

Hilliard City School District

Five-Year Forecast

For the Projected Years Ending

June 30, 2018 through June 30, 2022

October 2017

*Please visit the Ohio Department of Education website at
<ftp://ftp.ode.state.oh.us/geodoc/5-yrForecast/>.*

HILLIARD CITY SCHOOL DISTRICT - - FRANKLIN COUNTY
Schedule Of Revenue, Expenditures and Changes In Fund Balances
Actual and Forecasted Operating Fund

	ACTUAL			FORECASTED				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Revenue:								
1.010 - General Property Tax (Real Estate)	101,520,279	103,005,833	113,435,401	118,792,747	121,344,905	121,555,861	122,323,345	123,115,155
1.020 - Public Utility Personal Property	5,454,725	5,966,335	6,608,418	7,271,966	7,538,897	7,651,573	7,765,938	7,882,019
1.030 - Income Tax	-	-	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	42,758,656	47,693,947	49,690,011	50,749,054	52,220,276	53,735,913	55,299,368	56,895,068
1.040 - Restricted Grants-in-Aid	857,669	711,081	732,718	654,651	659,874	667,490	669,080	666,617
1.045 - Restricted Federal Grants-in-Aid - SFSF	-	-	-	-	-	-	-	-
1.050 - Property Tax Allocation	17,809,042	14,779,407	12,072,175	12,092,669	12,191,422	12,228,837	12,298,971	12,369,371
1.060 - All Other Operating Revenues	5,856,395	5,993,088	7,072,687	5,521,999	5,319,433	5,263,901	5,220,404	5,226,404
1.070 - Total Revenue	174,256,766	178,149,690	189,611,410	195,083,086	199,274,808	201,103,575	203,577,108	206,154,635
Other Financing Sources:								
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-	-	-
2.020 - State Emergency Loans and Advancements	-	-	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-	-	-
2.050 - Advances-In	-	-	-	-	-	-	-	-
2.060 - All Other Financing Sources	276,556	101,737	67,353	44,056	45,000	45,000	45,000	45,000
2.070 - Total Other Financing Sources	276,556	101,737	67,353	44,056	45,000	45,000	45,000	45,000
2.080 - Total Revenues and Other Financing Sources	174,533,322	178,251,427	189,678,763	195,127,141	199,319,808	201,148,575	203,622,108	206,199,635
Expenditures:								
3.010 - Personnel Services	106,813,051	108,282,579	113,450,086	116,939,269	121,796,693	126,860,069	132,127,705	137,607,843
3.020 - Employees' Retirement/Insurance Benefits	37,081,223	37,723,843	40,971,360	44,192,766	47,465,576	49,846,867	52,481,882	55,398,959
3.030 - Purchased Services	15,409,965	16,594,856	18,338,271	18,595,647	19,068,163	19,568,845	20,154,548	20,713,799
3.040 - Supplies and Materials	4,201,868	4,299,546	4,356,044	4,383,993	4,411,833	4,440,788	4,444,257	4,447,242
3.050 - Capital Outlay	152,190	293,490	106,021	131,021	131,021	131,021	131,021	131,021
3.060 - Intergovernmental	-	-	-	-	-	-	-	-
Debt Service:								
4.010 - Principal-All Years	-	-	-	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	-	-	-	-	-	-	-	-
4.055 - Principal - Other	-	-	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	277,500	277,500	277,500	277,500	277,500	277,500	277,500	277,500
4.300 - Other Objects	3,752,815	3,418,188	3,839,274	4,046,022	3,876,444	3,708,108	3,541,039	3,375,262
4.500 - Total Expenditures	167,688,612	170,890,002	181,338,556	188,566,218	197,027,230	204,833,198	213,157,952	221,951,626
Other Financing Uses								
5.010 - Operating Transfers-Out	331,100	328,352	320,591	370,000	369,000	369,000	368,000	368,000
5.020 - Advances-Out	-	-	-	-	-	-	-	-
5.030 - All Other Financing Uses	494,834	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	825,934	328,352	320,591	370,000	369,000	369,000	368,000	368,000
5.050 - Total Expenditures and Other Financing Uses	168,514,546	171,218,354	181,659,147	188,936,218	197,396,230	205,202,198	213,525,952	222,319,626
Excess of Rev & Other Financing Uses Over (Under)								
6.010 - Expenditures and Other Financing Uses	6,018,776	7,033,073	8,019,616	6,190,923	1,923,578	(4,053,623)	(9,903,844)	(16,119,991)
Cash Balance July 1 - Excluding Proposed Renewal/ Replacement and New Levies	27,199,075	33,217,851	40,250,925	48,270,541	54,461,464	56,385,042	52,331,419	42,427,574
7.020 - Cash Balance June 30	33,217,851	40,250,925	48,270,541	54,461,464	56,385,042	52,331,419	42,427,574	26,307,583
8.010 - Estimated Encumbrances June 30	1,554,475	1,672,330	1,419,337	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Reservations of Fund Balance:								
9.010 - Textbooks and Instructional Materials	-	-	-	-	-	-	-	-
9.020 - Capital Improvements	-	-	-	-	-	-	-	-
9.030 - Budget Reserve	-	-	-	-	-	-	-	-
9.040 - DPIA	-	-	-	-	-	-	-	-
9.050 - Debt Service	-	-	-	-	-	-	-	-
9.060 - Property Tax Advances	-	-	-	-	-	-	-	-
9.070 - Bus Purchases	-	-	-	-	-	-	-	-
9.080 - Subtotal	-	-	-	-	-	-	-	-
Fund Balance June 30 for Certification								
10.010 - of Appropriations	31,663,376	38,578,595	46,851,204	52,961,464	54,885,042	50,831,419	40,927,574	24,807,583
Rev from Replacement/Renewal Levies								
11.010 - Income Tax - Renewal	-	-	-	-	-	-	-	-
11.020 - Property Tax - Renewal or Replacement	-	-	-	-	-	-	-	-
11.030 - Cumulative Balance of Replacement/Renewal Levies	-	-	-	-	-	-	-	-
Fund Balance June 30 for Certification								
12.010 - of Contracts, Salary and Other Obligations	31,663,376	38,578,595	46,851,204	52,961,464	54,885,042	50,831,419	40,927,574	24,807,583
Revenue from New Levies								
13.010 - Income Tax - New	-	-	-	-	-	-	-	-
13.020 - Property Tax - New	-	-	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-
14.010 - Revenue from Future State Advancements	-	-	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	31,663,376	38,578,595	46,851,204	52,961,464	54,885,042	50,831,419	40,927,574	24,807,583
ADM Forecasts								
20.010 - Kindergarten	-	-	-	1,210	1,209	1,154	1,161	1,160
20.015 - Grades 1-12	-	-	-	14,787	15,387	15,812	16,111	16,052

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, 2018 through June 30, 2022, with historical unaudited information presented for the fiscal years ended June 30, 2015, 2016, and 2017.

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 16,428 students in grades preK-12 through three high schools, three middle schools, two sixth-grade schools, 14 elementary schools and a preschool. About 45% of the children served reside in Columbus, 39% in Hilliard, and 16% in the townships and the City of Dublin (10/2016).

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 triennial update of district property values occurred in 2014. Taxes based on this value were collected in 2015. A reappraisal will occur in 2017 and taxes based on these new values will be collected in 2018. This process then repeats itself every three years. The triennial update and future reappraisal have been factored into the projection for district property values along with the corresponding tax reduction factors affecting outside voted millage. 2016 assessed taxable values collectible in 2017 are:

Residential/agriculture -	\$1,846,009,200
Commercial/industrial -	<u>591,886,430</u>
Total real estate assessed value	\$2,437,896,630

During fiscal year 2018, 2017 Residential/Agriculture values should increase 10.5% with the reappraisal and .5% with new growth. Commercial/industrial values should increase 9.5% with the reappraisal and 4% with new growth.

During fiscal year 2019, 2018 residential/agriculture values are estimated to increase .3% with new growth. Commercial/industrial values are estimated to increase 1% with new growth.

During fiscal year 2020, 2019 residential/agriculture values are estimated to increase .3% with new growth. Commercial/industrial values should increase .5% with new growth.

During fiscal year 2021, 2020 residential/agriculture values are estimated to increase .3% with new growth. Commercial/industrial values should increase .5% with new growth.

During fiscal year 2022, 2021 residential/agriculture values are estimated to increase .3% with new growth. Commercial/industrial values should increase .5% with new growth.

Hilliard City School District
Summary of Significant Forecast Assumptions

B. Tangible Personal Property Tax

In 2017, the only personal property taxed is personal property owned by public utilities and telephone personal property (with an assessed value of \$83.6 million).

In 2018, public utility personal property values are estimated to increase 6%.

2018 through 2021 values are estimated to increase 1.5% annually.

C. Unrestricted Grants-in-Aid

The State of Ohio implemented a new funding model for FY2014. Revisions of the model occurred in 2015 and again in 2017 for the FY2018 school year. The State still has not fully funded the new model in this biennium budget. Because of this, our District's funding increase was capped at 3% for FY18 and FY19.

For Fiscal Year 2018 School Foundation aid will increase approximately \$1.4 million. All of this increase is the result of the new funding formula. Casino Revenue is flat at \$790,000. Medicaid reimbursements will decrease to \$722,000 to \$250,000. We received a one-time Medicaid cost settlement in FY17.

For Fiscal Year 2019, based on the 3% cap, School Foundation aid will increase \$1.5 million. Casino revenues should increase slightly to \$821,000. The slight increase is based on enrollment growth. Medicaid revenues remain flat at \$250,000.

For Fiscal Year 2020, we are predicting the current formula will remain and the cap will increase by 3%. This would increase School Foundation aid by \$1.5 million. This will be the first year of a new budget under the next Governor. Casino and Medicaid revenues are estimated to remain essentially flat.

For Fiscal Year 2021, the current formula will remain and the cap will increase by 3%. This would increase School Foundation aid by \$1.5 million. Casino and Medicaid revenues will remain essentially flat.

For Fiscal Year 2022, the current formula will remain and the cap will again increase by 3%. This would increase School Foundation aid by \$1.6 million. Casino and Medicaid revenues are estimated to remain essentially flat.

Hilliard City School District
Summary of Significant Forecast Assumptions

D. Restricted Grants-in-Aid

The FY2018 School funding formula provides restricted funding of \$284,000 of career-tech funding and \$221,000 of economically disadvantaged student funding, and \$150,000 of Catastrophic Aid Reimbursement.

For fiscal years 2019 through 2022 it is estimated that this funding will increase less than 1% annually.

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. Additional relief is granted to qualified elderly and disabled homeowners (Homestead Exemption). 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.). The State budget changed the law as it relates to the 12.5% Rollback. The State will no longer reimburse Rollback on levies passed after August of 2013.

For Fiscal Year 2018 it is estimated we will receive \$12.1 million from this revenue source. For fiscal years 2019 through 2022 it is estimated that this funding will increase less than 1% annually.

Tangible Personal Property Tax Replacement Revenues – The district is required to classify this revenue source in this category. It is important to remember these revenues are replacing local tax revenues eliminated by H.B. 66 passed in 2005. The following represents this revenue source by fiscal year:

FY11 - \$12 million

FY12 - \$9 million

FY13 - \$6 million

FY14 - \$6 million

FY15 - \$6 million

FY16 - \$3.05 million

FY17 - \$.09 million

FY18 and beyond – This revenue source is eliminated.

Hilliard City School District
Summary of Significant Forecast Assumptions

F. All Other Revenues

For fiscal year 2018 all other revenues includes tuition of approximately \$602,000, investment income of approximately \$850,000, student fees of approximately \$550,000, rental income of approximately \$170,000, payments in lieu of taxes of approximately \$2.4 million, E-rate reimbursements of approximately \$260,000, Qualified School Construction Bond interest reimbursement of \$240,000, and other miscellaneous receipts of \$450,000.

For fiscal year 2019, this revenue category will decrease by approximately \$200,000. This decrease is a combination of a reduction in settlement payments from local businesses that were contesting the valuation of their real estate and the elimination of school fees. Most revenues project to remain flat with a 6% increase in investment income.

For fiscal year 2020, a decrease of roughly 1% or -56,000 will generate \$5.2 million in total revenue.

For fiscal year 2021, a slight decrease will still result in \$5.2 million in revenue.

For fiscal year 2022, a slight increase will still result in \$5.2 million in revenue.

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. This line item will normally be immaterial and is estimated as such 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 2018, personal service expenditures will increase 3.07% or \$3.5 million. This is a result of:

- Wages increase 2.5% January 1, 2017 with average step increases of approximately 2.2%.
- 10 new certificated positions and 3 new classified positions are added with an estimated cost of \$475,000
- Salaries reduce by \$300,000 because of teachers retiring in the prior year.
- A net savings of \$400,000 due to a reduction in the cost of the teacher retirement incentive.

2019 through 2022 wages are projected to increase 2% annually with average step increases of 2.2% annually. The current labor contract extensions expire June 30, 2018. At this time we do not know what increases will result from new labor contracts. Additional staffing is projected each year with a cost of \$500,000 in 2019 and \$350,000 annually after 2019. Salaries decline by \$200,000 because of teachers retiring in the prior year. A net savings of \$160,000 is a result of the last payment in the teacher retirement incentive in fiscal year 2018.

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 (STRS) and the School Employees Retirement System (SERS) are 14% of employee salaries and wages.

For Fiscal Year 2018, health insurance costs will increase 19.6% in January of 2018. The prior year they increased 4.4% and 0% for the four years prior.

In 2019 and 2020, the estimated increase in health insurance cost is 5% annually and then 6% increases in 2021 and 2022. Dental costs are estimated to increase 3% annually. This assumption also includes an approximate addition of ten new employees annually.

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 a significant cost in this category. Natural Gas cost in FY17 was roughly \$212,000. For FY18 the cost will increase to \$223,000 and then increase 5% annually. Electric will increase 2.9% to approximately \$2 million for FY18. In FY19 electric will increase 5% with an additional building opening requiring an increase in the consumption of electric. For FY20 through FY22, electric will increase 3% annually. Water & sewer will cost approximately \$566,000 in FY18. It will increase approximately 5% including the new building opening to \$595,000 and then increase 3% annually through the rest of the forecast.

The next segment of purchased services with a great deal of uncertainty and cost includes payments to charter schools, and payments to other public entities educating Hilliard students. In fiscal year 2018, it is estimated that the District will pay \$2.7 million to Community and STEM schools educating approximately 317 students. The forecast assumes that this cost will increase 4% annually. Autism and special education scholarships costs will be \$2.2 million in FY18. This cost will increase 5% annually after this year. Payments to other public entities such as other school districts in the state and the Franklin County Board of Developmental Disabilities account for \$1.3 million of expenditures for FY18 and increase 4% annually.

For fiscal year 2018, the total of purchased service costs will increase 1% and a little less than 3% annually thereafter.

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 2018, this category will increase approximately 1% to \$4.4 million

For fiscal year 2019, expenditures will increase by less than 1% or \$28,000. With the implementation of the 1:1 initiative, the use and purchase of some supplies and materials is changing. We are now using less printer cartridges and copy paper thus decreasing costs in this area. Other than inflationary increase we are slightly increasing costs with the purchase of textbooks for the College Credit Plus program. In 2020 and beyond this category will grow less than 1% annually.

Hilliard City School District Summary of Significant Forecast Assumptions

E. Capital Outlay

The district passed a 2 mill permanent improvement levy in May of 2006. Most district capital outlays will take place in the permanent improvement levy fund. Expenditures in this category tend to be restricted grant funds used for vocational education purchases or smaller capital items purchased through the operation department's budgets. Capital outlays are estimated to remain relatively constant through this forecast. Some items originally categorized as supplies & materials are moved to the capital outlay category.

F. Debt Service

In fiscal year 2011 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 and parking lots, replaced boilers in several school buildings, and automated HVAC in multiple buildings. The District issued bonds for this new HB264 Energy savings project in March of 2011. This debt issuance took advantage of the Qualified School Construction Bond program which is a program of the federal government that provides an annual payment to supplement the cost of bond interest. In 2013 through the life of this forecast interest of \$277,500 is paid through this line item. The federal reimbursement is included in the All Other Revenue line. A transfer to a debt reserve to pay the principal is included in the Operating Transfers out line. The debt issued for this project will be paid off in FY25.

G. Other Objects

This category includes costs such as an annual payment to the Columbus City Schools for the Win-Win agreement at a cost of approximately \$930,000, County Auditor & Treasurer fees, which for FY18 should be approximately \$1.9 million, educational service center expenditures of \$1 million, bank charges of approximately \$86,000, and other miscellaneous expenditures of approximately \$130,000.

County 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% are factored for 2017 and beyond.

In FY18, the Win-Win payment will decrease 20% to \$930,000. This will decrease by a similar amount annually until it is eliminated in FY22.

Hilliard City School District
Summary of Significant Forecast Assumptions

Note 5 – Other

A. *Other Financing Uses (Operating Transfers Out)*

In this forecast the district will transfer approximately \$328,000 to the debt service fund to retire the Qualified School Construction Bonds issued in 2011 for the HB 264 energy conservation project. An additional \$50,000 will transfer to High School band uniform accounts.

B. *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.

C. *Ending Unencumbered Cash Balance*

This amount cannot go below \$0 or the District's 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.