

Hilliard City School District

Five-Year Forecast

For the Projected Years Ending

June 30, 2011 through June 30, 2015

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

	Actual			Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Revenue:								
1.010 General Property Tax (Real Estate)	71,713,880	82,150,911	89,937,225	90,240,053	90,404,241	91,607,147	92,757,783	94,321,819
1.020 Tangible Personal Property Tax	9,629,742	8,445,186	4,596,161	3,828,719	3,559,136	3,559,136	3,559,136	3,559,136
1.030 Income Tax	0	0	0	0	0	0	0	0
1.035 Unrestricted Grants-in-Aid	37,439,232	37,457,413	35,128,465	33,995,760	32,870,759	32,760,403	34,471,451	35,871,451
1.040 Restricted Grants-in-Aid	220,005	285,923	2,420,891	2,602,476	1,868,000	68,000	68,000	68,000
1.050 Property Tax Allocation	14,468,646	18,401,751	21,824,213	21,980,548	21,951,977	21,970,138	16,392,139	15,128,084
1.060 All Other Revenues	9,211,391	6,451,747	4,386,122	3,758,372	3,938,372	4,177,756	4,219,533	4,261,729
1.070 Total Revenues	142,682,896	153,192,931	158,293,077	156,405,929	154,592,485	154,142,580	151,468,043	153,210,219
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	46,258	0	0	0	0	0	0
2.050 Advances-In	10,000	0	0	0	0	0	0	0
2.060 All Other Financing Sources	58,978	26,773	178,440	150,000	40,000	40,000	40,000	40,000
2.070 Total Other Financing Sources	68,978	73,031	178,440	150,000	40,000	40,000	40,000	40,000
2.080 Total Revenues and Other Financing Sources	142,751,874	153,265,962	158,471,517	156,555,929	154,632,485	154,182,580	151,508,043	153,250,219
Expenditures:								
3.010 Personal Services	95,774,305	98,117,990	103,503,567	107,060,206	109,977,892	116,227,162	120,773,227	125,782,609
3.020 Employees' Retirement/Insurance Benefits	32,643,779	33,024,555	33,645,630	35,318,015	36,982,751	39,640,792	42,057,957	44,684,936
3.030 Purchased Services	9,803,212	11,008,523	10,974,350	11,343,801	11,685,215	11,921,219	12,161,843	12,407,180
3.040 Supplies and Materials	4,483,410	3,529,952	5,282,249	4,387,894	4,475,652	4,565,165	4,656,468	4,749,598
3.050 Capital Outlay	198,898	153,220	109,741	109,741	109,741	109,741	109,741	109,741
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					
4.020 Principal-Notes				0	0	0	0	0
4.030 Principal-State Loans				0	0	0	0	0
4.040 Principal-State Advancements				0	0	0	0	0
4.050 Principal-HB 264 Loans				320,000	0	0	0	0
4.055 Principal-Other				0	0	0	0	0
4.060 Interest and Fiscal Charges	35,161	24,965	14,990	10,000	0	0	0	0
4.300 Other Objects	3,124,278	3,398,656	3,382,276	3,416,099	3,450,260	3,484,762	3,519,610	3,554,806
4.500 Total Expenditures	146,383,043	149,577,861	157,232,803	161,965,755	166,681,510	175,948,841	183,278,846	191,288,870
Other Financing Uses								
5.010 Operating Transfers-Out	0	4,930	0	0	0	0	0	0
5.020 Advances-Out	0	0	0	0	0	0	0	0
5.030 All Other Financing Uses	287	1,023	1,034	0	0	0	0	0
5.040 Total Other Financing Uses	287	5,953	1,034	0	0	0	0	0
5.050 Total Expenditures and Other Financing Uses	146,383,330	149,583,814	157,233,837	161,965,755	166,681,510	175,948,841	183,278,846	191,288,870
Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses								
6.010	-3,631,456	3,682,148	1,237,680	-5,409,826	-12,049,025	-21,766,262	-31,770,804	-38,038,651
Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies								
7.010	16,933,806	13,302,350	16,984,498	18,222,178	12,812,352	763,327	-21,002,935	-52,773,738
7.020 Cash Balance June 30	13,302,350	16,984,498	18,222,178	12,812,352	763,327	-21,002,935	-52,773,738	-90,812,389
8.010 Estimated Encumbrances June 30	1,784,307	2,893,747	1,462,929	1,500,000	763,327	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	11,518,043	14,090,751	16,759,249	11,312,352	0	-22,502,935	-54,273,738	-92,312,389
Rev from Replacement/Renewal Levies								
11.010 Income Tax - Renewal				0	0	0	0	0
11.020 Property Tax - Renewal or Replacement				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	11,518,043	14,090,751	16,759,249	11,312,352	0	-22,502,935	-54,273,738	-92,312,389
Revenue from New Levies								
13.010 Income Tax - New				0	0	0	0	0
13.020 Property Tax - New				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								
15.010 Unreserved Fund Balance June 30	11,518,043	14,090,751	16,759,249	11,312,352	0	-22,502,935	-54,273,738	-92,312,389
ADM Forecasts								
20.010 Kindergarten - October Count				0	0	0	0	0
20.015 Grades 1-12 - October Count				15,503	15,658	15,814	15,972	16,132
20.02 Kindergarten - February Count				0	0	0	0	0
20.025 Grades 1-12 - February Count				15,503	15,658	15,814	15,972	16,132

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, 2011 through June 30, 2015, with historical unaudited information presented for the fiscal years ended June 30, 2008, 2009, and 2010. Additionally, the ARRA State Fiscal Stabilization Fund, USAS Fund Number 532, is included in the forecast for fiscal year 2010 and fiscal year 2011, as required by H. B. 412.

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.

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.

Hilliard City School District

Summary of Significant Forecast Assumptions

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 15,680 students in grades preK-12 through three high schools, three middle schools, two sixth-grade schools, 14 elementary schools and a preschool. About 46% of the children served reside in Columbus, 39% in Hilliard, and 15% in the townships and the City of Dublin (8/2010).

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. 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 2011 residential/agriculture values are estimated to increase .1% with new growth. Commercial/industrial values are estimated to increase .5% with new growth. Tax collections are estimated to net at a 99.4% collection rate.

For Fiscal Year 2012 residential/agriculture values are estimated to decrease 8% 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.

For fiscal year 2015 residential/agriculture values are estimated to increase 5% with the 2014 triennial update and increase 1.5% with new growth. Commercial/industrial values are estimated to increase 2% with the triennial update and 2% with new growth.

Hilliard City School District
Summary of Significant Forecast Assumptions

B. *Tangible Personal Property Tax*

In 2010 the only personal property that is still taxed with an assessed value of \$49,755,088 is personal property owned by public utilities and telephone personal property. There are still over \$2 million in outstanding taxes owed on personal property by businesses located in the District. It is not possible to forecast when or if we will receive these delinquent taxes.

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 implemented a new funding model in FY2010. Under the new model our District is still funded under a transitional guarantee. Under this guarantee the district received a one percent decrease in school foundation funding last 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 (FY11) 6.9% of school foundation dollars are federal stimulus dollars. This number is included in the Restricted Grants-in-aid revenue line.

For Fiscal year 2011 School Foundation aid will decrease an additional 2% as the result of state budget reductions. \$2.5 million is moved to Restricted Grants-in-Aid as mentioned above.

For Fiscal Year 2012 School Foundation aid is estimated to **decrease 10% from fiscal year 2011**. This includes the ARRA stimulus dollars that the state considers part of school foundation dollars listed in Restricted Grants-in-Aid (see above). Currently it is estimated that the next biennium budget will have an \$8 billion deficit. Based on this deficit we believe school funding will be negatively impacted.

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 5.2% as the state begins to climb out of the budget deficit created by the economic recession of 2008 - 2009. **This is still almost 8% below School Foundation aid received in fiscal year 2008.**

For Fiscal Year 2015 School Foundation aid is estimated to increase 4%. This forecast assumes that State tax revenue has now sufficiently recovered to partially fund the school funding formula created in fiscal year 2010. **This funding level is still 4.2% below the fiscal year 2008 School Foundation revenue.**

Hilliard City School District
Summary of Significant Forecast Assumptions

D. *Restricted Grants-in-Aid*

Fiscal Year 2011 restricted grants-in-aid represent \$2.5 million in federal stimulus funding and \$68,000 in career tech funding from the state. The ARRA federal stimulus dollars are revenues provided to the state to alleviate budget difficulties as a result of the 2008-09 recession.

Fiscal Year 2012 restricted grants-in-aid include \$1.8 million of a second round of federal stimulus dollars and \$68,000 of career tech funding.

Fiscal Year 2013 and beyond assumes there will not be a third round of federal stimulus dollars. The only revenue in restricted grants-in-aid is \$68,000 of career tech funding, which is restricted to vocational programs at the high school level. 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:

- FY11 - \$12 million
- FY12 - \$12 million
- FY13 - \$12 million
- FY14 - \$6.4 million
- FY15 - \$5.0 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 2011 all other revenues includes tuition of approximately \$460,000, investment income of approximately \$300,000, student fees of approximately \$900,000, rental income of approximately \$175,000, payments in lieu of taxes of approximately \$1,200,000, E-rate and MSP (Federal Medicaid program) of \$189,000, print shop revenue of \$200,000, transportation revenue of \$153,000, tax refunds of \$14,500, and other miscellaneous receipts of \$166,500.

For fiscal year 2012 it is estimated that interest rates will increase to the degree that an additional \$180,000 in interest income will be generated. All other revenues remain the same.

For fiscal year 2013 it is estimated that inflationary increases will generate another 1% in revenue. It is also 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 and 2015 revenues are estimated to increase by 1% annually.

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 the first quarter of fiscal year 2011 the School Employees Retirement System refunded approximately \$100,000 to 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 2011 all wages are projected to increase 1.5% with step increases averaging 2.3%. Bargaining unit contracts are on a calendar year basis rather than a fiscal year basis. Because of this wage increases are a blend of two calendar years in a contract. For FY2011 employees have six months of a 3% increase and six months of a 0% increase. Additional staffing with a cost of approximately \$500,000 is included this year to add staffing for the first senior class at Bradley High School. Reductions in staffing district wide will reduce personal services by \$1,000,000. Compensation to teachers who attain Master's degrees will increase costs approximately \$120,000 annually throughout the forecast. Reduced salaries through new teachers replacing those retiring or resigning should save the district approximately \$200,000.

Hilliard City School District
Summary of Significant Forecast Assumptions

For fiscal year 2012 all wages are projected to increase .5%. Step increases are delayed half a year until January 1, 2012. While step increases average 2.3% this delay saves the district \$1.2 million in salaries (\$1.4 million with employee benefit/retirement costs). Additional staffing is projected with a cost of \$500,000. \$700,000 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 fiscal year 2013 all wages are projected to increase 1% with average step increases of 2.3%. 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 fiscal year 2014 all wages are projected to increase 1.25% with average step increases of 2.3%. Additional staffing is projected with a cost of \$500,000. Retirements and resignations are projected to save the district \$200,000.

For fiscal year 2015 all wages are projected to increase 1.5% with average step increases of 2.3%. 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 FY11 include half a year with an 11.8% increase in premium and a 4.8% increase for the second half of the year. Employees are contributing 10% towards their health insurance premiums annually.

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.

In FY12 costs for additional employees hired are factored into this category as well as a savings of approximately \$200,000 related to the salary step delay. Health insurance costs are estimated to increase 8%. In future years costs for additional employees are factored into this category

FY13 and beyond health insurance costs are estimated to increase 8% 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 \$728,000 for FY11. Electric is estimated to cost \$2.5 million for FY11.

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 2011 the district will pay \$1.8 million to charter schools educating approximately 268 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 FY11.

For fiscal year 2012 these expenditures are estimated to increase 3%.

For fiscal years 2013 through 2015 these expenditures are estimated to increase at 2% annually.

D. Supplies and Materials

Expenditures in this category include, but are not limited to, fuel for district buses and other vehicles, educational supplies and materials which can include new textbook adoptions, light bulbs, toilet paper, and anything in between.

For fiscal year 2011 this category is estimated to grow with inflation by 2% as well as decrease \$1 million as two major textbook adoptions in the prior year are not being duplicated.

For fiscal year 2012 and beyond it is estimated this category will grow by 2% annually. 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 2011 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 remain relatively constant through this forecast.

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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 \$3.4 million in expenditures for FY11. The largest item in this category is County Auditor & Treasurer fees, which for FY11 are estimated to be \$1.37 million. Also included in this category are payment to the Columbus City Schools for the Win-Win agreement at \$1.1 million, county board of education fees which are estimated to be \$400,000, a capital lease payment of \$55,000 for copiers, memberships in various organizations at \$69,000, audit fees of \$34,000, 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 1% 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 except for FY2012 where they are reduced in order for line 12.011 to be \$0.

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 negative unencumbered cash balance is a violation of Ohio Revised Code 5705.412 and is punishable by a personal fine of \$10,000.