Hilliard City School District

Five-Year Forecast

For the Projected Years Ending

June 30, 2020 through June 30, 2024

May 2020
(Revised)

Please visit the Ohio Department of Education website at ftp://ftp.ode.state.oh.us/geodoc/5-yrForecast/.
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue</th>
<th>Actual</th>
<th>Forecasted</th>
<th>ACTUAL</th>
<th>FORECASTED</th>
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<td>2017-2018</td>
<td>181,338,556</td>
<td>189,611,413</td>
<td>200,540,611</td>
<td>189,678,766</td>
<td>202,980,547</td>
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<td>2019-2020</td>
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<td>189,611,413</td>
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<td>2021-2022</td>
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<td>2022-2023</td>
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<td>189,678,766</td>
<td>202,980,547</td>
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**Revenue:**
- 1.01 - General Property Tax (Real Estate)
- 1.02 - Public Utility Personal Property
- 1.03 - Income Tax
- 1.05 - Restricted Grants-in-Aid
- 1.04 - Restricted Grants-in-Aid - SFSE
- 1.06 - All Other Operating Revenues

**Other Financing Sources:**
- 2.01 - Proceeds from Sale of Notes
- 2.02 - State Emergency Loans and Advances
- 2.03 - All Other Financing Sources

**Expenditures:**
- 3.01 - Personnel Services
- 3.02 - Employees' Retirement/Insurance Benefits
- 3.03 - Purchased Services
- 3.04 - Supplies and Materials
- 3.05 - Capital Outlay
- 3.06 - Intergovernmental

**Debt Service:**
- 4.01 - Principal-All Years
- 4.02 - Principal - Notes
- 4.03 - Principal - State Loans
- 4.04 - Principal - State Advances
- 4.05 - Principal - HR264 Loan
- 4.05 - Principal - Other

**Interest and Fiscal Charges:**
- 4.06 - Interest and Fiscal Charges

**Other Objects:**
- 4.30 - Other Objects

**Credit Balances:**
- 4.30 - Total Credit balances

**Total Expenditures:**
- 4.40 - Total Expenditures

**Excess of Rev & Other Financing Uses Over (Under):**
- 6.01 - Expenditures and Other Financing Uses

**Cash Balances July:**
- 7.01 - Replacement and New Levies

**Cash Balance June:**
- 7.02 - Cash Balance June 30

**Estimated Encumbrances June 30:**
- 8.01 - Estimated Encumbrances June 30

**Reservations of Fund Balance:**
- 9.01 - Textbooks and Instructional Materials
- 9.02 - Capital Improvements
- 9.03 - Budget Reserve
- 9.04 - DPLA
- 9.05 - Debt Service
- 9.06 - Property Tax Advances
- 9.07 - Bus Purchases
- 9.08 - Subtotal

**Fund Balance June 30 for Certification:**
- 10.01 - of Appropriations

**Rev from Replacement/Renewal Levies:**
- 11.01 - Income Tax - Renewal
- 11.02 - Property Tax - Renewal or Replacement
- 11.03 - Cumulative Balance of Replacement/Renewal Levies

**Fund Balance June 30 for Certification:**
- 12.01 - of Contracts, Salary and Other Obligations

**Revenue from New Levies:**
- 13.01 - Income Tax - New
- 13.02 - Property Tax - New
- 13.03 - Cumulative Balance of New Levies
- 14.01 - Revenue from Future State Advancements

**Unreserved Fund Balance June 30:**
- 15.01 - Unreserved Fund Balance June 30
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, 2020 through June 30, 2024, with historical unaudited information presented for the fiscal years ended June 30, 2017, 2018, and 2019.

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.
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 16,774 students in grades preK-12 through three high schools, three middle schools, two sixth-grade schools, 14 elementary schools and a preschool. About 44% of the children served reside in Columbus, 40% in Hilliard, and 16% in the townships and the City of Dublin (10/2019).

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 occurred in 2017 and taxes based on these new values were 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. 2019 assessed taxable values collectible in 2020 are:

- Residential/agriculture - $2,073,257,760
- Commercial/industrial - $671,490,950
- Total real estate assessed value $2,744,748,710

During fiscal year 2021, 2020 residential/agriculture values are estimated to increase .4% with new growth and 10% with the triennial update. Commercial/industrial values should increase .7% with new growth and 2.2% 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 1.2% with new growth.

During fiscal year 2023, 2022 residential/agriculture values are estimated to increase .3% with new growth. Commercial/industrial values should increase 1.1% with new growth.

During fiscal year 2024, 2023 residential/agriculture values are estimated to increase .3% with new growth and 5% with the reappraisal. Commercial/industrial values should increase .7% with new growth 2.8% with the reappraisal.
Hilliard City School District
Summary of Significant Forecast Assumptions

B. Tangible Personal Property Tax

In 2019, the only personal property taxed is personal property owned by public utilities and telephone personal property (with an assessed value of $132.1 million).

In 2019, public utility personal property values are estimated to increase 8.4%.

2020 through 2024 values are estimated to increase 4.2% annually.

C. Unrestricted Grants-in-Aid

The State of Ohio has frozen the current funding model. The State did provide new funds for Student Wellness and a small amount of dollars to growing districts such as ours. For this forecast we now know that the ongoing pandemic is pushing the State into a recession which will impact our funding over the next several years. The last recession took five years before revenue State funding exceeded the revenue prior to the recession. We have modeled a similar outcome with our state funding. Based on information received May 6, FY 2020 Unrestricted Grants in Aid are reduced by $3.1 million.

For Fiscal Year 2020, we will receive $52.7 million as we did in FY19 less $3.1 million (see above). We will receive $360,000 in growing district aid. The District will also receive Student Wellness dollars of $740,000 but those are not included in this forecast. Casino revenues are included in the $52.7 million and are down slightly at $780,000. Medicaid revenues are estimated to decrease $150,000.

For Fiscal Year 2021, we assume the recession continues the reduction in state funding. Casino revenues are estimated to decline as well but not sure how much at this time. Medicaid revenue will remain essentially flat.

For Fiscal Year 2022, the assumption is the recession ends but State school funding increase less than .75%. Casino and Medicaid revenues will remain essentially flat.

For Fiscal Year 2023, the assumption is that the State is still feeling the effects of the recession. State funding increases approximately 1.2%. Casino revenues return to normal and Medicaid revenues remain essentially flat. Total line item revenue increases 1.5%.

For Fiscal Year 2024, State funding increases 2%. State funding at $51.6 million is a million less than FY21. Casino and Medicaid revenues will remain essentially flat.
D. **Restricted Grants-in-Aid**

The FY2020 School funding formula provides restricted funding of $318,000 of career-tech funding, $220,000 of economically disadvantaged student funding, and $168,000 of Catastrophic Aid Reimbursement.

For fiscal years 2020 through 2024, it is estimated that this funding will remain the same.

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 2020, it is estimated we will receive $12.2 million from this revenue source. For fiscal years 2021 through 2024, 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.
F. All Other Revenues

For fiscal year 2020 All Other Revenues includes tuition of approximately $840,000, investment income of approximately $2 million, student fees of approximately $395,000, rental income of approximately $70,000, payments in lieu of taxes of approximately $5.3 million, E-rate reimbursements of approximately $65,000, Qualified School Construction Bond interest reimbursement of $240,000, and other miscellaneous receipts of $391,000 for a total of $9.5 million.

For fiscal year 2021, this revenue category will decrease by approximately $2.1 million. The majority of this decrease relates to a 50% decrease in interest income as we spend down investable balances and interest rates decline. Board of Revision payments in lieu of taxes are estimated to decline by 70%. Most other revenues project to remain flat.

For fiscal year 2022, a decrease of roughly $590,000 relates to a projection of less interest income as cash balances and interest rates continue to decline as well as a 33% decrease in Board of Revision payments in lieu of taxes.

For fiscal year 2023 and 24, all other revenues are estimated to remain flat for total revenue of $5.3 million.

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 $120,000 for FY20 and all other forecasted years. Revenue of $20,000 is assumed for all years with the sale of assets of the District that are no longer needed.
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 2020, personal service expenditures will increase 3.5% or $4.2 million. This is a result of:

- Wages increase 2% July 1 through September 1 of 2019 with average step increases of approximately 1.9%.
- 14.6 net new positions of which 4.3 are certificated positions and 10.3 are classified positions with an estimated cost of $600,000
- Salaries reduce by $250,000 because of teachers retiring in the prior year.
- A reduction in salaries of $495,000 that were recoded to the new Student Wellness fund.

Fiscal year 2021 through 2024, wages are projected to increase 2% annually with average step increases of 2% annually. The new labor contracts expire June 30, 2021.

For fiscal year 2021 we have now made reductions as we begin making preparations for entering a recession with decreased State funding. The following items highlight the changes for next year:

- Assume Student Wellness revenue continues and we move $200,000 in salaries to this fund
- 14.5 new special education teachers are hired at $725,000
- Net two K-5 positions for all day kindergarten
- Savings of $734,000 from teachers retiring
- Savings of $850,000 from elimination of teacher coaching positions, Technology Coordinator, Special Education Behavior Services Coordinator, Coordinator of Media Center & Digital Resources
- Savings of $500,000 from elimination of professional option days

For fiscal year 2022 through 2024

- Additional staffing is projected at a cost of $400,000 annually.
- Savings from certificated retirements are projected at $300,000 annually.

The net result of the assumptions is a 2.9% increase in total cost for FY2021, 4.0% in FY2022, approximately 4.4% increase for FY2023 with the return of $500,000 of professional option days, and 4% for FY2024.
Hilliard City School District
Summary of Significant Forecast Assumptions

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 2020, health insurance costs decreased 7.5% in January of 2019 and rates will remain flat in January of 2020.

In 2021 and 2022, the estimated increase in health insurance cost is 4% annually and then 6% increases in 2023 and 2024. Dental insurance costs increased 1% January 1, 2019 and remained flat for 2020. 2021 and after dental insurance costs are estimated to increase 3% annually. This assumption also includes the net decrease in employees in FY2021 and eight new employees annually after FY21.

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 FY19 was roughly $288,000. For FY20 and FY21 the assumption is a 1% annual increase and then increase 3% annually. Electric will increase 3% to approximately $2.2 million for FY20. In FY21 electric will remain flat as the result of a negotiated rate. For FY22 through FY24, electric will increase 2.5% annually. Water & sewer will cost approximately $612,000 in FY20 with annual increases of 3% 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 2019, the District paid $2.6 million to Community and STEM schools educating approximately 317 students. The forecast assumes that this cost will remain flat in FY2020 and increase 4% annually after this year. Autism and special education scholarships costs were $1.9 million in FY19. This cost is increasing by 13.6% for FY20 and is estimated to increase 3% 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 $1.65 million of expenditures for FY19 and is increasing 35% for FY20 and is projected to increase 3% annually. College Credit Plus costs were $359,000 in FY19 and are expected to grow 5% annually. Payment in lieu of transportation and contracted transportation costs were 617,000 in FY19 should decline slightly for FY20 and return to a normal load in FY21 with annual increases of 2.5% for FY2021 through FY2024.

For fiscal year 2020, the total of purchased service costs will increase 1%. For FY2021 this cost will increase roughly 2.3% as substitute usage will return to normal which is somewhat offset by the elimination of the Director of Community & Business Partnerships and Coordinator of Resident Educator Programs. FY2022 costs are estimated to increase 1.74% and then 2.4% for FY2023 and 2024.
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 2020, this category will decrease .7% to $4.2 million mostly as a result of roughly $100,000 in diesel fuel savings.

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. The one area that continues to increase relates to bus transportation. Whether parts to maintain the buses or fuel for the buses we anticipate costs growing in this area at a rate roughly twice CPI.

In 2021 the assumption is that supplies and materials will increase 1.4% with diesel usage returning to normal and 20% building budget reductions. This category will grow less than 2% annually in FY2022 through 2024.

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 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 savings project. A HB 264 project allows the district to issue debt for an energy savings 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 $470,000, County Auditor & Treasurer fees, which for FY20 should be approximately $1.95 million, educational service center (ESC) expenditures of $1.6 million, 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 1% are factored for 2020 and beyond.

In FY2020, the Win-Win payment will decrease approximately 36% to $470,000. This will decrease by 50% in FY21 and will be eliminated in FY22.

**In FY2021, The ESC deduction will decline by roughly $440,000 as admin interns are eliminated and other programs are reduced. These decreases result in a reduction of 15.4% or $637,000.**

In FY2022, the Win-Win payment is eliminated resulting in a reduction of $235,000 and a further reduction in this line item of 7.8%.

In FY2023 and FY2024 a slight decrease in the ESC expenditures result in a decrease of less than 1% for each year.

**Note 5 – Other**

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

In this forecast, the district will transfer approximately $240,000 to the debt service fund to retire the Qualified School Construction Bonds issued in 2020 for the HB 264 energy conservation project. This amount is estimated at $270,000 through FY2024.

An additional $50,000 will transfer to High School band uniform accounts and $60,000 to the one2one insurance fund to cover costs for free and reduced students annually.

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.