

FIVE-YEAR FORECAST MAY 2024 Update

Kenston Local School District
Seth Cales, Treasurer/CFO



INTRODUCTION

- A financial forecast is a fiscal management tool that presents estimated information based on past, current, and projected financial conditions.
- The purpose of the financial forecast is to evaluate current and future fiscal conditions to guide policy and decision making for the district.
- Financial forecasting is important because it informs decision making regarding hiring, budgeting, predicting revenues and expenses, and strategic planning. It also helps maintain a forward-focused mindset.
- The five-year forecast represents the General Fund of the District.
- It serves as a basis for determining the school District's ability to sign the certificate required by O.R.C. 5705.412 (412 certificate).

INTRODUCTION

- A variety of events will impact the forecast and circumstances that are constantly changing:
 - Inflation
 - State funding formula
 - Tax collections (reappraisals)
 - State budgets (adopted every two years)
 - Interest rates
- A five-year forecast is an ESTIMATE – a snapshot in time of what we know today and what we estimate in the future based on today's knowledge.
- The five-year forecast is updated twice a year to capture any significant changes that may impact the forecast throughout the year.

ASSUMPTIONS

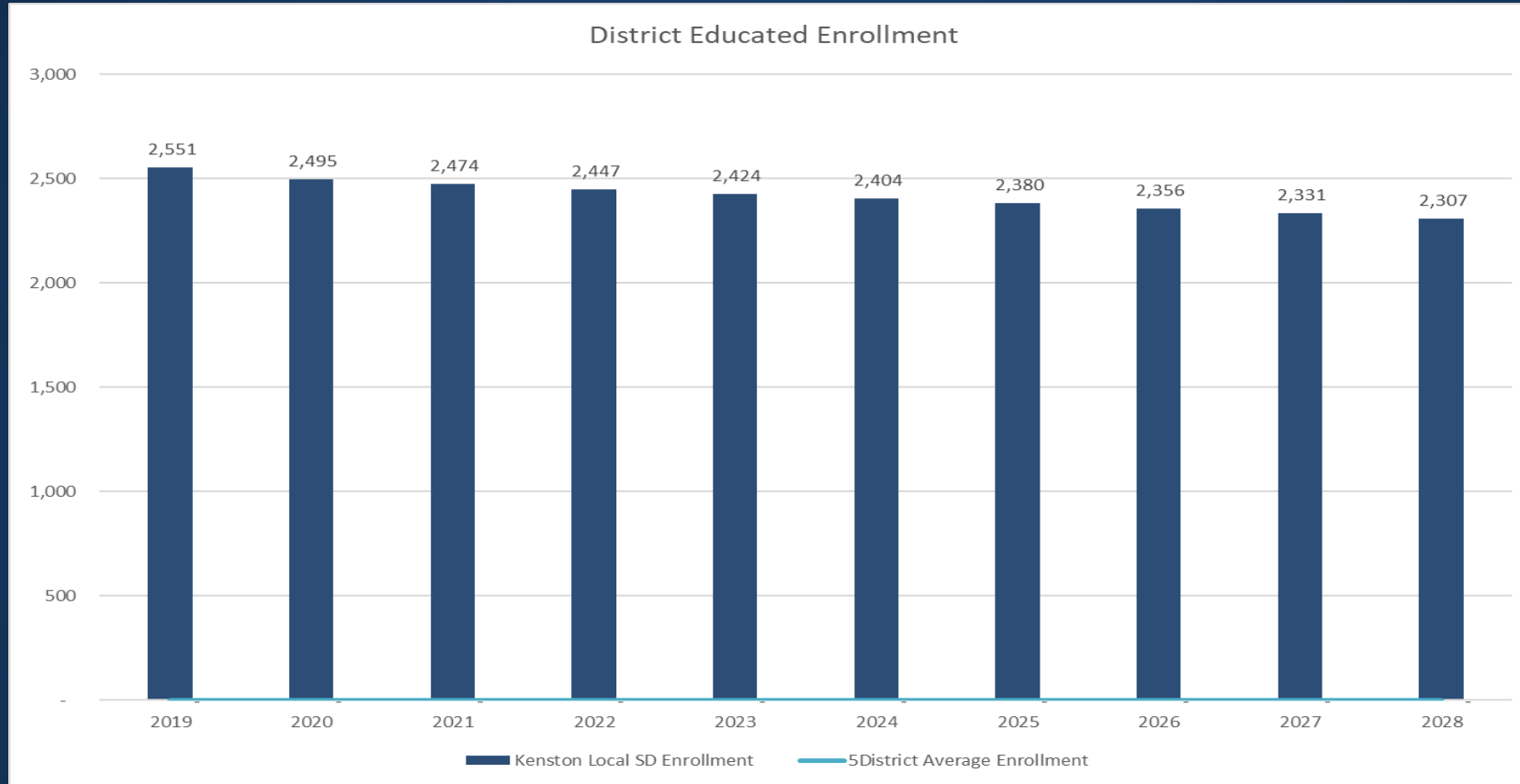
- The rightsizing savings of approximately \$1.3 million have been incorporated into the forecast.
- The six year reappraisal revenues have been incorporated into the forecast.
- KEA contract negotiations have been incorporated into the forecast.
- The EPC incentive program savings have been incorporated into the forecast.
 - Projected to get 14 individuals who would take incentive, but only 10 chose to take it.
 - This difference of 4 individuals is factored into the forecast for FY26 as well as an additional 1 individual – all through attrition – as we chose not to RIF any teaching staff this year through the rightsizing program.

BACKGROUND – DEFICIT SPENDING

Fiscal Year	Deficit Spend
FY19	\$(1,314,898)
FY20	\$198,388
FY21	\$(813,303)
FY22	\$(771,333)
FY23	\$(708,049)
Total	\$(3,409,195)

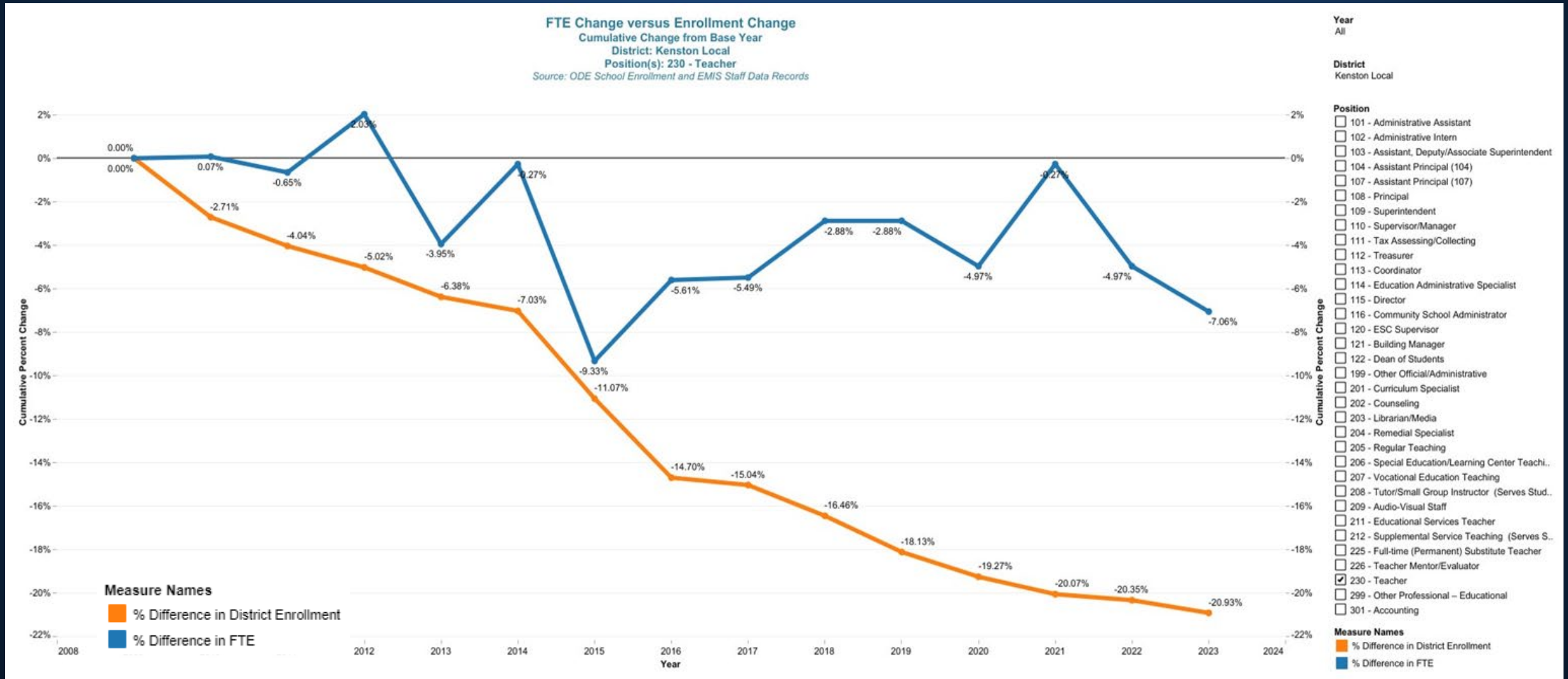
- Deficit spent 4 out of last 5 years.

BACKGROUND – ENROLLMENT HISTORY



- Enrollment is a fundamental driver for district operations.
 - Approximately a 22% (692 students) decline in enrollment from FY11 – FY24.
- Decreasing enrollment, combined with legislation, could result in decreased funding.
- Decreasing enrollment is a state-wide phenomenon and not unique to Kenston.

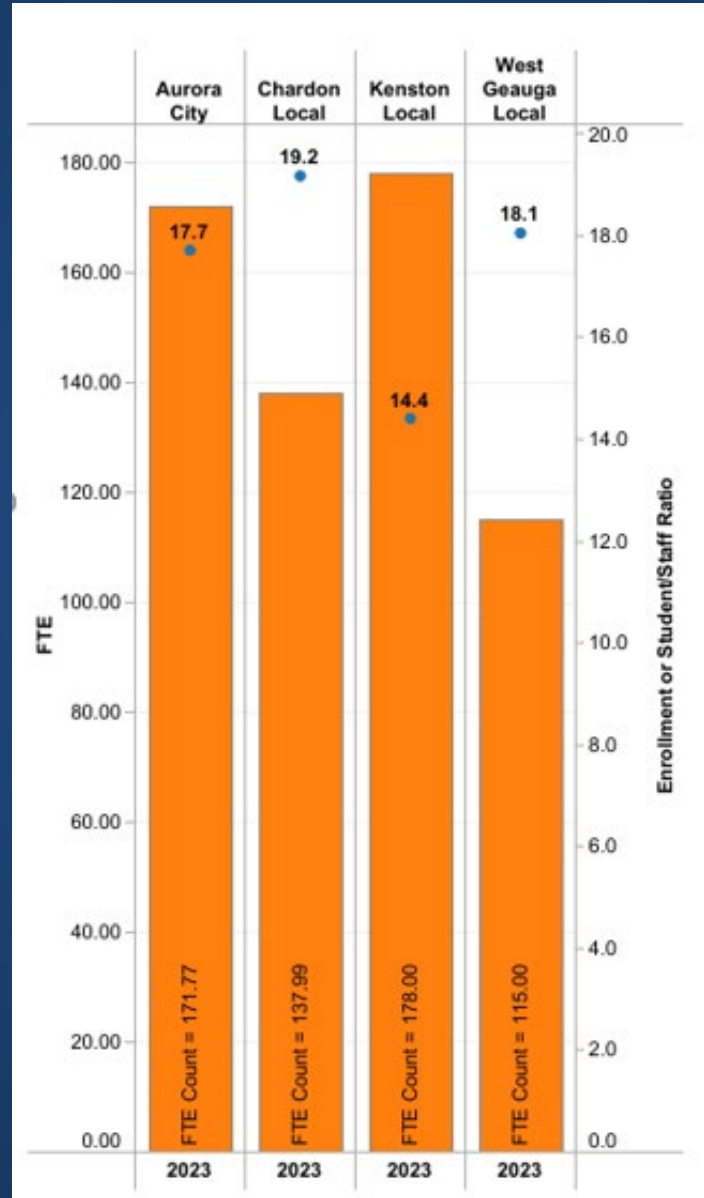
EMPLOYEE VS. CHANGE IN ENROLLMENT



STAFFING RATIOS – Student vs. Teacher Ratios

Measure Names

- % Difference in District Enrollment
- % Difference in FTE

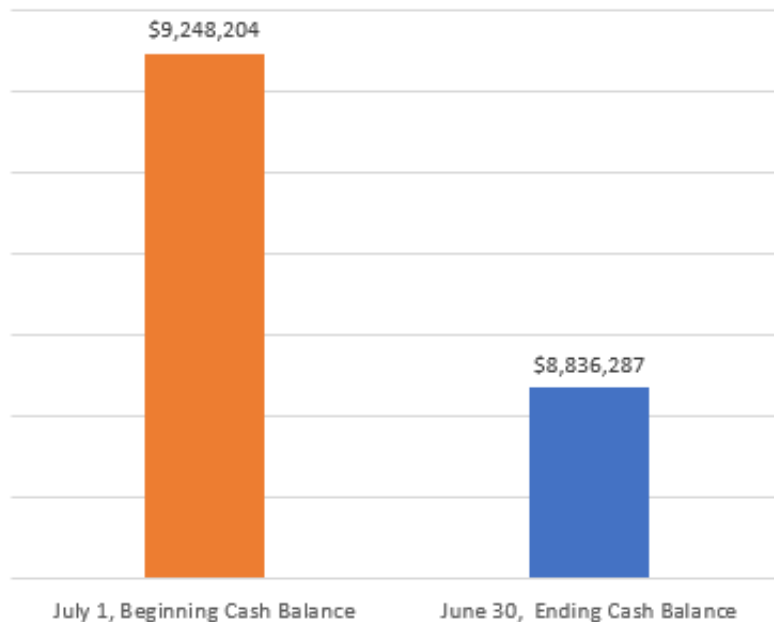


FY24 PROJECTIONS – YEAR END CASH BALANCE

CURRENT FISCAL YEAR

Financial Forecast Key Indicators & Analysis
Kenston Local SD

Current Fiscal Year Projected Financial Analysis



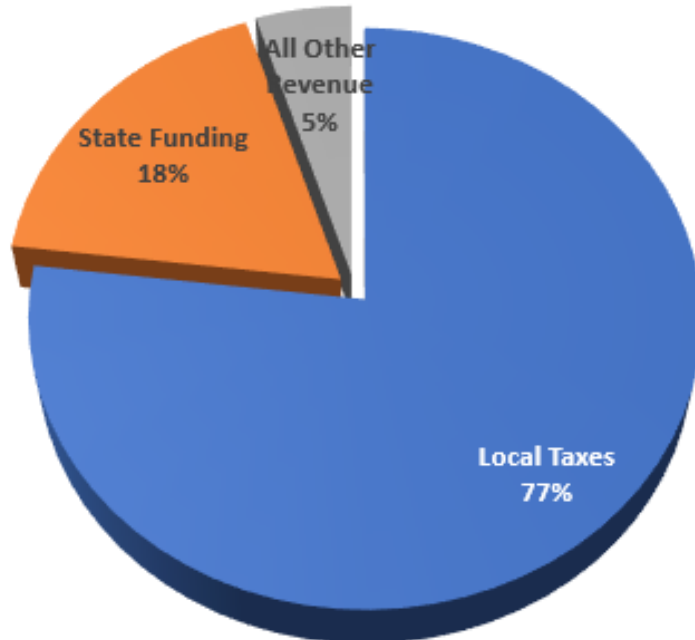
Projected General Fund Revenue	\$42,878,237
Projected General Fund Expenditures	\$43,290,154
Projected Loss For The Year Is	-\$411,918

- FY24 forecasted cash balance is projected to decline by (\$411,918) due to continued deficit spending.

FY24 PROJECTIONS – YEAR END REVENUE

CURRENT FISCAL YEAR

Current Fiscal Year Projected Revenue Analysis



Financial Forecast Key Indicators & Analysis Kenston Local SD

Projected Local Taxes	\$32,959,714
Real Estate Property Taxes	\$30,241,611
Public Utility Property Taxes	\$2,718,103
Income Taxes	\$0

Projected State Funding	\$7,800,134
Fair School Funding Plan	\$4,064,822
Restricted State Funding	\$320,545
State Share of Local Taxes	\$3,414,767

Projected All Other Revenue	\$2,118,389
Other Operating Revenue	\$1,812,574
Other Sources	\$305,815

- Real Estate taxes continue to be the largest component of District revenues projected at 77% for FY24.
- State funding is estimated to contribute 18% in FY24.

FY24 PROJECTIONS – YEAR END EXPENSES

CURRENT FISCAL YEAR

Financial Forecast Key Indicators & Analysis
Kenston Local SD

Current Fiscal Year Projected Expenditure Analysis



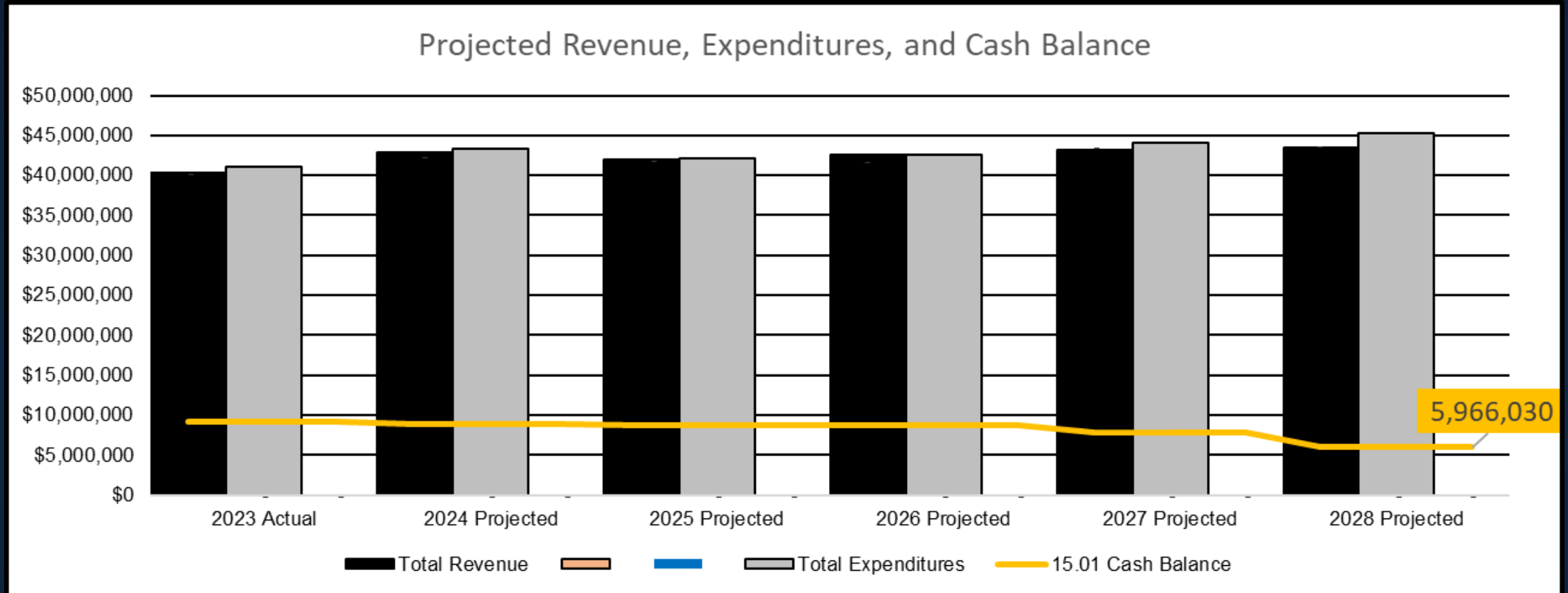
Projected Personnel Costs	\$34,862,007
Salaries	\$24,151,290
Benefits	\$10,710,718

Projected Purchased Services	\$4,839,973
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Projected All Other Expenditures	\$3,588,174
Supplies, Capital, Debt, Other Operating	\$2,263,174
Advances, Transfer, Other Uses	\$1,325,000

- Personnel costs are the largest expenses for any district and are projected to be 81% of overall costs in FY24.
- YOY, this is a decrease of 1% due to the steps taken to shore up the deficit spend.

FORECAST PROJECTIONS: FY24 – FY28



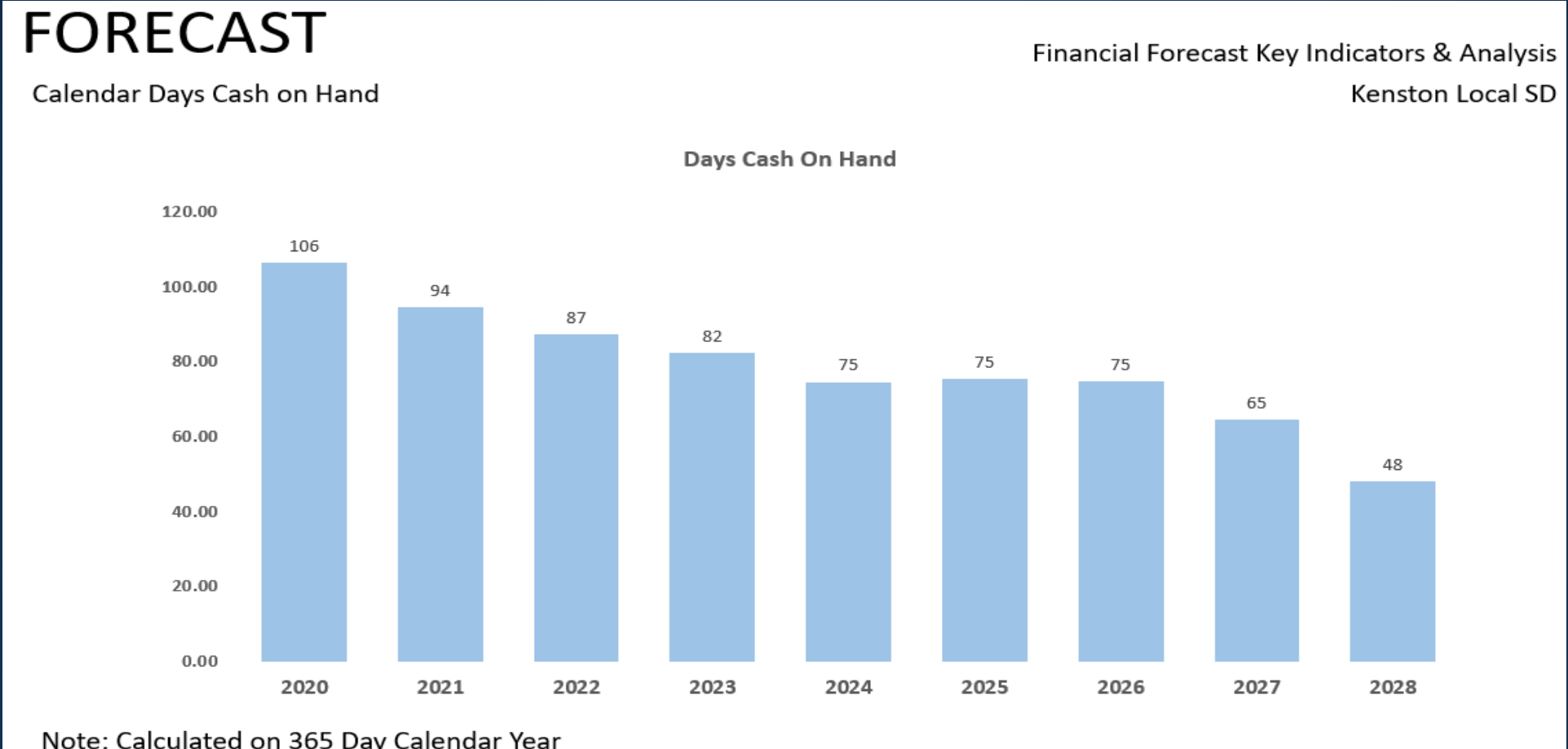
- Expenses are increasing at a faster rate than revenues which leads to deficit spending.
- Projected deficit spending in FY24 is \$411,918. Continued deficit spending throughout the forecast and by FY28, the District is expected to deficit spend by \$1.8MM.
- Continued deficit spending is eroding the District's cash balance and financial stability over the course of the five-year forecast until cash balance in FY28 is \$5.9MM – not including incumbrances.

FORECAST PROJECTIONS: FY24 – FY28

Cash Balance	FY24	FY25	FY26	FY27	FY28
Beginning Balance	9,248,204	8,836,286	8,713,488	8,714,145	7,790,499
+ Revenue	42,878,237	42,008,810	42,613,095	43,138,317	43,513,144
- Expenses	(43,290,155)	(42,131,608)	(42,612,438)	(44,061,963)	(45,337,615)
Annual Surplus/ (Deficit)	(411,918)	(122,798)	657	(923,646)	(1,824,471)
Ending Cash Balance	8,836,286	8,713,488	8,714,145	7,790,499	5,966,028

- Deficit spending is decreasing cash balance over time, but the right sizing plan has slowed the rapid decrease.
- Must have at least 30 days cash on hand according to board policy – cannot have a negative cash balance according to Ohio law.
- Revenue in FY24 is higher due to three public utility payments instead of the usual two payments per year (only received one last year due to late payment from utility companies).
- * Beginning and ending cash balances DO NOT include year-end encumbrances (Forecast line 7.02).

FORECAST PROJECTIONS: CASH BALANCE



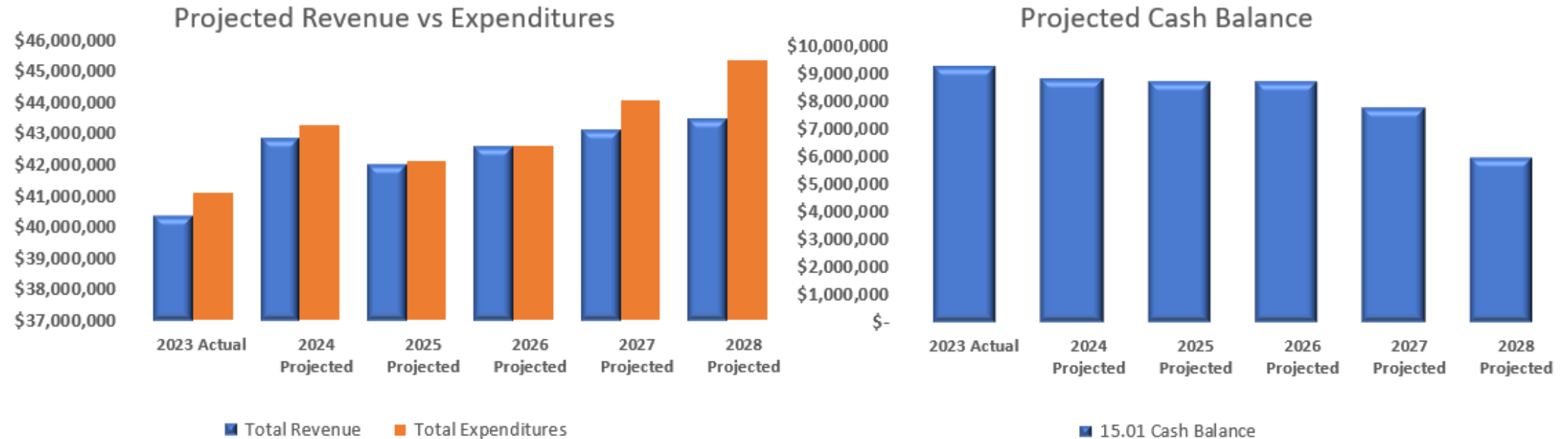
- Cash balance will remain above the minimum through FY28.
- Kenston Board Policy has a 30-day cash balance requirement.
- Government Finance Officers Association recommends maintaining unrestricted budgetary fund balance of no less than a 60-day cash balance.

FORECAST PROJECTIONS: FY24 – FY28

FORECAST

Financial Forecast Key Indicators & Analysis
Kenston Local SD

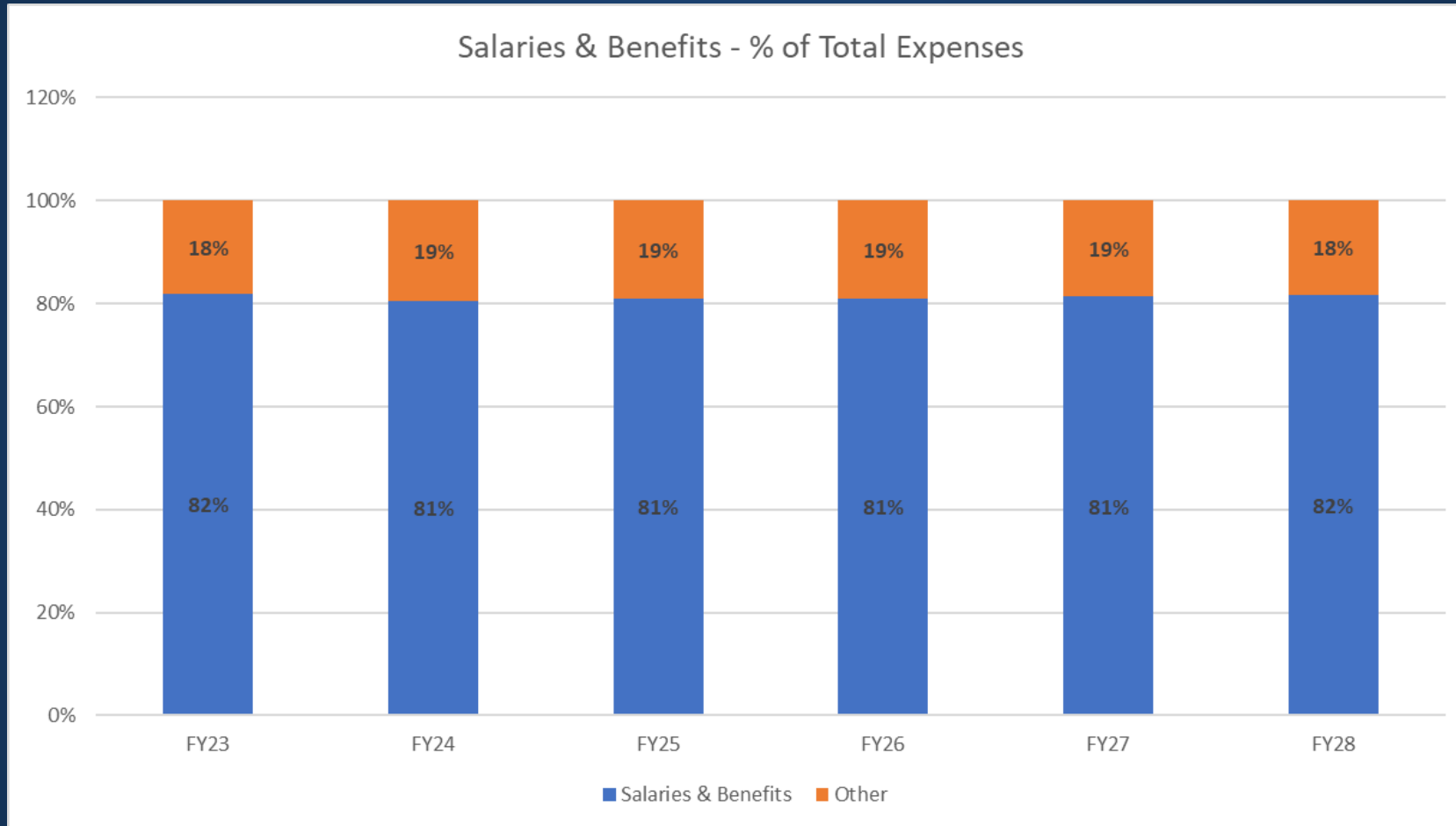
FY 2024 through FY 2028 Forecast & Susta



Three Year Financial Outlook:
By FY 2026 the district is expected to trend toward a cash balance of \$8,714,147 Net gain for the year is \$657

Five Year Financial Outlook:
By FY 2028 the district's cash balance is projected to trend toward \$5,966,030 Projected Net loss for FY 2028 is -\$1,824,471

FORECAST PROJECTIONS: EXPENSES



- Best practice: salaries and benefits should not exceed 80% of total expenses.
- Overall, total expenses are largely driven by salary and benefit increases year over year.

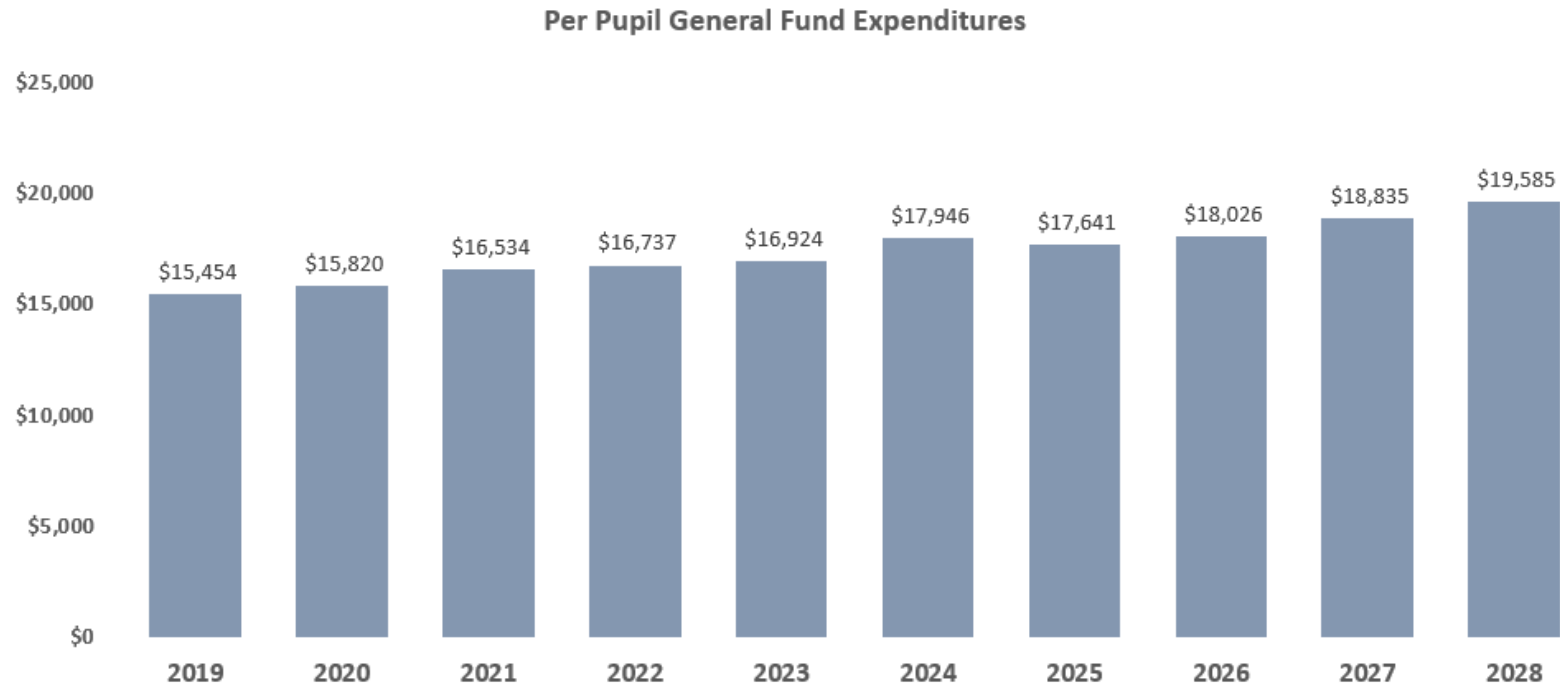
COST TO EDUCATE A STUDENT

DEMOGRAPHICS

Financial Forecast Key Indicators & Analysis

Per Pupil Expenditures

Kenston Local SD



- It is estimated to cost \$17,946 per year of General Fund dollars to educate a student in FY24.
 - This equates to a daily cost of \$100 per day (based on 180 days).

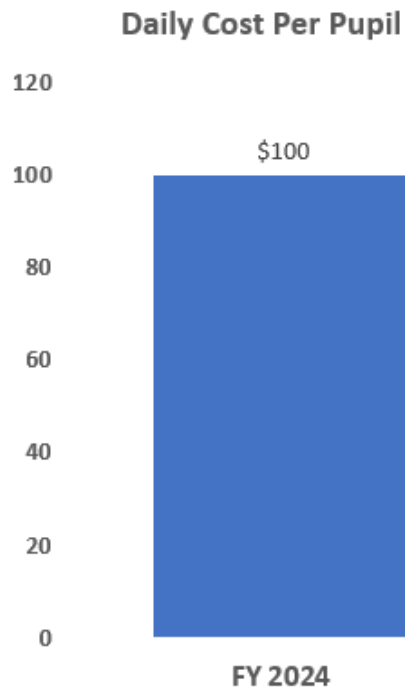
COST TO EDUCATE A STUDENT

DEMOGRAPHICS

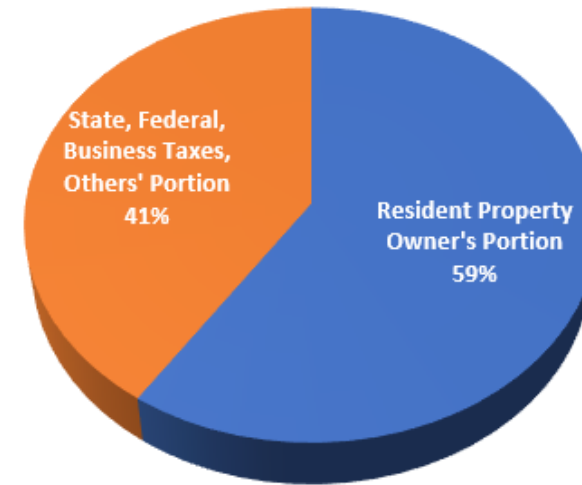
Financial Forecast Key Indicators & Analysis

Kenston Local SD

Daily Cost to Educate a Student and Resident Share



FY 2024 Per Pupil Expenditure Support



Note: Local share is calculated using a ratio of Class I property value, effective tax rate relative to total calculated property tax revenue. It also includes income tax levies if applicable.

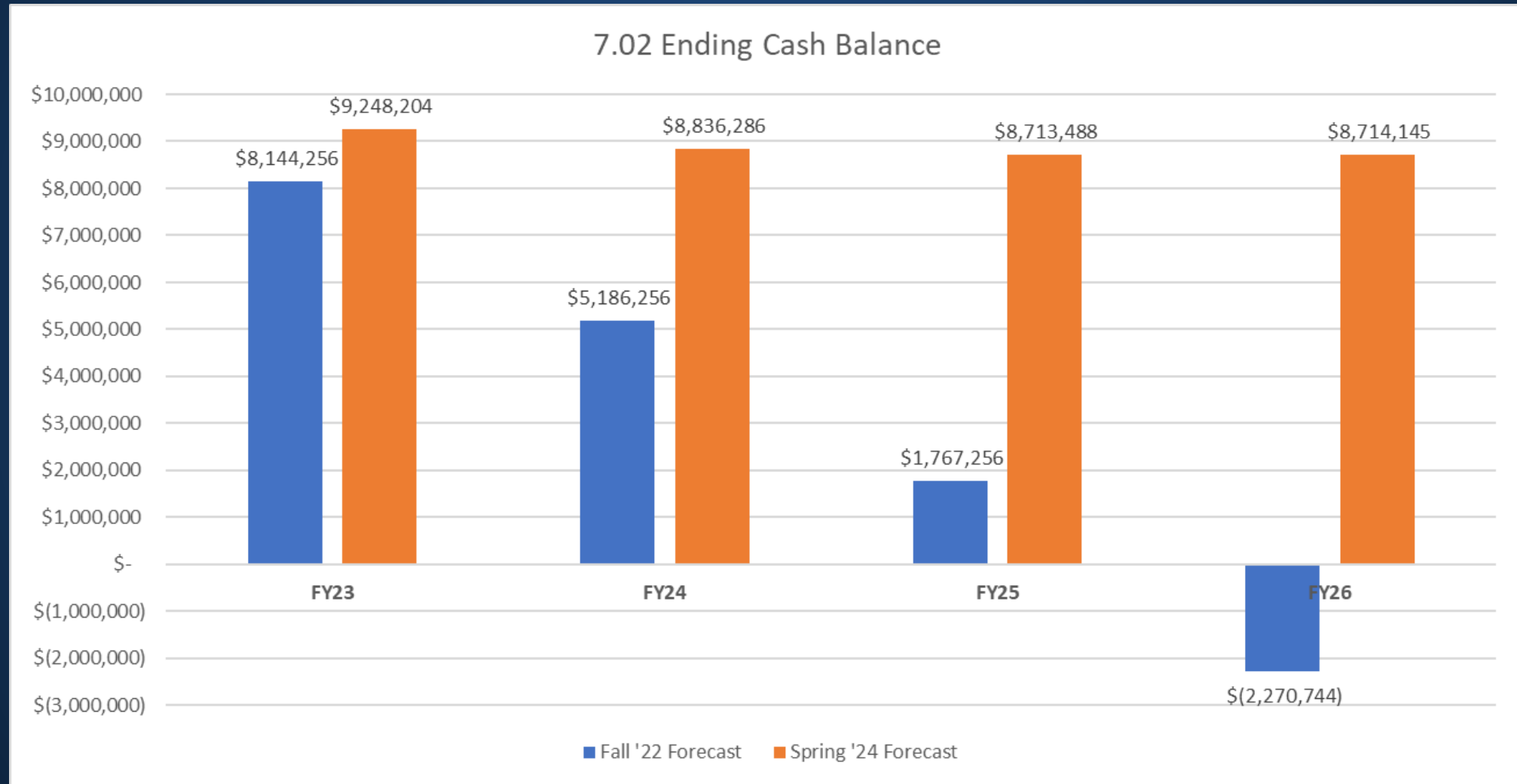
Note: Assumes 180 Day School Year

PER PUPIL SPENDING - COMPARISON

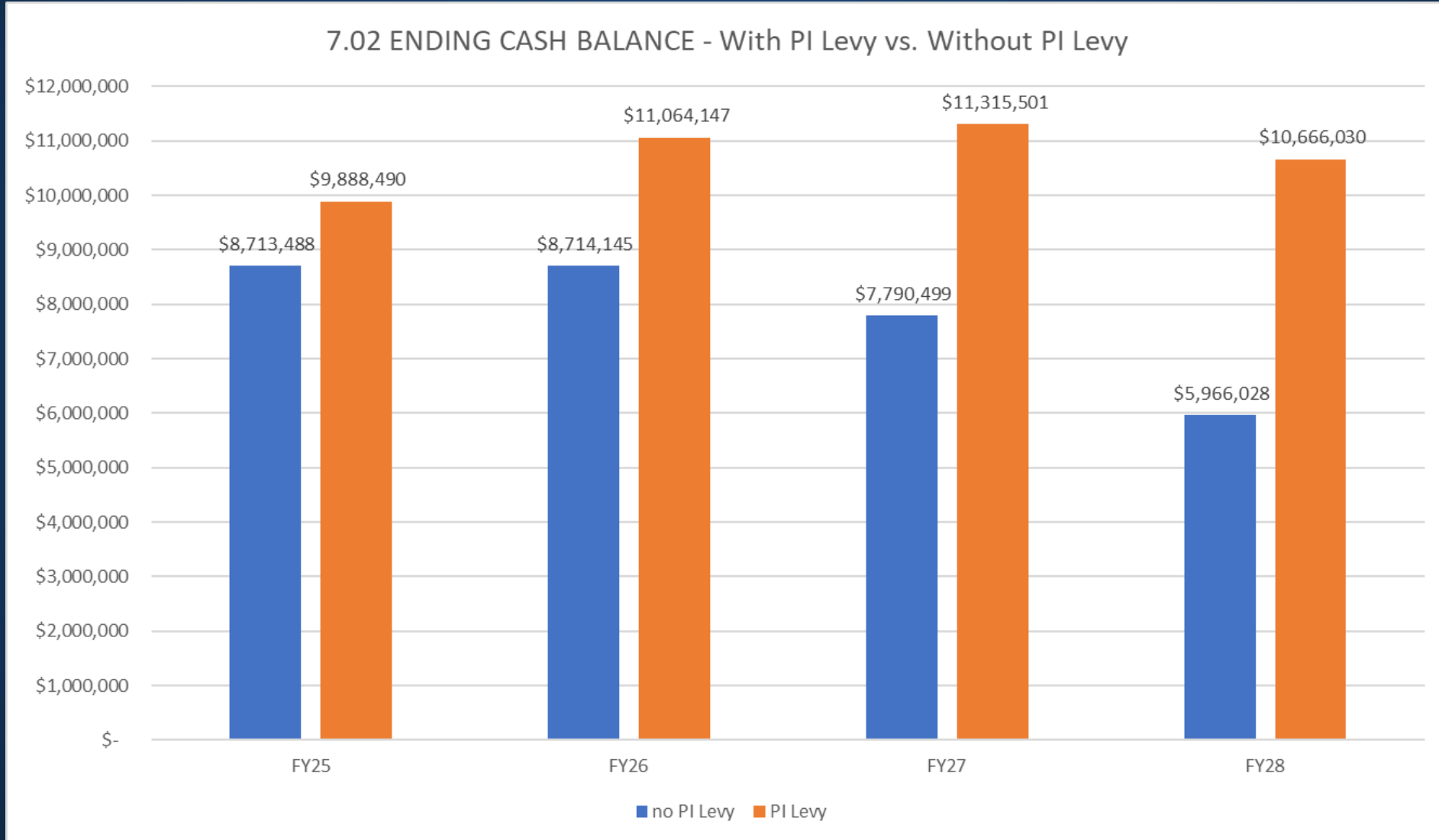


- When we look at the comparison with similar districts (information via ODE), our per pupil spending is the highest (\$16,815) in FY23 vs average (\$15,138) for a difference of \$1,677.
- If Kenston spent the average per pupil spending of their ODE peer group, the district would save approximately \$4 million per year ($\$1,677 \times 2,400 \text{ students} = \$4,024,800$).

7.02 ENDING CASH BALANCE JUNE 30



7.02 ENDING CASH BALANCE – WITH vs. WITHOUT PI LEVY



CHALLENGES

- DEFICIT SPENDING
- LACK OF PI LEVY
- SHRINKING CASH BALANCE
- DECLINING STUDENT ENROLLMENT
- STUDENT/TEACHER RATIOS

CONCLUSION

- There is still a significant need for a PI Levy. We continue transfer money out of the general fund to the PI fund and anticipate this transfer to continue throughout the forecast. These transfers are necessary due to increased expenses associated with keeping our buildings and facilities operational for our students and staff.
- The impact of the rightsizing plan, combined with a PI Levy, would place the district in a much stronger financial position over the next five years.
- The rightsizing plan has slowed the steep depletion of our cash balance; however, deficit spending will continue to increase now through FY28 (FY26 small surplus).
- Student vs. Teacher ratios need to be addressed and realigned based on peer groups and declining enrollment.
- Going forward, we will continue to monitor and report on these benchmarks each year.

THANK YOU FOR YOUR SUPPORT!

We are truly fortunate to have such a dedicated and caring community that understands the importance of investing in the future of our students. Your support not only bolsters our educational programs but also strengthens the bonds that tie us together as a community. Together, we create an environment where our students can thrive and reach their full potential.

GO BOMBERS!