

Hilliard City School District

Five-Year Forecast

For the Projected Years Ending

June 30, 2020 through June 30, 2024

October 2019

*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 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Revenue:								
1.010 - General Property Tax (Real Estate)	113,435,401	121,801,921	120,640,036	121,167,589	123,019,109	124,172,406	124,887,170	125,853,657
1.020 - Public Utility Personal Property	6,608,418	7,410,056	8,911,460	10,510,266	11,127,989	11,598,952	12,086,735	12,591,338
1.030 - Income Tax	-	-	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	49,690,011	51,371,294	53,294,773	52,533,692	52,722,222	53,733,358	54,764,556	55,786,354
1.040 - Restricted Grants-in-Aid	732,718	692,626	705,602	705,602	705,602	705,602	705,602	705,602
1.045 - Restricted Federal Grants-in-Aid - SFSF	-	-	-	-	-	-	-	-
1.050 - Property Tax Allocation	12,072,175	12,146,123	12,131,817	12,090,112	12,189,467	12,285,288	12,327,012	12,407,838
1.060 - All Other Operating Revenues	7,072,690	7,800,071	9,507,524	8,240,875	7,756,432	7,277,580	7,199,333	7,226,705
1.070 - Total Revenue	189,611,413	201,222,091	205,191,212	205,248,136	207,520,821	209,773,186	211,970,408	214,571,494
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	67,353	416,607	708,298	65,000	65,000	65,000	65,000	65,000
2.070 - Total Other Financing Sources	67,353	416,607	708,298	65,000	65,000	65,000	65,000	65,000
2.080 - Total Revenues and Other Financing Sources	189,678,766	201,638,698	205,899,511	205,313,136	207,585,821	209,838,186	212,035,408	214,636,494
Expenditures:								
3.010 - Personnel Services	113,450,086	116,445,525	122,058,035	126,722,471	131,747,554	137,837,489	143,415,138	149,211,680
3.020 - Employees' Retirement/Insurance Benefits	40,971,360	43,918,170	46,374,524	46,390,535	47,833,727	50,464,462	52,938,893	55,808,914
3.030 - Purchased Services	18,338,271	19,834,197	20,696,326	20,774,297	20,973,407	21,395,641	21,896,283	22,400,754
3.040 - Supplies and Materials	4,356,044	3,946,199	4,256,459	4,345,922	4,437,091	4,510,241	4,590,431	4,667,224
3.050 - Capital Outlay	106,021	330,081	161,708	225,000	220,000	195,000	195,000	195,000
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	3,839,274	3,406,730	3,588,447	3,383,334	3,200,329	3,018,535	3,072,990	3,123,734
4.500 - Total Expenditures	181,338,556	188,158,401	197,412,999	202,119,059	208,689,608	217,698,868	226,386,235	235,684,806
Other Financing Uses								
5.010 - Operating Transfers-Out	320,591	452,877	387,543	885,000	380,000	380,000	375,000	370,000
5.020 - Advances-Out	-	-	-	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	320,591	452,877	387,543	885,000	380,000	380,000	375,000	370,000
5.050 - Total Expenditures and Other Financing Uses	181,659,147	188,611,279	197,800,542	203,004,059	209,069,608	218,078,868	226,761,235	236,054,806
Excess of Rev & Other Financing Uses Over (Under)								
6.010 - Expenditures and Other Financing Uses	8,019,619	13,027,419	8,098,969	2,309,077	(1,483,787)	(8,240,682)	(14,725,827)	(21,418,312)
Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	40,250,925	48,270,543	61,297,963	69,396,931	71,706,009	70,222,221	61,981,539	47,255,712
7.020 - Cash Balance June 30	48,270,543	61,297,963	69,396,931	71,706,009	70,222,221	61,981,539	47,255,712	25,837,399
8.010 - Estimated Encumbrances June 30	1,419,337	1,574,364	1,159,318	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	46,851,206	59,723,598	68,237,613	70,206,009	68,722,221	60,481,539	45,755,712	24,337,399
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	46,851,206	59,723,598	68,237,613	70,206,009	68,722,221	60,481,539	45,755,712	24,337,399
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	46,851,206	59,723,598	68,237,613	70,206,009	68,722,221	60,481,539	45,755,712	24,337,399

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.

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 16,774 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. 2018 assessed taxable values collectible in 2019 are:

Residential/agriculture -	\$2,047,547,990
Commercial/industrial -	<u>663,341,780</u>
Total real estate assessed value	\$2,710,889,770

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 .4% with new growth and 9% with the triennial update. Commercial/industrial values should increase .7% with new growth and 4.5% 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 1.1% 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 6.6% with the reappraisal. Commercial/industrial values should increase .7% with new growth 3.4% with the reappraisal.

Hilliard City School District
Summary of Significant Forecast Assumptions

B. *Tangible Personal Property Tax*

In 2018, the only personal property taxed is personal property owned by public utilities and telephone personal property (with an assessed value of \$119.6 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. It is hoped that a new model will be implemented for FY21. The State did provide new funds for Student Wellness and a small amount of dollars to growing districts such as ours.

For Fiscal Year 2020, we will receive \$52.7 million as we did in FY19. We will also 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 \$820,000. Medicaid revenues are flat at \$250,000.

For Fiscal Year 2021, we assume the flat funding continues with slightly more growing district aid of \$541,000. Casino and Medicaid revenues will remain essentially flat.

For Fiscal Year 2022, the assumption is a new formula that provides an increase of less than 2%. This would increase School Foundation aid by \$1.0 million. Casino and Medicaid revenues will remain essentially flat.

For Fiscal Year 2023, the new formula would provide less than a 2% increase again which would add an additional \$1 million to School Foundation funding. Casino and Medicaid revenues will remain essentially flat.

For Fiscal Year 2024, the new formula would provide less than a 2% increase again which would add an additional \$1 million to School Foundation funding. 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 \$168,000 of Catastrophic Aid Reimbursement. This carries forward in the frozen formula.

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 \$12.1 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.

Hilliard City School District Summary of Significant Forecast Assumptions

F. All Other Revenues

For fiscal year 2020 All Other Revenues includes tuition of approximately \$840,000, investment income of approximately \$1.9 million, student fees of approximately \$465,000, rental income of approximately \$140,000, 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 \$391,000 for a total of \$8.2 million.

For fiscal year 2021, this revenue category will decrease by approximately \$494,000. The majority of this decrease relates to less interest income as we spend down investable balances and interest rates decline. Most other revenues project to remain flat.

For fiscal year 2022, a decrease of roughly \$480,000 relates to a projection of less interest income as cash balances and interest rates continue to decline.

For fiscal year 2023, a decrease of \$93,000 is mostly the result of a continued decrease in interest income.

For fiscal year 2024, a slight increase of \$27,000 results in total revenue of \$7.2 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 \$45,000 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 3.8% or \$4.66 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.

- Additional staffing is projected at an additional cost of \$400,000 annually.
- Savings from certificated retirements are projected at \$200,000 annually.
- \$200,000 in additional salaries will be recoded to the Student Wellness fund in FY2021 and \$726,000 returns to the General Fund in FY2022 as it is assumed that the Student Wellness fund goes away after two years.

The net result of the assumptions is a 4.0% increase in total cost for FY2021, 4.6% in FY2022, and approximately 4% increases for FY2023 and FY2024.

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 addition of new employees 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 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 3% 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 will 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 increase 2% 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 and are anticipated to grow 2.5% annually FY2020 through FY2024.

For fiscal year 2020, the total of purchased service costs will increase less than .5%. For FY2021 this cost will increase less than 1% and then increase over 2% annually for the remainder of the forecast.

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 increase 2.1% to \$4.35 million.

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 2.1% and then this category will grow less than 2% 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 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 expenditures of \$837,000, 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 1% are factored for 2020 and beyond.

In FY20, the Win-Win payment will decrease approximately 36% to \$470,000. This will decrease by 50% in FY21 and will be 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 \$295,000 to the debt service fund to retire the Qualified School Construction Bonds issued in 2011 for the HB 264 energy conservation project. This amount will slightly decrease each year and in FY2024 will be approximately \$280,000.

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 annually. A one-time transfer to the State Teachers Retirement System Agency fund will happen in FY20.

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.