Norwayne Local School District

Creston, Ohio

Five-Year Forecast Assumptions
Fiscal Years 2025 – 2029
November 2024 Submission

Board of Education

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General Considerations

The Norwayne Local School District's Five-Year Forecast serves as a crucial strategic planning tool that combines three years of historical revenue and expenditure data to estimate future financial outcomes based on current conditions. The forecast is regularly updated to reflect evolving circumstances.

The district primarily relies on State Foundation payments and local tax revenues for funding. The community's renewal of the Earned Income Only Tax Levy in November 2017 has generated approximately $1.6 million annually, while the Emergency Levy, renewed in November 2021, will provide essential financial support through 2032. The introduction of a new state budget and funding formula, beginning its phase-in in October 2023, has positively impacted both restricted and unrestricted funding.

With the conclusion of ESSER (Elementary and Secondary School Emergency Relief) funds, which supported schools following the COVID-19 pandemic, the district is refocusing on strategic fiscal management. It is actively reallocating resources, prioritizing essential expenditures, and implementing cost-saving measures to maintain educational quality and ensure long-term financial stability. This targeted approach is crucial for securing the future of its programs and services.

Key elements of the Norwayne Local School District's Five-Year Forecast include ongoing revenue projections, expenditure trends, and capital needs. It also highlights the importance of establishing reserve funds for future building maintenance projects, ensuring that the district is prepared for significant expenses while maintaining facility quality and financial health.

Cash Balance

The district concluded Fiscal Year 2024 with a cash balance of $8,085,283, marking an increase of $1,266,503 from the previous year. This growth was largely due to the Wayne County Triennial Update. Notable expenditures in FY24 included a roof replacement project, resurfacing of the high school track, and the purchase of a new 78-passenger Blue Bird Bus.

The forecast estimates a surplus of $304,456 for FY25. This decline is attributed to significant expenses related to a capital project to extend the stadium bleachers, a major technology investment to update all student Chromebooks, and the acquisition of a new 9-passenger transit van. However, the forecast indicates that the cash balance is expected to rise again in FY26, with continued surplus spending anticipated throughout all five years of the forecast.

1.01 Real Estate

Real estate tax revenue is based on historical trends and is certified by the Wayne County Auditor, with collections occurring in both Wayne and Medina Counties. The 2023 Wayne County Triennial Update has contributed to an increase in revenue for this category. In FY24, collections accounted for just under 27% of the district's funding, and this figure is projected to rise to an average of 34% from FY25 to FY27. In addition, the district benefits from approximately $300,000 annually from an Emergency Levy established in 2002, which has been renewed three times, most recently in 2022. However, as we approach the next Triennial Update, there are concerns about potential reductions in collections due to fluctuations in property valuations, adjustments to the 20-mill floor by legislators, and tax rate caps aimed at addressing the recent surge in real estate tax revenue. These potential decreases are reflected in the forecast for FY28 and FY29.

1.02 Tangible Personal Property Tax

Tangible Personal Property taxes are collected from public utilities; telephone, electric and gas. Increased revenue from a new gas pipeline through the district continues to improve revenue in this category. Collections increased by nearly 8% in FY24. Today, Tangible Personal Property Taxes account for approximately 1.6% of the district's total revenue.

1.03 Income Tax

This category represents revenue generated by the School District Income Tax (SDIT), which was initially passed in 2013 and approved for a 10-year renewal in 2018. The SDIT is a key funding source for the district, with collections reaching $1.7 million in FY24. Projections indicate a gradual increase from FY25 through FY28. Renewing the School District Income Tax levy is essential, as it accounts for over 10% of the district's annual revenue. Failing to renew the levy would result in a 14% reduction in revenue in FY29 and would eliminate further collections starting in FY30, significantly affecting future financial forecasts.

1.035 State Foundation: Unrestricted Grants in Aid

Norwayne relies on State Foundation Payments, which account for over 45% of the district's annual revenue. The new State Funding Formula began its phase-in period in October 2023, resulting in more than a 13% increase in state funding for FY24. However, due to statewide declines in enrollment, funding for FY25 is expected to decrease by about 1%. The state budget allocates funding based on where students are educated rather than their place of residence. This means that students in community schools, STEM schools, and those participating in scholarship programs (such as EdChoice, Cleveland Scholarship, Autism Scholarship, and Jon Peterson Special Needs Scholarship), along with those in open enrollment, are funded directly through their educating entities. Consequently, any changes in district enrollment will directly impact revenue in this category. Given the significant increase in Real Estate Tax revenue, the state may perceive the district as self-sustaining and capable of operating more independently. This could lead to further reductions in state funding in the upcoming Statewide Biennium Budget, with potential adjustments reflected in the forecast starting in FY26.

1.04 Restricted Grants-in-Aid

Restricted Grants-in-Aid is a segment of state funding that supports various programs within the district, including those for Economically Disadvantaged students, Vocational Agriculture, Home Economics, Gifted Education, English Learners, and Student Wellness. This category typically accounts for 2.5% of total revenue. For FY25, the budget reflects a $65,000 increase, driven by a state mandate requiring all teachers and administrators to complete Professional Development courses in the Science of Reading. The district initially covers the cost of this training for its staff and subsequently seeks reimbursement from the state, which is funded through the Restricted Grants-in-Aid. An increase in funds will be observed in 2025, though collections in this category are expected to normalize starting in FY26.

1.050 Property Tax Allocation

Property Tax Allocation represents payments from the state for Homestead Exemptions and Real Estate Tax Rollbacks. This revenue source has remained steady at 3.8% of the district's budget.

1.060 All Other Revenue

This category includes income from mobile home taxes, interest, and various miscellaneous sources. Revenue in this category grew to over 32% in FY24, primarily due to substantial interest collections. However, with interest rates projected to decline in FY25, collections in this category are forecasted to decrease by 9%.

2.040 Operating Transfers-In

The Operating Transfers-In category enables the permanent transfer of funds between accounts; allowing the district to effectively manage its financial resources. As expenses continue to rise, maintaining adequate cash reserves in the general operating fund is essential to ensure consistent, uninterrupted services, even during unforeseen disruptions. To strengthen these reserves, the district increased the Cash Budget Reserve by $750,000 in FY24 through a one-time Operating Transfers-In transaction. In FY25, a smaller transfer of less than $40,000 was made from the 035 Termination Benefits account to cover severance payments for retired employees funded through the general account. Looking ahead, no additional Operating Transfers-In are anticipated as future retiree severance payments will be managed directly from the 035 Termination Benefits account.

2.060 All Other Financial Sources

Revenue in this category includes refunds from prior year expenditures, proceeds from asset sales, and other one-time payments to the school district, with the majority coming from Fuel Tax Reimbursements. The district recently refined its process to apply for Fuel Tax Reimbursements twice a year, ensuring that all necessary documentation is included. This proactive approach has resulted in a notable increase in collections from this source. All Other Financial Sources accounts for less than 1% of the district's total revenue.

3.01 Personal Services (Salaries)

Salaries constitute over 50% of the district's operational expenses. In Spring 2024, a negotiated three-year contract was approved for both Certified and Classified staff for FY25, FY26, and FY27. The contract includes a 3% raise for all three years, along with an updated index step increase table for Certified staff. Classified staff will receive a $1.00 raise in FY25, followed by 50-cent raises in both FY26 and FY27, along with incremental step increases.

These changes are built into the forecast for FY25 through FY27. Fiscal Years 28 and 29 project an overall average increase of 2%, factoring in potential retirements. The district also created a new administrative position, resulting in higher expenses in FY25 and will be incorporated into the budget for the next five years.

3.02 Benefits

Benefits encompass employee retirement, Medicare, health, dental, life insurance, and worker's compensation. The district covers 85% of employees costs for medical and prescription insurance. Medical insurance premiums increased by 6.37% beginning July 2024, while dental premiums remain unchanged. The forecast predicts an average collective increase of 4% in costs for all benefit categories for FY26 through FY29. Employee benefits currently represent 26% of the overall budget.

3.03 Purchased Services

Purchased services consist of a variety of expenses, including utilities, repairs, legal services, professional development, out-of-district tuition costs, and contracts with educational service centers (ESCs). Costs for maintenance repairs and electricity are ever-increasing, as are expenses related to College Credit Plus and Post-Secondary Enrollment programs. In FY24, Purchased Services accounted for 12% of the district's budget. With the conclusion of ESSER (Elementary and Secondary School Emergency Relief) funding, the district anticipates a significant rise in this category. A 21% cost increase is projected for FY25, with gradual increases expected in the following years as the district adjusts to covering these expenses independently.

3.04 Supplies

Supplies include costs for bus fuel, tires, parts, classroom materials, office supplies, and janitorial items. Technology and curriculum software expenses also contribute to this category. Despite the district's efforts to reduce supply costs in recent years, FY25 expenses are expected to exceed twice those of previous years. The district entered into a six-year lease agreement for Chromebooks, providing each student with a new device, at a total cost of $381,000. No significant costs related to Chromebooks are anticipated until FY30, when the lease will need to be renewed and the devices replaced. Furthermore, the district received a safety and security grant, which will cover 75% of the costs for new floor scrubbers, leaving the district responsible for the remaining 25%. New Language Arts textbooks were also purchased for the middle school at a cost of $12,689. The conclusion of ESSER funding will further drive up supply costs. In FY25, supplies are projected to account for 7.5% of the district's expenses. But expenses are expected to decrease and stabilize to around 5% of the budget in Fiscal Years 26 through 29.

3.05 Capital Outlay

Capital Outlay costs incorporate expenses related to school buses, construction upgrades, and other equipment purchases. Some of these items may be funded through the Permanent Improvement Levy, Medina County Sales Tax, or various grants, which are not included in the Five-Year Forecast. In FY24, Capital Outlay represented 1.2% of the budget. However, expenses are expected to double in FY25 due to the completion of the stadium bleacher extension project and the acquisition of a new 9-passenger transit van, purchased to comply with recent updates to Ohio Revised Code section ORC 4511.76 (E). For Fiscal Years 26 through 29, the forecast does not assign specific amounts to any single project but allocates funds for ongoing maintenance, such as repaving parking lots and addressing other major expenses that may arise.

4.30 Other Objects

This category includes costs related to fees, dues, and other miscellaneous expenditures essential to the district's operations. It covers payments for memberships, insurance premiums, legal fees, and expenses for auditors and tax collections. Steady annual increases are anticipated over the next five years as costs continue to rise. Overall, this category represents 1.7% of the district's budgeted expenses.

5.01 Operating Transfers Out

This category reflects transfers to other funds established by the district. Capital Projects Reserve Funds were initiated in FY20 to prepare for future roof replacement and turf replacement projects, with transfers made in FY22, FY23, and FY24. In FY24, a third Capital Projects Reserve fund was created to address future HVAC and geothermal system breakdowns and replacements, into which $500,000 was transferred. Transfers to all three Capital Project Reserve funds will continue through FY29, with plans to create two additional funds in the future. These transfers strategically position the district to manage significant, unavoidable expenses with uncertain timing while minimizing the need to seek additional funding from the community.

In 2023, a termination benefits fund was established to accommodate future retirements. Transfers to this account are recorded for FY23 and FY24, with a planned transfer of $75,000 for FY25. This amount will decrease to $50,000 in fiscal years 2026 through 2029 as outlined in the forecast.

Following the conclusion of COVID-19 assistance to the National School Lunch Program in 2022, the district’s Food Service accounts have encountered challenges, ending FY24 with a deficit. To mitigate this, $100,000 was transferred to the Food Service fund in June 2024, with plans for additional annual transfers of $100,000 in the future.

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 and Workforce. However, due to the district’s strong financial position, no funds have been allocated to this line item for the last two years, and this trend is expected to continue.

9.030 Budget Reserve

Budget reserves are funds set aside by the district as "rainy day" funds to protect against unforeseen financial challenges. Establishing a budget reserve is considered a best practice that helps maintain operational stability during difficult times. In response to rising costs, the district increased this reserve from $500,000 to $1,250,000 in FY24, ensuring it can cover one month of general operating expenses in the event of a financial crisis. This reserve not only offers financial flexibility but also enables the district to effectively address unexpected challenges while continuing to prioritize quality education.

Forecast Summary

The Five-Year Forecast for the Norwayne Local School District presents a positive and strong financial outlook, with a cash balance of $8,085,283 at the conclusion of FY24. While a decrease in surplus spending is anticipated in FY25 due to several major projects, cash balances are projected to rise again in FY26, with continued surpluses anticipated through FY29. The district is expected to maintain fiscal strength over the next five years, currently reflecting 154 days of True Days Cash (TDC). Projections suggest stable increases in real estate and income tax collections, though potential legislative changes and the failure to renew the School District Income Tax levy could impact future revenues.

Expenditures will primarily be driven by rising salaries and benefits, alongside notable increases in purchased services and supplies due to the conclusion of ESSER funding and new technology investments. It is essential to recognize that the buildings opened in 2011 are approaching a point where significant maintenance and replacement costs will be necessary. As a result, the district will continue to make conservative fiscal decisions and allocate funds to address these future needs. This commitment to financial stability is further underscored by efforts to enhance the “rainy day” budget reserve fund, ensuring readiness for unforeseen challenges while upholding Norwayne’s esteemed reputation for financial management and educational excellence.