

Hilliard City School District

Five-Year Forecast

For the Projected Years Ending

June 30, 2019 through June 30, 2023

October 2018

*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 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Revenue:								
1.010 - General Property Tax (Real Estate)	103,005,833	113,435,401	121,801,921	119,971,256	121,321,975	122,126,316	122,913,228	123,361,380
1.020 - Public Utility Personal Property	5,966,335	6,608,418	7,410,056	7,811,922	8,090,627	8,345,647	8,637,744	8,933,480
1.030 - Income Tax	-	-	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	47,693,947	49,690,011	51,371,294	52,617,496	54,173,651	55,723,548	57,345,651	58,998,338
1.040 - Restricted Grants-in-Aid	711,081	732,718	692,626	707,087	695,739	700,792	704,368	708,754
1.045 - Restricted Federal Grants-in-Aid - SFSF	-	-	-	-	-	-	-	-
1.050 - Property Tax Allocation	14,779,407	12,072,175	12,146,123	12,034,185	12,083,014	12,157,966	12,227,215	12,264,718
1.060 - All Other Operating Revenues	5,993,088	7,072,687	7,787,106	8,296,869	7,985,337	7,851,840	7,412,840	7,328,840
1.070 - Total Revenue	178,149,690	189,611,410	201,209,126	201,438,815	204,350,343	206,906,109	209,241,046	211,595,510
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	101,737	67,353	416,607	650,000	65,000	65,000	65,000	65,000
2.070 - Total Other Financing Sources	101,737	67,353	416,607	650,000	65,000	65,000	65,000	65,000
2.080 - Total Revenues and Other Financing Sources	178,251,427	189,678,763	201,625,733	202,088,815	204,415,343	206,971,109	209,306,046	211,660,510
Expenditures:								
3.010 - Personnel Services	108,282,579	113,450,086	116,445,525	122,497,668	127,046,893	131,530,845	136,446,588	141,535,132
3.020 - Employees' Retirement/Insurance Benefits	37,723,843	40,971,360	43,918,170	46,528,484	47,440,298	49,853,568	52,583,006	55,644,313
3.030 - Purchased Services	16,594,856	18,338,271	19,834,197	19,803,305	20,276,544	20,796,298	21,246,209	21,723,105
3.040 - Supplies and Materials	4,299,546	4,356,044	3,946,199	4,017,500	4,025,000	4,045,500	4,051,000	4,056,500
3.050 - Capital Outlay	293,490	106,021	330,081	325,000	325,000	325,000	325,000	325,000
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	3,418,188	3,839,274	3,406,730	3,442,387	3,217,965	2,995,484	2,773,063	2,782,382
4.500 - Total Expenditures	170,890,002	181,338,556	188,158,401	196,891,844	202,609,200	209,824,195	217,702,366	226,343,932
Other Financing Uses								
5.010 - Operating Transfers-Out	328,352	320,591	452,877	409,000	409,000	408,000	408,000	408,000
5.020 - Advances-Out	-	-	-	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	328,352	320,591	452,877	409,000	409,000	408,000	408,000	408,000
5.050 - Total Expenditures and Other Financing Uses	171,218,354	181,659,147	188,611,279	197,300,844	203,018,200	210,232,195	218,110,366	226,751,932
Excess of Rev & Other Financing Uses Over (Under)								
6.010 - Expenditures and Other Financing Uses	7,033,073	8,019,616	13,014,454	4,787,971	1,397,143	(3,261,086)	(8,804,320)	(15,091,422)
Cash Balance July 1 - Excluding Proposed Renewal/ Replacement and New Levies	33,217,851	40,250,925	48,270,541	61,284,995	66,072,966	67,470,109	64,209,023	55,404,703
7.020 - Cash Balance June 30	40,250,925	48,270,541	61,284,995	66,072,966	67,470,109	64,209,023	55,404,703	40,313,281
8.010 - Estimated Encumbrances June 30	1,672,330	1,419,337	1,574,364	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	38,578,595	46,851,204	59,710,631	64,572,966	65,970,109	62,709,023	53,904,703	38,813,281
Rev from Replacement/Renewal Levies								
11.010 - Income Tax - Renewal	-	-	-	-	-	-	-	-
11.020 - Property Tax - Renewal or Replacement	-	-	-	-	-	-	-	-
11.030 - Cumulative Balance of Replacement/Renewal Le	-	-	-	-	-	-	-	-
Fund Balance June 30 for Certification								
12.010 - of Contracts, Salary and Other Obligations	38,578,595	46,851,204	59,710,631	64,572,966	65,970,109	62,709,023	53,904,703	38,813,281
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	38,578,595	46,851,204	59,710,631	64,572,966	65,970,109	62,709,023	53,904,703	38,813,281

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, 2019 through June 30, 2023, with historical unaudited information presented for the fiscal years ended June 30, 2016, 2017, and 2018.

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 16,530 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 (9/2018).

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 occurred 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 for 2020 is factored into the projection for district property values along with the corresponding tax reduction factors affecting outside voted millage. 2017 assessed taxable values collectible in 2018 are:

Residential/agriculture -	\$2,032,860,170
Commercial/industrial -	<u>647,007,310</u>
Total real estate assessed value	\$2,679,867,480

During fiscal year 2019, 2018 residential /agriculture values are estimated to increase .4% with new growth. Commercial/industrial values are estimated to increase 1% with new growth. Revenue will decrease due to timing issues with tax payments. This affects FY 2018 and FY 2019. The cash flow will return to normal in FY 2020.

During fiscal year 2020, 2019 residential /agriculture values are estimated to increase .4% with new growth. Commercial/industrial values should increase 1% with new growth.

During fiscal year 2021, 2020 residential/agriculture values are estimated to increase .3% with new growth and 5.6% with the triennial update. Commercial/industrial values should increase .5% with new growth and 2.9% with the triennial update.

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.

During fiscal year 2023, 2022 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 \$92.1 million).

In 2018, public utility personal property values are estimated to increase 4%.

2019 through 2023 values are estimated to increase 3.5% 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 2019 School Foundation aid will increase approximately \$1.45 million. All of this increase is the result of the new funding formula. Casino Revenue is up slightly at \$848,000. Medicaid reimbursements will decrease from \$574,000 to \$250,000. We received a one-time Medicaid cost settlement in FY18.

For Fiscal Year 2020, we are predicting the current formula will remain and the cap will increase by 3%. Based on this School Foundation aid will increase \$1.6 million. Casino revenues will be essentially flat at \$850,000. The slight increase is based on enrollment growth. Medicaid revenues are flat at \$250,000.

For Fiscal Year 2021, we assume the cap remains at 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 increase by 3%. This would increase School Foundation aid by \$1.6 million. Casino and Medicaid revenues will remain essentially flat.

For Fiscal Year 2023, the current formula will remain and the cap will again increase by 3%. This would increase School Foundation aid by \$1.7 million. Casino and Medicaid revenues will remain essentially flat.

Hilliard City School District
Summary of Significant Forecast Assumptions

D. *Restricted Grants-in-Aid*

The FY2019 School funding formula provides restricted funding of \$318,000 of career-tech funding, \$220,000 of economically disadvantaged student funding, and \$169,000 of Catastrophic Aid Reimbursement.

For fiscal years 2020 through 2023, 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 2019, it is estimated we will receive \$12 million from this revenue source. For fiscal years 2020 through 2023, this funding will increase less than 1% annually.

For Historical Purposes Only

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 2019 all other revenues includes tuition of approximately \$1.2 million, investment income of approximately \$1.5 million, student fees of approximately \$445,000, rental income of approximately \$170,000, payments in lieu of taxes of approximately \$4.2 million, E-rate reimbursements of approximately \$65,000, Qualified School Construction Bond interest reimbursement of \$240,000, and other miscellaneous receipts of \$474,000.

For fiscal year 2020, this revenue category will decrease by approximately \$311,000. This majority of this decrease relates to the loss of a one-time settlement from a payment in lieu of taxes. Most other revenues project to remain flat.

For fiscal year 2021, a decrease of roughly \$100 thousand relates to a projection of less interest income as cash balances begin to decrease.

For fiscal year 2022, a decrease of \$150 thousand in payments in lieu of taxes and the balance of the decrease in interest income will result in \$7.4 million in revenue.

For fiscal year 2023, a decrease of \$100 thousand in interest income with a slight increase in tuition revenue results in a total decrease of approximately \$90 thousand. There will still be \$7.3 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 is \$650,000 for FY19 and \$65,000 in all other forecasted years. The majority of the large amount received in FY19 is the result of the County Auditor refunding dollars collected to administer property tax collections. This refund was not required but the County Auditor does this on occasion when they can administer the tax collections for less than the statutory requirement.

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 2019, personal service expenditures will increase 5.2% or \$6.05 million. This is a result of:

- Wages increase 2% July 1 through September 1 of 2018 with average step increases of approximately 2%.
- 37 new certificated positions and 5.3 new classified positions are added with an estimated cost of \$2.6 million
- Salaries reduce by \$200,000 because of teachers retiring in the prior year.
- A net savings of \$160,000 due to a reduction in the cost of the teacher retirement incentive.

Fiscal year 2020 through 2023, wages are projected to increase 2% annually with average step increases of 2% annually. The new labor contracts expire June 30, 2021.

Additional staffing is projected in fiscal year 2021 through 2023 at an additional cost of \$400,000 annually.

The net result of the assumptions is a 5.2% increase in total cost for FY 2019 and approximately 3.7% increases for all years after FY 2019.

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 2019, health insurance costs increased 19.6% in January of 2018 and rates will decline 7.5% in January of 2019.

In 2020 and 2021, the estimated increase in health insurance cost is 6% annually and then 7% increases in 2022 and 2023. Dental costs project to increase 1% January 1, 2019 and then 3% annually. This assumption also includes the addition of new employees in FY19, none in FY20 and ten new employees annually after FY20.

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 FY18 was roughly \$290,000. For FY19 the cost will decrease slightly to \$275,000 and then increase 3% annually. Electric will increase 3.3% to approximately \$2.1 million for FY19. In FY19 electric will increase 3.7% with an additional building opening requiring an increase in the consumption of electric. For FY20 through FY23, electric will increase 3% annually. Water & sewer will cost approximately \$594,000 in FY19 with a 7.8% increase. The significant increase is a result of inflationary increases and the new building opening. Increases will be 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, the District paid \$2.5 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 were \$1.98 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 \$1.4 million of expenditures for FY18 and increase 4% annually. College Credit Plus costs were \$296,000 in FY18 and are expected to grow 5% annually. A decrease in payment in lieu of transportation of approximately \$360,000 in FY19 is anticipated with this cost then increasing 5% annually.

For fiscal year 2019, the total of purchased service costs will decrease slightly as a result of savings in payment in lieu of transportation and then increase 2% - 2.6% 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 2019, this category will increase less than 2% to \$4 million.

For fiscal year 2019, expenditures will increase by less than 2% or \$71,000. 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. We are slightly increasing costs with the purchase of textbooks for the College Credit Plus program but overall textbook costs are flat as we digitize additional class resources. 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 District will pay off this debt in FY 2025.

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 \$695,000, County Auditor & Treasurer fees, which for FY19 should be approximately \$1.95 million, educational service center expenditures of \$470,000, bank charges of approximately \$50,000, and other miscellaneous expenditures of approximately \$162,000.

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 .5% are factored for 2019 and beyond.

In FY19, the Win-Win payment will decrease 20% to \$695,000. 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 \$319,000 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 and \$40,000 to the one2one insurance fund to cover costs for free and reduced students.

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.