Five-Year Forecast

May 10, 2022
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Five-Year Forecast Requirement

- Required to submit twice annually to the Ohio Department of Education:
  - Initial Fiscal Year Forecast due by November 30th
  - An update is required between April 1st and May 31st

- The forecast contains two sections:
  - Historical and Projected Financial Data
  - Notes and assumptions

- Serves as a tool to access the financial health of a district.

- Serves as planning tool.
Financial Planning Context

• We continue to invest in the CMSD Experience as part of our pandemic response utilizing Federal grants.
  – Academic, social-emotional, attendance, enrollment, facilities, etc.

• We continue to preserve the General Fund to sustain effective investments after the pandemic grants expire.

• Understanding the new State Foundation Formula, which started to be phased in beginning January 2022.

• Unpacking the impact of HB126, which reduces our ability to challenge property tax valuations.
# Federal, Pandemic-Response Response Grants

<table>
<thead>
<tr>
<th>Grant Type</th>
<th>CMSD’s Allocation</th>
<th>% Spent / Encumbered</th>
<th>Spend By Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARES</td>
<td>$26.9M</td>
<td>100%</td>
<td>9/30/2022</td>
</tr>
<tr>
<td>CRF</td>
<td>$2.6M</td>
<td>100%</td>
<td>12/31/2022</td>
</tr>
<tr>
<td>ESSER</td>
<td>$131.5M</td>
<td>80%</td>
<td>9/30/2023</td>
</tr>
<tr>
<td>ARP (5 awards)</td>
<td>$299.4M</td>
<td>12%</td>
<td>9/30/2024</td>
</tr>
</tbody>
</table>
Fair School Funding Formula

• Major Changes from Prior Formula
  – “Cost To Educate” methodology determines a unique base cost and categorical funding.
  – Resident wealth incorporated with property values to determine state / local share.
  – Funding follows students to the educating district (i.e., no charter or scholarship pass-thru)

• CMSD Realized Impact
  – The State began implementing the new Foundation Formula in January 2022 and has ‘rolled out’ additional components and corrections with each semi-monthly payment.
  – Factoring all components, our net benefit from the new formula is ~$9.3M, compared to a simulated benefit of $6.7M.
  – CMSD is “on the guarantee”; however, we are ~750 students away from being “on the formula”.

THE CMSD EXPERIENCE > MORE
Fair School Funding Formula (cont.)
Fair School Funding Formula (cont.)

• Continued Advocacy Necessary Around Phase-In

<table>
<thead>
<tr>
<th></th>
<th>SY21-22</th>
<th>SY22-23</th>
<th>SY23-24</th>
<th>SY24-25</th>
<th>SY25-26</th>
<th>SY26-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economically Disadvantaged</td>
<td>0%</td>
<td>14%</td>
<td>50%</td>
<td>67%</td>
<td>83%</td>
<td>100%</td>
</tr>
<tr>
<td>Other Components</td>
<td>16%</td>
<td>33%</td>
<td>50%</td>
<td>67%</td>
<td>83%</td>
<td>100%</td>
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</tbody>
</table>

Current Biennium

Next Biennium

Biennium After That
General Fund Revenue Inputs & Assumptions

• Local Property Tax is ~44% of estimated FY22 General Fund Revenue
  – The Forecast reflects current valuations as well as the historical pattern of changes following triennial re-evaluations.
  – The Forecast uses a three-year average collection rate of 87.9% for current collections and 8.6% for delinquent collections (as a percent of current collections).
  – The Forecast reflects an annual reduction of $4 million due to the recently passed HB126, which limits the Board’s ability to challenge and defend property tax valuation proposals.

• The State Foundation Formula is ~50% of estimated General Fund Revenue
  – The Forecast assumes the new Fair School Funding Plan (HB110) in all five years with the proposed phase in of DPIA and other elements.
General Fund Expenditure Inputs & Assumptions

• Salaries and Benefits
  – The Forecast includes a 3.0% wage increase in FY23 and a 2.0% wage increase in FY24.
  – The Forecast reflects a return to pre-COVID levels of substitutes.
  – The Forecast projects an annual 6.5% increase in healthcare costs.

• Purchased Services, Supplies, and Capital Outlay
  – The Forecast continues to exclude charter school and Cleveland Scholarship pass-through expenses (Fair School Funding).
  – The Forecast reflects a return of pre-COVID levels of transportation expenses.
  – The Forecast applies historical cost inflation factor ... though hard to predict in our current environment.

• Investments in the CMSD Experience
  – The Forecast reflects $38M annually in sustained Investments post-ARP (FY25 and FY26).
## Five Year Forecast – May 2022

<table>
<thead>
<tr>
<th></th>
<th>SY19-20</th>
<th>SY20-21</th>
<th>SY21-22</th>
<th>SY22-23</th>
<th>SY23-24</th>
<th>SY24-25</th>
<th>SY25-26</th>
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</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$750.7</td>
<td>$763.4</td>
<td>$636.8</td>
<td>$630.3</td>
<td>$635.7</td>
<td>$635.8</td>
<td>$639.1</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$750.9</td>
<td>$699.0</td>
<td>$600.4</td>
<td>$629.1</td>
<td>$645.5</td>
<td>$697.7</td>
<td>$707.1</td>
</tr>
<tr>
<td><strong>Net Revenue</strong></td>
<td>($0.2)</td>
<td>$64.4</td>
<td>$36.4</td>
<td>$1.3</td>
<td>($9.8)</td>
<td>($61.9)</td>
<td>($68.0)</td>
</tr>
<tr>
<td><strong>Ending Cash Balance</strong></td>
<td>$37.9</td>
<td>$102.3</td>
<td>$138.7</td>
<td>$140.0</td>
<td>$130.1</td>
<td>$68.2</td>
<td>$0.2</td>
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<tr>
<td><strong>Encumbrances</strong></td>
<td>$15.6</td>
<td>$13.0</td>
<td>$16.0</td>
<td>$16.0</td>
<td>$16.0</td>
<td>$16.0</td>
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<tr>
<td><strong>Unencumbered Balance</strong></td>
<td>$22.3</td>
<td>$89.3</td>
<td>$122.7</td>
<td>$124.0</td>
<td>$114.1</td>
<td>$52.2</td>
<td>($15.8)</td>
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</table>

Invest in CMSD Experience and Pandemic Response Using ESSER / ARP Grants

Sustaining Investments
QUESTIONS
Revenue Sources

SY21-22 Projected General Fund Revenue

- State, 49.5%
- Local, 44.0%
- Other, 6.5%

Multiyear Trend

- FY18-19 (a)
- FY19-20 (a)
- FY20-21 (a)
- FY21-22 (f)

Trend:
- State
- Local
- Other
Local Property Tax Revenue

- General Property Tax (Real Estate)
- Tangible Property Tax

SY18-19: $187.4
SY19-20: $199.9
SY20-21: $204.2
SY21-22: $219.4
SY22-23: $213.3
SY23-24: $217.5
SY24-25: $218.4
SY25-26: $219.5
Historic Assessed Valuations

Historic assessed valuations for the Cleveland Metropolitan School District from 2012 to 2021, categorized by Residential, Commercial, and Public Utility. The graph shows a general increase in valuations over the years, with a slight fluctuation in the middle years.
Property Tax Collection Rates
State Reimbursements

<table>
<thead>
<tr>
<th>Year</th>
<th>Reimbursement</th>
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<tbody>
<tr>
<td>SY18-19</td>
<td>$17.1</td>
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<tr>
<td>SY19-20</td>
<td>$16.8</td>
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<tr>
<td>SY20-21</td>
<td>$17.1</td>
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<tr>
<td>SY21-22</td>
<td>$17.2</td>
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<tr>
<td>SY22-23</td>
<td>$17.1</td>
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<tr>
<td>SY23-24</td>
<td>$17.1</td>
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<td>SY24-25</td>
<td>$17.2</td>
</tr>
<tr>
<td>SY25-26</td>
<td>$17.6</td>
</tr>
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</table>

Property Tax Reimbursements
Other Revenue

Cleveland Metropolitan School District

SY18-19 SY19-20 SY20-21 SY21-22 SY22-23 SY23-24 SY24-25 SY25-26

Other Revenue

Other Taxes/Rebate

Interest

Medicaid

Advance In

$16.1 $20.1 $26.8 $9.3 $8.6 $8.6 $8.6 $8.6

$16.9 $17.5 $17.0 $7.8 $5.0 $5.0 $5.0 $5.0

$3.7 $3.7 $3.7 $3.7 $3.7 $3.7 $3.7 $3.7

$1.8 $1.7 $1.5 $1.5 $1.5 $1.5 $1.5 $1.5

$1.5 $1.5 $1.5 $1.5 $1.5 $1.5 $1.5 $1.5

$3.7 $3.7 $3.7 $3.7 $3.7 $3.7 $3.7 $3.7

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$3.7 $3.7 $3.7 $3.7 $3.7 $3.7 $3.7 $3.7

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$1.5 $1.5 $1.5 $1.5 $1.5 $1.5 $1.5 $1.5
Cleveland Metropolitan School District

Revenue Forecast – General Fund

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue (Millions)</th>
</tr>
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<tbody>
<tr>
<td>SY18-19</td>
<td>$749.7</td>
</tr>
<tr>
<td>SY19-20</td>
<td>$750.7</td>
</tr>
<tr>
<td>SY20-21</td>
<td>$763.4</td>
</tr>
<tr>
<td>SY21-22</td>
<td>$636.8</td>
</tr>
<tr>
<td>SY22-23</td>
<td>$630.3</td>
</tr>
<tr>
<td>SY23-24</td>
<td>$635.7</td>
</tr>
<tr>
<td>SY24-25</td>
<td>$635.8</td>
</tr>
<tr>
<td>SY25-26</td>
<td>$639.1</td>
</tr>
</tbody>
</table>
Personnel Expenditures

Cleveland Metropolitan School District

Salaries & Wages
Fringe Benefits

SY19-20: $345.6
SY20-21: $321.3
SY21-22: $348.6
SY22-23: $365.4
SY23-24: $373.0
SY24-25: $384.9
SY25-26: $385.4

$- $50.0 $100.0 $150.0 $200.0 $250.0 $300.0 $350.0 $400.0 $450.0

SY19-20: $136.8
SY20-21: $137.9
SY21-22: $149.4
SY22-23: $158.0
SY23-24: $165.7
SY24-25: $179.6
SY25-26: $187.3

The CMSD Experience - Get More
Non-Personnel Expenditures

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Advances / Transfers</th>
<th>Other Uses</th>
<th>Equipment</th>
<th>Supplies &amp; Materials</th>
<th>Purchased Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>SY19-20</td>
<td>$240</td>
<td>$14</td>
<td>$11</td>
<td>$8</td>
<td>$6</td>
</tr>
<tr>
<td>SY20-21</td>
<td>$216</td>
<td>$8</td>
<td>$8</td>
<td>$8</td>
<td>$6</td>
</tr>
<tr>
<td>SY21-22</td>
<td>$72</td>
<td>$6</td>
<td>$12</td>
<td>$6</td>
<td>$6</td>
</tr>
<tr>
<td>SY22-23</td>
<td>$78</td>
<td>$6</td>
<td>$12</td>
<td>$6</td>
<td>$6</td>
</tr>
<tr>
<td>SY23-24</td>
<td>$79</td>
<td>$6</td>
<td>$12</td>
<td>$6</td>
<td>$6</td>
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<tr>
<td>SY24-25</td>
<td>$90</td>
<td>$8</td>
<td>$19</td>
<td>$6</td>
<td>$6</td>
</tr>
<tr>
<td>SY25-26</td>
<td>$91</td>
<td>$8</td>
<td>$19</td>
<td>$6</td>
<td>$6</td>
</tr>
</tbody>
</table>
Expenditure Forecast – General Fund

CLEVELAND METROPOLITAN SCHOOL DISTRICT

- SY18-19: $797.4
- SY19-20: $750.9
- SY20-21: $699.0
- SY21-22: $600.4
- SY22-23: $629.1
- SY23-24: $645.5
- SY24-25: $697.7
- SY25-26: $707.1

Expenditure values are in millions.