



**AVON LAKE CITY SCHOOL DISTRICT --  
LORAIN COUNTY**

# **Five Year Forecast Financial Report**

October, 2019

*Autumn Reed, Treasurer*

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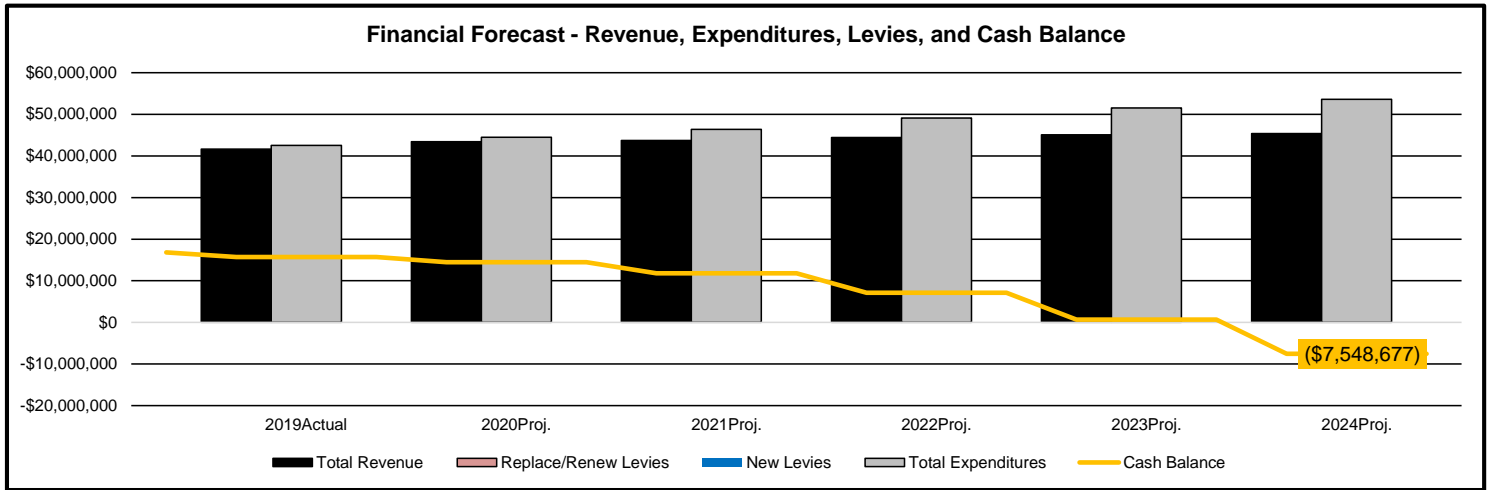
## Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

Forecast Methodology - This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year and while cash flow monitoring helps to identify unexpected variances no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.

# Forecast Summary



## AVON LAKE CITY SCHOOL DISTRICT -- LORAIN COUNTY

### Financial Forecast

Financial Forecast	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Beginning Balance	17,005,328	15,939,293	13,313,611	8,650,579	2,197,779
+ Revenue	43,443,598	43,746,211	44,436,433	45,052,028	45,368,511
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(44,509,633)	(46,371,893)	(49,099,465)	(51,504,828)	(53,614,967)
= Revenue Surplus or Deficit	(1,066,035)	(2,625,682)	(4,663,032)	(6,452,800)	(8,246,456)
Ending Balance with renewal levies Note: Not Reduced for Encumbrances	15,939,293	13,313,611	8,650,579	2,197,779	(6,048,677)

### Analysis Without Renewal Levies Included:

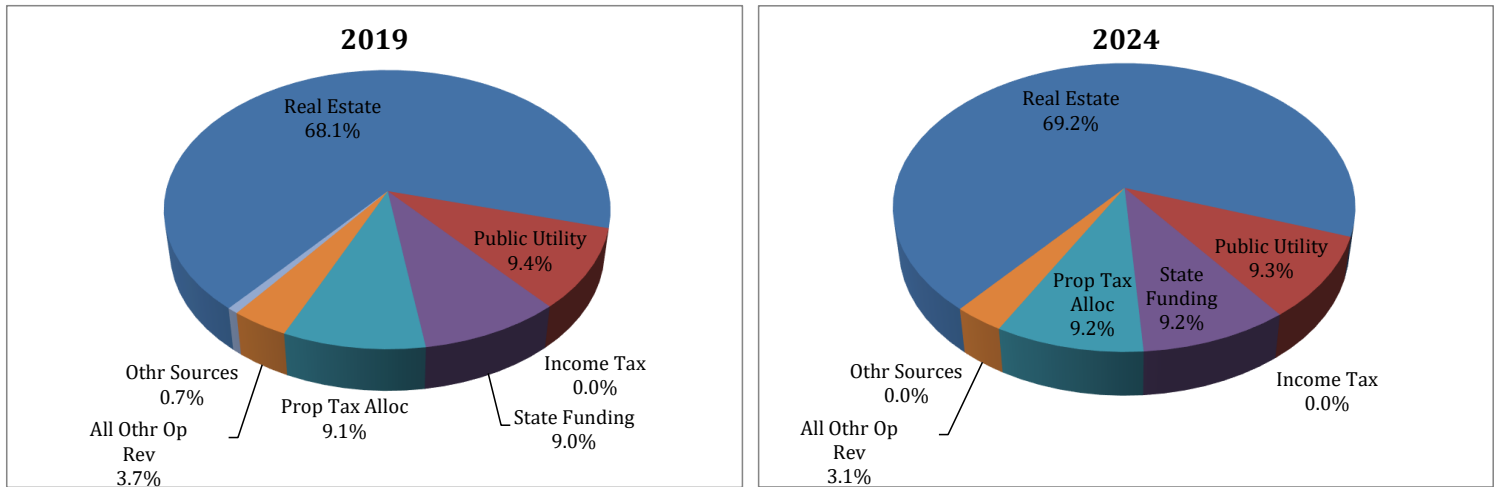
Revenue Surplus or Deficit w/o Levies	(1,066,035)	(2,625,682)	(4,663,032)	(6,452,800)	(8,246,456)
Ending Balance w/o Levies	15,939,293	13,313,611	8,650,579	2,197,779	(6,048,677)

The Avon Lake City School District continues to be a locally funded district as it relies on local tax revenue to sustain operations. The Avon Lake community supported the passage of a \$14,400,000 substitute levy in November 2018, which combined (3) existing emergency levies (\$3.4m, \$4.5m and \$6.5m) for a continuing period of time. The State of Ohio treats a substitute levy as a renewal; therefore, it did not increase existing homeowner's taxes and it preserved the 12.5% rollback credit taxpayers currently received on their tax bill. Unlike an emergency levy, the substitute levy allows the district to capture growth from new construction.

The district will begin deficit spending in FY 2020, which means expenditures are projected to be \$1,066,035 more than the revenue the district is expected to receive. As the bar graph indicates, the district is projecting a negative cash balance of \$7,548,677 (encumbrances factored in) by FY 2024. The forecast does not include any potential revenue loss related to (4) contested tax issues scheduled to be heard by the State Board of Tax Appeals in the spring of 2020. If values are reduced as requested for tax year 2018, a shift in tax burden would occur to other commercial taxpayers. The revenue collected on inside millage would be reduced and the district would also be at risk of owing these taxpayers (assuming they do not become delinquent in their tax payments) approximately \$600,000 in refunds.

The district will continue, as it has demonstrated in the past, its efforts to provide a high quality education for our children and present a conservative yet realistic forecast to assist in future financial planning.

### Revenue Sources and Forecast Year-Over-Year Projected Overview



*\*Projected % trends include renewal levies*

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	
Revenue:							
1.010-Real Estate	3.07%	4.50%	1.48%	1.87%	1.51%	0.59%	1.99%
1.020-Public Utility	1.29%	22.19%	0.85%	0.55%	0.53%	0.82%	4.99%
1.030-Income Tax	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.035-State Funding	8.92%	-0.25%	0.64%	1.80%	1.76%	1.73%	1.14%
1.040-Restricted Aid	2685.60%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.045-Restr Federal SFSF	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.050-Property Tax Alloc	-6.84%	0.61%	0.89%	1.45%	1.44%	0.67%	1.01%
1.060-All Other Operating	9.27%	-6.99%	-4.67%	-1.75%	0.00%	0.00%	-2.68%
1.070-Total Revenue	2.12%	4.67%	1.08%	1.58%	1.39%	0.70%	1.88%
2.070-Total Other Sources	15.51%	-47.57%	-100.00%	0.00%	0.00%	0.00%	-73.79%
2.080-Total w/Other Srcs	2.01%	4.28%	0.70%	1.58%	1.39%	0.70%	1.73%

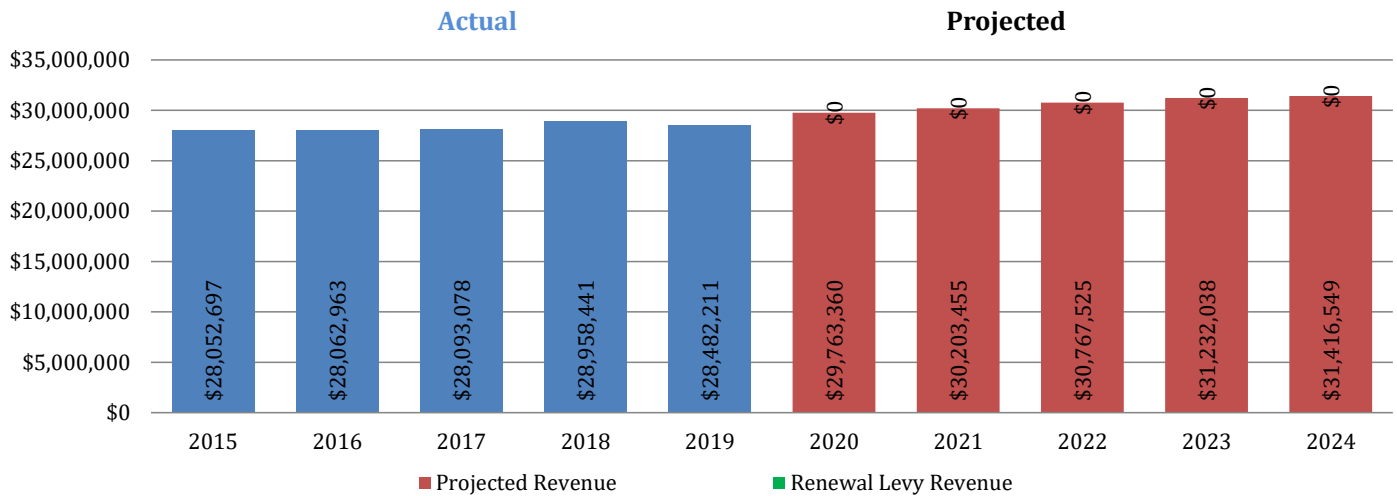
The district’s revenue sources are comprised of real estate, public utility personal property (PUPP), State funding, property tax allocation and all other operating revenue. In FY 2019, more than 80% of the district’s revenue was generated locally. Real estate property tax revenue accounted for 68% of total revenue and is projected to increase by 1% by the end of the forecast. PUPP, State funding and property tax allocation respectively accounted for approximately 9% of total revenue in FY 2019 and in FY 2024.

The district has experienced funding challenges at a State and local level since 2012 involving the phase out and eventual elimination of Tangible Personal Property (TPP) and Electric Deregulation State reimbursements, as well as, the reductions associated with the power plant’s real estate and public utility personal property value. Real estate and PUPP revenue are skewed in FY 2018 and FY 2019 due to a \$1.65m PUPP refund that the County Auditor deducted from current real estate and PUPP collections, which in turn artificially increases FY 2020 revenue. For more information on these issues, please see the individual notes of the forecast for real estate, PUPP and property tax allocation.

The Avon Lake community supported the passage of a \$14,400,000 substitute levy in November 2018, which combined (3) existing emergency levies (\$3.4m, \$4.5m and \$6.5m) for a continuing period of time. The State of Ohio treats a substitute levy as a renewal; therefore, it did not increase existing homeowner’s taxes and it preserved the 12.5% rollback credit taxpayers currently received on their tax bill. Unlike an emergency levy, the substitute levy allows the district to capture growth from new construction.

### 1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



	2019	2020	2021	2022	2023	2024
Total With Renewal Levies	28,482,211	29,763,360	30,203,455	30,767,525	31,232,038	31,416,549
YOY \$ Change	(476,230)	1,281,149	440,095	564,070	464,513	184,511
YOY % Change	-1.6%	4.5%	1.5%	1.9%	1.5%	0.6%

Percentage of Total Revenue	2019	2020	2021	2022	2023	2024
	68.4%	68.5%	69.0%	69.2%	69.3%	69.2%

Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class II Rate	Change	
2018	937,185,980	109,609,580	34.58	(3.19)	44.49	(6.89)	100.0%
2019	949,113,359	11,927,379	34.68	0.10	44.67	0.18	99.6%
2020	960,787,489	11,674,130	34.72	0.04	44.83	0.16	99.6%
2021	997,094,268	36,306,780	34.35	(0.37)	43.96	(0.87)	99.5%
2022	1,003,979,268	6,885,000	34.35	0.00	44.05	0.09	99.5%
2023	1,008,929,268	4,950,000	34.35	0.00	44.11	0.06	99.5%

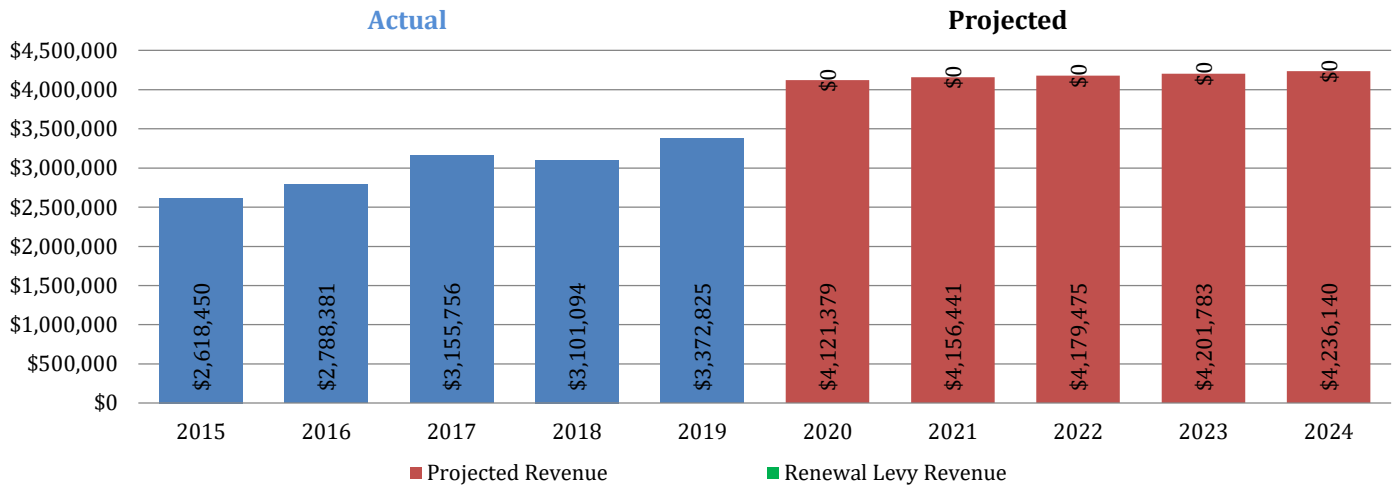
Real estate values are determined by the Lorain County Auditor. Lorain County as a whole went through a triennial update in 2015 and experienced reappraisal in tax year 2018. The results of reappraisal were favorable to Avon Lake as property values grew 11%. Most of this growth though was negated by the losses incurred from the reduction in the power plant's contested real estate value. After years of disputing this case, an 8 year settlement was reached by the power plant, Lorain County and the Avon Lake City School District. The power plant contested their value for multiple tax years dating back to 2013 yet they continued paying their taxes as billed by the County. Their fair market value for tax year 2013 was \$53,934,790. To avoid having to pay a refund to the power plant the parties agreed to reduce the value of future years with tax year 2020's value being \$23,889,020. The average annual value for the entire 8 year settlement period was \$1m higher than the decision rendered by the State Board of Tax Appeals (BTA). The forecast does not include any potential revenue loss related to the current (4) contested commercial tax issues for tax year 2018. These cases are scheduled to be heard by the BTA in the spring of 2020. If values are reduced as requested, a shift in tax burden would occur to other commercial taxpayers. The revenue collected on inside millage would be reduced and the district would be at risk of owing these taxpayers (assuming they do not become delinquent in their tax payments) approximately \$600,000 in refunds.

The Avon Lake community supported the passage of a \$14,400,000 substitute levy in November 2018, which combined (3) existing emergency levies (\$3.4m, \$4.5m and \$6.5m) for a continuing period of time. The State of Ohio treats a substitute levy as a renewal; therefore, it did not increase existing homeowner's taxes and it preserved the 12.5% rollback credit taxpayers currently received on their tax bill. Unlike an emergency levy, the substitute levy allows the district to capture growth from new construction.

\*Projected % trends include renewal levies

### 1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



	2019	2020	2021	FORECASTED		
				2022	2023	2024
Total With Renewal Levies	3,372,825	4,121,379	4,156,441	4,179,475	4,201,783	4,236,140
YOY \$ Change	271,731	748,554	35,062	23,034	22,308	34,357
YOY % Change	8.8%	22.2%	0.9%	0.6%	0.5%	0.8%

Percentage of Total Revenue	8.1%	9.5%	9.5%	9.4%	9.3%	9.3%
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Values and Tax Rates					Gross Collection Rate Including Delinquencies
Tax Year	Valuation	Value Change	Full Voted Rate	Change	
2018	65,134,520	10,328,160	63.84	(2.31)	96.7%
2019	64,726,250	(408,270)	63.94	0.10	100.0%
2020	65,254,342	528,092	63.97	0.03	100.0%
2021	65,787,716	533,373	63.61	(0.36)	100.0%
2022	66,327,716	540,000	63.61	0.00	100.0%
2023	66,867,716	540,000	63.61	(0.00)	100.0%

The elimination of tangible personal property (TPP) tax began in 2004; therefore, the only remaining tax valuation base in this line item is public utility personal property (PUPP). PUPP revenue is generated from telephone, natural gas, electric and water lines and equipment. This revenue source represented 8.1% of total revenue in FY 2019 and is projected to increase slightly throughout the forecast. Unlike real estate values, PUPP values are determined by the Ohio Department of Taxation (ODT) and cannot be disputed by a school district. Businesses have the right to challenge their PUPP value; however, a school district is not afforded recourse to file a counter complaint against a contested PUPP value.

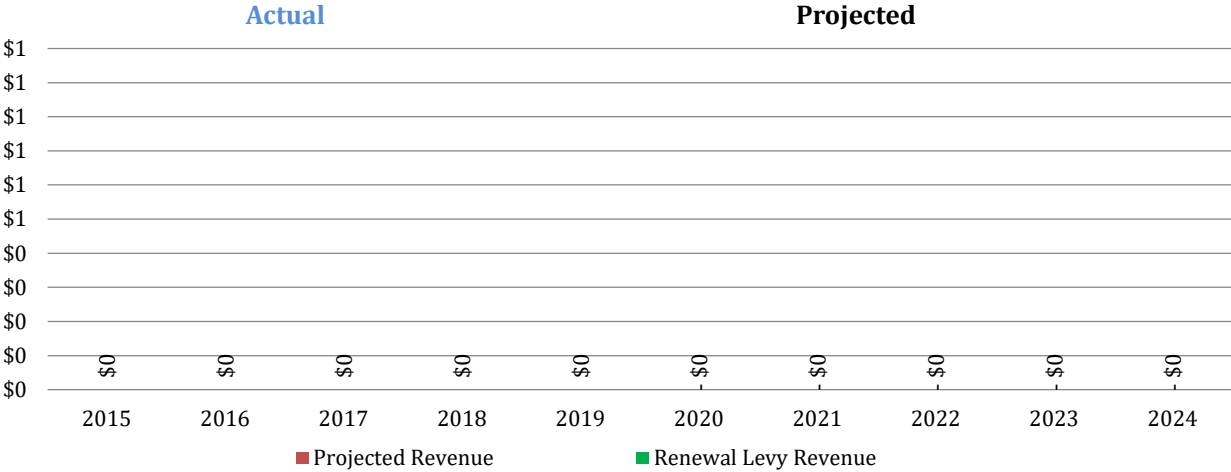
The power plant's PUPP value has reduced over the past few years, which in turn reduces revenue received by the district at that time and in future years. ODT rendered a Final Determination in relation to the power plant's appeals to reduce their PUPP value for tax years 2014, 2015 and 2016. Their values were virtually cut in half for the respective years. The power plant paid its taxes based on the higher values; therefore, ODT's decision to reduce the prior years' value resulted in the district owing a refund of \$1,649,505. The refund was paid back through real estate and PUPP tax credits in fiscal years 2018 and 2019 and is reflected in the forecast. As a result, these line items are skewed in the respective years.

The Auditor communicated the district's overall PUPP value for tax year 2019 collected in calendar year 2020 is expected to decrease by \$408,270 or less than 1%. The power plant's PUPP value is expected to decrease by 8.7%, Columbia Gas and Cleveland Electric Illuminating Company should increase by 3% and American Transmission should increase by almost 2.5%.

*\*Projected % trends include renewal levies*

**1.030 - Income Tax**

Revenue collected from income tax earmarked specifically to support schools with a voter approved tax by residents of the school district; separate from federal, state and municipal income taxes.



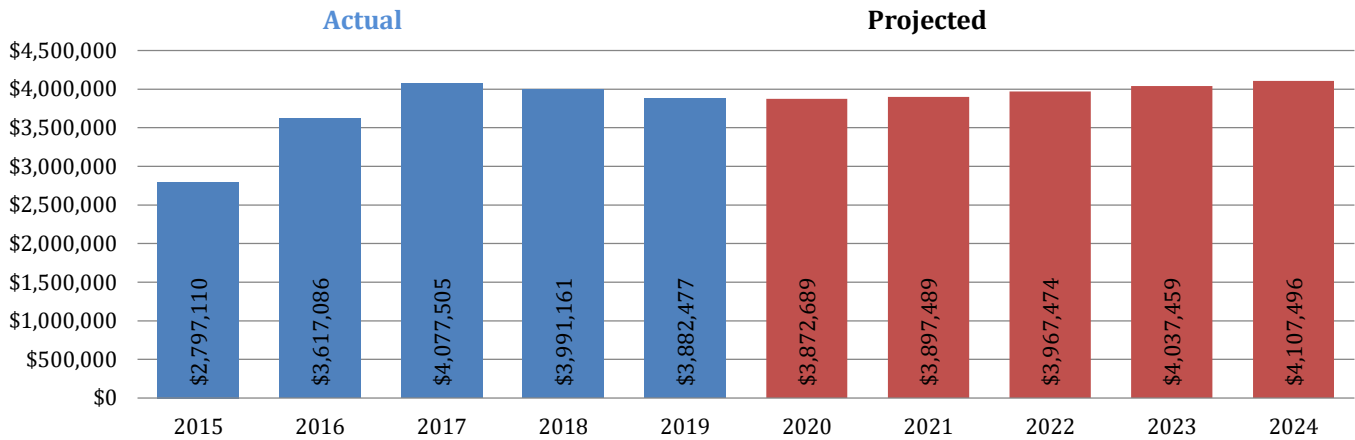
	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	-	-	-	-	-	-
YOY \$ Change	-	-	-	-	-	-
YOY % Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Total Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The district does not have an income tax levy.

*\*Projected % trends include renewal levies*

### 1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	3,882,477	3,872,689	3,897,489	3,967,474	4,037,459	4,107,496
YOY \$ Change	(108,684)	(9,788)	24,800	69,985	69,985	70,037
YOY % Change	-2.7%	-0.3%	0.6%	1.8%	1.8%	1.7%
Percentage of Total Revenue	9.3%	8.9%	8.9%	8.9%	9.0%	9.1%
Base Aid	3,379,146	3,379,146	3,379,146	3,379,146	3,379,146	3,379,146
Student Wellness Aid		118,885	170,666	170,645	170,632	170,665
Supplemental Aid - Wellness & Growing		49,630	74,445	74,445	74,445	74,445
Enrollment	3,676	3,650	3,650	3,649	3,649	3,650

Unrestricted Grants-in-Aid is State funding provided to school districts and is based on the funding provisions in HB166. There is no formula for base aid under HB166 as each district will receive the base aid amount received in FY 2019. In addition to its FY 2019 base funding amount of \$3,379,146, the district is projected to receive \$118,885 in Student Wellness funding for FY 2020 and \$170,660 in FY 2021. The forecast does not include this funding as these funds are posted to Fund 467, which is required by the State Auditor. In FY 2019, the State core funding per pupil was \$6,010; however, legislation capped the district's year over year State funding growth in turn reducing the amount of State funding received. The district received \$1,152 of the \$6,010 in per pupil funding for FY 2019. The total calculated formula funding for FY 2019 was approximately \$5.6 million; however, since the district was capped it only received approximately \$3.4 million. This methodology left the district with approximately \$2 million in unfunded formula funding. The State is working on a new funding model to include in the next biennial budget; however, nothing has been finalized as of the date of this forecast. The district does not qualify for Supplemental Wellness Aid; however, does qualify for the Supplemental Funding for Growing Districts. This funding is intended for any district that had a net gain in students under the new enrollment measure between FY 2016 and FY 2019. The base amount of additional funding is \$20 per pupil in FY 2020 and \$30 per pupil in FY 2021. This amount will be driven by the level of enrollment growth over the three year period. The forecast assumes this additional funding will remain consistent in the remaining years of the forecast.

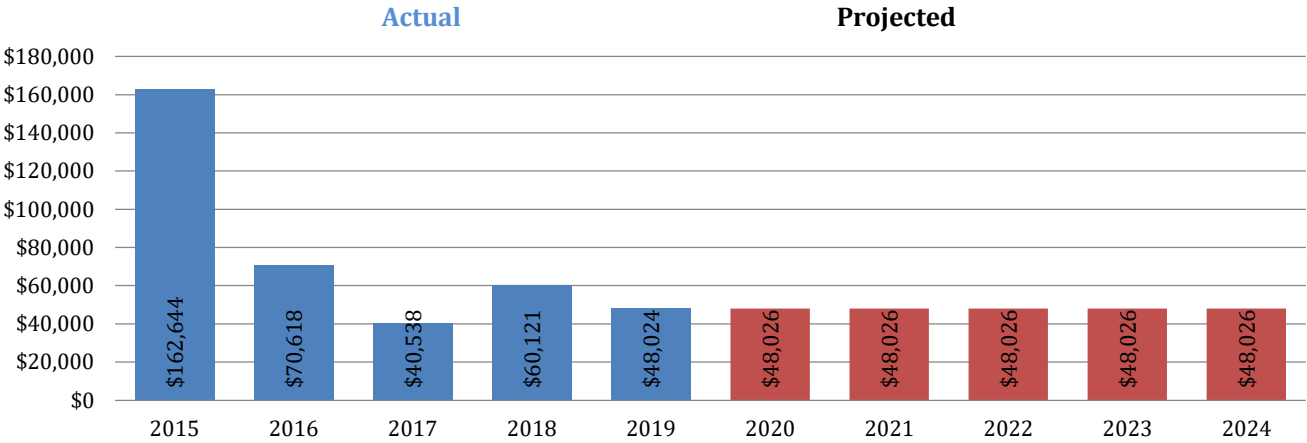
Casino revenue is also posted to Unrestricted Grants-in-Aid. The District received \$199,561 in casino revenue in FY 2019 and has projected approximately the same funding throughout the forecast based upon a per pupil funding amount of \$52.

The district has been impacted by the TPP/Deregulation reimbursement phase out. In FY 2012, the District received over \$4.7 million annually for



**1.040 & 1.045 - Restricted Grants-in-Aid**

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



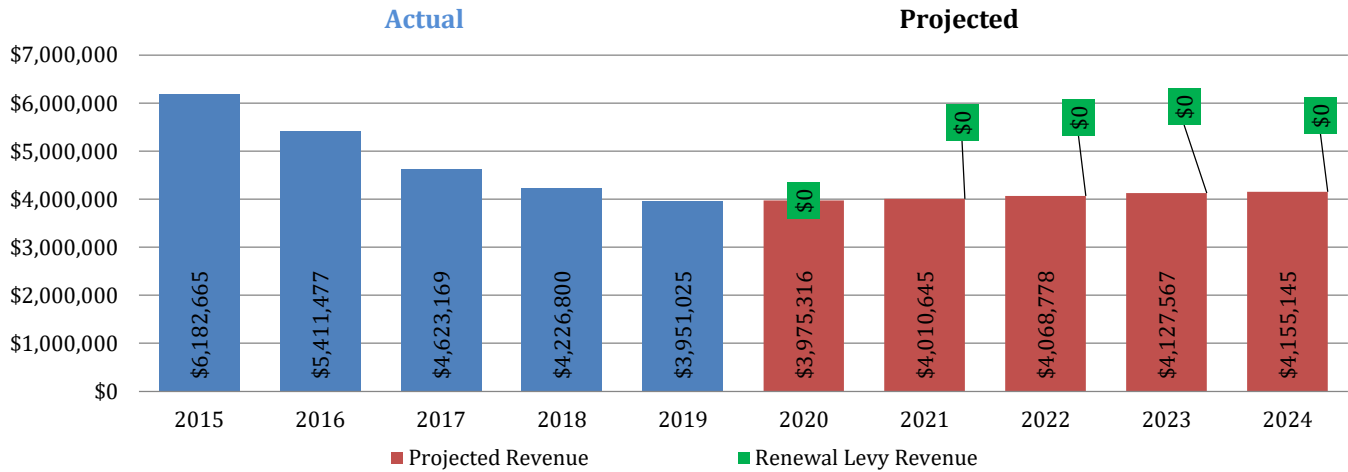
	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	48,024	48,026	48,026	48,026	48,026	48,026
YOY \$ Change	(12,097)	2	-	-	-	-
YOY % Change	-20.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Total Revenue	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

Restricted Grants-in-Aid are funds received through the State Foundation Program or other allocations that are restricted for specific purposes. For FY 2019, this category represented 0.1% of total revenue and is nominal in relation to the overall budget.

Reimbursement for special education catastrophic aid costs represent the majority of revenue received in this category. The timing of when these reimbursements are received can vary as reflected in FY 2014 and 2015. The payment expected to be received in 2014 was not received until 2015 thus reducing revenue in 2014 and inflating revenue in 2015. The amount of reimbursement varies from year to year.

### 1.050 - Property Tax Allocation

Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.



	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total With Renewal Levies	3,951,025	3,975,316	4,010,645	4,068,778	4,127,567	4,155,145
YOY \$ Change	(275,775)	24,291	35,329	58,133	58,789	27,578
YOY % Change	-6.5%	0.6%	0.9%	1.4%	1.4%	0.7%
Percentage of Total Revenue	9.5%	9.2%	9.2%	9.2%	9.2%	9.2%
% of Residential Real Estate 10% Rollback	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%
% of Residential Real Estate 2.5% Rollback	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%
% of Residential Real Estate Homestead	1.54%	1.54%	1.54%	1.54%	1.54%	1.54%

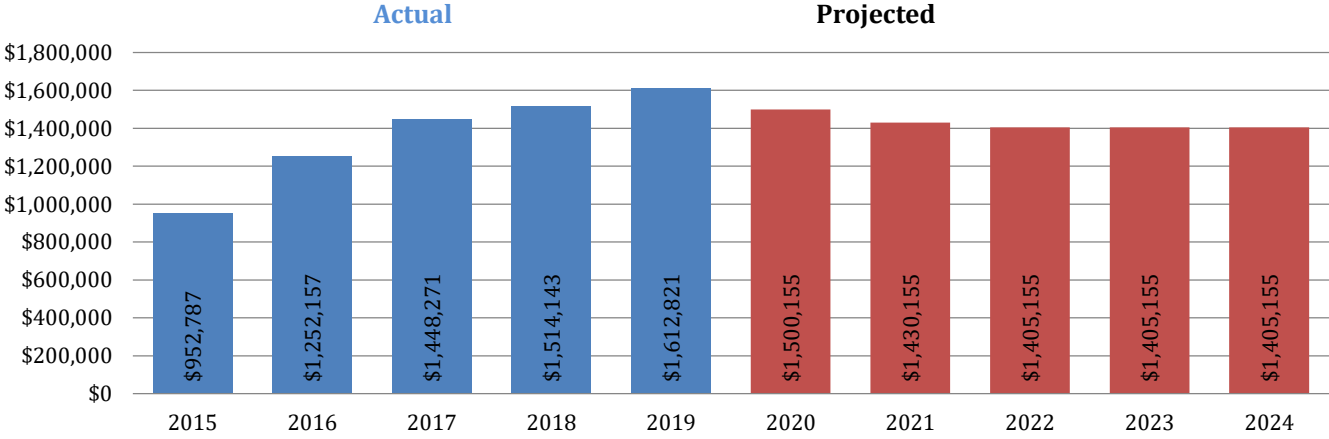
Property tax allocation includes funds received from the State for Homestead, Rollback and Tangible Personal Property (TPP)/Public Utility Deregulation. This line item represented 9.5% of total revenue in FY 2019 and is projected to decline slightly throughout the forecast. The district has been significantly impacted by the TPP/Deregulation reimbursement phase out. In FY 2005, the district received over \$4.7 million annually for TPP/Deregulation reimbursement from the State. In FY 2018, the district received \$155,801 in TPP reimbursement and received a cap offset of \$435,500 (posted to Unrestricted). In FY 2018, the State also began phasing out the fixed sum (emergency levy) reimbursement the district receives of \$143,575 and will shift this tax burden to local property taxpayers. The State reimbursement will be eliminated in FY 2023.

The Avon Lake community supported the passage of a \$14,400,000 substitute levy in November 2018, which combined (3) existing emergency levies (\$3.4m, \$4.5m and \$6.5m) for a continuing period of time. The State of Ohio treats a substitute levy as a renewal; therefore, it did not increase existing homeowner's taxes and it preserved the 12.5% rollback credit taxpayers currently received on their tax bill. Unlike an emergency levy, the substitute levy allows the district to capture growth from new construction.

*\*Projected % trends include renewal levies*

**1.060 - All Other Operating Revenues**

Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.

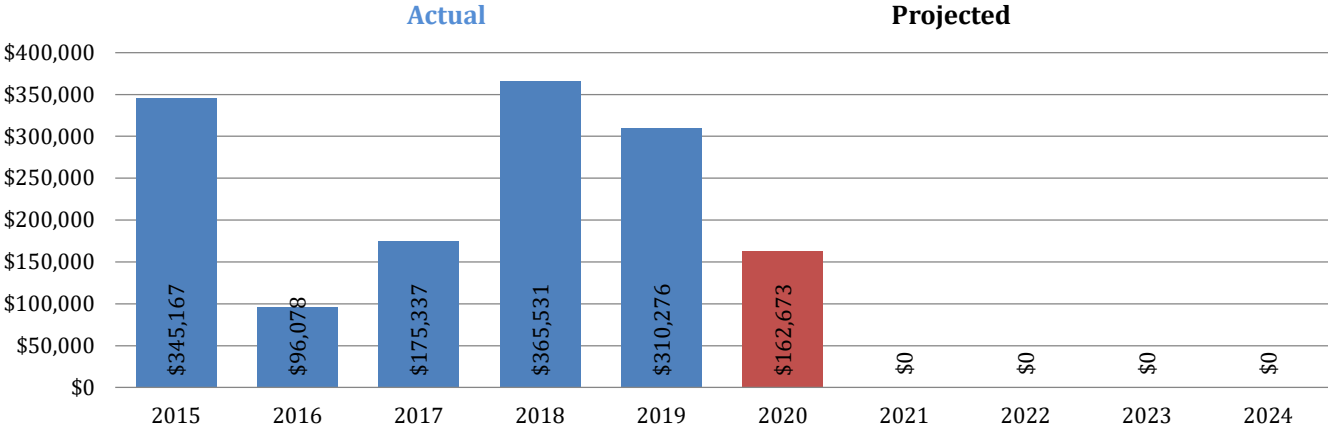


	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	1,612,821	1,500,155	1,430,155	1,405,155	1,405,155	1,405,155
YOY \$ Change	98,678	(112,666)	(70,000)	(25,000)	-	-
YOY % Change	6.5%	-7.0%	-4.7%	-1.7%	0.0%	0.0%
Percentage of Total Revenue	3.9%	3.5%	3.3%	3.2%	3.1%	3.1%

All other operating revenue consists of all day kindergarten tuition, LEAPS tuition, student fees, earnings on investments, rental income, Medicaid recoupment and donations. This revenue source represented 6.5% of total revenue in FY 2019. There was an increase in the collection of outstanding fees and tuition in FY 2017 and 2018. Investment earnings increased in FY 2019 due to the increase in investment interest rates and a steady investment balance. As investment balances decrease and there is a declining interest rate, interest income has been projected to decrease. This line item will fluctuate due to timing of when fees are collected and cash balances available for investment.

### 2.070 - Total Other Financing Sources

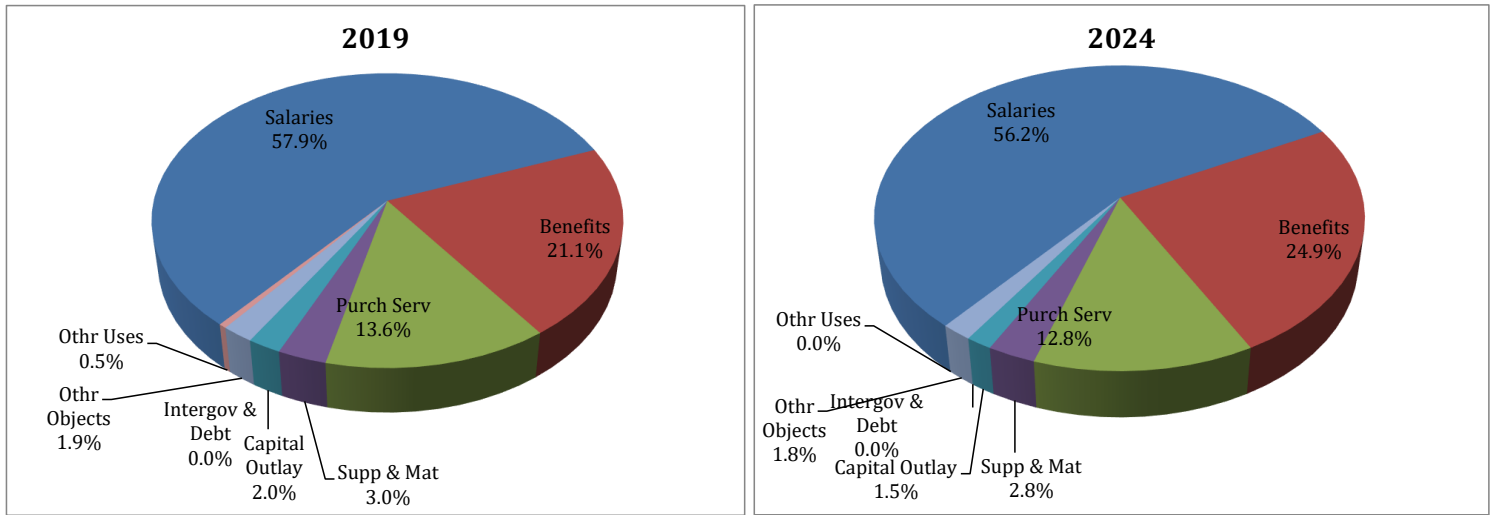
Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.



	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	310,276	162,673	-	-	-	-
YOY \$ Change	(55,255)	(147,603)	(162,673)	-	-	-
YOY % Change	-15.1%	-47.6%	-100.0%	0.0%	0.0%	0.0%
Percentage of Total Revenue	0.7%	0.4%	0.0%	0.0%	0.0%	0.0%
Transfers In	178,683	-	-	-	-	-
Advances In	2,918	27,226	-	-	-	-

Other financing sources are inconsistent in occurrence and minimal as a percentage of total revenue in most years. At times, the General Fund advances funds to cover negative cash balances until funds are received from other sources. Once funds are received the advances are returned to the General Fund. The district established a Wellness Initiative Fund in FY19, which resulted in a transfer of \$173,405. These funds were the Board’s share of a partial premium holiday that was funded out of the 024 Self Insurance Fund. In FY 2019, the district received a partial premium refund from BWC of \$96,540 and \$125,470 in FY 2020. There are no advances or transfers projected for the remaining years of the forecast.

### Expenditure Categories and Forecast Year-Over-Year Projected Overview

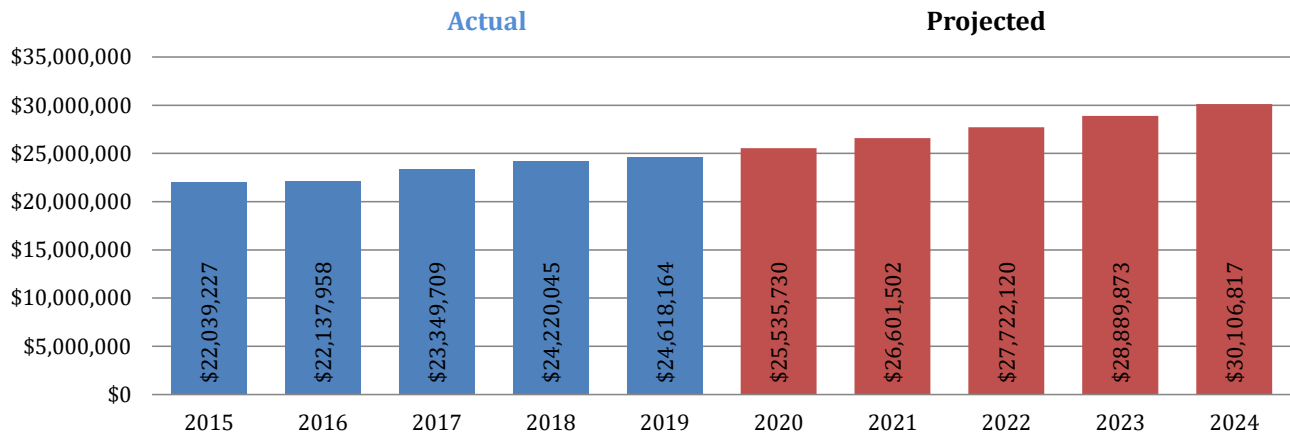


	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	
<b>Expenditures:</b>							
3.010-Salaries	1.90%	3.73%	4.17%	4.21%	4.21%	4.21%	4.11%
3.020-Benefits	2.54%	10.83%	6.64%	11.48%	6.21%	6.29%	8.29%
3.030-Purchased Services	7.87%	5.79%	2.86%	2.72%	3.37%	3.00%	3.55%
3.040-Supplies & Materials	0.40%	-13.26%	1.74%	4.09%	27.77%	1.62%	4.39%
3.050-Capital Outlay	77.49%	6.56%	-7.99%	18.41%	-5.27%	-14.51%	-0.56%
3.060-Intergov	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.010-4.060-Debt	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.300-Other Objects	-1.85%	8.67%	1.76%	1.77%	1.78%	1.79%	3.15%
4.500-Total Expenditures	2.93%	5.16%	4.18%	5.88%	4.90%	4.10%	4.84%
5.040-Total Other Uses	51.51%	-100.00%	n/a	n/a	n/a	n/a	-100.00%
5.050-Total w/Other Uses	3.02%	4.67%	4.18%	5.88%	4.90%	4.10%	4.75%

The district's total expenditures changed by an annual average of 2.93% over the past five years while they are projected to increase by 4.84% over the next five years. Salary and benefits are the largest contributor to increased expenditures. Please see the individual expenditure notes of the forecast for further details.

### 3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



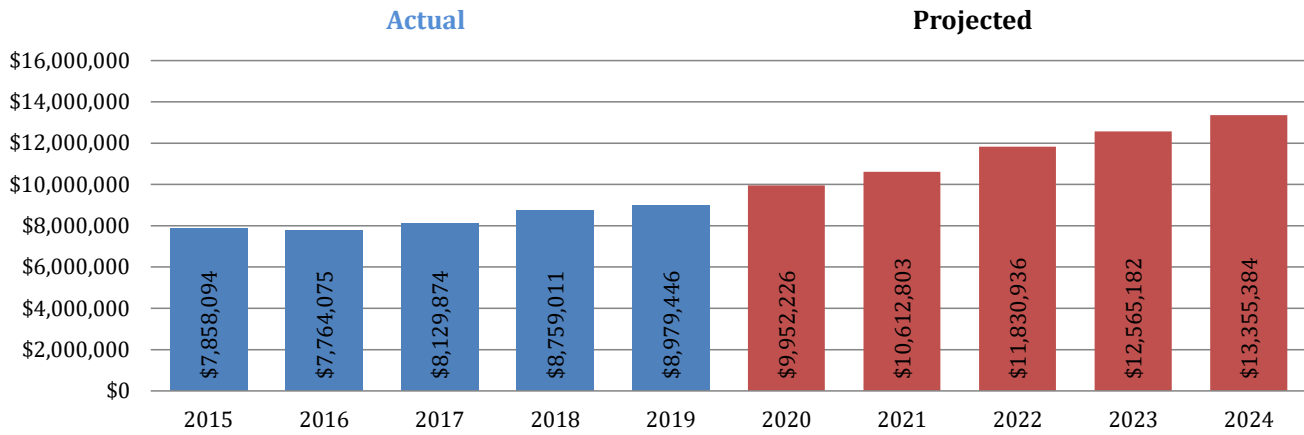
	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	24,618,164	25,535,730	26,601,502	27,722,120	28,889,873	30,106,817
YOY \$ Change	398,119	917,566	1,065,772	1,120,618	1,167,753	1,216,944
YOY % Change	1.6%	3.7%	4.2%	4.2%	4.2%	4.2%
Percentage of Total Budget	57.9%	57.4%	57.4%	56.5%	56.1%	56.2%

Salaries account for the largest single component of the district's total expenditures and for FY 2019, salaries represented 57.9% of the total budget. The district has two labor unions: the Avon Lake Education Association (ALEA) and the Ohio Association of Public School Employees (OAPSE). Negotiations with both unions resulted in the passage of a 3 year contract for language and 2 year agreement for finances. ALEA agreed to a 0.50% base increase in FY 2019 followed by a 0.00% base increase in FY 2020 with step advancement in both years. OAPSE agreed to a 0.75% base increase in FY 2019 followed by a 0.00% base increase in FY 2020 with step advancement for both years. Negotiations will begin in the spring of 2020 to discuss finances for the third year of the contract.

A 1% base increase and step advancement has been modeled for FY 2021-2024. Salaries are projected to increase in response to employee experience levels, educational levels and base increases throughout FY 2024.

### 3.020 - Employees' Benefits

Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



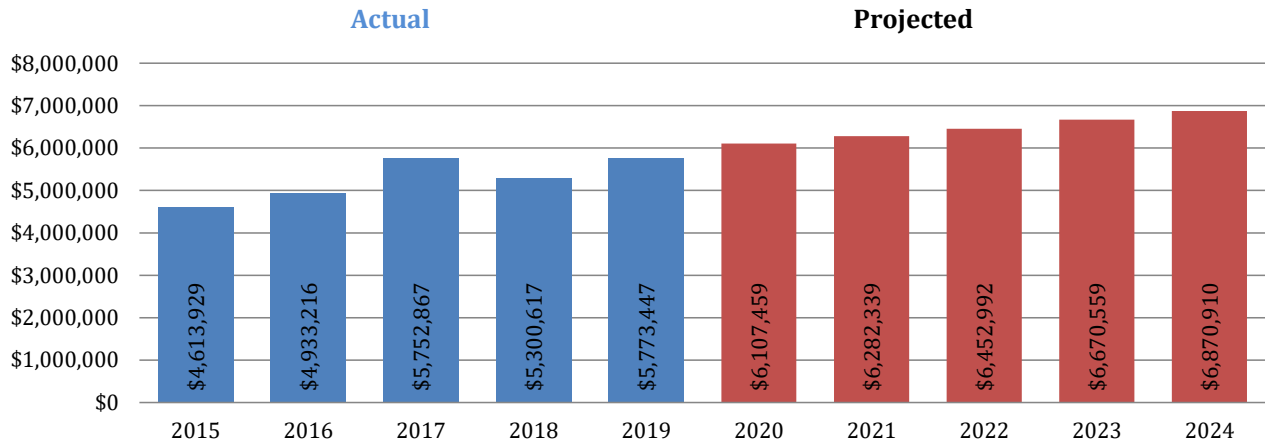
	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	8,979,446	9,952,226	10,612,803	11,830,936	12,565,182	13,355,384
YOY \$ Change	220,435	972,780	660,577	1,218,133	734,246	790,202
YOY % Change	2.5%	10.8%	6.6%	11.5%	6.2%	6.3%
Percentage of Total Budget	21.1%	22.4%	22.9%	24.1%	24.4%	24.9%

The second largest single component of the district's expenditures are related to employee fringe benefits, which represented 21.1% of the budget in FY 2019. Health insurance is the primary expense in the Benefits category. Suburban Health Consortium has experienced high claim utilization since the October 1, 2016 plan year, which is the primary driver for trend being used in this forecast. Health insurance increased 4.69% in FY 2019 with a 9% increase modeled throughout the remainder of the forecast. In FY 2021 a 20% surcharge on total family M/Rx plans that do not have working spouse language has been modeled costing approximately \$535,000 annually.

The district's Health Care Committee was influential in the decision to transition from a self insured arrangement to joining a Suburban Health Consortium on January 1, 2013, which left a balance in the Self Insurance Fund. Self Insurance Fund Reserves could only be used on insurance related expenditures; therefore, the Reserves have been used to offset premium increases and support wellness activities. All Self Insurance Fund Reserves had to be exhausted by June 30, 2019 per the Auditor of State. The Board's share of the final partial premium holiday were set aside in the General Fund to fund future wellness initiatives. For the past 5 years, a one month premium holiday was funded by the Self Insurance Fund (85% board share and 15% employee share). Since the Self Insurance Fund was exhausted in FY 2019 the expense associated with funding the premium holiday was permanently moved back to the General Fund for FY 2020. No future premium holidays are factored into this forecast. Benefits will increase respectively as salaries continue to rise throughout the forecast. By FY 2024, Benefits are projected to account for 24.9% of total expenditures.

### 3.030 - Purchased Services

Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase.



	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	5,773,447	6,107,459	6,282,339	6,452,992	6,670,559	6,870,910
YOY \$ Change	472,830	334,012	174,880	170,653	217,567	200,351
YOY % Change	8.9%	5.8%	2.9%	2.7%	3.4%	3.0%
Percentage of Total Budget	13.6%	13.7%	13.5%	13.1%	13.0%	12.8%

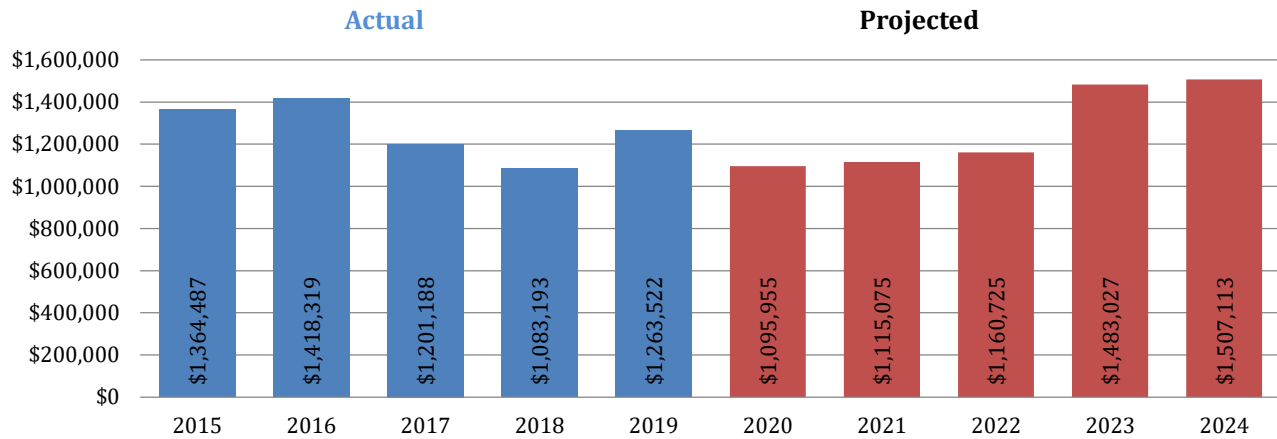
Purchased services represented 13.6% of the district's total expenditures in FY 2019 and will continue throughout the projected years of the forecast. Included in this category are items such as utilities, special education tuition, charter/community expenses and any other service provided by an outside vendor.

Charter/community school expenses have doubled from FY 2010 to FY 2017 with approximately \$440,000 transferred from the district's State funding to pay for these expenses. This declined in FY 2018 to \$284,716 and in FY 2019 to \$214,411. According to the ODE's October #2 Foundation Settlement, this trend will remain consistent for FY 2020 with \$220,653 in State funding transferred to charter/community schools.



### 3.040 - Supplies & Materials

Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.

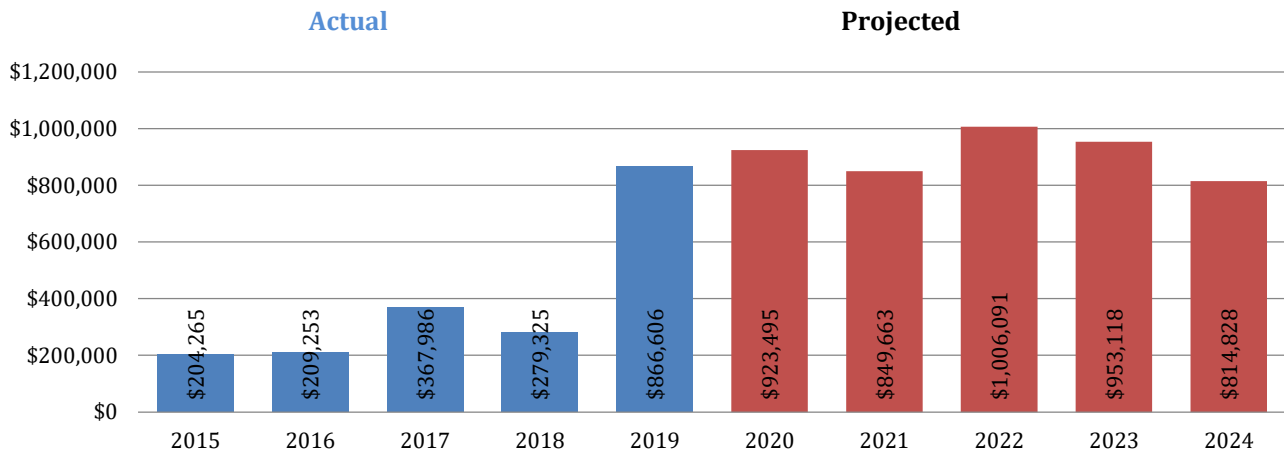


	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	1,263,522	1,095,955	1,115,075	1,160,725	1,483,027	1,507,113
YOY \$ Change	180,329	(167,567)	19,120	45,650	322,302	24,086
YOY % Change	16.6%	-13.3%	1.7%	4.1%	27.8%	1.6%
Percentage of Total Budget	3.0%	2.5%	2.4%	2.4%	2.9%	2.8%

Supplies and materials represented 3.0% of the district's expenditures in FY 2019. This expenditure category is comprised of textbook and consumable material purchases, bus fuel and tires and other maintenance supplies. New textbook adoptions are modeled for every year of the forecast in the subject areas of Science, World Languages, Math and ELA. The ELA adoption will be split over a two year period of time with \$475,000 budgeted in FY 2023 and FY 2024.

### 3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	866,606	923,495	849,663	1,006,091	953,118	814,828
YOY \$ Change	587,281	56,889	(73,832)	156,428	(52,973)	(138,290)
YOY % Change	210.3%	6.6%	-8.0%	18.4%	-5.3%	-14.5%
Percentage of Total Budget	2.0%	2.1%	1.8%	2.0%	1.9%	1.5%

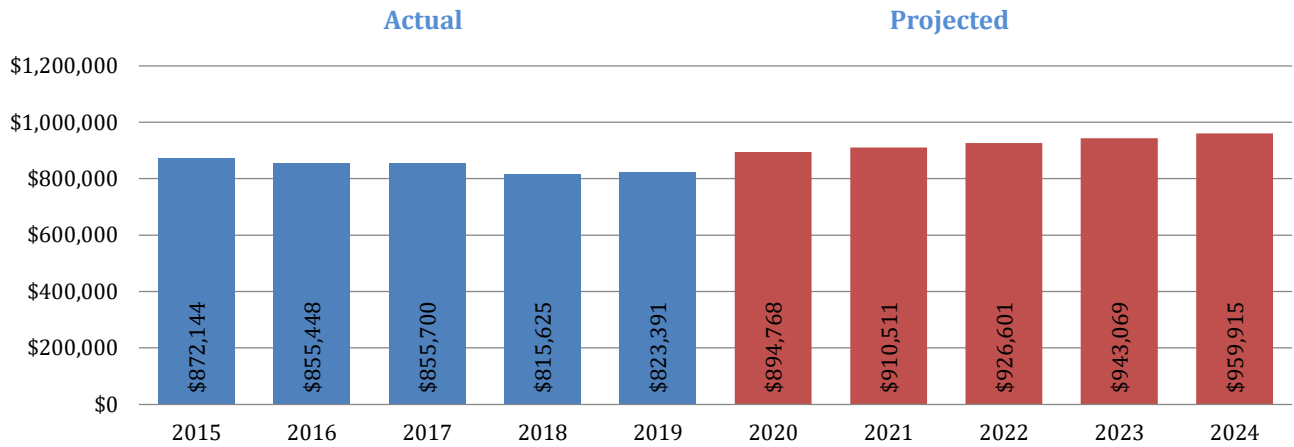
Capital Outlay represented 2.0% of the district's expenditures in FY 2019. Expenditures include items having at least a five year life expectancy including such improvements of grounds, equipment, computers/technology, and furnishings. The district utilizes the funds raised through its Permanent Improvement levy to purchase items such as school buses and to maintain roofs and parking lots.

Capital outlay increases in FY 2017 and beyond are attributed to technology related initiatives/purchases. Chromebook replacement at various grade levels is modeled in each year of the forecast.



### 4.300 - Other Objects

Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.

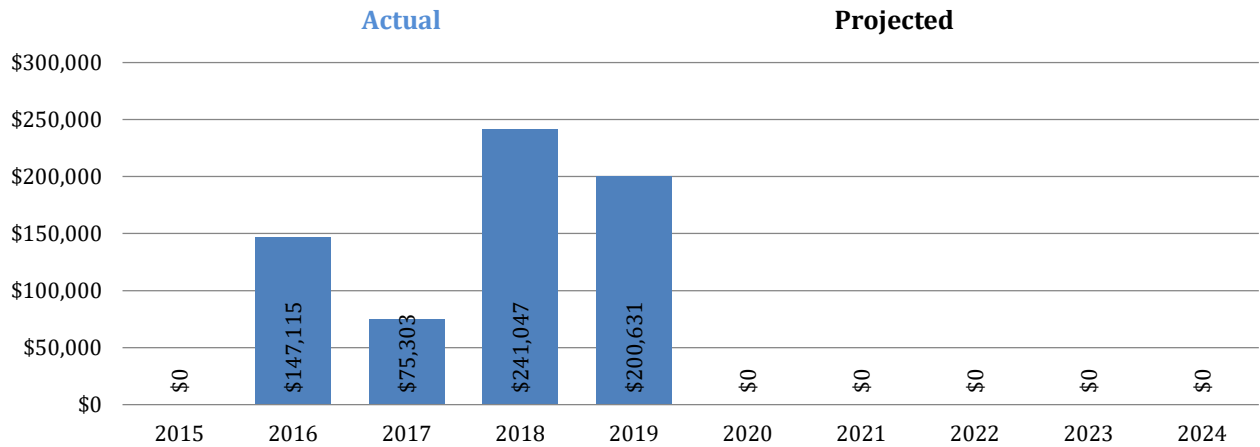


	FORECASTED					
	2019	2020	2021	2022	2023	2024
Total	823,391	894,768	910,511	926,601	943,069	959,915
YOY \$ Change	7,766	71,377	15,743	16,090	16,468	16,846
YOY % Change	1.0%	8.7%	1.8%	1.8%	1.8%	1.8%
Percentage of Total Budget	1.9%	2.0%	2.0%	1.9%	1.8%	1.8%

Primary components of Other Objects are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses and election expenses. Other objects represented 1.9% of total expenditures in FY 2019. The largest single component in this line item includes County Auditor/Treasurer fees, which costs the district approximately \$460,000 annually.

### 5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



	2019	2020	2021	FORECASTED		
	2019	2020	2021	2022	2023	2024
Total	200,631	-	-	-	-	-
YOY \$ Change	(40,416)	(200,631)	-	-	-	-
YOY % Change	-16.8%	-100.0%	0.0%	0.0%	0.0%	0.0%
<b>Percentage of Total Budget</b>	<b>0.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Transfers Out	173,405	-	-	-	-	-
Advances Out	27,226	-	-	-	-	-

Operating transfers out, advances out to other funds and all other General Fund financing uses are comprised within this expenditure category. Due to timing, the General Fund needs to advance money to cover negative cash balances at times. These advances are then repaid to the General Fund once the funding sources are received. Unlike advances, operating transfers out are permanent and are not repaid to the General Fund.

In FY 2019, an internal transfer of \$173,405s was processed within the district’s General Fund to establish a Fund for future wellness initiatives. Please see the Fringe Benefits note of the Forecast for more information on this transfer.

**AVON LAKE CITY SCHOOL DISTRICT -- LORAIN COUNTY**

Five Year Forecast

Fiscal Year:	Actual	FORECASTED				
	2019	2020	2021	2022	2023	2024
<b>Revenue:</b>						
1.010 - General Property Tax (Real Estate)	28,482,211	29,763,360	30,203,455	30,767,525	31,232,038	31,416,549
1.020 - Public Utility Personal Property	3,372,825	4,121,379	4,156,441	4,179,475	4,201,783	4,236,140
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	3,882,477	3,872,689	3,897,489	3,967,474	4,037,459	4,107,496
1.040 - Restricted Grants-in-Aid	48,024	48,026	48,026	48,026	48,026	48,026
1.050 - Property Tax Allocation	3,951,025	3,975,316	4,010,645	4,068,778	4,127,567	4,155,145
1.060 - All Other Operating Revenues	1,612,821	1,500,155	1,430,155	1,405,155	1,405,155	1,405,155
<b>1.070 - Total Revenue</b>	<b>41,349,383</b>	<b>43,280,925</b>	<b>43,746,211</b>	<b>44,436,433</b>	<b>45,052,028</b>	<b>45,368,511</b>
<b>Other Financing Sources:</b>						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	178,683	-	-	-	-	-
2.050 - Advances-In	2,918	27,226	-	-	-	-
2.060 - All Other Financing Sources	128,675	135,447	-	-	-	-
<b>2.070 - Total Other Financing Sources</b>	<b>310,276</b>	<b>162,673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.080 - Total Rev &amp; Other Sources</b>	<b>41,659,659</b>	<b>43,443,598</b>	<b>43,746,211</b>	<b>44,436,433</b>	<b>45,052,028</b>	<b>45,368,511</b>
<b>Expenditures:</b>						
3.010 - Personnel Services	24,618,164	25,535,730	26,601,502	27,722,120	28,889,873	30,106,817
3.020 - Employee Benefits	8,979,446	9,952,226	10,612,803	11,830,936	12,565,182	13,355,384
3.030 - Purchased Services	5,773,447	6,107,459	6,282,339	6,452,992	6,670,559	6,870,910
3.040 - Supplies and Materials	1,263,522	1,095,955	1,115,075	1,160,725	1,483,027	1,507,113
3.050 - Capital Outlay	866,606	923,495	849,663	1,006,091	953,118	814,828
Intergovernmental & Debt Service	-	-	-	-	-	-
4.300 - Other Objects	823,391	894,768	910,511	926,601	943,069	959,915
<b>4.500 - Total Expenditures</b>	<b>42,324,576</b>	<b>44,509,633</b>	<b>46,371,893</b>	<b>49,099,465</b>	<b>51,504,828</b>	<b>53,614,967</b>
<b>Other Financing Uses</b>						
5.010 - Operating Transfers-Out	173,405	-	-	-	-	-
5.020 - Advances-Out	27,226	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-
<b>5.040 - Total Other Financing Uses</b>	<b>200,631</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>5.050 - Total Exp and Other Financing Uses</b>	<b>42,525,207</b>	<b>44,509,633</b>	<b>46,371,893</b>	<b>49,099,465</b>	<b>51,504,828</b>	<b>53,614,967</b>
<b>6.010 - Excess of Rev Over/(Under) Exp</b>	<b>(865,548)</b>	<b>(1,066,035)</b>	<b>(2,625,682)</b>	<b>(4,663,032)</b>	<b>(6,452,800)</b>	<b>(8,246,456)</b>
7.010 - Cash Balance July 1 (No Levies)	17,870,876	17,005,328	15,939,293	13,313,611	8,650,579	2,197,779
7.020 - Cash Balance June 30 (No Levies)	17,005,328	15,939,293	13,313,611	8,650,579	2,197,779	(6,048,677)
		Reservations				
8.010 - Estimated Encumbrances June 30	1,267,783	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
<b>10.010 - Fund Bal June 30 for Cert of App</b>	<b>15,737,545</b>	<b>14,439,293</b>	<b>11,813,611</b>	<b>7,150,579</b>	<b>697,779</b>	<b>(7,548,677)</b>
<b>Rev from Replacement/Renewal Levies</b>						
11.010 & 11.020 - Renewal Levies	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
<b>12.010 - Fund Bal June 30 for Cert of Obligations</b>	<b>15,737,545</b>	<b>14,439,293</b>	<b>11,813,611</b>	<b>7,150,579</b>	<b>697,779</b>	<b>(7,548,677)</b>
<b>Revenue from New Levies</b>						
13.010 & 13.020 - New Levies	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
<b>15.010 - Unreserved Fund Balance June 30</b>	<b>15,737,545</b>	<b>14,439,293</b>	<b>11,813,611</b>	<b>7,150,579</b>	<b>697,779</b>	<b>(7,548,677)</b>