Norwayne Local School District

Creston, Ohio

Five-Year Forecast Assumptions

Fiscal Years 2024 - 2028

October 2023 Submission

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General Considerations

The Norwayne Local School Districts Five-Year-Forecast is a planning tool that reflects three years of revenue, and expense history, and gives a prediction of the revenues, and expenditures for the next five years based upon current known factors. As these factors change over time, future updates to the forecast will reflect those changes. Norwayne Local School District relies on a combination of State Foundation payments and Local Tax Receipts for the majority of school funding. The community passed an Earned Income Only Tax Levy in November 2013, to generate about 1.25 million dollars per year in full collection. After budget deficits in FY12 and 13, passage of the income tax has allowed the district to operate in the black for the last three years. This levy was renewed for ten years in the fall of 2017. The Income Tax allows for growth as the local economy grows which is reflected in this forecast. The district also collects approximately $280,000 from an Emergency Levy which was passed in 2002, and renewed in 2007, 2012 and 2022. A new state budget and school funding formula was passed effective July 1, 2021. This new funding formula began its phase-in-period beginning with the first October 2023 State Foundation payment. The new formula appears to have positively benefited the restricted and unrestricted funding which will become more apparent through year 2027.

Cash Balance

The district finished Fiscal Year 2023 with a cash balance of $6,818,781 which is an increase of $279,472 from the previous year. This cash reserve provides 164 days of operational funds. Notable expenses in 2023 included hiring a School Resource Officer; contracted directly with the Wayne County Sheriff Department, purchasing a 2019 Thomas Handicap Bus and a 2016 Chevrolet Pickup Truck.

The forecast estimates that the district will see surplus spending of $473,479 in FY24 and $403,991 in FY25. Deficit spending is forecast for FY27 and FY28 which causes cash reserves to fall to $7,565,732 by June 2028. This forecasted deficit is a direct reflection of a 3% salary raise, plus a 1.75% step increase per year built in for the upcoming negotiated contract.

1.01 Real Estate

Real Estate Tax revenue is based upon historical trends, and is certified by the Wayne County Auditor. Real Estate collections occur in Wayne and Medina Counties. The Wayne County triennial update for 2024 is almost complete and collections remain relatively unknown for the current forecast. Real Estate Taxes provide 26.4% of the current funding for the district. Collections for the Emergency Levy was renewed in November 2021 and those collections will continue through 2032.

1.02 Tangible Personal Property Tax

Tangible Personal Property taxes are collected from public utilities. Increased revenue from a new gas pipeline through the district improved revenue in this category in FY23. Those collections will be reduced over the next few years due to depreciation of the pipeline. Public Utility Property Taxes account for approximately 1.7% of District Revenue.

1.03 Income Tax

This category reflects the income generated by the School District Income Tax. Collections reached full potential in FY16 and accounted for $1,682,864 in FY23 or 11.7% of district revenue. A ten-year income tax renewal was passed on the November 2017 ballot, and revenue from this tax will provide additional funding for the district for the forecast period. School District Income Tax collections remain strong, and increases of a 2% average over the next five years are estimated in the forecast.

1.035 State Foundation: Unrestricted Grants in Aid

The Norwayne District relies heavily on State Foundation Payments to provide the majority of revenue for the educational needs of its students. State Foundation Payments provide approximately 50% of the forecast budget. A new State Funding Formula was approved in the Statewide Biennial Budget effective July 1, 2021, and has begun the phase-in-period with the first payment in October 2023. Based on the most recent payment from the state, the forecast estimates an 11% increase to funding in FY24, with incremental percentage increases for Fiscal Years 25 through 28. However, those numbers are subject to change as the new formula and biennial budget continues to be implemented.

The state budget now provides funding for students where they are educated, rather than where they reside. 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 are all directly funded at their educating entity. Therefore, any fluctuations in the district enrollment will directly affect the revenue of this category.

1.04 Restricted Grants-in-Aid

Restricted Grants-in-Aid is the portion of state funding that provides part of the districts funding for Economically Disadvantaged, Vocational Agriculture, Home Economics, Gifted, English Learners and Student Wellness. Revenue from this category also fluctuates as enrollment in these programs change. Currently these funds provide about 2.7% of the total budget.

1.050 Property Tax Allocation

This category represents payments from the state for Homestead Exemptions, and Real Estate Tax Rollbacks. A .5% incremental increase in revenue occurred in FY23. Forecast projections have been adjusted in anticipation of future minute increases. Property Tax Allocations amount to 3.8% of the district budget.

1.060 All Other Revenue

This category includes revenue from mobile home taxes, interest, and miscellaneous sources. Revenue from this category increased 7.6% from FY22 to FY23 due to substantial interest collections in FY23. This category provides 4.1% of forecasted revenue and is expected to increase in FY24 as interest rates continue to rise.

2.060 All Other Financial Sources

Revenue in this category reflect refunds from prior year expenditures and other one-time payments to the school district. In FY23, the majority of this category came from Fuel Tax Reimbursement. This category accounts for a little more than .5% of the district’s revenue.

3.01 Personal Services (Salaries)

Salaries account for 54.8% of the district’s operational expenses. Salary expenses continue to grow based on step increases and negotiated base increases. Contracts with both unions will expire at the end of FY24. Negotiations will begin in FY24 to create a new 3-year contract for FY25, 26 and 27. The forecast assumes a 3% salary increase with an additional 1.75% step increase for each of those 3 years.

3.02 Benefits

Benefits include employee retirement, Medicare, health, dental, life insurance, and worker's compensation. Our district experienced a 0% increase in medical insurance costs for FY24. However, the average increase to medical insurance is around 10% a year. Therefore, an average of 5.5% cost increases is built into the forecast for FY25 through FY28. Dental premium costs have remained constant for the last several years. But for FY24, the premiums did increase by 4%. Employees are paying approximately 15% of the total cost of medical and prescription insurance, and most employees pay 14% of their salaries toward retirement. Employee benefits amount to 26.7% of the current budget. Staff benefits continue to be an increasing percentage of overall staffing costs.

3.03 Purchased Services

Purchased services include utilities, repairs, legal services, and other services. College Credit Plus, and Post-Secondary Enrollment costs continue to add to the expenses in this category. While these are good programs for students at no cost for parents, this is an increasing expense to the local school district. The district has worked to reduce purchased services costs in recent years and continued to do so in FY23, with more than a 10% decrease in costs specific to this category. However, with the completion of ESSER funding in FY24, purchase service expenses will most likely increase again. Currently, purchased services account for 11.3% of the budget.

3.04 Supplies

Supplies include bus fuel, tires, parts, classroom, office, and janitorial supplies. Efforts are made to control increases to these costs, yet this is an area in the budget that continues to increase steadily from year to year. Technology, and Curriculum Software costs continue to add to this category. Supply Costs represent 4% of the operational budget.

3.05 Capital Outlay

Capital Outlay costs include school buses, construction upgrades, and other equipment purchases. Some of these items can also be purchased with funds from the Permanent Improvement Levy, Medina County Sales Tax, or other grants, which are not reported in the Five Year Forecast. Capital Outlay amounts to approximately 1.2% of the total general fund budget.

The forecast shows an increase in expenses for FY25 to account for a stadium bleacher extension project. Fiscal Years 26, 27 and 28 is not specified to any one project but provides an allowance for continual maintenance such as repaving parking lots and major expenses not anticipated; HVAC and Geothermal systems breakdowns, for example. Preparing for larger expenses like this in the forecast will hopefully eliminate the need to ask the community for additional funds over the next five years.

4.30 Other Objects

Payments to auditors, tax collection fees, and insurance are included in this category. Moderate increases are projected for FY24 through FY28 as these expenses steadily increase each year. This category represents 1.6% of budgeted expenses.

5.01 Operating Transfers Out

Transfers to other Funds are reflected in this category. The district established Capital Projects Reserve Funds in FY20 for future roof replacement and turf replacement. Transfers to those funds are reflected in FY21, FY22 and FY23. Additional transfers to the roof replacement fund will be made, and are anticipated to be spent, in FY24 with an expected roofing project. Transfers to the turf replacement fund will continue through FY28. A termination benefits fund was created in anticipation of future retirements where $95,000 was transferred in FY23. Transfers of $50,000/year to that fund will continue through FY28.

The district experienced an unprecedented year where the Foodservice accounts remained in the black and did not require a transfer of funds in FY23. Unfortunately, the additional state funding toward the National School Lunch Program has returned to normal with the end of COVID-19. Therefore, in anticipation for a negative Foodservice fund balance at the end of FY24, $100,000 has been allocated to be transferred to this account at the end of each FY.

5.02 Advances Out

Minor advances are built into the forecast to cover end of year grant expenses, until those reimbursement funds are received from the Ohio Department of Education. Due to the district's healthy financial status, there has not been a need to allocate dollars to this line for the last 2 years as well as for the foreseeable future.

9.030 Budget Reserve

It is best practice, and in the benefit of the district, to reserve a portion of their cash balance to a "rainy day" fund. In the unfortunate instance that the district's financial status crashes, this $500,000 budget reserve would cover 1 ½ current payroll periods. It is possible that because salaries and benefit costs continue to rise, increases to this reserve should be considered.

Forecast Summary

Cash Balances continue to improve with real estate income providing over 25% of the district's revenue, the significant increase in monthly interest and the substantial phase-in State Foundation payments which provided more than half than the district's revenue in FY23 and is projected to rise in FY24. However, this forecast also reflects the fact that expenses are climbing at an even higher rate, and maintaining current levels of cash balance is becoming more difficult. New buildings opened in 2011 have been a tremendous asset to the district, but have now reached the point where maintenance costs are beginning to increase. The district is making an effort to set aside funds to meet future maintenance needs. Salaries, retirement and fringe benefits account for more than 75% of the district's expenses and must be carefully considered when approaching negotiations and the future financial health of the district.