FIVE-YEAR FINANCIAL FORECAST NOTES AND ASSUMPTIONS

For the Fiscal Years Ending June 30, 2023 through 2027

Forecast Provided By
Dayton Public Schools
Treasurer's Office
Hiwot Abraha, Treasurer/CFO
November 15, 2022

Dayton City School District

Montgomery County

Schedule of Revenues, 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 2027

		Actual				Forecasted				
		Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Average Change	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
	Revenues									
1.010	General Property Tax (Real Estate)	55,211,583	56,608,092	59,878,804	4.2%	58,743,429	59,351,921	59,493,133	59,567,753	59,744,767
1.020	Public Utility Personal Property Tax	8,683,129	8,851,380	8,685,447	0.0%	9,225,497	9,360,422	9,495,522	9,630,622	9,765,722
1.030	Income Tax	-	-	-	0.0%	-	-	-	-	-
1.035	Unrestricted State Grants-in-Aid	175,416,640	178,873,313	104,172,361	-19.9%	105,314,529	105,301,886	105,306,295	105,310,591	105,314,770
1.040	Restricted State Grants-in-Aid	16,173,912	16,142,017	14,732,008	-4.5%	14,943,968	14,943,968	14,943,968	14,943,968	14,943,968
1.045	Restricted Federal	-	-	-	0.0%	-	-	-	-	-
1.050	Property Tax Allocation	7,185,597	6,998,902	6,809,427	-2.7%	6,719,463	6,714,756	6,733,403	6,737,042	6,757,090
1.060	All Other Revenues	8,505,224	5,181,167	6,416,271	-7.6%	6,988,146	7,001,024	7,016,881	7,035,604	7,057,087
1.070	*Total Revenues*	271,176,085	272,654,871	200,694,318	-12.9%	201,935,032	202,673,977	202,989,202	203,225,580	203,583,404
	Other Financing Sources									
2.010	Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-
2.020	State Emergency Loans and Advancements	-	-	-	0.0%	-	-	-	-	-
2.040	Operating Transfers-In	0	-	-	0.0%	-	-	-	-	-
2.050	Advances-In	844,462	4,036,055	22,823,139	421.7%	932,726	7,750,000	7,750,000	7,750,000	7,750,000
2.060	All Other Financing Sources	16,057	2,214,319	20,252	6795.6%	78,965	20,252	20,252	20,252	20,252
2.070	*Total Other Financing Sources*	860,519	6,250,374	22,843,391	445.9%	1,011,691	7,770,252	7,770,252	7,770,252	7,770,252
2.080	*Total Revenues and Other Financing Sources*	272,036,604	278,905,245	223,537,709	-8.7%	202,946,723	210,444,229	210,759,454	210,995,832	211,353,656
	Expenditures									
3.010	Personal Services	100,989,703	92,925,986	100,598,410	0.1%	115,585,190	122,168,039	146,352,835	149,221,327	152,147,189
3.020	Employees' Retirement/Insurance Benefits	38,162,734	36,935,661	36,912,521	-1.6%	42,850,559	45,515,208	53,695,914	56,066,001	58,491,382
3.030	Purchased Services	117,685,016	111,963,078	37,215,295	-35.8%	42,456,025	43,166,911	43,892,015	45,157,097	46,459,099
3.040	Supplies and Materials	7,040,977	7,312,221	7,699,803	4.6%	11,853,799	12,150,144	12,453,898	12,827,515	13,212,340
3.050	Capital Outlay	7,278,833	8,113,012	3,128,436	-25.0%	5,878,505	3,746,630	1,421,752	1,450,904	1,480,931
3.060	Intergovernmental	-	-	-	0.0%	-	-	-	-	-
	Debt Service:				0.0%					
4.010	Principal-All (Historical Only)	-	-	-	0.0%	-	-	-	-	-
4.020	Principal-Notes	-	-	-	0.0%	-	-	-	-	-
4.030	Principal-State Loans	-	-	-	0.0%	-	-	-	-	-
4.040	Principal-State Advancements	-	-	-	0.0%	-	-	-	-	-
4.050	Principal-HB 264 Loans	-	-	-	0.0%	-	-	-	-	-
4.055	Principal-Other	1,094,665	1,117,331	1,134,624	1.8%	1,164,082	591,049	-	-	-
4.060	Interest and Fiscal Charges	99,607	76,930	59,649	-22.6%	30,192	6,088	0	0	$0
4.300	Other Objects	2,654,467	2,218,702	2,791,275	4.7%	2,953,104	3,058,499	3,128,319	3,200,052	3,273,753
4.500	*Total Expenditures*	275,006,002	260,662,921	189,540,013	-16.3%	222,771,456	$230,402,568	260,944,733	267,922,897	275,064,694
	Other Financing Uses									
5.010	Operating Transfers-Out	-	352,923	796,100	0.0%	1,594,900	1,595,900	1,596,100	1,596,100	1,596,100
5.020	Advances-Out	4,036,055	17,335,986	6,419,879	133.3%	7,750,000	7,750,000	7,750,000	7,750,000	7,750,000
5.030	All Other Financing Uses	0	133,600	175,155	0.0%	$0	$0	$0	$0	$0
5.040	*Total Other Financing Uses*	4,036,055	17,822,509	7,391,134	141.5%	9,344,900	9,345,900	9,346,100	9,346,100	9,346,100
5.050	*Total Expenditures and Other Financing Uses*	279,042,057	278,485,430	196,931,147	-14.7%	232,116,356	239,748,468	270,290,833	277,268,997	284,410,794
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	(7,005,453)	419,815	26,606,562	3065.8%	(29,169,633)	(29,304,239)	(59,531,379)	(66,273,165)	(73,057,138)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	114,566,660	107,561,207	107,981,022	-2.9%	134,587,584	105,417,951	76,113,712	16,582,333	(49,690,832)
7.020	*Cash Balance June 30*	107,561,207	107,981,022	134,587,584	12.5%	105,417,951	76,113,712	16,582,333	(49,690,832)	(122,747,970)
8.010	*Estimated Encumbrances June 30*	15,889,218	8,513,173	11,806,843	-3.9%	9,500,000	9,500,000	9,500,000	9,500,000	9,500,000

Dayton City School District

Montgomery County

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Forecasted Fiscal Years Ending June 30, 2023 Through 2027

		Actual				Forecasted				
		Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Average Change	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
`	**Reservation of Fund Balance**									
9.010	Textbooks and Instructional Materials	-	-	-	0.0%	-	-	-	-	-
9.020	Capital Improvements	-	-	-	0.0%	-	-	-	-	-
9.030	Budget Reserve	24,571,933	29,885,118	32,060,138	14.5%	11,520,128	13,047,237	-	-	-
9.040	DPIA	-	-	-	0.0%	-	-	-	-	-
9.045	Fiscal Stabilization	-	-	-	0.0%	-	-	-	-	-
9.050	Debt Service	-	-	-	0.0%	-	-	-	-	-
9.060	Property Tax Advances	-	-	-	0.0%	-	-	-	-	-
9.070	Bus Purchases	-	-	-	0.0%	-	-	-	-	-
9.080	*Subtotal*	24,571,933	29,885,118	32,060,138	14.5%	11,520,128	13,047,237	-	-	-
10.010	*Fund Balance June 30 for Certification of Appropriations*	67,100,056	69,582,731	90,720,603	17.0%	84,397,823	53,566,475	7,082,333	(59,190,832)	(132,247,970)
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal				0.0%	-	-	-	-	-
11.020	Property Tax - Renewal or Replacement				0.0%	-	-	-	-	-
11.300	Cumulative Balance of Renewal Levies				0.0%	-	-	-	-	-
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	67,100,056	69,582,731	90,720,603	17.0%	84,397,823	53,566,475	7,082,333	(59,190,832)	(132,247,970)
	Revenue from New Levies									
13.010	Income Tax - New				0.0%	-	-	-	-	-
13.020	Property Tax - New				0.0%	-	-	-	-	-
13.030	Cumulative Balance of New Levies	-	-		0.0%	-	-	-	-	-
14.010	Revenue from Future State Advancements				0.0%	-	-	-	-	-
15.010	*Unreserved Fund Balance June 30*	67,100,056	69,582,731	90,720,603	17.0%	84,397,823	53,566,475	7,082,333	(59,190,832)	(132,247,970)

Dayton Public School District –Montgomery County
Notes to the Five Year Forecast
General Fund Only
November 15, 2022

Introduction to the Five Year Forecast

A forecast is somewhat 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. 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 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 ODE 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.

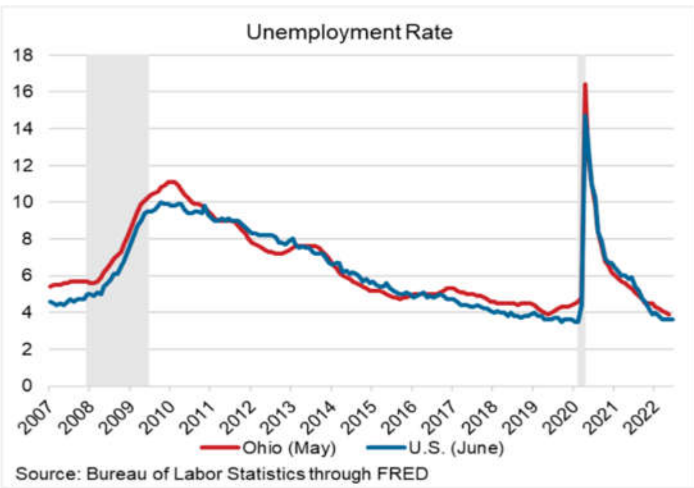
O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five (5) year financial forecast by November 30, 2022, and May 31, 2023, for the fiscal year 2023 (July 1, 2022, to June 30, 2023). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. The fiscal year 2023 (July 1, 2022-June 30, 2023) 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 November 2022 filing.

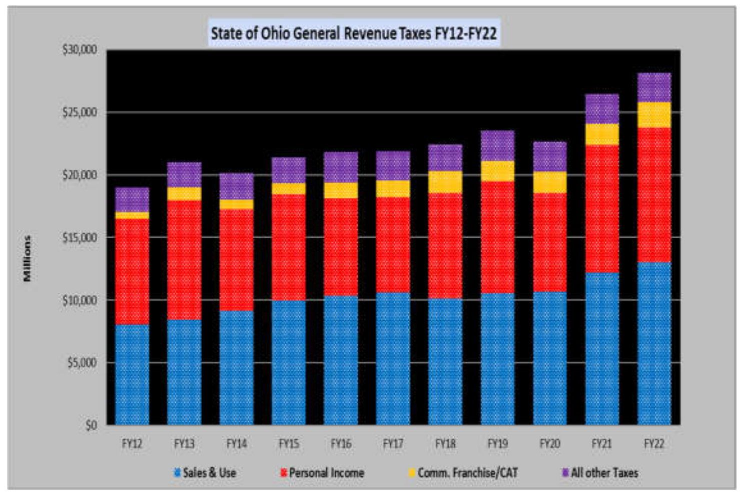
Economic Outlook

This five-year forecast is being filed during a two-year economic recovery following the COVID-19 Pandemic, which began in early 2020. The effects of the pandemic have lessened, but several supply chain concerns and high inflation continues to impact our state, country, and broader globalized economy. Inflation in June 2022 hit a 40-year high of 9.1% before falling to 8.3% in August. Costs in FY22 were notably impacted in areas such as diesel fuel for buses, electric and natural gas, and building materials for facility maintenance and repair. Increased inflation affecting district costs is expected to continue in FY23; it remains to be seen if these costs are transitory or will last over the next few years, which could significantly impact our forecast and adversely affect state and local funding.

The Federal Reserve Bank has made fighting inflation its number one concern. It is expected that interest rate increases before December 2022 will result in increased unemployment, and many economists anticipate an economic recession in the first half of the calendar year 2023. If that occurs, the recession will happen as the state legislature considers the next biennium budget for FY24 and FY25. Despite the solid economic recovery the state of Ohio has enjoyed over the past two years, as noted below in the graphs, a recession may impact funding for primary and secondary education.

As noted in the graphs below, the State of Ohio's economy has steadily recovered over the past two years. School funding cuts made in FY20 have been fully restored, and a new state funding formula is in year two of a projected five-year phase. While increased inflation impacting district costs is expected to continue over the next few years, the state's economy has grown, as indicated in the graphs below. It may enable the state to continue the phase-in of the new funding formula even if a cyclical recession occurs in the first half of the 2023 calendar year.





While all school districts are being aided by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER), which began in the fiscal year 2020, the most recent allocation of ESSER funds must be spent or encumbered by September 30, 2024.

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 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 following 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 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 is a large revenue source for the school system. 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 37.1% of the district's resources. Our tax collections in the March 2022 and August 2022 settlements showed average collection trends of 90.66% on current taxes due. Longer term we believe there is a low risk that local collections would fall below projections throughout the forecast.

2) Montgomery County experienced a reappraisal in the 2020 tax year to be collected in FY21. The 2020 update increased assessed values by $133.2 million, or 10.0%. Overall values rose $132.6 million or 9.9%, including reappraisal and new construction for all property classes. A reappraisal update will occur in the tax year 2023 for collection in FY24. We anticipate value increase of 8% for Class I and 1% for Class II property for an overall increase of 5.7% or $85.3 million in value.

3) The state budget represented 62.9% 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 the 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 recession. Two future State Biennium Budgets are covering the period from FY24-25, and FY26-27 in this forecast. 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 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.

4) 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.

5) 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

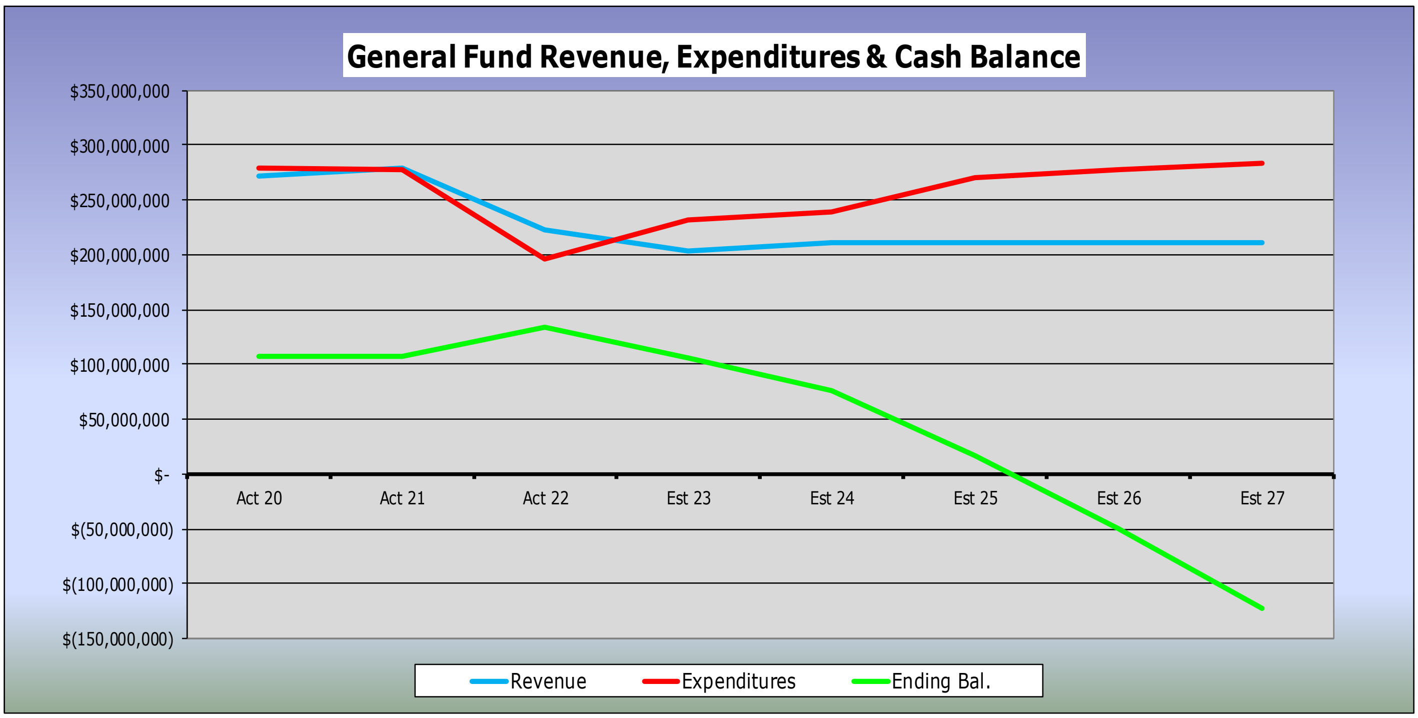
the state of Ohio can expose the district to new expenditures that are not currently in the forecast. We closely monitor any new threats to our state aid and increased costs as new proposed laws are introduced in the legislature.

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.

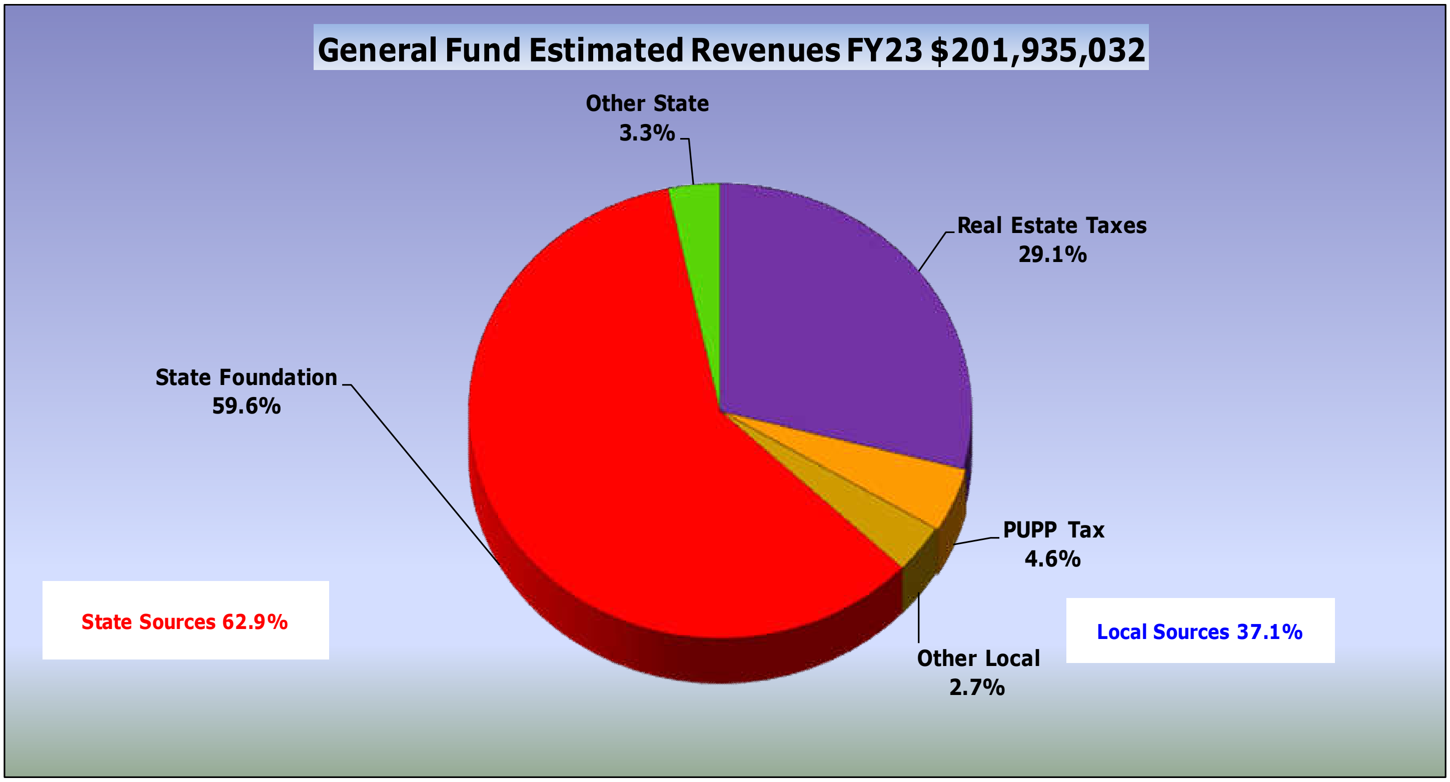
The major categories of revenue and expenditures on the forecast are noted below in the headings to make it easier to reference the assumptions made for the forecast item. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Hiwot Abraha, Treasurer/CFO of Dayton City School District.

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
Estimated General Fund Revenues FY23



Real Estate Value Assumptions – Line #1.010
Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity. Montgomery County experienced a reappraisal in the 2020 tax year to be collected in 2021. The 2020 update increased Class I residential property by 13.97% and Class II commercial property increased by 1.72% and overall values rose $132.6 million or 9.97% increase. A reappraisal update will occur in the tax year 2023 for collection in FY24. We anticipate value increase of 8% for Class I and 1% for Class II property for an overall increase of 5.7% or $85.3 million in value.

Public Utility Personal Property (PUPP) grew in Tax Year 2021 by $8.2 million due to reinvestments being made by utilities statewide. This will increase revenue long range for the district.

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.	$1,018,444,390	$1,097,819,941	$1,095,719,941	$1,093,619,941	$1,157,137,138
Comm./Ind.	452,615,910	457,542,069	457,942,069	458,342,069	463,325,490
Public Utility Personal Property (PUPP)	137,570,280	139,570,280	141,570,280	143,570,280	145,570,280
Total Assessed Value	$1,608,630,580	$1,694,932,290	$1,695,232,290	$1,695,532,290	$1,766,032,907

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY23	FY24	FY25	FY26	FY27
General Property Taxes	$58,743,429	$59,351,921	$59,493,133	$59,567,753	$59,744,767

Property tax levies are estimated to be collected at 90.66% of the annual amount. This allows a 9.34% current delinquency. Typically, 53.25% of the new residential/agriculture (Res/Ag) and commercial/industrial (Comm/Ind) is expected to be collected in the February tax settlements and 46.75% is expected to be collected in the August tax settlements.

Renewal and Replacement Levies – Line #11.020
All levies are currently continuing.

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

Estimated Tangible Personal Tax & PUPP Tax – Line #1.020
The phase out of tangible personal property tax (TPP), began in fiscal year 2006 and was completely eliminated after fiscal year 2011. Any revenues received in this line are Public Utility Personal Property (PUPP) taxes which are collected at the districts' gross tax rates not subject to reduction factors. Public utility tax settlements (PUPP) are estimated to be received 50% in February and 50% in August. PUPP values are estimated to grow by $2 million each year and are collected at the districts full tax rate.

Source	FY23	FY24	FY25	FY26	FY27
TPP & PUPP Tax Revenues	$9,225,497	$9,360,422	$9,495,522	$9,630,622	$9,765,722
Total Line #1.020	$9,225,497	$9,360,422	$9,495,522	$9,630,622	$9,765,722

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. Complete calculations of the new formula were not available for nearly all of the last fiscal year. We have projected FY23 funding based on the September 2022 foundation settlement and funding factors.

Our district is currently a **guarantee** district in FY23 and is expected to continue on the **guarantee** 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.

<u>Base Cost Approach - Unrestricted Basic Aid Foundation Funding</u>
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)

<u>State Share Percentage – Unrestricted Basic Aid Foundation Funding</u>
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 14% in FY23. No legislation indicates the percentage increase for FY24 and beyond for DPIA.
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 will be phased in at 0% in FY22 and 14% in FY23. Transportation categorical funds will not be subject to a 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 Funds (SWSF) - (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 the FY24-27 will depend on unknown (2) new state budgets. There is no guarantee that the current Fair School Funding Plan in HB110 will be funded or continued beyond FY23. For this reason, funding is held constant in the forecast for FY23 through FY27.

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 will be distributed to school districts on the 31st of January and August each year which began for the first time 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 FY22 were $62.87 per pupil. FY23 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	$102,442,159	$102,425,002	$102,425,002	$102,425,002	$102,425,002
Additional Aid Items	2,156,443	2,156,443	2,156,443	2,156,443	2,156,443
Basic Aid-Unrestricted Subtotal	104,598,602	104,581,445	104,581,445	104,581,445	104,581,445
Ohio Casino Commission ODT	715,927	720,441	724,850	729,146	733,325
Total Unrestricted State Aid Line #1.035	$105,314,529	$105,301,886	$105,306,295	$105,310,591	$105,314,770

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 amount of DPIA was limited to a 0% phase in growth for FY22 and is 14% in FY23. We have flat-lined funding at FY23 levels for FY24-FY27 due to uncertainty on continued funding of the current funding formula.

Source	FY23	FY24	FY25	FY26	FY27
DPIA	$9,638,251	$9,638,251	$9,638,251	$9,638,251	$9,638,251
Career Tech - Restricted	$712,003	$712,003	$712,003	$712,003	$712,003
Gifted	$692,211	$692,211	$692,211	$692,211	$692,211
ESL	$1,165,923	$1,165,923	$1,165,923	$1,165,923	$1,165,923
Student Wellness	$2,735,580	$2,735,580	$2,735,580	$2,735,580	$2,735,580
Total Restricted State Revenues Line #1.040	$14,943,968	$14,943,968	$14,943,968	$14,943,968	$14,943,968

C) Restricted Federal Grants in Aid – Line #1.045
No amounts are included in the forecasted years 2023 through 2027.

Summary of State Foundaton Revenues	FY23	FY24	FY25	FY26	FY27
Unrestricted Line #1.035	$105,314,529	$105,301,886	$105,306,295	$105,310,591	$105,314,770
Restricted Line #1.040	14,943,968	14,943,968	14,943,968	14,943,968	14,943,968
Restricted Federal Grants - #1.045	0	0	0	0	0
Total State Foundation Revenue	$120,258,497	$120,245,854	$120,250,263	$120,254,559	$120,258,738

State Taxes Reimbursement/Property Tax Allocation

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.

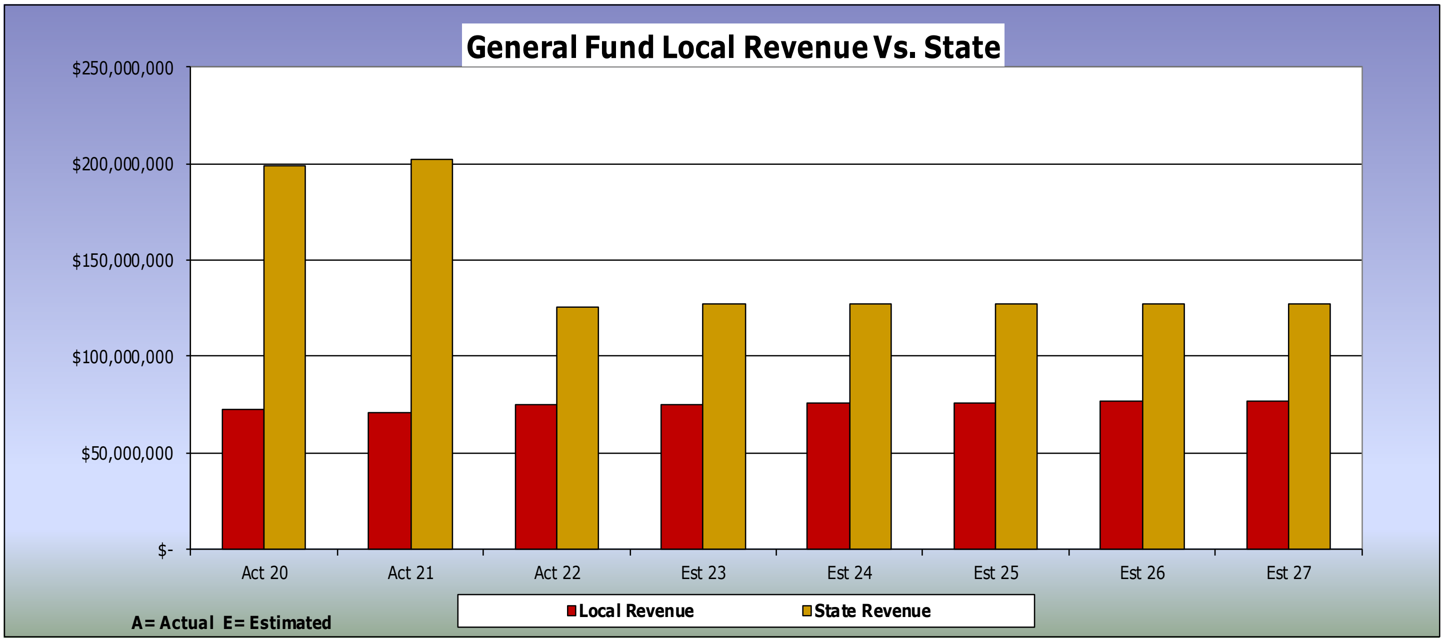
Homestead Exemptions are credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007, HB119 expanded the Homestead Exemption for all seniors 65 years or older or disabled regardless of income. Effective September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who do not currently have 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 no longer receives fixed rate TPP reimbursements.

Summary of State Tax Reimbursement – Line #1.050

Source	FY23	FY24	FY25	FY26	FY27
Rollback and Homestead	$6,719,463	$6,714,756	$6,733,403	$6,737,042	$6,757,090

Comparison of Local Revenue and State Revenue:
State revenues drop due to the way the new HB110 Funding Formula pays for school choice students. The district where the students are educated are paid directly and are not a flow through our state aid as they have been for decades. There is a large corresponding drop in our deduction on Line 3.03 for Purchased Services where these student costs use to be deducted as part of this flow through.



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 have been open enrollment, tuition for court placed students, student fees, and general rental fees. HB110, the new state budget, will stop paying $951,000 of open enrollment revenue as an increase to other revenue for the district. Open enrolled students will be counted in the enrolled student base at the school district they are being educated at and state aid will follow the students. Open enrolled student revenues will be included in Line #1.035 as state basic aid. Line #1.060 revenue will fall as a result when comparing it to FY20 through FY22 actual other revenues. Interest income will increase in FY23 due to the federal reserve bank increasing rates.

Source	FY23	FY24	FY25	FY26	FY27
Tuition and Excess Costs	$2,006,217	$2,026,279	$2,046,542	$2,067,007	$2,087,677
Interest	950,000	902,500	857,375	814,506	773,781
Medicaid, ROTC & Erate	2,241,001	2,263,408	2,286,039	2,308,896	2,331,982
Rentals	40,929	41,338	41,751	42,169	42,591
Other Income	1,749,999	1,767,499	1,785,174	1,803,026	1,821,056
Total Line #1.060	$6,988,146	$7,001,024	$7,016,881	$7,035,604	$7,057,087

Short-Term Borrowing – Lines #2.010 & Line #2.020

There is no short term borrowing planned for in this forecast at this time 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 during the previous fiscal year and reimbursements for expenses incurred in the previous fiscal year. All advances during the current year are planned to be returned in the succeeding fiscal year.

Source	FY23	FY24	FY25	FY26	FY27
Transfers In - Line #2.040	$0	$0	$0	$0	$0
Advance Returns - Line #2.050	932,726	7,750,000	7,750,000	7,750,000	7,750,000
Total Transfer & Advances In	$932,726	$7,750,000	$7,750,000	$7,750,000	$7,750,000

All Other Financial Sources – Line #2.060

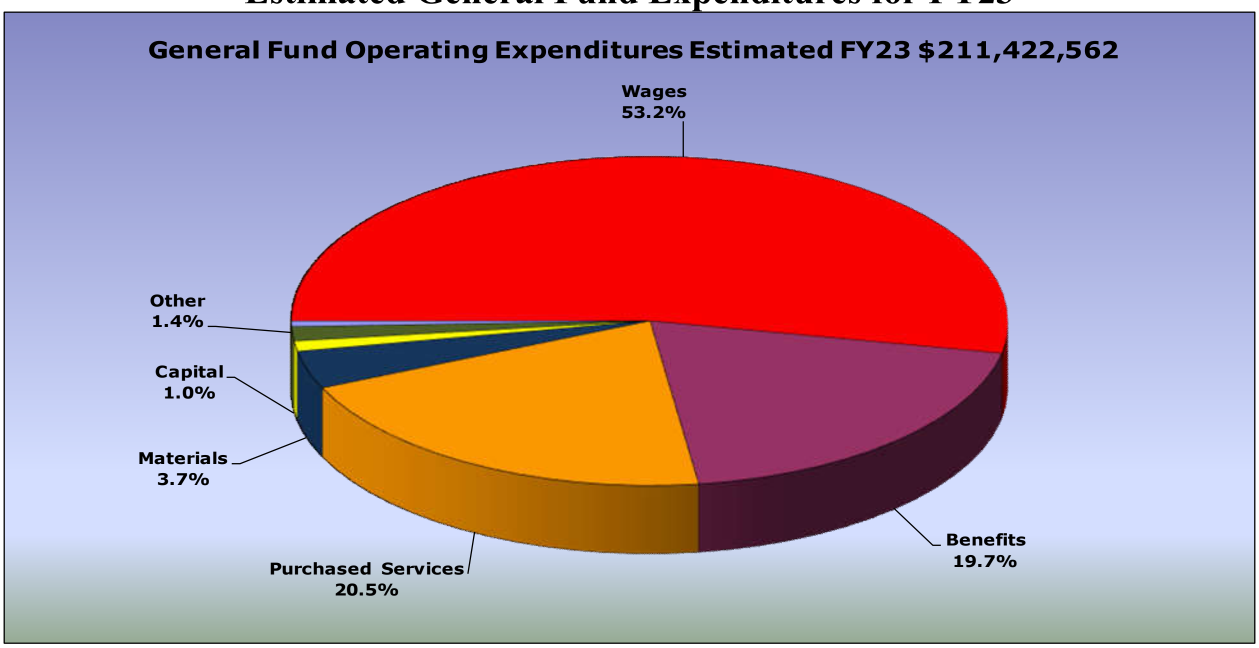
The amount reflected in refund of prior year expenditures line for FY20 reports the $1.3 million is reimbursement of CARES Act received for the payroll expenditures paid during the shutdown from Montgomery County and $78,965 is for other miscellaneous refunds. These revenues are inconsistent year to year and we will not project that occurring in the remainder of the forecast.

	FY23	FY24	FY25	FY26	FY27
Refund of prior years expenditures	$78,965	$20,252	$20,252	$20,252	$20,252

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.

Estimated General Fund Expenditures for FY23



Wages – Line #3.010

The expenditures in this category are for salaries and wages for services rendered for all union and non-union employees. In addition to cost of living wage increases, a majority of employees who are paid on a salary schedule receive vertical step increases based on years of experience. Additionally, certified staff can move horizontally between ranges on the salary schedule by furthering their education (i.e. Bachelor's Degree to Master's Degree, etc.). Union employees are represented by eleven different associations. Professional staff members are represented by the Dayton Education Association (DEA). In November 15, 2022, DEA and the District approved a new Master Contract effective July 1, 2022 through June 30, 2025. Most of the eleven bargaining Units have contracts approved through June 30, 2023. For FY23 it was negotiated that transportation staff receive an increase of $4 on their hourly base plus $2,500 retro pay for FY21. Operations staff received a $2.75 hourly increase while the remaining staff received a base increase of 2% - 3.0%. We have approved wage increases to retain and attract additional high quality staff at all levels of the organization. In addition we have planned on the return of wages to the General Fund that were charged to Student Wellness and Success Fund 467 in FY20 and FY21 since that money is now part of our base foundation aid paid to the General Fund. We also have planned in FY25 the return of wages that were charge to Federal ESSER funds as part of the pandemic stimulus in FY20 through FY24.

Source	FY23	FY24	FY25	FY26	FY27
Base Wages	$97,670,192	$112,656,972	$119,239,821	$143,424,617	$146,293,109
Contractual Increases	5,127,685	5,632,849	2,384,796	2,868,492	2,925,862
Early Retirment Program	950,000	950,000	0	0	0
Unfunded Recapture - 467&507	4,351,606	0	21,800,000	0	0
Substitutes and Temporaries	829,001	829,001	829,001	829,001	829,001
Supplemental/Overtime	2,099,217	2,099,217	2,099,217	2,099,217	2,099,217
Staff Additions	4,557,489	0	0	0	0
Total Wages Line #3.010	$115,585,190	$122,168,039	$146,352,835	$149,221,327	$152,147,189

Fringe Benefits Estimates Line #3.020
This area of the forecast captures all costs associated with benefits and retirement costs, which all except health insurance are directly related to the wages paid.

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. In addition, SERS Levies a surcharge for part time employees who earn less than $25,000 and there is a minimum of $2,520 if a classified employee earns less than $7,000. There is a cap of 2% of total district payroll. In addition, SERS cannot collect more than 1.5% of the total statewide payroll.

B. **Insurance**
Health care coverage is provided for employees on a self-insured basis up to stop loss limit of $350,000 specific claim. Claims are funded based upon per employee charge. The district contributes 85% of the medical premium for full time staff and less for part time staff. The district also contributes 90% of the dental and vision premiums. The health insurance plan is administered as a high deductible health plan (HDHP) with a health savings account (HSA). The board’s contribution to the health savings account $750 for single plan and $1,500 for a family plan. The estimated increases for medical, vision and dental insurance are 6.0% for benefit years 2023 through 2027. The above increases include adjustments for inflation, historical trends and the function of the health insurance committee to maintain control of costs. Vision was added to the last labor agreement.

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 continues in a Group Retrospective Rating Program. Unemployment Compensation has been negligible and is anticipated to remain as such as we plan our staffing needs carefully.

D. **Medicare**
Medicare will continue to increase at the rate of increase of wages. 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	$16,064,986	$17,031,546	$20,437,165	$20,911,309	$21,329,536
B) Insurance's	23,879,068	25,425,812	29,567,361	31,341,403	33,221,887
C) Workers Comp/Unemployment	1,197,208	1,263,036	1,504,884	1,533,569	1,562,828
D) Medicare	1,594,257	1,679,774	2,071,464	2,164,680	2,262,091
Other/Tuition	115,040	115,040	115,040	115,040	115,040
Total Fringe Benefits Line #3.020	$42,850,559	$45,515,208	$53,695,914	$56,066,001	$58,491,382

Purchased Services – Line #3.030

HB110, the new state budget, will impact Purchased Services beginning in FY22 as the Ohio Department of Education will begin 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.

We have assumed the utilities to increase 5.0% in FY23 and then 2% for FY24-27 due to an increase and electricity transmission fees. Basic services and county ESC services has increased to include additional instructional services.

Source	FY23	FY24	FY25	FY26	FY27
Base Services	$1,386,567	$1,414,298	$1,442,584	$1,485,862	$1,530,438
Instructional &Professional Services	21,097,854	21,519,811	21,950,207	22,608,713	23,286,974
Open Enrollment Deduction-477	0	0	0	0	0
Community & STEM School Deductions-478	0	0	0	0	0
Tuition SF-14, CC Plus and Ed Scholarship-479	258,918	264,096	269,378	277,459	285,783
Excess Cost and SF14 470-475	4,386,434	4,474,163	4,563,646	4,700,555	4,841,572
Sub Teachers and Paras (ESS contract)	4,967,100	5,066,442	5,167,771	5,271,126	5,376,549
Building & Transportation Services	6,911,693	6,911,693	6,911,693	7,119,044	7,332,615
Utilities	3,447,459	3,516,408	3,586,736	3,694,338	3,805,168
Total Purchased Services Line #3.030	$42,456,025	$43,166,911	$43,892,015	$45,157,097	$46,459,099

Supplies and Materials – Line #3.040

An overall inflation of 3% is being estimated for this category of expenses which are characterized by textbooks, copy paper, maintenance supplies and fuel. The administration will continue to invest additional monies into the textbooks and Chrome Books to improve the curriculum for the students.

Source	FY23	FY24	FY25	FY26	FY27
Supplies	$3,535,395	$3,623,780	$3,714,375	$3,825,806	$3,940,580
Transportation	3,706,848	3,799,519	3,894,507	4,011,342	4,131,682
Textbooks & Technology	3,471,921	3,558,719	3,647,687	3,757,118	3,869,832
Building Supplies	1,139,635	1,168,126	1,197,329	1,233,249	1,270,246
Total Supplies Line #3.040	$11,853,799	$12,150,144	$12,453,898	$12,827,515	$13,212,340

Equipment – Line #3.050

For FY 2023 through FY2027 we included a capital plan around all building improvements and planned costs for Building Maintenance and Technology Improvements. The district also issued $10 million in fy2021 and $10 in fy 2022 in debt for facility improvements. The General Fund will transfer the payment annually to the Permanent Improvement Fund to retire any of this debt we issue.

Source	FY23	FY24	FY25	FY26	FY27
Capital Outlay	$915,969	$943,448	$971,752	$1,000,904	$1,030,931
Building Improvements	2,241,000	0	0	0	0
Technology	2,721,536	2,803,182	450,000	450,000	450,000
Mound Street Academy Purchase	0	0	0	0	0
Total Equipment Line #3.050	$5,878,505	$3,746,630	$1,421,752	$1,450,904	$1,480,931

Debt Service:

The District currently amortizes the purchase of $9.2 million bus fleet lease that is complete in November of 2023.

Source	FY23	FY24	FY25	FY26	FY27
Principal -Other #4.055	$1,164,082	$591,049	$0	$0	$0

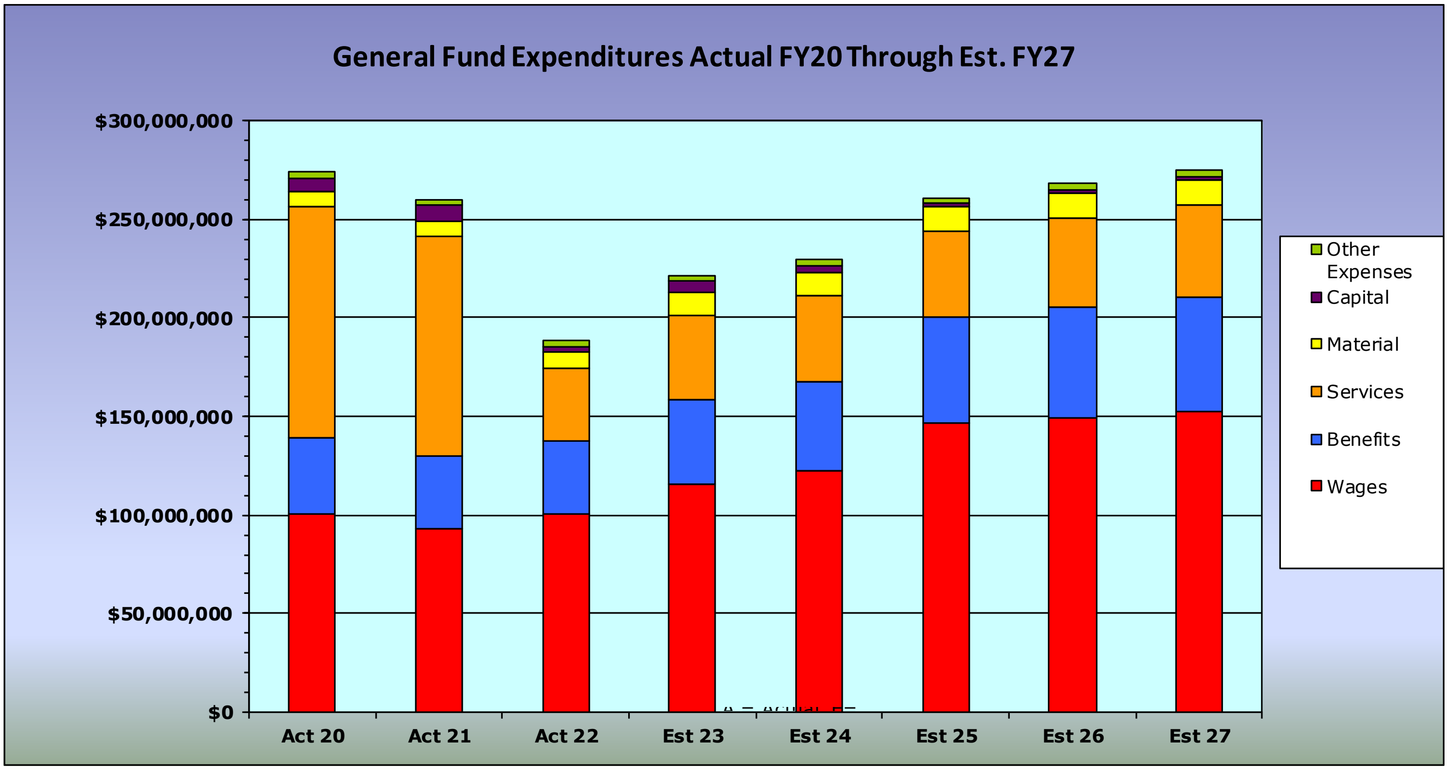
Source	FY23	FY24	FY25	FY26	FY27
Interest Other Total Line #4.060	$30,192	$6,088	$0	$0	$0

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the County ESC deductions for specialized services provided to the District and Auditor & Treasurer (A&T) fees. Auditor and Treasurer Fees will increase with new construction as more dollars are collected. As a result, A&T fees noted below are expected to increase 3.0% for FY23 and 1.0% for FY 24-FY27.We are estimating annual increase of 5.0 for other expenses in FY23 and FY24 and 1% for the remaining years.

Source	FY23	FY24	FY25	FY26	FY27
County Auditor & Treasurer Fees	$900,235	$909,237	$918,329	$927,512	$936,787
County ESC	125,000	125,000	125,000	125,000	125,000
Other expenses	1,927,869	2,024,262	2,084,990	2,147,540	2,211,966
Total Other Expenses Line #4.300	$2,953,104	$3,058,499	$3,128,319	$3,200,052	$3,273,753

Total Expenditure Categories Actual Fiscal Year 2020 through Fiscal Year 2022 and Estimated Fiscal Year 2023 through Fiscal Year 2027



Transfers Out/Advances Out – Line #5.010

This account group covers fund to fund transfers not to be paid back the General Fund or advances which are end of year short term loans from the General Fund to other funds until they have received reimbursements to repay the General Fund. The FY23-FY27 transfers will be to the Permanent Improvement Fund for the Capital Building Projects debt service payment.

Source	FY23	FY24	FY25	FY26	FY27
Operating Transfers Out #5.010- Debt Service	$1,594,900	$1,595,900	$1,596,100	$1,596,100	$1,596,100
Advances Out Line #5.020	7,750,000	7,750,000	7,750,000	7,750,000	7,750,000
Total Transfer & Advances Out	$9,344,900	$9,345,900	$9,346,100	$9,346,100	$9,346,100

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	$9,500,000	$9,500,000	$9,500,000	$9,500,000	$9,500,000

Reservation of Fund Balance "Budget Reserve" - Line #9.030

In December of 2014 the Board of Education passed Board Police DBDA. The Board believes that the creation and maintenance of a cash balance reserve of five percent (5%) of operating expenditures is both prudent and necessary and in the interest of sound fiscal management.

The Board affirms and declares that tax levies shall be pursued, and or the School District's finances otherwise be managed, to ensure a general fund cash balance equivalent to at least five percent (5%) of general fund operating expenditures.

Upon receiving any indication that such a cash balance may not be maintained for any year during the current five-year financial forecast period, the Treasurer shall report such a finding to the Board. The Superintendent and Treasurer will propose options that the Board may consider.

Source	FY23	FY24	FY25	FY26	FY27
Budget Reserve-Line #9.030 (BOE Policy DBDA)	$11,520,128	$13,047,237	$0	$0	$0
Total Reservations of Balance- Line#9.080	$11,520,128	$13,047,237	$0	$0	$0

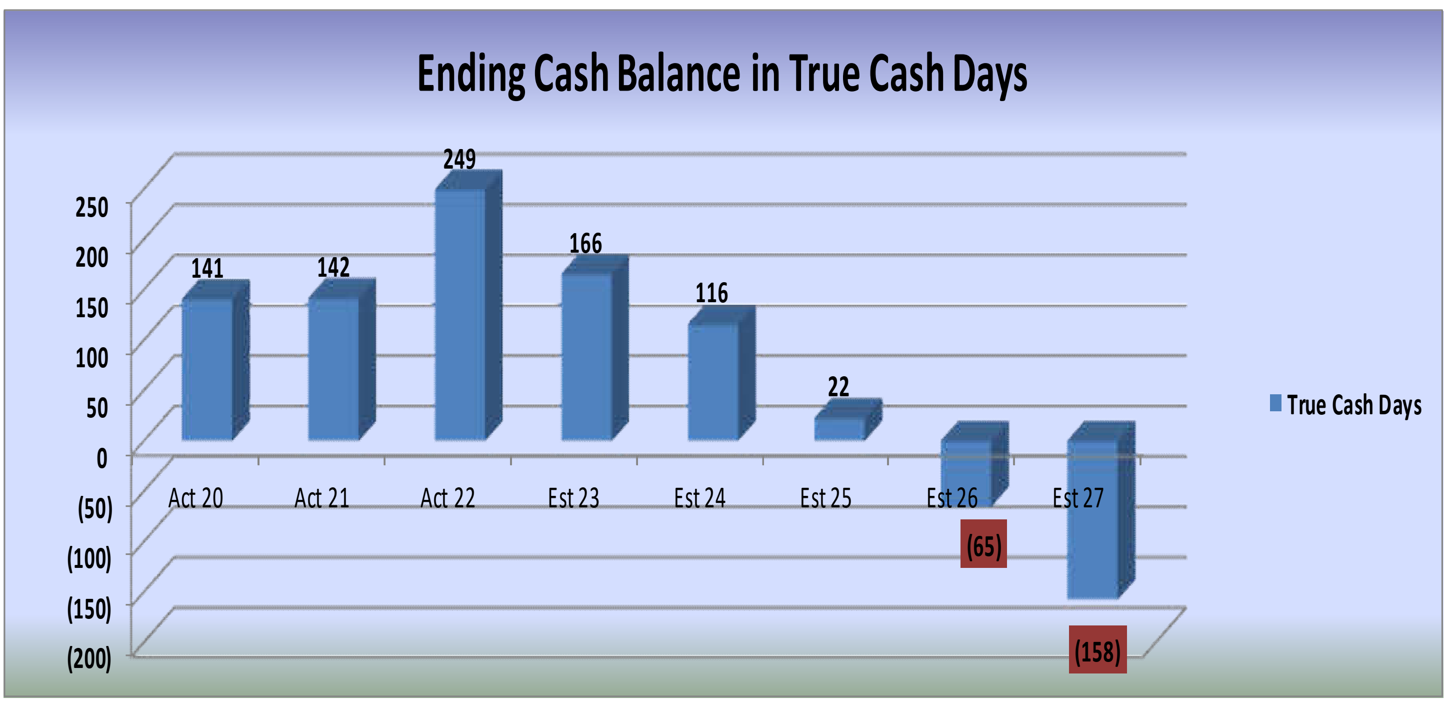
Ending Unencumbered Cash Balance "The Bottom-line" – Line #15.010

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 which results in a negative unencumbered cash balance is a violation of Ohio Revised Code section 5705.412, punishable by personal liability of $10,000, unless an alternative "412" certificate can be issued pursuant to House Bill 153 effective September 30, 2011.

	FY23	FY24	FY25	FY26	FY27
Ending Unencumbered Cash Balance	$ 84,397,823	$ 53,566,475	$ 7,082,333	$ (59,190,832)	$ (132,247,970)

True Cash Days for Ending Cash Balance

The Government Financial Officers Association (GFOA) recommends, regardless of size, that a district maintain unrestricted budgetary fund balance in their general fund of no less than two months (60 days) of regular general fund operating revenues or regular general fund operating expenditures. The district will have that amount at the end of FY24.



Conclusion

State law requires schools to operate with positive cash balances. Additional revenue and/or expenditure reductions will need to be considered prior to years where Line #7.020 Cash Balance June 30 is negative. Changes in circumstances and the availability of additional information make this forecast subject to revision. Given the uncertainty of future state budgets, local, state and national economic factors, FY24 and beyond may deviate significantly from the forecast due to ESSER funds and potential impacts of the new state funding formula for school districts in Sub. HB110.

The district administration notes that this current state biennium budget is why we have to be mindful and watch each state budget carefully as HB110 our current state budget has not provided new unrestricted operating funds to our district. Future state biennium budgets could affect us positively or negatively for FY24 through FY27. With current unknowns to our state funding we will continue monitoring and communicating changes as they become available to our district.

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