PARMA CITY SCHOOL DISTRICT-CUYAHOGA COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2021, 2022, and 2023 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2024, THROUGH JUNE 30, 2028

Forecast Provided By
Parma City School District
Treasurer's Office
Mr. Sean Nuccio, CPA, Treasurer/CFO
May 9, 2024

Parma City School District – Cuyahoga County
Notes to the Five Year Forecast
General Fund Only
May 9, 2024

Introduction to the Five-Year Forecast
A forecast is like a future painting based on a snapshot of today. That snapshot, however, will be adjusted because the further into the future the forecast extends, the more likely it is that the projections will deviate from experience. Various 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 a crucial management tool and must be updated periodically. The five-year forecast enables 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 the Department of Education and Workforce (DEW) when events significantly change their forecast or, at a minimum when required under the 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 of the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are fundamental 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 of the school district with any questions you may have. The Treasurer/CFO submits the forecast, but the Board of Education is recognized as the official owner of the forecast.

Here are three essential 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-year financial forecast by November 30, 2023, and May 31, 2024, for the fiscal year 2024 (July 1, 2023, to June 30, 2024). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. The fiscal year 2024 (July 1, 2023-June 30, 2024) is the first year of the five-year forecast and is considered the baseline year. Our forecast is updated to reflect the most current economic data available for the May 2024 filing.

May 2024 Updates:

<u>Revenues FY24</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 $146.77million or 1.35% higher than the November forecasted amount of $144.81 million. This indicates that the November forecast was 98.65% accurate.

Line 1.01 and 1.02 - Property tax revenues represent our most significant source of revenues at 68% and are estimated to be $99.8 million, which is $1.57 million higher for FY24 than the original November estimate of $98.23 million. Our estimates are 98.4% accurate for FY24 and should mean future projections are also on target.

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 $24.64 million, which is $390 thousand lower than the original estimate for FY24. We are pleased that we were able to be 98.4% accurate for FY24. We are currently on the formula and are expected to remain as a formula district for FY25 through FY28.

Line 1.06 - Other revenues are up $800 thousand over original estimates, primarily due to interest received by the district, which is somewhat unpredictable from year to year due to interest rate fluctuations.

All areas of revenue are tracking as anticipated for FY24 based on our best information at this time.

Expenditures FY24

Total General Fund expenditures (line 4.5) are estimated to be $144.68 million for FY24, which is $654.5 thousand lower than the original estimate of $145.34 million in the November forecast, which is roughly 99.55% on target with initial estimates. The expenditure line most significantly over/under projection is Personnel Services (line 3.010) due to charging off costs to student wellness and success fund 467.

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 decreasing our ending unreserved cash balance June 30, 2024, is anticipated to be roughly $44.74 million. 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.

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.

Forecast Risks and Uncertainty:

A five-year financial forecast has risks and uncertainty not only due to economic delays noted above but also due to state legislative changes that will occur in the spring of 2025 and 2027 due to deliberation of the following two (2) state biennium budgets for FY26-27 and FY28-29, both of which affect this five-year forecast. We have estimated revenues and expenses based on the best data available and the laws currently in effect. The items below give a short description of the current issues and how they may affect our forecast in the long term:

1) Property tax collections are the largest single revenue source for the school system. The housing market in our district is stable and growing. We project growth in appraised values every three (3) years and new construction growth with modest increases in local taxes as the pandemic ends and the economy continues its recovery as anticipated. Total local revenues, predominately local taxes, equating to 73.98% of the district's resources. Our tax collections in the August 2023 and March 2024 settlements showed average collection trends. We believe there is a low risk that local collections would fall below projections throughout the forecast.

2) Cuyahoga County experienced a reappraisal update in tax year 2021 for collection in 2022. The value increased for Class I and II property by $427.14 million for an overall weighted average increase of 19.33%. A reappraisal will occur in tax year 2024 for collection in FY25. We anticipate value increases for Class I and II property by

$281.5 million for an overall increase of 10.63%. However, there is always a slight risk that the district could sustain a reduction in values in the next appraisal update, but we do not anticipate that now.

The legislature has formed a "Joint Committee on Property Tax Review and Reform" which is pending as of this forecast. We are watching these deliberations closely as they could impact future reappraisals. We are watching the Joint Committee carefully and will adjust the forecast pending their outcome.

3) The state budget represented 26.02% of district revenues, which means it is a significant risk to the revenue. The future risk comes in FY26 and beyond if the state economy stalls due to the record high inflation or the Fair School Funding Plan is not funded in future state budgets due to an economic recession. In this forecast, two forthcoming State Biennium Budgets cover FY26-27 and FY28-29. Future uncertainty in the state foundation funding formula and the state's economy make this area an elevated risk to district funding long-range through FY28. We have projected our state funding in FY24 and FY25 based on the additional phase-in of HB33 (the fair school funding plan). This forecast reflects state revenue to align with the FY25 funding levels through FY28, which we feel is conservative and should be close to what–the state approves for the FY26-FY28 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

4) HB33, the current state budget, continues to phase in what has been referred to as the Fair School Funding Plan (FSFP) for FY24 and FY25. FY24 reflects 50% of the implementation cost at year three of a six-year phase-in plan, which increases by 16.66% each year. FY25 will result in 66.66% funding of (FSFP), however, the final two years of the phase-in are not guaranteed. The FSFP has made 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. We have used the most recent simulations published by the Department of Education and Workforce for our forecasted revenues in FY24 and FY25.

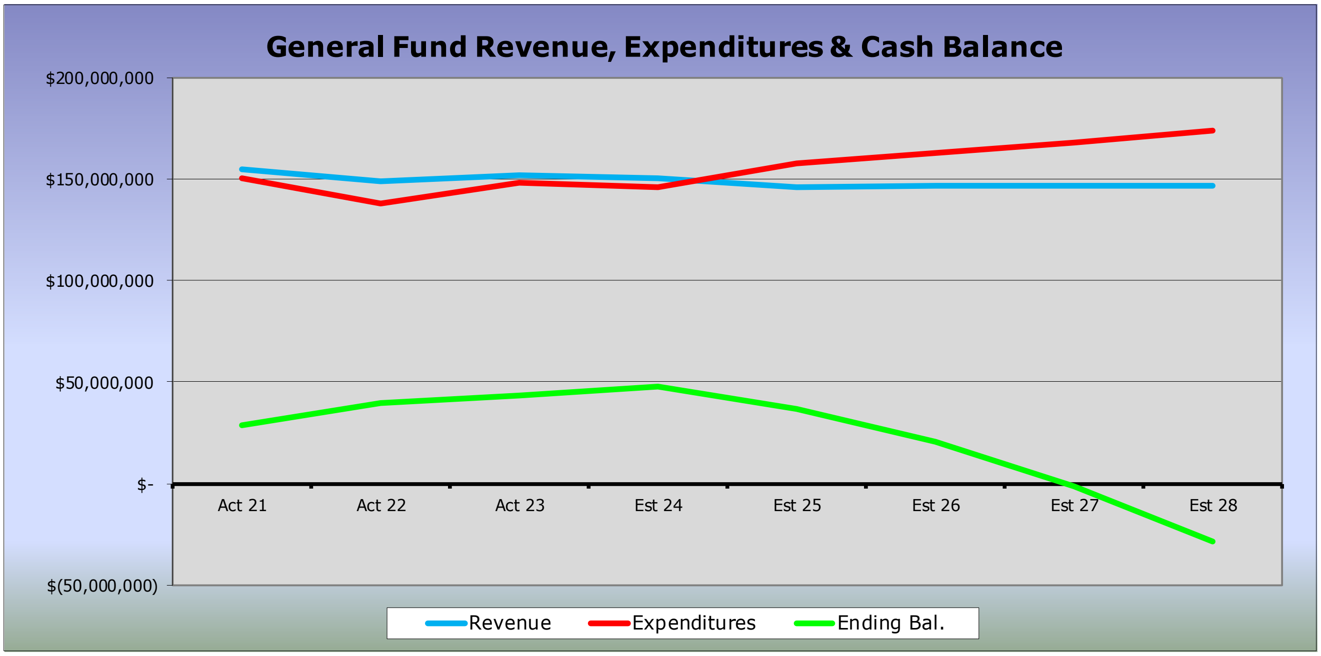
5) HB33 directly pays costs associated with open enrollment, community and STEM schools, and all scholarships, including EdChoice Scholarships. These costs are no longer deducted from our state aid. However, education option programs such as College Credit Plus continue to be removed from state aid, increasing costs to the district. Expansion or creation of programs not directly paid by the state of Ohio can expose the district to new expenditures currently outside the forecast. We closely monitor any new threats to our state aid and increased costs as new proposed laws are introduced in the legislature.

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. Our positive working relationship will continue and grow stronger as we move forward.

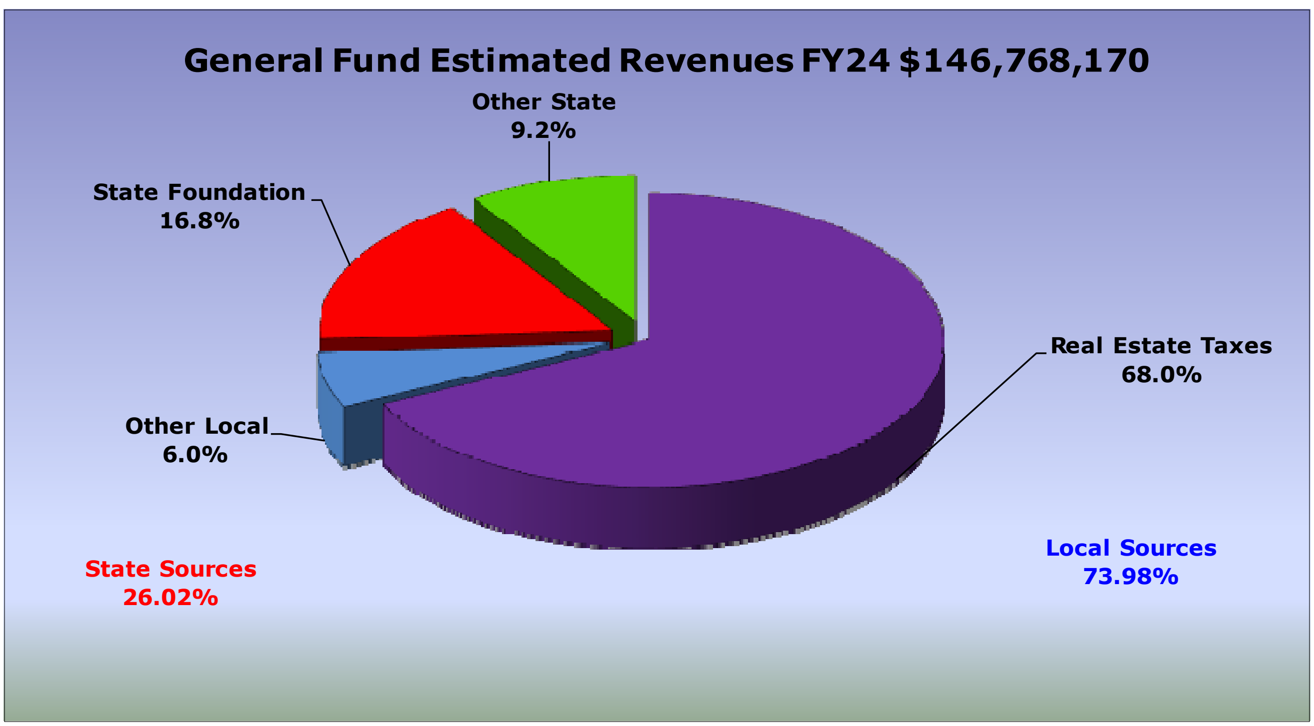
The significant lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should assist the reader in reviewing the assumptions noted below to understand the overall financial forecast for our district. If you want further information, please contact Sean Nuccio, CPA, Parma CSD Treasurer/CFO at 440.885.2324.

General Fund Revenue, Expenditures, and Ending Cash Balance Actual FY21-23 and Estimated FY24-28

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



Revenue Assumptions
Operating Revenue Sources General Fund FY24



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 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 $279.04 million for an overall increase of 10.86%. 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 and our limited ability to challenge them with the newly passed HB126.

Public Utility Personal Property (PUPP) values increased by $2.88 million in Tax Year 2023. We expect our values to continue to grow by $2.5 million each year of the forecast.

Tax Rate Assumptions

The county auditor sets tax rates for each levy voted on to provide tax revenues for the school district. Ohio law provides for "reduction factors" of all voted property tax levies to adjust the millage rates lower for the levy to not increase from inflation of property values for the taxes received by a district to that of the actual amount of the levy at the time of the election. The reduction factors are applied separately to Residential/Agriculture (Class I) and Commercial/Industrial (Class II) resulting in different effective millage rates. The district-voted rate for all general fund levies is 68.2 mills while the Class I effective millage rate is 40.71 mills and the Class II effective millage rate is 47.51 mills. The Ohio law has a provision that the reduction factors cannot lower the total millage rate for each class less than 20 mills (excluding emergency and substitute emergency levies), which includes both the voted and the non-voted millage rates; this is called the "20-Mill Floor". Currently, our district is not on the floor for either Class I (24.11 mills) or Class II (30.91 mills). Any emergency or substitute emergency levy that is voted on is not included in the 20-mill floor, the district in Tax Year 2023 has four (4) emergency levies totaling 16.60 mills that was voted on for an annual amount of $40.488 million of taxes.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Actual TAX YEAR2023 COLLECT 2024	Estimated TAX YEAR2024 COLLECT 2025	Estimated TAX YEAR 2025 COLLECT 2026	Estimated TAX YEAR 2026 COLLECT 2027	Estimated TAX YEAR 2027 COLLECT 2028
Res./Ag.	$2,154,702,710	$2,413,167,035	$2,413,067,035	$2,412,967,035	$2,581,774,728
Comm./Ind.	413,597,500	434,177,375	434,077,375	433,977,375	446,896,696
Public Utility Personal Property (PUPP)	79,248,170	81,748,170	84,248,170	86,748,170	89,248,170
Total Assessed Value	$2,647,548,380	$2,929,092,580	$2,931,392,580	$2,933,692,580	$3,117,919,594

Estimated Real Estate Tax (Line #1.010)

Source	FY24	FY25	FY26	FY27	FY28
General Property Taxes	$94,489,407	$95,392,033	$95,988,296	$95,891,894	$96,367,161

Property tax levies are estimated to be collected at 97% of the annual amount. This allows a 3% delinquency factor. In general, 52.75% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 47.25% in the August tax settlement. 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 and FY28 above due to the $7.6 million emergency levy and $8.1 million emergency levy being moved to Line #11.020 as noted below.

Estimated Public Utility Personal Property (PUPP) Taxes – Line #1.020
The amounts below are public utility tangible personal property (PUPP) tax payments from public utilities. The values for PUPP are noted in the table above under P.U. Personal, which was $79.25 million in assessed values in 2023 and is collected at the district's gross voted millage rate. Collections are typically 50% in March and 50% in August, along with the real estate settlements from the county auditor. The values in 2023 rose by $2.88 million and are expected to grow by $2.5 million each year of the forecast.

Source	FY24	FY25	FY26	FY27	FY28
Public Utility Personal Property (Line #1.020)	$5,309,808	$5,426,408	$5,530,908	$5,693,485	$5,820,119

Levy Renewal –Line #11.020
The district renewed the $7.6 million emergency levy and the $8.1 million emergency levy November 7, 2024 merging them into a 10 year $15,665,500 levy that will expire December 31, 2034. to continue collection. The renewal of these levies merged into one is no new tax increase to the district or to the taxpayers.

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 HB33 through June 30, 2025

A) Unrestricted State Foundation Revenue– Line #1.035
HB33, the current state budget, continued the Fair School Funding Plan for FY24 and FY25. We have projected FY24 funding based on the April 2024 foundation settlement and funding factors.

Our district is currently a formula district in FY24 and is expected to continue on the formula in FY25-FY28 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, then HB110, as amended by HB583 for FY22 and FY23, with continuation of this formula in HB33 for FY24 and FY25. The current formula introduced 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 FY24 through FY28 compared to real data in FY21 through FY23 on Lines 1.035, 1.04, 1.06, and 3.03 of the forecasts.

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.

<u>Base Cost Approach - Unrestricted Basic Aid Foundation Funding</u>
The current funding formula uses FY22 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 FY24 and FY25 and remain frozen at FY22 levels,

while other factors impacting a district's local capacity will update for FY24. 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 $8,242.19 per pupil in FY24, 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. HB33 increased the minimum state share from 5% in FY23 to 10% for FY24 and FY25. 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-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's 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 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. 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 37.5% in FY24 and 41.67% in FY25.

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 50% for FY24 and 66.67% in FY25.
2. English Learners – Based on funded categories based on the time students 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 are based on initiatives similar to those for DPIA. They are restricted funds for school climate, attendance, discipline, and academic achievement programs.

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 by HB583 in June 2022 and has now extended the plan in HB33 for FY24 and FY25. The FSFP does not include caps on funding; instead, it will consist of a general phase-in percentage for most components of 50% in FY24 and 66.67% in FY25.

The funding formula 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 FY24 and FY25 than they received in FY21.

Future State Budget Projections beyond FY25

Our funding status for FY26-28 will depend on unknown (2) new state budgets. There is no guarantee that the current Fair School Funding Plan in HB33 will be funded or continued beyond FY25; therefore, our state funding estimates are reasonable, and we will adjust the forecast when we have authoritative data to work with. For this reason, funding is held constant in the forecast for FY26 through FY28.

Casino Revenue

On November 3, 2009, Ohio voters passed the Ohio casino ballot issue. This issue allowed four (4) casinos to open 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% of Gross Casino Revenue that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year, beginning for the first time on January 31, 2013.

The casino revenue has recovered from the pandemic from closing the casinos in 2020. Total funding in FY22, was $109.39 million for schools or $62.86 per pupil, in FY23, the funding totaled $113.1 million or $64.90 per pupil, and in FY24 the funding totaled $113.11 million or $65.02 average per pupil. We expect the casino revenues to have resumed their historical growth rate and are assuming a 1.5% annual growth rate for the remainder of the forecast.

Source	FY24	FY25	FY26	FY27	FY28
Basic Aid-Unrestricted	$17,396,910	$15,488,548	$15,488,548	$15,488,548	$15,488,548
Additional Aid Items	1,988,140	2,137,307	2,137,307	2,137,307	2,137,307
Basic Aid-Unrestricted Subtotal	$19,385,050	$17,625,855	$17,625,855	$17,625,855	$17,625,855
Credential	0	0	0	0	0
Ohio Casino Commission ODT	588,521	594,060	599,596	605,164	610,763
Total Unrestricted State Aid - Line #1.035	$19,973,571	$18,219,915	$18,225,451	$18,231,019	$18,236,618

B) Restricted State Revenues – Line #1.040

HB33 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding. In addition, new restricted funds have been added 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. We have estimated revenues for these new restricted funding lines using current October funding factors. The amount of DPIA is limited to a 50% phase in growth for FY24 and 66.67% in FY25. We have flat-lined funding at FY25 levels for FY26-FY28 due to uncertainty on continued funding of the current funding formula.

HB33 set aside $64 million state-wide to subsidize the cost of high-quality instructional materials (HQIM) purchased by schools and districts aligned to the Science of Reading. The funds are provided to support both high-quality core curriculum and instructional materials in English language areas and evidenced-based reading intervention programs. The district received $53,609 from this one-time subsidy in FY24 and is required to maintain documentation as to how the funds were leveraged along with expenses incurred beyond the subsidy.

Source	FY24	FY25	FY26	FY27	FY28
DPIA	$1,861,888	$2,156,406	$2,281,083	$2,281,083	$2,281,083
Career Tech	645,697	527,579	646,359	646,359	646,359
Gifted	332,441	256,260	331,436	331,436	331,436
ESL	131,716	123,408	117,588	117,588	117,588
Student Wellness	661,410	662,215	662,505	662,505	662,505
Other Restricted State Funds	153,609	0	0	0	0
Catastrophic	881,241	881,241	881,241	881,241	881,241
Total Restricted State Revenues - Line #1.040	$4,668,002	$4,607,109	$4,920,212	$4,920,212	$4,920,212

C) Restricted Federal Grants in Aid – Line #1.045

There are no federal restricted grants projected during this forecast.

Summary of State Foundation Revenues	FY24	FY25	FY26	FY27	FY28
Unrestricted Line #1.035	$19,973,571	$18,219,915	$18,225,451	$18,231,019	$18,236,618
Restricted Line #1.040	4,668,002	4,607,109	4,920,212	4,920,212	4,920,212
Restricted Fed. Grants Line #1.045	0	0	0	0	0
Total State Foundation Revenue	$24,641,573	$22,827,024	$23,145,663	$23,151,231	$23,156,830

State Taxes Reimbursement/Property Tax Allocation – Line #1.050

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from the State of Ohio for tax credits given to owner-occupied residences. Credits equal 12.5% of the gross property taxes charged to residential taxpayers on levies passed before September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013.

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 or older or disabled, regardless of income. Effective September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who still need to get their Homestead Exemption approved or those who did not get a new application approved for the tax year 2013 and who become eligible after that 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 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. A cut in state funding form the state.

c) Tangible Personal Property Reimbursements – Fixed Sum
The district does not receive TPP Fixed Sum reimbursements any longer. A cut in funding from the state.

Summary of State Tax Reimbursement – Line #1.050

Source	FY24	FY25	FY26	FY27	FY28
Rollback and Homestead	$13,543,511	$13,653,150	$13,789,808	$13,773,886	$13,861,814
Total Tax Reimb/Prop Tax Allocations - Line #1.05	$13,543,511	$13,653,150	$13,789,808	$13,773,886	$13,861,814

Other Local Revenues – Line #1.060
All other local revenue encompasses any revenue that does not fit the above lines. The primary sources of revenue in this area have been open enrollment, interest on investments, tuition for court-placed students, student fees, Board of Revision and Board of Tax Appeals settlements, and general rental fees. HB33, continues paying open enrollment students in the enrolled student base at the school district where they are being educated, and state aid will follow the students. Open-enrolled student revenues will be included in Line 1.035 as basic state aid.

Interest income is based on the district's cash balances and increased interest rates due to the Federal Reserve raising rates to curb inflation. Once the economy stabilizes, there will be pressure on the Federal Reserve to lower interest rates, which we believe will be sometime in 2024, decreasing the opportunity for more significant interest income for the district. Our ending cash balance is also falling which will lower investment earnings. We will continue to monitor the investments for the district. Rentals are expected to return to pre-pandemic levels over time. All other revenues are expected to continue on historical trends.

Unfortunately, HB126 was passed at the end of FY22 that has 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 FY24 these settlements are estimated to realize $915,690 in revenue to our district. By FY26 we anticipate this will be gone due to legislative action at the state level which will hurt school districts across Ohio.

Source	FY24	FY25	FY26	FY27	FY28
Tuitions, SF14, SF6	$2,748,791	$2,776,279	$2,804,042	$2,832,082	$2,860,403
Interest	2,623,156	2,473,156	2,173,156	1,873,156	1,573,156
Medicaid	1,012,174	1,022,293	1,032,513	1,042,835	1,053,260
Service Fees & Rentals	688,987	695,877	702,836	709,864	716,963
BOR Settlements	915,690	427,125	0	0	0
Other Income	795,073	795,073	795,073	795,073	795,073
Total Other Local Revenue Line #1.060	$8,783,871	$8,189,803	$7,507,620	$7,253,010	$6,998,855

Short-Term Borrowing – Lines #2.010 & Line #2.020
There is no short-term borrowing projected in this forecast.

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 $2,760,682 for FY24 and then $500,000 FY25 through FY28. 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	FY24	FY25	FY26	FY27	FY28
Transfers In - Line #2.040	$500,000	$0	$0	$0	$0
Advance Returns - Line #2.050	2,760,682	500,000	500,000	500,000	500,000
Total Transfer & Advances In	$3,260,682	$500,000	$500,000	$500,000	$500,000

All Other Financial Sources – Line #2.060

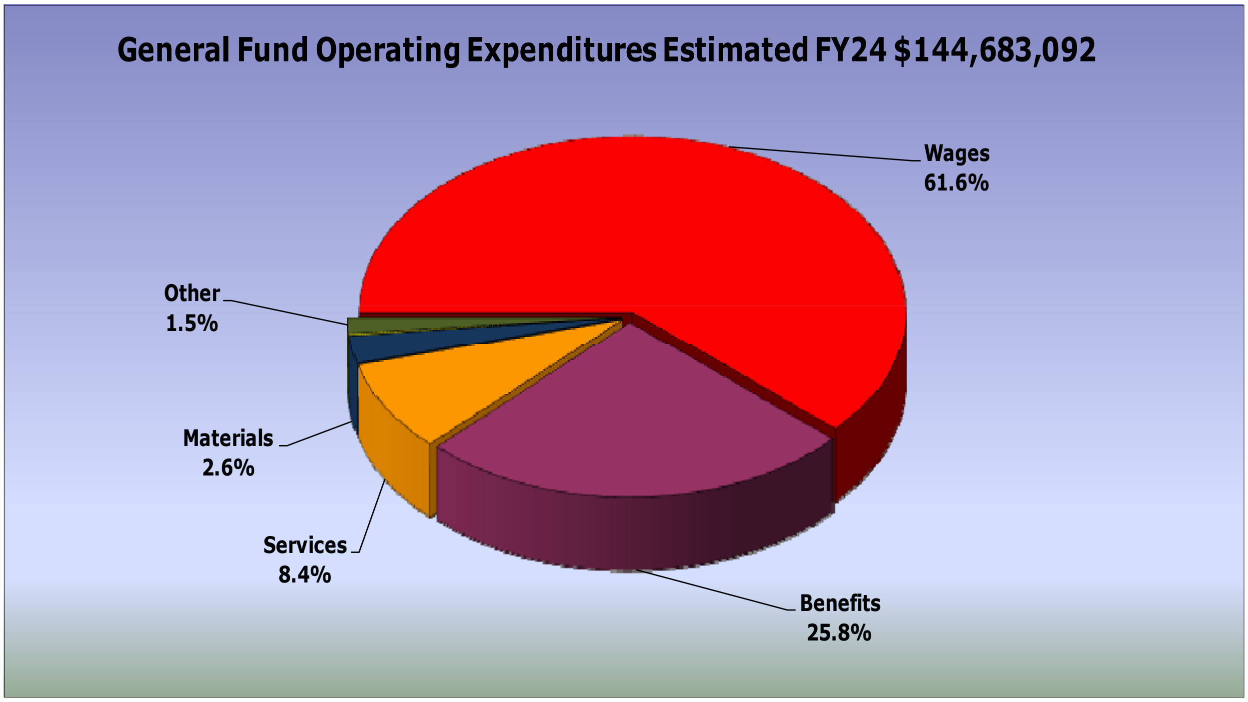
This funding source is typically a refund of prior year expenditures that is very unpredictable. We received several Bureau of Workers Compensation refunds over the past two years and do not expect to receive a refund in FY24. For future years we are estimating an amount of refunds that are in line with historical collections.

Source	FY24	FY25	FY26	FY27	FY28
Refund of prior years expenditures	$224,607	$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 FY24



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 FY24. 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 (ESSER III) 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. We charged $651,416 of General Fund wages to Fund 467 Student Wellness and Success in FY24 completing the use of those funds.

Certified substitute services were moved from personnel services to purchased services since the district contracted North Coast Shared Services Alliance now the Ohio Substitute Teacher Service. 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 FY24 to FY28, 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 3.0% 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 2.0% for FY26-28.

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

Source	FY24	FY25	FY26	FY27	FY28
Base Wages	$89,139,520	$88,248,173	$95,086,693	$98,217,469	$101,458,030
Steps & Training	1,426,232	1,411,971	1,521,387	1,571,480	1,623,328
ESSER & SWSF Adjustments	-651,416	4,400,000	0	0	0
Substitutes	1,365,583	1,401,224	1,429,249	1,457,834	1,486,990
Supplementals	2,223,794	3,107,835	3,169,992	3,233,391	3,298,059
Staff Reductions	(2,726,651)	(354,920)	(292,345)	(295,268)	(298,221)
Severence	300,000	300,000	300,000	300,000	300,000
Building Consolidation	(1,917,470)	(383,494)	0	0	0
Total Wages Line #3.010	$89,159,592	$98,130,789	$101,214,975	$104,484,906	$107,868,187

Fringe Benefits Estimates Line #3.020

This area of the forecast captures all benefits and retirement costs. These payments are included in the table below.

A) STRS/SERS

As the law requires, the BOE pays 14% of all employee wages to STRS or SERS. The district is also required to pay SERS Surcharge, 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 7.5% increase FY23, we are estimating 1.25% for FY24 and 5.48% for FY25, and then 6.0% for FY26-28 which reflects trend and moderate claims we are seeing. This is based on our current employee census and claims data.

C) Workers Compensation & Unemployment Compensation

Workers' Compensation is expected to be approximately .91% of wages FY24 and .5% FY25– FY28. Unemployment is likely to remain at a shallow level FY24-FY28. The district is a direct reimbursement employer, meaning unemployment costs are only incurred and due if we have eligible employees and draw unemployment.

D) Medicare

Medicare will continue to increase at the rate of wage increases 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	FY24	FY25	FY26	FY27	FY28
A) STRS/SERS	$14,493,639	$15,426,715	$15,934,744	$16,452,019	$16,987,249
B) Insurance's	20,363,208	22,369,030	23,646,856	25,000,708	26,435,141
C) Workers Comp/Unemployment	811,460	547,727	500,536	516,379	532,767
D) Medicare	1,273,667	1,358,726	1,396,578	1,442,659	1,490,356
Other/Tuition	365,118	365,118	365,118	365,118	365,118
Total Fringe Benefits - Line #3.020	$37,307,092	$40,067,315	$41,843,832	$43,776,883	$45,810,631

Purchased Services – Line #3.030

HB110, the previous state budget, impacted Purchased Services beginning in FY22 as the Department of Education and Workforce will directly pay these costs to the education districts for open enrollment, community, and STEM schools and for scholarships granted to 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 offer these amounts below as zeros to help reflect the difference between projected FY24-FY28 Line 3.03 costs and historical FY21 through FY23 costs on the five-year forecast. College Credit Plus, excess fees, and other tuition costs will continue to draw funds away from the district, which will continue in this area and has been adjusted based on historical trends. We reduced costs in purchased services for FY20 and 21 for the Fund 467 recoding for our SROs and then returned these costs to the General Fund in FY23-28.

Certified substitute services were moved from personnel services to purchased services since the district contracted North Coast Shared Services Alliance now the Ohio Substitute Teacher Service. 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. These funds will be gone after September 2024.

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	FY24	FY25	FY26	FY27	FY28
Base Services	$655,370	$455,370	$455,370	$455,370	$455,370
Transportation	1,445,073	1,473,974	1,503,453	1,533,522	1,564,192
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	3,018,434	3,078,803	3,140,379	3,203,187	3,267,251
Professional Support 41x	4,726,306	4,773,569	4,821,305	4,869,518	4,918,213
Building Maintanence & Services 42x	883,105	900,767	918,782	937,158	955,901
Utilities	1,431,997	1,460,637	1,489,850	1,519,647	1,550,040
Total Purchased Services - Line #3.030	$12,160,285	$12,143,120	$12,329,139	$12,518,402	$12,710,967

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-FY28 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 increased by $400,000 which is maintained FY24 through FY28. In FY24 we anticipate a reduction of building maintenance expenses of $46,331 as a result of the building consolidation.

Source	FY24	FY25	FY26	FY27	FY28
Supplies	$1,767,998	$1,821,038	$1,875,669	$1,931,939	$1,989,897
Textbooks	959,777	969,375	979,069	988,860	998,749
Building Maintenance	327,403	330,677	333,984	337,324	340,697
Transportation	650,059	656,560	663,126	669,757	676,455
Total Supplies - Line #3.040	$3,705,237	$3,777,650	$3,851,848	$3,927,880	$4,005,798

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	FY24	FY25	FY26	FY27	FY28
Capital Outlay	$182,461	$186,110	$189,832	$193,629	$197,501
Technology	43,438	44,306	45,193	46,096	47,018
Total Equipment - Line #3.050	$225,898	$230,416	$235,025	$239,725	$244,520

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 FY18.

Other Expenses – Line #4.300

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

Source	FY24	FY25	FY26	FY27	FY28
County Auditor & Treasurer Fees	$1,198,099	$1,210,080	$1,222,181	$1,234,403	$1,246,747
County ESC	60,773	61,380	61,994	62,614	63,240
Other expenses	866,117	866,117	866,117	866,117	866,117
Total Other Expenses - Line #4.300	$2,124,989	$2,137,577	$2,150,292	$2,163,134	$2,176,104

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	FY24	FY25	FY26	FY27	FY28
Operating Transfers Out - Line #5.010	$500,000	$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	$1,000,000	$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.

	FY24	FY25	FY26	FY27	FY28
Estimated Encumbrances	$550,000	$550,000	$550,000	$550,000	$550,000

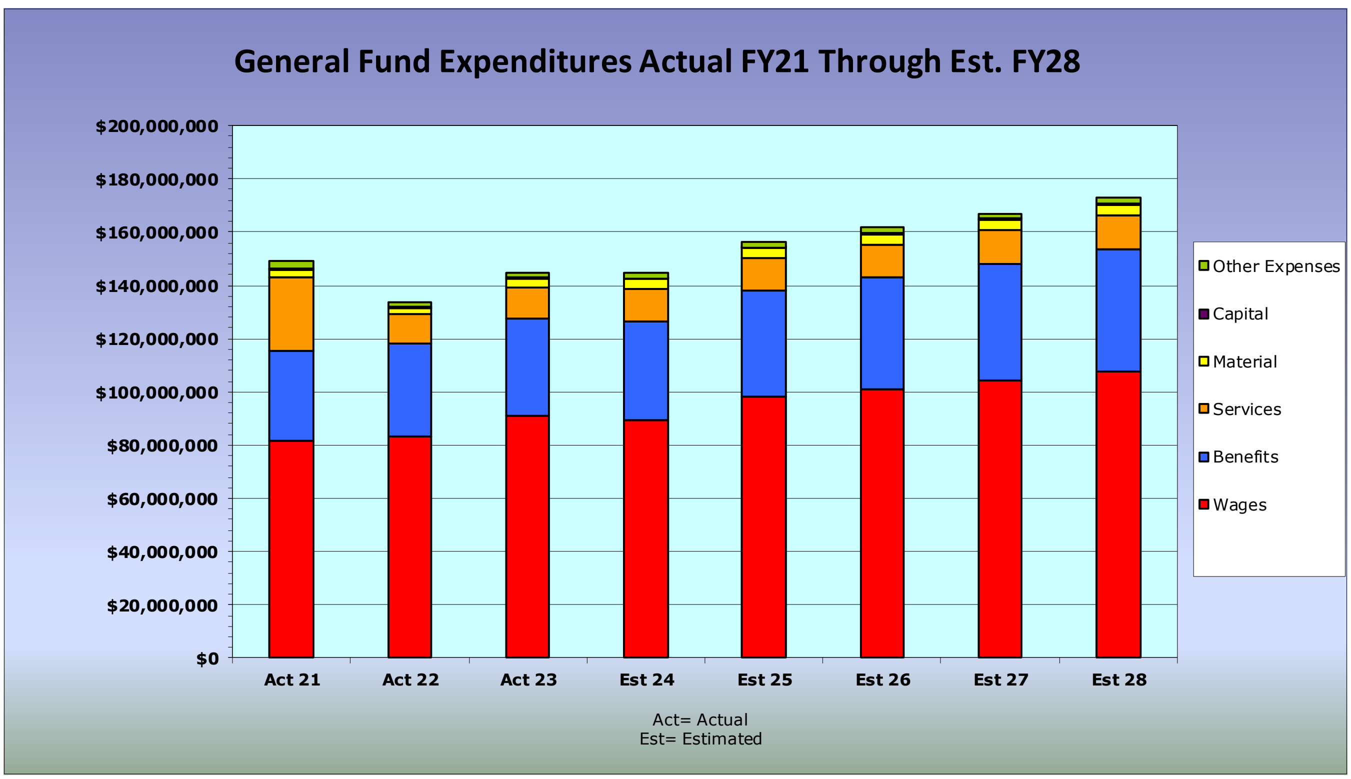
Budget Reserve – Line #9.080

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

Source	FY24	FY25	FY26	FY27	FY28
Budget Reserve - Line #9.030	$2,500,000	$3,000,000	$3,500,000	$4,000,000	$4,500,000
Total Reservations of Balance - Line #9.080	$2,500,000	$3,000,000	$3,500,000	$4,000,000	$4,500,000

Operating Expenditures Actual FY21 through FY23 and Estimated FY24-FY28

As the graph on the following page indicates, we have diligently contained costs due to lower and flat state revenues. We control our expenses while balancing students' academic needs to enable them to excel and perform well on state performance standards.



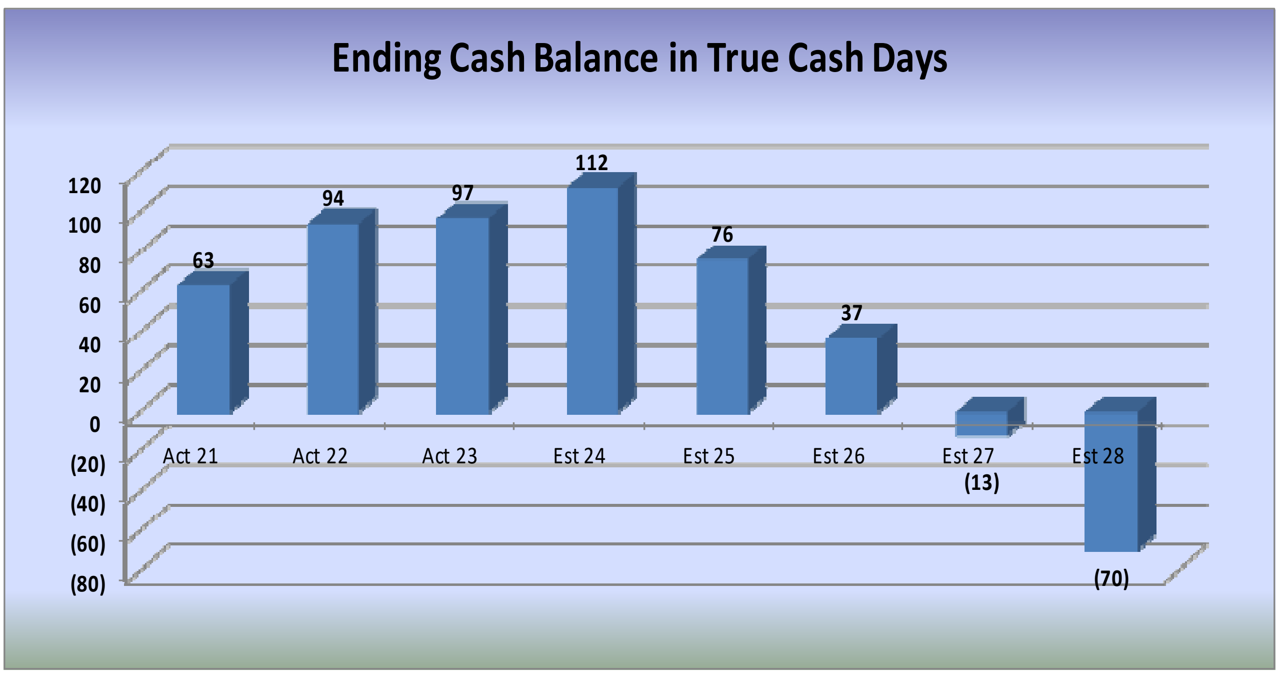
Ending Unencumbered Cash Balance - Including Renewal of the $7.6 million and $8.1 million Emergency Levies into a Merged 10 year Emergency Levy – Line #15.010

This amount must not go below $0, or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract knowingly signed that results in a negative unencumbered cash balance violates 5705.412, ORC, punishable by the personal liability of $10,000. It is recommended that a district maintains a minimum of thirty (30) day cash balance. The district falls below the thirty (30) day rate in FY26.

	FY24	FY25	FY26	FY27	FY28
Ending Unencumbered Cash Balance Line #15.010	$44,744,667	$32,905,004	$16,400,974	$ (5,787,663)	$ (33,240,304)

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) = the number of days the district could operate without additional resources or a severe resource interruption. The government Finance Officers Association recommends that no less than two (2) months or 60 days of cash is on hand at year-end. Still, it could be more depending on each district's complexity and risk factors for revenue collection. 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 FY25.



As you read through the notes and review the forecast, remember that the forecast is based on the best information available to us when the forecast is prepared.