# CINCINNATI CITY SCHOOL DISTRICT-HAMILTON COUNTY

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2015, 2016 and 2017 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2018 THROUGH 2022

**Forecast Provided By**
**Cincinnati City School District**
**Treasurer's Office**
**Jennifer M. Wagner, Treasurer/CFO**
**May 21, 2018**

# Cincinnati Public City

**Hamilton County**

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2015, 2016 and 2017 Actual;
Forecasted Fiscal Years Ending June 30, 2018 Through 2022

| | | Actual | | | | Forecasted | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Fiscal Year 2015 | Fiscal Year 2016 | Fiscal Year 2017 | Average Change | Fiscal Year 2018 | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 |
| | **Revenues** | | | | | | | | | |
| 1.010 | General Property Tax (Real Estate) | 224,078,567 | 229,951,469 | 253,604,244 | 6.5% | 285,205,265 | 270,856,018 | 281,449,721 | 254,308,876 | 205,346,873 |
| 1.020 | Tangible Personal Property | 26,294,459 | 27,864,399 | 31,082,610 | 8.8% | 35,417,597 | 36,108,684 | 36,980,987 | 35,057,318 | 30,951,609 |
| 1.030 | Income Tax | - | - | - | 0.0% | - | - | - | - | - |
| 1.035 | Unrestricted State Grants-in-Aid | 153,470,415 | 167,575,186 | 176,092,031 | 7.1% | 183,463,763 | 186,208,924 | 185,861,524 | 186,364,721 | 176,639,120 |
| 1.040 | Restricted State Grants-in-Aid | 19,655,078 | 21,034,281 | 22,807,436 | 7.7% | 23,105,592 | 23,340,445 | 23,304,010 | 23,267,832 | 23,231,912 |
| 1.045 | Restricted Fed. SFSF Fd. 532 /Ed Jobs Fd.504 FY12 | 0 | 0 | - | 0.0% | - | - | - | - | - |
| 1.050 | Property Tax Allocation | 37,704,872 | 30,646,950 | 28,140,734 | -13.4% | 27,218,429 | 26,703,424 | 25,879,889 | 22,261,427 | 17,775,070 |
| 1.060 | All Other Revenues | 24,932,878 | 28,277,260 | 35,488,014 | 19.5% | 22,777,285 | 28,087,422 | 28,097,660 | 28,108,000 | 28,118,444 |
| 1.070 | *Total Revenues* | 486,136,269 | 505,349,545 | 547,215,069 | 6.1% | 577,187,931 | 571,304,916 | 581,573,791 | 549,368,174 | 482,063,027 |
| | **Other Financing Sources** | | | | | | | | | |
| 2.010 | Proceeds from Sale of Notes | - | - | - | 0.0% | - | - | - | - | - |
| 2.020 | State Emergency Loans and Advancements (Approved) | - | - | - | 0.0% | - | - | - | - | - |
| 2.040 | Operating Transfers-In | - | 11,260 | 35,518 | 0.0% | - | - | - | - | - |
| 2.050 | Advances-In | 26,182,275 | 17,288,115 | 12,354,183 | -31.3% | 11,505,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 |
| 2.060 | All Other Financing Sources | 112,823 | 3,198,317 | 11,172,996 | 1492.1% | 4,931,425 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| 2.070 | *Total Other Financing Sources* | 26,295,098 | 20,497,692 | 23,562,697 | -3.5% | 16,436,425 | 16,000,000 | 16,000,000 | 16,000,000 | 16,000,000 |
| 2.080 | *Total Revenues and Other Financing Sources* | 512,431,367 | 525,847,237 | 570,777,766 | 5.6% | 593,624,356 | 587,304,916 | 597,573,791 | 565,368,174 | 498,063,027 |
| | **Expenditures** | | | | | | | | | |
| 3.010 | Personal Services | 216,950,183 | 91,077,322 | 104,102,889 | -21.9% | $109,123,684 | $117,726,631 | $120,631,164 | $122,993,787 | $125,403,663 |
| 3.020 | Employees' Retirement/Insurance Benefits | 70,056,843 | 28,769,824 | 32,445,283 | -23.1% | 33,445,782 | 38,135,347 | 40,111,198 | 41,960,593 | 43,890,521 |
| 3.030 | Purchased Services | 171,529,900 | 170,023,074 | 193,152,235 | 6.4% | 209,350,357 | 225,170,086 | 231,886,253 | 238,905,042 | 242,740,688 |
| 3.040 | Supplies and Materials | 6,035,331 | 5,861,496 | 6,481,339 | 3.8% | 11,039,415 | 11,217,775 | 11,399,701 | 11,585,266 | 11,774,542 |
| 3.050 | Capital Outlay | 6,273,870 | 4,689,415 | 3,409,414 | -26.3% | 3,711,717 | 3,897,302 | 4,092,168 | 4,296,776 | 4,511,615 |
| 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 Advances | - | - | - | 0.0% | - | - | - | - | - |
| 4.050 | Principal-HB 264 Loans | - | - | - | 0.0% | - | - | - | - | - |
| 4.055 | Principal-Other | - | - | - | 0.0% | - | - | - | - | - |
| 4.060 | Interest and Fiscal Charges | - | - | - | 0.0% | - | - | - | - | - |
| 4.300 | Other Objects | 4,907,031 | 4,954,415 | 3,485,543 | -14.3% | 5,825,036 | 5,825,036 | 5,825,036 | 5,825,036 | 5,825,036 |
| 4.500 | *Total Expenditures* | 475,753,158 | 305,375,546 | 343,076,703 | -11.7% | $372,495,991 | 401,972,177 | 413,945,519 | 425,566,500 | 434,146,065 |
| | **Other Financing Uses** | | | | | | | | | |
| 5.010 | Operating Transfers-Out/Contingency | 15,979,631 | 196,799,511 | 192,091,179 | 564.6% | $197,125,901 | $207,586,872 | $214,015,240 | $220,668,178 | $227,548,919 |
| 5.020 | Advances-Out | 17,288,115 | 12,354,183 | 11,505,000 | -17.7% | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 |
| 5.030 | All Other Financing Uses | (1,162,230) | 4,682,306 | 16,933 | -301.3% | $1,137 | $0 | $0 | $0 | $0 |
| 5.040 | *Total Other Financing Uses* | 32,105,516 | 213,836,000 | 203,613,112 | 280.6% | $209,627,038 | 220,086,872 | 226,515,240 | 233,168,178 | 240,048,919 |
| 5.050 | *Total Expenditures and Other Financing Uses* | 507,858,674 | 519,211,546 | 546,689,815 | 3.8% | $582,123,028 | 622,059,049 | 640,460,759 | 658,734,678 | 674,194,983 |
| 6.010 | *Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses* | 4,572,693 | 6,635,691 | 24,087,951 | 154.1% | 11,501,327 | (34,754,133) | (42,886,968) | (93,366,504) | (176,131,956) |
| | | | | | 0.0% | | | | | |
| 7.010 | Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies | 54,108,439 | 58,681,132 | 65,316,823 | 9.9% | 89,404,774 | 100,906,101 | 66,151,969 | 23,265,001 | (70,101,503) |
| 7.020 | *Cash Balance June 30* | 58,681,132 | 65,316,823 | 89,404,774 | 24.1% | 100,906,101 | 66,151,969 | 23,265,001 | (70,101,503) | (246,233,459) |
| 8.010 | *Estimated Encumbrances June 30* | 13,622,917 | 12,322,749 | 13,136,744 | -1.5% | 13,100,000 | 13,100,000 | 13,100,000 | 13,100,000 | 13,100,000 |
| | **Reservation of Fund Balance** | | | | | | | | | |
| 9.010 | Textbooks and Instructional Materials | | | | 0.0% | - | - | - | - | - |
| 9.020 | Capital Improvements | | | | 0.0% | - | - | - | - | - |
| 9.030 | Budget Reserve | - | | | 0.0% | - | - | - | - | - |
| 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* | - | | | 0.0% | - | - | - | - | - |
| 10.010 | *Fund Balance June 30 for Certification of Appropriations* | 45,058,215.00 | 52,994,074 | 76,268,030 | 30.8% | 87,806,101 | 53,051,969 | 10,165,001 | (83,201,503) | (259,333,459) |
| | **Revenue from Replacement/Renewal Levies** | | | | | | | | | |
| 11.010 | Income Tax - Renewal | | | | 0.0% | - | - | - | - | - |
| 11.020 | Property Tax - Renewal or Replacement | | | | 0.0% | - | - | - | 33,252,000 | 89,680,000 |
| 11.300 | Cumulative Balance of Replacement/Renewal Levies | | | | 0.0% | - | - | - | 33,252,000 | 122,932,000 |
| 12.010 | *Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations* | 45,058,215 | 52,994,074 | 76,268,030 | 0 | 87,806,101 | 53,051,969 | 10,165,001 | (49,949,503) | (136,401,459) |
| | **Revenue from New Levies** | | | | | | | | | |
| 13.010 | Income Tax - New | | | | 0.0% | - | - | - | - | - |
| 13.020 | Property Tax - New | - | | | 0.0% | - | - | - | - | - |

## Cincinnati Public City

**Hamilton County**

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2015, 2016 and 2017 Actual;
Forecasted Fiscal Years Ending June 30, 2018 Through 2022

| | Actual | | | | Forecasted | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year 2015 | Fiscal Year 2016 | Fiscal Year 2017 | Average Change | Fiscal Year 2018 | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 |
| 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* | 45,058,215 | 52,994,074 | 76,268,030 | 30.8% | 87,806,101 | 53,051,969 | 10,165,001 | (49,949,503) | (136,401,459) |

See accompanying forecast assumptions for more information.

**Cincinnati City School District –Hamilton County**
**Notes to the Five Year Forecast**
**General Fund Only**
**May 21, 2018**

**Introduction to the Five Year Forecast**

All school districts in Ohio are required to file a five (5) year financial forecast by October 31, and May 31, in each fiscal year (FY). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2018 (July 1, 2017-June 30, 2018) is the first year of the five year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the May 2018 filing.

**May 2018 Updates:**

***Revenues:***

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 $577,187,931 or 1.8% higher than the October forecasted amount of $567,040,824. This indicates the October forecast was 98.2% accurate. But note, the October estimate is 99.6% accurate if we remove the estimated $9,736,000 affect of the advanced tax payments due to the Federal Tax codes changes in December, more fully discussed below, which created an extraordinary onetime cash flow event.

The unanticipated increase is tax revenue over the October 2017 forecasted amount is due to an abnormally high collection of taxes in the first half settlement received in 2018 caused by changes made December 2017 to the federal tax law limiting the deductibility of state and local taxes (SALT) in calendar year 2018. The new tax code which became effective January 1, 2018 will limit deduction of SALT taxes to $10,000 annually. Many tax payers paid all or a significant estimate of their 2018 taxes in December 2017 in order to take these deductions on their 2017 federal taxes which were not limited to $10,000. This resulted in our first half settlement in 2018 being an estimated $9,736,000 higher. Note, this is not additional new taxes; these advance payments for 2018 will be deducted from the second half settlement. In essence, we received an advance payment for the second half of 2018 tax collections. This will result in FY18 taxes being higher on the forecast, and FY19 appearing lower because deducting the advanced payment portion of taxes from the second half 2018 collection falls into fiscal year 2019. By fiscal year 2020 tax collections should return to normal collection amounts for the first and second half settlements.

All other areas of revenue are tracking as anticipated for FY18.

***Expenditures:***

Total General Fund expenditures (line 4.5) are estimated to be $372,495,991 for FY18 which is 1% less than our October forecast. Total expenditures and other financing uses on Line 5.05 are expected to be $582,123,029, which is 1.6% below our October 2017 estimate. Our long term forecast is expected to remain on target.

***Unreserved Ending Cash Balance*:**

With revenues increasing over estimates due to the SALT advance noted above and expenditures remaining on target our ending unreserved cash balance is anticipated to be roughly $87.8 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2020 if assumptions we have made for state aid in future state budgets remain close to our estimates and the $62.5 million emergency levy renewal in 2020 is approved.

**Forecast Risks and Uncertainty:**

A five year financial forecast has risks and uncertainty not only due to economic uncertainties but also due to state legislative changes that will occur in the spring of 2019 and 2021 due to deliberation of the next two (2) state biennium budgets for FY20-21 and FY22-23, both of which affect this five year forecast. We have estimated revenues and expenses based on the best data available to us at the time of this forecast. The items below give a short description of the current issues and how they may affect our forecast long term:

I. Hamilton County experienced a reappraisal update in the 2017 tax year to be collected in FY18. The 2017 reappraisal increase overall assessed values by $315.6 million or an overall increase of 5.6% for residential and commercial values. New construction changes in 2017 increased of $38.1 million or an overall increase of 0.67% for residential and commercial property. Public utility values increased $19.9 million. Overall our tax base in 2017 increase by $352.5 million or 5.77% over 2016.
An update will occur in tax year 2020 for collection in FY21. We anticipate value increases for residential, commercial and public utility of $190.3 million or 2.93% over 2019 values. Overall our property values have shown a solid trend of recovery since 2014.

II. HB49 continued the Fixed Sum TPP reimbursement phase out over five years through FY21. There will be no fixed sum TPP reimbursement in FY22. Unlike the TPP Fixed Rate reimbursement which was phased out in FY16 costing us $8.6 million per year, our district will not lose money due to this phase out. Instead, the amount of money the state is cutting as its reimbursement will be added on to our emergency levy millage automatically each year and collected in local property taxes. The state is directly shifting their $4.4 million financial obligation made in 2006 in HB66 to our local tax payers.

III. The State Budget represents 40% of district revenues, which means it is a significant area of risk to revenue. The risk comes in FY20 and beyond if the state economy worsens or if the funding formula in future state budgets reduce funding to our district. There are two future State Biennium Budgets covering the period from FY20-21 and FY22-23 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY22.

IV. The district was eligible for a new U.S. Department of Agriculture program which began in FY16 called Community Eligibility Provision (CEP). This program allows districts with 40% eligible students to certify free and reduced price lunches via Direct Certification. The Ohio Department of Education (ODE) uses this information to certify Economically Disadvantaged students. In FY16 and FY17 if a school building was CEP eligible 100% of their students were reflected at Economically Disadvantaged even if they were not. This greatly increased funding to our district in FY16 and FY17. For FY18 and FY19 this program is continuing according ODE sources. We will keep a close watch on this as the ODE could look into different Educational Management Information System (EMIS) codes to report students as Economically Disadvantaged that would not then result in 100% of the students in an eligible building being counted in the program. This would potentially reduce state funding if this were to happen. We will watch this very carefully as any new budget deliberations occur in the future.

V. The district has two (2) emergency levies expiring in this forecast period FY18-22. The $51.5 million emergency levy was approved November 7, 2017 and now expires December 31, 2023. The district's $65.1 million emergency levy was renewed November 4, 2014 and will expire on December 31, 2020. The district's $48.0 million emergency levy approved November 8, 2016 will expire December 31, 2021. It is necessary to renew both the $65.1 and $48 million emergency levies to keep the district financially healthy long term.

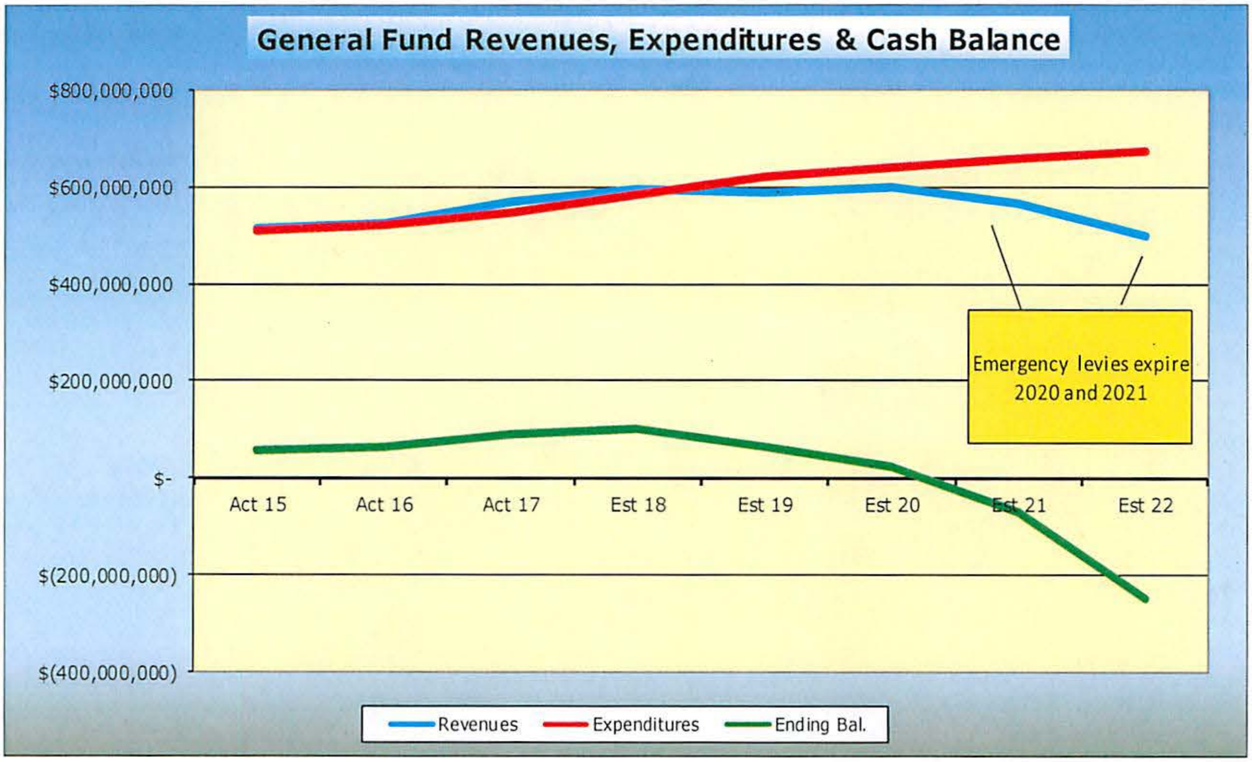
VI. There are many provisions in the current state budget bill HB49 that will continue to draw funds from our district through continuing school choice programs such as Open Enrollment, Community Schools, Ed Choice, Autism Scholarships and College Credit Plus which are significant amounts deducted from our state aid each year. In total we estimate school choice deductions in FY18 to be $92.6 million. The cost of each Autism Scholarship increased sharply FY16 from $20,000 to $27,000 each, a 35% increase an added a new cost of $7.1 million to our district starting in FY16. College Credit Plus costs will continue to increase as this program becomes more understood. These are examples of new choice programs that were created in the past two years which cost the district money. Expansion or creation of programs such as these exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely.

VII. Patient Protection and Affordable Care Act (PPACA) – This program was approved March 23, 2010 along with the Health Care and Education Reconciliation Act. It is uncertain to what extent the implementation of PPACA will eventually cost our district in additional funds especially since it is being reviewed carefully at the federal level for amendment or repeal. There are numerous new regulations that potentially will require added staff time, at least initially due to increased demands, and it is likely that additional employees will be added to coverage that do not have coverage now. Longer-term, a significant concern is the 40% "Cadillac Tax" but in December 2017 this was delayed until 2022 by congress. This tax would have been imposed on plans whose value of benefits exceeds $10,200 for individual plans and $27,500 for family plans in 2018. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district.

VIII. Labor relations in the district have been very amicable with all parties working for the best interest of students and realizing the resource challenges the district faces. We believe strong working relationships will continue as the District moves forward. The district has just completed negotiations with its teacher and office professional associations which included a 2% increase in July 2017, a 2% increase July 2018 if funding is stable, and a reopener in July 2019

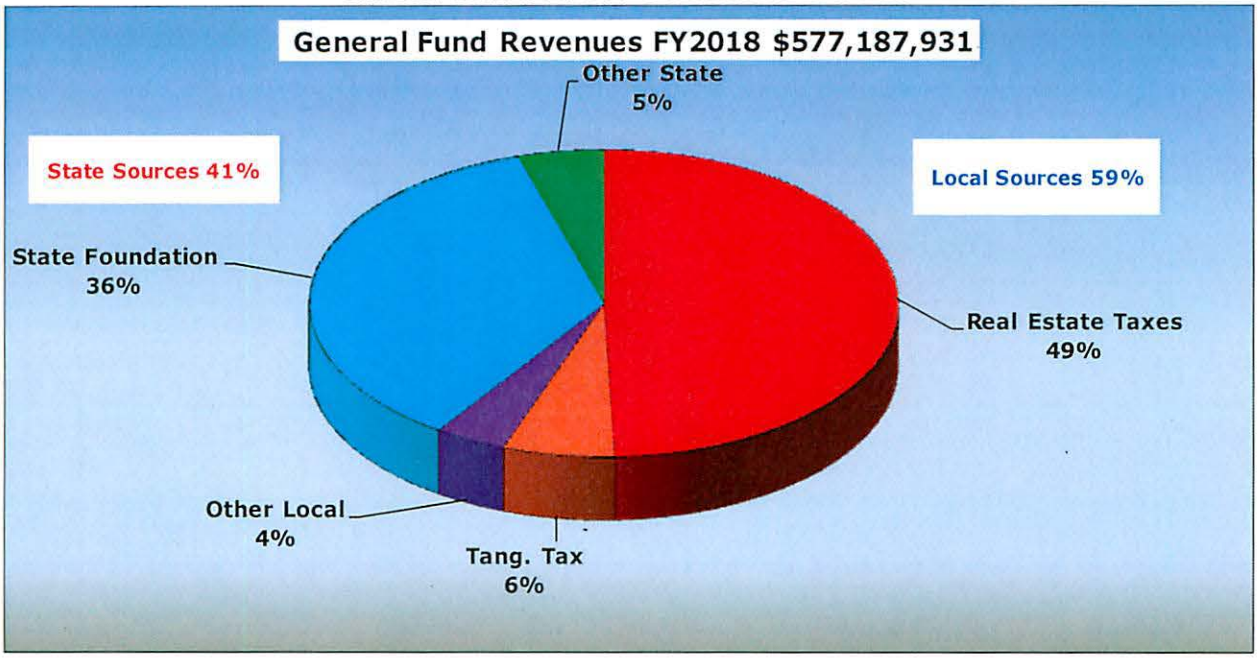
The major Lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Jennifer M. Wagner, Treasurer/Chief Financial Officer of Cincinnati City School at 513-363-0420.

**General Fund Revenue, Expenditure and Ending Cash Balance**
**Actual FY15-FY17 and Estimated FY18-FY22**




The graph above captures in one snapshot the operating scenario facing Cincinnati City School District over the next few years. With renewal of the Emergency Levy November 7, 2017, the financial deficit projected is delayed until FY21 but further action is needed to stop the decline in our ending cash balance. The District expects these two remaining emergency levies to be renewed, but the Ohio Department of Education does not allow the district's forecast to reflect the renewal of these levies on Line 7.02 ending cash. The ending cash balance noted is what would occur if these levies were not approved by voters.

## Revenue Assumptions
## All Revenue Sources General Fund FY18




**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 and complete reappraisal or updated values. Hamilton County experienced a reappraisal update in the 2017 tax year to be collected in FY18. The 2017 reappraisal increase overall assessed values by $315.6 million or an overall increase of 5.6% for residential and commercial values. New construction changes in 2017 increased of $38.1 million or an overall increase of 0.67% for residential and commercial property. Public utility values increased $19.9 million. Overall our tax base in 2017 increase by $352.5 million or 5.77% over 2016.

An update will occur in tax year 2020 for collection in FY21. We anticipate value increases for residential, commercial and public utility of $190.3 million or 2.93% over 2019 values. Overall our property values have shown a solid trend of recovery since 2014.

Typically when assessed values increase due to reappraisals or adjustments through Board of Revision and Board of Tax Appeals actions, the tax millage rates for that class of property decrease to offset the increase in values, except non-voter approved inside millage, which will result in an increase in taxes when values increase.

As a reminder Tangible Personal Property (TPP) values were reduced to $-0- in 2011 as a result of HB 66. This began a systematic phase-out of this tax base statewide to be replaced by a Commercial Activities Tax (CAT). The CAT tax revenue was to fully reimburse school districts for TPP losses through FY18 based on 2004 property values. HB 64 effective July 1, 2015 eliminated our TPP reimbursement in FY16. The reimbursements that were to fully compensate the district for the TPP taxes were eliminated early and did not fully repay us for the cuts.

## ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

| Classification | Actual TAX YEAR 2017 COLLECT 2018 | Estimated TAX YEAR 2018 COLLECT 2019 | Estimated TAX YEAR 2019 COLLECT 2020 | Estimated TAX YEAR 2020 COLLECT 2021 | Estimated TAX YEAR 2021 COLLECT 2022 |
|---|---|---|---|---|---|
| Res./Ag. | $3,912,076,340 | $3,915,576,340 | $3,919,076,340 | $4,059,744,012 | $4,063,244,012 |
| Comm./Ind. | 2,060,152,620 | 2,061,652,620 | 2,063,152,620 | 2,100,757,791 | 2,102,257,791 |
| Public Utility (PUPP) | 493,875,780 | 505,875,780 | 517,875,780 | 529,875,780 | 541,875,780 |
| Tangible Property (TPP) | 0 | 0 | 0 | 0 | 0 |
| Total | $6,466,104,740 | $6,483,104,740 | $6,500,104,740 | $6,690,377,583 | $6,707,377,583 |

## ESTIMATED REAL ESTATE TAX (Line #1.010)

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Est. Property Taxes - Line #1.010 | $285,205,265 | $270,856,018 | $281,449,721 | $254,308,876 | $205,346,873 |

Property tax levies are estimated to be collected at 94% of the annual amount. This allows a 6% delinquency factor. In general, 51% of the Residential/Agricultural and Commercial/Industrial property taxes are expected to be collected in the February tax settlement and 49% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the County Auditor. Revenues on the forecast increase from FY16 to FY17 and again to FY18 to reflect the new $48 million Emergency Levy passed November, 2016.

As mentioned earlier and as noted on Line 1.01, the December 2017 Federal Tax law changes to the deductibility of State and Local Tax (SALT) caused the first half 2018 tax collections to be and estimated $9,736,000 higher and will result in the second half 2018 (affects FY19) being lower by this amount. This will result in FY18 tax collections being higher and FY19 will be lower. This was an event that caused a onetime cash flow acceleration only and is not additional new taxes. Tax collections will return to normal collections for FY20.

**Estimated Tangible Personal Tax & PUPP Taxes – Line#1.020**

The phase out of TPP taxes as noted earlier began in FY06 with HB66 that was adopted in June 2005. With elimination of the TPP taxes, only Public Utility Personal Property taxes continue to be collected in this category. Values continue to grow as new assets are brought on line through expansion and replacement of depreciated assets. This also reflects the new $48 million Emergency Levy passed November, 2016.

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| TPP and Public Utility Tax | $35,417,597 | $36,108,684 | $36,980,987 | $35,057,318 | $30,951,609 |
| Total Line # 1.020 | $35,417,597 | $36,108,684 | $36,980,987 | $35,057,318 | $30,951,609 |

**Renewal Tax Levies – Line #11.02**

The district has two (2) emergency levies expiring in this forecast period FY18-22. The $51.5 million emergency levy was approved November 7, 2017 and now expires December 31, 2023. The district's $65.1 million emergency levy was renewed November 4, 2014 and will expire on December 31, 2020. The district's $48.0 million emergency levy approved November 8, 2016 will expire December 31, 2021. It is necessary to renew both the $65.1 and $48 million emergency levies to keep the district financially healthy long term. These levies are required to be moved form Lines 1.01, 1.02 and 1.05 and placed on Line 11.02. We reflect these at their full voted fixed sum amounts.

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Renew Emergency $51.5M 2018 | $0 | $0 | $0 | $0 | $0 |
| Renew Emergency $65.2M 2020 | 0 | 0 | 0 | 33,252,000 | 65,200,000 |
| Renew Emergency $48.0 M 2021 | $0 | $0 | $0 | $0 | $24,480,000 |
| Total Line # 11.020 | $0 | $0 | $0 | $33,252,000 | $89,680,000 |

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

**A) Unrestricted State Foundation Revenue– Line #1.035**

HB49 largely retains the current funding formula used to determine the amount and allocation of state aid to school districts, however there were various changes made to the formula for FY18 and FY19. The amounts estimated for state funding are based on component computations from the most recent State Foundation Payment Report for FY18. Estimates for FY19 state aid are based on ODE simulations of HB49 for FY19. We are projected to be a Cap district regarding state funding in FY18, which means the district will not receive the full amount of funding that the state formula calculates that we should, and then switching to a formula district starting in FY19.

HB49 continues to use the State Share Index (SSI) as a key district wealth measure. The SSI is the formula's measure of a districts capacity to raise local revenue. The higher a district's ability to raise taxes based on wealth the lower the SSI will be, and vice versa. The index is derived from a district's wealth index, which is based on a valuation index, and for certain districts, an income index. Property wealth per pupil is still the major factor in the SSI. Generally, the higher the property valuation per pupil, the lower a district's SSI and therefor the percentage of state aid. The SSI for FY18 and FY19 will be calculated using Tax Year 2014, 2015, and 2016 average assessed values for the district. It will be calculated once for both fiscal year 18 and 19. The SSI is applied to the per pupil opportunity grant calculation and many of the other categorical funding items in the state foundation formula as noted below:

1) Opportunity Grant – Per pupil amount increased .17% from $6,000 in FY17 to $6,010 in FY18 and .17% to $6,020 in FY19. Well below inflation rates.
2) Targeted Assistance – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value. Higher the percentage of agricultural value, higher the targeted assistance.
3) Special Education Additional Aid – Based on six (6) weighted funding categories of disability.
4) Limited English Proficiency – Based on three (3) funded categories based on time student enrolled in schools.
5) Economically Disadvantaged Aid- Based on number and concentration of economically disadvantaged students compared to state average.
6) K-3 Literacy Funds - Based on district K-3 average daily membership and two funded Tiers.
7) Gifted Funds –Based on average daily membership at $5.05 in FY18 & FY19.
8) Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in. Funding guaranteed at FY17 levels individually and is in addition to the Cap in FY18 and FY19.
9) Transportation Aid – Funding based on total ridership rather than qualifying ridership in determining statewide cost per rider. Reduces state minimum share from 50% to 37.5% in FY18 and 25% in FY19.

HB49 continues additional funds that can be earned by a district or is intended to help a district who has an undue burden or inability to raise local revenue; however, some items are now included in CAP district payments:

1) Capacity Aid – Provides additional funding for districts where income generated for one mill of property tax is below the state median for what is generated. Included in FY18 and FY19 Guarantee payments and moved to be inside the Cap amount for districts and not in addition to the Cap payments.

2) Transportation Supplement – Provides additional funding for districts with rider density (riders per square mile) less than 35 students in FY18 and 50 in FY19. Provides additional funding based on rider density and the number of miles driven by the school buses. Included in FY18 and FY19 Guarantee payments and moved to be inside the Cap amount for districts and not in addition to the Cap payments.
3) 3rd Grade Reading Proficiency Bonus - Provides a bonus to districts based on third grade reading results, is included in FY18 & 19 guarantee at FY17 levels and is in addition to the Cap payments.
4) High School Graduation Rate Bonus - Provides a bonus to districts based on high school graduation rates up to approximately $450 per student and is included in FY18 & 19 guarantee at FY17 levels and is in addition to the Cap payments.

Our current SFPR estimates for FY18 are using April #2 SFPR average daily membership (ADM) and increasing by 50 students each year through FY22. Beginning in FY16, the state changed the way it measures student ADM. Student counts are now supposed to be updated October 31, March 31, and June 30 of the fiscal year. In most cases the district will not know its actual student funded ADM until the end of June 2018, and then there will be adjustments into the succeeding fiscal year.

**Future State Budgets:** Our funding status for the FY20-22 will depend on two (2) new state budgets which are unknown. We are presently a **"CAP"** district in FY18, which means we receive less revenue than the formula provides, and we anticipate that we will be a "**Formula**" district in FY19 to FY21 with revenues less than CAP amounts, and then possibly a **"Guarantee"** district by FY22. Our estimate of state aid is based on the most current data we have available to us at this time. We have estimated per pupil state aid amounts of $6,010 in FY18 and $6,020 in FY19 to increase by approximately 0.5% each year FY20-22. We have estimated CAP increases at 3.0% for FY18-19 and 2.5% for FY20-22. A future state budget will dictate what these actual numbers will be and our estimated funding status could change.

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. As of March 4, 2013 all four (4) casinos were open for business and generating Gross Casino Tax Revenues (GCR). Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR 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.

The state indicated recently that revenues from casinos are not growing robustly as originally predicted but are still growing slowly as the economy has improved. Actual numbers generated for FY18 statewide were 1,791,647 students at $51.37 per pupil. That is a decline of 4 tenths of 1% percent from the prior year. For FY19-22 we estimated another 4 tenths of 1% decline in pupils to 1,784,480 and GCR increasing to $92.9 million or $52 per pupil. We will increase estimates for out years when actual casino revenues show signs of larger increases.

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Basic Aid-Unrestricted | $177,408,206 | $180,133,939 | $179,766,891 | $180,250,217 | $170,504,520 |
| Additional Aid Items | $4,371,757 | $4,371,757 | $4,371,757 | $4,371,757 | $4,371,757 |
| TPP Supplement HB64 | 0 | 0 | 0 | 0 | 0 |
| Subtotal State Basic Aid | 181,779,963 | 184,505,696 | 184,138,648 | 184,621,974 | 174,876,277 |
| Ohio Casino Commission ODT | 1,683,799 | 1,703,228 | 1,722,876 | 1,742,747 | 1,762,843 |
| Total Unrestricted State Line # 1.035 | $183,463,763 | $186,208,924 | $185,861,524 | $186,364,721 | $176,639,120 |

**B) Restricted State Revenues – Line # 1.040**

HB64 continues funding two restricted sources of revenues to school district which are Economic Disadvantaged funding and Career Technical Education funding. The district has adopted the Community

Eligibility Provision (CEP) for counting free and reduced students in all but 9 of its schools. As a result of this change, the districts percentage of economically disadvantaged students rose from 66.98% to 72.7%, which resulted in approximately $3 million in additional state funding. We have incorporated this amount into the restricted aid amount in Line # 1.04 for FY18-FY22. There have been discussions that the ODE is looking into different EMIS codes to report students as Economically Disadvantaged and will not then result in 100% of the students in an eligible building being counted in the program. The current budget FY18-FY19 the program and student counts will remain as is. We will watch this very carefully as future budget deliberations occur in the spring of 2019.

We have also elected to report our state special education catastrophic reimbursements in this section of the report. This reimbursement is available when the cost of educating a pupil is greater than $27,375 or $32,850. (The cost difference is related to the special program in which the student is enrolled.) A number of students are served through programs that cost in excess of $60,000 per pupil per year

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Economically Disadvantaged Aid | $20,419,067 | $20,643,995 | $20,597,536 | $20,551,235 | $20,505,089 |
| Catestrophic Sp. Ed. | $992,471 | $1,002,396 | $1,012,420 | $1,022,544 | $1,032,769 |
| Career Tech Aid | 1,694,054 | 1,694,054 | 1,694,054 | 1,694,054 | 1,694,054 |
| Total Restricted Revenues Line #1.040 | $23,105,592 | $23,340,445 | $23,304,010 | $23,267,832 | $23,231,912 |

**C) Restricted Federal Grants in Aid – line #1.045**
The district received its final payment of in Ed Jobs money in FY12. No federal unrestricted grants are projected FY18-FY22.

| Summary | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Unrestricted Line # 1.035 | $183,463,763 | $186,208,924 | $185,861,524 | $186,364,721 | $176,639,120 |
| Restricted Line # 1.040 | $23,105,592 | $23,340,445 | $23,304,010 | $23,267,832 | $23,231,912 |
| Restricted Federal Grants Line #1.045 | 0 | 0 | 0 | 0 | 0 |
| Total State Foundation Revenue | $206,569,355 | $209,549,369 | $209,165,534 | $209,632,554 | $199,871,032 |

**State Tax Reimbursement/Property Tax Allocation—line #1.050**
**A) Rollback and Homestead Reimbursement**
Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66 the FY06-07 budget bill previously eliminated 10% rollback on Class II (commercial and industrial) property.

Our new $48 million emergency levy passed November 8, 2016 is considered a "non-qualified" levy for homeowners to received state rollback reimbursement on. This was another way the state has shifted costs to local taxpayers. The new levy is still qualified for homestead exemptions if the taxpayer qualifies as noted below.

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

**b) Tangible Personal Property (TPP) Reimbursements – Fixed Rate**
School districts under prior laws were supposed to be reimbursed for the TPP tax losses by the state of Ohio at varying levels through 2026. HB64 the FY16-FY17 state budget phased out of TPP reimbursements to districts based on five wealth tiers called quintiles. A Quintile 1 district will lose TPP funding based on 1% of qualifying revenue and a Quintile 5 district lost TPP reimbursements equal to 2% of qualifying revenue. We were a quintile 3 district and as a result lost our entire fixed rate funding after FY16. This amounted to a cut of over $8.7 million per year.

**c) Tangible Personal Property (TPP) Reimbursements – Fixed Sum**
HB49 has continued reimbursement of Fixed Sum TPP reimbursements but will phase out the reimbursement over five years starting in FY18 through FY21. There will be no fixed sum TPP reimbursement in FY22. Districts will not lose money due to the phase out. The amount of money the state is cutting its reimbursement will be added on the local fixed sum millage, emergency levy millage, and collected in local property taxes. This is directly shifting the burden to local tax payers by the state cut in fixed sum TPP reimbursement.

**Summary of State Tax Reimbursement – Line #1.050**

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Rollback and Homestead | $23,263,380 | $23,634,537 | $23,697,164 | $20,964,863 | $17,775,070 |
| TPP Reimbursement - Fixed Rate | $0 | $0 | $0 | $0 | $0 |
| TPP Reimbursement - Fixed Sum | 3,955,049 | 3,068,887 | 2,182,725 | 1,296,564 | 0 |
| Total Tax Reimb./Prop. Tax Allocations | $27,218,429 | $26,703,424 | $25,879,889 | $22,261,427 | $17,775,070 |

**Other Local Revenues – Line #1.060**
The largest source for "Other Revenues" is payments in lieu of taxes (PILOTS) estimated at $12.8 million in FY18. These are payments received from the City of Cincinnati and local businesses that have entered into agreements with the school district. These payments to the district are to help reduce the amount of lost revenue as the result of tax incentives offered by the City. We assume this level of collection will continue for FY18-FY22 based on data we have on expiration dates of these agreements.

The second largest source of income is tuition income and open enrollment tuition. FY18 revenue is $5.0 million and estimate it will continue at this level for FY18-FY22.

BOR/BTA settlement payments for tax complaints constitute the third largest area of "Other Revenue" at $4.5 million. These are settlements to resolve challenges to tax values. We assume this level of collection will continue for FY18-FY22.

The only Federal revenue which the district receives in the General Fund is for Medicaid reimbursements for medical services provided to qualified low income students covered by Medicaid. Reimbursements have varied from a high of $10.7 million in FY16 to a low of $248,271 in FY11. We anticipate it will be roughly $400,000 per year for FY18-22.

Interest rates are expected to remain low for the forecast period. Security of the public funds collected by the district is the top priority of the treasurer's office when investing district funds.

**Summary of "Other Local Revenues" – Line #1.060**

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Payment In Lieu of Taxes | $7,536,531 | $12,836,531 | $12,836,531 | $12,836,531 | $12,836,531 |
| Interest | 1,432,182 | 1,432,182 | 1,432,182 | 1,432,182 | 1,432,182 |
| Class Fees and Extra Activities | 17,000 | 17,170 | 17,342 | 17,515 | 17,690 |
| Tuition/Open Enrollment | 4,371,667 | 4,371,667 | 4,371,667 | 4,371,667 | 4,371,667 |
| Rentals | 600,640 | 606,646 | 612,713 | 618,840 | 625,028 |
| Federal Medicaid Reimb. OMSP | 396,030 | 399,990 | 403,990 | 408,030 | 412,110 |
| BOR/BTA Tax Payments | 7,838,881 | 7,838,881 | 7,838,881 | 7,838,881 | 7,838,881 |
| Miscellaneous | 584,354 | 584,354 | 584,354 | 584,354 | 584,354 |
| Total Line # 1.060 | $22,777,285 | $28,087,422 | $28,097,660 | $28,108,000 | $28,118,444 |

**Short-Term Borrowing – Lines #2.010 & Line #2.020 -** There is no short term borrowing planned 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. All advances over year end are planned to be returned in the succeeding fiscal year.

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Transfers In - Line 2.040 | $0 | $0 | $0 | $0 | $0 |
| Advance Returns - Line 2.050 | $11,505,000 | $12,500,000 | $12,500,000 | $12,500,000 | $12,500,000 |
| Total Transfer & Advances In | $11,505,000 | $12,500,000 | $12,500,000 | $12,500,000 | $12,500,000 |

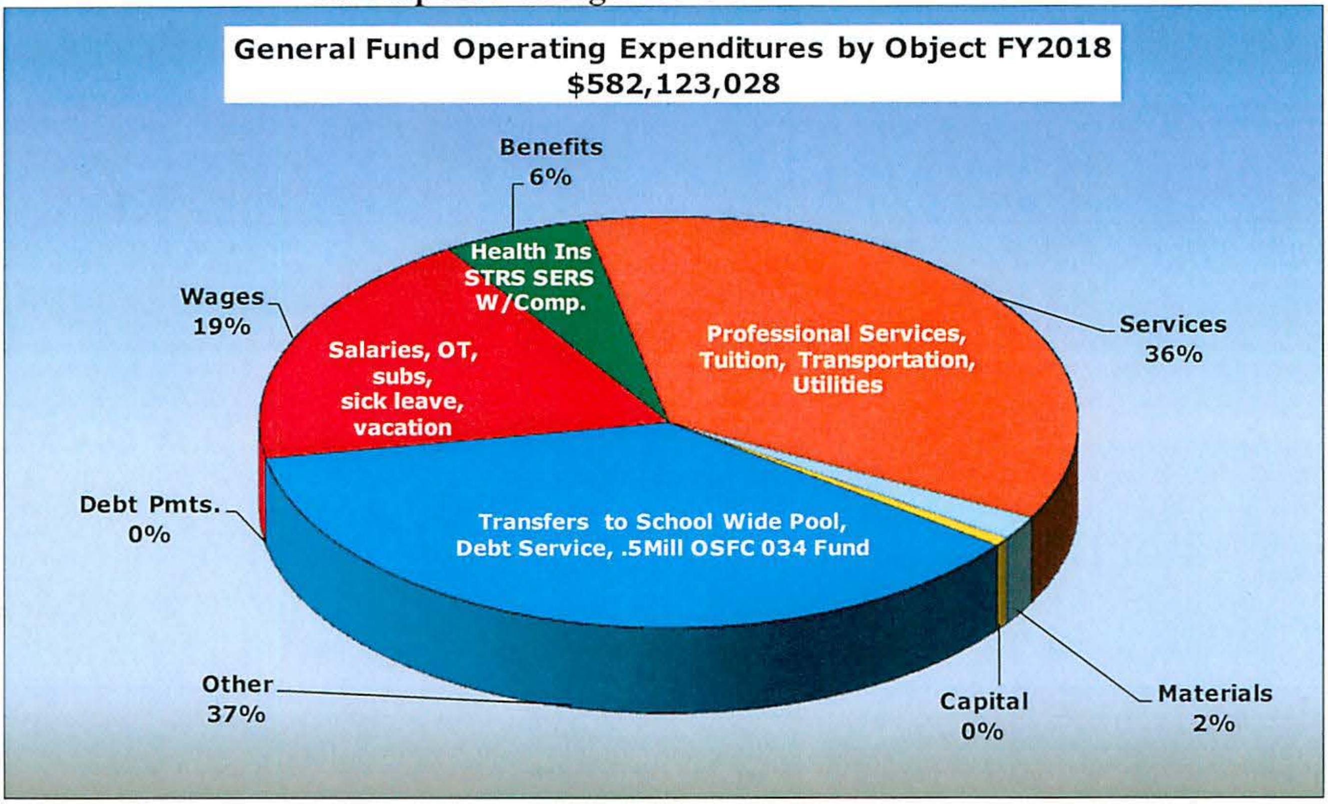
**All Other Financial Sources – Line #2.060**

This funding source is typically a refund of prior year expenditures and is very unpredictable. Federal E-Rate reimbursements have been the primary source for these types of revenues in the past. The current year's E-Rate reimbursement is typically based upon the previous year's activity. However, in FY17 the district received $7.3 million in E-Rate reimbursements. This variance is due to reimbursements for fiscal years prior to FY16. It is anticipated the revenue will decline to a normal reimbursement level of $3.5 million in FY18-FY22.

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Refund of prior years expenditures | $4,931,425 | $3,500,000 | $3,500,000 | $3,500,000 | $3,500,000 |

## Expenditure Assumptions

### All Expense Categories General Fund FY18




**Wages – Line #3.010**

- Base increases:
  This forecast reflects a 2% base increase for FY18 and FY19. Base increases for FY20-FY22 are assumed to be 0%.
- Performance step and classified step increases:
  Step increases are assumed to continue at their current rate of approximately 2% each year for FY18-FY22 for Certificated and Non-Certificated employees at a cost of $2.1 million per year.
  In FY19 we have added $583,000 a year to steps to adjust for adding a Masters +45 lane to the teachers salary schedule.
- Increases in staff:
  - FY19 includes an additional $1.1 million for Vision 2020 and Preschool expansion.
  - FY20 includes an additional $600,000 for Vision 2020
- Staff retirements resulted in a net savings of approximately $4.8 million in FY16 and $.3million in FY17. Severance costs were reduced by $1 million as a result of fewer anticipated retirements in future years.

Reclassification of Salary Cost:
In FY16, expenditures reflect the reclassification of certain expenditures to the "transfer of funds" classification for transfer into the School Wide Pool Fund (Line 5.01). This is necessary due to the realignment of all but 7 of the district's schools to using one combining fund to operate which includes both General Funds and certain Federal Funds. In past years these funds were required to be kept separate for federal reporting purposes. As a result, salary expenditures in the GF for the FY16 reflected a net decrease of 59%. Fringe benefits, supplies,

contract services, and equipment expenses were also reduced in FY16 and the "transfer" category increased by $180,819,880. This is expected to continue throughout the forecasted period.

In FY17 $6.5 million in staff costs shifted back from the School Wide Pool Fund as a result of 2 buildings no longer qualified to belong to the Pool.

**Summary of Salaries – Line #3.010**

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Base Wages | $109,123,684 | $109,123,684 | $115,226,631 | $118,131,164 | $120,493,787 |
| Increases | 0 | 2,182,474 | 0 | 0 | 0 |
| Performance Incentives, Training & Step | 0 | 2,765,474 | 2,304,533 | 2,362,623 | 2,409,876 |
| Growth/Enrollment Increase | 0 | 635,000 | 0 | 0 | 0 |
| Preschool expansion/Vision 20-20 | 0 | 520,000 | 600,000 | 0 | 0 |
| Contingency | 0 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Staff Reductions | 0 | 0 | 0 | 0 | 0 |
| Total Wages Line 3.010 | $109,123,684 | $117,726,631 | $120,631,164 | $122,993,787 | $125,403,663 |

**Fringe Benefits Estimates**

This area of the forecast captures all costs associated with benefits and retirement costs. Fringe benefits ran 31.17% of wage costs in FY17. In FY16 the district made a $5.2 million reduction in costs when the rate charged against personal services was reduced. During this forecast fringe benefits are estimated to range from 30.67% - 32.81% of total personal services in FY18-FY22. See further explanation below.

**A) STRS/SERS will increase as Wages Increase**

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.

**B) Insurance**

The district's health and dental costs were tracking close to market trend in FY16 and FY17. It is anticipated that health and dental insurance will trend about 5% for the period FY18-FY21.

In FY17 the district reduced the rate charged to personal services for insurance to bring charges more in line with actual costs.

Patient Protection and Affordable Care Act (PPACA) Costs- the **Patient Protection and Affordable Care Act (PPACA)** or the **Affordable Care Act (ACA)**, is a United States federal statute signed into law on March 23, 2010. It is uncertain to what extent the implementation of PPACA will cost our district in additional funds especially since it is being reviewed carefully at the federal level for amendment or repeal. There are numerous new regulations that potentially will require added staff time, at least initially due to increased demands, and it is likely that additional employees will be added to coverage that do not have coverage now. We are not certain what these added costs may be but there are "taxes" mandated by the act which are collected by our third party administrators as part of our funding factors. Longer-term, a significant concern is the 40% "Cadillac Tax" but in December 2017 this was delayed until 2022 by congress. This tax would be imposed on plans whose value of benefits exceeds $10,200 for individual plans and $27,500 for family plans. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district.

**C) Workers Compensation & Unemployment Compensation**

Workers Compensation is expected to remain at about 1.19% of wages FY18 – FY22. Unemployment is expected to remain at a very low level FY18 – FY22. The district is a direct reimbursement employer which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

**D) Medicare**

Medicare will continue to increase at the rate of increases in wages. 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 and salaries.

**E) Other**

Other benefits costs include minor benefit costs not included in retirement, insurances, government benefit payments, which amount to about $26,000 per year.

Reclassification of Fringe Benefits Costs:

This forecast also demonstrates the reclassification of certain expenditures to a transfer of money to the School Wide Pool (Line 5.01). The $49.5 million transfer for fringe benefits in FY16 is necessary due to the realignment of most schools to using one fund to operate which includes both General Fund and certain Federal Funds. In past years these funds were required to be kept separate for reporting purposes. As a result, benefit expenditures in GF for FY16 reflect a net decrease of 60.3% from FY15 operating cost levels. Salaries, supplies, contract services, equipment, etc. also reflect reductions in FY16 and the "transfer" category increased by $180,819,880. This is expected to continue throughout the forecasted period.

In FY17 $6.5 million in staff costs shifted back from the School Wide Pool Fund as a result of 2 buildings no longer qualified to belong to the Pool. As a result, approximately $2.2 million in benefit costs were moved back from the Pool in FY17.

**Summary of Fringe Benefits – Line #3.020**

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| STRS/SERS | $15,299,140 | $16,503,553 | $16,911,408 | $17,242,756 | $17,580,612 |
| Insurance's | 16,921,902 | 18,439,055 | 19,930,168 | 21,385,676 | 22,913,960 |
| Workers Comp/Unemployment | -384,069 | 1,459,188 | 1,493,955 | 1,522,236 | 1,551,082 |
| Medicare | 1,582,293 | 1,707,036 | 1,749,152 | 1,783,410 | 1,818,353 |
| Other | 26,515 | 26,515 | 26,515 | 26,515 | 26,515 |
| Total Line 3.020 | $33,445,782 | $38,135,347 | $40,111,198 | $41,960,593 | $43,890,521 |

**Purchased Services – Line #3.030**

Purchase services are costs for personal services from individuals who are not on the payroll of the school district, and other services that the school district may purchase. Expenditures in this category include: instructional services, instructional improvement services, health services, data processing services, professional/legal services, garbage removal, repairs and maintenance services, rentals, property insurance, lease-purchase agreements, meeting and mileage expenses, telephone expenses, postage, advertising, utilities, tuition paid to other districts, and pupil transportation. Most significantly, this category includes payments to Community Schools and Ed Choice Scholarship Voucher program established by HB153 and expanded in HB59 and HB64. There are other proposals that if passed will open up even more expense for the district in these choice type programs. If these initiatives become law costs for these programs will shoot up over the next several years.

Tuition costs for the district vary by the source of the cost. Details by type of tuition are found below:

- Community School costs are anticipated to decrease by 2% in FY18 due to decline in enrollment and increase at 3% for FY19-FY22.

- Voucher and Ed Choice Scholarships are estimated to increase sharply in FY19 and then 3% for FY20-FY22.
- Open enrollment tuition is expected to be flat for FY18-FY22.
- The remaining tuition costs, which are primarily related to special needs students, are anticipated to continue to increase at about 3% per year for FY18-FY22.

In FY16 the district has changed how it purchases some technology from a cash purchase to lease. As a result an additional $1.8 million was added to leases in FY16.

FY18 reflects the following changes in program:

- Cincinnati Pre-school Promise increased $7.1 million.
- $2 million increase for Vision 2020 programmatic costs and $200,000 for preschool building leases.

After removing the impact of program changes above, an overall inflation of about .056% is being estimated for the purchased service accounts for FY18. This rate is lower as a result of an anticipated 2% reduction in Community School tuition. Pupil transportation, utilities and professional services are all estimated to increase at 5% a year based upon FY17 base levels.

Reclassification of Contract Services Costs:
This forecast demonstrates the reclassification of certain expenditures to a transfer of money to the School Wide Pool (Line 5.01). This transfer for contract services is necessary due to the realignment of most schools to using one fund to operate which includes both General Fund and certain Federal Funds. In past years these funds were required to be kept separate for reporting purposes. As a result, contract services expenditures in GF for FY16 reflect a $5 million reduction. Salaries, benefits, supplies, equipment, etc. also reflect reductions in FY16 and the "transfer" category increased by $180,819,880. This is expected to continue throughout the forecasted period.

**Summary of Purchased Services – Line #3.030**

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Special Ed., Other Professional Services | $4,284,306 | $4,412,835 | $4,545,220 | $4,681,577 | $4,822,024 |
| Open Enrollment | 3,661,630 | 3,669,479 | 3,677,563 | 3,685,890 | 3,694,467 |
| Autism & Peterson | 18,175,359 | 23,000,000 | 23,690,000 | 24,400,700 | 25,132,721 |
| Other Tuition, College Credit Plus | 13,500,000 | 19,300,000 | 19,879,000 | 20,475,370 | 21,089,631 |
| Community Schools | 51,559,197 | 51,559,197 | 51,559,197 | 51,559,197 | 51,559,197 |
| Ed Choice | 21,736,406 | 22,823,226 | 23,964,388 | 25,162,607 | 26,420,738 |
| Transportation | 43,491,018 | 45,665,569 | 47,948,847 | 50,346,290 | 52,863,604 |
| Utilities | 16,104,610 | 16,909,840 | 17,755,332 | 18,643,099 | 19,575,254 |
| Professional Services | 17,368,249 | 18,236,661 | 19,148,494 | 20,105,919 | 21,111,215 |
| Rental & Lease Payments | 10,661,597 | 10,768,213 | 10,875,895 | 10,984,654 | 11,094,500 |
| Property Services and Maintenance | 1,707,986 | 1,725,066 | 1,742,317 | 1,759,740 | 1,777,337 |
| Cininnati Pre-School Promise | 7,100,000 | 7,100,000 | 7,100,000 | 7,100,000 | 3,600,000 |
| Total Line 3.030 | $209,350,357 | $225,170,086 | $231,886,253 | $238,905,042 | $242,740,688 |

**Supplies and Materials – Line #3.040**

Amounts paid for material items of an expendable nature that are consumed, worn out, or deteriorated from use, or items that lose their identity through fabrication or incorporation into different or more complex units or subunits. Expenditures in this category include: instructional supplies, office supplies, teaching aides, software materials, textbooks, library books, newspapers, periodicals, films, filmstrips, supplies and materials for the operation, maintenance and repair of land, buildings, equipment and furniture, and fuel, tires and supplies for vehicles.

FY18 reflects anticipated cash outlays through the end of the fiscal year. Fuel and vehicle maintenance is expected to remain flat and all other items are expected to increase by 2% for FY19-FY22.

Reclassification of Supplies and Materials Costs:
This forecast demonstrates the reclassification of certain expenditures to a transfer of money to the School Wide Pool (Line 5.01). This transfer for supplies and materials is necessary due to the realignment of most schools to using one fund to operate which includes both General Fund and certain Federal Funds. In past years these funds were required to be kept separate for reporting purposes. As a result, supply and material expenditures in GF for FY16 reflect a $1.3 million reduction. Salaries, benefits, contract services, equipment, etc. also reflect reductions in FY16 and the "transfer" category increased by $180,819,880. This is expected to continue throughout the forecasted period.

**Summary of Supplies and Materials – Line #3.040**

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Other Supplies | $2,535,029 | $2,585,729 | $2,637,444 | $2,690,193 | $2,743,997 |
| Instructional Supplies | 2,734,171 | 2,788,854 | 2,844,631 | 2,901,524 | 2,959,554 |
| Textbooks & Library Books | 2,079,492 | 2,121,082 | 2,163,504 | 2,206,774 | 2,250,909 |
| Building Maintenance Supplies | 1,569,269 | 1,600,655 | 1,632,668 | 1,665,321 | 1,698,628 |
| Vehicles Maintenance Supplies | 2,121,454 | 2,121,454 | 2,121,454 | 2,121,454 | 2,121,454 |
| Total Line 3.040 | $11,039,415 | $11,217,775 | $11,399,701 | $11,585,266 | $11,774,542 |

**Equipment – Line # 3.050**
FY18 reflects anticipated cash outlays through the end of the fiscal year Capital Outlay annual inflation costs are expected to be about 5% during the forecasted period FY19-FY22.

Reclassification of Equipment Costs:
This forecast demonstrates the reclassification of certain expenditures to a transfer of money to the School Wide Pool (Line 5.01). This transfer for equipment is necessary due to the realignment of most schools to using one fund to operate which includes both General Fund and certain Federal Funds. In past years these funds were required to be kept separate for reporting purposes. As a result, equipment expenditures in GF for FY16 reflect a $216,536 reduction. Salaries, benefits, contract services, supplies, etc. also reflect reductions in FY16 and the "transfer" category increased by $180,819,880. This is expected to continue throughout the forecasted period.

**Summary of Equipment – Line # 3.050**

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Base Capital | $196,380 | $206,199 | $216,509 | $227,335 | $238,702 |
| Buildings | 0 | 0 | 0 | 0 | 0 |
| Equipment | 536,681 | 563,515 | 591,691 | 621,276 | 652,339 |
| Technology Equipment | 2,058,550 | 2,161,478 | 2,269,552 | 2,383,029 | 2,502,181 |
| Improvements other than Buildings | 671,015 | 704,566 | 739,794 | 776,784 | 815,623 |
| Replacement of Vehicles | 249,090 | 261,544 | 274,621 | 288,352 | 302,770 |
| Total Line 3.050 | $3,711,717 | $3,897,302 | $4,092,168 | $4,296,776 | $4,511,615 |

**Other Expenses – Line #4.300**
The category includes expenditures for memberships in professional organizations, charges for audit examinations, county auditor and treasurer fees, election expenses, charges for advertising the delinquent tax list, bank charges, liability insurance, accident insurance, fidelity bonds, and legal judgments against the district, back pay and awards. FY18 reflects anticipated cash outlays through the end of the fiscal year. Zero percent inflationary increases are anticipated for FY19-FY22.

**Summary of Other Expenses – Line #4.300**

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Auditor & Treasurer Fees | $4,589,435 | $4,589,435 | $4,589,435 | $4,589,435 | $4,589,435 |
| Audit Fees | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Banking Fees | 122,361 | 122,361 | 122,361 | 122,361 | 122,361 |
| Other expenses | 1,093,240 | 1,093,240 | 1,093,240 | 1,093,240 | 1,093,240 |
| Total Line 4.300 | $5,825,036 | $5,825,036 | $5,825,036 | $5,825,036 | $5,825,036 |

**General Fund Debt Service Payments – Lines #4.020; #4.030; #4.040; #4.050; #4.055; #4.060**
All general fund debt payments will be made from the bond retirement fund through a detailed transfer out to that fund as noted below in Line 5.01 transfers out.

No debt issuances or refunding's are anticipated during the FY18-FY22 period.

**Transfers Out/Advances Out/All Other Financing Uses – Lines #5.010, #5.020 & #5.030**
These costs are made up of transfers to other funds, contingencies, advances to other funds and all other uses. Transfers are the permanent movement of cash from the General Fund to other funds as a result of obligations like debt or items which require that the actual expenditure be made from another fund but that General Fund provides the resources. Advances are temporary cash loans from the General Fund to other funds, which have insufficient cash flows to meet their obligations. These loans will be repaid by the other funds back to General Fund at a later time when resources have been received from the designated sources into the other fund. All other uses would cover prior fiscal year corrections and adjustments.

**Line #5.010**

A) **Transfers**

**School Wide Pool** –In FY18 we are anticipating a $180,850,755 transfer to the School Wide Pool Fund. This allows General Fund and certain grant dollars to be combined into one operating budget/fund, which provides for more efficient use of resources to better meet the need of students. General Fund and grant dollars are providing school budgets for all schools except 9, which were maintained in the General Fund. The School Wide Pool transfer is increased each year by the same inflationary trends noted in the above categories.

**Debt Service Obligations**-Beginning in FY18 we are detailing more of the reason for transfers out for debt service obligations belonging to the General Fund. These obligations are paid from the Bond Retirement Fund and will no longer be shown on Lines 4.05, 4.055 and 4.06 in order to maintain consistency in our forecast in not comingling General Fund and Debt Service Fund payments. The General Fund obligations will be shown as a Transfer out to the Debt Service Fund and then reflected as payments from the Debt Service Fund. There are four (4) transfers out during the period FY18-22 to the bond retirement fund to pay for general fund debt obligations for interest and principal as follows:

| Series of Debt | Original Principal | Ends |
|---|---|---|
| Debt Obligation 9007 | $104,900,000 | June 1, 2023 |
| Debt Obligation 9005/10 | $ 21,715,000 | June 1, 2025 |
| Debt Obligation 9006/11 | $ 3,000,000 | June 1, 2026 |
| Debt Obligation 9009/12 | $ 26,250,000 | June 15, 2032 |

WE have estimated in FY19 a Certificate of Participation borrowing.

**Fund 034 ½ Mill Maintenance Fund-** The district must transfer $3.2 million to Fund 34 as required by the districts Ohio School Facility Master Plan, and is to fund facility maintenance and equipment replacement. A ½ mill obligation is required in Fund 034 for as long as debt is outstanding to pay for the facilities partially funded by the OSFC.

**Line #5.020**

**B) Advances Out**

In FY17, $11.5 million was advanced/loaned to other funds. These funds were returned to General Fund in FY18. FY18-FY22, the assumption is that the revenue from returning cash advances and advance out will equal and a base amount of $12.5 million will likely be needed each year to advance to other funds for cash flow needs.

**Summary of Transfers Out/Advances Out/All Other Financing Uses – Lines #5.010, #5.020 & #5.030**

| Purpose | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| School Wide Pool | $180,850,755 | $190,382,901 | $196,819,244 | $203,473,182 | $210,352,073 |
| 002-9007 LTGO Debt | 9,412,063 | 9,415,888 | 9,407,913 | 9,406,913 | 9,408,763 |
| 002-9005/10 QSCB HB264 Debt | 1,583,427 | 1,583,427 | 1,583,427 | 1,583,427 | 1,583,427 |
| 002-9006/11 QSCB HB264 Debt | 219,000 | 219,000 | 219,000 | 219,000 | 219,000 |
| 002-9009/12 QSCB HB264 Debt | 1,806,500 | 1,806,500 | 1,806,500 | 1,806,500 | 1,806,500 |
| Planned COP Borrowing | 0 | 925,000 | 925,000 | 925,000 | 925,000 |
| 034 Maintenance 1/2 Mill OSFC | 3,254,156 | 3,254,156 | 3,254,156 | 3,254,156 | 3,254,156 |
| Total Transfers Out Line # 5.01 | $197,125,901 | $207,586,872 | $214,015,240 | $220,668,178 | $227,548,919 |
| Advances Out Line #5.020 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 |
| Total | $209,625,901 | $220,086,872 | $226,515,240 | $233,168,178 | $240,048,919 |

**Encumbrances –Line#8.010**

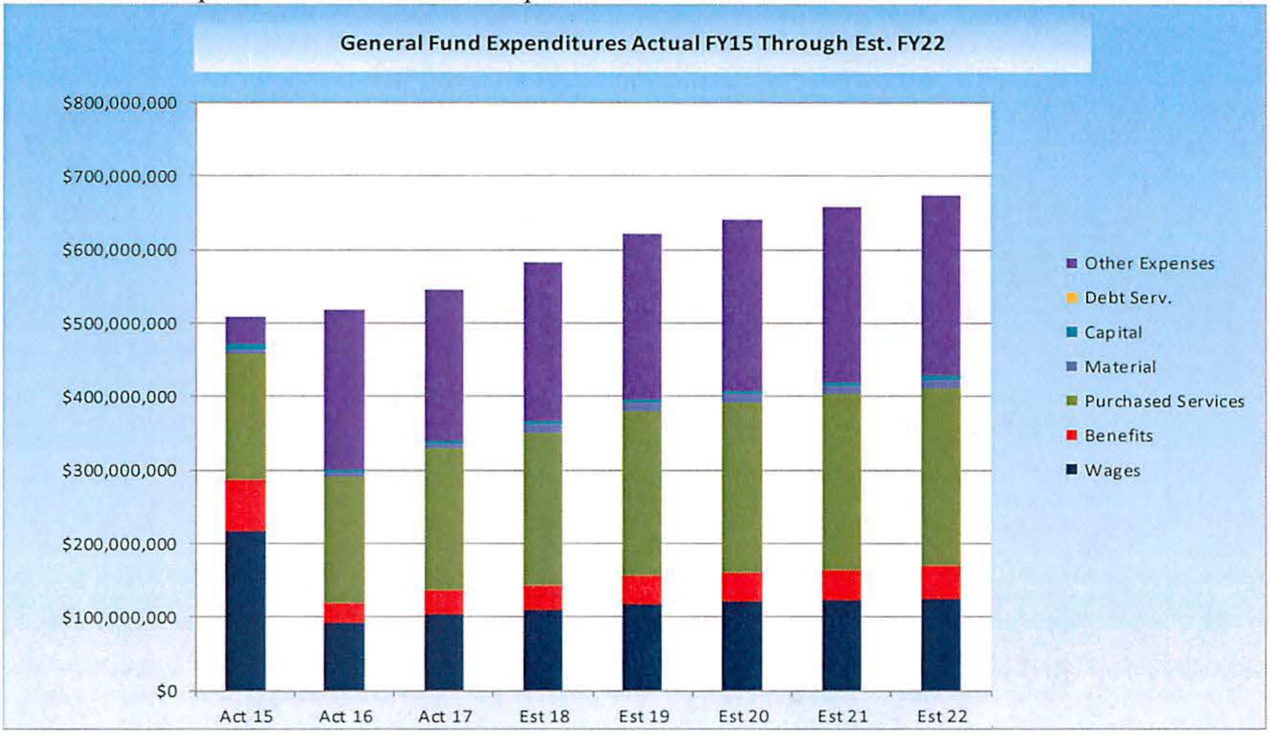
Encumbrances are similar to an accounts payable in business. Budgetary accounting uses encumbrances as a method to reserve fund balance for future payment of goods and services ordered. In effect, it insures that the district will not spend the funds on something else when it has already been committed for a particular purpose, unlike an accounts payable, which is only established when the goods or services are actually received. Since all purchases are required to be encumbered when ordered, the amount of encumbrances at year-end is directly related to the timing of ordering, delivery and subsequent payment of the bill. As a result of these timing issues, the ending encumbrances as of June 30 each year can vary significantly. The only impact of a deviation is that if encumbrances increase then expenditures will have decreased from forecasted levels or vice versa. The impact on available funds would zero.

The administration reviews its list of encumbrances as of June 30th in an effort to cancel and reduce any encumbrances which may no longer be needed. Encumbrances are estimated at $12.5 million for June 30 each fiscal year.

| | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Estimated Encumbrances | $13,100,000 | $13,100,000 | $13,100,000 | $13,100,000 | $13,100,000 |

**Reservations of Fund Balance – Line #9.080 –** The district has no reservation of fund balance.

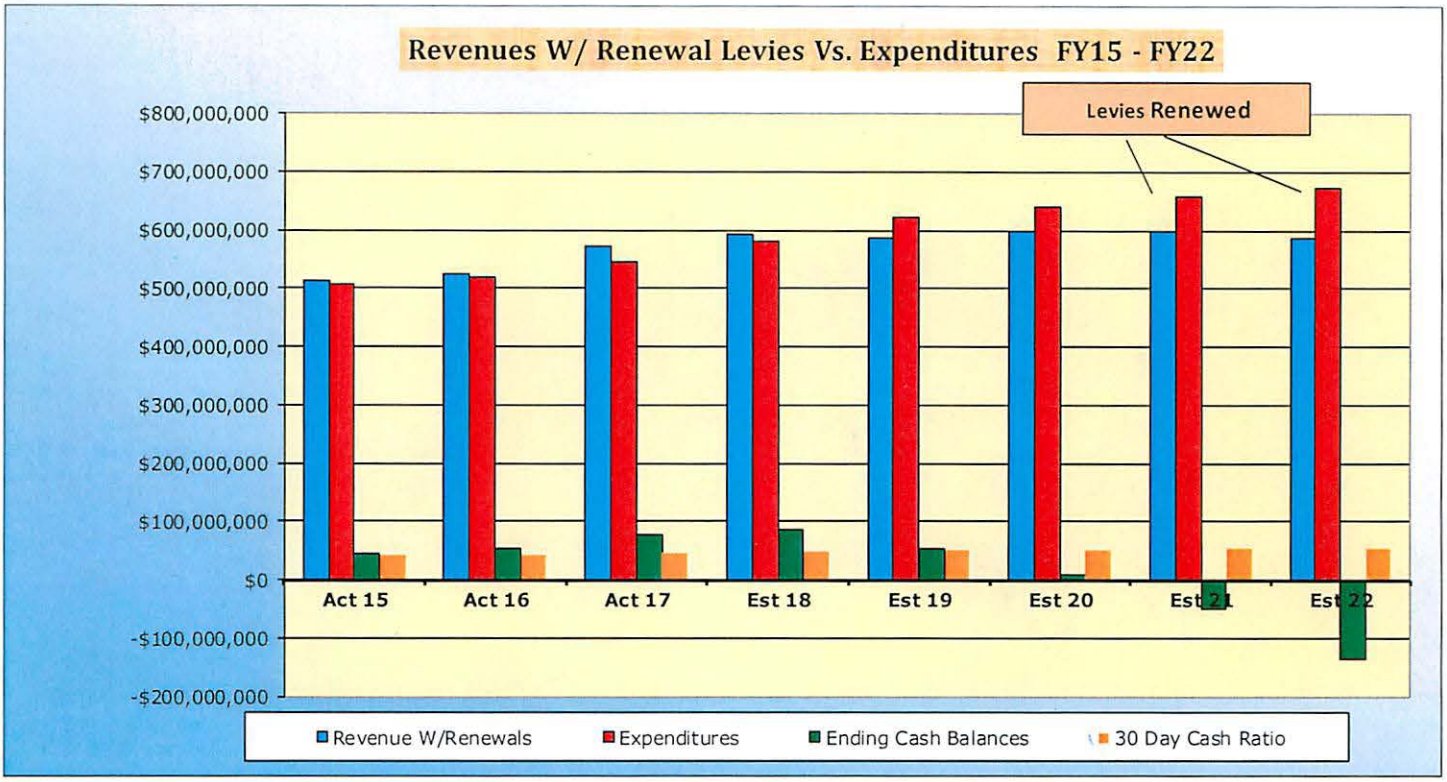
**Operating Expenditures Actual FY15-FY17 and Estimated FY18-FY22**
As the graph on the following page indicates we have been diligent at reducing costs in reaction to lower and flat state revenues. We are working to control our expenses while attempting to address student academic needs to enable them to compete and do well on state performance standards.




**Ending Unencumbered Cash Balance – Line#15.010**
While the district can forecast a negative amount in this line, it cannot actually go below $-0- or the district General Fund will have violated all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000. It is recommended by the GFOA and other authoritative sources that a district should maintain a minimum of thirty (30) days worth of expenditures in its cash balance, which is about $48.3 million for our district.

Line #15.01 includes passage of two (2) emergency levy renewals as noted earlier in the forecast. The district has two (2) emergency levies expiring in this forecast period FY18-22. The district's $65.1 million emergency levy will expire on December 31, 2020 and the district's $48.0 million emergency levy will expire December 31, 2021. It is necessary to renew both the $65.1 and $48 million emergency levies to keep the district financially healthy long term. These levies are required to be moved form Lines 1.01, 1.02 and 1.05 and placed on Line 11.02. We reflect these at their full voted fixed sum amounts. Failure to pass any renewal levy will be devastating for the district.

| | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| Ending Cash Balance | $ 87,806,101 | $ 53,051,969 | $ 10,165,001 | $ (49,949,503) | $ (136,401,459) |




The revenue portion of the graph above demonstrates increased funding the district received as a result of HB 64, the last biennium budget, as well as the current budget HB49. If district expenses grow at the forecasted inflation rate, and no action is taken to reduce costs, the district is projected to have a cash deficit in FY21.