

South Euclid-Lyndhurst City Schools
Cuyahoga County
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE HISTORICAL FISCAL YEARS ENDED JUNE 30, 2016, 2017 & 2018
ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2019 THROUGH 2023

Line Number	Fiscal Year 2016 ACTUAL	Fiscal Year 2017 ACTUAL	Fiscal Year 2018 ACTUAL	Ave. Annual CHANGE	Fiscal Year 2019 FORECAST	Fiscal Year 2020 FORECAST	Fiscal Year 2021 FORECAST	Fiscal Year 2022 FORECAST	Fiscal Year 2023 FORECAST
Revenue:									
1.010 General Property (Real Estate)	42,246,997	41,554,579	41,918,595	-0.38%	40,566,460	40,566,000	40,566,000	40,566,000	40,566,000
1.020 Tangible Personal Property Tax	0	0	0	0.00%	0	0	0	0	0
1.030 Income Tax	0	0	0	0.00%	0	0	0	0	0
1.035 Unrestricted Grants-In-Aid (All 3100's except 3130)	7,886,219	8,162,407	8,400,914	3.21%	8,330,000	8,330,000	8,325,000	8,325,000	8,325,000
1.040 Restricted Grants-In-Aid (All 3200's)	783,691	956,151	870,475	6.52%	863,000	858,000	858,000	858,000	858,000
1.045 Restricted Federal Grants-In-Aid - SFSF (4220)	0	0	0	0.00%	0	0	0	0	0
1.050 Property Tax Allocation (3130)	6,044,898	5,983,129	5,941,253	-0.86%	5,883,540	5,800,000	5,745,000	5,745,000	5,745,000
1.060 All Other Rev except 1931,1933,1940,1950,5100 & 5200	3,118,921	2,233,625	3,091,048	5.00%	2,429,000	2,371,000	2,146,000	2,136,000	2,126,000
1.070 Total Revenue	<u>60,080,726</u>	<u>58,889,891</u>	<u>60,222,285</u>	0.14%	<u>58,072,000</u>	<u>57,925,000</u>	<u>57,640,000</u>	<u>57,630,000</u>	<u>57,620,000</u>
Other Financing Sources									
2.010 Proceeds From Sale of Notes (1940)	0	0	0	0.00%	0	0	0	0	0
2.020 State Emergency Loans & Advancements (Approved - 1950)	0	0	0	0.00%	0	0	0	0	0
2.040 Operational Transfers-In (5100's)	164,000	195,000	228,000	17.91%	0	0	0	0	0
2.050 Advances-in (5200's)	27,000	24,000	325,000	621.53%	288,500	300,000	300,000	300,000	300,000
2.060 All Other Financing Sources (1931, 1933, 5300)	516,091	378,051	263,475	-28.53%	39,500	25,000	25,000	25,000	25,000
2.070 Total Other Financing Sources	<u>707,091</u>	<u>597,051</u>	<u>816,475</u>	10.59%	<u>328,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>
2.080 Total Revenues and Other Financing Sources	<u>60,787,817</u>	<u>59,486,942</u>	<u>61,038,760</u>	0.23%	<u>58,400,000</u>	<u>58,250,000</u>	<u>57,965,000</u>	<u>57,955,000</u>	<u>57,945,000</u>
Expenditures:									
3.010 Personnel Services	32,471,437	32,414,689	32,508,553	0.06%	33,724,000	35,072,960	35,774,419	36,489,908	37,219,706
3.020 Employees' Retirement/Insurance Benefits	12,367,188	12,382,162	12,683,301	1.28%	13,768,000	15,144,800	16,659,280	18,325,208	20,157,729
3.030 Purchased Services	8,678,094	9,199,420	10,851,070	11.98%	11,462,000	11,462,000	11,462,000	11,462,000	11,462,000
3.040 Supplies and Materials	2,051,643	2,269,500	1,862,713	-3.65%	1,821,000	1,821,000	1,821,000	1,821,000	1,821,000
3.050 Capital Outlay	851,141	453,407	276,318	-42.89%	19,500	19,500	19,500	19,500	19,500
3.060 Intergovernmental (7600 and 7700 Functions)	0	0	0	0.00%	0	0	0	0	0
Debt Service:									
4.010 All Principal - (Historical Only)	0	0	0	0.00%	0	0	0	0	0
4.020 Principal-Notes	0	0	0	0.00%	0	0	0	0	0
4.030 Principal-State Loans	0	0	0	0.00%	0	0	0	0	0
4.040 Principal-State Advancements	0	0	0	0.00%	0	0	0	0	0
4.050 Principal-HB 264 Loans	0	0	0	0.00%	0	0	0	0	0
4.055 Principal other	0	0	0	0.00%	0	0	0	0	0
4.060 Interest and Fiscal Charges	0	0	0	0.00%	0	0	0	0	0
4.300 Other Objects	1,079,241	1,070,304	1,102,951	1.11%	1,117,500	1,117,500	1,117,500	1,117,500	1,117,500
4.500 Total Expenditures	<u>57,498,744</u>	<u>57,789,482</u>	<u>59,284,906</u>	1.55%	<u>61,912,000</u>	<u>64,637,760</u>	<u>66,853,699</u>	<u>69,235,116</u>	<u>71,797,435</u>
Other Financing Uses									
5.010 Operational Transfers-Out	1,350,000	1,100,000	1,497,000	8.79%	1,135,000	1,100,000	1,100,000	1,100,000	1,100,000
5.020 Advances-Out	24,000	325,000	288,500	621.47%	300,000	300,000	300,000	300,000	300,000
5.030 All Other Financing Uses	0	0	0	0.00%	0	0	0	0	0
5.040 Total Other Financing Uses	<u>1,374,000</u>	<u>1,425,000</u>	<u>1,785,500</u>	14.51%	<u>1,435,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>
5.050 Total Expenditures and Other Financing Uses	<u>58,872,744</u>	<u>59,214,482</u>	<u>61,070,406</u>	1.86%	<u>63,347,000</u>	<u>66,037,760</u>	<u>68,253,699</u>	<u>70,635,116</u>	<u>73,197,435</u>
Excess Of Revenues and Other Financing Sources over(under) Expenditures and Other Financing Uses									
6.010 Other Financing Uses	1,915,073	272,460	-31,646	-98.69%	-4,947,000	-7,787,760	-10,288,699	-12,680,116	-15,252,435
Cash Balance July 1 - Excluding Proposal Renewal/ Replacement and New Levies									
7.010	14,773,728	16,688,801	16,961,261	7.30%	16,929,615	11,982,615	4,194,855	-6,093,844	-18,773,960
7.020 Cash Balance June 30	<u>16,688,801</u>	<u>16,961,261</u>	<u>16,929,615</u>	0.72%	<u>11,982,615</u>	<u>4,194,855</u>	<u>-6,093,844</u>	<u>-18,773,960</u>	<u>-34,026,394</u>
8.010 Estimated Encumbrances June 30	<u>491,883</u>	<u>606,583</u>	<u>867,059</u>	33.13%	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>

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Reservation of Fund Balance:									
9.010	0	0	0	0.00%	0	0	0	0	0
9.020	0	0	0	0.00%	0	0	0	0	0
9.030	0	0	0	0.00%	0	0	0	0	0
9.040	0	0	0	0.00%	0	0	0	0	0
9.045	0	0	0	0.00%	0	0	0	0	0
9.050	0	0	0	0.00%	0	0	0	0	0
9.060	0	0	0	0.00%	0	0	0	0	0
9.070	0	0	0	0.00%	0	0	0	0	0
9.080	0	0	0	0.00%	0	0	0	0	0
Fund Balance June 30 For Certification of Appropriations									
10.010	16,196,918	16,354,678	16,062,556	-0.41%	11,382,615	3,594,855	-6,693,844	-19,373,960	-34,626,394
Revenue from Replacement / Renewal Levies:									
11.010	0	0	0	0.00%	0	0	0	0	0
11.020	0	0	0	0.00%	0	0	0	0	0
11.300	0	0	0	0.00%	0	0	0	0	0
Fund Balance June 30 For Certificates of Contracts, Salary Schedules, and Other Obligations									
12.010	16,196,918	16,354,678	16,062,556	-0.41%	11,382,615	3,594,855	-6,693,844	-19,373,960	-34,626,394
Revenue from New Levies:									
13.010	0	0	0	0.00%	0	0	0	0	0
13.020	0	0	0	0.00%	0	2,760,000	5,520,000	11,040,000	11,040,000
13.030	0	0	0	0.00%	0	2,760,000	8,280,000	19,320,000	30,360,000
14.010	0	0	0	0.00%	0	0	0	0	0
15.010	16,196,918	16,354,678	16,062,556	-0.41%	11,382,615	6,354,855	1,586,156	-53,960	-4,266,394
20.010					230	220	210	200	200
20.015					3,100	3,050	3,000	2,950	2,950
21.010	0	0	0	0.00%	0	0	0	0	0
21.020	0	0	0	0.00%	0	0	0	0	0
21.030	0	0	0	0.00%	0	0	0	0	0
21.040	0	0	0	0.00%	0	0	0	0	0
21.050	0	0	0	0.00%	0	0	0	0	0
21.060	0	0	0	0.00%	0	0	0	0	0

See accompanying summary of significant forecast Assumptions and accounting policies.

Includes: General Fund, Emergency Levy Fund, SDFSF, PBA fund, and any portion of debt service fund related to general fund debt.

South Euclid-Lyndhurst City School District
Cuyahoga County
Five-Year Forecast Assumptions
Fiscal Year 2019-2023

The following assumptions are an integral part of the 5-Year financial forecast and are provided to assist the reader in understanding the basis and determination of the figures presented in the 5-Year financial forecast. For the most part, the 5-Year financial forecast reflects conservative estimates of revenue and expenditure expectations for the five-year period beginning July 1, 2018 and ending June 30, 2023. The five-year forecast is designed to assist management in making well informed decisions regarding educational programming while recognizing the financial impact of such decisions. Unfortunately, given the financial climate and the unforeseen financial and economic variables that often exist within school districts in Cuyahoga County, the 5-Year forecast tends to be a “moving target”. With that said, the reader should be cognizant of the fact that the 5-Year forecast is only as accurate as the information that was available at the time it was prepared. Thus, one should not place a high level of reliance on the accuracy of the forecasted figures beyond the first couple years.

REVENUE ASSUMPTIONS

Line 1.01 – General Property Tax - Real Estate (69.5%)

Fiscal Year 2019

This line represents the expected tax collections on residential properties, commercial and industrial properties and public utilities on the majority of properties located in the City of South Euclid, all of properties located in the City of Lyndhurst and a small portion of properties located in the City of Richmond Heights. Because taxes are the largest revenue item in the General Fund (about 70% of the General Fund’s yearly estimated revenue), a significant amount of time is dedicated to analyzing data provided by the County Auditor’s Office and to analyzing historical trends and data maintained by the district as well as current economic conditions that exist within our district boundaries with respect to property values and tax collection rates.

The estimate for fiscal year 2019 is \$40,566,000 for all general property taxes. This amount is approximately \$1.4 million less than what was actually received in fiscal year 2018. Key factors in arriving at the estimate for fiscal year 2019 are overall tax collection rates related to real estate, commercial and public utility properties over the past few years, delinquent taxes received over the past few years and the anticipation of refunds of taxes already paid. As a point of information, the Cuyahoga County Auditor’s Office performed a reappraisal of all properties in the County for tax year 2018, collections to begin in 2019.

Yearly tax collection rates for the past few years have been relatively consistent. However, the collection rate related to commercial property has been affected by refunds which are a result of tax complaint decreases granted by the County Board of Revisions over the past couple of years. Large decreases were granted for the Richmond Mall property (refunds included in FY 18) and Hilltop Plaza (refund anticipated in FY 19). It is this anticipated refund that has caused the bulk of the decrease in the estimate for fiscal year 2019. Included in the total tax collections in FY 18 were the taxes paid by

Hilltop Plaza before the decrease tax complaint was granted. Therefore, in FY 19, Hilltop Plaza will receive a refund for the overpayment of taxes in calendar year 2018 and will be assessed taxes in calendar year 2019 based on the significantly lower property value pursuant to the granted tax complaint decrease. The estimate for FY 19 takes into consideration both the refund and the anticipated smaller tax liability of Hilltop Plaza.

In FY 18, the district received just under \$1.5 million in delinquent tax collections. Fiscal prudence suggests that one should not expect or plan for delinquent tax collections in any given year; however, since fiscal year 2012, the district has received no less than \$1.187 million. Based on that fact, an estimate of just under \$1.1 million has been included for fiscal year 2019.

Fiscal Years 2020-2023

The 5-Year forecast does not reflect an increase or decrease in collections from the reflected for FY 19.

Line 1.035 – Unrestricted Grants-in-Aid (14%)

Fiscal Year 2019

This line represents the expected revenue from the State Foundation Program and revenue generated from the Ohio Casino Tax (imposed in fiscal year 2013). According to initial reports from the Ohio Department of Education, the school district is expected to receive almost \$8.2 million from the State Foundation Program. This estimate is slightly less than what was received in FY 18 (\$8.225 million).

Last fiscal year the district received just over \$174,000 from the Casino Tax which was a slight increase above fiscal year 2018. However, with the exception of FY 18, this revenue source has declined each year since it was imposed. Therefore, the estimate for this fiscal year is \$170,000.

The estimate for unrestricted grants-in-aid in total for fiscal year 2019 is \$8,330,000.

Fiscal Years 2020-2023

For these fiscal years, the 5-Year forecast reflects a slight decrease from what is expected to be received in fiscal year 2019.

Line 1.04 – Restricted Grants-in-Aid (1.5%)

Fiscal Year 2019

This line represents the expected revenue from the Ohio Department of Education for Catastrophic Special Education Reimbursement, Economically Disadvantaged Funding and Career Tech Funding. The estimate for this revenue line account is \$863,000 for fiscal year 2019. Below are the amounts received last fiscal year and the estimates for this fiscal year:

	<u>FY 18</u>	<u>FY 19</u>
Catastrophic Special Education Reimb.	\$ 93,289	\$ 75,000
Economically Disadvantaged Funding	\$688,825	\$700,000
Bus Fuel Tax Reimbursement	\$ 3,276	\$ 3,000
Career Tech Funding	<u>\$ 85,086</u>	<u>\$ 85,000</u>
Total	\$870,476	\$863,000

Fiscal Years 2020-2023

For these fiscal years, the 5-Year forecast reflects no increase or decrease from what is expected to be received in fiscal year 2019.

Line 1.05 – Property Tax Allocation (10%)

Fiscal Year 2019

This line represents the expected revenue from the State of Ohio for Homestead and Rollback reimbursements. The State of Ohio contributes 10% of the real estate taxes for homeowners in the State of Ohio. The State of Ohio also contributes 2.5% of the real estate taxes for owner occupied homes in the State of Ohio. Finally, the State of Ohio contributes a portion of real estate taxes for qualified senior or disabled citizens, regardless of income, on the dwelling that is the individual’s principal place of residence. This portion of taxes paid by the State of Ohio directly to school districts is known as the Homestead Exemption.

The estimate for fiscal year 2019 is \$5,883,540, which is approximately \$58,000 less than what the district received in fiscal year 2018. This particular revenue source has been declining since 2012. In FY 13, the district received just under \$6.2 million and has declined to about \$5,941,000 in FY 18, which is a decline of about \$260,000 over 5 years.

Fiscal Years 2020-2023

The 5-Year forecast reflects a decrease of about \$85,000 in FY 20 from the estimate of FY 19. For FY 21, the forecast reflects a decrease of about \$55,000 from the estimate in FY 20. For fiscal years 2022 & 2023, there is no increase or decrease from what is expected to be received in fiscal year 2021.

Line 1.06 – All Other Revenue (4%)

Fiscal Year 2019

This line represents the other local revenue that is received by the school district and is estimated to be \$2,429,000 for FY 19. Below are the revenue sources, the FY 19 estimate and the FY 18 actual amount received.

<u>Source</u>	<u>2019 Estimate</u>	<u>2018 Actual</u>
Tuitions from all sources	\$1,664,000	\$2,235,244
Interest Earnings	\$ 433,000	\$ 431,027
Pay to Participate Fees	\$ 55,000	\$ 73,740
Class Fees	\$ 61,000	\$ 44,237
Miscellaneous Revenue	\$ 85,000	\$ 100,386
Revenue in Lieu	\$ 000	\$ 000
Income Tax – TIF	\$ 26,000	\$ 36,363
Medicaid Reimbursement	<u>\$ 105,000</u>	<u>\$ 170,051</u>
Total	\$2,429,000	\$3,091,048

The reason for the decrease in estimated revenue in FY 2019 compared to what the district actually received in FY 2018 primarily has to do with tuition revenue, but is also impacted negatively by Medicaid reimbursement and to a lesser degree miscellaneous revenue, pay to participate fees and income tax.

The decrease in tuition revenue of almost \$600,000 is a result of a timing issue related to fiscal year 2017 and fiscal year 2018. The district expected to receive tuition revenue in August 2016 and February 2017 from the home school of regular education and special education students who reside in foster homes in our district. However, the Department of Education changed the reporting “window” for the second half of the year from December 2016 to June 2017. Because of this change, the district did not receive payment in February 2017 as originally anticipated but did receive that amount in July 2017 (which is in FY 18). Therefore in FY 18, the district not only received a full year amount related to FY18; but also, one-half of the amount related to FY 17.

The decrease of about \$65,000 in FY 19 in Medicaid reimbursement has to do with amounts received in the form of settlements from previous fiscal years. Settlements are not anticipated or expected in any given fiscal year and; therefore, are not included in forecasted estimates.

The decrease in pay to participate fees has to do with a recent decision of the BOE to remove this fee from the Junior High School athletic program beginning this year.

Fiscal Years 2020-2023

For these years, the estimate reflects a reduction in interest earnings in FY 2020 of \$58,000 and a reduction of another \$225,000 in FY 21 and a reduction of another \$10,000 in both FY 22 and FY 23. This expectation is due to the expectation of having less cash balance available for investing.

Line 2.05 – Advances-In (<1%)

Fiscal Year 2019

This line represents the return of funds advanced to other funds (fund accounts) at the end of the last fiscal year. In fiscal year 2019, the return of advances from the previous year will be \$288,500.

Fiscal Years 2020-2023

For these fiscal years, an estimate of \$300,000 is being reflected.

Line 2.06 – All Other Financing Sources (0%)

Fiscal Year 2019

This line represents the sale of assets, insurance claim proceeds and refunds of prior year’s expenditures. This line varies from year to year and is typically not a large source of revenue. However, the past 5 years have seen significant revenue in the area of refunds, but there is little expectation this fiscal year or beyond. The estimate for fiscal year 2019 is \$39,500.

Fiscal Years 2020-2023

For these fiscal years, an estimate of \$25,000 is being reflected.

EXPENDITURE ASSUMPTIONS

Line 3.01 – Personnel Services (53%)

Fiscal Year 2019

This line represents the salary expectations for all employees of the School District that are paid out of the General Fund based on current contractual obligations. Personnel services include administrative staff, teachers, classified personnel, some substitutes but not all, supplemental contracts, overtime and other salary related items.

Because school districts are a service industry, costs associated with personnel are the largest expenditure. In many school districts, personnel costs (salaries and benefits) account for between 80-85% of the total budget of a school district (we are closer to 76%). As a result of that fact, fiscal prudence requires extensive monitoring and extensive data analysis regarding salaries and benefits of all employees of the district.

The District has three (3) unions, one inclusive of all teaching staff and two (2) support staff unions representing all classified personnel such as secretaries, custodians, bus drivers, cafeteria workers, etc. School district administrator's both certified and classified are not represented by a union nor are the five (5) administrative secretarial assistants. Negotiations were conducted with all three (3) unions in the spring of 2018 and the outcome was somewhat similar. However, duration of the successor contract related to the teaching staff was for a two (2) year period expiring on June 30, 2020 and the successor contract with the support staff unions expires on June 30, 2021.

The personnel services estimate for fiscal year 2019 is \$33,724,000 and includes all current staff (except cafeteria staff, which are paid out of a different fund and a handful of teachers paid out of Federal Grant Funds). Historical trends and a thorough analysis were used to determine an estimate for substitute costs, supplemental contracts and overtime.

A major change took place at the beginning of school year 2014-2015 with respect to substitute teachers. The district entered into a contract with a third party that provided substitute teachers when necessary. This cost of teacher substitutes will no longer be reflected as a personnel cost but will be included in purchased services costs and other objects. In the 2015-2016, the district entered into a contract with the same third party to provide substitute Intervention Specialist Assistants. Lastly, in the 2016-2017 school year, a change in the accounting practice related to severance pay was made whereby the severance pay amount was no longer charged to the General Fund but was instead charged to the newly created "Severance Fund".

Fiscal Years 2020-2023

The estimate for FY 20 is a result of a 4% increase, which is a 2% COLA adjustment plus step increase for those employees who would be entitled to one, which is estimated at 2% as well. It is important to understand that this increase does not assume that all staff will receive a 4% increase in FY 20, but that overall salary expenditures will increase by 4%.

Fiscal years 2021-2023 estimates reflect an increase of 2%, which represents a step increase for those employees who may be entitled to one. There is no guarantee of a COLA adjustment in FY 21-23. It

is important to understand that this increase does not assume that all staff will receive a 2% increase in each of these years, but that overall salary expenditures will increase by 2%.

Line 3.02 – Employees’ Retirement/Insurance Benefits (22%)

Fiscal Year 2019

This line represents the cost of benefits for all employees of the School District that are paid out of the General Fund based on current contractual obligations. These benefits include expenses for retirement (STRS and SERS), healthcare benefits (hospitalization, dental, vision and life insurance), Medicare, unemployment compensation and other employee reimbursements. Fiscal prudence requires extensive monitoring and extensive data analysis regarding benefits similar to that of the extensive monitoring and data analysis done in the area of salaries.

Beginning in FY 18, a change in the accounting practice related to the premium for worker’s compensation took place. This premium is no longer accounted for within the General Fund and is accounted for in a separate fund specifically designated for this premium payment. This fund will be funded by a transfer from the General Fund at the end of the year to cover the premium payment made in December/January.

The estimate for fiscal year 2019 is \$13,768,000 and includes all benefits for current staff (except cafeteria staff, which are paid out of a different fund and a handful of teachers paid out of Federal Grant Funds). The district has projected a 10% increase to healthcare benefits to begin in October.

Fiscal Years 2020-2023

For fiscal years 2020-2023 a 10% increase to the previous years estimate has been utilized for illustration purposes. This increase does not assume that all benefits items will increase by 10% each year, but that overall benefit expenditures will increase by 10%.

Line 3.03 – Purchased Services (18%)

Fiscal Year 2019

This line represents the cost of purchased services for the district. This expenditure category consists of a variety of subcategories which include but are not limited to: legal services, contract services (including certified teaching substitutes and ISA substitutes paid to a third party), property insurance, travel/meeting expenses, utilities, postage, maintenance services, tuition, excess costs, community school deduction, post secondary options deduction and open enrollment deductions.

The estimate for fiscal year 2019 is \$11,462,000. The actual expenditures last fiscal year were just under \$10.9 million. The district is anticipating significant increases this year in the area of tuition related to PEP Programs, excess costs, open enrollment, community school deduction and autism scholarship deductions.

Fiscal Years 2020-2023

For these fiscal years, the estimate does not reflect an increase or decrease from the estimate reflected in FY 19.

Line 3.04 – Supplies and Materials (3%)

Fiscal Year 2019

This line represents the cost of supplies and materials for the district. This expenditure category consists of a variety of subcategories which include but are not limited to: instructional supplies, software, textbooks, workbooks, library books, custodial/maintenance supplies, bus supplies and bus fuel. The estimate for fiscal year 2019 is \$1,821,000, which is about \$40,000 less than actual expenditures last fiscal year.

Fiscal Years 2020-2023

For these fiscal years, the estimate does not reflect an increase or decrease from the estimate reflected in FY 19.

Line 3.05 – Capital Outlay (0%)

Fiscal Year 2019

This line represents the cost of new and replacement equipment. The estimate for fiscal year 2019 is \$19,500, which is about \$255,000 less than what actual expenditures were last fiscal year. Administratively, the decision was made to utilize Permanent Improvement Funds for the purchase of equipment in FY 19.

Fiscal Years 2020-2023

For these fiscal years, the estimate does not reflect an increase or decrease from the estimate reflected in FY 19.

Line 4.3 – Other Objects (2%)

Fiscal Year 2019

This line represents the cost of other objects also referred to as dues and fees. This expenditure category consists of a variety of subcategories which include but are not limited to: State audit charges, Cuyahoga County ESC deductions, County Auditor/Treasurer fees related to tax collections, third party fees for all substitutes, bank service charges, liability insurance, etc. The estimate for fiscal year 2019 is \$1,117,500.

Fiscal Years 2020-2023

For these fiscal years, the estimate does not reflect an increase or decrease from the estimate reflected in FY 19.

Line 5.01 – Operational Transfers Out (1.5%)

Fiscal Year 2019

This line represents transfers from the General Fund to other funds in the district that require a transfer of funds to cover any deficit. The largest transfer is typically made to the Nutrition Services Fund (cafeteria).

Over the past number of years when the actual ending cash balance in April was significantly higher than the estimated ending cash balance, the Board of Education has added to existing reserve accounts through a transfer in either May or June. For the purpose of financial planning, transfers to reserve account are not typically included in any estimate in any year because of the uncertainty of what the actual cash balance may be ten (10) months later in the fiscal year. However, with the 1-to-1 chromebook initiative last school year and the limited life expectancy of chromebooks, the need to “reserve” funds for chromebook replacement is now included with year anticipated transfers.

The estimate for fiscal year 2019 is \$1,135,000. Below is a list of the funds that are expected to need a transfer and the anticipated transfer amounts:

Technology Reserve	\$100,000
Arc Fit	\$ 50,000
Building Fund	\$125,000 (HB 264 Loan payment)
Nutrition Service Fund	375,000
Korb Field Repl.	50,000
Worker’s Comp Fund	100,000
Severance Fund	100,000
Student Activity Funds	10,000
Athletics	<u>225,000</u>
Total	\$1,135,000

Fiscal Years 2020-2023

For these fiscal years, the estimate of \$1,100,000 is being utilized.

Line 5.02 – Advances-Out (<1%)

Fiscal Year 2019

This line represents advances from the General Fund to other funds in the district that require an advance to end the fiscal year with a positive cash balance. An advance is different from a transfer in that an advance must be repaid to the General Fund in the next fiscal year and a transfer of funds is not to be repaid. Typically, advances are made to Federal Funds due to the fact that most Federal Funds require funds to be spent before Federal Funds are released to the school district. Most of the time, the advance is only necessary to cover the amount of purchase orders (encumbrances) that are on the system at the end of the fiscal year. The estimate of advances for fiscal year 2018 is \$300,000.

Fiscal Years 2020-2023

For these fiscal years, the estimate of \$300,000 is being utilized.

Line 7.02 – Cash Balance June 30

Fiscal Year 2019

This line represents the actual ending cash balance of the General Fund. A negative ending cash balance indicates prior and/or current deficit spending and corrective action must be taken to ensure the ending cash balance is no longer negative. The estimated ending cash balance for June 30, 2019 is \$11,982,615. Fiscal year 2019 reflects a deficit spending of close to \$5 million.

Fiscal Years 2020-2023

The ending cash balance is expected to decline during fiscal years 2019-2023 from almost \$17 million at the end of FY 18 to an estimated negative \$34 million at the end of FY 23. This is a typical cycle; however, corrective action will occur over the next couple of years in an effort to reduce anticipated expenses in order to delay, as long as possible, the need for additional tax revenue.

Line 10.01 – Fund Balance June 30

Fiscal Year 2019

This line represents the actual ending cash balance of the General Fund minus the amount of outstanding encumbrances at the end of the fiscal year. A negative ending fund balance is not permitted under Ohio Law. The estimated ending fund balance for June 30, 2019 is \$11,382,615

Fiscal Years 2020-2023

To avoid the estimated deficit of approximately \$6.7 million at the end of fiscal year 2021 and based solely on the figures presented in the 5-year forecast and the information provided in these assumptions, it would appear that the most financially prudent decision would be to present a ballot issue to residents requesting additional funding through a tax levy in November 2019.

South Euclid-Lyndhurst City School District
Cuyahoga County
Five-Year Forecast Assumptions
Fiscal Year 2019-2023

The following assumptions are an integral part of the 5-Year financial forecast and are provided to assist the reader in understanding the basis and determination of the figures presented in the 5-Year financial forecast. For the most part, the 5-Year financial forecast reflects conservative estimates of revenue and expenditure expectations for the five-year period beginning July 1, 2018 and ending June 30, 2023. The five-year forecast is designed to assist management in making well informed decisions regarding educational programming while recognizing the financial impact of such decisions. Unfortunately, given the financial climate and the unforeseen financial and economic variables that often exist within school districts in Cuyahoga County, the 5-Year forecast tends to be a “moving target”. With that said, the reader should be cognizant of the fact that the 5-Year forecast is only as accurate as the information that was available at the time it was prepared. Thus, one should not place a high level of reliance on the accuracy of the forecasted figures beyond the first couple years.

REVENUE ASSUMPTIONS

Line 1.01 – General Property Tax - Real Estate (69.5%)

Fiscal Year 2019

This line represents the expected tax collections on residential properties, commercial and industrial properties and public utilities on the majority of properties located in the City of South Euclid, all of properties located in the City of Lyndhurst and a small portion of properties located in the City of Richmond Heights. Because taxes are the largest revenue item in the General Fund (about 70% of the General Fund’s yearly estimated revenue), a significant amount of time is dedicated to analyzing data provided by the County Auditor’s Office and to analyzing historical trends and data maintained by the district as well as current economic conditions that exist within our district boundaries with respect to property values and tax collection rates.

The estimate for fiscal year 2019 is \$40,566,000 for all general property taxes. This amount is approximately \$1.4 million less than what was actually received in fiscal year 2018. Key factors in arriving at the estimate for fiscal year 2019 are overall tax collection rates related to real estate, commercial and public utility properties over the past few years, delinquent taxes received over the past few years and the anticipation of refunds of taxes already paid. As a point of information, the Cuyahoga County Auditor’s Office performed a reappraisal of all properties in the County for tax year 2018, collections to begin in 2019.

Yearly tax collection rates for the past few years have been relatively consistent. However, the collection rate related to commercial property has been affected by refunds which are a result of tax complaint decreases granted by the County Board of Revisions over the past couple of years. Large decreases were granted for the Richmond Mall property (refunds included in FY 18) and Hilltop Plaza (refund anticipated in FY 19). It is this anticipated refund that has caused the bulk of the decrease in the estimate for fiscal year 2019. Included in the total tax collections in FY 18 were the taxes paid by

Hilltop Plaza before the decrease tax complaint was granted. Therefore, in FY 19, Hilltop Plaza will receive a refund for the overpayment of taxes in calendar year 2018 and will be assessed taxes in calendar year 2019 based on the significantly lower property value pursuant to the granted tax complaint decrease. The estimate for FY 19 takes into consideration both the refund and the anticipated smaller tax liability of Hilltop Plaza.

In FY 18, the district received just under \$1.5 million in delinquent tax collections. Fiscal prudence suggests that one should not expect or plan for delinquent tax collections in any given year; however, since fiscal year 2012, the district has received no less than \$1.187 million. Based on that fact, an estimate of just under \$1.1 million has been included for fiscal year 2019.

Fiscal Years 2020-2023

The 5-Year forecast does not reflect an increase or decrease in collections from the reflected for FY 19.

Line 1.035 – Unrestricted Grants-in-Aid (14%)

Fiscal Year 2019

This line represents the expected revenue from the State Foundation Program and revenue generated from the Ohio Casino Tax (imposed in fiscal year 2013). According to initial reports from the Ohio Department of Education, the school district is expected to receive almost \$8.2 million from the State Foundation Program. This estimate is slightly less than what was received in FY 18 (\$8.225 million).

Last fiscal year the district received just over \$174,000 from the Casino Tax which was a slight increase above fiscal year 2018. However, with the exception of FY 18, this revenue source has declined each year since it was imposed. Therefore, the estimate for this fiscal year is \$170,000.

The estimate for unrestricted grants-in-aid in total for fiscal year 2019 is \$8,330,000.

Fiscal Years 2020-2023

For these fiscal years, the 5-Year forecast reflects a slight decrease from what is expected to be received in fiscal year 2019.

Line 1.04 – Restricted Grants-in-Aid (1.5%)

Fiscal Year 2019

This line represents the expected revenue from the Ohio Department of Education for Catastrophic Special Education Reimbursement, Economically Disadvantaged Funding and Career Tech Funding. The estimate for this revenue line account is \$863,000 for fiscal year 2019. Below are the amounts received last fiscal year and the estimates for this fiscal year:

	<u>FY 18</u>	<u>FY 19</u>
Catastrophic Special Education Reimb.	\$ 93,289	\$ 75,000
Economically Disadvantaged Funding	\$688,825	\$700,000
Bus Fuel Tax Reimbursement	\$ 3,276	\$ 3,000
Career Tech Funding	<u>\$ 85,086</u>	<u>\$ 85,000</u>
Total	\$870,476	\$863,000

Fiscal Years 2020-2023

For these fiscal years, the 5-Year forecast reflects no increase or decrease from what is expected to be received in fiscal year 2019.

Line 1.05 – Property Tax Allocation (10%)

Fiscal Year 2019

This line represents the expected revenue from the State of Ohio for Homestead and Rollback reimbursements. The State of Ohio contributes 10% of the real estate taxes for homeowners in the State of Ohio. The State of Ohio also contributes 2.5% of the real estate taxes for owner occupied homes in the State of Ohio. Finally, the State of Ohio contributes a portion of real estate taxes for qualified senior or disabled citizens, regardless of income, on the dwelling that is the individual’s principal place of residence. This portion of taxes paid by the State of Ohio directly to school districts is known as the Homestead Exemption.

The estimate for fiscal year 2019 is \$5,883,540, which is approximately \$58,000 less than what the district received in fiscal year 2018. This particular revenue source has been declining since 2012. In FY 13, the district received just under \$6.2 million and has declined to about \$5,941,000 in FY 18, which is a decline of about \$260,000 over 5 years.

Fiscal Years 2020-2023

The 5-Year forecast reflects a decrease of about \$85,000 in FY 20 from the estimate of FY 19. For FY 21, the forecast reflects a decrease of about \$55,000 from the estimate in FY 20. For fiscal years 2022 & 2023, there is no increase or decrease from what is expected to be received in fiscal year 2021.

Line 1.06 – All Other Revenue (4%)

Fiscal Year 2019

This line represents the other local revenue that is received by the school district and is estimated to be \$2,429,000 for FY 19. Below are the revenue sources, the FY 19 estimate and the FY 18 actual amount received.

<u>Source</u>	<u>2019 Estimate</u>	<u>2018 Actual</u>
Tuitions from all sources	\$1,664,000	\$2,235,244
Interest Earnings	\$ 433,000	\$ 431,027
Pay to Participate Fees	\$ 55,000	\$ 73,740
Class Fees	\$ 61,000	\$ 44,237
Miscellaneous Revenue	\$ 85,000	\$ 100,386
Revenue in Lieu	\$ 000	\$ 000
Income Tax – TIF	\$ 26,000	\$ 36,363
Medicaid Reimbursement	<u>\$ 105,000</u>	<u>\$ 170,051</u>
Total	\$2,429,000	\$3,091,048

The reason for the decrease in estimated revenue in FY 2019 compared to what the district actually received in FY 2018 primarily has to do with tuition revenue, but is also impacted negatively by Medicaid reimbursement and to a lesser degree miscellaneous revenue, pay to participate fees and income tax.

The decrease in tuition revenue of almost \$600,000 is a result of a timing issue related to fiscal year 2017 and fiscal year 2018. The district expected to receive tuition revenue in August 2016 and February 2017 from the home school of regular education and special education students who reside in foster homes in our district. However, the Department of Education changed the reporting “window” for the second half of the year from December 2016 to June 2017. Because of this change, the district did not receive payment in February 2017 as originally anticipated but did receive that amount in July 2017 (which is in FY 18). Therefore in FY 18, the district not only received a full year amount related to FY18; but also, one-half of the amount related to FY 17.

The decrease of about \$65,000 in FY 19 in Medicaid reimbursement has to do with amounts received in the form of settlements from previous fiscal years. Settlements are not anticipated or expected in any given fiscal year and; therefore, are not included in forecasted estimates.

The decrease in pay to participate fees has to do with a recent decision of the BOE to remove this fee from the Junior High School athletic program beginning this year.

Fiscal Years 2020-2023

For these years, the estimate reflects a reduction in interest earnings in FY 2020 of \$58,000 and a reduction of another \$225,000 in FY 21 and a reduction of another \$10,000 in both FY 22 and FY 23. This expectation is due to the expectation of having less cash balance available for investing.

Line 2.05 – Advances-In (<1%)

Fiscal Year 2019

This line represents the return of funds advanced to other funds (fund accounts) at the end of the last fiscal year. In fiscal year 2019, the return of advances from the previous year will be \$288,500.

Fiscal Years 2020-2023

For these fiscal years, an estimate of \$300,000 is being reflected.

Line 2.06 – All Other Financing Sources (0%)

Fiscal Year 2019

This line represents the sale of assets, insurance claim proceeds and refunds of prior year’s expenditures. This line varies from year to year and is typically not a large source of revenue. However, the past 5 years have seen significant revenue in the area of refunds, but there is little expectation this fiscal year or beyond. The estimate for fiscal year 2019 is \$39,500.

Fiscal Years 2020-2023

For these fiscal years, an estimate of \$25,000 is being reflected.

EXPENDITURE ASSUMPTIONS

Line 3.01 – Personnel Services (53%)

Fiscal Year 2019

This line represents the salary expectations for all employees of the School District that are paid out of the General Fund based on current contractual obligations. Personnel services include administrative staff, teachers, classified personnel, some substitutes but not all, supplemental contracts, overtime and other salary related items.

Because school districts are a service industry, costs associated with personnel are the largest expenditure. In many school districts, personnel costs (salaries and benefits) account for between 80-85% of the total budget of a school district (we are closer to 76%). As a result of that fact, fiscal prudence requires extensive monitoring and extensive data analysis regarding salaries and benefits of all employees of the district.

The District has three (3) unions, one inclusive of all teaching staff and two (2) support staff unions representing all classified personnel such as secretaries, custodians, bus drivers, cafeteria workers, etc. School district administrator's both certified and classified are not represented by a union nor are the five (5) administrative secretarial assistants. Negotiations were conducted with all three (3) unions in the spring of 2018 and the outcome was somewhat similar. However, duration of the successor contract related to the teaching staff was for a two (2) year period expiring on June 30, 2020 and the successor contract with the support staff unions expires on June 30, 2021.

The personnel services estimate for fiscal year 2019 is \$33,724,000 and includes all current staff (except cafeteria staff, which are paid out of a different fund and a handful of teachers paid out of Federal Grant Funds). Historical trends and a thorough analysis were used to determine an estimate for substitute costs, supplemental contracts and overtime.

A major change took place at the beginning of school year 2014-2015 with respect to substitute teachers. The district entered into a contract with a third party that provided substitute teachers when necessary. This cost of teacher substitutes will no longer be reflected as a personnel cost but will be included in purchased services costs and other objects. In the 2015-2016, the district entered into a contract with the same third party to provide substitute Intervention Specialist Assistants. Lastly, in the 2016-2017 school year, a change in the accounting practice related to severance pay was made whereby the severance pay amount was no longer charged to the General Fund but was instead charged to the newly created "Severance Fund".

Fiscal Years 2020-2023

The estimate for FY 20 is a result of a 4% increase, which is a 2% COLA adjustment plus step increase for those employees who would be entitled to one, which is estimated at 2% as well. It is important to understand that this increase does not assume that all staff will receive a 4% increase in FY 20, but that overall salary expenditures will increase by 4%.

Fiscal years 2021-2023 estimates reflect an increase of 2%, which represents a step increase for those employees who may be entitled to one. There is no guarantee of a COLA adjustment in FY 21-23. It

is important to understand that this increase does not assume that all staff will receive a 2% increase in each of these years, but that overall salary expenditures will increase by 2%.

Line 3.02 – Employees’ Retirement/Insurance Benefits (22%)

Fiscal Year 2019

This line represents the cost of benefits for all employees of the School District that are paid out of the General Fund based on current contractual obligations. These benefits include expenses for retirement (STRS and SERS), healthcare benefits (hospitalization, dental, vision and life insurance), Medicare, unemployment compensation and other employee reimbursements. Fiscal prudence requires extensive monitoring and extensive data analysis regarding benefits similar to that of the extensive monitoring and data analysis done in the area of salaries.

Beginning in FY 18, a change in the accounting practice related to the premium for worker’s compensation took place. This premium is no longer accounted for within the General Fund and is accounted for in a separate fund specifically designated for this premium payment. This fund will be funded by a transfer from the General Fund at the end of the year to cover the premium payment made in December/January.

The estimate for fiscal year 2019 is \$13,768,000 and includes all benefits for current staff (except cafeteria staff, which are paid out of a different fund and a handful of teachers paid out of Federal Grant Funds). The district has projected a 10% increase to healthcare benefits to begin in October.

Fiscal Years 2020-2023

For fiscal years 2020-2023 a 10% increase to the previous years estimate has been utilized for illustration purposes. This increase does not assume that all benefits items will increase by 10% each year, but that overall benefit expenditures will increase by 10%.

Line 3.03 – Purchased Services (18%)

Fiscal Year 2019

This line represents the cost of purchased services for the district. This expenditure category consists of a variety of subcategories which include but are not limited to: legal services, contract services (including certified teaching substitutes and ISA substitutes paid to a third party), property insurance, travel/meeting expenses, utilities, postage, maintenance services, tuition, excess costs, community school deduction, post secondary options deduction and open enrollment deductions.

The estimate for fiscal year 2019 is \$11,462,000. The actual expenditures last fiscal year were just under \$10.9 million. The district is anticipating significant increases this year in the area of tuition related to PEP Programs, excess costs, open enrollment, community school deduction and autism scholarship deductions.

Fiscal Years 2020-2023

For these fiscal years, the estimate does not reflect an increase or decrease from the estimate reflected in FY 19.

Line 3.04 – Supplies and Materials (3%)

Fiscal Year 2019

This line represents the cost of supplies and materials for the district. This expenditure category consists of a variety of subcategories which include but are not limited to: instructional supplies, software, textbooks, workbooks, library books, custodial/maintenance supplies, bus supplies and bus fuel. The estimate for fiscal year 2019 is \$1,821,000, which is about \$40,000 less than actual expenditures last fiscal year.

Fiscal Years 2020-2023

For these fiscal years, the estimate does not reflect an increase or decrease from the estimate reflected in FY 19.

Line 3.05 – Capital Outlay (0%)

Fiscal Year 2019

This line represents the cost of new and replacement equipment. The estimate for fiscal year 2019 is \$19,500, which is about \$255,000 less than what actual expenditures were last fiscal year. Administratively, the decision was made to utilize Permanent Improvement Funds for the purchase of equipment in FY 19.

Fiscal Years 2020-2023

For these fiscal years, the estimate does not reflect an increase or decrease from the estimate reflected in FY 19.

Line 4.3 – Other Objects (2%)

Fiscal Year 2019

This line represents the cost of other objects also referred to as dues and fees. This expenditure category consists of a variety of subcategories which include but are not limited to: State audit charges, Cuyahoga County ESC deductions, County Auditor/Treasurer fees related to tax collections, third party fees for all substitutes, bank service charges, liability insurance, etc. The estimate for fiscal year 2019 is \$1,117,500.

Fiscal Years 2020-2023

For these fiscal years, the estimate does not reflect an increase or decrease from the estimate reflected in FY 19.

Line 5.01 – Operational Transfers Out (1.5%)

Fiscal Year 2019

This line represents transfers from the General Fund to other funds in the district that require a transfer of funds to cover any deficit. The largest transfer is typically made to the Nutrition Services Fund (cafeteria).

Over the past number of years when the actual ending cash balance in April was significantly higher than the estimated ending cash balance, the Board of Education has added to existing reserve accounts through a transfer in either May or June. For the purpose of financial planning, transfers to reserve account are not typically included in any estimate in any year because of the uncertainty of what the actual cash balance may be ten (10) months later in the fiscal year. However, with the 1-to-1 chromebook initiative last school year and the limited life expectancy of chromebooks, the need to “reserve” funds for chromebook replacement is now included with year anticipated transfers.

The estimate for fiscal year 2019 is \$1,135,000. Below is a list of the funds that are expected to need a transfer and the anticipated transfer amounts:

Technology Reserve	\$100,000
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Nutrition Service Fund	375,000
Korb Field Repl.	50,000
Worker’s Comp Fund	100,000
Severance Fund	100,000
Student Activity Funds	10,000
Athletics	<u>225,000</u>
Total	\$1,135,000

Fiscal Years 2020-2023

For these fiscal years, the estimate of \$1,100,000 is being utilized.

Line 5.02 – Advances-Out (<1%)

Fiscal Year 2019

This line represents advances from the General Fund to other funds in the district that require an advance to end the fiscal year with a positive cash balance. An advance is different from a transfer in that an advance must be repaid to the General Fund in the next fiscal year and a transfer of funds is not to be repaid. Typically, advances are made to Federal Funds due to the fact that most Federal Funds require funds to be spent before Federal Funds are released to the school district. Most of the time, the advance is only necessary to cover the amount of purchase orders (encumbrances) that are on the system at the end of the fiscal year. The estimate of advances for fiscal year 2018 is \$300,000.

Fiscal Years 2020-2023

For these fiscal years, the estimate of \$300,000 is being utilized.

Line 7.02 – Cash Balance June 30

Fiscal Year 2019

This line represents the actual ending cash balance of the General Fund. A negative ending cash balance indicates prior and/or current deficit spending and corrective action must be taken to ensure the ending cash balance is no longer negative. The estimated ending cash balance for June 30, 2019 is \$11,982,615. Fiscal year 2019 reflects a deficit spending of close to \$5 million.

Fiscal Years 2020-2023

The ending cash balance is expected to decline during fiscal years 2019-2023 from almost \$17 million at the end of FY 18 to an estimated negative \$34 million at the end of FY 23. This is a typical cycle; however, corrective action will occur over the next couple of years in an effort to reduce anticipated expenses in order to delay, as long as possible, the need for additional tax revenue.

Line 10.01 – Fund Balance June 30

Fiscal Year 2019

This line represents the actual ending cash balance of the General Fund minus the amount of outstanding encumbrances at the end of the fiscal year. A negative ending fund balance is not permitted under Ohio Law. The estimated ending fund balance for June 30, 2019 is \$11,382,615

Fiscal Years 2020-2023

To avoid the estimated deficit of approximately \$6.7 million at the end of fiscal year 2021 and based solely on the figures presented in the 5-year forecast and the information provided in these assumptions, it would appear that the most financially prudent decision would be to present a ballot issue to residents requesting additional funding through a tax levy in November 2019.