APPROVED
November 16, 2021

COLUMBUS CITY SCHOOLS

FRANKLIN COUNTY, OHIO

ASSUMPTIONS AND NOTES

FIVE-YEAR FORECAST

November 2021

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEARS ENDING JUNE 30
ACTUAL: 2019, 2020, 2021
FORECASTED: 2022, 2023, 2024, 2025, 2026

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November 16, 2021

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EXECUTIVE SUMMARY[1]

Introduction (Ohio Department of Education)

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

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

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

Purposes/Objectives of the Five-Year Forecast (Ohio Department of Education)

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

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

O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to submit a five-year projection of operational revenues and expenditures along with assumptions to the Department of Education prior to October 31 of each fiscal year and to update this forecast between April 1 and May 31 of each fiscal year. ODE encourages school districts to update their forecast whenever events take place that will significantly change the forecast.

[1] Throughout this document "CCS" or "CCSD" denotes Columbus City Schools or the Columbus City School District.

Board of Education Review

The Five-Year Forecast was prepared by the treasurer's office staff and reviewed by the Board's Finance and Appropriations Committee (FAC meeting Oct 13, 2021). Subsequently, the forecast was presented to the Board for their review during a public meeting (BOE meeting Nov 3, 2021) and then formally adopted by the board the following meeting (BOE meeting Nov 16, 2021).

Video links to those meetings:

FAC Oct 13
BOE Nov 3 (see 1:58:00)
BOE Nov 16

General Economic Conditions and Outlook

General economic conditions drive state and local tax revenues, which in turn impact school district finances. Local tax revenues are derived from property taxes, which tend to be a more stable source of income. Boards of education can levy additional taxes on real property upon a favorable vote of the residents of the district; anecdotally, voters tend to more be more likely to support imposing additional taxes upon themselves when the economy is good, and less so when economic conditions are poor. State revenue – which is typically distributed via a funding formula – is an amalgamation of various tax sources, though the primary drivers in Ohio are the sales and income taxes. These two sources are often directly correlated with economic conditions (though specific policy decisions may also impact collections).

The advent of the COVID-19 crisis in March 2020 resulted in a decline in state revenues and a decline in economic activity during the waning days of FY 2020. The State reduced Foundation payments by $300 million for the last three payments for FY 2020; while those reductions were carried over into FY 2021, these cuts were partially restored in February 2021 and should be fully restored in FY 2022 with the advent of a new school funding formula. Fortunately, districts also have been allocated funding through various federal stimulus packages, which has helped to alleviate some of the reductions and additional costs associated with mitigating the pandemic in schools and districts as well as position districts to begin to invest in those strategies designed to spur learning recovery from the challenges brought on by the pandemic.

According to the Ohio Office of Budget and Management (OBM):

> According to the Bureau of Economic Analysis (BEA)'s 'advance' estimate, Real Gross Domestic Product (GDP) expanded in the third quarter of calendar year 2021 at an annualized rate of 2.0 percent. The third quarter deceleration in growth was due in large part to a decrease in consumer spending. As the delta variant of COVID-19 surged nationally, some re-openings of businesses were delayed, and new restrictions were put in place in some areas of the country. Additionally, as federal pandemic assistance came to an end during the third quarter, some pullback was expected (OBM, 2021).

As stated in the Notes to the previous Five-Year Forecast, due to the challenges of making comparisons using the BEA's data:

> Moody's Analytics and CNN created the Back-to-Normal Index to track the economic recovery. The national index includes 37 indicators of economic activity, combining the 25 traditional economic indicators used in Moody's High Frequency GDP model, with 12 real-time indicators. Each state index is composed of a weighted average of the national index and seven state-level indicators. Both indices range from zero, representing no economic activity, to 100 percent, indicating full economic recovery to pre-pandemic levels. As of November 3, 2021, the national index was at 94.6 percent. Ohio's index was 2.9 percentage points ahead of that at 97.5. Ohio's average in October was 2.9 percentage points above the average in September and while the national average grew slightly less (2.3 percentage points) during the same time frame (OBM, 2021).

OBM indicates that the Ohio unemployment rate remained at 5.4 percent in September 2021 for the third month in a row (OBM, 2021). OBM further notes that:

> ... national unemployment rate decreased 0.2 percentage points to 4.6 percent between September and October. The number of unemployed individuals decreased by 255,000 to 7.4 million. Despite both measures being substantially lower than their April 2020 highs, they remained above February 2020 levels by 1.1 percentage points and 1.7 million individuals, respectively (OBM, 2021).

According to the Ohio Legislative Service Commission (LSC), for FY 2022 through October, "GRF tax revenue exceeded the estimate published by OBM by $127 million… With the strong performance for the month, year to date (YTD) GRF tax revenue was $261 million over estimate at the end of October" (LSC, 2021). Per LSC:

> GRF tax sources have performed well in the first four months of FY 2022. The largest tax sources had positive variances, including the PIT (personal income tax), $132.1 million; the sales and use tax, $58.2 million; the commercial activity tax (CAT), $41.3 million; and the cigarette tax, $7.4 million. (These four taxes are estimated to provide about 94% of GRF tax revenue and nearly two-thirds of total GRF sources in FY 2022) (LSC, 2021).

As noted in the Notes to the previous Five-Year Forecast, the specter of inflation continues to cast a pall over otherwise positive news. According to the Bureau of Labor Statistics, the "Consumer Price Index for All Urban Consumers (CPI-U) increased 0.9 percent in October…Over the last 12 months, the all items index increased 6.2 percent before seasonal adjustment" (Bureau of Labor Statistics, 2021). The BLS goes on to note:

> The monthly all items seasonally adjusted increase was broad-based, with increases in the indexes for energy, shelter, food, used cars and trucks, and new vehicles among the larger contributors. The energy index rose 4.8 percent over the month, as the gasoline index increased 6.1 percent and the other major energy component indexes also rose. The food index increased 0.9 percent as the index for food at home rose 1.0 percent (Bureau of Labor Statistics, 2021).

Ohio's strong performance on the Moody's / CNN Back-to-Normal Index coupled with stronger-than-expected tax receipts provide for continued optimism for economic recovery. However, inflationary increases not seen in years will continue to put pressure on the recovery and will impact District expenditures, particularly in energy, fuel, and food costs. While there are positive signs for the economy, there remain pressures that may still unravel the recovery.

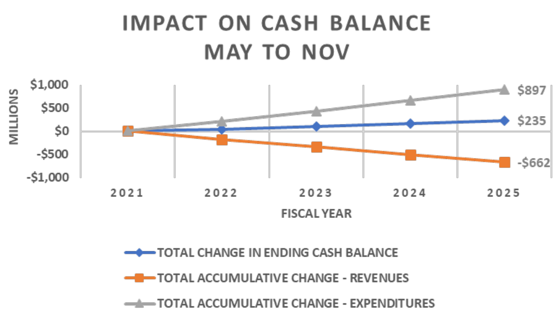
Revenues, Expenditures and Ending Cash Balances

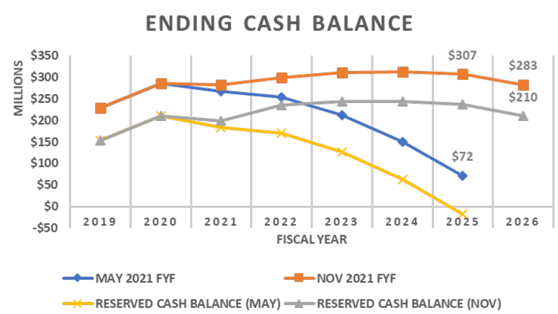
Updates from the May 2021 Forecast

The most significant event since the previous forecast was the inclusion of a new state aid funding formula in the state's FY22-23 biennial budget bill (HB110). This new formula contained two major provisions:

- Fund students where educated
- Remove the deduction for community schools and scholarships (CS&S) from the state aid payments

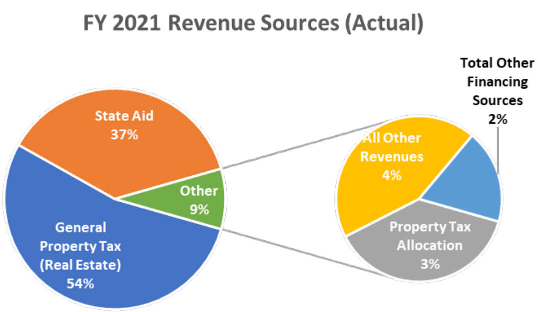
Funding students where educated means those Columbus CSD students attending community and other chartered non-public schools will not be included in CCS' formula thereby reducing gross state aid. Removing the CS&S deduction reduces CCS' expenditures. The overall impact on the forecasted ending cash balance is positive with state aid (revenue) declining less than expenditures. For the five-year period ending FY25 (the period of the May forecast), the projected ending cash balance increased a net $235 million.

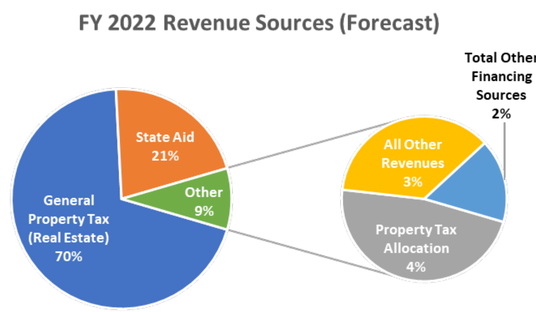




Revenues

Other than the change in state aid, property tax revenue estimates were adjusted upwards an average of 1.9% to reflect current trends and the recent reappraisal. There were no other material changes in revenue. The change in the state aid calculation impacted the relative makeup of revenue sources such that projected state aid for FY22 is now 21% of total revenue down from 37% in previous years. Correspondingly, the projected percentage of total revenue from local property taxes in FY22 increased to 70% from 54% in previous years.





Expenditures

The elimination of CS&S deductions is reflected in the purchased services line. All non-personnel lines were reduced based on historical percent-of-budget expenditure patterns (the May forecast used budgeted amounts). Personnel, now 85 percent of the General Fund budget with the elimination of CS&S deductions, includes a total of 199.65 additional certificated and classified staff (see: Staffing Included in FYF (FTE), page 29) spread over the five-year period of the forecast. The five-year staffing plan that includes these positions was developed in late 2020-early 2021 and, therefore, is up for reconsideration during the FY23 budget planning schedule to begin later this year. The specifics of this plan will change to reflect academic needs, programmatic outcomes, and student enrollment. The revised staffing plan is scheduled to be presented to FAC in March 2022 and will be reflected in the May 2022 FYF update.

In addition to changing the state aid funding formula, HB110 combined the Student Wellness and Success Fund (SWSF, see: SWSF Guidance) with the Economically Disadvantaged Student Fund to create the new Disadvantaged Pupil Impact Aid. The new school funding formula incorporates Student Wellness and Success Funding[2] and specifies a portion of funding districts receive to be dedicated to Student Wellness and Success initiatives. The result is that Student Wellness and Success Funding (SWSF) has been rolled into formula, is received as part of state aid, and is recorded in the General Fund rather than a separate fund as in previous fiscal years. $16.8 million has been added to the FY22 personnel line to reflect redirecting salaries and benefits to the General Fund that were previously charged to the separate SWSF fund.

[2] Recorded in Fund 467 in fiscal years 2020 and 2021.

Non-personnel expenditures are determined during the district's program-driven budget process and have been adjusted based on prior years' expenditure patterns for inclusion in this FYF. Prepared almost exclusively within the functionality of the district's ERP system, the budget document is the result of several months of work by staff developing plans and identifying needs not only for the upcoming fiscal year but for an additional 4, for a total of 5, fiscal years. By utilizing the ERP system to prepare the long-term budget, data is maintained for use during future budget preparation cycles allowing preparers to easily update the information based on revised plans rather than reinventing the budget wheel altogether each year.

Risks

The forecast is subject to many risks inherent in any projection into the future. Significant among those include:

- Ohio economy – statewide as well as Central-Ohio specifically. Changes in the economic vitality and functioning within the state can affect income levels, tax collections, and property values having an impact on the district's ability to remain fiscally sound. The COVID-19 national pandemic is a prime example of an event risk outside the district's control having a material impact on operations, revenues, and expenditures.
- State budget – completed on a biennial cycle, the state budget sets the level of state funding for the district. The second largest revenue source (21% of total revenues), state funding is only known for two years until discussions on the next state budget begin. Forecasting what the state legislature might do related to K-12 education funding is more of an art, perhaps guess, than a science. Unlike the district's largest revenue source, property taxes, state funding cannot simply be trended forward as changes to the state funding mechanism are the subject of legislative deliberations the inner workings of which are difficult, if not impossible, to predict. While a new funding formula has been adopted for fiscal years 2022 and 2023, the risk remains that the legislature could change or eliminate the formulaic calculation altogether. HB110 did not guarantee its existence or provide funding for the six-year phase-in of full funding.
- Labor agreements – Agreements with the district's teachers' union and associations[3] are in place through FY22 and contractual wage increases are included in this forecast. Negotiations with the classified employees' union were completed recently and wage increases for FY2022 are included in this forecast as they were covered under a "Me Too" clause in the previous contract. Wage increases for FY2023 are not included as that information was not available at the time the forecast was prepared. For FY23 – FY25, a 1% increase in base cost for all employees is included as a placeholder. The actual cost of wage increases in the latter years of the forecast is subject to negotiations and discussions with those employee groups.
- COVID-19 Pandemic – The reductions in state aid for FY20 and FY21 were restored in the formula calculation of state aid pursuit to HB110. Property tax collections, while delayed several months purposefully by county officials, appear to be materially unaffected by the pandemic. Federal financial assistance in responding to the pandemic has been provided through several pieces of legislation. Congress set aside approximately $13.2 billion of the $30.75 billion allotted

[3] Columbus Schools Classified Supervisors Association (CSCSA) and Columbus Administrators Association (CAA).

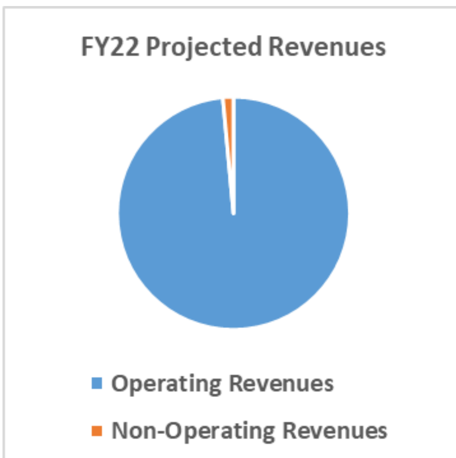
to the Education Stabilization Fund through the Coronavirus Aid Relief, and Economic Security (CARES) Act for the Elementary and Secondary School Emergency Relief Fund (ESSER Fund). A second round of funding was authorized in the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA) - an additional $54.3 billion for the Elementary and Secondary School Emergency Relief Fund (ESSER II Fund). In addition, the American Rescue Plan (ARP) Act provides an unprecedented $1.9 trillion package of assistance measures, including $122 billion for the ARP Elementary and Secondary School Emergency Relief (ARP ESSER) Fund. Columbus City Schools has been allocated a total of approximately $450 million through these programs. This new, one-time federal funding has various expenditure deadlines that extend from September 2022 through September 2024. Planned use of these funds is primarily for one-time, non-recurring expenditures in responding to the pandemic within the allowable uses specified in these programs. However, some expenditures, especially in the category of personnel, may be worthy of continuing beyond the timeframe of these federal funds and require the General Fund to take over paying for these expenditures. While not contemplated in this forecast[4], any expenditures that carry over into the General Fund could have a material impact[5].

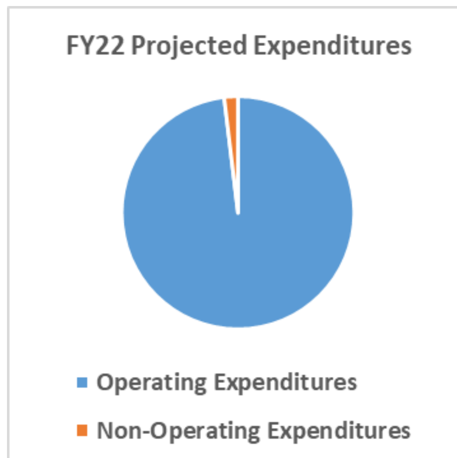
Ending Cash Balances

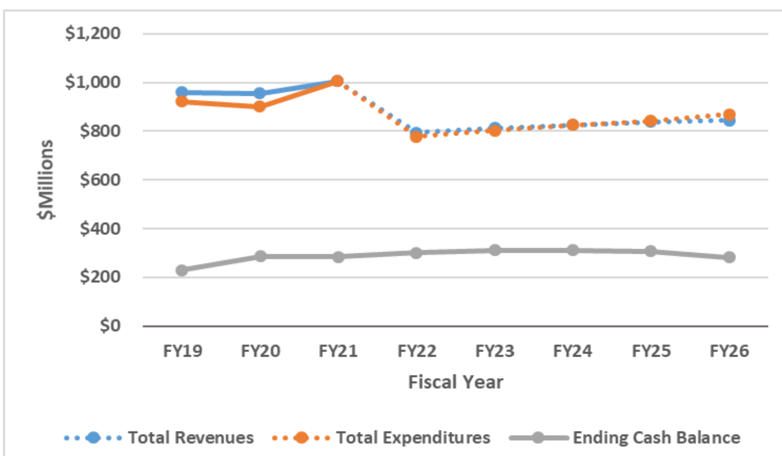
Total revenues in this forecast are projected to decrease at the rate of -3.4% annually from $1.0 billion in FY21 to $844 million in FY26[6]. Total expenditures are projected to decrease at the rate of -2.9% from $1.0 billion in FY21 to $868 million in FY26[7]. Expenditures are projected to exceed revenues beginning in FY25 and continue into FY26, however, the opposite is true for the first three years of the forecast sufficiently enough that the ending cash balance at the end of the forecast (FY26) is essentially unchanged from the FY21 ending cash balance. “Days Cash on Hand”, a leading indicator of financial distress, increases from 103 days at the end of FY21 to 119 days at the end of FY26[8]. As can be seen in the graph on page 43, 30 days’ cash is not an early enough indicator[9] of financial distress which is why there has been some consideration of a 60 or 90-day target based on best practice discussions at the GFOA.

[4] All expenditures charged to these federal funds are assumed to terminate at the end of the funding period.
[5] This phenomenon is often referred to as a “fiscal cliff”.
[6] Due to change in state aid calculation formula. See discussion later in these notes.
[7] Due to change in state aid calculation formula. See discussion later in these notes.
[8] This is due to expenditures decreasing more than revenues during this period directly related to the new state aid formula calculation.
[9] A cash deficit occurs in the next year and the district needs more time than just one year to address the deficit through an increase in revenue (new tax levy) or reduction in expenditures.

	ACTUAL			*PROJECTED*				
$Millions	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Total Revenues	$959.2	$954.4	$1,002.4	$793.1	$813.5	$826.2	$837.1	$844.1
Operating Revenues	$945.2	$939.4	$986.2	$781.4	$800.0	$812.7	$826.5	$833.5
Non-Operating Revenues	$14.0	$15.0	$16.2	$11.7	$13.5	$13.5	$10.6	$10.6
Total Expenditures	$920.9	$898.4	$1,004.8	$776.4	$802.3	$825.1	$842.2	$868.4
Operating Expenditures	$873.7	$882.1	$911.8	$761.6	$787.5	$810.3	$830.3	$856.5
Non-Operating Expenditures	$47.2	$16.3	$93.0	$14.8	$14.8	$14.8	$11.9	$11.9
Revenues Over (Under) Expenditures	$38.3	$55.9	($2.4)	$16.7	$11.2	$1.1	($5.1)	($24.3)
Ending Cash Balance	$229.4	$285.4	$283.0	$299.7	$310.9	$312.0	$306.9	$282.6
Days cash on hand	91	116	103	141	141	138	133	119







REVENUES

Overview

Local revenues (e.g. property taxes, tuition, fees, investment earnings, rentals, and donations) are projected to increase at the rate of 1.3% annually to $616.7 million in FY26 from $577.0 million in FY21. Property taxes, 96% of local revenues, increase at a projected rate of 1.9% annually from FY21 to FY26. Other local revenues are projected to level off at $26 million during the forecast period largely due to the phase-out of Win-Win payments from other districts.

State revenues (e.g. State Foundation Program, rollback and homestead exemption reimbursement, and personal property tax reimbursement) are projected to decrease at a rate of just under 12.0% annually during the forecast period; from $409.2 million in FY21 to $216.8 million in FY26. State aid, 83% of state revenues, drops in FY22 to an estimated $168.8 million from $375 million the prior year due to the change in the state aid calculation formula. The estimate for state aid increases in FY23 to $180.5 million[10] and remains flat through the end of the forecast. Under the new formula, students are funded "where educated" as opposed to where they reside, therefore, community school students and those utilizing scholarships no longer appear in the revenue calculation and are no longer deducted from state aid on the expenditure side. Both revenue and expenditures drop as a result but not by the same magnitude.

Another change is that Student Wellness and Success Funds (SWSF) are no longer distributed and recorded in a separate fund outside of the General Fund and this forecast. Recently passed state law (House Bill 110), combined the Student Wellness and Success Fund[11] with the Economically Disadvantaged Student Fund to create the new Disadvantaged Pupil Impact Aid (DPIA). DPIA is incorporated into the new school funding formula specifies a portion of this funding to be dedicated to Student Wellness and Success initiatives[12]. In FY22, $16.8 million of SWSF related expenditures were recoded to the General Fund correlated to this change in accounting treatment for SWSF.

The state property tax allocation is anticipated to grow at an annual rate of 1.4% over FY21 levels and now, due to the change in the state aid formula, represents 17% of the funding received from the state. Although distributed through the state, this allocation is a part of overall property taxes and is calculated as such. Changes in the estimates for the property taxes (and how much is to be received through the state) impact this revenue line. The reimbursement for the loss of personal property taxes came to an end in FY19.

Non-operating revenues ("Other Financing Sources" in the Five-Year Forecast and comprised of transfers-in, advances-in and other financing sources) are projected to decline to $10.6 million in FY26 from $16.7 million in FY21 due to the retirement of certain debt obligations that are reported within the

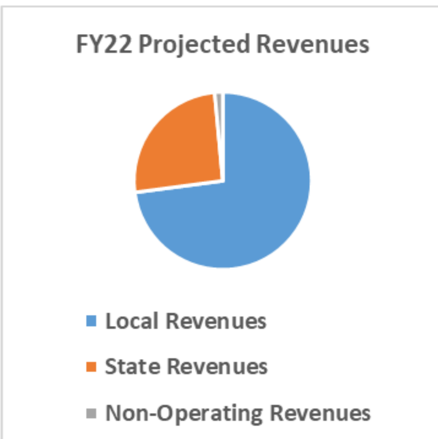
[10] The estimates for FY22 and FY23 are based on the LSC estimates publicized during the state budget discussions. The new funding formula which provide a calculation based on current year data will not be available until December 2021.

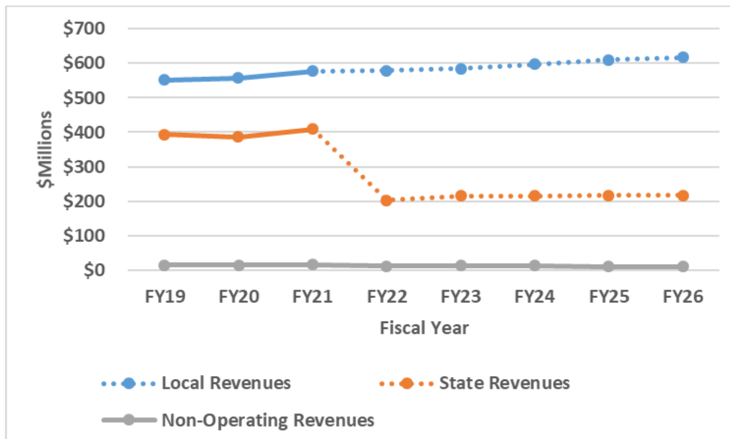
[11] The allowable uses of SWSF have been rolled into the allowable uses under DPIA.

[12] It is unclear how SWSF, Economically Disadvantage Student Fund, and DPIA will be reported on the state's School Foundation Payment Report (SFPR).

forecast.

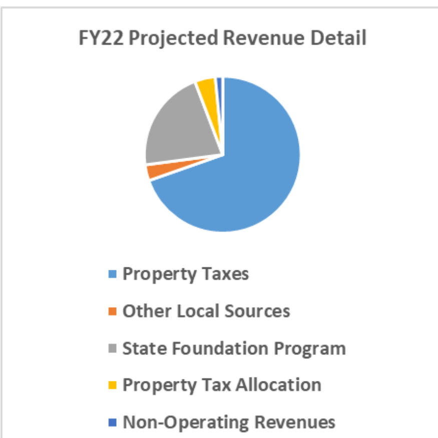
	ACTUAL			*PROJECTED*				
$Millions	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Total Revenues	$959.2	$954.4	$1,002.4	$793.1	$813.5	$826.2	$837.1	$844.1
Local Revenues	$551.1	$555.1	$577.0	$578.3	$584.8	$596.8	$609.8	$616.7
State Revenues	$394.1	$384.3	$409.2	$203.1	$215.2	$215.9	$216.7	$216.8
Non-Operating Revenues	$14.0	$15.0	$16.2	$11.7	$13.5	$13.5	$10.6	$10.6

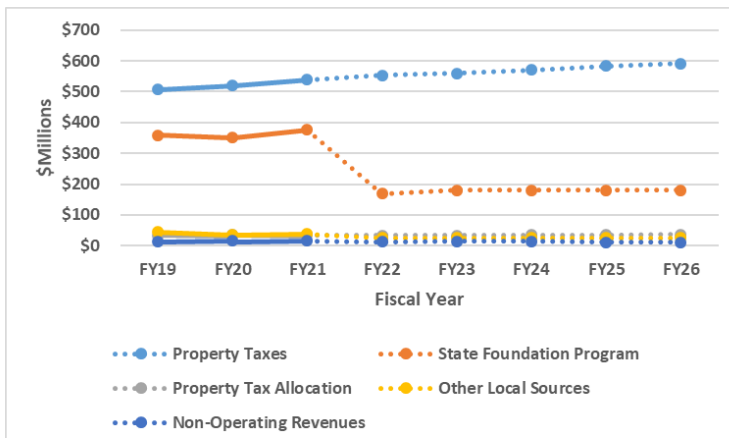




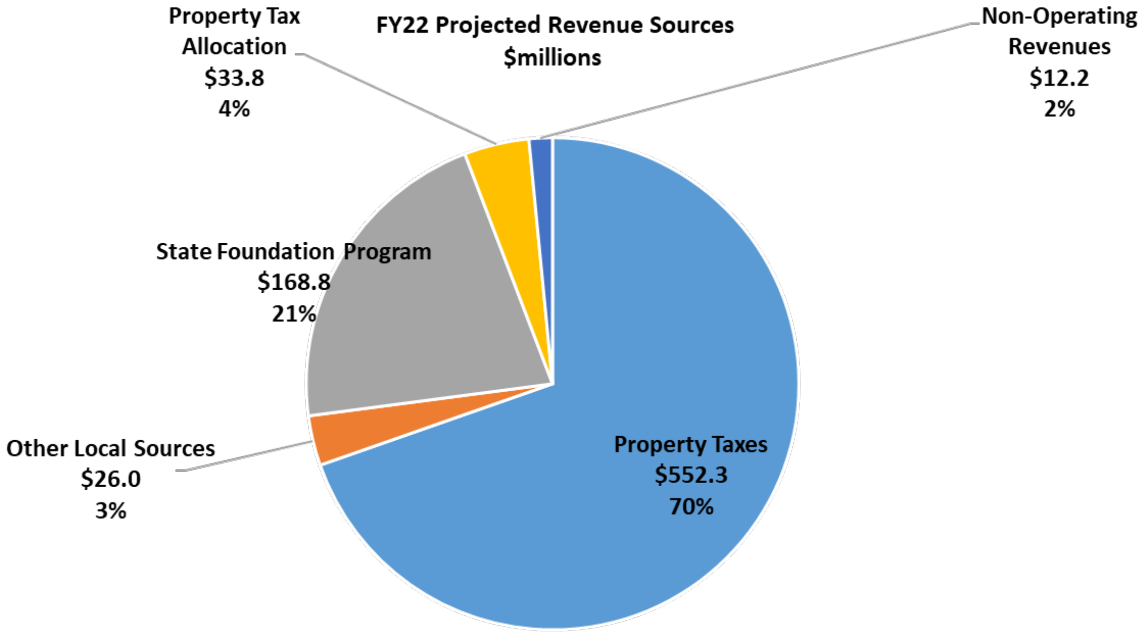
Revenue Details

	ACTUAL			PROJECTED				
$Millions	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Property Taxes	$507.0	$519.2	$538.5	$552.3	$558.8	$570.8	$583.8	$590.7
Other Local Sources	$44.1	$36.0	$38.5	$26.0	$26.0	$26.0	$26.0	$26.0
Total Local Revenues	$551.1	$555.1	$577.0	$578.3	$584.8	$596.8	$609.8	$616.7
State Foundation Program	$359.3	$350.4	$375.0	$168.8	$180.5	$180.5	$180.5	$180.5
Property Tax Allocation	$34.3	$33.7	$33.6	$33.8	$34.2	$34.9	$35.7	$36.1
Total State Revenues	$393.6	$384.0	$408.7	$202.6	$214.7	$215.4	$216.2	$216.6
Non-Operating Revenues	$14.5	$15.2	$16.7	$12.2	$14.0	$14.0	$11.1	$10.8
Total Revenues	$959.2	$954.4	$1,002.4	$793.1	$813.5	$826.2	$837.1	$844.1





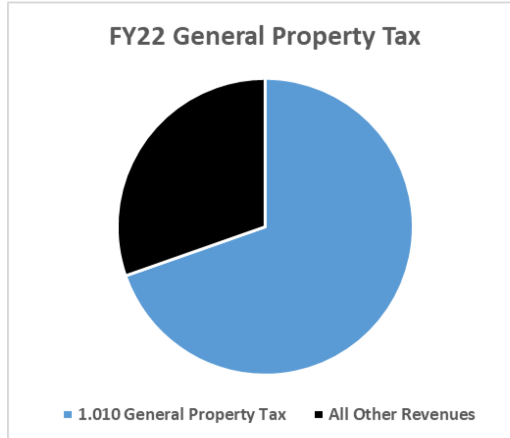
FYF Revenue Line Breakdown

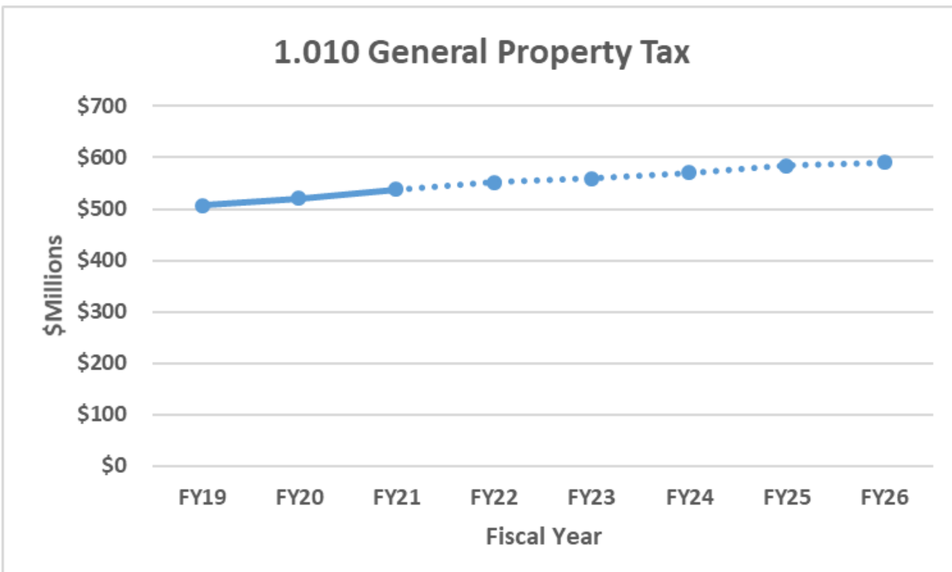


1.010 General Property Tax (Real Estate)

Taxes levied by a school district on the assessed valuation of real property located within the school district.

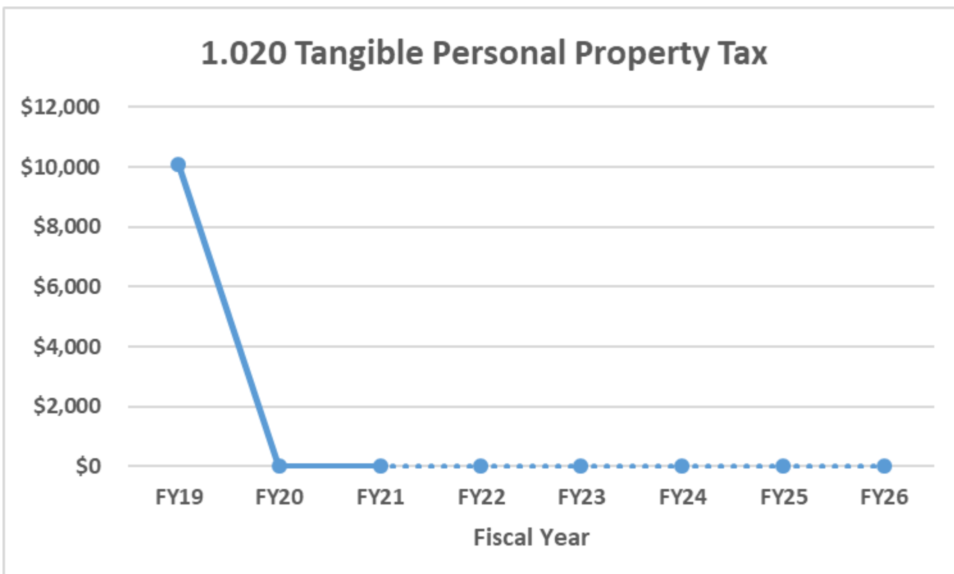
With the change in state aid calculation, general property taxes now represent 70% of all revenues. Property taxes are projected to grow at a rate of 1.9% annually during the forecast period to $590 million in FY26 from $539 million in FY21. No new, additional tax levy is contemplated in this forecast.





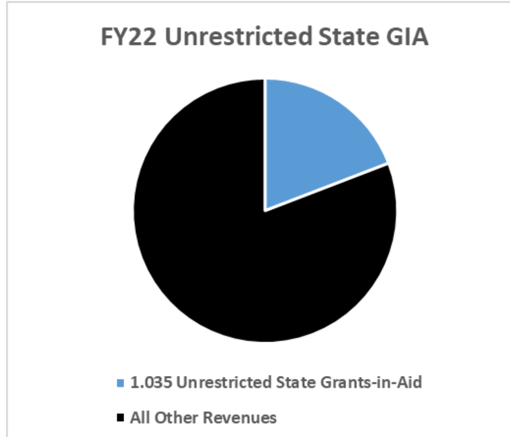
1.020 Tangible Personal Property

Businesses pay the 'tangible personal property tax' on equipment or supplies/materials of which they own. This tax has been phased out and is being replaced with the Commercial Activities Tax (CAT). The last year for revenue in this category was FY19. Reimbursement from the state for this loss is included in line 1.05 Property Tax Allocation, page 22, and it, too, is being phased out.



1.035 Unrestricted State Grants-in-Aid

Funds received through the State Foundation Program with no restriction. The foundation formula is the primary vehicle which the Ohio legislature uses to determine how much state aid each school district is to receive. Because the split between this line and line 1.04 is in part an accounting convention, the district typically tracks the two lines as one. This revenue line represents 19% of all revenues and 75%[13] of all revenues received from the state.



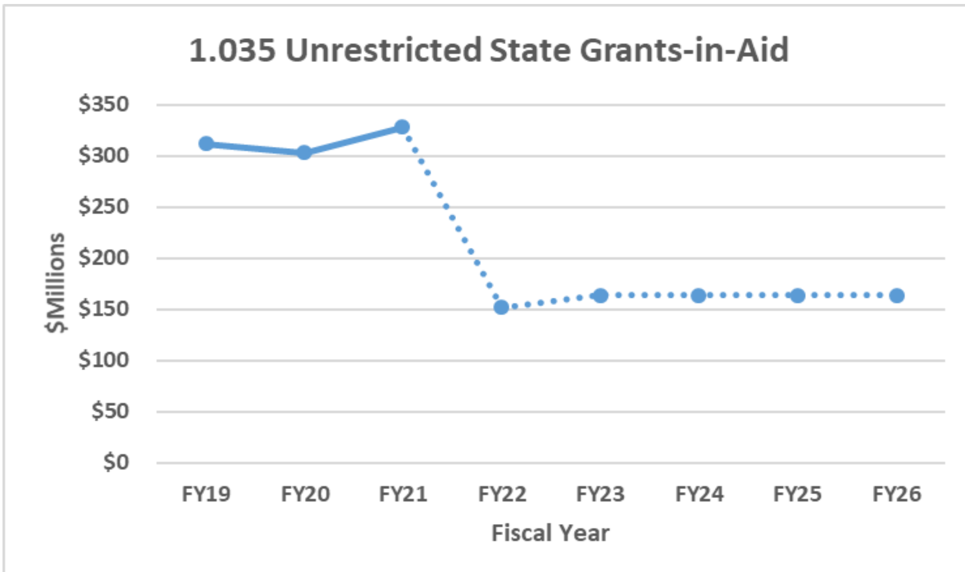
As discussed in the executive summary (Revenues, Expenditures and Ending Cash Balances), the newly adopted Fair School Funding Formula dramatically altered the amount of this line with the removal of students that do not attend CCS from the calculation (funding students "where educated"). LSC estimates used during the state budget discussions are used for FY22 and FY23. The remaining years of the forecast are held flat at the FY23 amount. There are additional payments from the state included in this line as shown in the following table.

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Unrestricted State Grants-in-Aid	$306,633,815	$297,742,230	$303,700,170	$147,834,396	$159,534,249	$159,534,249	$159,534,249	$159,534,249
Casino Revenue	$2,566,812	$2,596,703	$1,961,673	$2,500,000	$2,500,000	$2,500,000	$2,500,000	$2,500,000
3rd Grade & Graduation Bonuses	$634,893	$158,723	$0	$0	$0	$0	$0	$0
Other Misc Add'l Aid[14]	$1,860,948	$2,070,423	$21,599,607	$1,700,000	$1,700,000	$1,700,000	$1,700,000	$1,700,000
Total	$311,696,468	$302,568,079	$327,261,449	$152,034,396	$163,734,249	$163,734,249	$163,734,249	$163,734,249

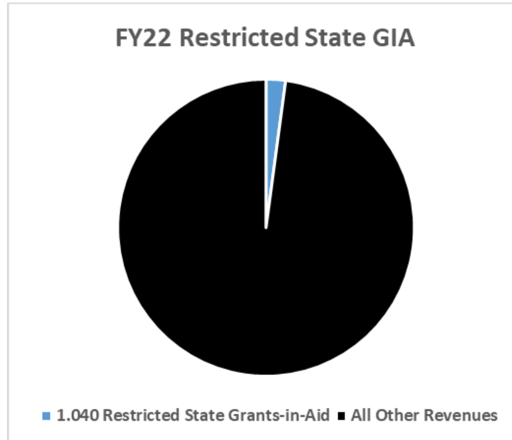
Beginning with FY20, "new" money from the state was provided in the form of funds earmarked for student wellness and success activities and was recorded in a separate fund, Fund 467 (Student Wellness and Success Fund, SWSF), which is not included in this forecast[15]. The district received $11.8 million in FY20 and $16.8 million in FY21. Since the "new" funds are tracked through a fund other than the General Fund and since the district is permitted to use current expenditures to meet the spending requirements of the new funding, the district supplanted General Fund expenditures in a like amount and recoded those expenditures from the General Fund to the SWSF. The most recent state budget rolls the SWSF funding into the new funding formula and thus into the General Fund. Therefore, expenditures previously recorded in the SWSF have been moved into the General Fund for FY22 and beyond.

[13] Based on FY22 estimates.
[14] FY21 is comparatively high due to a $19.5 million dividend from the Bureau of Workers Compensation.
[15] Also see discussion in Overview, page 11, and Expenditures, page 8.

In FY21, the Bureau of Workers' Compensation issued a dividend payment of $19.2 million and is recorded on this line. It is believed this is a one-time dividend and therefore no additional dividends of this magnitude are contemplated in this forecast.

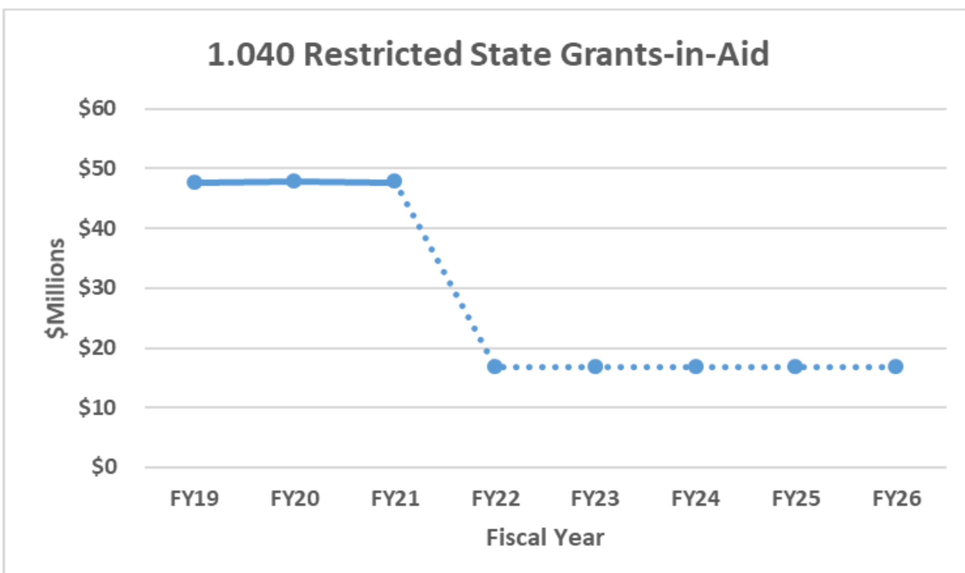


1.040 Restricted State Grants-in-Aid



Funds received through the State Foundation Program or other allocations that are restricted for specific purposes. Examples include economic disadvantaged and career-technical funding.

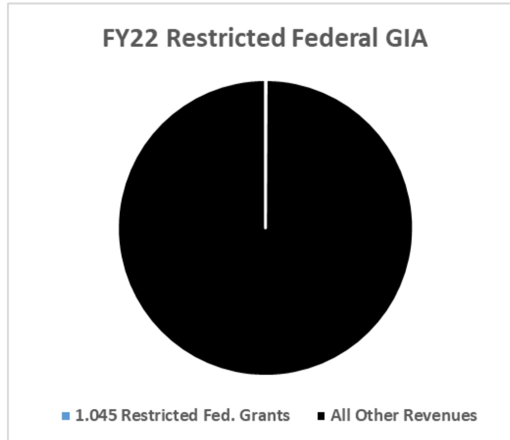
These funds are 2% of all revenues and 8% of state revenues and projected to grow at the rate of 0% annually. The explanation for this line is, in large part, covered in the discussion of line 1.035 Unrestricted State Grants-in-Aid. Under the new state aid funding formula, the former School Wellness and Success Funding is anticipated to be the only revenue source shown on this line. SWSF is projected at $16.8 million annually, equivalent to the amount of SWSF received in FY21.

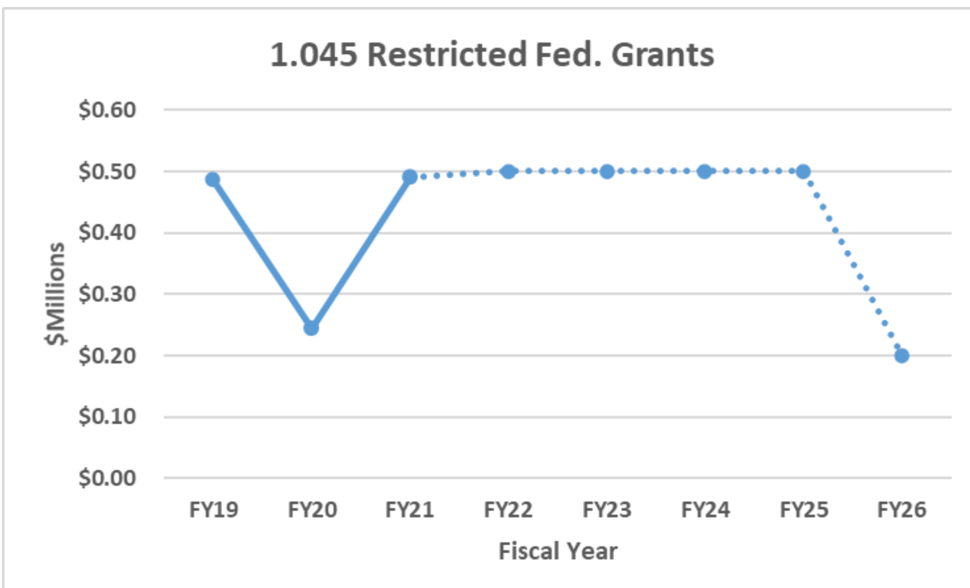


1.045 Restricted Federal Grants

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes. Examples include the Education Jobs fund.

For CCS, this is the QSCB interest rebate from the Federal government and is an exceedingly small portion of overall revenues. This subsidy ends during FY26 when the bonds are fully retired.

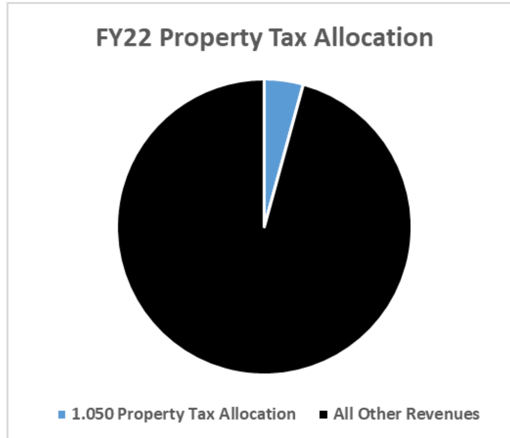




[16]

[16] There are 2 reimbursements received each fiscal year. However, in FY20, 1 payment was delayed due to the pandemic. It is anticipated, but not reflected in this graph, there will be 3 payments in FY21 to make up for the delayed payment in the previous year.

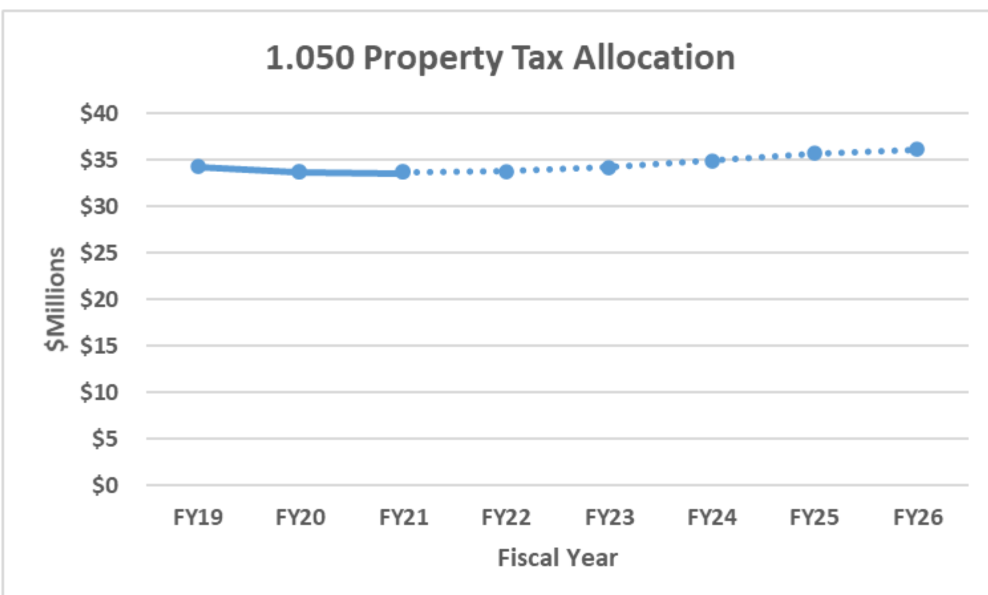
1.050 Property Tax Allocation



This line includes state funds received for Tangible Personal Property Tax (TPP) Reimbursement (as discussed above), Electric Deregulation, Homestead and Rollback, and the "ten thousand dollar exemption" where businesses are exempt from paying the first $10,000 of property tax and the district is reimbursed through state funding.

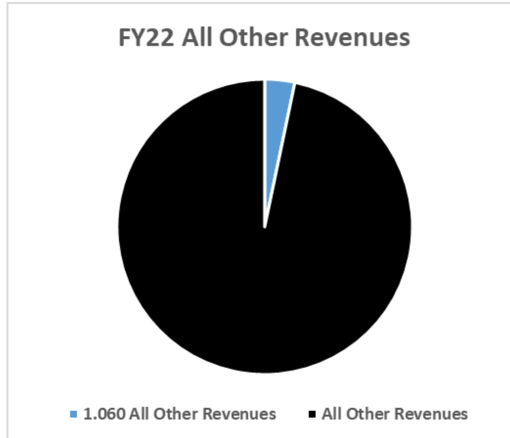
TPP reimbursement was phased out in FY20.

This revenue source is 4.3% of total revenues and 16.7% of funds received from the state. The 10.5% Rollback provision was repealed in 2013 (HB59) and as a result all tax levies approved by voters beginning in 2014 are not subject to the rollback, saving the state money but passing that cost on to local taxpayers. The November 2016, 5.58 mills is therefore not subject to the rollback and local taxpayers bear the full cost of that levy. Rollback is generally forecasted as a percentage of total estimate Residential (R1) tax collections with an adjustment for levies not subject to the rollback. Some adjustment in the forecast has been made to reflect past forecasting performance, therefore, this source often shows a different growth rate[17] than the corresponding property tax revenue line.

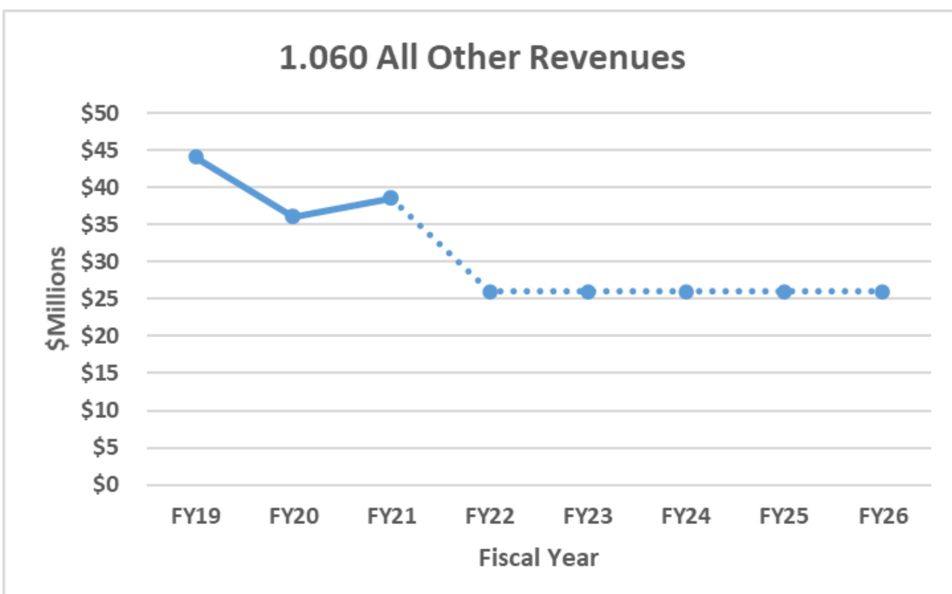


[17] 1.4% annually from FY21 to FY26 vs. 1.9% for General Property Tax.

1.060 All Other Operating Revenues

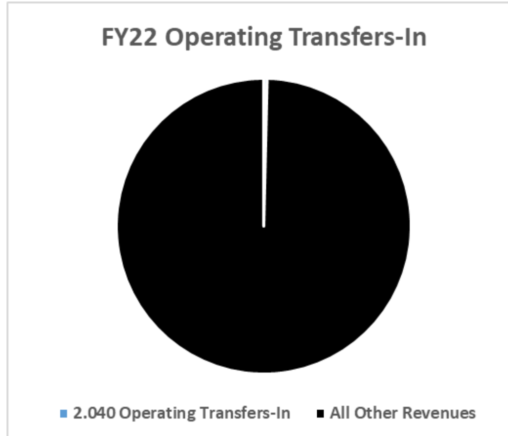


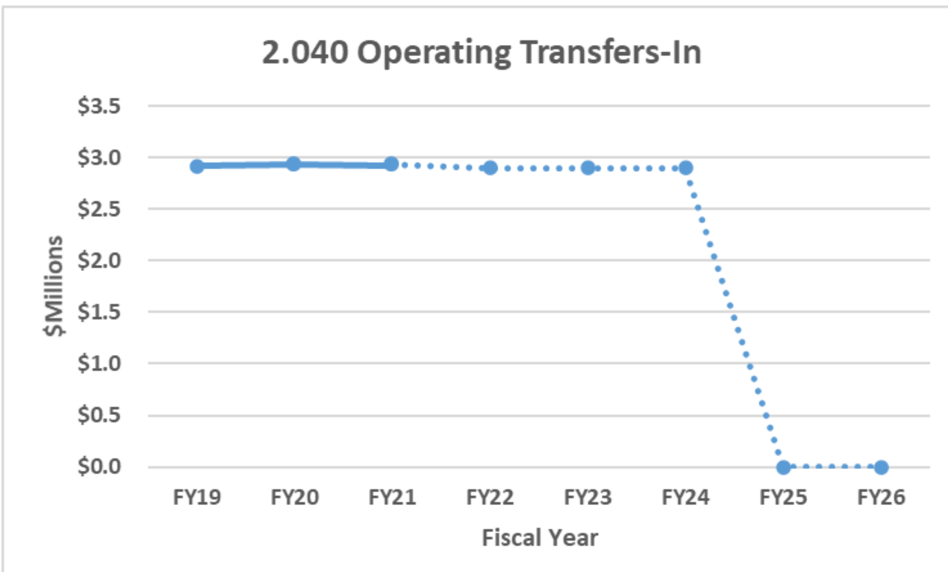
Operating revenue sources not included above. Examples include but are not limited to tuition, fees, investment income, rentals, and donations. Significant items included here as well are payments in lieu of taxes (PILOTs), Win-Win payments and Medicaid reimbursement. PILOTs are difficult to predict as they depend on cases before the Board of Revision and/or Board of Tax Appeals and any out-of-court settlements we may reach. Based on the average for the last three fiscal years ($15.6 million), the estimate for PILOTs is held flat at $13 million annually. Income tax revenue sharing from the City of Columbus resulting from various CRAs and/or TIFs and is estimated at $800,000 per year. Win-Win payments are projected to decline over time (80%, 60%, 40%, 20%, 0% of the calculated amount for FY18-FY22) until being eliminated in FY22. Medicaid reimbursement is projected at $4.0 million per year just under the 3-year average of $5.0 million for the 3 years FY19-FY21 as payments for prior years' activity have recently become more current resulting in multiple payments being received during the same fiscal year distorting the average. Investment income estimates have been reduced to $3.5 million annually reflecting the decline in short-term rates this past year. This line represents 3.3% of total revenues in FY22, 3.2% in FY23, and 3.1% each year thereafter.



2.040 Operating Transfers-In

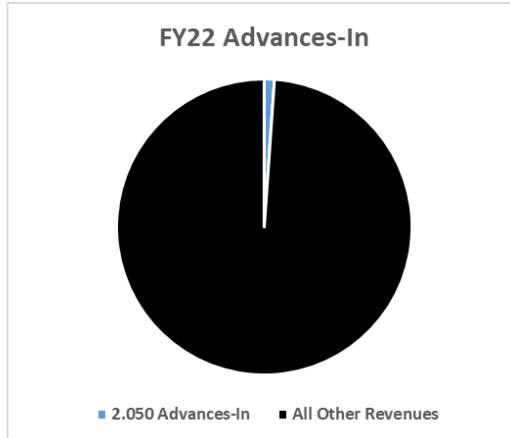
Permanent movement of monies between funds. This is related to a transfer to the Debt Service fund to pay debt service on bonds issued for the purchase of school buses. Drops to $0 in FY25 when bonds are fully retired. Less than 0.5% of total revenues.

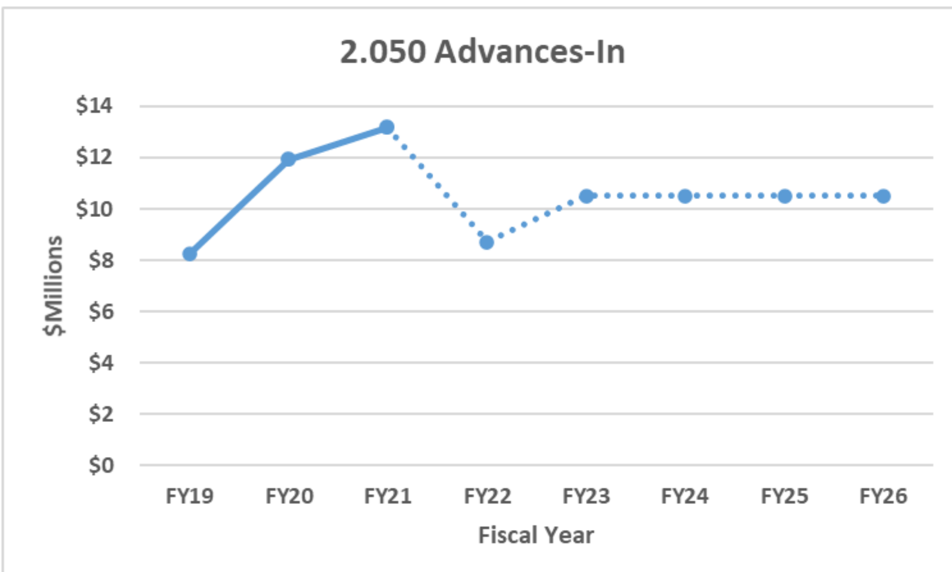




2.050 Advances-In

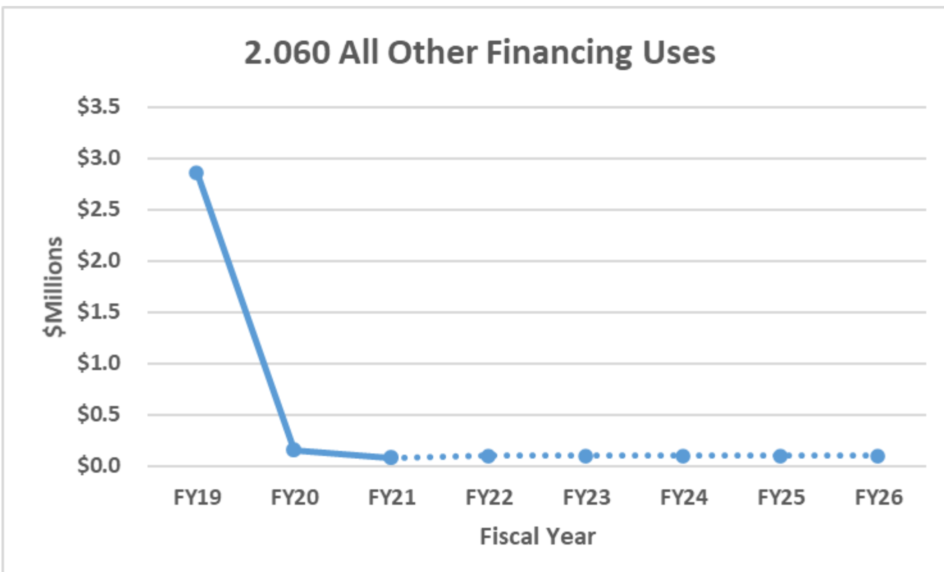
Temporary movement of monies between funds. Generally dependent on the cash flow needs of other funds, this is the return of funds temporarily advances to other funds from the General Fund. The corollary expenditure line is line 5.020 Advances-Out. Projected based on prior year Advances-Out and then $10.5 million flat thereafter. This line is approximately 1.1% of total revenues.





2.060 All Other Financing Sources

Sale and Loss of Assets, Refund of Prior Year Expenditures. Refunds from County Auditor[18] will be recorded here in the future but due to the uncertainty of those occurring, the assumption is set to $0.



[18] For FY19, the district received a one-time refund of County Auditor and Treasurer Fees of $2.4 million. During FY20 $1.4 million was received unexpectedly and outside of the more typical 3-year cycle for such refunds. In FY20 the refund was treated as a reduction in expenditure since it was so closely related to the current fees charged. While the probability and timing of the refunds is uncertain, future refunds should they occur will be recorded here as revenue.

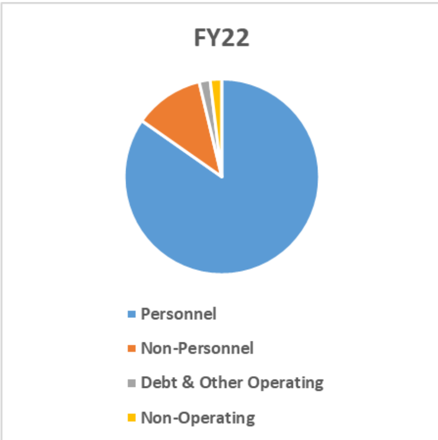
EXPENDITURES

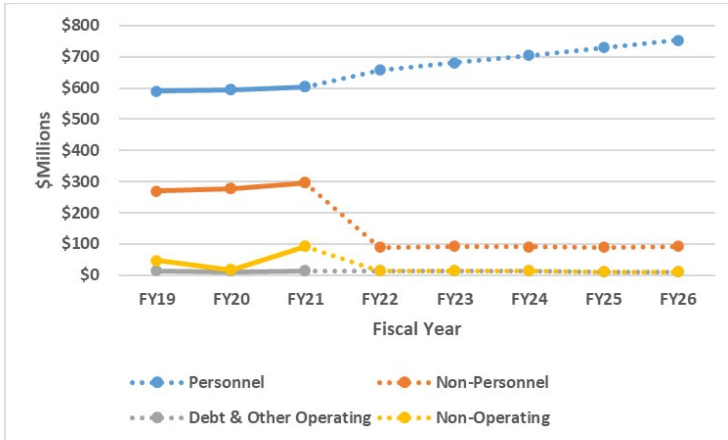
Overview

Total expenditures are projected to decline from $1.0 billion in FY21 to $868 million in FY26, solely due to the new state aid funding formula and the elimination of deductions for community schools and scholarships. Personnel related expenditures (Salaries/Wages and Benefits, lines 3.010 and 3.020 in the FYF) are forecasted to increase at a rate of 4.5% annually from $605 million in FY21 to $753 million in FY26. Non-personnel items (lines 3.020 – 3.050 in the FYF) decrease from $294 million in FY21 to $93 million in FY26, due to the previously mentioned elimination of deductions for community schools and scholarships[19]. Debt related expenditures (lines 4.020 – 4.060 in the FYF) are projected to remain substantially unchanged through FY24 and then decline as certain debt is fully retired. Other operating expenditures (line 4.300 in the FYF) are relatively flat at $10.0 to $10.6 million annually. Non-Operating expenditures ("Other Financing Uses", line 5.040 in the FYF, which includes Transfers and Advances Out and Other Financing Uses) include $750,000 each year for a transfer to the WCBE fund. The spike in FY19 was related to the one-time transfer out of $30.9 million to address the estimated costs for the Dominion-North-Brookhaven program realignments[20] and shortfall in the WCBE fund[21]. $80 million was transferred in FY21 to the Permanent Improvement Fund to initially fund the start of a Student Transportation Fleet Replacement Plan beginning in FY22.

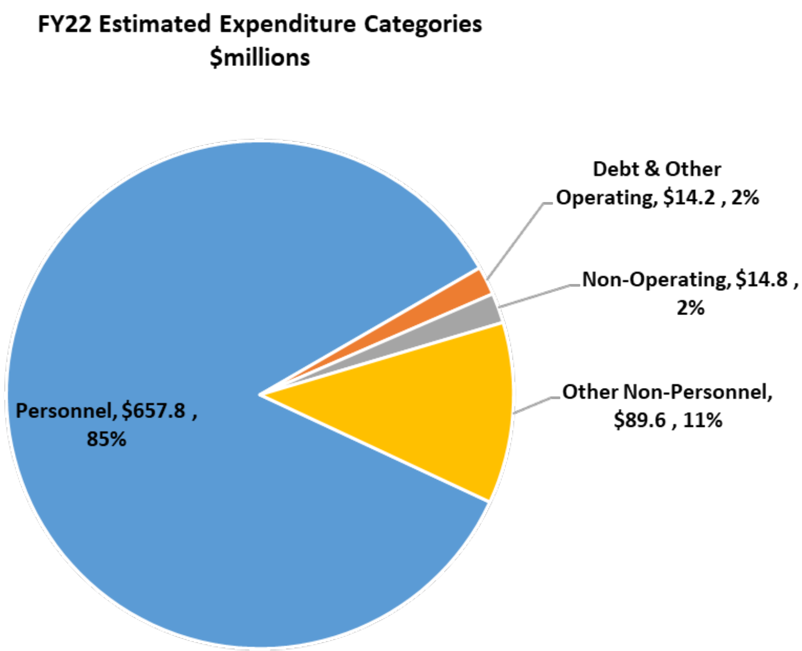
	ACTUAL			*PROJECTED*				
$Millions	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Total Expenditures	$920.9	$898.4	$1,004.8	$776.4	$802.3	$825.1	$842.2	$868.4
Personnel Related	$589.9	$593.6	$604.6	$657.8	$681.2	$705.1	$729.4	$752.8
Non-Personnel	$269.7	$276.2	$294.4	$89.6	$92.0	$90.5	$89.1	$92.8
Debt Related	$4.1	$4.1	$4.1	$4.2	$4.1	$4.2	$1.2	$0.3
Other Operating	$9.9	$8.3	$8.6	$10.0	$10.2	$10.5	$10.6	$10.6
Non-Operating	$47.2	$16.3	$93.0	$14.8	$14.8	$14.8	$11.9	$11.9

[19] The non-personnel forecast (outside of the significant reduction due to the new state funding formula, is based on the district's 5-year budget process, not a "last year plus" methodology.
[20] $30 million.
[21] $870,000.



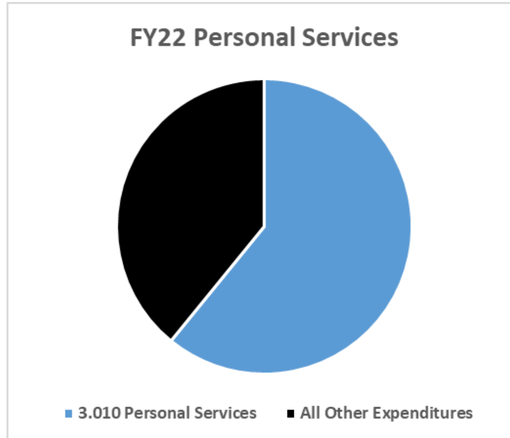


FYF Expenditure Line Breakdown



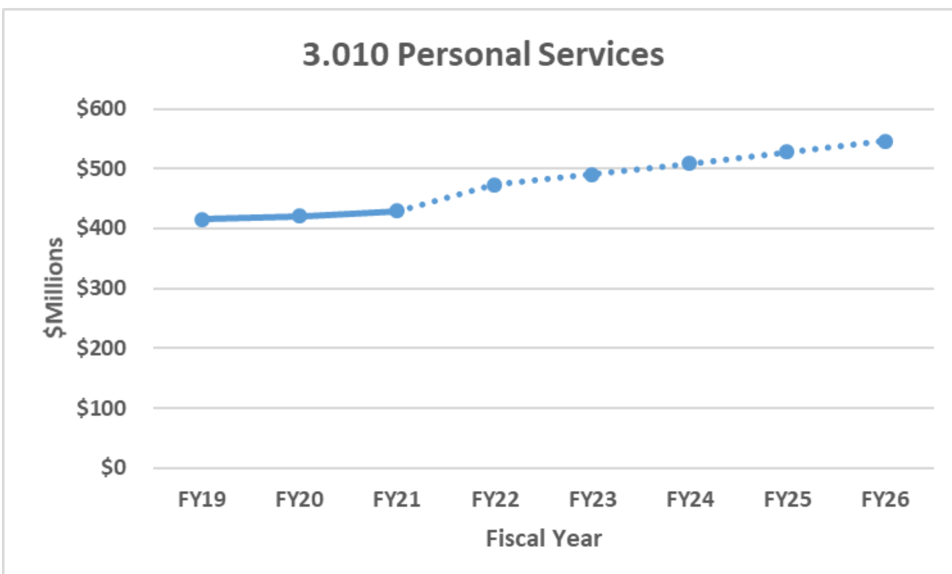
3.010 Personal Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc. The forecast includes step increases for staff[22], additional staffing, and a 3% pay increase for all staff in fiscal year 2022. For fiscal year 2023 through 2025 an across-the-board increase of 1% is included[23]. Additional staffing for FY22 – FY25 are from the 5-year staffing plan developed in the spring of 2021 which includes a total of 199.65 new positions through FY26. The projected growth rate FY21 to FY26 is 5.0%. Personal Services represents 60.9%[24] of all expenditures.



Staffing Included in FYF (FTE)

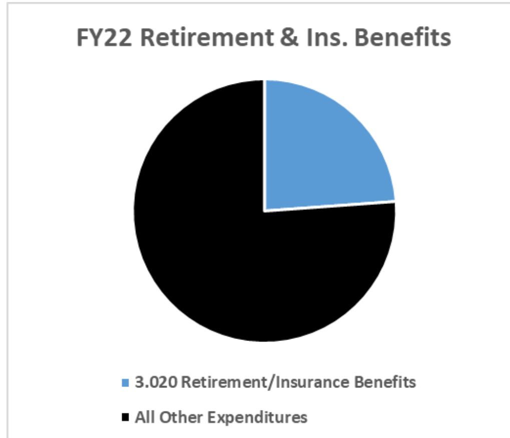
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	5 Yr Total
Certificated	10.15[25]	22.50	20.00	17.00	9.00	78.65
Classified	50.00	21.00	22.00	19.00	9.00	121.00
Total	***60.15***	***43.50***	***42.00***	***36.00***	***18.00***	***199.65***

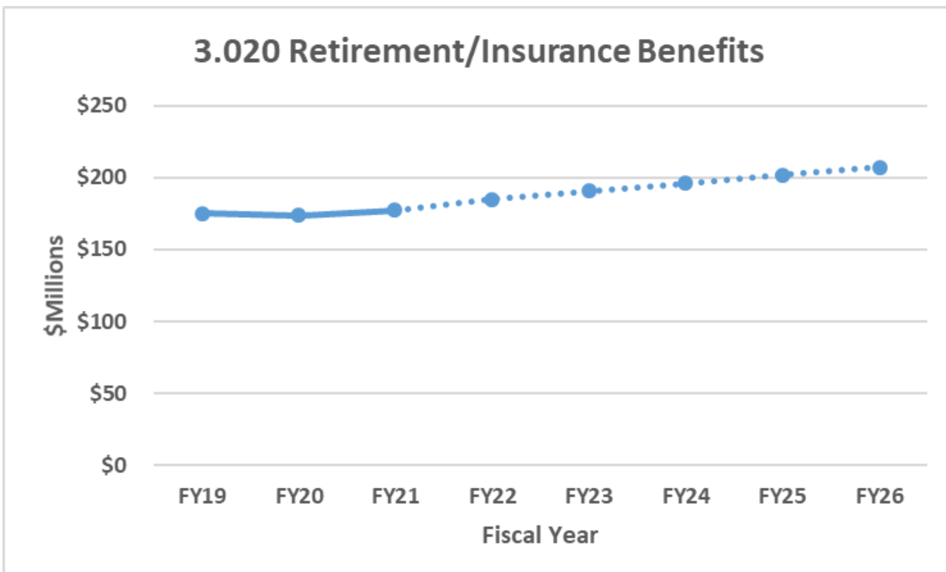


[22] Approximately 2% of base cost annually.
[23] Negotiations with OAPSE (classified staff) were not completed at the time this forecast was prepared, therefore, the agreed upon 2.25% increase for FY23 is not included.
[24] Historically this percentage is approximately 45%, much lower than other districts due to the cost of community schools and scholarships. With the elimination of those deductions, the current percentage is a truer representation of Personal Services in relation to total expenditures.
[25] Assumes 65 FTE are recoded to ESSER funds.

3.020 Employees' Retirement/Insurance Benefits

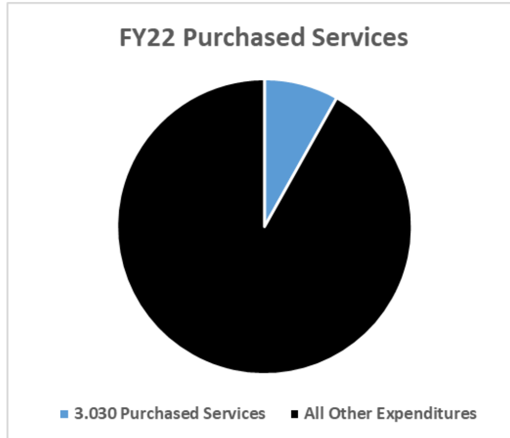
Retirement for all employees, Workers' Comp., Medicare, unemployment, and all health-related insurances. Retirement, workers' comp., and Medicare are all based on a percentage of applicable salaries/wages. Health-related insurances are projected to increase at the rate of 2.3%[26] annually from FY20 to FY25. The projected growth rate FY21 to FY26 for all retirement and insurance benefits is 3.2%. Retirement/Insurance Benefits account for 23.8%[27] of total expenditures.





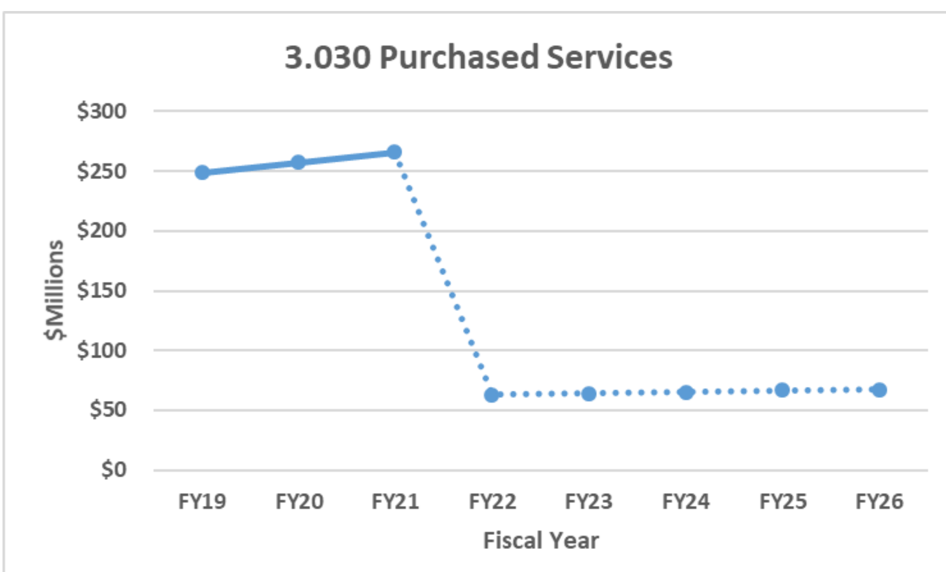
[26] Trends for medical, life, dental and vision individually ranged from 0% to 8.5% annually.
[27] Up from 18% in previous years due to the elimination of community schools and scholarships deductions. Total personnel expenditures now account for approximately 85% of all General Fund expenditures.

3.030 Purchased Services

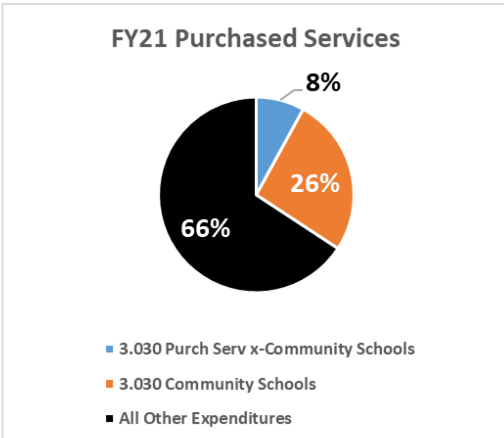


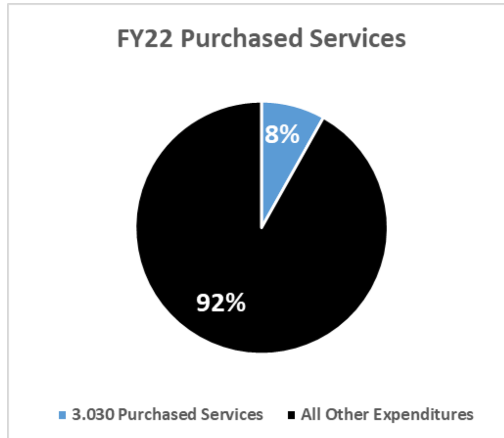
Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase. Examples include but are not limited to legal fees, maintenance agreements, utilities, and tuition paid for students attending other school districts, including open enrollment and community schools. The new state aid funding formula (a.k.a. Fair School Funding Formula) eliminated the deductions for community schools and scholarships which were heretofore reported within this line. An approximate $200 million drop in expenditures, this change dramatically reduced the expected purchased services expenditures as well as the percentage composition of total expenditures. Most notable is the increase in the percent expended on total personnel (from 65% to 85%) and the percent expended on this line (from 26% down to 8%). Keep in mind this change is solely due to the change in how community schools and scholarships are funded and does not reflect any behavioral change for the district.

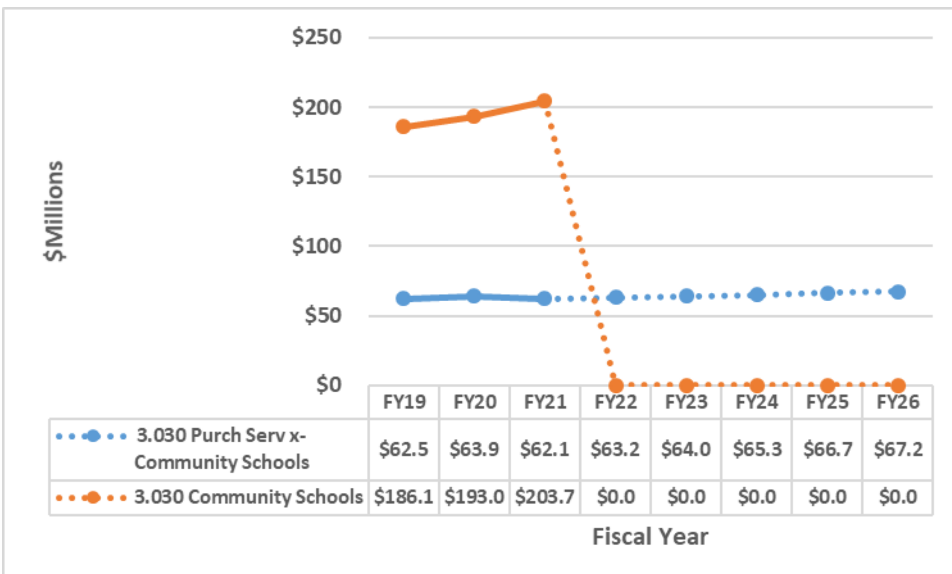
The projected growth rate FY22 to FY26, after the change in deductions, is 1.5%. Purchased services account for 8.1% of General Fund expenditures. As with all other non-personnel lines (3.040 Supplies and Materials, 3.050 Capital Outlay, and 4.030 Other Objects), projected expenditures are based on the district's annual budget preparation process, which generally begins during the second quarter of the fiscal year and continues through May, culminating in the adoption of an appropriation resolution in June for the ensuing fiscal year. The projected budgets have been reduced by a factor based on historical budget-to-actual results.



Community Schools and Scholarships Break Out

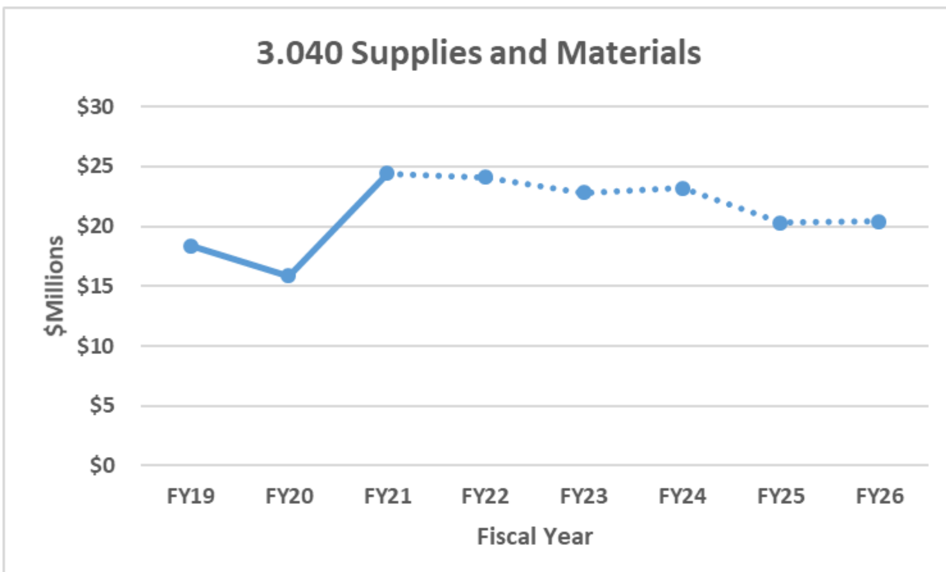




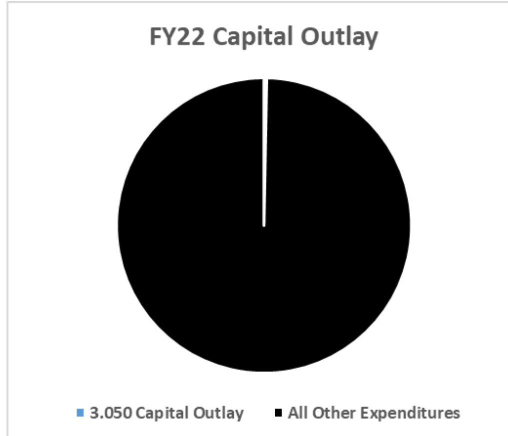


3.040 Supplies and Materials

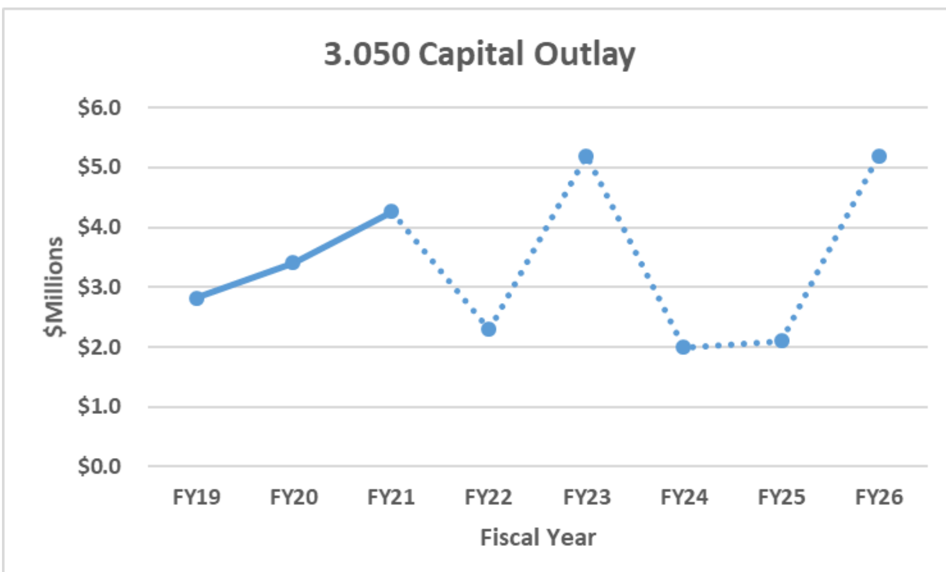
Examples include but are not limited to general supplies, instructional materials including textbooks and media materials, bus fuel and tires, and all other maintenance supplies. At 3.1% of total expenditures, this line is projected to decline slightly from $24.4 million in FY21 to $20.4 million in FY26. Recall that the projection for this non-personnel line item is not based on “last year plus;” instead, it is based on the district’s 5-year budget process. As noted in Purchased Services (page 31, the projected budgets have been reduced by a factor based on historical budget-to-actual results. The jump in spending in FY21 is related to new textbook adoption/purchases.



3.050 Capital Outlay



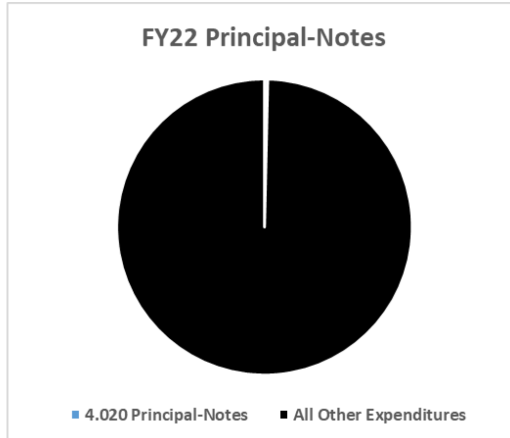
This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, buses, and vehicles. For FY21 this represents 0.3% of the General Fund expenditures. The district strives to shift capital outlay expenses to alternate sources of funding, e.g. permanent improvement levy funding[28]. There remains, however, a small portion that is appropriately expended out of the General Fund. Spikes in expenditures on this line generally relate to technical equipment refresh. Most of the computer device purchases made recently to address COVID-related remote learning and for achieving 1:1 in student devices has been paid from non-General Fund sources such as ESSER and revenue shared by the City of Columbus. As with other non-personnel items, the projected amounts are based on the 5-year budgets adjusted by a factor based on historical budget-to-actual results.

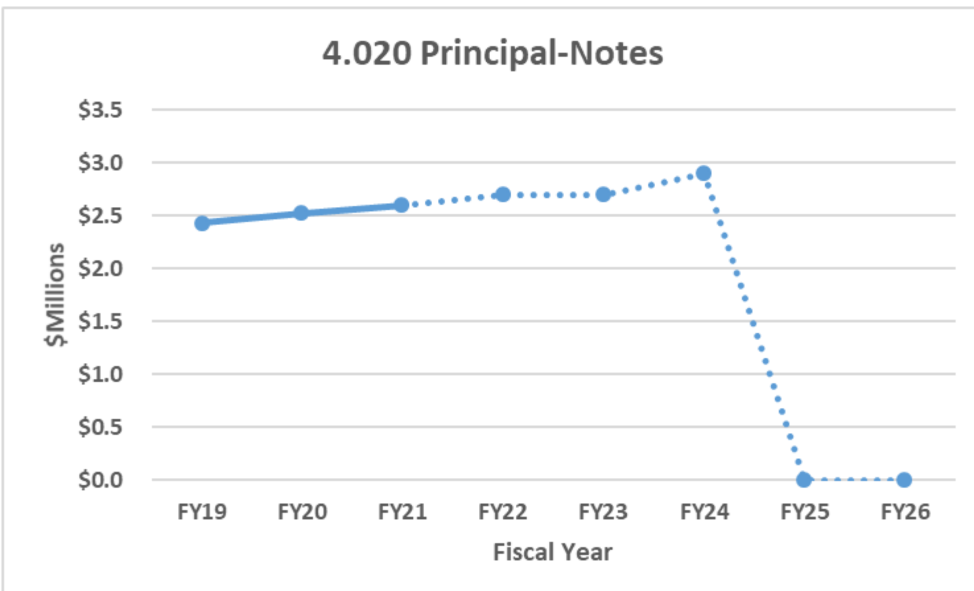


[28] In FY21, the board transferred $80 million from the General Fund monies to a permanent improvement fund specifically for a bus purchase replacement plan designed to reduce the average life of the bus fleet.

4.020 Principal-Notes

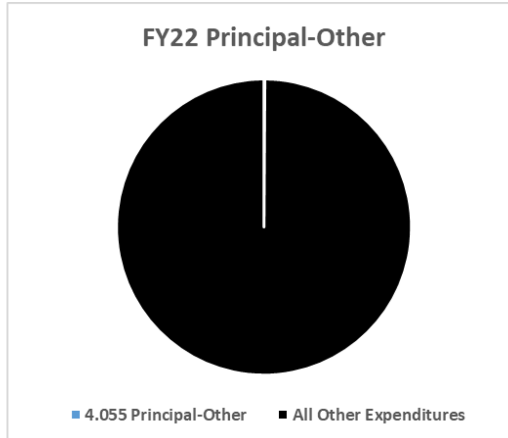
Payment of principal on the bond anticipation notes (BANs) issued in 2013 for the purchase of school buses. This debt will be fully retired at the end of FY24. This expenditure flows through the Debt Service Fund on the district records but is included and reported here due to a requirement that the FYF reflect all General Fund related activities.

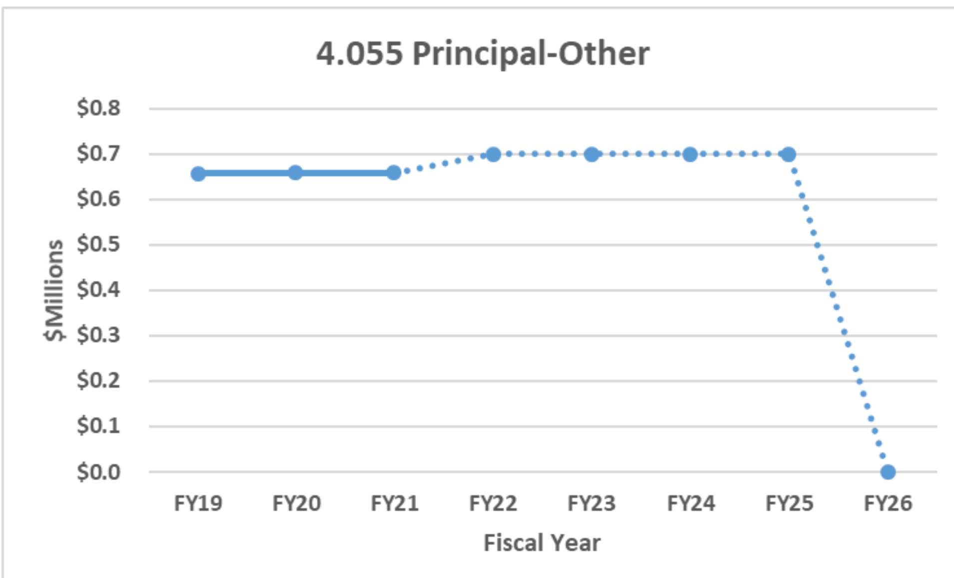




4.055 Principal-Other

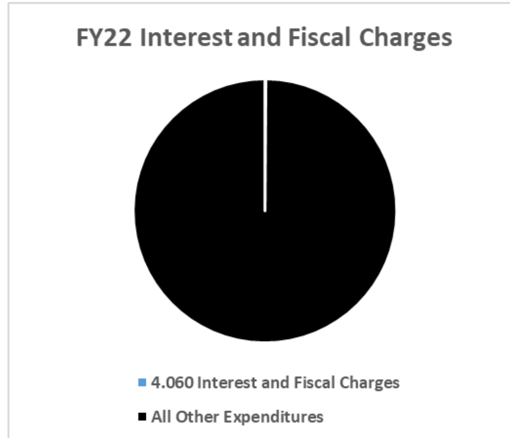
Payment of principal on Qualified School Construction Bonds (QSCBs) issued in 2011. Another example of Debt Service Fund activity reported in the FYF as General Fund related. This debt is fully retired in FY26.

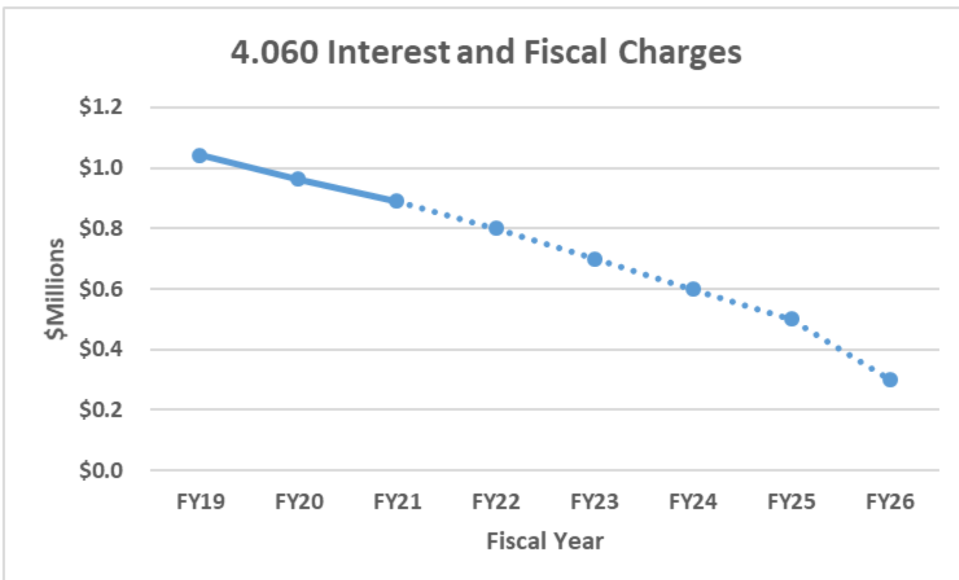




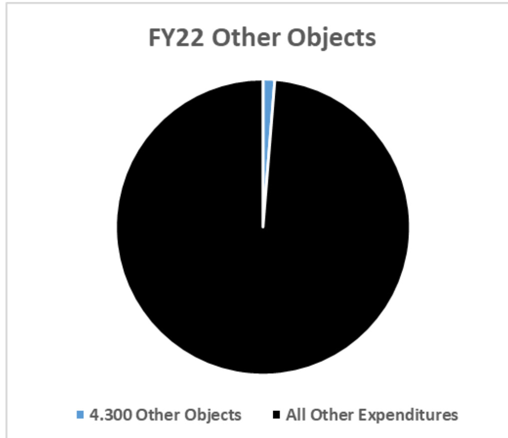
4.060 Interest and Fiscal Charges

Interest payable on the BANs and QSCBs the principal of which is shown on lines 4.020 and 4.055. Final payment is in December 2025 (FY26).

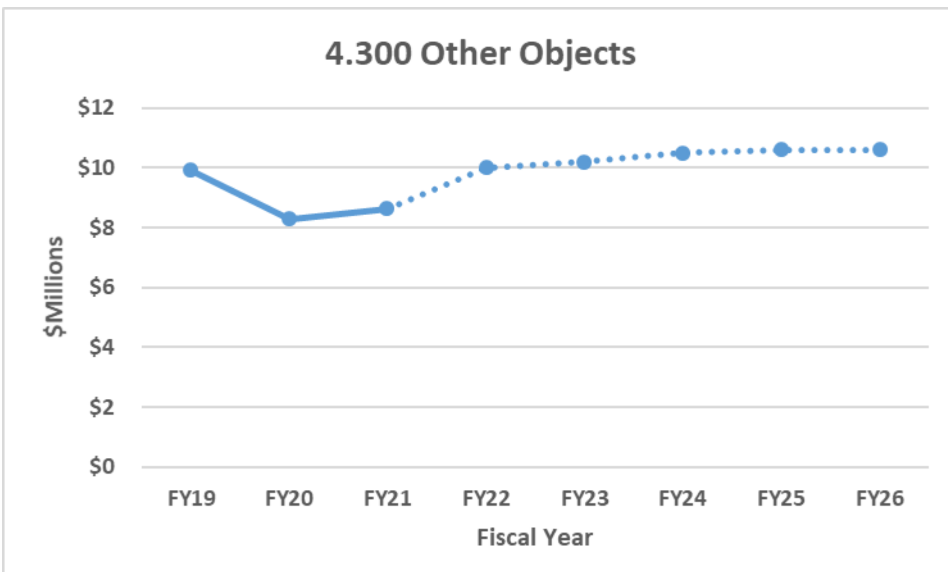




4.300 Other Objects

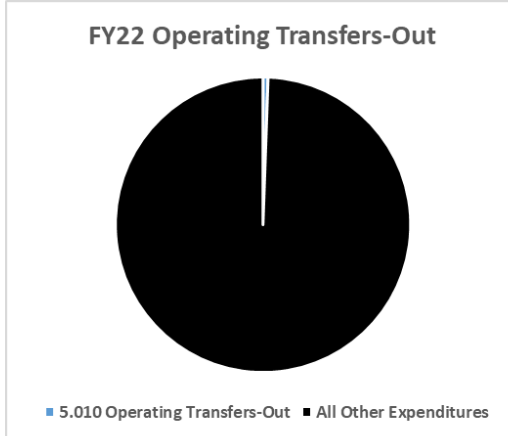


The primary components listed here consists of membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, election expenses, etc. Just over 91% of the line is for county auditor and treasurer fees for the calculation, assessment, collection, and distribution of property taxes. The abnormal drop in FY20 and FY21 reflects a refund from the county auditor posted as a reduction in expenditure[29] rather than a receipt ("Refund of a Prior Year Expenditure"). For future years, any such refund will be recorded as revenue in keeping with prior practice regardless of the timing relationship between the refund and the related fees.

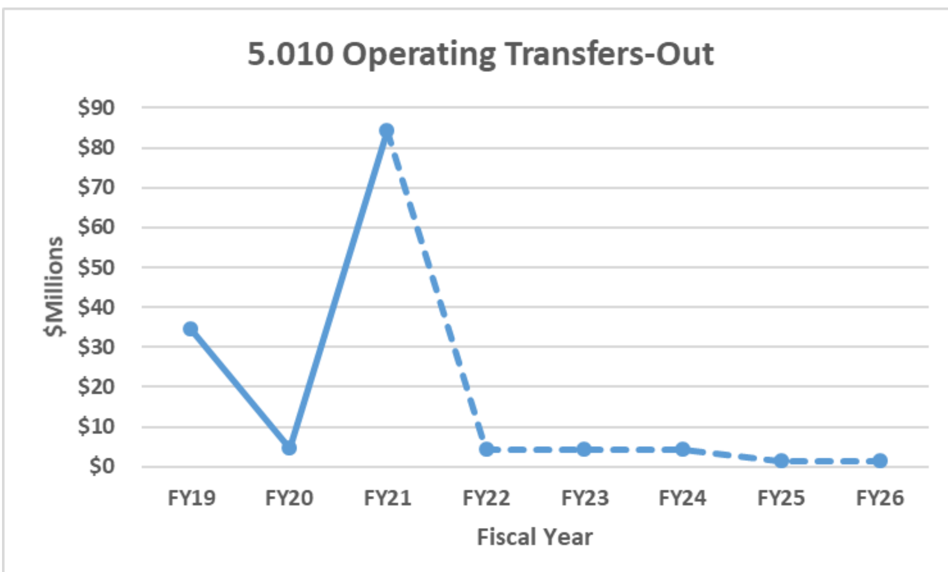


[29] Typically, such refunds were received on a 3-year cycle. The refund in FY20 and FY21 were off-cycle and unexpected and more closely related to current year expenditures for county/auditor fees which was the basis for recording this as a reduction in expenditures. See also discussion in 2.060 All Other Financing Sources, page 23.

5.010 Operating Transfers-Out[30]



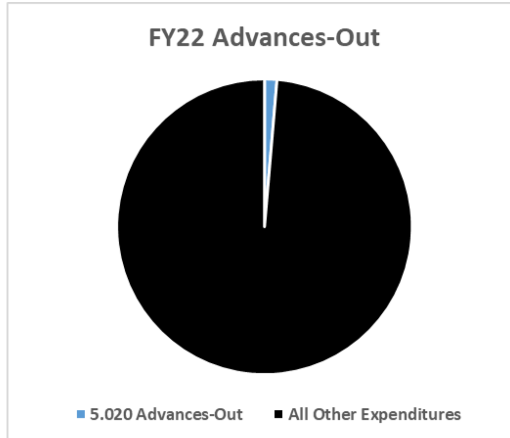
Permanent movement of monies between funds. Included here is a transfer of $2.9 million to the Debt Service Fund for the payment of debt service on the school bus bond anticipation notes (BANs) (the expenditure corollary to revenue line 2.04) and the annual transfer of $642,800 to the Athletics Funds. The transfer for payment of the bus BANs will end after FY24 once the bonds are paid off. Late in FY19 the board transferred $30 million to a construction fund for the purpose of building renovations to accommodate the program realignment of 3 schools: Dominion Middle School, North International, and the Global Academy at Brookhaven. Additionally, the board transferred $870,000 to the WCBE[31] fund to pay for previously undisclosed invoices. These two, one-time transfers explain the "bump" in FY19. $850,000 is included for FY21 along with an ongoing transfer of $750,000 in FY22-FY25 to support the operations of WCBE. $80 million in FY21 is for the initial funding of the 11-year Student Transportation Fleet Replacement Plan scheduled to begin in the spring of that fiscal year.

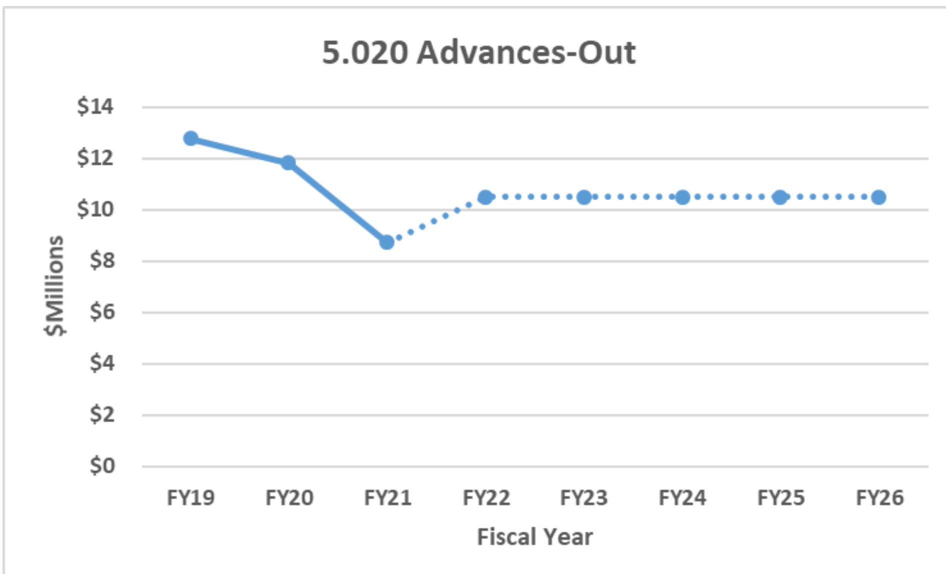


[30] The graph is distorted by the one-time transfer of $80 million in FY21. For FY22-FY24 the projected amounts are $4.3 million and $1.4 million in FY25 which are more indicative of historical trends.
[31] WCBE is a public radio station operated by the district.

5.020 Advances-Out

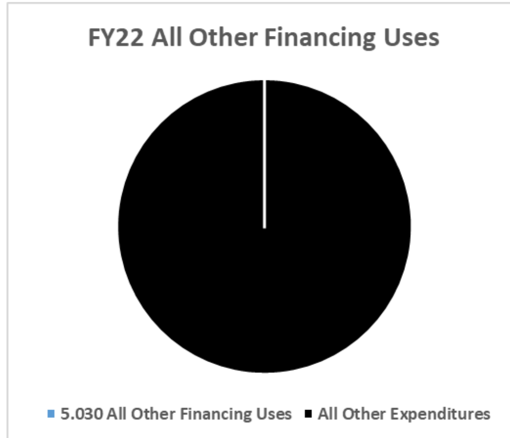
Temporary movement of monies between funds. Activity here is dependent on the cash flow needs of other funds. This is the expenditure corollary to revenue line 2.050 Advances-In.

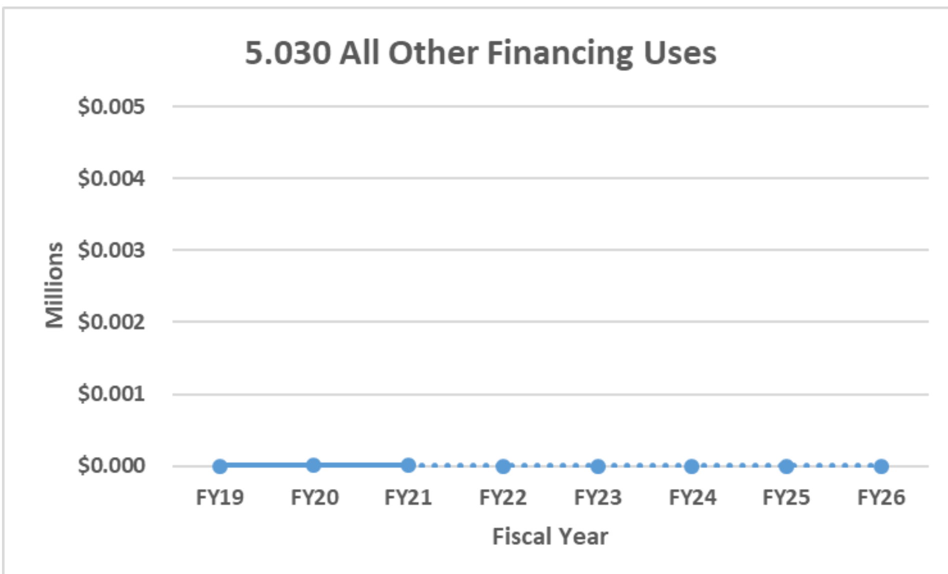




5.030 All Other Financing Uses

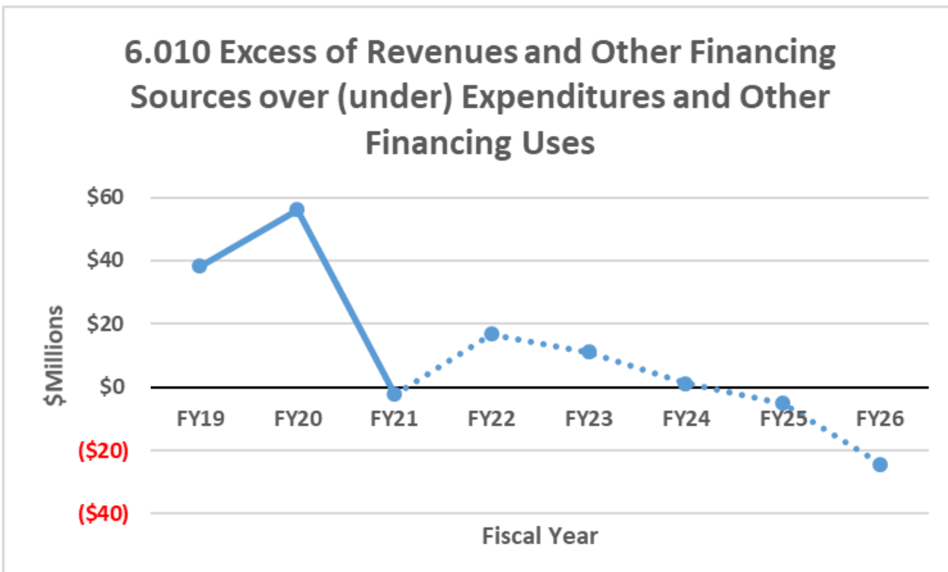
A line item for contingencies and refund of prior year receipts. While budgeted (and hence included in the FYF) little if any expenditure activity occurs on this line.





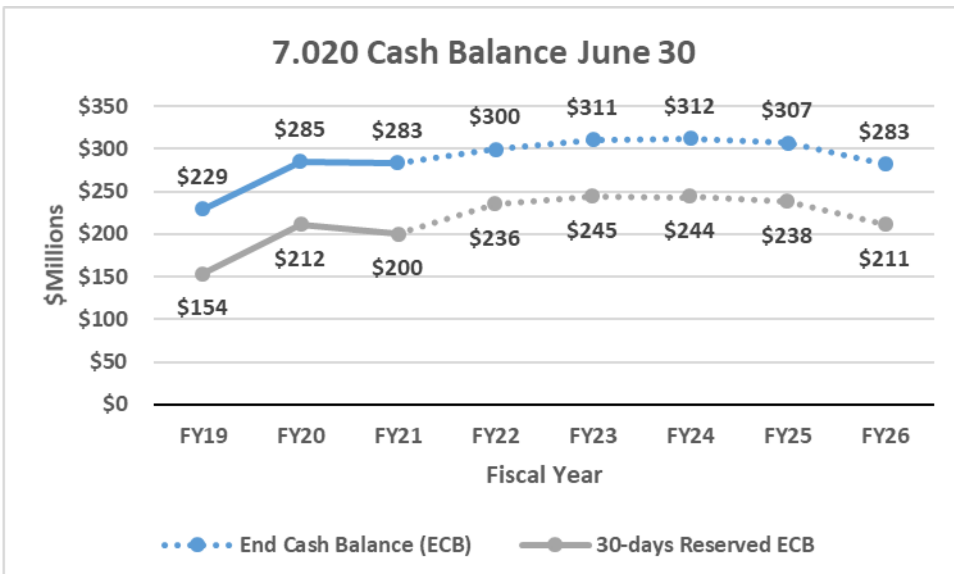
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses

Line 2.080 minus 5.050. This line can be used to get a good sense of a school district's fiscal health. A positive number indicates that a school district spent within its revenue for that fiscal year. A negative number indicates that a school district's expenditures exceeded the revenue generated resulting in a reduction in the cash balance during the year. A school district experiencing several years of "deficit spending" will almost always result in fiscal concerns or insolvency. Ending cash balance increased in FY19 and FY20, with a slight decline in FY21. An increase in the ending cash balance is projected for FY22 through FY24. FY25 is projected to be the first year of a decline in ending cash balance; an unsustainable trend that continues into FY26 and beyond.



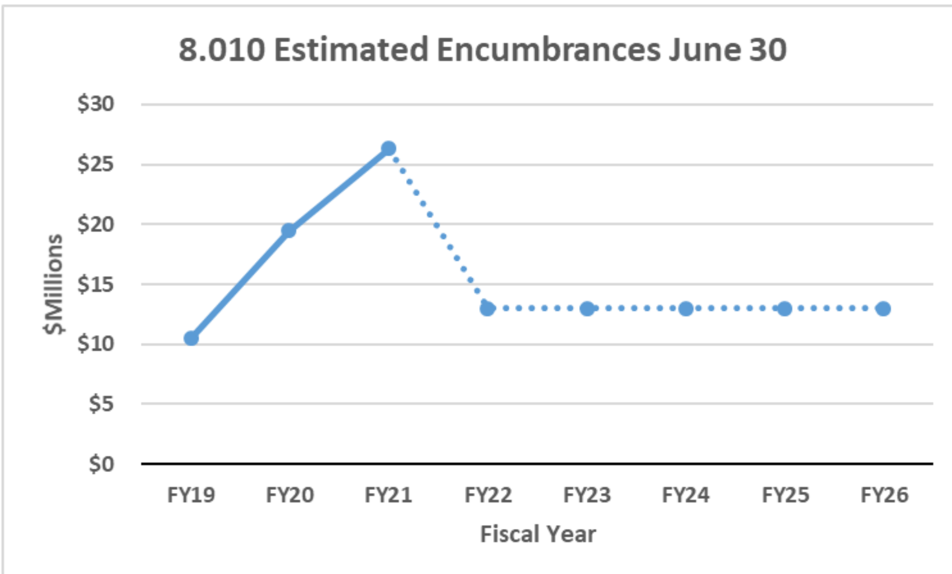
7.020 Cash Balance June 30

The Government Finance Officers Association has a best practices recommendation of maintaining a 30-day cash balance reserve or target. While there is no formal board policy on cash balance, our discussions always reference this as our planning target. The forecasted ending cash balance for all fiscal years is improved from the May 2021 forecast primarily if not solely due to the change in the state aid funding calculation which reduced projected expenditures more than the corresponding reduction in state aid. The graph shows the projected actual ending cash balance along with a reserved cash balanced reflecting a minimum of 30-days expenditures. Note that all years of the forecast have a positive ending cash balance and the 30-day cash target is met in all years as well.



8.010 Estimated Encumbrances June 30

The amount of money already requested through a purchase order to be carried forward into the next fiscal year. The funds have been obligated, but a check has not yet been written. Funds may be encumbered (obligated) in one fiscal year and paid in another.



Net Changes Since May 2021 Forecast[32]

LN		FY21	FY22	FY23	FY24	FY25
	Revenues					
1.010	General Property Tax (Real Estate)	4,606,446	8,900,000	8,900,000	10,500,000	13,500,000
1.035	Unrestricted State Grants-in-Aid	261,449	(155,700,000)	(144,000,000)	(144,000,000)	(144,000,000)
1.040	Restricted State Grants-in-Aid	(13,689)	(31,000,000)	(31,000,000)	(31,000,000)	(31,000,000)
1.045	Restricted Fed. Grants	(9,588)	0	0	0	0
1.050	Property Tax Allocation	138,522	(1,200,000)	(1,300,000)	(1,100,000)	(1,000,000)
1.060	All Other Revenues	4,234,421	1,000,000	1,000,000	1,000,000	1,000,000
1.070	Total Revenues	9,217,560	(178,000,000)	(166,400,000)	(164,600,000)	(161,500,000)
	Other Financing Sources					
2.040	Operating Transfers-In	30,550	0	0	0	0
2.050	Advances-In	1,366,331	(1,800,000)	0	0	0
2.060	All Other Financing Sources	(17,291)	0	0	0	0
2.070	Total Other Financing Sources	1,379,590	(1,800,000)	0	0	0
2.080	**Total Revenues and Other Financing Sources**	**10,597,151**	**(179,800,000)**	**(166,400,000)**	**(164,600,000)**	**(161,500,000)**
	Expenditures					
3.010	Personal Services	354,052	11,200,000	11,600,000	12,000,000	12,400,000
3.020	Employees' Retirement/Insurance Benefits	(3,264,453)	(5,500,000)	(6,400,000)	(7,400,000)	(8,300,000)
3.030	Purchased Services	1,867,151	(217,100,000)	(224,100,000)	(231,100,000)	(238,200,000)
3.040	Supplies and Materials	89,577	600,000	100,000	300,000	(600,000)
3.050	Capital Outlay	165,696	(100,000)	(200,000)	(100,000)	(100,000)
	Debt Service:					
4.020	Principal-Notes	(10,000)	0	0	0	0
4.055	Principal-Other	(42,335)	0	0	0	0
4.060	Interest and Fiscal Charges	(10,956)	0	0	0	0
4.300	Other Objects	(1,766,917)	(300,000)	(300,000)	(300,000)	(400,000)
4.500	Total Expenditures	(2,618,185)	(211,200,000)	(219,300,000)	(226,600,000)	(235,200,000)
	Other Financing Uses					
5.010	Operating Transfers-Out	(124,692)	0	0	0	0
5.020	Advances-Out	(1,790,746)	0	0	0	0
5.030	All Other Financing Uses	0	(5,000)	(5,000)	(5,000)	(5,000)
5.040	Total Other Financing Uses	(1,915,437)	(5,000)	(5,000)	(5,000)	(5,000)
5.050	**Total Expenditures and Other Financing Uses**	**(4,533,622)**	**(211,205,000)**	**(219,305,000)**	**(226,605,000)**	**(235,205,000)**
6.010	Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	15,130,773	31,405,000	52,905,000	62,005,000	73,705,000
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	0	15,130,773	46,535,773	99,440,773	161,445,773

[32] The May forecast covered the five fiscal years FY21-FY25. In this forecast, FY21 became "actual" and FY26 rolled in as the final year of the projection. Hence, there is no FY26 in this comparison to the May FYF.

COVID-19 Federal Pandemic Funding

In an effort to assist school districts with the impacts of the COVID-19 pandemic, the federal government has provided funding from a variety of programs. The largest contribution of these funds come through the Elementary and Secondary Schools Emergency Relief (ESSER) programs as established via Section 18003 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020; Section 313 of the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act in December 2020; and Section 2001 of the American Rescue Plan (ARP) Act in March 2022. The chart below summarizes the funds that Columbus City Schools has received to date to address the impact that COVID-19 has had, and continues to have, on our elementary and secondary schools.

Source of Funding	Spending Deadline	Allocation	Expended/Encumbered	Remaining
CARES Act -Higher Ed	Mar. 20, 2022	$1,567,849	$1,509,022	$58,827
City of Columbus - CARES	Dec. 31, 2021	$7,150,000	$7,150,000	$0
CRF	Dec. 31, 2021	$3,808,330	$3,808,180	$150
CRF Higher Ed		$45,403	$45,403	$0
Broadband	Dec. 31, 2021	$151,466	$151,466	$0
ESSER I	Sept. 30, 2022	$30,941, 358	$23,134,411	$7,806,947
ESSER II	Sept. 30, 2023	$129,786,863	$33,043,448	$96,743,415
ARP ESSER	Sept. 30, 2024	$291,689,892	$0	$291,689,892
FEMA	On-going	Reimbursement	TBD	

*As of 10/28/2021

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Ohio Department of Education. (n.d.). Retrieved from http://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Five-Year-Forecast/How-to-Read-a-Five-Year-Forecast/HOW-TO-READ-A-FORECAST.pdf.aspx

Five Year Forecast – Schedule of Revenue, Expenditures, and Changes in Fund Balances

See forecast document on following pages.

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