PARMA CITY SCHOOL DISTRICT-CUYAHOGA COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2020, 2021 and 2022 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2023 THROUGH JUNE 30, 2027

PCSD

Parma City School District

Forecast Provided By
Parma City School District
Treasurer's Office
Mr. Sean Nuccio, CPA, Treasurer/CFO
May 11, 2023

Parma City School District – Cuyahoga County
Notes to the Five Year Forecast
General Fund Only
May 11, 2023

Introduction to the Five Year Forecast

A forecast is somewhat like a painting of the future based upon a snapshot of today. That snapshot, however, will be adjusted and the further into the future the forecast extends, the more likely it is that the projections will deviate from actual experience. A variety of events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/ replacement), salary increases, or businesses moving in or out of the district. The five-year forecast is viewed as a key management tool and must be updated periodically. In Ohio, most school districts understand how they will manage their finances in the current year. The five-year forecast encourages district management teams to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with ODE when events take place that will significantly change their forecast or, at a minimum, when required under statute.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions to the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are especially important to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected.

Since the preparation of a meaningful five-year forecast is as much an art as it is a science and entails many intricacies, it is recommended that you contact the Treasurer/Chief Fiscal Officer or Board of Education (BOE) of the individual school district with any questions you may have. The Treasurer or CFO submits the forecast, but the BOE is recognized as ultimately responsible for the development of the forecast and the official owner.

Here are at least three purposes or objectives of the five-year forecast:

(1) To engage the local Board of Education and the community in 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

O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five (5) year financial forecast by November 30, 2022, and May 31, 2023 for fiscal year 2023 (July 1, 2022 to June 30, 2023). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2023 (July 1, 2022-June 30, 2023) is the first year of the five-year forecast and is considered the baseline year. Data and assumptions noted in this forecast are based on the best and most reliable data available to us as of the date of this forecast.

May 2023 Updates:

<u>Revenues FY23</u>

The overview of revenues shows that we are substantially on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be $146,115,589 1.17% higher than the November forecasted amount of $144,428,380. This indicates the November forecast was 98.83% accurate.

Line 1.01 and 1.02 - Property tax revenues represent our largest source of revenues at 70.9% and are estimated to be $103,566,643 which is $1,323,844 higher for FY23 than the original November estimate of $102,242,799. Our estimates are 98.72% accurate for FY23 and should mean future projections are on target as well.

Line 1.035 and 1.04 - State Aid continues the implementation of the Fair School Funding Plan (FSFP), which has caused significant changes to the way our state revenues are calculated. We are estimating our state aid to be $21,344,027, which is $136,371 higher than the original estimate for FY23. We are pleased that we were able to be 99.4% accurate for FY23. We are currently on the guarantee and are expected to remain as a guarantee district for FY24 through FY27.

Line 1.06 - Other revenues are up $282,000 from original estimates. Other Revenue are somewhat unpredictable year to year with interest income rising sharply causing the positive variance.

All areas of revenue are tracking as anticipated for FY23 based on our best information at this time.

Expenditures FY23

Total General Fund expenditures (line 4.5) are estimated to be $143,521,346 for FY23, which is $70,541 higher than the original estimate of $143,450,805 in the November forecast, which is roughly 99.95% on target with original estimates.

All other areas of expenses are expected to remain on target with original projections for the year.

Unreserved Ending Cash Balance

With revenues increasing from estimates and expenditures ending mostly on target, our ending unreserved cash balance June 30, 2023, is anticipated to be roughly $42,513,020. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2026 if assumptions we have made for property tax collections, state aid in future state budgets, and expenditure assumptions remain close to our estimates.

Forecast Risks and Uncertainty:

A five-year financial forecast has risks and uncertainty not only due to economic uncertainties noted above but also due to state legislative changes that will occur in the spring of 2023 and 2025 due to deliberation of the next two (2) state biennium budgets for FY24-25 and FY26-27, both of which affect this five-year forecast. We have estimated revenues and expenses based on the best data available to us and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

1) Property tax collections are the largest single revenue source for the school system equating to 71.0% of revenues. The housing market in our district is stable and growing. We project continued growth in appraised values every three (3) years and new construction growth with continued modest increases in local taxes as the pandemic ends and the economy continues its recovery as anticipated. Total local revenues which are predominately local taxes equate to 75.8% of the district's resources. Our tax collections in the August 2022 and March 2023 settlements showed normal collection trends. We believe there is a low risk that local collections would fall below projections throughout the forecast.

2) Cuyahoga County experienced a full reappraisal in the 2018 tax year to be collected in 2019. The 2018 reappraisal increased overall assessed values by $204.1 million or an increase of 10.56%. A reappraisal update occurred in tax year 2021 for collection in 2022. The value increased for Class I and II property by $420.98 million for an overall weighted average increase of 19.65%. A reappraisal update will occur in tax year 2024 for collection in FY25. We anticipate value increases for Class I and II property by $107.26 million for an overall

increase of 4.19%. There is always a minor risk that the district could sustain a reduction in values in the next appraisal update, but we do not anticipate that at this time.

3) The district has a $7.6 million emergency levy that will expire in 2024. It will be important to renew this levy when it comes up for renewal. We believe the levy will be renewed, but there is always a chance that it would not be.

4) The state budget represented 24.2% of district revenues, which means it is a significant area of risk to revenue. The future risk comes in FY24 and beyond if the state economy stalls due to record high inflation we are witnessing at this time, or the Fair School Funding Plan is not funded in future state budgets due to an economic downturn. There are two future State Biennium Budgets covering the period from FY24-25 and FY26-27 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY27. We have projected our state funding to be in line with the FY23 funding levels through FY27 which we feel is conservative and should be close to whatever the state approves for the FY24-FY27 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

5) HB110, the current state budget, implements what has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The full release of the new Fair School Funding Plan formula calculations was delayed until March 2022. The FSFP has many significant changes to how foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. Beginning in FY22, a district's open enrollment payments will no longer be paid separately as those payments are included with basic aid. A change in expenditures beginning in FY22 will also occur, in that there will no longer be deductions for students that attend elsewhere for open enrollment, community schools, STEM schools, and scholarship recipients, as these payments will be paid directly to those districts from the state. The initial impact of these changes on the forecast will be noticed in that the actual historical costs for FY20 through FY21 reflect different trends on Lines 1.035, 1.040, 1.060, and 3.030 beginning in FY22. In June 2022, the legislature passed HB583 to resolve issues and possible unintended consequences in the new funding formula. Some of these changes impacted FY22 and future years' funding. Our state aid projections have been based on the best information on the new HB110 formula as amended by HB583 that are available as of this forecast for FY23.

6) The current proposed state budget for FY24-25, HB33 was introduced on February 15, 2023 and proposes to continue the implementation of the Fair School Funding Plan (FSFP). In the initial proposal of HB33, the base cost statewide factors are the area of most significance and remain at FY18 levels. Formula districts would benefit from the continued phase-in of the FSFP, while ensuring districts would not receive less than FY21 foundation funding. Certainty surrounding these and other significant funding components will not likely be known until late June 2023, after the filing of this forecast. We will be closely monitoring the progress of HB33 as it works its way through the legislative process.

7) HB110 directly pays costs associated with open enrollment, community and STEM schools, and all scholarships, including EdChoice Scholarships. These costs will no longer be deducted from our state aid. However, there still are education option programs such as College Credit Plus, which continue to be removed from state aid, increasing costs to the district. Expansion or creation of programs that are not directly paid for by the state of Ohio can expose the district to new expenditures that are not currently in the forecast. We closely monitor any new threats to our state aid and increased costs as new proposed laws are introduced in the legislature.

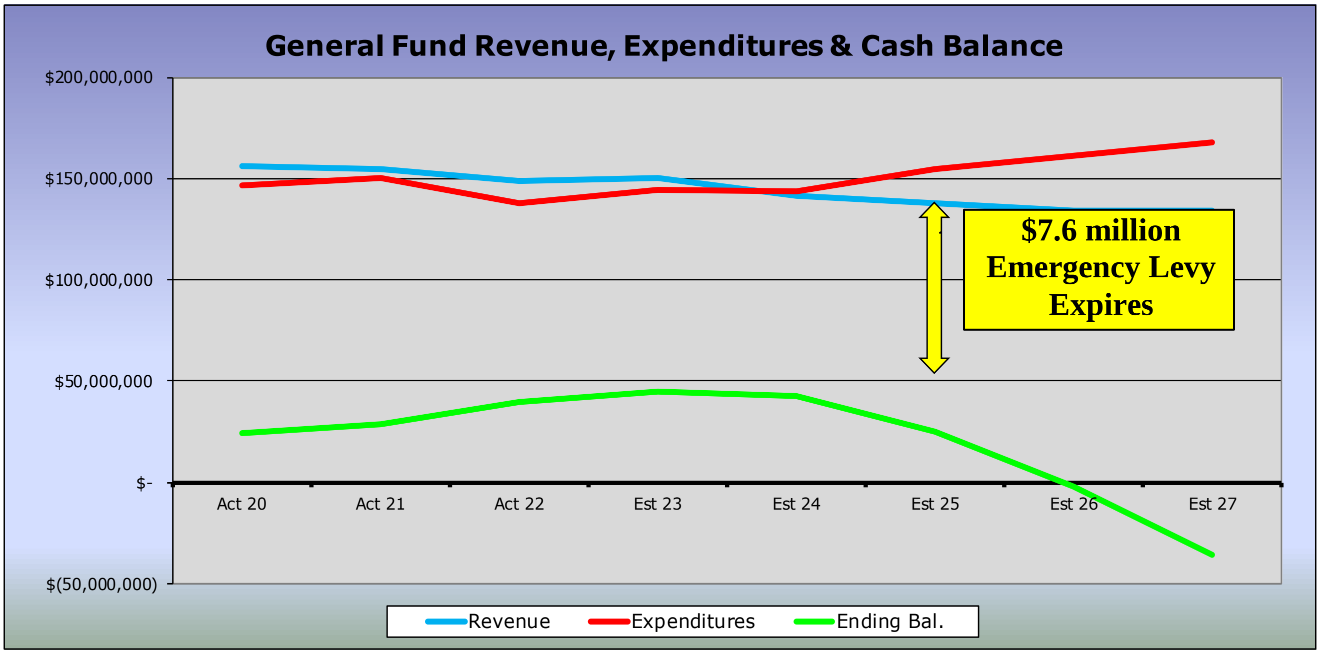
8) The legislature has introduced House Bill 1 (HB1), which proposes to modify the law regarding property taxation and Ohio income tax rates. Proposed changes to existing law include applying a single income tax rate of 2.75%, eliminating the 10% property tax rollback reimbursement, revising the 2.5% owner-occupied property tax rollback to be a flat $125 credit, indexing the homestead exemption amounts to inflation, and reducing the property tax assessment percentage for Class I and II property from 35% to 31.5% to offset the 10% rollback which would be paid by local taxpayers. HB1 as currently written would increase the effective rates for local property owners through HB920 due to the reduction in the assessed valuation for Class I and II property. HB920, enacted in 1976, states that voted school district levies collect the amount of tax revenues stated on the ballot at the time of passage and no more. As property values grow, the "effective" millage rate on voted levies will decrease. If HB1 causes the assessed property values to decrease by changing the taxable values from 35% to 31.5%, this would cause "effective" millage rates to increase and would increase local taxpayers' property tax liability in nearly all cases. Taxpayers would, however, see a reduction in their tax liability on inside millage, which local governments are granted by the Ohio Constitution, and would also be a direct loss of revenue for our district. The House Ways and Means Committee had its fifth hearing in regard to HB1 on March 28, 2023. As this bill is facing opposition from various entities due to the significant implications to the taxable valuation of property statewide, it will remain an area of increased risk and uncertainty and will be closely monitored to determine who the outcome will be.

Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges we face. We believe as we move forward our positive working relationship will continue and will only grow stronger.

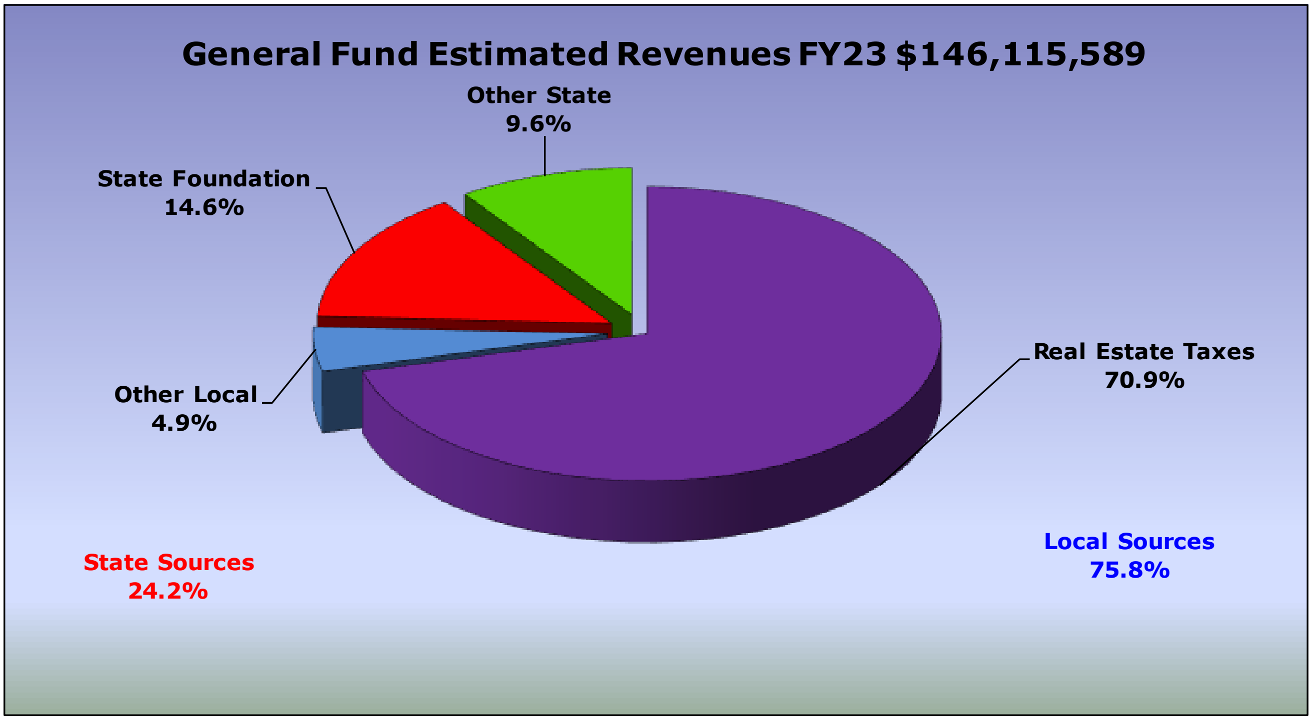
The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item which refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Sean Nuccio, CPA, Parma CSD Treasurer/CFO at 440.885.2324.

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY20-22 and Estimated FY23-27

The graph captures in one snapshot the operating scenario facing the District over the next few years.



Revenue Assumptions
Operating Revenue Sources General Fund FY23



Real Estate Value Assumptions – Line #1.010

Property Values are established each year by the Cuyahoga County Fiscal Officer based on new construction, demolitions, Board of Revision and Board of Tax Appeals activity and complete reappraisal or updated values. Cuyahoga County experienced a reappraisal for the 2018 tax year to be collected in 2019. Residential/Agricultural values increased 11.86% or $185.13 million due to the reappraisal update led by an improving housing market. Commercial/Industrial values increased 4.83% or $17.97 million, providing an overall increase of $204.2 million or 10.56%.

A reappraisal update occurred in 2021 for collection in 2022 for which we experienced a 22.9% increase in residential and a 7.67% increase for commercial/industrial property. Residential/Agricultural and Commercial/Industrial values increased $420.9 million or an overall weighted increase of 19.65%. A reappraisal update will occur in tax year 2024 for collection in FY25. We anticipate value increases for Class I and II property by $107.26 million for an overall increase of 4.19%.Other than reappraisal and update years we are anticipating commercial and industrial property values to decrease over the next three years due to property tax appeals.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Estimated TAX YEAR2022 COLLECT 2023	Estimated TAX YEAR2023 COLLECT 2024	Estimated TAX YEAR2024 COLLECT 2025	Estimated TAX YEAR 2025 COLLECT 2026	Estimated TAX YEAR 2026 COLLECT 2027
Res./Ag.	$2,154,386,930	$2,154,286,930	$2,261,901,277	$2,261,801,277	$2,261,701,277
Comm./Ind.	406,102,440	405,752,440	405,402,440	405,052,440	404,702,440
Public Utility Personal Property (PUPP)	76,363,660	78,863,660	81,363,660	83,863,660	86,363,660
Total Assessed Value	$2,636,853,030	$2,638,903,030	$2,748,667,377	$2,750,717,377	$2,752,767,377

Estimated Real Estate Tax (Line #1.010)

Source	FY23	FY24	FY25	FY26	FY27
General Property Taxes	$98,373,817	$93,658,465	$90,866,451	$87,855,686	$87,844,733

Property tax levies are estimated to be collected at 97.0% of the annual amount which decreased slightly from 99.1% due to added delinquencies we noted in 2020, likely due to COVID-19 Pandemic. This allows 3.0% delinquency factor. Collections for the 1st half 2020 and collections in 2021 were down about $1,097,000 from predicted levels due to the COVID-19 pandemic and economic slowdown. The 2nd half collection that occurred in August 2021 and our 1st half 2022 collections and 2nd half August 2022 showed no decline in collections.

In general, 53.5% of the Res/Ag. and Comm/Ind property taxes are expected to be collected in the February tax settlement and 46.5% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 49% in February and 51% in August settlement from the County Auditor and are noted in Line #1.020 totals below.

The drop in collection in FY23 and FY24 is due to the county auditor adjusting our emergency levy rates to more closely align with the fixed sum amounts called for in the emergency levies. Collections reduce in FY25 above due to the $7.6 million emergency levy being moved to Line #11.020 as noted below.

Estimated Public Utility Personal Property (PUPP) Taxes – Line #1.020

The phase out of Tangible Personal Property (TPP) taxes began in FY06 with HB66 and was eliminated after FY11. Any TPP revenues received FY12 and beyond are delinquent TPP taxes. The amounts received below are generally all Public Utility Personal Property (PUPP) taxes which are an ongoing property tax collection.

Collections are typically 50% in February and 50% in August along with the real estate settlements from the county auditor. PUPP values grew $6.2 million or 9.2% in 2021 for collection in 2022 and grew $2,908,510 or 4.0% in 2022 for collection in 2023. We anticipate values to grow $2.5 million each fiscal year FY23-FY27 in the forecast.

Source	FY23	FY24	FY25	FY26	FY27
Public Utility Personal Property (Line #1.020)	$5,192,826	$5,294,540	$5,313,714	$5,334,144	$5,494,693

Levy Renewal –Line #11.020
The district plans to renew the $7.6 million emergency levy by 2024 to continue collection. State law requires that renewal levies be removed from revenues and shown on Line #11.020 of the forecast.

Source	FY23	FY24	FY25	FY26	FY27
Emergency ($7,603,000) last collect 12/31/24	$0	$0	$4,404,317	$8,349,417	$8,349,417
Total Line #11.020	$0	$0	$4,404,317	$8,349,417	$8,349,417

New Tax Levies – Line #13.030
No new levies are modeled in this forecast.

State Foundation Revenue Estimates – Lines #1.035, 1.040 and 1.045

Current State Funding Model per HB110 through June 30, 2023

A) Unrestricted State Foundation Revenue– Line #1.035
The full release of the new Fair School Funding Plan formula occurred in March 2022 and was amended in HB583, passed in June 2022. We have projected FY23 funding based on the March #1 2023 foundation settlement and adjustments from FY22.

Our district is currently a formula district in FY23 and is expected to continue on the formula in FY24-FY27 on the new Fair School Funding Plan (FSFP). The state foundation funding formula has gone through many changes in recent years. The most recent funding formula began in FY14. It was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, and now HB110, as amended by HB583, implements the newest and possibly the most complicated funding formula in recent years for FY22 and FY23. The current formula introduces many changes to how state foundation is calculated and expenses deducted from state funding which will potentially make the actual five-year forecast look different with estimates FY23 through FY27 compared to actual data FY20 through FY21 on Lines #1.035, 1.040, 1.060, and 3.030 of the forecast.

Overview of Key Factors that Influence State Basic Aid in the Fair School Funding Plan

A. Student Population and Demographics
B. Property Valuation Per Pupil
C. Personal Income of District Residents Per Pupil
D. Historical Funding - CAPS and Guarantees from prior funding formulas "Funding Bases" for guarantees.

Base Cost Approach - Unrestricted Basic Aid Foundation Funding
The new funding formula uses FY18 statewide average district costs and developed a base cost approach that includes minimum service levels and student-teacher ratios to calculate a unique base cost for each district. Newer, more up-to-date statewide average prices will not update for FY23 and remain frozen at FY18 levels, while other

factors impacting a district's local capacity will update for FY23. Base costs per pupil include funding for five (5) areas:

1. Teacher Base Cost (4 subcomponents)
2. Student Support (7 subcomponents-including a restricted Student Wellness component)
3. District Leadership & Accountability (7 subcomponents)
4. Building Leadership & Operations (3 subcomponents)
5. Athletic Co-curricular (contingent on participation)

State Share Percentage – Unrestricted Basic Aid Foundation Funding

Once the base cost is calculated, which is currently at a state-wide average of $7,351.71 per pupil in FY23, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage, in concept, will be higher for districts with less capacity (lower local wealth) and be a lower state share percentage for districts with more capacity (higher local wealth). The higher the district's ability to raise taxes based on local wealth, the lower the state share percentage. The state share percentage will be based on 60% property valuation of the district, 20% on federally adjusted gross income, and 20% on federal median income, as follows:

1. 60% based on the most recent three (3) year average assessed values or the most recent year, whichever is lower, divided by base students enrolled.
2. 20% based on the most recent three (3) year average federal adjusted gross income of district residents or the most recent year, whichever is lower divided by base students enrolled.
3. 20% based on the most recent year federal median income of district residents multiplied by the number of returns in that year divided by base students enrolled.
4. When the weighted values are calculated, and items 1 through 3 above are added together, the total is multiplied by a Local Share Multiplier Index from 0% for low-wealth districts to a maximum of 2.5% for wealthy districts.

When the unrestricted base cost is determined and multiplied by the state share percentage, the resulting amount is multiplied by the current year enrolled students (including open enrolled students being educated in each district) and finally multiplied by the local share multiplier index for each district. The result is the local per pupil capacity of the base per pupil funding amount.

Categorical State Aid

In addition to the base state foundation funding calculated above, the FSFP also has unrestricted categorical funding and new restricted funding beginning in FY22, some of which will have the state share percentage applied to these calculations as noted below:

Unrestricted Categorical State Aid

1. Targeted Assistance/Capacity Aid – Provides additional funding based on a wealth measure using 60% weighted on property value and 40% on income. Uses current year enrolled average daily membership (ADM). It also will provide supplemental targeted assistance to lower wealth districts whose enrolled ADM is less than 88% of their total FY19 ADM.
2. Special Education Additional Aid – Based on six (6) weighted funding categories of disability and moved to a weighted funding amount, not a specific amount. An amount of 10% will be reduced from all districts' calculations to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – Funding is based on all resident students who ride, including preschool students and those living within 1 mile of school. Provides supplemental transportation for low-density districts. Increases state minimum share to 29.17% in FY22 and 33.33% in FY23. In general, districts whose state share is less than 33.33% will benefit from the increase to 33.33% funding.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA) - Formerly Economically Disadvantaged Funding is based on the number and concentration of economically disadvantaged students compared to the state average and multiplied by $422 per pupil. Phase-in increases are limited to 0% for FY22 and 33.34% in FY23.
2. English Learners – Based on funded categories based on the time student enrolled in schools and multiplied by a weighted amount per pupil.
3. Gifted Funds – Based on average daily membership multiplied by a weighted amount per pupil.
4. Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.
5. Student Wellness and Success Funds – These funds in FY20 and FY21 were accounted for in Fund 467 but are now restricted funds to be accounted for in the General Fund as part of the foundation formula.

State Funding Phase-In FY22 and FY23 and Guarantees

While the FSFP was presented as a six (6) year phase-in plan, the state legislature approved the first two (2) years of the funding plan in HB110, which was amended in HB583 in June 2022. The FSFP does not include caps on funding; instead, it will consist of a general phase-in percentage for most components of 16.67% in FY22 and 33.33% in FY23. DPIA funding was phased in at 0% in FY22 but has now been included in the overall phase in at 33.33% in FY23. Transportation categorical funds will not be subject to phase-in.

HB110 includes three (3) guarantees: 1) "Formula Transition Aid"; 2) Supplemental Targeted Assistance, and 3) Formula Transition Supplement. The three (3) guarantees in both temporary and permanent law ensure that no district will get fewer funds in FY22 and FY23 than they received in FY21. The guarantee level of funding for FY22 is a calculated funding guarantee level based on total state funding cuts from May 2020 restored, net of transfers and deductions, plus Student Wellness and Success funds (based on FY21 SWSF amounts), enrollment growth supplement funds paid in FY21 and special education preschool and special education transportation additional aid items. It is estimated that nearly 420 districts are on one form of guarantee in FY22. In general, the same number will occur in FY23 since state average costs were frozen at FY18 in the Base Cost calculations. In contrast, property values and Federal Adjusted Gross Income will be allowed to update and increase for FY23, pushing districts toward one of the three (3) guarantees.

Student Wellness and Success (Restricted Fund 467)

In FY20 and FY21 HB166, provided Student Wellness and Success Funds (SWSF) to be deposited in a Special Revenue Fund 467. HB110 the new state budget essentially eliminated these funds by merging them into state aid and wrapped into the expanded funding and mission of DPIA funds noted above and on Line #1.040 below, with only a smaller portion devoted to SWSF. Any remaining funds in Special Revenue Fund 467 from FY20 and FY21 will be required to be used for the restricted purposes governing these funds until spent fully.

Future State Budget Projections beyond FY23

Our funding status for FY24-27 will depend on two new state budgets. The current proposed state budget for FY24-25, HB33, was introduced on February 15, 2023, and continues the implementation of the FSFP, with the following changes.

Unrestricted Basic Aid Foundation Funding

a) The statewide average base cost per pupil will remain at FY18 levels in FY24-25.
b) Increases the general phase-in percentage from 33.33% in FY23 to 50% in FY24 and 67% in FY25.
c) Extends payment of the temporary transitional aid and the formula transition supplement to ensure districts are guaranteed to be funded at FY21 levels, at a minimum through FY25.

Unrestricted Categorical State Aid

a) Transportation Aid - Increases the minimum state share percentage from 33.33% in FY23 to 37.5% in FY24 and 41.67% in FY25.

Restricted Categorical State Aid

a) Disadvantage Pupil Impact Aid (DPIA) - Increases phase-in percentage from 33.33% in FY23 to 50% in FY24 and 67% in FY25.
b) Gifted Funds - Increases per pupil funding for the gifted professional development component from $14 in FY23 to $21 in FY24 and $28 in FY25.
c) Student Wellness and Success Funds
    a. Expenditures for either physical or mental health-based initiatives, or a combination of both, must comprise at least 50% of these funds.
    b. Any SWSF funds received between FY20-23 must be expended by June 30, 2025, or the funds must be returned to the ODE.
    c. School resource officer funding will be allocated on a per building basis. Funds are able to support existing SROs.

Additionally, there are two other funding components in HB33 which provide additional support for districts. The first is the sports gaming profits education fund, which is projected to appropriate $30 million in each year of the biennium, of which $15 million is targeted toward eliminating or reducing pay to participate fees. The second component is information technology support for schools and districts, which is projected to appropriate $14.3 million over the course of the biennium for cybersecurity and building connectivity. We are still awaiting concrete information on how the funds will be allocated to schools.

With these still unknown changes to the state funding for FY24-25, we will continue to project our unrestricted and categorical state funding to be in line with the FY23 funding levels through the remainder of the forecast. The state budget for FY26-27 is unknown; however, we believe that our state funding estimates are reasonable, and we will adjust the forecast in the future when we have authoritative data to work with.

Casino Revenue

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% Gross Casino Revenue that will be paid into a student fund at the state level. These funds have been distributed to school districts on the 31st of January and August each year since they first began on January 31, 2013.

Casino revenue fell slightly in FY21 due to COVID-19 and Casinos closing for a little over two months. We have increased the amount in FY22 back to pre-pandemic FY20 levels as Casino revenues appear to have dipped largely due to their closure and not in response to the economic downturn. Prior to COVID-19 closure, casino revenues were growing modestly as the economy improved. Original projections for FY23-27 estimated a 0.4% decline in pupils to 1,778,441 and GCR increasing to $106.35 million or $59.80 per pupil; actual payments in FY23 were $62.87 per pupil. FY24-27 Casino revenues have resumed their historical growth rate and assume a 2% annual growth rate for the forecast period.

Source	FY23	FY24	FY25	FY26	FY27
Basic Aid-Unrestricted	$15,373,972	$15,362,170	$15,362,170	$15,362,170	$15,362,170
Additional Aid Items	1,503,677	1,503,677	1,503,677	1,503,677	1,503,677
Basic Aid-Unrestricted Subtotal	$16,877,649	$16,865,847	$16,865,847	$16,865,847	$16,865,847
Credential	0	0	0	0	0
Ohio Casino Commission ODT	593,470	602,004	610,675	619,452	628,336
Total Unrestricted State Aid - Line #1.035	$17,471,119	$17,467,851	$17,476,522	$17,485,299	$17,494,183

B) Restricted State Revenues – Line #1.040

HB110 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding. In addition, new restricted funds have been added as noted above under "Restricted Categorical Aid" for Gifted, English Learners (ESL), and Student Wellness. The district has elected to also post Catastrophic Aid for special education as restricted revenues. Catastrophic Aid nearly doubled in FY22 due to increased appropriations, which are funded at the state level by a reduction in special education funding at the local level. These revenues are inconsistent year to year and we are projecting minimal growth over the remainder of the forecast. We have estimated revenues for these new restricted funding lines using current March funding factors. The amount of DPIA is limited to 0% phase-in growth for FY22, 33.34% in FY23. We have flat lined funding at FY23 levels for FY24-27 due to uncertainty on continued funding of the current funding formula. .

Source	FY23	FY24	FY25	FY26	FY27
DPIA	$1,282,617	$1,087,407	$1,087,407	$1,087,407	$1,087,407
Career Tech	653,047	651,547	651,547	651,547	651,547
Gifted	368,197	367,568	367,568	367,568	367,568
ESL	62,635	41,460	41,460	41,460	41,460
Student Wellness	596,158	626,343	626,343	626,343	626,343
Catastrophic	910,254	910,254	910,254	910,254	910,254
Total Restricted State Revenues - Line #1.040	$3,872,908	$3,684,579	$3,684,579	$3,684,579	$3,684,579

C) Restricted Federal Grants in Aid – Line #1.045

No federal unrestricted grants are projected FY23-27.

Summary of State Foundation Revenues	FY23	FY24	FY25	FY26	FY27
Unrestricted Line #1.035	$17,471,119	$17,467,851	$17,476,522	$17,485,299	$17,494,183
Restricted Line #1.040	3,872,908	3,684,579	3,684,579	3,684,579	3,684,579
Restricted Fed. Grants Line #1.045	0	0	0	0	0
Total State Foundation Revenue	$21,344,027	$21,152,430	$21,161,101	$21,169,878	$21,178,762

State Taxes Reimbursement/Property Tax Allocation – Line #1.050

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66, the FY06-07 budget bill, previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007, HB119 expanded the Homestead Exemption for all seniors 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who had their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will generally reduce homestead reimbursements to the district over time, and as with the rollback reimbursements above, the state is increasing the tax burden on our local taxpayers.

b) Tangible Personal Property Reimbursements – Fixed Rate

The district does not receive TPP Fixed Rate reimbursements.

c) Tangible Personal Property Reimbursements – Fixed Sum

HB 166 continued the Fixed Sum TPP phase out over five years through FY21. There will be no Fixed Sum TPP reimbursement in future years. Districts will not lose money due to the phase out. The amount of money the state is cutting its reimbursement by will be added on the local fixed sum millage and collected in local property taxes. This is directly shifting the burden to local tax payers by the state cut in Fixed Sum TPP reimbursement.

Summary of State Tax Reimbursement – Line #1.050

Source	FY23	FY24	FY25	FY26	FY27
Rollback and Homestead	$14,066,033	$13,562,241	$13,106,472	$12,650,732	$12,648,622
c) TPP Reimbursement - Fixed Sum	0	0	0	0	0
Total Tax Reimb/Prop Tax Allocations - Line #1.05	$14,066,033	$13,562,241	$13,106,472	$12,650,732	$12,648,622

Other Local Revenues – Line #1.060

All other local revenue encompasses any type of revenue that does not fit into the above lines. The main sources of revenue in this area is tuition for court placed students, student fees, and general rental fees. Pay to participate revenue was reduced from $286,498 to $6,000 since pay to participate was eliminated for the following activities: high school marching band, high school academic team, high school drama, middle school jazz band, middle school pop ensemble and elementary choir. The following high school sports had the fee eliminated: football, baseball, basketball, cheer, cross country, golf, hockey, soccer, softball, swimming, tennis, track, volleyball and wrestling. Middle school sports exempted from paying the fee are basketball, cheer, cross country, football, track, volleyball and wrestling. Some activities are not exempted from paying the fees.

In FY21 and FY22 interest income fell due to the pandemic; however, in FY23, rates have begun to rise quickly due to the Federal Reserve's strategy to combat inflation. We will closely monitor our investments to capitalize on these increased rates while they continue. Although increasing interest rates place risk on our local economy, we are able to benefit from the interest rates revenue due to our strong cash reserves. Rentals are expected to remain somewhat lower due to COVID-19 restrictions and lower participation. All other revenues are expected to continue on historic trends.

Unfortunately, HB126 was passed at the end of FY22 that will severely curtail all districts in Ohio from contesting valuation adjustments which are sought by businesses, often times without adequate supporting documentation showing a fair value. This legislation is severely one sided and will likely end in other commercial tax payers paying higher taxes when these values for some are lowered unjustly. This is an example of legislation that is passed that significantly impacts our local revenues. From FY20 to FY22, BOR/BTA revenue has represented an average of $1,454,098 of revenue annually. As seen in the table below, in FY22 these settlements realized $1,610,567 in revenue to our district which is nearly 0.61 mills of additional taxes. By FY26 we anticipate this will be gone due to legislative action at the state level which will hurt school districts across Ohio.

Source	FY23	FY24	FY25	FY26	FY27
Tuitions, SF14, SF6	$2,788,131	$2,816,012	$2,844,172	$2,872,614	$2,901,340
Interest	700,687	550,687	550,687	550,687	550,687
Medicaid	1,219,907	1,232,103	1,244,421	1,256,862	1,269,428
Service Fees & Rentals	594,601	600,547	606,552	612,618	618,744
BOR Settlements	940,690	915,690	427,125	0	0
Other Income	894,870	894,870	894,870	894,870	894,870
Total Other Local Revenue Line #1.060	$7,138,886	$7,009,909	$6,567,827	$6,187,651	$6,235,069

Short-Term Borrowing – Lines #2.010 & Line #2.020
At this time, there is no short term borrowing planned for in this forecast from any sources.

Transfers In / Return of Advances – Line #2.040 & Line #2.050
These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. For FY23, advances to the General Fund totaled $3,145,391. For subsequent fiscal years, return of advances are projected at $500,000. Ohio Revised Code Section 5705.10 prohibits funds from having a negative fund balance. Federal and state grant funds require that PCSD spend the funds first and then request reimbursement from the Ohio Department of Education. In order to avoid negative fund balance at fiscal year-end due to the timing of the reimbursement, the General Fund advances funds to the negative grant funds. After the beginning of the new fiscal year, the grant funds return the advances to the General Fund.

Source	FY23	FY24	FY25	FY26	FY27
Transfers In - Line #2.040	$506,285	$0	$0	$0	$0
Advance Returns - Line #2.050	3,145,391	500,000	500,000	500,000	500,000
Total Transfer & Advances In	$3,651,676	$500,000	$500,000	$500,000	$500,000

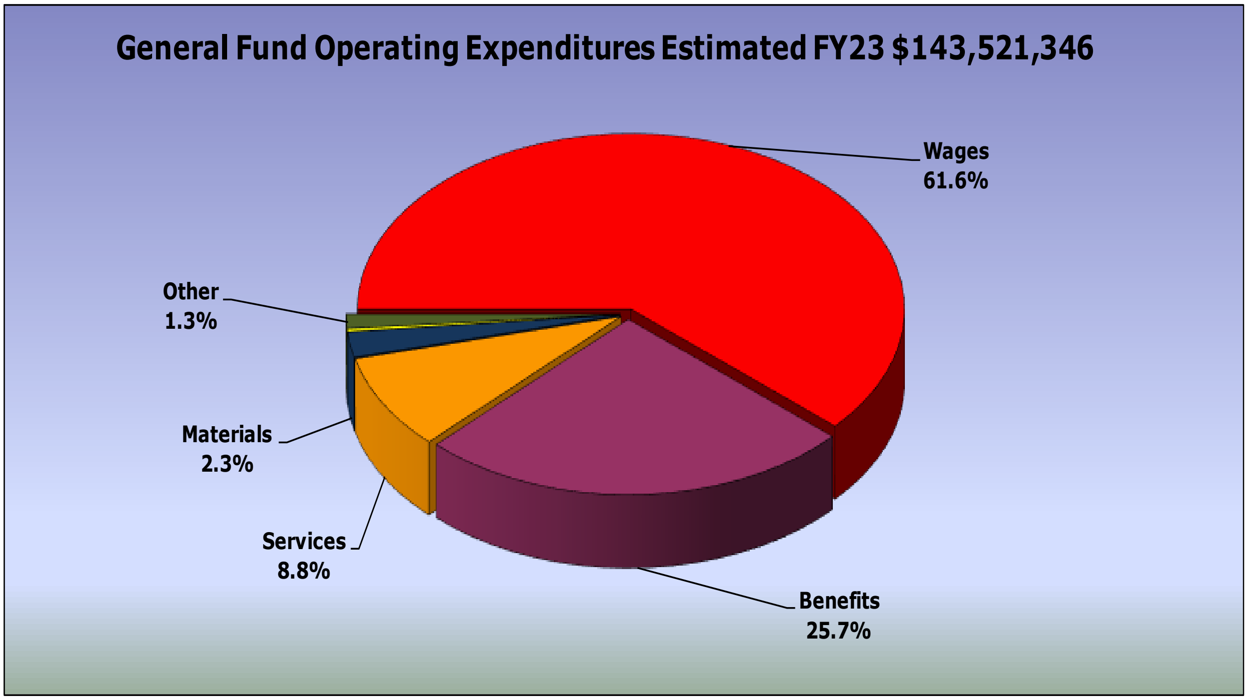
All Other Financial Sources – Line #2.060
This funding source is typically a refund of prior year expenditures that is very unpredictable. We received several Bureau of Workers Compensation refunds over the past two years and do not expect to receive a refund in FY23. For future years we are estimating an amount of refunds that are in line with historical collections.

Source	FY23	FY24	FY25	FY26	FY27
Refund of prior years expenditures	$291,887	$158,787	$158,787	$158,787	$158,787

Expenditures Assumptions

The district's leadership team is always looking at ways to improve the education of the students whether it be with changes in staffing, curriculum, or new technology needs. As the administration of the district reviews expenditures, the education of the students is always the main focus for resource utilization.

All Operating Expense Categories – General Fund FY23



Wages – Line #3.010

The salaries expense category represents the largest portion of the district's budget at 61.6% of total general fund operating expenses in FY23. Funding from the CARES Act and state funding from the Governor's student wellness initiative, reduced General Fund payroll expenses. The General Fund payroll increased in fiscal year 2021 after the CARES Act Fund (ESSER I) 507 revenue sources were completely spent. We have received two additional ESSER allocations the last of which must be spent by September 30, 2024. We have shifted wages to ESSER Fund 507 for both ESSER II and III. We are estimating that $4,400,000 of wages will be brought back to the general fund in FY25 when these funds are spent.

Certified substitute services were moved from personnel services to purchased services since the district contracted North Coast Shared Services Alliance. In fiscal year 2018, the district obtained subs using in-house services. The fill rate using in-house services was not an acceptable level. For FY23 to FY27, changes in the salary line item have been projected using estimated increases resulting from staff progression on the salary schedule, degree changes and increases due to inflationary pressures. In FY23, negotiations with bargaining unit members resulted in an agreement to include base increases for certified staff of 2.0% and increases for classified staff of 13.45%. For planning purposes a 3.05% base increase amount has been used for FY24, a 2.61% was used for FY25 and 3.0% for FY26-27.

In FY24 building consolidation savings of $3,358,114 in wages have been factored into the forecast.

Source	FY23	FY24	FY25	FY26	FY27
Base Wages	$84,824,371	$87,205,640	$86,232,876	$93,861,174	$97,886,443
Steps & Training	1,357,190	1,395,290	1,379,726	1,501,779	1,566,183
ESSER Fund 507 Adj.	0	0	4,400,000	0	0
Substitutes	1,260,693	1,299,144	1,333,051	1,373,043	1,414,234
Supplementals	2,058,227	1,489,539	2,354,416	2,425,048	2,497,800
Staff Reductions	(1,363,064)	(2,726,651)	(354,920)	(292,345)	(295,268)
Severence	300,000	300,000	300,000	300,000	300,000
Building Consolidation	0	(1,917,470)	(383,494)	0	0
Total Wages Line #3.010	$88,437,417	$87,045,492	$95,261,655	$99,168,699	$103,369,392

Fringe Benefits Estimates Line #3.020

This area of the forecast captures all costs associated with benefits and retirement costs.

A) STRS/SERS

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law. The district is required to pay SERS Surcharge which is an additional employer charge based on the salaries of lower-paid members. It is exclusively used to fund health care.

B) Insurance

We are saw an increase of 6.0% in FY22, and we are estimating a 7.47% increase FY23, 1.25% for FY24 and 6% for FY25-27 which reflects trend and moderate claims we are seeing. This is based on our current employee census and claims data.

The Further Consolidated Appropriations Act of 2020, included a full repeal of three taxes originally imposed by the Affordable Care Act (ACA): the 40% Excise Tax on employer-sponsored coverage (a.k.a. “Cadillac Tax”), the Health Insurance Industry Fee (a.k.a. the Health Insurer Tax), and the Medical Device Tax. These added costs are no longer an uncertainty factor for our health care costs in the forecast.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to be about 0.50% of wages FY23. Unemployment is expected to fluctuate FY24-FY27 based on possible staff adjustments from building consolidations. The district is a direct reimbursement employer, which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Medicare will continue to increase at the rate of increases in wages and as new employees are hired. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Summary of Fringe Benefits – Line #3.020

Source	FY23	FY24	FY25	FY26	FY27
A) STRS/SERS	$13,950,902	$14,069,723	$14,986,745	$15,624,981	$16,289,557
B) Insurance's	21,087,162	20,750,889	22,885,860	24,194,696	25,581,419
C) Workers Comp/Unemployment	435,599	801,312	533,955	487,221	507,496
D) Medicare	1,229,869	1,245,177	1,329,037	1,378,524	1,437,782
Other/Tuition	239,919	239,919	239,919	239,919	239,919
Total Fringe Benefits - Line #3.020	$36,943,451	$37,107,020	$39,975,515	$41,925,341	$44,056,173

Purchased Services – Line #3.030

Under HB110 the new state budget impacted Purchased Services beginning in FY22 as the Ohio Department of Education began to direct pay these costs to the educating districts for open enrollment, community and STEM schools, and for scholarships granted students to be educated elsewhere, as opposed to deducting these amounts from our state foundation funding and shown below as expenses. We have continued to show these amounts below as zeros to help reflect the difference between projected FY23-FY27 Line #3.030 costs and historical FY20 through FY22 costs on the five year forecast. College Credit Plus, excess costs and other tuition costs will continue to draw funds away from the district, which will continue in this area and have been adjusted based on historical trend.

Certified substitute services were moved from personnel services to purchased services since the district contracted North Coast Shared Services Alliance. In fiscal year 2018, the district obtained subs using in-house services. The fill rate using in-house services was not an acceptable level. The sub rates increased to $150 a day beginning in November 2021 which is a 50% increase in the daily rate. Additional ESSER II and III funds have been allocated to our district that can be used through September 2023 and September 2024 which will continue to offset the COVID expenses noted above and help with academic support for lost learning due to school closures as a result of the pandemic.

Contract transportation costs are expected to rise substantially in FY24 due to the shortage of bus drivers and increased service.

In FY24 we estimate a reduction in building maintenance and utilities due to building consolidation of $662,000.

Source	FY23	FY24	FY25	FY26	FY27
Base Services	$924,723	$924,723	$724,723	$724,723	$724,723
Transportation	767,290	1,782,636	1,818,289	1,854,655	1,891,748
Open Enrollment Deduction-477	0	0	0	0	0
Community School Deductions-478	0	0	0	0	0
Tuition Inc. Ed. Choice & Scholarships-471-479	3,760,951	3,836,170	3,912,893	3,991,151	4,070,974
Professional Support 41x	3,583,869	3,619,708	3,655,905	3,692,464	3,729,389
Building Maintanence & Services 42x	1,235,047	1,100,163	1,122,166	1,144,609	1,167,501
Utilities	2,288,880	1,834,658	1,871,351	1,908,778	1,946,954
Total Purchased Services - Line #3.030	$12,560,760	$13,098,058	$13,105,327	$13,316,380	$13,531,289

Supplies and Materials – Line #3.040

Instructional and general supply costs represent the largest portion of all supplies and material expenses. During the current fiscal year, the district renewed up-front licenses for educational programs that have expired. Also, the district in planning on purchasing textbooks at a General Fund cost of $792,513. Transportation related supply expenses now represent the smallest portion of all supplies and materials. Bus repairs are expected to decrease with the purchase of 34 new busses in FY19 and 10 new busses in FY20, which replaced older buses. We have added $50,000 to supplies FY22-FY26 for performing arts per Board Resolution. Additional ESSER II and III funds have been allocated to our district that can be used through September, 2023 and September 2024 which will continue to offset the COVID expenses noted above and help with academic support for lost learning due to school closures as a result of the pandemic.

In FY23 our supplies for resale will increase by $400,000. In FY24 we anticipate a reduction of building maintenance expenses as a result of the building consolidation.

Source	FY23	FY24	FY25	FY26	FY27
Supplies	$1,522,164	$1,567,829	$1,614,864	$1,663,310	$1,713,209
Textbooks	792,513	800,438	808,442	816,526	824,691
Building Maintenance	490,914	449,492	453,987	458,527	463,112
Transportation	507,945	513,024	518,154	523,336	528,569
Total Supplies - Line #3.040	$3,313,536	$3,330,783	$3,395,447	$3,461,699	$3,529,581

Equipment – Line #3.050

The District does not anticipate costs increasing significantly in this line because most capital outlay is paid by the Permanent Improvement Fund. Additional ESSER II and III funds have been allocated to our district that can be used through September, 2023 and September 2024 which will continue to offset the COVID expenses noted above and help with academic support for lost learning due to school closures as a result of the pandemic.

Source	FY23	FY24	FY25	FY26	FY27
Capital Outlay	$251,686	$256,720	$261,854	$267,091	$272,433
Technology	166,464	169,793	173,189	176,653	180,186
Total Equipment - Line #3.050	$418,150	$426,513	$435,043	$443,744	$452,619

Principal and Interest Payment – Lines #4.050 and 4.060

Per the District's Fiscal Recovery Plan submitted to the Ohio Department of Education, the District began paying these expenses from the Permanent Improvement Fund beginning in FY 2018.

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit and other miscellaneous expenses.

Source	FY23	FY24	FY25	FY26	FY27
County Auditor & Treasurer Fees	$1,375,692	$1,389,449	$1,403,343	$1,417,376	$1,431,550
County ESC	60,818	61,426	62,041	62,661	63,288
Other expenses	411,522	411,522	411,522	411,522	411,522
Total Other Expenses - Line #4.300	$1,848,032	$1,862,397	$1,876,906	$1,891,559	$1,906,360

Transfers Out/Advances Out – Line #5.010

This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. In FY23 $500,000 is transferred to our budget reserve.

Source	FY23	FY24	FY25	FY26	FY27
Operating Transfers Out - Line #5.010	$502,100	$500,000	$500,000	$500,000	$500,000
Advances Out - Line #5.020	500,000	500,000	500,000	500,000	500,000
Total Transfer & Advances Out	$1,002,100	$1,000,000	$1,000,000	$1,000,000	$1,000,000

Encumbrances – Line #8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

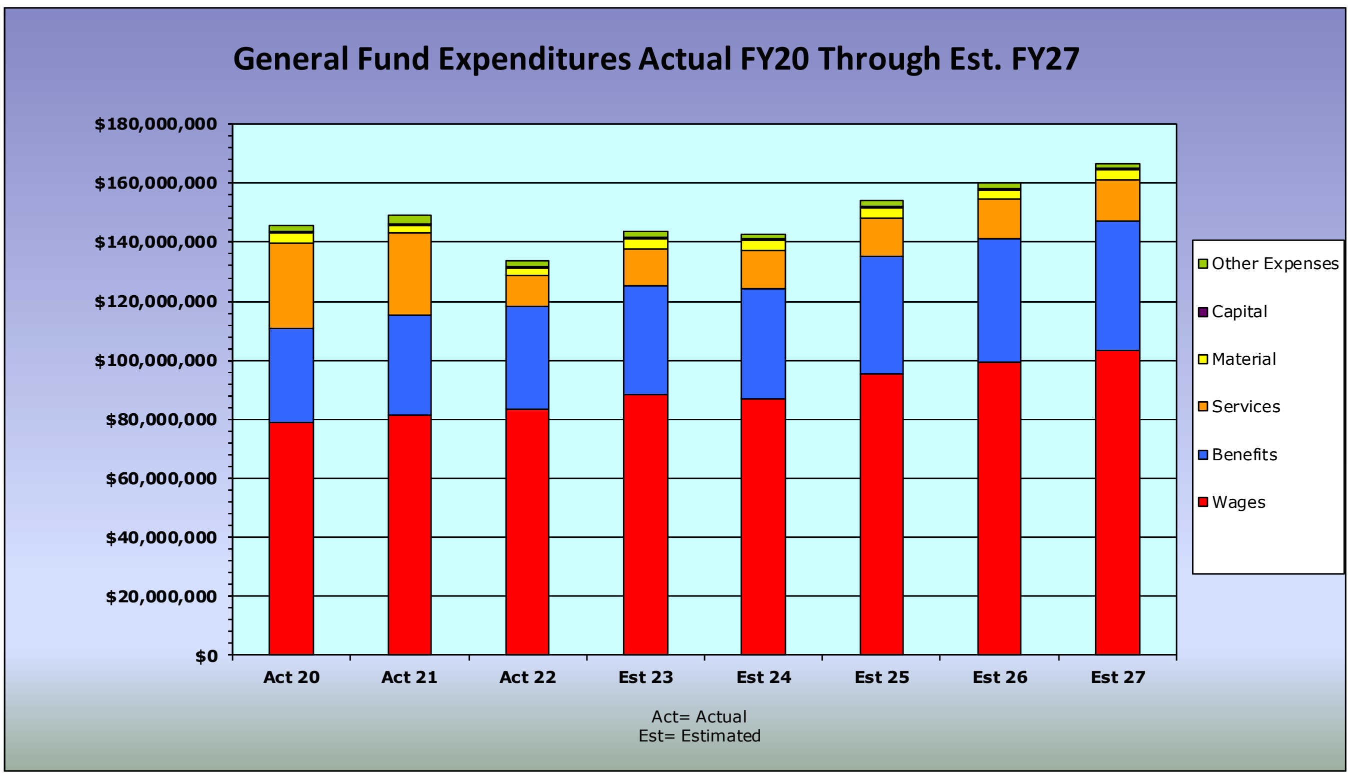
	FY23	FY24	FY25	FY26	FY27
Estimated Encumbrances	$550,000	$550,000	$550,000	$550,000	$550,000

Budget Reserve – Line #9.080

In May 2019, the board passed a resolution to maintain a general fund reserve of $500,000 beginning in FY20.

Source	FY23	FY24	FY25	FY26	FY27
Budget Reserve - Line #9.030	$2,000,000	$2,500,000	$3,000,000	$3,500,000	$4,000,000
Total Reservations of Balance - Line #9.080	$2,000,000	$2,500,000	$3,000,000	$3,500,000	$4,000,000

Operating Expenditures Actual FY20 through FY22 and Estimated FY23-FY27
As the graph below indicates, we have been diligent at reducing costs in reaction to lower and flat state revenues in the past. We are maintaining control over our expenses while balancing student academic needs to enable them to excel and do well on state performance standards.



Ending Unencumbered Cash Balance - Including Renewal of the $7.6 million Emergency Levy – Line #15.010
This amount must not go below $0 or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed that results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000. It is recommended by the GFOA and other authoritative sources that a district maintains a minimum of thirty (30) to sixty (60) day cash balance. The district falls below the thirty (30) day rate in FY25.

	FY23	FY24	FY25	FY26	FY27
Ending Unencumbered Cash Balance Line #15.010	$42,513,020	$39,479,129	$26,007,905	$6,506,778	($19,428,553)

True Cash Days Ending Balance –Including Levy Renewal

Another way to look at ending cash is to state it in 'True Cash Days". In other words, how many days could the district operate at year end if no additional revenues were received. This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = number of days the district could operate without additional resources or a severe resource interruption. The government finance officers association recommends no less than two (2) months or 60 days cash is on hand at year end but should be no less than thirty (30) at a minimum. This is calculated including transfers as this is a predictable funding source for other funds such as capital, athletics and severance reserves. The district is not projecting being able to maintain a sixty (60) day true cash day balance after FY24. It is critical that the district renew the $7.6 million emergency levy.