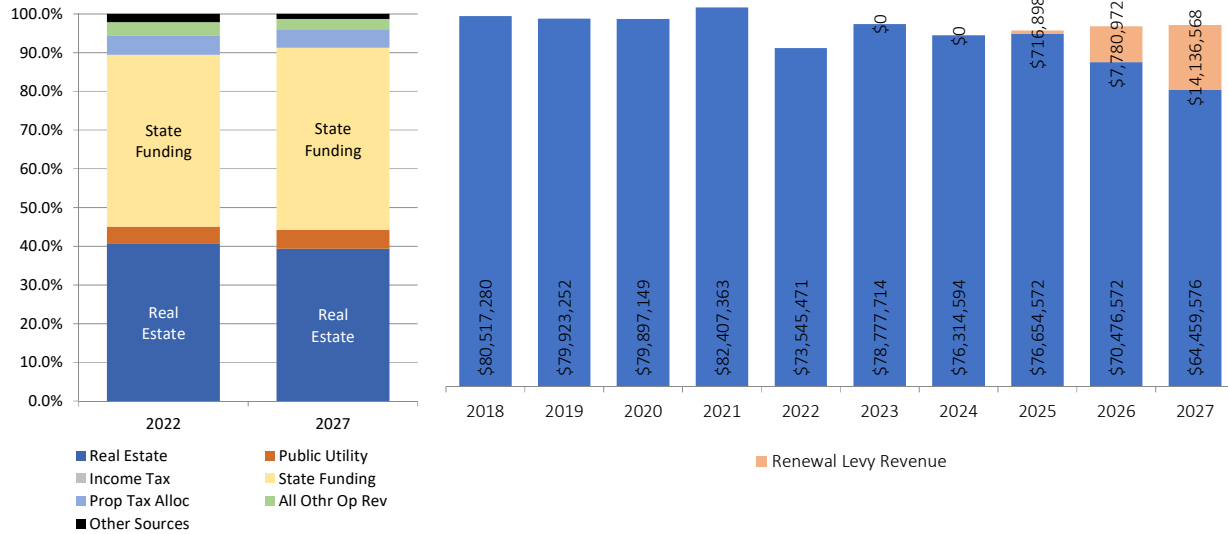
Revenue Surplus or Deficit w/o Levies	(580,691)	(607,906)	(8,521,734)	(18,172,431)	(27,877,567)
Ending Balance w/o Levies	28,481,739	27,873,832	19,352,099	1,179,668	(26,697,899)

In FY 2023 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$580,691 in FY 2023. By the last year of the forecast, FY 2027, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$27,877,567. The district would need to cut its FY 2027 projected expenses by 30.19% in order to balance its budget without additional revenue.

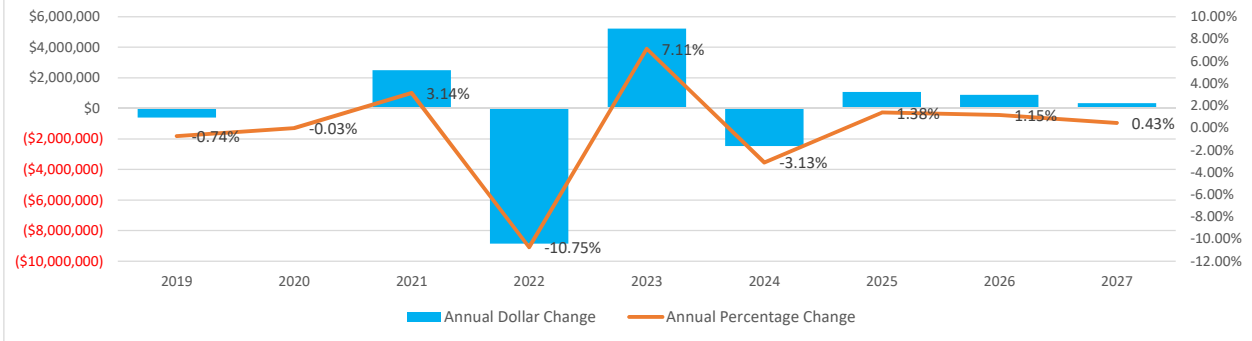
The district's cash balance is positive at year-end in FY 2023 and is projected to worsen by FY 2027. A worsening cash balance can erode the district's financial stability over time.

Revenue Overview

Sources of Revenue Over Time



Year-Over-Year Dollar & Percentage Change



Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	
Real Estate	\$180,162	\$197,480	\$17,318	Total revenue decreased -1.91% or -\$1,510,749 annually during the past 5-Year period and is projected to increase 1.30% or \$1,010,134 annually through FY2027. State Funding has the most projected average annual variance compared to the historical average at \$2,244,627
Public Utility	\$188,130	\$117,523	(\$70,608)	
Income Tax	\$0	\$0	\$0	
State Funding	(\$1,369,706)	\$874,921	\$2,244,627	
Prop Tax Allocation	(\$356,474)	\$20,253	\$376,727	
All Othr Op Rev	(\$149,257)	(\$95,962)	\$53,295	
Other Sources	(\$3,604)	(\$104,081)	(\$100,477)	
Total Average Annual Change	(\$1,510,749) -1.91%	\$1,010,134 1.30%	\$2,520,883 3.20%	

Note: Expenditure average annual change is projected to be > \$3,463,113. On an annual average basis, expenditures are projected to grow faster than revenue.

Revenue Notes

REAL ESTATE REVENUE

Real estate property tax revenue accounts for 40.73% of total revenue. Class I or residential/agricultural taxes make up approximately 60.99% of the real estate property tax revenue. The Class I tax rate is 33.52 mills in tax year 2022. The district is modeling the renewal of real estate property taxes levies through 2024. The projections reflect an average gross collection rate of 98.7% annually through tax year 2026. The revenue changed at an average annual historical rate of 0.63% and is projected to change at an average annual rate of 0.64% through FY 2027.

PUBLIC UTILITY - PERSONAL PROPERTY REVENUE

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. This category currently makes up 4.38% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2022 is 65.35 mills. The forecast is modeling an average gross collection rate of 90.09%. The revenue changed historically at an average annual dollar amount of \$188,130 and is projected to change at an average annual dollar amount of \$117,523 through FY 2027.

INCOME TAX REVENUE

The district does not have an income tax levy.

UNRESTRICTED STATE AID REVENUE

Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data. For Elyria City School District the calculated Base Cost total is \$40,599,070 in FY 2023. The state's share of the calculated Base Cost total is \$24,072,819 or \$4,432 per pupil.

For reference: The FSFP change to district educated enrollment could be lower than the district's historical formula funded enrollment but also potentially reduces tuition cost. In FY 2021, the district had approximately \$10,678,588 in possible tuition cost reductions. These reductions will be reflected in the purchased services expenditure note.

RESTRICTED STATE AID REVENUE

Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Historically the district's restricted state aid changed annually on average by \$350,950 and is projected to change annually on average by \$178,720. Restricted funds represent 5.50% of total revenue. Starting in FY 2022 the district's Success & Wellness funding is considered restricted, the state's share of this funding is recorded as restricted is \$980,955. This funding has implications on general fund expenditures in that certain spending now occurring in a fund external to the general fund could shift to the general fund. The expenditures in this forecast are adjusted to reflect this change.

PROPERTY TAX ALLOCATION REVENUE

Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2023, approximately 11.8% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 4.1% will be reimbursed in the form of qualifying homestead exemption credits.

OTHER REVENUE

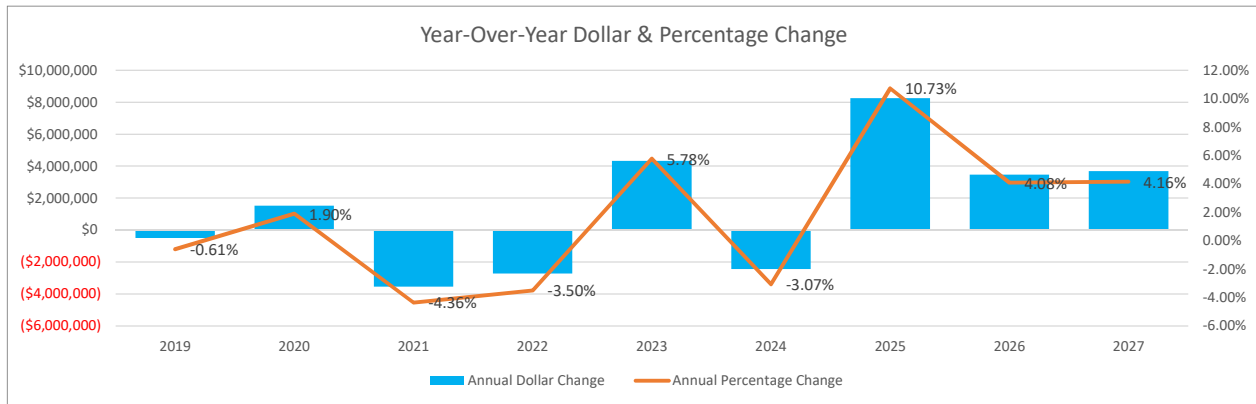
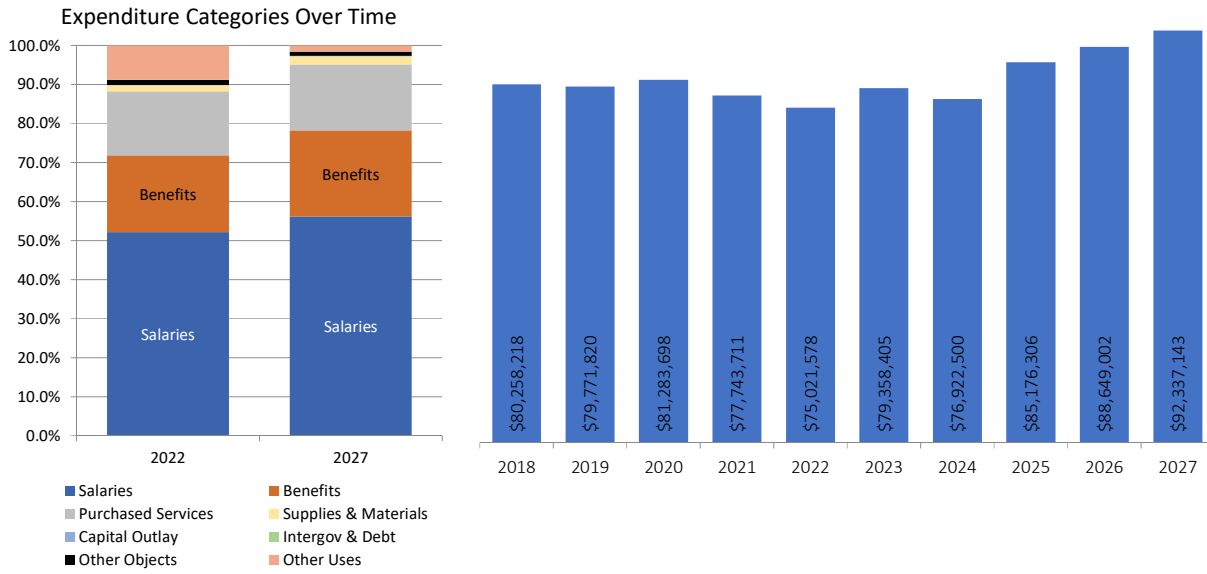
Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was -\$149,257. The projected average annual change is -\$95,962 through FY 2027. The FSFP includes per pupil funding for any open enrollment in students the district is educating. This revenue, if any, was recorded in 'other revenue' prior to FY 2022. Fiscal year 2022 and beyond will not include any open enrollment in revenue. The district posted revenue code 1227 open enrollment in revenue of \$1,952,221 in FY 2021.

OTHER FINANCING SOURCES

Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In FY 2022 the district received \$1,308,000 as advances-in and is projecting advances of \$4,077,000 in FY 2023. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$5,216 in FY 2023 and average \$5,216 annually through FY 2027.

ADDITIONAL REVENUE NOTES

Expenditure Overview



Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	
Salaries	\$638,813	\$2,532,773	\$1,893,961	Total expenditures decreased -0.74% or -\$580,050 annually during the past 5-Year period and is projected to increase 4.62% or \$3,463,113 annually through FY2027. Purchased Services has the largest projected average annual variance compared to the historical average at \$2,490,691.
Benefits	\$516,736	\$1,121,559	\$604,823	
Purchased Services	(\$1,802,182)	\$688,509	\$2,490,691	
Supplies & Materials	(\$213,054)	\$136,306	\$349,360	
Capital Outlay	(\$39,982)	\$10,379	\$50,360	
Intergov & Debt	\$18,764	\$653	(\$18,112)	
Other Objects	\$3,550	\$9,787	\$6,237	
Other Uses	\$424,076	(\$1,036,854)	(\$1,460,930)	
Total Average Annual Change	(\$580,050)	\$3,463,113	\$4,043,163	
	-0.74%	4.62%	5.35%	

Note: Expenditure average annual change is projected

to be > \$3,463,113

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

Expenditure Notes

SALARY EXPENSE

Salaries represent 52.23% of total expenditures and increased at a historical average annual rate of 1.65% or \$638,813. This category of expenditure is projected to grow at an annual average rate of 5.43% or \$2,532,773 through FY 2027. The projected average annual rate of change is 3.78% more than the five year historical annual average.

BENEFIT EXPENSE

Benefits represent 19.66% of total expenditures and increased at a historical average annual rate of 3.44% This category of expenditure is projected to grow at an annual average rate of 6.32% through FY 2027. The projected average annual rate of change is 2.88% more than the five year historical annual average.

PURCHASED SERVICES EXPENSE

Purchased Services represent 16.33% of total expenditures and decreased at a historical average annual rate of -9.35%. This category of expenditure is projected to grow at an annual average rate of 4.66% through FY 2027 The FSPF funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. In FY 2021 these costs totaled \$10,678,588. The graph to the left reflects the difference between past formula ADM prior to FY 2022 compared to actual district educated.

SUPPLIES & MATERIALS EXPENSE

Supplies & Materials represent 1.54% of total expenditures and decreased at a historical average annual rate of -13.86%. This category of expenditure is projected to grow at an annual average rate of 7.90% through FY 2027. The projected average annual rate of change is 21.77% more than the five year historical annual average.

CAPITAL OUTLAY EXPENSE

Capital Outlay represent 0.02% of total expenditures and decreased at a historical average annual amount of -\$39,982. This category of expenditure is projected to grow at an annual average rate of \$10,379 through FY 2027. The projected average annual change is more than the five year historical annual average.

INTERGOVERNMENTAL & DEBT EXPENSE

The Intergovernmental/Debt expenditure category details general fund debt issued by the District.

OTHER OBJECTS EXPENSE

Other Objects represent 1.26% of total expenditures and increased at a historical average annual rate of 0.40%. This category of expenditure is projected to grow at an annual average rate of 1.00% through FY 2027. The projected average annual rate of change is 0.60% more than the five year historical annual average.

OTHER USES EXPENSES

Other Uses includes expenditures that are generally classified as non-operating. It is typically in the form of advances-out which are then repaid into the general fund from the other district funds. In FY 2022 the district had advances-out and has advances-out forecasted through FY 2027. The district can also move general funds permanently to other funds, the district has transfers forecasted through FY 2027. The district can also have other uses of funds.

ADDITIONAL EXPENDITURE NOTES

Elyria City School District

Five Year Forecast

May,2023

Fiscal Year:	Actual			FORECASTED				
	2020	2021	2022	2023	2024	2025	2026	2027
Revenue:								
1.010 - General Property Tax (Real Estate)	28,671,804	28,984,262	29,955,778	30,948,664	29,980,063	29,913,454	24,498,603	19,282,499
1.020 - Public Utility Personal Property	3,038,475	3,053,325	3,220,011	2,966,757	3,516,803	3,449,638	3,036,747	2,768,921
1.030 - Income Tax	-	-	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	36,031,291	36,607,062	28,534,121	30,848,400	31,422,490	31,691,805	31,897,685	32,015,126
1.040 - Restricted Grants-in-Aid	3,004,105	2,938,900	4,047,915	4,172,139	4,673,835	4,786,652	4,875,561	4,941,515
1.050 - Property Tax Allocation	3,943,358	3,788,695	3,647,631	3,544,946	3,543,945	3,653,820	3,028,175	2,311,714
1.060 - All Other Operating Revenues	4,854,447	4,902,251	2,614,394	2,214,592	2,172,242	2,153,987	2,134,585	2,134,585
1.070 - Total Revenue	79,543,480	80,274,495	72,019,850	74,695,498	75,309,378	75,649,356	69,471,356	63,454,360
Other Financing Sources:								
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-	-	-
2.050 - Advances-In	338,519	2,037,908	1,308,000	4,077,000	1,000,000	1,000,000	1,000,000	1,000,000
2.060 - All Other Financing Sources	15,151	94,960	217,622	5,216	5,216	5,216	5,216	5,216
2.070 - Total Other Financing Sources	353,670	2,132,868	1,525,622	4,082,216	1,005,216	1,005,216	1,005,216	1,005,216
2.080 - Total Rev & Other Sources	79,897,149	82,407,363	73,545,471	78,777,714	76,314,594	76,654,572	70,476,572	64,459,576
Expenditures:								
3.010 - Personnel Services	38,915,643	38,929,721	39,182,023	40,835,206	42,521,989	47,986,362	49,863,272	51,845,889
3.020 - Employee Benefits	15,803,268	15,210,991	14,751,928	15,154,014	15,918,401	18,094,184	19,187,402	20,359,725
3.030 - Purchased Services	21,084,577	19,714,013	12,248,652	13,884,154	14,294,694	14,731,535	15,196,366	15,691,197
3.040 - Supplies and Materials	1,674,274	1,202,266	1,154,453	1,592,536	1,610,114	1,777,998	1,806,719	1,835,983
3.050 - Capital Outlay	51,501	28,507	15,242	67,136	67,136	67,136	67,136	67,136
Intergovernmental & Debt Service	365,615	95,558	93,821	97,084	97,084	97,084	97,084	97,084
4.300 - Other Objects	900,912	884,656	947,161	960,212	969,050	977,976	986,992	996,098
4.500 - Total Expenditures	78,795,790	76,065,711	68,393,278	72,590,342	75,478,469	83,732,275	87,204,971	90,893,112
Other Financing Uses								
5.010 - Operating Transfers-Out	450,000	370,000	2,551,300	5,768,063	444,031	444,031	444,031	444,031
5.020 - Advances-Out	2,037,908	1,308,000	4,077,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
5.030 - All Other Financing Uses	-	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	2,487,908	1,678,000	6,628,300	6,768,063	1,444,031	1,444,031	1,444,031	1,444,031
5.050 - Total Exp and Other Financing Uses	81,283,698	77,743,711	75,021,578	79,358,405	76,922,500	85,176,306	88,649,002	92,337,143
6.010 - Excess of Rev Over/(Under) Exp	(1,386,549)	4,663,652	(1,476,107)	(580,691)	(607,906)	(8,521,734)	(18,172,431)	(27,877,567)
7.010 - Cash Balance July 1 (No Levies)	27,261,433	25,874,884	30,538,536	29,062,430	28,481,739	27,873,832	19,352,099	1,179,668
7.020 - Cash Balance June 30 (No Levies)	25,874,884	30,538,536	29,062,430	28,481,739	27,873,832	19,352,099	1,179,668	(26,697,899)
				Reservations				
8.010 - Estimated Encumbrances June 30	-	-	-	-	-	-	-	-
9.080 - Reservations Subtotal	-	-	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	25,874,884	30,538,536	29,062,430	28,481,739	27,873,832	19,352,099	1,179,668	(26,697,899)
Rev from Replacement/Renewal Levies								
11.010 & 11.020 - Renewal Levies	-	-	-	-	-	716,898	7,780,972	14,136,568
11.030 - Cumulative Balance of Levies	-	-	-	-	-	716,898	8,497,870	22,634,438
12.010 - Fund Bal June 30 for Cert of Obligations	25,874,884	30,538,536	29,062,430	28,481,739	27,873,832	20,068,997	9,677,538	(4,063,461)
Revenue from New Levies								
13.010 & 13.020 - New Levies	-	-	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	25,874,884	30,538,536	29,062,430	28,481,739	27,873,832	20,068,997	9,677,538	(4,063,461)

State Funding Budget Process and May Financial Forecast

At the start of the state's FY 2024 and 2025 budget process the Governor introduced these key elements regarding the Fair School Funding Plan which started July 1, 2022:

- The FSFP would continue.
- It would be funded at the same 2018 base cost calculations
- Original phase-ins of the new formula would continue

While there is no legislatively approved state budget, the May forecast as prepared assumes the Governor's proposal. The 2018 base cost components as used in FY 2022 and 2023 and proposed by the Governor would be extended as follows:

- Base per pupil cost (funding) is calculated at the 2018 level through FY 2027
- FSFP phase-in continues until culminating at 100% phased-in by FY 2027

The Ohio House of Representatives introduced an amendment to the Governor's proposal that would update the base cost components to the 2022 cost data. This change is potentially significant for many districts, however some districts will benefit only minimally or not at all. While the state budget deliberations continue the 2022 base cost was modeled to see the potential impact on the district's forecast. This is only an estimate and is intended to show relative potential significance. The modeling assumes:

- That the 2022 base cost components will be used in FY 2024 and 2025.
- The 2022 base cost components will be updated to 2024 cost data in FY 2026 and 2027.
- That the formula is fully phased-in by FY 2027.

For our district the annual impact on revenue Over/(Under) the current forecast modeling is reflected below along with a cumulative potential impact on the district's cash balance. If warranted the Board may be asked to approve an amended forecast in June.

Other Observations: If the 2022 FSFP is adopted it could generate \$17,382,624 over five years.

[FY23 Spring Forecast SF 2022#'s Appendix 5.9.23](#)

Current Forecast Annual Difference (Over/Under) Compared to Base Forecast

State Line Item No	State Line Item No and Description	Amount				
		2023	2024	2025	2026	2027
Total		\$408,169	\$2,938,120	\$3,821,962	\$4,685,613	\$5,528,760
Property Taxes		\$0	\$0	\$0	\$0	\$0
	1.010 General Property Tax (Real Estate)	\$0	\$0	\$0	\$0	\$0
	1.020 Tangible Personal Property Tax	\$0	\$0	\$0	\$0	\$0
	1.050 Property Tax Allocation	\$0	\$0	\$0	\$0	\$0
	11.020 Property Tax - Renewal or Replacement	\$0	\$0	\$0	\$0	\$0
Income Taxes		\$0	\$0	\$0	\$0	\$0
	11.010 Income Tax - Renewal	\$0	\$0	\$0	\$0	\$0
State Aid		\$408,169	\$2,938,120	\$3,821,962	\$4,685,613	\$5,528,760
	1.035 Unrestricted State Grants-in-Aid	\$2,375	\$2,825,322	\$3,667,193	\$4,489,583	\$5,292,168
	1.040 Restricted State Grants-in-Aid	\$405,794	\$112,798	\$154,769	\$196,030	\$236,592
All Other Revenue		\$0	\$0	\$0	\$0	\$0
	1.045 Restricted Federal Grants-in-Aid - SFSP	\$0	\$0	\$0	\$0	\$0
	1.060 All Other Revenues	\$0	\$0	\$0	\$0	\$0
	2.040 Operating Transfers-In	\$0	\$0	\$0	\$0	\$0
	2.050 Advances-In	\$0	\$0	\$0	\$0	\$0
	2.060 All Other Financing Sources	\$0	\$0	\$0	\$0	\$0
New Levies		\$0	\$0	\$0	\$0	\$0
	13.010 Income Tax - New	\$0	\$0	\$0	\$0	\$0
	13.020 Property Tax - New	\$0	\$0	\$0	\$0	\$0

Measure	2022	2023	2024	2025	2026	2027
Cumulative	\$0	\$408,169	\$3,346,289	\$7,168,251	\$11,853,864	\$17,382,624