

Hilliard City School District

Five-Year Forecast

For the Projected Years Ending

June 30, 2009 through June 30, 2013

**Revised
May 2009**

HILLIARD CITY SCHOOL DISTRICT - - FRANKLIN COUNTY

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES

IN FUND BALANCES FOR THE FISCAL YEARS ENDED

JUNE 30, 2006, 2007, AND 2008 ACTUAL;

FORECASTED FISCAL YEARS ENDING JUNE 30, 2009 THROUGH 2013

	Actual			Forecasted				
	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Revenue:								
1.010 General Property Tax (Real Estate)	68,823,120	73,210,066	71,713,880	82,154,657	91,297,161	92,103,932	93,258,854	94,428,206
1.020 Tangible Personal Property Tax	16,576,507	12,328,097	9,629,742	6,639,799	3,374,580	3,307,708	3,291,086	3,274,631
1.030 Income Tax	0	0	0	0	0	0	0	0
1.035 Unrestricted Grants-in-Aid	37,999,176	37,935,792	37,439,232	37,440,746	37,459,029	36,828,005	36,824,677	36,822,781
1.040 Restricted Grants-in-Aid	205,054	238,987	220,005	225,740	110,627	110,968	114,000	137,213
1.050 Property Tax Allocation	9,442,869	11,647,916	14,468,646	17,989,683	21,265,468	21,479,983	19,448,536	16,246,078
1.060 All Other Revenues	3,906,576	8,477,039	9,211,391	6,404,505	4,763,550	4,663,435	4,710,070	4,757,171
1.070 Total Revenues	136,953,302	143,837,897	142,682,896	150,855,129	158,270,415	158,494,032	157,647,223	155,666,079
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.	10,049	0	0	0	0	0	0	0
2.050 Advances-In	446,303	561,053	10,000	0	0	0	0	0
2.060 All Other Financing Sources	198,839	93,069	58,978	55,000	55,000	55,000	55,000	55,000
2.070 Total Other Financing Sources	655,191	654,122	68,978	55,000	55,000	55,000	55,000	55,000
2.080 Total Revenues and Other Financing Sources	137,608,493	144,492,019	142,751,874	150,910,129	158,325,415	158,549,032	157,702,223	155,721,079
Expenditures:								
3.010 Personal Services	85,694,438	91,366,611	95,774,305	98,331,892	104,003,001	108,549,633	113,618,870	119,351,719
3.020 Employees' Retirement/Insurance Benefits	28,468,273	29,643,477	32,643,779	33,395,460	35,080,771	37,695,824	40,768,226	44,056,330
3.030 Purchased Services	8,673,891	9,135,151	9,803,212	10,737,342	11,099,462	11,432,446	11,779,283	12,136,593
3.040 Supplies and Materials	4,788,755	4,231,659	4,483,410	4,703,078	5,338,850	4,845,627	4,942,539	5,041,390
3.050 Capital Outlay	1,378,970	336,909	198,898	204,865	211,011	217,341	223,861	230,577
3.060 Intergovernmental	0	0	0	0	0	0	0	0
Debt Service:								
4.010 Principal-All (History Only)	0	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	320,000	320,000	320,000	320,000	320,000	320,000
4.055 Principal-Other	0	0	0	0	0	0	0	0
4.060 Interest and Fiscal Charges	0	48,801	35,161	24,800	14,880	4,960	0	0
4.300 Other Objects	2,701,847	3,073,979	3,124,278	3,338,006	3,504,766	3,574,862	3,646,359	3,719,286
4.500 Total Expenditures	131,706,174	138,156,587	146,383,043	151,055,444	159,572,742	166,640,693	174,979,139	184,535,895
Other Financing Uses								
5.010 Operating Transfers-Out	0	0	0	0	0	0	0	0
5.020 Advances-Out	265,902	548,915	0	0	0	0	0	0
5.030 All Other Financing Uses	9,963	2,107	287	0	0	0	0	0
5.040 Total Other Financing Uses	275,865	551,022	287	0	0	0	0	0
5.050 Total Expenditures and Other Financing Uses	131,982,039	138,707,609	146,383,330	151,055,444	159,572,742	166,640,693	174,979,139	184,535,895
Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses								
6.010	5,626,454	5,784,410	-3,631,456	-145,315	-1,247,327	-8,091,660	-17,276,916	-28,814,816
Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies								
7.010	5,522,953	11,149,407	16,933,817	13,302,361	13,157,046	11,909,719	3,818,059	-13,458,857
7.020 Cash Balance June 30	11,149,407	16,933,817	13,302,361	13,157,046	11,909,719	3,818,059	-13,458,857	-42,273,674
8.010 Estimated Encumbrances June 30	1,755,602	1,550,478	1,784,307	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	9,393,805	15,383,339	11,518,054	11,657,046	10,409,719	2,318,059	-14,958,857	-43,773,674
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	9,393,805	15,383,339	11,518,054	11,657,046	10,409,719	2,318,059	-14,958,857	-43,773,674
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	9,393,805	15,383,339	11,518,054	11,657,046	10,409,719	2,318,059	-14,958,857	-43,773,674
ADM Forecasts								
20.010 Kindergarten - October Count	1,140	1,151	1,163	1,140	1,151	1,163	1,174	1,186
20.015 Grades 1-12 - October Count	13,787	13,856	13,994	13,787	13,856	13,994	14,134	14,276
20.02 Kindergarten - February Count	1,135	1,147	1,158	1,135	1,147	1,158	1,170	1,181
20.025 Grades 1-12 - February Count	13,787	13,856	13,994	13,787	13,856	13,994	14,134	14,276

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, 2009 through June 30, 2013, with historical unaudited information presented for the fiscal years ended June 30, 2006, 2007, and 2008. Additionally, the Poverty Based Assistance Fund, USAS Fund Number 494, is included in the forecast, 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.

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 15,160 students in grades preK-12 through two 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 update of district property values will occur in 2008 collectible in 2009. 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

For fiscal year 2009 residential/agriculture values did not increase with the triennial update and increased an additional 1.28% with new growth. Commercial/industrial values increased 3.98% with the triennial update and increased 3.4% with new growth. A tax collection rate of 99% is estimated. The District will receive new tax dollars from the first half collection of the new 6.9 mill levy.

For fiscal year 2010 residential/agriculture values are estimated to increase .5% with new growth. Commercial/industrial values are estimated to increase .5% with new growth. Tax collections are estimated to return to a net 100% collection. With the collection of prior year delinquencies this is possible and normal. The District shows a complete year of collections from the new 6.9 mill operating levy passed in November 2008.

For fiscal year 2011 residential/agriculture values are estimated to increase 1% with new growth. Commercial/industrial values are estimated to increase 2% with new growth.

Hilliard City School District Summary of Significant Forecast Assumptions

For Fiscal Year 2012 residential/agriculture values are estimated to not increase with the reappraisal and increase an additional 1% with new growth. Commercial/industrial values are estimated to increase 2% with the 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.

B. Tangible Personal Property Tax

In 2005, The Ohio Legislature passed and the Governor approved legislation (H.B. 66) calling for the elimination of the general tangible personal property tax over the next four years. In 2006 the tax will be reduced 25% and an additional 25% each year thereafter. In 2009 the general tangible personal property tax will no longer exist.

For fiscal year 2009 the district will receive approximately 90% of tangible personal property taxes for tax year 2008. In 2009 the tangible personal property tax will be eliminated.

For fiscal year 2010 the district will only receive public utility personal property. Values are estimated to remain flat.

For fiscal year 2011 public utility personal property values are estimated to decrease 1%.

For fiscal year 2012 public utility personal property values are estimated to remain flat.

For fiscal year 2013 public utility personal property values are estimated to decrease by 1%.

C. Unrestricted Grants-in-Aid

Governor Strickland has proposed a new funding model to distribute state funds to school districts. It has now passed the Ohio House of Representatives with changes that result in flat funding for our district again and then a two percent reduction in funding in the second year of the biennium (FY11). The budget is now in the hands of the Ohio Senate. News was released shortly after Ohio Senate received the budget that there is a shortfall in the current fiscal year of somewhere between \$600 million and \$900 million. The Ohio Senate believes they will need to address this shortfall in the biennium budget. I do not know what this means for our District other than it will not increase our funding.

At this time I am estimating flat funding of \$37.4 million in FY10, then a 2% decrease to \$36.8 million in FY11. In the remaining years I am estimating revenue at the FY11 amount.

When the new 5-year forecast is presented in October of this year the State Budget should be passed and the details will be much clearer and allow for more detail as to the impact on our district.

D. Restricted Grants-in-Aid

Restricted grants-in-aid are made up of the following components for fiscal year 2009:
Career tech funding, which is restricted to vocational programs at the high school level - \$60,000
School bus purchase subsidy - \$50,000
These funds are estimated to remain essentially unchanged through the course of the forecast.

Hilliard City School District Summary of Significant Forecast Assumptions

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.

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:

FY09 - \$9.4 million

FY10 - \$11.9 million

FY11 - \$12.1 million

FY12 - \$9.9 million

FY13 - \$6.6 million

These replacement revenues make the district whole until FY11 and then will be phased out annually until completely eliminated after 2018.

F. All Other Revenues

For fiscal year 2009 all other revenues includes tuition of approximately \$240,000, investment income of approximately \$1.1 million, student fees of approximately \$950,000, rental income of approximately \$100,000, payments in lieu of taxes of approximately \$1,100,000, and other miscellaneous revenues.

For fiscal year 2010 this category will decrease approximately \$1.6 million. The majority of the decrease can be attributed to declining interest income due to less available balances to invest at rates significantly less than the prior year. The balance of the decline can be attributed to one time revenues received in FY09 from a County Auditor refund of real estate assessment fees.

For fiscal year 2011 this category decreases approximately \$150,000. This decline results from a final payment in lieu of taxes from Boehringer Ingelheim Roxanne Inc. concluding in the prior year.

For fiscal year 2012 this category is forecast to increase by approximately 1%.

For fiscal year 2013 this category is forecast to increase by approximately 1%.

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. These normally will be an immaterial item and none are estimated to be material through the balance of the forecast.

Hilliard City School District

Summary of Significant Forecast Assumptions

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 2009 all wages are projected to increase 3.0% with an average step increase of 2.5%. Personnel reductions from the spring of 2008 are factored into this number.

For fiscal year 2010 all wages are projected to increase 3.0% with step increases averaging 2.5%. Additional staffing with a cost of approximately \$2 million is included this year to open Bradley High School. Reductions in staffing district wide will reduce personal services by more than \$850,000 as presented at the December 8, 2008 board meeting. Federal IDEA Part B stimulus dollars allow us to supplant General Fund expenditures. This means we can move \$600,000 in salaries out of the General Fund in FY10 and FY11.

For fiscal year 2011 all wages are projected to increase 0% with step increases averaging 2.5%. Additional staffing is projected with a cost of \$500,000.

For fiscal year 2012 all wages are projected to increase 2.0% with step increases averaging 2.5%. Additional staffing is projected with a cost of \$700,000. \$650,000 in salaries are moved back into the General Fund as the Federal IDEA Part B stimulus funds are no longer available.

For fiscal year 2012 all wages are projected to increase 2.0% with average step increases of 2.50%. Additional staffing is projected with a cost of \$700,000.

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 FY09 include half a year with a 30% increase in premium and a 1.2% decrease for the second half of the year. Employees are contributing anywhere from 6% to 10% for the first half of the year towards their health insurance premiums and 8% to 10% for the second half of the year.

In FY10 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 by the second half of this fiscal year. 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.

Health insurance premiums are estimated to increase at 10% annually after 2009.

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 will increase significantly in FY09 as utility costs for Bradley High School are now being paid as the finishing work on this building takes place. This increase in utility costs is estimated to be approximately \$500,000. Natural Gas is estimated to cost \$953,000 for FY09. Electric is estimated to cost \$2.5 million for FY09. The forecast assumes that utilities will increase 6% for FY10 then 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 2009 the district will pay \$1.75 million to charter schools. 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 and the Franklin County Board of Mental Retardation and Developmental Disabilities and payments for Autism scholarships accounted for \$1.2 million of expenditures for fiscal year 2008. For fiscal year 2009 these expenditures are estimated to increase 5%. Autism scholarships will be the main reason for this significant increase. After fiscal year 2009 it is estimated that these expenditures will increase at 3% annually.

In FY10 budget reductions will result in a decrease of \$110,000. 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 2008 fuel costs increased 46% to \$860,997. For FY09 fuel costs are estimated to decrease to approximately \$660,000. In the October 2008 forecast this was estimated to increase significantly. Two major course adoptions (grades K-12 math and literacy) are occurring over the summer of 2009. This will result in expenditures of approximately \$800,000 in FY09 and \$400,000 in FY10. Reductions for FY09 of approximately \$370,000 reduce the net increase caused by these large course adoptions.

Other supplies & materials are estimated to increase at 2% annually through the life of the forecast. The only exception to this is fiscal year 2010 when an additional \$200,000 is forecast for the new high school opening. 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 2009 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 bus purchases and vocational education purchases.

F. Other Objects/Debt Service

In fiscal year 2008 this category had over \$3.47 million in expenditures. The largest item in this category is County Auditor & Treasurer fees, which for fiscal year 2009 are estimated to be \$1.2 million. Also included in this category are payment to the Columbus City Schools for the Win-Win agreement at \$1 million, county board of education fees which are estimated to be \$491,000, a capital lease payment of

Hilliard City School District
Summary of Significant Forecast Assumptions

\$176,000 for copiers, \$340,000 for a debt payment related to a HB264 energy debt program, 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.