FINANCE COMMITTEE

March 14, 2023 @ 12:30PM

In attendance: Mr. Bannister and Jeff Fouke, Treasurer

Standing Items:

Investment Update: Interest rates continue to rise, keeping maturities short. Significantly higher interest earnings than last year, earning in a month what we earned all of last year. Range from 3.32% to 5.46%.

SM-2 Report: No Surprises. Reviewed and State aid is on budget except for Transportation (up $500,000) and DPIA (up $165,000). Personal Services, currently one less payroll than last year. Benefits reflect healthcare increase. All other expenses, except capital outlay higher than last year, but within budgets. We adjusted capital outlay earlier to expend ESSER funds. Unreserved cash is $42.8 million.

Enrollment Report: 222 open enrolled students, 165 non-employee students. About $1,700 per open enrollment student, eventually should be $7,354 when we are fully funded. Resident enrollment down 290 students from 2018/2019 (Pre-pandemic). When (or if) state begins funding all students, a decline of nearly 300 students would be a loss of revenue over $2 million.

If you exclude non-employee open enrollment (165) our enrollment is 6,690. 2 out of 3 past Kindergarten classes were under 480 students and OFCC is forecasting a decline of additional 200 students in all grades in future years. As funding (eventually) is generated by enrollment, declining enrollment is a concern. In K-2, we have declined by 138, if you exclude open enrolled students, we have declined by 159 students in just three grades. As these grades are a base for future years, this is alarming.

Education – HB1/State Funding – HB 1 proposes to eliminate the 10% rollback and the 2.5% owner occupied rollback. This will cost our district about $150,000 next year and $315,000 in lower tax payments, each year thereafter for the next three years. The state is just decreasing their rollback payments to governmental entities to fund a state income tax cut. Not sure if this will go anywhere as residents will pay overall pay more in real estate taxes.

State Funding appears that the Senate, House and Governor are looking at continuing the phase in (year 3 and 4) and possibly even fully fund it over the next two years. I am providing the entire handout, and have two pages in my presentation. One item our consultant has picked up on is our declining enrollment. As we have discussed this is a concern which could impact our future simulations as they are based on current data. Also, the current simulations are still using the 2018 salary and benefit information. It is possible these factors may also be phased in. Over a third of districts are on the guarantee and do not expect any increases, that is where the pressure to increase is coming from.

We expect an increase of $4.7 million next year and $4.4 million the following year. This will be an increase of $13.8 million additional cash over two years. This will be a significant increase.

I have also, highlighted what we are being "shorted" every year with DPIA not being funded. $17.3 million this year, $12.7 million next year and $8.3 million in 2025. In looking at other district's simulation, many districts are forecasting no increases in that time span.

Permanent Improvement Equipment/Building Repair – *Equipment Budget* is $200,000. We added $90,000 for the wrestling modular unit, we set aside $10,000 for musical instruments, and we have $24,550.74 remaining for equipment. However, Whitmer may need a new trash compactor this year for $25,000. *Building Repairs (Improvements) Budget* is $100,000. This is for expenditures that exceed $10,000 and are charged to Permanent Improvement Fund. We have $43,459.15 remaining.

Food Service: Food Service Supervisor projects the fund will breakeven this fiscal year and the current activity reflects approximately a MTD surplus of $40,000 and a FYTD loss of $64,000. Good news, we should not expect to have a significant loss this year.

We are tracking unpaid lunch balances. These cannot be offset by food service cash balances. These will follow the student until they graduate. We periodically receive donations to offset some of the unpaid lunches, but due the large amount, donations only reduce slightly. This is a General Fund Liability as Food Service cannot just write off the debt and may need to be paid with General Fund monies. The current balance owed by our students is $47,958.73 and is growing every month.

Healthcare: We currently have a $348,000 surplus. This is mainly the result of the large premium increase. We have been told the high cost drug utilized last year ($65,000 per month) is back. It is being charged to medical and not prescription. This is still being researched and we have a meeting at end of month.

Our insurances are out to bid. We are actually in year 2 of a 3-year contract. Savage believes there were advantages of bidding now, instead of next year. We are expecting competitive bids, including fully insured bids. Prescriptions continue to be a challenge with Paramount and this will be reviewed at end of month.

Five Year Forecast: As previously stated, we are receiving more in state aid than previously forecasted ($665,000). And our Real Estate settlement was $801,000 more than expected. This is partially explained by the abatement termination and significant increase in Public Utility tax paid, slight increase in delinquent payments, and the increase in effective tax rate due to Franklin Park Mall. This will not only have a positive impact this year, but future years as well.

I have included a chart of accounts. I have taken a finance report and extrapolated out personnel costs. We are in line. The 416 is NWOCA, this will be offset by e-rate when received. Normally I should have a good estimate about utilities cost as it is mid-March, but found out the Shoreland electric meter was not being read. That is being addressed.

We are not expecting a TIF payment but are waiting for the TIF settlement to see what we will receive in August. The effective tax rate and the lack of TIF payment is due to the Franklin Park Mall valuation change and refund ($2.3 million). We are within budget parameters one expenditures. Expenditures are in line, especially salaries and benefits. Electricity is underbudget but just informed Shoreland meter has not been read we should expect a large bill. Shoreland should have had smart meters installed but did not.

ESSER Update: The salary report does have vacant positions which will help the grant. We do need to expend $50,000 for playground equipment to reimburse the Foundation, currently there is no budget for that. Curriculum is adjusting the budget. ESSER I completed and closed out. Non-public schools did not expend $87.01. As this is a unique grant, not sure what ODE will do. ESSER II nearly completed, expended or encumbered. Due to budget shortfalls, we are using ESSER only on technology and personnel going forward. We will need to continue to monitor ESSER III. Likely will be short dollars in the grant, we are able to use Student Wellness Funds and possibly IDEA VI-B if needed before going to General Fund before 2024-2025. We do have the $50,000 playground expenditure, budgets will need to be adjusted for that expenditure. Hard to forecast out due to the number of vacant positions.

We have $6.7 million remaining in ESSER III, with 16-19 months to go. We planned to expend 100% by June 30,2024 (16 months) but can be expended by September 30, 2024 (19 months).

Ohio Facilities Construction Commission (OFCC): Board Agenda tomorrow has authorization for us to sign any necessary OFCC documents as well as transfer $6,086,808 from General Fund to the Building Fund. I have included the summary of what Board approved. This will be transferred next month from the General Fund to the Building Fund. Obviously, we will need to adjust the budget before we make the transfer.

The PI fund will be able to fund the maintenance hut (if the City does not provide payment) and possibly purchase of some homes if they come for sale. Other than that, we will be limited in funds available from PI due to debt service, the OFCC maintenance fund, equipment, repairs and bus purchases.

Current Items:

Timekeeping System: We are meeting weekly with Time Clock Plus, their trainer is very knowledgeable and it's taking significant amount of time for Beckie to gather the data. As Beckie is salary, there is no overtime. It appears to be a good system. It is used by Oregon and two years ago by Sylvania (who may be switching back). We were initially told by end of February, but that did not happen. We are hopeful, we can begin testing soon and by late April have employees utilizing the software.

Property/Liability Insurance: Our contract with Ohio School Plan is ending on July 1, 2023. We are currently requesting quotes for a 2,3, and 4-year plan. This expenditure is nearly $230, 000 this year.

Permanent Improvement Projects: Four ongoing projects – Security Camera, Lincolnshire Fire Alarm and two new ones: Whitmer Wrestling Improvements and District Access Cards. The Access Card project is being subsidized $313,072 by a Federal Security Grant. Cameras mainly waiting for parts and fire alarm is nearly complete. No new projects scheduled.

May 2023 Five Year Forecast: It appears our state revenue will be increasing next year and the following year at LEAST by the phase-in. We could consider including the phase in on the May forecast. In the past, we have not as we stayed with current law but as it appears likely, consideration should be given as it will be a significant change. There is also discussion about changing the funding factors from 2018 to 2022, I am not as comfortable including that information. In late April we will need to make the decision to include the additional state aid but wanted to discuss today and receive committee and administration input.

After discussion we leave state aid as what is current law and not guess what we will be receiving next year.

We will be transferring $6.1 million to the Building Fund. As we discussed, with this transfer no additional staffing, programs, budgets will be adjusted on the Forecast in May. Generally, be the same as last year.

Wrap Up /Summary: Next couple of months will be on forecast preparation and finalizing budgets. Are there any topics the committee would like to address in future meetings?