



Kenston Local School District – Geauga County
Five-Year Forecast Assumptions
Fiscal Year 2023-2027

1st Submission: September 19, 2022

The following assumptions are an integral part of the 5-year financial forecast and are provided to assist the reader in understanding the basis for determination of the figures presented in the 5-year financial forecast. The 5-year forecast is designed to assist management in making well-informed decisions regarding educational programming while recognizing the financial impact of such decisions. The 5-year forecast [including the assumptions] is a financial tool that encourages management to examine future year’s projections beyond just the current operational year. It is designed to allow for management to quickly identify when financial challenges will arise and to be proactive rather than reactionary in addressing those challenges.

Unfortunately, given the financial climate and the unforeseen financial and economic variables that often exist within school districts in the State of Ohio, the 5-year forecast tends to be a “moving target”. That said, the reader should be cognizant of the fact that the 5-year forecast is a “snapshot” in time and is only as accurate as the information that was available at the time it was prepared. Thus, one should expect the accuracy of the forecasted figures to diminish each year within the forecast period, especially in the last two (2) fiscal years of the forecast.

For the most part, the previous financial forecasts [*those forecasts prepared from November 2019 through May 2021*] were prepared utilizing conservative estimates of revenue and liberal estimates of expenditures for the five-year period being reported. The preparation the 5-year forecast in November 2021 and May 2022 differ slightly in that they were prepared utilizing less conservative estimates of revenue and less liberal estimates of expenditures than in previous forecasts. This forecast has been prepared in a similar fashion to the previous two (2) 5-year financial forecasts. Although there is tremendous value in using a conservative methodology when it comes to projecting finances, there is also considerable value in presenting the district’s current and long-range financial position as accurately as possible without compromising the integrity of the process or the financial condition of the School District.

REVENUE ASSUMPTIONS

Line 1.01 – General Property Tax - Real Estate (72.4%)

Fiscal Year 2023

This revenue line represents the expected tax collections from residential and agricultural properties and from commercial and industrial properties located in the Townships of Auburn and Bainbridge. Because real estate taxes from all sources is the largest revenue item in the General Fund [*greater than 75% of the*

General Fund's yearly estimated revenue], a great deal of time is dedicated not only to analyzing data provided by the County Auditor's Office; but also, to analyzing historical trends and data maintained by the district related to property taxes, delinquent taxes and new construction. Additionally, having knowledge of current economic conditions that exist within our district boundaries *[which may or may not have a positive or negative effect on property values and tax collection rates]* is an integral component in arriving at a fair and reasonable revenue estimate for the fiscal year.

For informational purposes, the Geauga County Auditor's Office performed a reappraisal of all properties in the County in calendar year 2017 *[tax year 2017 – tax collections beginning in calendar year 2018]*, which resulted in an overall increase in property values of approximately 4%. Each County is required to perform a reappraisal of all properties every six (6) years. The reappraisal conducted for tax year 2017 resulted in an overall increase in property values of nearly 4%. The reappraisal conducted for tax year 2011 resulted in an overall **decrease** in property values of approximately 3.5% *[decreases rarely occur]* and the reappraisal conducted for tax year 2005 resulted in an overall increase in property values of approximately 14.7%.

In addition to a reappraisal every six (6) years, the County also performs an “update” to all property values every three (3) years. An update was conducted for calendar year 2020 *[tax year 2020 – tax collections beginning in calendar year 2021]*. As a result of this update, properties in total realized a 10.15% valuation increase. Properties in Auburn Township realized an 11.31% increase and Bainbridge Township realized a 9.58% increase in values. Below is a table of all property *[residential/agricultural, commercial/industrial and public utilities]* values in Auburn and Bainbridge Townships for tax years 2009 to 2021:

KENSTON LOCAL SCHOOL DISTRICT									
Actual Assessed Values - All Properties - Auburn and Bainbridge Townships									
Tax Years 2009 - 2021 [collections in the following calendar year]									
Tax Year	All Properties - Auburn			All Properties - Bainbridge			Total - All Properties		
	Assessed Value	Amount Changed	% Change	Assessed Value	Amount Changed	Percentage Change	Assessed Value	Amount Changed	% Change
2009	258,656,540	#REF!	#REF!	499,495,490	#REF!	#REF!	758,152,030	#REF!	#REF!
2010	259,735,380	1,078,840	0.42%	521,745,400	22,249,910	4.45%	781,480,780	23,328,750	3.08%
2011 - R	253,302,940	(6,432,440)	-2.48%	500,878,740	(20,866,660)	-4.00%	754,181,680	(27,299,100)	-3.49%
2012	253,788,200	485,260	0.19%	499,805,960	(1,072,780)	-0.21%	753,594,160	(587,520)	-0.08%
2013	254,493,020	704,820	0.28%	502,809,790	3,003,830	0.60%	757,302,810	3,708,650	0.49%
2014 - U	253,522,040	(970,980)	-0.38%	509,039,780	6,229,990	1.24%	762,561,820	5,259,010	0.69%
2015	255,653,360	2,131,320	0.84%	513,981,320	4,941,540	0.97%	769,634,680	7,072,860	0.93%
2016	258,272,950	2,619,590	1.02%	520,619,820	6,638,500	1.29%	778,892,770	9,258,090	1.20%
2017 - R	268,886,700	10,613,750	4.11%	541,071,040	20,451,220	3.93%	809,957,740	31,064,970	3.99%
2018	270,895,250	2,008,550	0.75%	550,167,450	9,096,410	1.68%	821,062,700	11,104,960	1.37%
2019	272,641,540	1,746,290	0.64%	558,880,520	8,713,070	1.58%	831,522,060	10,459,360	1.27%
2020 - U	303,488,670	30,847,130	11.31%	612,428,670	53,548,150	9.58%	915,917,340	84,395,280	10.15%
2021	306,013,330	2,524,660	0.83%	626,552,110	14,123,440	2.31%	932,565,440	16,648,100	1.82%

[R-Reappraisal, U=Update]

Below is a table reflecting actual residential/agricultural assessed values for both Auburn and Bainbridge Townships from tax year 2009 to 2021 and the table below that one reflects actual commercial/industrial assessed values for both Auburn and Bainbridge Townships from tax year 2009 to 2021.

KENSTON LOCAL SCHOOL DISTRICT Actual Residential/Agricultural Assessed Values - Auburn and Bainbridge Townships Tax Years 2009 - 2021 [collections in the following calendar year]									
Tax Year	Residential / Agricultural - Auburn			Residential / Agricultural - Bainbridge			Total - Residential/Agricultural		
	Assessed Value	Amount Changed	% Change	Assessed Value	Amount Changed	% Change	Assessed Value	Amount Changed	% Change
2009	239,565,360	#REF!	#REF!	420,662,510	#REF!	#REF!	660,227,870	#REF!	#REF!
2010	240,661,950	1,096,590	0.46%	420,965,670	303,160	0.07%	661,627,620	1,399,750	0.21%
2011 - R	233,952,330	(6,709,620)	-2.79%	409,167,970	(11,797,700)	-2.80%	643,120,300	(18,507,320)	-2.80%
2012	234,062,940	110,610	0.05%	414,254,660	5,086,690	1.24%	648,317,600	5,197,300	0.81%
2013	234,505,330	442,390	0.19%	417,668,160	3,413,500	0.82%	652,173,490	3,855,890	0.59%
2014 - U	233,745,730	(759,600)	-0.32%	423,987,120	6,318,960	1.51%	657,732,850	5,559,360	0.85%
2015	235,296,950	1,551,220	0.66%	428,585,900	4,598,780	1.08%	663,882,850	6,150,000	0.94%
2016	237,795,200	2,498,250	1.06%	433,556,250	4,970,350	1.16%	671,351,450	7,468,600	1.12%
2017 - R	247,709,810	9,914,610	4.17%	452,884,190	19,327,940	4.46%	700,594,000	29,242,550	4.36%
2018	249,425,380	1,715,570	0.69%	459,064,290	6,180,100	1.36%	708,489,670	7,895,670	1.13%
2019	250,701,880	1,276,500	0.51%	465,347,040	6,282,750	1.37%	716,048,920	7,559,250	1.07%
2020 - U	281,567,710	30,865,830	12.31%	517,001,830	51,654,790	11.10%	798,569,540	82,520,620	11.52%
2021	283,298,350	1,730,640	0.61%	522,716,250	5,714,420	1.11%	806,014,600	7,445,060	0.93%

KENSTON LOCAL SCHOOL DISTRICT Actual Commercial/Industrial Assessed Values - Auburn and Bainbridge Townships Tax Years 2009 - 2021 [collections in the following calendar year]									
Tax Year	Commercial / Industrial - Auburn			Commercial / Industrial - Bainbridge			Total - Commercial/Industrial		
	Assessed Value	Amount Changed	% Change	Assessed Value	Amount Changed	Percentage Change	Assessed Value	Amount Changed	% Change
2009	15,665,670	#REF!	#REF!	72,242,700	#REF!	#REF!	87,908,370	#REF!	#REF!
2010	15,591,080	(74,590)	-0.48%	94,024,250	21,781,550	30.15%	109,615,330	21,706,960	24.69%
2011 - R	15,530,380	(60,700)	-0.39%	84,673,310	(9,350,940)	-9.95%	100,203,690	(9,411,640)	-8.59%
2012	15,616,500	86,120	0.55%	77,888,730	(6,784,580)	-8.01%	93,505,230	(6,698,460)	-6.68%
2013	15,523,280	(93,220)	-0.60%	76,729,260	(1,159,470)	-1.49%	92,252,540	(1,252,690)	-1.34%
2014 - U	15,120,460	(402,820)	-2.59%	76,209,710	(519,550)	-0.68%	91,330,170	(922,370)	-1.00%
2015	15,224,470	104,010	0.69%	76,371,180	161,470	0.21%	91,595,650	265,480	0.29%
2016	15,177,190	(47,280)	-0.31%	77,373,040	1,001,860	1.31%	92,550,230	954,580	1.04%
2017 - R	15,675,710	498,520	3.28%	78,003,940	630,900	0.82%	93,679,650	1,129,420	1.22%
2018	15,603,240	(72,470)	-0.46%	79,997,210	1,993,270	2.56%	95,600,450	1,920,800	2.05%
2019	15,741,090	137,850	0.88%	81,788,510	1,791,300	2.24%	97,529,600	1,929,150	2.02%
2020 - U	15,955,740	214,650	1.36%	83,038,750	1,250,240	1.53%	98,994,490	1,464,890	1.50%
2021	16,438,180	482,440	3.02%	90,836,140	7,797,390	9.39%	107,274,320	8,279,830	8.36%

Overall, yearly tax collection rates *[excluding delinquent tax collections]* for residential/agricultural taxes have been relatively consistent dating back to calendar year 2010. As a matter of fact, the collection rate from 2010 to 2021 has ranged from a low of 97.16% to a high of 98.55%, with an average collection rate of 97.94%. However, the collection rate for commercial and industrial property has not been nearly as consistent during the same period *[which presents more of a challenge in calculating a reasonable anticipated collection rate]*. The collection rate in calendar year 2010 through calendar year 2021 has ranged from a low of 86.15% to a high of 99.06%, with an average collection rate of 95.43%.

Historically, the district has received significant delinquent tax collections each year *[more often than not, at least 2% of the total of all taxes received]*. Beginning in calendar year 2010 through calendar year 2021, the highest amount received of delinquent tax collections was \$888,451 in calendar year 2012 and the lowest amount received was \$512,693 in calendar year 2013. The average amount of delinquent taxes received in a calendar year during calendar years 2010 through 2021 is just over \$678,200. Below is a table from calendar year 2010 to 2021 representing the residential/agricultural collection rate, the commercial/industrial collection rate and the amount of delinquent taxes received in each of the years.

Calendar Year Actual	Residential	Commercial	Delinquent Tax Collections
2010	97.16%	97.14%	\$ 804,192
2011	97.57%	86.15%	\$ 666,503
2012	97.83%	90.91%	\$ 888,451
2013	97.59%	90.84%	\$ 512,693
2014	98.01%	96.59%	\$ 718,167
2015	97.81%	97.89%	\$ 541,151
2016	97.34%	97.25%	\$ 612,478
2017	98.13%	97.52%	\$ 836,228
2018	98.39%	98.16%	\$ 657,070
2019	98.43%	98.34%	\$ 615,906
2020	98.55%	99.06%	\$ 673,092
2021	98.41%	95.32%	\$ 612,825
Average	97.94%	95.43%	\$ 678,230

Fiscal prudence suggests that one should neither expect nor plan for delinquent tax collections in any given year; however, since the district has averaged more than \$675,000 over the last ten (10) years and almost \$680,000 over the last five (5), a rather conservative estimate of \$602,362 in delinquent tax collections has been included in this revenue line estimate for FY 2023. Additionally, a reasonable estimate of \$295,543 in new construction has also been included in this revenue line estimate for FY 2023. Below is data from the Geauga County Auditor’s Schedule B for the past six (6) years related to new construction:

Tax Year	Taxes
2016	\$ 403,700
2017	\$ 292,046
2018	\$ 339,749
2019	\$ 286,310
2020	\$ 306,198
2021	\$ 279,261

The estimate for fiscal year 2023 (FY 2023) is \$29,635,554 for all general property taxes, which includes an estimate of \$602,362 in delinquent tax collections and an estimate of \$295,543 in new construction. This amount is approximately \$207,000 more than what was received in FY 2022. Key factors in arriving at the estimate for FY 2023 are overall tax collection rates related to real estate and commercial/industrial properties over the past few years as well as delinquent taxes received over the same period and a conservative estimate related to new construction. Despite the COVID-19 pandemic which began in the second half of FY 2020, there hasn’t been very much of an impact [*positive or negative*] on overall collection rates during the pandemic. Below is the projected tax collections spreadsheet which includes all tax categories. The amounts highlighted in yellow total \$29,635,554.

PROJECTED TAX COLLECTIONS FOR FISCAL YEAR 2023

	A	B	C	D	E	F	G	H
				1st	2nd	Estimated	Estimated	4/14/2022
	CY 22	Est. CY 23	Yearly	Half	Half	Tax	Tax	Estimated
	Projected Yield	Projected Yield	Coll. Rate	Dist. Rate	Dist. Rate	July-Dec 22	Jan-June 23	Tax
						{A x C x E}	{B x C x D}	{F + G}
Taxes								
Residential	27,887,131	28,134,610	86.11%	52.08%	47.92%	11,507,321	12,617,272	24,124,593
Commercial	4,757,363	4,703,591	97.52%	50.20%	49.80%	2,310,411	2,302,645	4,613,056
Public Utility	1,658,096	1,719,800	98.29%	53.70%	46.30%	754,571	907,740	1,662,311
Total Taxes	34,302,590	34,558,001	88.28%			14,572,303	15,827,657	30,399,960
Reimbursements								
2.5% Rollback	697,178	703,365	71.20%	50.01%	49.99%	248,146	250,448	498,594
10% Rollback	2,788,713	2,813,461	89.60%	50.02%	49.98%	1,248,844	1,260,933	2,509,777
Homestead	335,500	322,000	1.17%	49.90%	50.10%	168,086	160,678	328,764
Total State Reimb.	3,821,391	3,838,826	11.12%			1,665,076	1,672,059	3,337,135
Subtotal			99.41%			16,237,379	17,499,716	33,737,095
Delinquent Taxes						119,572	482,790	602,362
New Construction						135,543	160,000	295,543
Refunds							-	-
Grand Total			100.58%			16,492,494	18,142,506	34,635,000

CY 22 Projected Yield is based on actual certified values of \$932,630,920								
CY 23 Projected Yield is based on estimated values of \$944,000,000								
Yearly Collection Rate for Residential is the average of 2018-2021								
Yearly Collection Rate for Commercial is the average of 2015-2021								
Yearly Collection Rate for Public Utility is the average of 2010-2021								
Yearly Collection Rate for 2.5% Rollback is based on the average of 1.78% (2016-2021) which equates to 71.2%								
Yearly Collection Rate for 10% Rollback is based on an average of 8.96% (2016-2021) which equates to 89.6%								
Yearly Collection Rate for Homestead was derived by summing the estimate of both years divided by the residential amount of both years								
Delinquent Taxes estimate is based on 95% of the average of first half and second half for calendar years 2019-2021								
1st Half Distribution Rate for Residential is the average of 2019-2021								
1st Half Distribution Rate for Commercial is the average of 2019-2021								
1st Half Distribution Rate for Public Utility is the average of 2019-2021								
1st Half Distribution Rate for 2.5% Rollback is the average of 2019-2021								
1st Half Distribution Rate for 10% Rollback is the average of 2019-2021								
1st Half Distribution Rate for Homestead is the average of 2019-2021								

Fiscal Years 2024-2027

The 5-year forecast reflects an increase of approximately \$465,000 in FY 2024, an increase of \$450,000 in FY 2025 and an increase of \$350,000 in FY 2026 and 2027. The larger increases in FY 2024 and 2025 are mainly a result of the reappraisal of property for tax year 2023 with collection beginning in calendar year 2024.

Line 1.02 – Tangible Personal Property Tax (4%)

Fiscal Year 2023

This revenue line represents the expected tax collections on public utilities parcels located in the Townships of Auburn and Bainbridge. As mentioned previously, a significant amount of time is dedicated to analyzing data provided by the County Auditor’s Office, to analyzing historical trends and data maintained by the district and current economic conditions that exist within our district boundaries with respect to property values and tax collection rates. Below is a table of all public utility property values in Auburn and Bainbridge Townships for tax years 2009 to 2021:

KENSTON LOCAL SCHOOL DISTRICT Actual Public Utility Assessed Values - Auburn and Bainbridge Townships Tax Years 2009 - 2021 [collections in the following calendar year]									
Tax Year	Public Utilities – Auburn			Public Utilities - Bainbridge			Total - Public Utilities		
	Assessed Value	Amount Changed	% Change	Assessed Value	Amount Changed	Percentage Change	Assessed Value	Amount Changed	% Change
2009	3,425,510	#REF!	#REF!	6,590,280	#REF!	#REF!	10,015,790	#REF!	#REF!
2010	3,482,350	56,840	1.66%	6,755,480	165,200	2.51%	10,237,830	222,040	2.22%
2011 - R	3,820,230	337,880	9.70%	7,037,460	281,980	4.17%	10,857,690	619,860	6.05%
2012	4,108,760	288,530	7.55%	7,662,570	625,110	8.88%	11,771,330	913,640	8.41%
2013	4,464,410	355,650	8.66%	8,412,370	749,800	9.79%	12,876,780	1,105,450	9.39%
2014 - U	4,655,850	191,440	4.29%	8,842,950	430,580	5.12%	13,498,800	622,020	4.83%
2015	5,131,940	476,090	10.23%	9,024,240	181,290	2.05%	14,156,180	657,380	4.87%
2016	5,300,560	168,620	3.29%	9,690,530	666,290	7.38%	14,991,090	834,910	5.90%
2017 - R	5,501,180	200,620	3.78%	10,182,910	492,380	5.08%	15,684,090	693,000	4.62%
2018	5,866,630	365,450	6.64%	11,105,950	923,040	9.06%	16,972,580	1,288,490	8.22%
2019	6,198,570	331,940	5.66%	11,744,970	639,020	5.75%	17,943,540	970,960	5.72%
2020 - U	5,965,220	(233,350)	-3.76%	12,388,090	643,120	5.48%	18,353,310	409,770	2.28%
2021	6,276,800	311,580	5.22%	12,999,720	611,630	4.94%	19,276,520	923,210	5.03%

Strangely enough, the collection rate in calendar year 2010 through 2015 averaged 99.74% and was 100% in four (4) of those six (6) years; however, the collection rate in calendar year 2016 through 2021 has only averaged 96.83% and was never higher than 96.56% in any of those years with the exception of 2021 [99.76%]. Although the average collection rate between 2010 and 2015 was 99.74% and the average collection rate between 2016 to 2021 was only 96.83%, the actual amount received has gone up by an average of about 5% each year since the passage of the 2015 levy with the exception of 2021 [only 2.7%].

Because public utility property is not subject to the provisions of HB 920 [restricting inflationary increases] like the other property types, as the value of the public utility property increases, so does the tax liability and subsequently the taxes paid. Below is a table from calendar year 2010 to 2021 representing the collection rate related to public utility properties in the district.

Calendar Year Actual	Public Utility
2010	100.00%
2011	100.00%
2012	99.63%
2013	100.00%
2014	98.82%
2015	100.03%
2016	96.22%
2017	96.36%

2018	96.56%
2019	95.55%
2020	96.54%
2021	99.76%
Average	98.29%

The estimate for public utility tax for FY 2023 is \$1,662,311, which is approximately \$44,000 more than what was actually received in FY 2022. This is a conservative estimate given the average increase of the past few years has been more than \$80,000 per year.

Fiscal Years 2024-2027

The 5-year forecast reflects an increase of approximately \$80,000 in FY 2024 and FY 2025 and an increase of \$50,000 in FY 2026 and FY 2027.

Line 1.35 – Unrestricted Grants-in-Aid (9.6%)

Fiscal Year 2023

This revenue line represents the expected revenue from the State Foundation Program, the Ohio Casino Tax (imposed in FY 2013) and from the Motor Fuel Tax Reimbursement Program. The State Foundation Program underwent a drastic funding change beginning in FY 2022 *[the first year of the State’s biennium budget]*. The three (3) paragraphs below were taken directly from the State Foundation Payment Letter related to the July #1 2021 payment:

AMENDED SUBSTITUTE HOUSE BILL 110

The recently enacted state budget includes significant changes to the calculation and payment of state foundation funding. One of the biggest changes is a move to fund students where they are educated, rather than where they live. Community school students, STEM school students, students participating in a scholarship program (EdChoice, Cleveland Scholarship, Autism Scholarship, and Jon Peterson Special Needs Scholarship), and students participating in open enrollment will all be directly funded at their educating entity. This change will eliminate the deduction and transfer of funds from resident districts to educating entities for students participating in these school choice options.

As a result, this will cause significant changes in both the revenue and expense that school districts should expect in FY 2022 and beyond. School districts with large numbers of students who leave through choice options should expect to see less state foundation funding without the inclusion of these students. However, school districts will no longer see purchased services expenses associated with the deduction and transfer of funds for these students.

These changes will require significant changes to the payment reports, and result in the removal of the lines that reflect fund transfers for open enrollment students, community and STEM schools as well as for scholarship programs.

Based on that information and in conjunction with the amount of State Foundation funding received in FY 2022 and the July #1 2022 statement of settlement report, the estimate for State Foundation funding for FY 2023 is \$3,770,000. Based on what was received in FY 2022, the estimate for Ohio Casino Tax funding is \$155,000 and based on what was received in FY 2022, the estimate for Motor Vehicle Fuel Tax reimbursement is \$12,000. **The estimate for unrestricted grants-in-aid for fiscal year 2023 is \$3,937,000.**

Fiscal Years 2024-2027

The estimate for FY 2024-FY 2027 is unchanged from the estimate of \$3,937,000 reflected for FY 2023.

Line 1.04 – Restricted Grants-in-Aid (<1%)

Fiscal Year 2023

This revenue line represents the expected revenue from the Ohio Department of Education passed through the State Foundation Program *[part of the funding change beginning last fiscal year]* and reimbursement for Catastrophic Special Education expenses. Below is the actual amount received during FY 2022 of \$606,657.57 and the **FY 2023 estimate of \$349,000.**

	FY 2022	FY 2023
	Actual	Estimate
STATE FOUNDATION - DPIA	2,852.58	2,400.00
STATE FOUNDATION - CTE FUNDING	351.89	720.00
STATE FOUNDATION - GIFTED	112,235.88	95,000.00
STATE FOUNDATION - ENGLISH LEARNERS	417.43	300.00
STATE FOUNDATION - STUDENT WELLNESS	115,380.28	100,000.00
SPEC. ED. CATASTROPHIC REIMBURSEMENT	375,419.51	150,580.00
	606,657.57	349,000.00

Fiscal Years 2024-2027

For these fiscal years, the 5-year forecast reflects an estimate of \$350,000.

Line 1.05 – Property Tax Allocation (8.2%)

Fiscal Year 2023

This revenue line represents the expected revenue from the State of Ohio from the Homestead and Rollback Reimbursement Programs. 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, regardless of income, for qualified senior and/or disabled citizens 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 FY 2023 is \$3,337,135, which is approximately \$3,500 more than what the district received in FY 2022. Similar to that of General Property Taxes, significant time is dedicated to analyzing data provided by the County and past trends related to collection patterns in order to achieve a reasonable yearly estimate.

*** - For levies passed after 2012, the State of Ohio does not contribute either 10% or 2.5% of the property tax; however, the State of Ohio continues to pay the tax allocation for those who qualify for the homestead exemption.**

Fiscal Years 2024-2027

Although the rollback reimbursement of 10% and 2.5% are expected to increase slightly each year, the amount of the Homestead Exemption has steadily declined each year. With that in mind, the 5-year forecast reflects insignificant changes in FY’s 2024-2027 from what is expected in FY 2023.

Line 1.06 – All Other Revenue (3.3%)

Fiscal Year 2023

This revenue line represents the other local revenue that is received by the school district and is **estimated to be \$1,426,295 in FY 2023**. Below are the revenue sources, the actual amount received in FY 2022 and the FY 2023 estimate.

<u>Source</u>	<u>2022 Actual</u>	<u>2023 Estimate</u>
Tuitions from all sources	\$902,862	\$854,000
Interest Earnings	\$157,320	\$349,000
Class Fees	\$ 70,650	\$103,295
Miscellaneous Revenue	\$ 88,454	\$ 60,000
Medicaid Reimbursement	<u>\$ 72,553</u>	<u>\$ 60,000</u>
Total	\$1,291,839	\$1,426,295

Fiscal Years 2024-2027

The estimate for FY 2024 reflects a decline of nearly \$150,000 most of which is in interest earnings due to a declining cash balance and the expectation of lower interest rates. For FY’s 25-27 a decline in interest earnings is expected.

Line 2.05 – Advances-In (1.6%)

Fiscal Year 2023

This revenue line represents the return of advances from those district Funds which received an advance from the General Fund at the end of previous fiscal year. Last fiscal year, the General Fund advanced \$643,000 to other Funds. The Funds which received advances at the end of last fiscal year are required to return or “pay back” the General Fund in the following year. To that end, the **estimate for return of advances for fiscal year 2023 is \$643,000**.

Fiscal Years 2024-2027

Because the District does not anticipate the need to advance ESSER Funds in the future, the estimate for these fiscal years is \$150,000.

Line 2.06 – All Other Financing Sources (<1%)

Fiscal Year 2023

This revenue line represents revenue received from 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 few years has averaged just under \$300,000, but has decreased from \$460,000 in FY 2020 to only \$128,000 in FY 2022. **The estimate for this fiscal year is \$34,705.**

Fiscal Years 2024-2027

The estimate for these fiscal years of \$30,000 is slightly than the estimate for FY 2023.

EXPENDITURE ASSUMPTIONS

Line 3.01 – Personnel Services (56.6%)

Fiscal Year 2023

This expenditure line represents the salary expectations for all employees of the School District based on current contractual obligations which are paid out of the General Fund. Personnel services include administrative staff, teachers, classified personnel, exempt personnel, substitute personnel, supplemental contracts related to academics and athletics, overtime and other salary related items.

Because school districts are a service industry, costs associated with personnel, are the largest expenditure category of the school system. In most school districts, personnel costs [*salaries and benefits*] account for between 80% to 85% of the total budget and Kenston's estimate for FY 2023 is 81.4%. Because personnel costs are the largest expenditure component, fiscal prudence requires extensive monitoring and extensive data analysis regarding salaries and benefits of all employees of the district.

The District has two (2) unions, one inclusive of all teaching staff and the other includes most classified support staff such as secretaries, educational aides, proctors, custodians, transportation employees, cafeteria workers, etc. School district administrator's both certified and classified are not represented by a union nor are the nine (9) administrative support personnel. Contract negotiations with both unions were completed during fiscal year 2022, which provided for a successor two-year (2) contract with both unions. Although there were a number of negotiated items, the primary item which has a more substantial financial impact was a two percent (2%) cost of living adjustment (COLA) in each of the two (2) years of the new agreements. Additionally, concessions related to employee healthcare were negotiated and are expected to have a positive financial impact to the district's overall healthcare cost moving forward.

The personnel services estimate for FY 2023 is \$24,248,000 and includes all current staff [*except cafeteria staff, which are paid out of a different fund and a small handful of teachers paid out of Federal Grant Funds*]. The estimate for FY 2023 is approximately \$420,000 or about 1.75% higher than actual salary

expenditures in FY 2022. Historical trends and a thorough analysis were used to determine an estimate for substitute costs, supplemental contracts, overtime and other salary related items.

Fiscal Years 2024-2027

The estimate for FY 2024 reflects an increase of \$909,000 or 3.75%. This increase of 3.75% is comprised of two factors. The first is a negotiated 2% COLA increase for all staff *[exclusive of administration and exempt personnel]*. The second equates to an increase of 1.75% of all salaries and is the result of step increases for those employees who are entitled to receive one. This overall increase of 3.75% does not mean that all employees will receive a 3.75% increase in pay. Rather, it means that overall salary expenditures will increase by 3.75% in FY 2024. In fact, some employees will receive more than a 3.75% increase, but no one will receive less than 2%.

With respect to the estimates for FY 2025-2027, because a successor agreement beyond the expiration of the current agreement is not guaranteed, a COLA adjustment cannot be factored into the 5-year forecast in FY 2025 through FY 2027. For FY's 2025-2027, the salary estimate includes an increase of 1.75%. Again, this increase does not mean that all employees will receive a 1.75% increase in pay. Rather, it means that overall salary expenditures will increase by 1.75% in FY's 2025-2027. In fact, some employees will receive more than a 1.75% increase and some will receive less and many will receive no increase at all.

For informational purpose, the negotiated agreement with the Kenston Teacher's Association (KEA) expires on February 29, 2024 and the negotiated agreement with the support staff (OAPSE 501) expires on June 30, 2024.

Line 3.02 – Employees' Retirement/Insurance Benefits (24.7%)

Fiscal Year 2023

This expenditure line represents the cost of benefits for all employees of the School District who are paid out of the General Fund based on current contractual obligations. These benefits include expenses for retirement (STRS and SERS), healthcare benefits (hospitalization, prescription, dental, vision and life insurance), Medicare, Worker's Compensation premiums and unemployment compensation. 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.

The estimate for FY 2023 is \$10,564,000 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]*. This estimate is approximately \$500,000 or about 5% higher than the actual amount of expenditures during FY 2022. Although healthcare costs and premiums nationally are increasing by 10% to 15%, we expect our premiums to increase by significantly less mainly due to work of our new insurance consultant. It is important to understand that this 5% increase is on all benefit expenditures and not just healthcare.

Fiscal Years 2024-2027

The 5-year forecast reflects a 3% increase in FY 2024 and a 4.5% increase in FY's 2025-2027. This increase does not assume that all benefits items will increase by the percentage noted, but that overall benefit expenditures will increase the percentage noted.

Line 3.03 – Purchased Services (10.4%)

Fiscal Year 2023

This expenditure line represents the cost of purchased services for the district. This expenditure category consists of a variety of expenditure types which include, but are not limited to: service contracts, legal services, maintenance/repairs, property insurance, travel/meeting expenses, postage, utilities, tuition, excess costs, post-secondary enrollment option deduction, and private transportation costs.

The estimate for FY 2023 is \$4,461,405, which is approximately \$150,000 higher than the actual expenditures last fiscal year. This increase is mainly in the area of contract services related to maintenance and repairs.

Fiscal Years 2024-2027

For these fiscal years an estimate of \$4.5 million is being reflected, which is a slight increase from the estimate of \$4,461,405 for FY 20223.

Line 3.04 – Supplies and Materials (3.3%)

Fiscal Year 2023

This expenditure line represents the cost of supplies and materials for the district. This expenditure category consists of a variety of expenditure types which include, but are not limited to: instructional supplies, software, textbooks, digital resources, library books, consumable supplies, custodial/maintenance supplies, bus supplies and bus fuel.

The estimate for FY 2023 is \$1,433,709, which is approximately \$340,000 more than actual expenditures last fiscal year. This increase is mainly a result of inflationary increases in custodial/maintenance supplies, bus supplies and bus fuel.

Fiscal Years 2024-2027

For these fiscal years, the estimate reflects a decrease of approximately \$80,000 from the estimate reflected for FY 2023. This estimate is reflective of the expectation that recent inflationary increases will begin to level off in these years.

Line 3.05 – Capital Outlay (<1%)

Fiscal Year 2023

This expenditure line represents the purchase of new and replacement equipment. **The estimate for FY 2023 is \$320,900**, which is approximately \$255,000 more than actual expenditures were last fiscal year. This increase includes an estimate of \$150,000 for necessary replacement of technology infrastructure equipment \$150,000 and an estimate of \$125,000 for replacement of computers and other technology upgrades.

Utilizing the Permanent Improvement Fund (003), the district anticipates the purchase of two (2) replacement buses and one (1) replacement van this fiscal year *[as done in the past three (3) years]* in accordance with the replacement cycle.

Fiscal Years 2024-2027

For these fiscal years, the estimate reflects an estimate of \$150,000 in each of the years.

Line 4.3 – Other Objects (1.8%)

Fiscal Year 2023

This expenditure line represents the cost of other objects – commonly known as dues and fees. This expenditure category consists of a variety of expenditure types which include, but are not limited to: memberships, State audit charges, Educational Service Center (ESC) deductions, County Auditor/Treasurer fees related to tax collections, financial institution service charges and district liability insurance.

The estimate for FY 2023 is \$758,986, which is approximately \$16,000 more than actual expenditures last fiscal year.

Fiscal Years 2024-2027

For these fiscal years, the estimate reflects a slight increase of approximately \$5,000 in each of the years.

Line 5.01 – Operational Transfers Out (2%)

Fiscal Year 2023

This expenditure line represents transfers from the General Fund to other funds in the district that require a transfer of funds to cover any deficit or for reserving funds for a specific purpose. **The estimate for FY 2023 is \$900,000.** Below is a list of the Funds that are expected to require a transfer and the anticipated transfer amounts:

Permanent Improvement Fund (003-0000)	\$560,000
HB 264 Debt Repayment (002-9219)	\$145,000
Athletic Surfaces (003-9020)	\$ 25,000
Stadium Turf Replacement (003-9999)	\$ 50,000
Athletics (300-9400/9500)	<u>\$120,000</u>
Total	\$900,000

The transfer to the Permanent Improvement fund is required pursuant to Sections 3315.18 and 3315.19 of Am. Sub. H. B. 166 of the 133rd General Assembly which requires districts to set aside funds for capital improvement and maintenance. School Districts are free to choose one (1) of the approaches set forth in either of the two (2) legislation sections for setting up such a fund. This is required yearly unless the School District receives funding from a Permanent Improvement levy.

Fiscal Years 2023-2026

For these fiscal years, the estimate is unchanged from the estimate for FY 2023.

Line 5.02 – Advances-Out (<1%)

Fiscal Year 2023

This expenditure 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 no later than the next fiscal year. A transfer of funds is not repaid back to the General Fund. Typically, advances are made to Federal Funds because most, if not all, grants require the district to spend funds first, then request to be reimbursed. 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. These encumbrances render the particular fund in a negative fund balance position, which is why an advance becomes necessary. **Advances for FY 2023 are estimated to be \$150,000.**

Fiscal Years 2024-2027

The estimate of \$150,000 will be used for these fiscal years.

Line 7.02 – Cash Balance June 30

Fiscal Year 2023

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 requires corrective action to be taken to ensure the ending cash balance is no longer negative. In recent years, the General Fund has experienced deficit spending [*yearly expenditures exceeding yearly revenue*]. As a matter of fact, deficit spending has occurred in three (3) of the past four (4) fiscal year. Since the passage of the 2015 operating levy, deficit spending has occurred in FY 2019, FY 2021 and FY 2022 in the amount of \$1,314,898, \$813,302 and \$771,333, respectively.

The current 5-year forecast reflects deficit spending to continue in each of the forecasted years ranging from approximately \$1.8 million in FY 2023 to just over \$4.6 million in FY 2027. It is important to understand that deficit spending in any one year or multiple years for that matter does not suggest mismanagement or misappropriation of district funds, rather deficit spending over multiple years typically suggests that the previous levy cycle is coming to a conclusion and the need for additional resources and/or the need to reduce future anticipated expenditures is rapidly approaching. It is also important to remember the statement shared in the second paragraph on the first page of these assumptions “... *the reader should be cognizant of the fact that the 5-year forecast is a “snapshot” in time and is only as accurate as the information that was available at the time it was prepared. Thus, one should expect the accuracy of the forecasted figures to diminish each year within the forecast period, especially the last two (2) fiscal years of the forecast.*”

As a result of the anticipated deficit spending of approximately \$1.8 million, the estimated ending cash balance will decline from \$9,956,256 on July 1, 2022 to \$8,144,256 on June 30, 2023.

Fiscal Years 2024-2027

The estimated ending cash balance is expected to continue to decline during these fiscal years from about \$8.1 million to **negative \$6.9 million**. It is extremely important to understand that these are merely estimates and that long before the district's ending cash balance fell below \$5 million, a plan for corrective action would be formulated. It is also important to note that Board Policy 6210 – Fiscal Planning (revised on April 11, 2022) reads as follows:

The Board of Education shall collect and assemble the information necessary to discharge its responsibility for the fiscal management of the School District and to plan for the financial needs of the educational program. The Board will strive toward maintaining both short and long range projections of District financial requirements.

Accordingly, the Board directs the Treasurer to:

- A. include cost estimates in all ongoing financial requirements;
- B. prepare a long range year-by-year plan for the maintenance and replacement of facilities and equipment;
- C. maintain a plan of anticipated local, State, and Federal revenues;
- D. report to the Board any serious financial implications that emerge from the District's ongoing fiscal planning.

In addition, the Board directs the Treasurer to maintain annually a detailed five (5) year projection of estimated revenues and expenditures, as required by Policy 6231.

The board hereby affirms and declares it to be the board philosophy, in the interest of sound fiscal management, that tax levies may be pursued, and the school district's finances otherwise managed, to ensure a general fund cash balance equivalent to at least ~~45~~ **30 days** of operating expenses (for the purpose of determining operating expenses the district shall use line 5.05 of the districts prior year five year forecast).

Promptly upon the official determination that such a cash balance may not be achieved within the first three years of the current five year forecast period the Treasurer shall immediately report such a finding to the board along with options for recovery to be developed by the Treasurer and Superintendent no later than ninety (90) days from reporting such findings.

The current 5-year forecast projects an estimated ending cash balance in the third year (FY 2025) of under \$1.8 million. Thirty (30) days of actual operating expenses (line 5.05) of fiscal year 2022 is just under \$3.47 million. Therefore, as required, this situation is being reported to the Board of Education and options for recovery will be developed no later than ninety (90) days from September 19, 2022 by the Treasurer and Superintendent as required by policy 6210.

Line 10.01 – Fund Balance June 30

Fiscal Year 2023

This line represents the actual ending cash balance of the General Fund less the amount of outstanding encumbrances at the end of the fiscal year. Under Ohio Law, a negative estimated ending fund balance in the current year is not permitted. The estimated ending fund balance for June 30, 2023 is \$7,509,256.

Fiscal Years 2024-2027

The estimated ending fund balance *[as a result of continued deficit spending]* is expected to decline during FY's 2024-2027 from about \$4.6 million to an estimated **negative \$7.4 million**. This is not uncommon or uncharacteristic, especially as more time passes since the passage of last operating levy *[which occurred in May 2015]*.

Whereas the primary function of the 5-year forecast is to provide a reasonable expectation of the financial condition of the school district over the next five (5) years, it is important to realize that this 5-year forecast was prepared utilizing sound financial data including many revenue and expenditure assumptions, which may or may not come to fruition. Again, it is extremely important for the reader to understand that, by design, this 5-year forecast was prepared utilizing conservative revenue estimates and liberal expenditure estimates and is only as accurate as the information that was available at the time it was prepared. With that said, the district leadership is committed to continuous monitoring of the district's financial condition on a monthly basis and is committed to continually look for ways to operate the school district in a more effective and efficient manner.

As a result of the anticipated declining fund balance in each of the forecast years as reflected in this 5-year forecast, there is a need for additional revenue in order to avoid a dangerously low fund balance. Revised Board Policy 6210 states in part "The board hereby affirms and declares it to be the board philosophy, in the interest of sound fiscal management, that tax levies may be pursued, and the school district's finances otherwise managed, to ensure a general fund cash balance equivalent to at least 30 days of operating expenses (for the purpose of determining operating expenses the district shall use line 5.05 of the districts prior year five year forecast)". Thirty days of operating expenses is approximately \$3.47 million.

This 5-year forecast reflects an estimated ending fund balance on June 30, 2024 of approximately \$4.6 million and just over \$1.2 million on June 30, 2025. Based on this information, an operating levy is necessary during calendar year 2024, preferably in May. Should an operating levy be successful in calendar year 2024, additional tax revenue would be collected beginning in January 2025 *[1/2 collection of the full amount will be received from January to June, 2025]*.

Based on this 5-year forecast, an unsuccessful operating levy in calendar year 2024 or delaying an operating levy until calendar year 2025 will have rather significant financial consequences and will require the district to make **reductions in staff and educational programs of between \$2.5 million and \$3 million for the start of the 2025-2026 school year**.

A consideration in May 2024 *[and/or November 2024]* might be to place a combination 5.75 mill continuing operating levy *[4.45 mills]* and continuing Permanent Improvement levy *[1.3 mills]* and if it were successful, it would generate approximately \$4,340,000 per year in operating revenue and approximately \$1,268,000 per year for Permanent Improvements *[assuming an assessed value of \$975,000,000]*.

Line 13.02 – Property Tax - New

Fiscal Year 2023

This line represents the amount of funding expected from a new property tax levy if one were approved. A new property tax levy is anticipated during calendar year 2024 which would bring in additional revenue beginning in January 2025.

Fiscal Years 2024-2027

The estimated amount of \$2,169,375 reflected in FY 2025 is the result of a successful operating levy of 4.45 mills *[assuming an assessed value of \$975,000,000]* in calendar year 2024. The total amount generated from this levy would be approximately \$4,338,750 per year. The amount reflected in FY 2025 of \$2,169,375 represent one-half of the total amount collected from January 2025 to June 2025. In FY 2026 and 2027, the amount of \$4,338,750 represents collections for a full twelve (12) month period *[July to June]*.

Past Levy Data:

May 2021 – voters rejected a 6.5 mill levy which was a combination 4.75 mill continuing operating levy and a 1.75 mill continuing permanent improvement levy.

May 2015 - voters approved a combination 4.0 mill continuing operating levy and a \$10 million Bond Issue.

February 2005 – voters approved a 9.4 mill continuing operating levy.

November 2004 – voters rejected a 7.9 mill continuing operating levy.

February 1997 – voters approved a 7.9 mill continuing operating levy.

November 1996 – voters rejected a 6.9 mill continuing operating levy.

March 1996 – voters rejected a 6.9 mill continuing operating levy.