

Hilliard City School District

Five-Year Forecast

For the Projected Years Ending

June 30, 2010 through June 30, 2014

May 2010 Revision

HILLIARD CITY SCHOOL DISTRICT - - FRANKLIN COUNTY
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND FORECASTED OPERATING FUND

	Actual			Forecasted				
	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Revenue:								
1.010 General Property Tax (Real Estate)	73,210,066	71,713,880	82,150,911	89,916,837	90,695,494	90,721,239	91,178,007	92,326,873
1.020 Tangible Personal Property Tax	12,328,097	9,629,742	8,445,186	4,065,003	3,805,356	3,726,258	3,726,258	3,726,258
1.030 Income Tax	0	0	0	0	0	0	0	0
1.035 Unrestricted Grants-in-Aid	37,935,792	37,439,232	37,457,413	35,135,656	33,699,336	33,786,749	33,676,393	35,937,441
1.040 Restricted Grants-in-Aid	238,987	220,005	285,923	2,158,809	2,868,000	68,000	68,000	68,000
1.050 Property Tax Allocation	11,647,916	14,468,646	18,401,751	22,040,096	22,198,635	22,166,301	21,543,065	16,157,081
1.060 All Other Revenues	8,477,039	9,211,391	6,451,747	4,546,750	3,899,000	4,099,000	4,299,000	4,299,000
1.070 Total Revenues	143,837,897	142,682,896	153,192,931	157,863,151	157,165,821	154,567,547	154,490,724	152,514,653
Other Financing Sources:								
2.010 Proceeds from Sale of Notes	0	0	0	0	0	0	0	0
2.020 State Emergency Loans and Advancements	0	0	0	0	0	0	0	0
2.040 Operating Transfers-In.	0	0	46,258	0	0	0	0	0
2.050 Advances-In	561,053	10,000	0	0	0	0	0	0
2.060 All Other Financing Sources	93,069	58,978	26,773	175,000	55,000	55,000	55,000	55,000
2.070 Total Other Financing Sources	654,122	68,978	73,031	175,000	55,000	55,000	55,000	55,000
2.080 Total Revenues and Other Financing Sources	144,492,019	142,751,874	153,265,962	158,038,151	157,220,821	154,622,547	154,545,724	152,569,653
Expenditures:								
3.010 Personal Services	91,366,611	95,774,305	98,117,990	103,067,346	106,403,905	109,921,195	113,979,304	118,844,497
3.020 Employees' Retirement/Insurance Benefits	29,643,477	32,643,779	33,024,555	33,640,427	35,851,167	38,131,082	40,726,137	43,756,849
3.030 Purchased Services	9,135,151	9,803,212	11,008,523	11,196,872	11,597,228	11,944,595	12,297,233	12,660,450
3.040 Supplies and Materials	4,231,659	4,483,410	3,529,952	5,442,261	4,351,106	4,438,128	4,526,891	4,617,429
3.050 Capital Outlay	336,909	198,898	153,220	156,284	159,410	162,598	165,850	169,167
3.060 Intergovernmental	0	0	0	0	0	0	0	0
Debt Service:								
4.010 Principal-All (History Only)	320,000	320,000	320,000	0	0	0	0	0
4.020 Principal-Notes	0	0	0	0	0	0	0	0
4.030 Principal-State Loans	0	0	0	0	0	0	0	0
4.040 Principal-State Advancements	0	0	0	0	0	0	0	0
4.050 Principal-HB 264 Loans	320,000	320,000	0	320,000	320,000	0	0	0
4.055 Principal-Other	0	0	0	0	0	0	0	0
4.060 Interest and Fiscal Charges	48,801	35,161	24,965	16,000	10,000	0	0	0
4.300 Other Objects	3,073,979	3,124,278	3,398,656	3,516,629	3,586,962	3,658,701	3,731,875	3,731,875
4.500 Total Expenditures	138,156,587	146,383,043	149,577,861	157,355,820	162,279,779	168,256,300	175,427,290	183,780,267
Other Financing Uses								
5.010 Operating Transfers-Out	0	0	4,930	0	0	0	0	0
5.020 Advances-Out	548,915	0	0	0	0	0	0	0
5.030 All Other Financing Uses	2,107	287	1,023	0	0	0	0	0
5.040 Total Other Financing Uses	551,022	287	5,953	0	0	0	0	0
5.050 Total Expenditures and Other Financing Uses	138,707,609	146,383,330	149,583,814	157,355,820	162,279,779	168,256,300	175,427,290	183,780,267
Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses								
6.010	5,784,410	-3,631,456	3,682,148	682,332	-5,058,958	-13,633,753	-20,881,567	-31,210,614
Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies								
7.010	11,149,407	16,933,817	13,302,361	16,984,509	17,666,841	12,607,883	-1,025,870	-21,907,436
7.020 Cash Balance June 30	16,933,817	13,302,361	16,984,509	17,666,841	12,607,883	-1,025,870	-21,907,436	-53,118,050
8.010 Estimated Encumbrances June 30	1,550,478	1,784,307	2,893,747	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Reservation of Fund Balance								
9.010 Textbooks and Instructional Materials	0	0	0	0	0	0	0	0
9.020 Capital Improvements	0	0	0	0	0	0	0	0
9.030 Budget Reserve	0	0	0	0	0	0	0	0
9.040 DPIA	0	0	0	0	0	0	0	0
9.050 Debt Service	0	0	0	0	0	0	0	0
9.060 Property Tax Advances	0	0	0	0	0	0	0	0
9.070 Bus Purchases	0	0	0	0	0	0	0	0
9.080 Subtotal	0	0	0	0	0	0	0	0
Fund Balance June 30 for Certification of Appropriations								
10.010	15,383,339	11,518,054	14,090,762	16,166,841	11,107,883	-2,525,870	-23,407,436	-54,618,050
Rev from Replacement/Renewal Levies								
11.010 Income Tax - Renewal	0	0	0	0	0	0	0	0
11.020 Property Tax - Renewal or Replacement	0	0	0	0	0	0	0	0
11.030 Cumulative Balance of Replacement/Renewal Levies	0	0	0	0	0	0	0	0
Fund Balance June 30 for Certification of Contracts, Salary and Other Obligations								
12.011	15,383,339	11,518,054	14,090,762	16,166,841	11,107,883	-2,525,870	-23,407,436	-54,618,050
Revenue from New Levies								
13.010 Income Tax - New	0	0	0	0	0	0	0	0
13.020 Property Tax - New	0	0	0	0	0	0	0	0
13.030 Cumulative Balance of New Levies	0	0	0	0	0	0	0	0
14.010 Revenue from Future State Advancements	0	0	0	0	0	0	0	0
15.010 Unreserved Fund Balance June 30	15,383,339	11,518,054	14,090,762	16,166,841	11,107,883	-2,525,870	-23,407,436	-54,618,050
ADM Forecasts								
20.010 Kindergarten - October Count				1,174	1,186	1,198	1,210	1,222
20.015 Grades 1-12 - October Count				14,284	14,427	14,572	14,717	14,864
20.02 Kindergarten - February Count				1,174	1,186	1,198	1,210	1,222
20.025 Grades 1-12 - February Count				14,284	14,427	14,571	14,717	14,864

Hilliard City School District

Summary of Significant Forecast Assumptions

Note 1 - Nature and Purpose of Presentation

This financial projection presents in accordance with the mandates of House Bill No. 412 (H. B. 412), the expected revenues, expenditures, and fund balance of the General Fund of the Hilliard City School District (the "District") for each of the fiscal years ending June 30, 2010 through June 30, 2014, with historical unaudited information presented for the fiscal years ended June 30, 2007, 2008, and 2009. Additionally, the Poverty Based Assistance Fund, USAS Fund Number 494, is included in the forecast, in years where this fund exists, as required by H. B. 412. ARRA State Fiscal Stabilization fund, which is a new federal fund, is included in the presentation as well.

A. Basis of Accounting

This financial projection has been prepared on the cash receipts and disbursements basis, which is the required basis (non-GAAP) of accounting used for budgetary purposes. Under this system, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Under Ohio law, the District is also required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of funds.

B. Fund Accounting

The District maintains its accounts in accordance with the principles of "fund" accounting. Fund accounting is used by governmental entities, such as school districts, to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions and activities. The transactions of each fund are reflected in a self-balancing group of accounts, which presents an accounting entity that stands separate from the activities reported in other funds. The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is disbursed or transferred in accordance with Ohio law. The assumptions disclosed herein are those that the District believes are significant to the projection. However, because circumstances and conditions assumed in projections frequently do not occur as expected, and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

Hilliard City School District

Summary of Significant Forecast Assumptions

Note 2 – Description of the School District

A. *The Board of Education and Administration*

The Board of Education of the Hilliard City School District (the "Board") is a political and corporate body charged with the responsibility of managing and controlling the affairs of the District, and is, together with the School District, governed by the general laws of the State of Ohio (the "Ohio Revised Code"). The Board is comprised of five members who are locally elected to overlapping four-year terms.

The Board elects its President and Vice President annually, and appoints two officials: the Superintendent, who serves as the Chief Executive Officer, and the Treasurer, who serves as the Chief Financial Officer.

B. *The School District and its Facilities*

Organized in the late 1800's, the Hilliard City School District serves an area of approximately 60 square miles in northwest Franklin County, including all of Norwich and Brown townships; part of Washington, Franklin and Prairie townships; the City of Hilliard; part of the cities of Columbus and Dublin; and less than one square mile in Union County.

The District currently serves more than 15,459 students in grades preK-12 through three high schools, three middle schools, two sixth-grade schools, 14 elementary schools and a preschool. About 47% of the children served reside in Columbus, 36% in Hilliard, and 17% in the townships and the City of Dublin (1/2004).

Note 3 – Revenue Assumptions

The following represents the significant assumptions made to create the revenue portion of the five-year forecast.

A. *General Property Tax (Real Estate)*

Property values are established each year by the County Auditor based on new construction and complete or updated values. A reappraisal of district property values will occur in 2011 collectible in 2012. This reappraisal has been factored into the projection for district property values along with the corresponding tax reduction factors affecting outside voted millage. This forecast includes the new 6.9 mill operating levy that was passed in November of 2008. 2009 assessed taxable values collectible in 2010 are:

Residential/agriculture -	\$1,822,435,160
Commercial/industrial -	<u>551,094,310</u>
Total real estate assessed value	\$2,373,529,470

For fiscal year 2010 residential/agriculture values are estimated to increase .2% with new growth. Commercial/industrial values are estimated to increase .5% with new growth. Tax collections are estimated to return to an approximate 100% collection rate in the first half of the year and a 97% collection rate for the second half. Collection of prior year delinquencies and increases in commercial property values from the Board of Tax Appeals will bring the net collection above a 100% collection rate. The District shows a complete year of collections from the new 6.9 mill operating levy passed in November 2008.

Hilliard City School District Summary of Significant Forecast Assumptions

For fiscal year 2011 residential/agriculture values are estimated to increase .2% with new growth. Commercial/industrial values are estimated to increase 2% with new growth. Tax collections are estimated to net at a 99.5% collection rate.

For Fiscal Year 2012 residential/agriculture values are estimated to decrease 10% with the 2011 reappraisal and increase an additional .2% with new growth. Commercial/industrial values are estimated to increase 2% with the 2011 reappraisal and increase an additional 2% with new growth.

For fiscal year 2013 residential/agriculture values are estimated to increase 1% with new growth. Commercial/industrial values are estimated to increase 2% with new growth.

For fiscal year 2014 residential/agriculture values are estimated to increase 1% with new growth. Commercial/industrial values are estimated to increase 2% with new growth.

B. Tangible Personal Property Tax

In 2010 the only personal property that is still taxed is personal property owned by public utilities and telephone personal property. Current assessed values are \$49,755,088.

For fiscal year 2011 public utility personal property values are estimated to remain flat. Telephone values per changes in Ohio Revised Code will reduce 50%.

For fiscal year 2012 public utility personal property values are estimated to remain flat. Telephone values per changes in Ohio Revised Code are eliminated for tax purposes.

For fiscal year 2013 and beyond public utility personal property values are estimated to remain flat at \$47,728,800.

C. Unrestricted Grants-in-Aid

The State of Ohio is implementing a new funding model for this school year. Under the new model our District is still funded under a transitional guarantee. Under this guarantee the district will receive a one percent decrease in school foundation funding for this fiscal year and a two percent decrease in school foundation funding for fiscal year 2011.

Because of the decline in state budget revenues the federal government provided stimulus funding to offset the decline. In the current fiscal year (FY10) 5.6% of school foundation dollars are federal stimulus dollars. In FY11 approximately 8% of school foundation dollars are federal stimulus dollars. These numbers are included in the Restricted Grants-in-aid revenue line.

For fiscal year 2010 School foundation aid will decrease 1% as the result of state budget reductions. \$2.09 million is moved to Restricted Grants-in-Aid as mentioned above.

For Fiscal year 2011 School Foundation aid will decrease an additional 2% as the result of state budget reductions. \$2.8 million is moved to Restricted Grants-in-Aid as mentioned above.

Hilliard City School District
Summary of Significant Forecast Assumptions

For Fiscal Year 2012 School Foundation aid is estimated to remain flat compared to FY11. **This forecast assumes that State tax revenue does not recover sufficiently to fill the hole that exists in the current state budget if not for one time revenues and federal stimulus dollars.**

For Fiscal Year 2013 School Foundation aid is estimated to remain flat compared to FY12. **This assumes that State tax revenue does not recover sufficiently to fill the hole that exists in the current state budget if not for one time revenues and federal stimulus dollars.**

For Fiscal Year 2014 School Foundation aid is estimated to increase as the district is no longer on any type of funding guarantee in regard to the new school funding formula. This forecast assumes that State tax revenue has now sufficiently recovered to partially fund the new school funding formula.

D. Restricted Grants-in-Aid

Restricted grants-in-aid in FY10 represent \$2.09 million in federal stimulus funding and \$2.8 million in federal stimulus funding for FY11. **This forecast assumes that the State does not receive additional stimulus dollars in FY12 and FY13.**

The balance of restricted funding is career tech funding, which is restricted to vocational programs at the high school level - \$68,000. These funds are estimated to remain essentially unchanged through the course of the forecast.

E. Property Tax Allocation

Property tax allocations or the Homestead and Rollback include a 10% property tax rollback for all residential real property owners. In 1979, an additional 2.5% rollback was enacted for owner occupied homes. These tax credits are reimbursed to the district through the state and are calculated by applying the appropriate percentages to residential property tax collections. This revenue grows at the same pace as residential real estate assessed valuation (see note 3 A.). It will also grow if a new tax levy is enacted.

Tangible Personal Property Tax Replacement Revenues – The district is required to classify this new revenue source in this category. It is important to remember these revenues are replacing local tax revenues eliminated by H.B. 66. The following represents this revenue source by fiscal year:

FY10 - \$12.1 million
FY11 - \$12.3 million
FY12 - \$12.3 million
FY13 - \$11.6 million
FY14 - \$6.2 million

These replacement revenues make the district whole until FY13 and then will be phased out annually until completely eliminated after 2018.

Hilliard City School District
Summary of Significant Forecast Assumptions

F. All Other Revenues

For fiscal year 2010 all other revenues includes tuition of approximately \$336,560, investment income of approximately \$500,000, student fees of approximately \$903,440, rental income of approximately \$121,000, payments in lieu of taxes of approximately \$1,807,750, E-rate and CAFS funding (Federal Medicaid program) and MSP (CAFS replacement program) of \$360,000, print shop revenue of \$230,000, transportation revenue of \$94,000, services provided other entities of \$19,000, tax refunds of \$14,500, and other miscellaneous receipts of \$160,500.

For fiscal year 2011 this category decreases approximately \$647,750. \$347,750 of the decline results from a final payment in lieu of taxes from Boehringer Ingelheim Roxanne Inc. concluding in the prior year. The other \$300,000 decrease is caused by low interest rates earned on allowable investments for district balances.

For fiscal year 2012 it is estimated that interest rates will increase to the degree that an additional \$200,000 in interest income will be generated.

For fiscal year 2013 it is estimated that interest rates will continue to increase to a point that the district will generate an additional \$200,000 in interest income.

For fiscal year 2014 revenues are estimated to remain flat.

G. Other Sources

Advances from the General Fund are required to eliminate deficit balances in other funds of the district. The funds are required to pay back these advances. Another source of this type of revenue is refunds of prior year expenditures. In 2010 the District received over \$175,000 due to the refund of property taxes paid on district parcels as the District waited for tax exempt status on various parcels in the district. This line item will normally be immaterial and is estimated as such through the balance of the forecast.

Note 4 – Expenditure Assumptions

The following represents the significant assumptions made to create the expenditure portion of the five-year forecast.

A. Personal Services

The personal services category represents all salaries and wages for the employees of the school district paid from the General Fund. Current negotiated agreements with certificated and classified unions are factored into this projection.

For fiscal year 2010 all wages are projected to increase 2.97% with step increases averaging 2.3%. Additional staffing with a cost of approximately \$1,000,000 is included this year to open Bradley High School. Reductions in staffing district wide will reduce personal services by more than \$690,000. Federal IDEA Part B stimulus dollars allow us to supplant General Fund expenditures. This means we can move \$650,000 in salaries out of the General Fund in FY10 and FY11. Compensation to teachers who attain Master's degrees will increase costs approximately \$120,000 annually throughout the forecast.

Hilliard City School District Summary of Significant Forecast Assumptions

For calendar year 2011 all wages are projected to increase 0% with step increases averaging 2.3%. Additional staffing is projected with a cost of \$500,000. Retirements and resignations are projected to save the district \$200,000. Reductions of \$1,000,000 in salaries will be implemented to help the District stay off the ballot until 2011.

For calendar year 2012 all wages are projected to increase 0% with step increases averaging 2.3%. Additional staffing is projected with a cost of \$500,000. \$650,000 in salaries move back into the General Fund as the Federal IDEA Part B stimulus funds are no longer available for this purpose. Retirements and resignations are projected to save the district \$200,000.

For calendar year 2013 all wages are projected to increase 0% with average step increases of 2.4%. Additional staffing is projected with a cost of \$500,000. Retirements and resignations are projected to save the district \$200,000.

**** To comply with the mandate to offer all day kindergarten during this fiscal year an additional \$1,000,000 is added to this line item. There is an increase in fringe benefits tied to this mandate as well.**

For calendar year 2014 all wages are projected to increase 3.0% with average step increases of 2.4%. Additional staffing is projected with a cost of \$500,000. Retirements and resignations are projected to save the district \$200,000.

B. Employees' Retirement/Insurance Benefits

The two largest items in this category are employee health insurance costs and employee pension costs. Contributions to the State Teachers Retirement System and the School Employees Retirement System are 14% of employee salaries and wages. Health Insurance costs for FY10 include half a year with a 1% decrease in premium and a 12% increase for the second half of the year. Employees are contributing anywhere from 8% to 10% for the first half of the year towards their health insurance premiums and 10% for the second half of the year.

In FY11 costs for additional employees hired are factored into this category. All employees will contribute at least 10% towards the cost of their health insurance premium. Health insurance costs are estimated to increase 8%. In future years costs for additional employees are factored into this category. It is projected that all employees will contribute at least 10% towards the cost of their health insurance premium. The School Employees Retirement System (SERS) which provides retirement benefits to non-certified employees (custodians, bus-drivers, secretaries, etc.) is requiring all districts in the State to make payments without a six month lag. In order to comply with this new requirement without placing an undue burden on school districts, SERS will phase this in over 6 years. This will provide additional costs of approximately \$260,000 annually for the district for the next six years.

FY12 and beyond health insurance costs are estimated to increase 10% annually.

**** FY13 fringe benefits increase approximately \$260,000 with new teachers hired for the all day kindergarten mandate.**

Hilliard City School District Summary of Significant Forecast Assumptions

C. Purchased Services

Expenditures in this category include, but are not limited to, all district utilities, maintenance and repairs, charter school payments, autism scholarships, payments to other public entities for Hilliard students attending school at these other entities, property and liability insurance premiums, postage and data processing services.

Utilities are some of the most significant costs in this category. Natural Gas is estimated to cost \$715,000 for FY10. Electric is estimated to cost \$2.5 million for FY10.

For FY11 it is estimated the City of Hilliard's new storm water utility will cost the District \$70,000 annually. All utility costs are estimated to increase 3% annually.

The next segment of purchased services with a great deal of uncertainty includes payments to charter schools, payments to other public entities educating Hilliard students and autism scholarships. In fiscal year 2010 the district will pay \$1.8 million to charter schools educating approximately 269 students. The forecast assumes that the number of district students attending charter schools does not significantly increase through the balance of the forecast. Payments to other public entities such as other school districts in the state, Franklin County Board of Developmental Disabilities, and payments for Autism scholarships account for \$1.4 million of expenditures for FY10. After FY10 it is estimated that these expenditures will increase at 3% annually.

All other expenditures in this category are estimated to increase every year at 3%. In order to live within an annual increase of 3%, reductions could be necessary in future years.

D. Supplies and Materials

For fiscal year 2010 fuel costs are expected to be \$680,000. Two major course adoptions (grades K-12 math and literacy) occurred over the summer of 2009. This will result in expenditures of approximately \$1.4 million in FY10. The addition of Bradley High School will result in approximately \$500,000 in increased costs. A net reduction related to smaller text adoptions will result in a reduction of \$1.2 million in FY11.

Once past FY11, supplies and materials are estimated to increase 2% annually through the life of the forecast. This 2% increase could result in reductions in order to live within this estimated annual increase.

E. Capital Outlay

The district passed a 2 mill permanent improvement levy in May of 2006. For fiscal year 2010 and forward most capital outlays will take place in the permanent improvement levy fund. Most expenditures in this category are restricted grants funds to be used for vocational education purchases or smaller capital items purchased through the operations budgets. Capital outlays are estimated to increase with inflation at 2% annually.

Hilliard City School District
Summary of Significant Forecast Assumptions

F. Debt Service

In fiscal year 2006 the District started a HB264 energy saving project. A HB 264 project allows the district to issue debt for an energy saving project as long as the energy savings results in cash flow savings large enough to pay the debt service on the debt issue. The project replaced lighting in school buildings district wide and also replaced boilers in several of the older school buildings in the district. The debt issued for this project will be paid off in FY11.

G. Other Objects

This category is estimated to have over \$3.5 million in expenditures for FY10. The largest item in this category is County Auditor & Treasurer fees, which for FY10 are estimated to be \$1.45 million. Also included in this category are payment to the Columbus City Schools for the Win-Win agreement at \$1.05 million, county board of education fees which are estimated to be \$513,000, a capital lease payment of \$170,000 for copiers, and other miscellaneous expenditures.

Auditor and treasurer fees will increase sharply anytime a new operating levy is collected. New construction will also cause these auditor and treasurer fees to increase as additional tax dollars are collected. To account for this growth and other increases in this category, increases of 2% annually are factored into the forecast.

Note 5 – Other

A. Encumbrances

Encumbrances are outstanding purchase orders that have not been approved for payment, as goods were not received in the fiscal year in which they were ordered. For this forecast the assumption is made that encumbrances will remain steady around \$1.5 million annually.

B. Ending Unencumbered Cash Balance

This amount cannot go below \$0 or the district general fund will be in violation of Ohio budgetary laws. Any multi-year contract, which is knowingly signed and will cause a negative unencumbered cash balance is a violation of Ohio Revised Code 5705.412 and is punishable by a personal fine of \$10,000.