Northwest Local School District (Hamilton County)
Assumptions to the Five-Year Forecast
May 26, 2020

The 5-year forecast for Northwest Local School District (Hamilton County) is derived from the last three completed fiscal years (FY17 – FY19) of historical data, the current fiscal year's (FY20) appropriations, and the next four fiscal years (FY21 – FY24) of forecasted data based on current information, logical estimates and rational assumptions.

As we review the District's 5-year forecast we all must acknowledge this forecast as a work-in-progress and many of the assumptions used in this forecast are derived from past experiences and spending history. This year's forecast is again being presented in a format developed to assist the Board of Education, the Superintendent, and Administration in the fiscal management of the school district.

Financial Strategy

The District has determined the key focus areas that will be the foundation for continuous improvement of teaching and learning. Staffing is determined by the district's staffing plan. Programs are evaluated annually and resources are allocated based on the priorities and needs of the district and its students.

Our strategic plan is made up of five key focus areas:

- Student Achievement;
- Social-Emotional Development;
- Diversity & Equity;
- Financial Stability; and
- Culture of Trust

Our Vision is teaching and learning in the Northwest Local School District. We will:

- Provide learning experiences that empower students to contribute to a future not yet imagined;
- Inspire learners to adapt, be resilient, collaborate and problem solve;
- Create a supportive social-emotional culture; and
- Provide a foundation to cultivate healthy relationships.

Under normal circumstances, the Board of Education, the Superintendent and the Administrative Team would continue to address any projected operational deficit of the district by reallocating resources from existing activities in the budget to fund our instructional/operational priorities. This normally occurs as expenses increase due to inflationary increases while revenues continue to be flat-lined as levies are passed.

Impact of the COVID-19 pandemic on the financial operations of our district:

The state reduced our funding in May for this fiscal year by $1.8 million, which is 6% of our state funding. The average reduction across the state was 3.7% and wealthier districts like Northwest LSD received higher percentages. With the closer of our schools at year-end, we are able to absorb this reduction through tightening our belts and limiting purchases. We have been able to maintain our staff and operations throughout this closure.

However, due to the economic effects of the COVID-19 pandemic we are projecting a **$7.5 million** reduction in revenue for fiscal year 2021. This reduction includes:

- 10% cut in state funding (mild recession), suggestions of 20% for severe;
- decrease in casino per pupil revenue;
- 5% increase in property tax delinquencies;
- loss of rental income; and
- lower interest rates.

The effects of this pandemic on the economy continue making it difficult to predict just how deep or long these revenue reductions will go, especially when we haven't found the bottom or determined trend yet. It's only been a couple of months and the state still needs to determine when we've reached the bottom and revenues have started to increase again. This has also been caused by an external force and not a result of the economy which again makes it difficult to predict. The average recession lasts 10 months; therefore, we have also projected smaller but continued reductions of revenue into the next couple of fiscal years. The state held funding levels during the Great Recession at FY 09 for almost a decade.

Even with our community's recent support in passing a large levy, we still were not able to continue our operations without making reductions. This projected $7.5 million in lost revenue will require significant reductions to be made for next fiscal year. Transitioning our instructional operations for some or all of next fiscal year; as well as, adding additional services and supports will only add to this difficult situation. We must pull together to determine what we minimally need to provide and how we will accomplish this at the lowest expense. Then we can add services from there, making sure to stay within our projected budget. This is not going to be an easy task. We will do what is best for our students and community.

As an administrative team we have been discussing what school could look like next year, what additional services we will need and how we can make reductions. Our cash reserve policy requires that we have *60 days of operations* in reserves to help offset economic downturns like this. We will:

- **R**ight-size our operations to what we can support under normal circumstances. Reducing operations $2.6 million;
- Utilize up to 20 days of **R**eserves to offset reductions due to this economic downturn; and
- **R**educe operations as necessary to stay within budget. This additional temporary reduction of services is approximately $3 million.

Knowing effects of this pandemic probably will affect more than this fiscal year, we need to save reserves for next fiscal year, as well as, have some reserves available for cash flow purposes. The county has already delayed the second half property tax collections by 30 days. December and June are our lowest cash balance months. We depend on property tax advances in July to meet our expense obligations. Without adequate reserves in place to offset this timing of revenue the district may need to borrow funds. This pandemic continues to evolve; therefore, we will adjust accordingly as information comes out.

REVENUES

Line 1.01 General Property Tax (Real Estate)

Prior to 2008, the previous two triennial occurrences plus new construction caused the valuations for agriculture, residential and commercial/industrial property to rise 16.94% keeping the amount required per mill low. With the decline in real estate new home starts and sales, the slowing of the economy, the valuation update in 2008 yielded a decline in valuation of 1.4%, the reappraisal in 2011 resulted in a decline in total valuations of 12.6% and sales data resulted in an additional decline of 3.3% in values for the 2014 update. This decline in valuation now requires the district to ask for higher millage to generate the same dollar amount. *The 2017 county reappraisal added valuation to the district for the first time since 2008*. This 5.3% increase brings our total valuation to 1.5 billion from a low of 1,431,543,850 in 2014 and a high of 1,726,198,680 in 2005. 2020 is the next update year for Hamilton County.

Tax Year	Total Valuation
2007	1,717,161,508
2008	1,693,167,110
2009	1,658,781,980
2010	1,650,579,181
2011	1,479,945,220
2012	1,475,576,100
2013	1,478,878,210
2014	1,431,543,850
2015	1,436,982,590
2016	1,457,750,430
2017	1,508,026,370
2018	1,521,847,270
2019	1,523,291,310

Property taxes are <u>**fixed**</u> when they are voted. Meaning that the district receives the same amount of money as when the levy passed. House Bill 920 (1976) eliminated the property tax on the increase in property value caused by inflation. HB920 does not apply to inside millage, thereby, reflecting the growth in valuation (or reduction).

Northwest is a typical suburban school district, collecting most (60%) of its operating revenue from local property taxes. This makes it difficult overtime as the only way to increase revenue is to go back to the community for additional support. Northwest is currently operating on levies passed in 1976, 1986, 1989, 1997, 2012 *(renewed in 2017),* 2015 (1 mill) and 2019. These levies generate approx. $50 million per year. Due to the COVID-19 pandemic's effect on our community, a 5% increase in delinquencies is projected for FY 21 with trending reductions until the economy rebounds.

> In November 2015, the Board replaced the $6.4 million Emergency Levy with a *1 mill operating levy that generates $1.4 million on a continuing annual basis.*
>
> *The Community renewed an Emergency Levy in 2017 to help offset a **current annual operating deficit**.* This levy will generate $7.3 million per year through 2027. These funds have been used for operations since <u>2012</u> and will need to be renewed.
>
> *The Community approved an Emergency Levy in 2019 to help offset a **current annual operating deficit**.* This levy will generate $11.3 million per year through 2029. These funds will be used to maintain current operations and will need to be renewed.
>
> The current forecast proposes a need for an Emergency Levy *to help offset a **current annual operating deficit.*** This will have to be passed by November 2023. Flat and diverted funding from the state make it necessary for the district to continue ask for additional revenue from our community just to maintain inflationary increases in operations.

In calendar year 2009, 2 mills of our 6.33 inside mills were moved to our Permanent Improvement fund. This move created the ability for our District to earmark approximately $3 million annually to fund the district bus replacement schedule ($500,000), technology replacement schedule ($700,000), and district maintenance ($800,000), as well as, to pay for the HB 264 and blended learning lab projects ($1 million for

15 years starting in 2013). The district buildings/infrastructure are worn out and deferred maintenance during the Great Recession has left us vulnerable. Currently our district has $47 million in deferred maintenance costs, in addition to $17 million in built up OFCC credits for a CE/CM K-8.

Line 1.02 Public Utility Personal Property Tax

This line is projected to increase due to valuation and equipment purchases. Depreciation will cause this line item to decrease.

This line item use to include Tangible Personal Property until HB283 (July 1, 2003) and HB66 (July 1, 2005). HB283 reduced the assessed valuation of the inventory component of personal property tax from 25% to 0% by 2028. HB95 accelerated the reduction to 2% per year ending in 2016. In July of 2005, HB66 again accelerated the phase-out of tangible personal property and public utilities by the calendar year 2009. There was a hold harmless piece in this bill for school districts through the forecast period 2010 less the previously approved phase-out in HB95. These phase-outs were estimated to reduce our tangibles from $4,393,382 to $2,337,112 in fiscal years 2005 through 2020. The reimbursement portions of these House Bills were previously included in *line 1.050 property tax allo*cations. This reimbursement was eliminated by a line-item veto by the Governor in HB 64 on July 1, 2015. ***This is a loss in revenue to the district of $4 million per year.***

Line 1.035 Unrestricted Grant-in-Aid

On March 24, 1997, the Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year allowing the Ohio General Assembly to design a plan to remedy the defects in the system. Declared unconstitutional at that time was the State's "School Foundation Program," which provides significant amounts of monetary support to school districts on a form previously called the SF-3 Formula Sheet.

Since the 1997 Supreme Court ruling, numerous pieces of legislation have been passed by the General Assembly in an attempt to address the issues identified by the court. The Court of Common Pleas in responsive to the constitutional issues raised under the "thorough and efficient" clause if the Ohio Constitution. The State then appealed the decision made by the Common Pleas to the Ohio Supreme Court. In May 2000, the Supreme Court ruled that the State of Ohio had not done enough to comply with the original order found in the original case. The court gave the State of Ohio until June 15, 2001 to correct the school funding system. The school funding system was declared unconstitutional again in September 2001 and finally in December 2002.

In 2003, the Supreme Court ruled that they would no longer provide oversight of the implementation of their ruling that the State of Ohio provide a "thorough and efficient" school funding program. While ruled unconstitutional by the Supreme Court, there will be no further oversight to ensure the court ruling is implemented. Following this "hands off" ruling, the State Legislature adopted HB 95 which cut and eliminated inventory taxes (*above in 1.02*) and state reimbursement of the $10,000 Personal Property Tax Exemption and also reduced the per pupil increase in funding that had previously been approved in June 2001 by HB 94.

To further compound any shortfall from "phantom revenue," the State Legislature in July 2005 passed HB 66, the biennium budget, which eliminated funding for schools through the Cost of Doing Business Factor (CODBF) in the Foundation Basic Aid Formula phasing it out from Fiscal Year 2006 until eliminated beginning Fiscal Year 2008. The CODBF increased this District's per pupil revenue 7.5% or ***$2 million***

annually. In addition to eliminating the CODBF it began the elimination of tangible personal property tax (TPP) and made sweeping changes to taxation in Ohio. This has resulted in lost revenues to schools across the state.

In FY 2010 and 2011 districts were funded on the PASS (Pathway to Student Success) or Evidenced Based Model (EBM). The net financial effects of the PASS Program created a funding decline in state aid. Under the old foundation formula we were guaranteed approximately $28,400,000 (FY09) annually in unrestricted aid. HB 30 adopted in March 2011 eliminated the PASS/EBM model and HB 153 implemented yet another new education funding model called the BRIDGE formula which we were funded on for fiscal years 2012 and 2013 (@ FY 09 levels). HB 59, also known as "School Finance Payment Report (SFPR)" was the funding model we were funded on for fiscal years 2014 and 2015. This model looked at equalizing districts and providing additional revenue for low wealth, poverty and special needs. HB 64 again made tweaks to the funding system starting in fiscal year 2016. This funding formula provides more revenue to low wealth schools while not fully funding higher wealth schools, such as Northwest LSD. HB 49, starting in 2018, increased per pupil revenue by $10 (less than 1%), which equates to only $4 per pupil for Northwest LSD, as well as, capped the district which the state owes but does not pay ***approximately $3 million annually*** and decreased the transportation reimbursement from 60% to 35% which equates to ***approximately $1 million loss in annual revenue.***

Sub HB 166 <u>*flat-lined*</u> districts for fiscal years 2020 and 2021. In May the state reduced this line item 6% for FY 20. Due to the pandemics effect on the economy, a 10% reduction (mild recession) to this line item is being project for FY 21. FY 22 is projected to reflect current revenue with future years held flat until the economy rebounds.

The state is funding the district with Student Wellness and Success Funds for the next two years. These funds are restricted (Fund 467) and are to be used in partnership with local entities for student's social and emotional needs. Currently operating expenditures for elementary behavioral supports, including counselors and deans, are being supplemented with these dollars. These expenses are reflected in the annual Community Partnership calculation, as well as, the forecast starting in FY 23. For any services funded by these dollars to continue, the forecast would have to be able to sustain the reoccurring costs.

<u>Line 1.040 Restricted Grant-in-Aid</u>

Restricted funds are those in which the State requires specific spending. Additionally, in fiscal years 2010 through 2012 the District also received funding from the Federal Stimulus Package as pass-through funding by the State in the amounts of $1,799,308, $2,185,079 and $1,435,169 respectively. *There was no replacement for these stimulus monies.*

With HB 59 (FY 14) the district started receiving additional restricted funding for "Economic Disadvantage Funding" that addresses poverty and its effects on educational outcomes. Its calculation is based on a per-pupil amount equalized by the poverty index of the district. We currently receive $2.4 million each fiscal year in restricted aid for this subsidy. However, the proposed Sub HB 166 flat-lines districts for the next two years and still requires this set-aside. This formula is being used for forecast years 2020-2024

There may also be some monies received in this category from time to time for miscellaneous reimbursements such as special education catastrophic reimbursements. These reimbursements are where the state is supposed to fund 50% of the additional costs necessary to provide services to our most needy students. Again, as a way for the state to control their costs they cap the total reimbursement, paying only 30% <u>of</u> their share (*or 15%*), ***a loss in reimbursement to the district of $550,000 annually.***

Line 1.050 Property Tax Allocation

Rollback and Homestead Exemption – All real property taxpayers receive a 10% credit or rollback on their tax bills that is "reimbursed" by the State of Ohio to the public entities. Homeowners are eligible for an additional 2.5% homestead exemption if they live in their home and it is on a parcel that is less than 2.5 acres. Additional credits are available to residents based upon income and age. The District is anticipating that rollback and homestead will follow the same amount of change that real property experiences represented as a percentage of the real property taxes through fiscal year 2024. It should also be noted that a provision in HB59 states that the State no longer pays homestead and rollback tax credits on new and replacement levies after the August 2013 election. The continuing levies our district currently has are not affected by this change in law; however, our temporary levies may be in jeopardy if we allow them to expire or change the amount of the levies. These credits were maintained by the renewal of the May 2, 2017 Emergency Levy. These credits do not apply to the Bond/Operating Levy passed on November 3, 2015, the 2019 Emergency Levy, nor any proposed new Emergency Levy going forward.

Tangible Personal Property Reimbursement - reimbursements for the phase-out of tangible personal property (Line 1.020) are to be accounted for in line item 1.050. **HB 64 line-item veto eliminated TPP funding completely starting fiscal year 2016.** As noted in line 1.020 above, this is a *loss in revenue to the district of $4 million per year*.

Total revenues for line 1.05 are $5.4 million in fiscal year 2020 and projected to increase with taxes (line 1.01) to $5.6 million by fiscal year 2024.

Line 1.060 All Other Revenue

Other Local Revenue – Typically other local revenue consists of fees, commissions, rental income, payment in lieu of taxes, tuition and miscellaneous receipts. Payment in lieu of taxes is for TIF properties throughout the district. TIF revenue equates to approximately $4 million. The District also earns interest on accumulated cash reserves. Interest income has quadrupled over the past 4 years due to market changes, diversifying funds and laddering investments. However, due to the current pandemic effects on the economy we are projecting a 50% reduction in interest revenue for FY 21 and another 20% reduction in FY 22 as the economy rebounds. This line is projected at $8 million throughout the forecast.

Line 2.050 Advances-In and Transfers-In

Advances-In – This line represents the return of temporary monies made to funds experiencing cash flow shortfalls. Advances are not permanent and must always be returned. The District advances funds at fiscal year-end for state and federal grant reimbursements. This line is projected at $60,000 throughout the forecast.

Line 2.060 All Other Financing Sources

Refund of Prior Year Expenditures – This line represents funds received in refund of services or goods purchased and charged as expenditures in a previous fiscal year. Previous year Medicaid reimbursements and e-rate reimbursements are included in this line item. Items refunded within the same year are treated as reductions to the actual expenditure. This line is projected at $1 million throughout the forecast.

Total Revenue Summary

Total revenues from all sources for the general fund account are estimated to be $94 million in fiscal year 2020 and projected to remain flat or possibly decrease over the next couple of fiscal years until the economy can rebound from the COVID-19 pandemic's effects on the economy.

Because of the various decreases in state funding previously mentioned (equating to over $8 million per year), reliance on our community for revenue has increased. With the passage of the 2019 emergency levy the District will still have to navigate through ***operating deficits***. It is crucial that the District continue to right-size by identifying reductions and efficiencies while maintaining the support of our community for a positive financial future. There is a proposed Emergency Levy on the forecast to *help avoid an operating deficit in 2024*.

EXPENDITURES

Line 3.010 Personal Services (Salaries)

Salaries - Staffing is based upon the anticipated programs for the current school year and the district's staffing plan. In recent years, the District worked with our teachers union to competitively increase salaries in an effort to *retain, reward and recruit* teachers to our district, as a method of increasing student achievement. Unfortunately, due to the significant projected reductions in our revenue salaries are only forecasted to increase by steps for any non-negotiated year.

In summary, salaries continue to contribute to 59% of the district's annual expenses, which require this line item to be reduced during economic downturns.

Line 3.020 Employees' Retirement/Insurance Benefits

Benefits - The District is required by law to pay 14% of employees' salary into the State Teachers Retirement System and the School Employees Retirement System. SERS also charges a surplus cost for employees who earn less than $23,000 annually. It's also required of the District to pay 1.45% of salaries to Medicare and we normally pay .50% to the District's Workers' Compensation Self-Insurance Program. With the cost of the District's share of retirement, Medicare and Workers' Compensation Insurance, we contribute 15.95% of salaries. However, last year our Worker's Comp rate increased to 1.6% bringing total contribution to 17.05%. We are able to revert back to the .50% going forward.

The District experienced significant health insurance premium increases in fiscal years 2010 and 2011. As a result, a HDHP/HSA plan was instituted and employees began paying 15% of their health insurance costs. As a strategy to rectify our salary issue, the District worked with the union to settle a three-year agreement, which included reducing employer HSA contributions equating to 2% annually. This was a partnership to make our salaries and benefit package competitive with surrounding schools.

On January 1, 2012, the District joined an insurance consortium. This consortium went self-funded on January 1, 2015 to help control the escalating costs of health insurance premiums and provisions in the Affordable Care Act. Due to profit and tax savings of being self-insured, as well as, fully funding the reserve and a reduction in claims the district realized a 5.9% reduction for calendar year 2016 premiums and a 8.7% reduction for calendar year 2017 premiums. Health Insurance costs had been controlled; however, due to high utilization we received an 8.9% increase or 2018, a 12% increase for 2019 and a 17% increase for 2020. Per employment contracts the district is capped at a 10% increase, leaving employees to pay the difference. The district's insurance committee has started a Primary Care Physician (PCP) Campaign to help reduce claims, as well as, decrements were made to the district's plan to reduce employee benefits and the 17% increase for 2020 to 10.05%. The trend for the insurance industry remains at 8-10%. Due to our current claim trend and the COVID-19 health related effects, a 10% increase is forecasted for fiscal year 2021 through 2024.

A catastrophic rate increase is not in the forecast. If medical cost inflation causes a catastrophic rate increase in health benefits costs, it would have a materially adverse financial effect on the School District. A reduction in employment from current staffing levels or the negotiation of a health benefits package with reduced benefits may be the end result.

In summary, benefits continue to contribute to 19% of the district's annual expenses, which require this line item to be reduced along with related salaries during economic downturns.

Line 3.030 Purchased Services (Contracts)

Increases in purchased services can be a result of increased utility costs, increases and additional specialized services for special needs students, state mandated scholarships and students enrolling in charter schools and other districts through open enrollment. However, the district has little control over the cost of these items.

HB264 Energy Conservation measures were implemented throughout the district during the school year 2012-2013. The district's three new elementary buildings achieved LEED Gold status for energy efficiency. Anticipated savings could be off-set by future utility rate increases and the installation of air condition in all of our buildings.

The district loses $6 million each year for students being educated elsewhere, opting for open enrollment, charter/community school or scholarship program. When students stay it will decrease the amount spent in this line item by $6,020 per student plus voucher scholarships. This forecast includes additional state diverted resources for the expanded Ed Choice voucher program. This amount will grow each year as more students are granted these scholarships.

This expansion along with other underlying issues such as: how the report card is used and reported, as well as, using local tax dollars to fund non-public schools (including community/charter schools and all scholarships) still need to be addressed by the state legislature. Schools and support groups have been fighting this *diversion* of public school dollars for years and the state continues to take more. The only way the legislature is going to fix things is hearing from communities, like ours, across the state. However, there was an outcry this spring regarding the Ed Choice Expansion and you saw the shell game they played with timing, etc...

In summary, purchased services contribute to 19% of the district's annual expenses. The district has limited control over the cost of these services making it difficult to reduce during economic downturns.

Line 3.040 Supplies and Materials

Supplies and materials are estimated to stay stable throughout the forecast. Consumable supplies normally contribute 3% of the district's annual expenses. Due to the pandemic the district limited purchasing bringing this line item down to 2%. While the district is able to limit purchasing, the size of this line item makes it difficult to make a significant impact to the budget during an economic downturn.

Line 3.050 Capital Outlay (Equipment)

Capital outlay and equipment are estimated to remain stable throughout the forecast. The district expenses capital purchases out of its Permanent Improvement Fund for such items as the Bus and Technology Replacement Schedules. Additionally, maintenance and summer permanent improvement projects come from the Permanent Improvement Fund.

In summary, capital outlay contributes to less than 1% of the district's annual expenses.

Lines 4.020 to 4.060 Debt

Debt – The District currently pays outstanding debt through its Permanent Improvement and Bond Retirement Funds.

Line 4.300 Other Objects

Any other costs not previously listed are allocated here. One of the largest items is the payment to the county for collecting and processing tax payments.

Lines 5.010 and 5.020 Operating Transfers-Out and Advances-Out

Transfers and Advances – Transfer are monies approved by the Board to give to another fund to maintain a legal balance. Advances are monies loaned to other funds with the approval of the Board to keep those funds legal. Advances will be repaid to the general fund. Currently, we advance funds to state and federal grants at year-end if waiting on reimbursement. Transfers in the amount of $60,000 annually are authorized for the Athletic Departments to help with the cost of athletic transportation. Additionally, the General Fund will have to transfer funds to cover the cost of waived fees for students. Advances and Transfers may change annually depending on need and Board authorization.

Due to the significant cuts made by the district and the prudent financial stewards of the Board and Administration, the district had built a significant cash reserve. As part of the fiscal responsibility of the district, the Administration recommended and the Board approved utilizing $10 million of the General Fund excess cash reserve towards the Master Facility Plan to build three new elementary buildings and renovate our aging buildings. The Board authorized the transfer of ***$10 million*** to the Master Facility Project in fiscal year 2017 to offset the cost of the Master Facilities Project for our taxpayers. This is the reason FY 17 has an operating deficit.

Line 5.030 All Other Financing Uses

Refund of Prior Year Receipts – We don't anticipate any refunds of prior year receipts of large significance in this forecast.

Total Expenditure Summary

Expenditures are anticipated to be $96 million in fiscal year 2020 growing to $110 million in fiscal year 2024. Primarily the increases are due to anticipated salary and benefit increases over the term of the forecast, as well as, increases in Purchased Services due to increased cost of alternative education programs and special education needs. The *Resolution of District Financial Parameters and Community Partnership*

(June 2019), requires that annual expenditure growth not exceed 3%. Right-sizing of operations is required throughout the five-year forecast.

Due to the recent economic effects of the COVID-19 pandemic, the District is faced with significant reductions in projected revenue requiring significant reductions in operating expenditures. The District needs to develop and implement planned reductions for fiscal year 2021. Without proper fiscal management and community support the District will be faced with further declining cash balances and more tough decisions.

Line 8.010 Estimated Encumbrances

Outstanding Encumbrances - Encumbrances are legal financial obligations of the District that have not been expended at fiscal year-end. We anticipate the same amount will remain unpaid each fiscal year equating to approximately $750,000. This amount is included in the aforementioned line items for forecasted years. In the event actual encumbrances are higher than anticipated on June 30, the actual expenditures in the aforementioned line items may be lower.

Line 13.020 Proposed New Levy

Due to the Ohio School Funding Concept, the ***State*** develops a formula and determines the amount of money a district *can* collect locally. Then the state pays the difference. The District is then required to ask for additional levies as costs increase. The Board of Education and Administration anticipate the need for additional revenue during this forecast period. They will have work sessions with the community to determine the type, amount and length of any proposed Levy cycle. Partnership with our community, especially during economic downturns is critical to balance the need for services with the ability to pay.

Line 15.010 Unreserved Fund Balance June 30th

The District's unreserved fund balance is the cash balance less outstanding encumbrances.

A **Structural Operating Deficit** (line 6) exists starting in fiscal year 2018. The district has a Cash Balance Reserve policy (6220), requiring 60 days of annual operating expenditures. Due to the pandemic's effect on projected revenues, this threshold is only meet for the current year of the five-year forecast. Per the policy, a plan must be developed of options for the Board to consider, as well as, levies pursued.

During hard times it's difficult to plan for recovery; however, any reserves utilized to absorb reductions must be replenished prior to adding back services. Our budget is too tight to wait and must be ready for future unfunded mandates, economic downturns and local initiatives.

EXECUTIVE SUMMARY

The five-year forecast is a compilation of data based on funding formulas, as they currently exist in State law. The five-year forecast is due to the State of Ohio every November 30th and May 31st and can be revised and updated anytime between. Assumptions are based on historical trends and analysis and it is important to monitor forecast activity on a monthly basis in an effort to ensure the budget stays on target.

Utilization of the monthly Cash Flow Report will allow management to monitor all major revenues and expenditures against the five-year forecast. It is important to modify the forecast as management learns of changes in laws or events that would cause a material change in forecasted numbers. This is even essential during economic downturns like this.

The continued support of our community is crucial for the District to maintain a positive financial future. Ohio law requires the District to operate within a balanced budget. In the event that significant events should alter the projections in the five-year forecast, management will assess the situation and make recommended changes to the forecast and budget in order to maintain a balanced budget.

As expenses continue to increase and revenues continue to be flat-lined, this will require the district to continue to reallocate resources from existing activities in the budget to fund our instructional priorities. These instructional priorities will not be selected in a vacuum. The Board, administration and individuals within the schools from all levels contribute to the development of these instructional priorities to meet the district's mission of "creating a responsive learning community where all students are valued, challenged, and guided along a pathway to success." We then work on resource realignment to maximize these opportunities. Decisions must be driven by data and resources allocated based on academic return on investment (A-ROI). As an administrative team we adopted national best practices in budgeting. We believe it is important that our budget help us to spend money wisely in ways that have the greatest impact for our students. We continue to work hard to develop a budget that reflects what our community needs and wants.

Due to the current pandemic and projected loss of revenue, the District will need to make significant reductions. These reductions, along with, transitioning our instructional operations for some or all of next fiscal year and adding additional services and supports will only increase the need for support from our Community. Current services may need to be suspended during this time to allow for the District to address new needs and stay within budget.

We believe that community engagement is essential for the success of our school district. We unveiled our 2020 strategic plan. This plan is the foundation of how our district will grow and operate in years to come. It is the ***Vision*** for our tomorrow, including our financial stability. While we are in unprecedented times right now, please join us as we partner and collaborate with our community to make it through this. Let's ***#Go Beyond*** together!

CONCLUDING COMMENTS, DISCLAIMERS AND NOTIFICATIONS

Reasonable professional diligence and care is exercised in the preparation of this forecast document. It is a public record pursuant to the Ohio law. Public dissemination is required by State law and enabled by Resolution of the Northwest Local School District Board of Education. Multiple and varied sources and methods are used to develop the forecast data. Various assumptions and other extrapolations are employed in developing the data that may or may not be timely, accurate, complete or correctly interpreted. All forecast data is subject to change or correction at any time without notice. If any notice is subsequently provided, such notice may be limited to the filing of a revised forecast within the parameters of the statutory filing schedule. The forecast document is designed solely to provide a general indication of the probable future financial position of the School District. The legitimacy or accuracy of any specific assumption, number or the forecast in total – while deemed reliable – cannot be guaranteed. In many cases, a relatively small change in one forecast number will have the effect of materially changing forecast data and trends, positive or negative. Therefore, professional discretion, diligence, caution and care is required when using and interpreting forecast information. Current fiscal year data does not necessarily reflect current School District appropriations, budgets, certifications or other data maintained in the files of the School District, including by the Office of the Treasurer of the Board of Education. Future forecast fiscal year data is compiled from public sources to the extent possible and reasonable; however, some information may be based on proprietary and or non-public data originating with private third parties. Such third party data may in reality be promotional puffery or advocacy propaganda, despite contrary assurances, and the purpose of the third party providing the data may or may not be aligned with the financial best interest of the School District. Historical data is based on fiscal year end data filed by the Treasurer of the Board of Education with the Ohio Department of Education. Questions from the community and other users of this data are encouraged. The contact person is Amy M. Wells, CFO/Treasurer, Board of Education.