

**WORTHINGTON CITY SCHOOL DISTRICT-FRANKLIN COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2016, 2017 and 2018 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2019 THROUGH 2023**



**Forecast Provided By
Worthington City School District
Treasurer's Office
Jeff McCuen, Treasurer/CFO
October 22, 2018**

WORTHINGTON CITY SCHOOL DISTRICT

Franklin County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2016, 2017, 2018
Forecasted Fiscal Year Ending June 30, 2019 through 2023

	Actual				Average Change	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
Revenues										
1.010 General Property Tax (Real Estate)	\$ 89,146,645	\$ 91,680,307	\$ 93,925,327	2.6%	\$93,982,000	\$93,699,000	\$94,014,000	\$94,331,000	\$94,648,000	
1.020 Tangible Personal Property	3,791,016	4,005,083	4,536,436	9.5%	\$4,959,000	\$5,114,000	\$5,268,000	\$5,426,000	\$5,589,000	
1.035 Unrestricted State Grants-in-Aid	16,802,004	17,877,676	18,665,033	5.4%	\$19,073,000	\$19,559,000	\$20,072,000	\$20,602,000	\$21,132,000	
1.040 Restricted State Grants-in-Aid	849,194	1,044,856	786,746	-0.8%	\$798,000	\$695,000	\$691,000	\$687,000	\$684,000	
1.050 Property Tax Allocation	18,150,139	15,517,596	14,293,173	-11.2%	\$13,147,000	\$12,047,000	\$10,947,000	\$10,178,000	\$10,229,000	
1.060 All Other Revenues	1,586,939	1,853,967	2,474,976	25.2%	\$2,932,000	\$2,132,000	\$1,932,000	\$1,632,000	\$1,232,000	
1.070 Total Revenues	\$ 130,325,937	\$ 131,979,485	\$ 134,681,691	1.7%	\$ 134,891,000	\$ 133,246,000	\$ 132,924,000	\$ 132,856,000	\$ 133,514,000	
Other Financing Sources										
2.050 Advances-In	\$ 1,836,300	\$ 3,600	\$ 42,800	494.5%	\$ 17,700	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	
2.060 All Other Financing Sources	74,758	13,341	5,447	-70.7%	\$4,300	\$5,000	\$5,000	\$5,000	\$5,000	
2.070 Total Other Financing Sources	\$ 1,911,058	\$ 16,941	\$ 48,247	42.8%	\$ 22,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	
2.080 Total Revenues and Other Financing Sources	\$ 132,236,995	\$ 131,996,426	\$ 134,729,938	0.9%	\$ 134,913,000	\$ 133,266,000	\$ 132,944,000	\$ 132,876,000	\$ 133,534,000	
Expenditures										
3.010 Personal Services	\$ 73,001,845	\$ 76,066,212	\$ 78,474,466	3.7%	\$84,542,000	\$86,029,000	\$90,037,000	\$94,136,000	\$98,022,000	
3.020 Employees' Retirement/Insurance Benefits	28,939,917	28,712,894	29,774,971	1.5%	\$31,349,000	\$32,422,000	\$34,104,000	\$35,884,000	\$37,564,000	
3.030 Purchased Services	11,609,334	11,571,116	12,262,688	2.8%	\$14,446,000	\$14,687,000	\$15,306,000	\$15,951,000	\$16,621,000	
3.040 Supplies and Materials	3,317,360	3,958,664	3,405,482	2.7%	4,394,000	3,837,000	4,186,000	4,025,000	4,146,000	
3.050 Capital Outlay	282,089	449,630	365,036	20.3%	1,508,000	2,711,000	1,925,000	1,359,000	910,000	
4.300 Other Objects	1,794,841	1,861,392	1,777,632	-0.4%	\$1,987,000	\$1,998,000	\$2,019,000	\$2,041,000	\$2,063,000	
4.500 Total Expenditures	\$ 118,945,386	\$ 122,619,908	\$ 126,060,275	2.9%	\$ 138,226,000	\$ 141,684,000	\$ 147,577,000	\$ 153,396,000	\$ 159,326,000	
Other Financing Uses										
5.010 Operating Transfers-Out	\$ 1,099,966	\$ 1,236,713	\$ 2,809,677	69.8%	\$527,000	\$527,000	\$526,000	\$316,000	\$316,000	
5.020 Advances-Out	3,600	42,800	17,700	515.1%	15,000	15,000	15,000	15,000	15,000	
5.040 Total Other Financing Uses	\$ 1,103,566	\$ 1,279,513	\$ 2,827,377	68.5%	\$ 542,000	\$ 542,000	\$ 541,000	\$ 331,000	\$ 331,000	
5.050 Total Expenditures and Other Financing Uses	\$ 120,048,952	\$ 123,899,421	\$ 128,887,652	3.6%	\$ 138,768,000	\$ 142,226,000	\$ 148,118,000	\$ 153,727,000	\$ 159,657,000	
6.010 Sources over (under) Expenditures and Other Financing Uses	\$ 12,188,043	\$ 8,097,005	\$ 5,842,286	-30.7%	\$(3,855,000)	\$(8,960,000)	\$(15,174,000)	\$(20,851,000)	\$(26,123,000)	
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	\$ 69,619,205	\$ 81,807,248	\$ 89,904,253	13.7%	\$ 95,746,539	\$ 91,891,539	\$ 82,931,539	\$ 67,757,539	\$ 46,906,539	
7.020 Cash Balance June 30	\$ 81,807,248	\$ 89,904,253	\$ 95,746,539	8.2%	\$ 91,891,539	\$ 82,931,539	\$ 67,757,539	\$ 46,906,539	\$ 20,783,539	
8.010 Estimated Encumbrances June 30	\$ 2,247,362	\$ 2,379,231	\$ 2,691,261	9.5%	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	
Reservation of Fund Balance										
9.030 Budget Reserve	\$ 13,817,810	\$ 17,473,766	\$ 21,763,480	25.5%	\$ 21,029,000	\$ 11,807,000	\$ 12,298,000	\$ 12,783,000	\$ 13,277,000	
9.060 Property Tax Advances	5,154,100	5,626,200	4,673,500	-3.9%	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	
9.080 Subtotal	18,971,910	23,099,966	26,436,980	18.1%	26,029,000	16,807,000	17,298,000	17,783,000	18,277,000	
15.010 Unreserved Fund Balance June 30	\$ 60,587,976	\$ 64,425,056	\$ 66,618,298	4.9%	\$ 63,162,539	\$ 63,424,539	\$ 47,759,539	\$ 26,423,539	\$ (193,461)	
ADM Forecasts										
20.010 Kindergarten - October Count	732	737	713	-1.3%	789	786	812	793	797	
20.015 Grades 1-12 - October Count	8,998	9,065	9,114	0.6%	9,166	9,256	9,390	9,533	9,636	

Worthington City School District - Franklin County
Notes to the Five Year Forecast
General Fund Only
October 22, 2018

Introduction to the Five Year Forecast

All school districts in Ohio are required to file a five (5) year financial forecast by October 31 (November 30 beginning next year), and May 31, in each fiscal year (FY). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2019 (July 1, 2018-June 30, 2019) is the first year of the five year forecast and is considered the baseline year.

October 2018 Updates from May 2018:

We completed Fiscal Year 2018 with an ending unreserved fund balance of \$66.6 million, \$2.3 million above estimate mainly due to purchased services and supply expenditures being lower than projected. Total revenues and expenditures were within 2% of estimated amounts for FY18.

Revenues:

We have made adjustments to revenue projections resulting in an increase of \$9.9 million (1.2%) over the life of the forecast. Tax revenue projections increased \$1 million annually resulting from an increase in values of public utility property. Interest income increased \$0.5 million annually due to the increase in overnight rates from 1.7% in May to 2.2% currently. One time revenues of \$1.3 million for commercial property value challenge settlements, and of \$0.4 million for county auditor appraisal fee refunds, have been recorded for FY19 only.

Expenditures:

We have made adjustments to expenditure projections resulting in a reduction of \$2.1 million (<1%) over the life of the forecast. We have updated wage projections based on actual staff in place this school year, resulting in a savings of \$0.4 million annually mainly due to turnover. Fringe Benefits have been adjusted for a change in dental carrier, resulting in savings of \$0.2 million annually, as well as a 4.2% increase in medical premiums for CY19 compared to 5.0%. School Resource Officers and additional mental health specialists have been included as well.

Ending Cash Balance:

The changes to revenue and expenditure assumptions result in an increase in ending cash balance. We had anticipated an ending balance of \$34.8 million at June 30, 2022 and now project a balance of \$46.9 million.

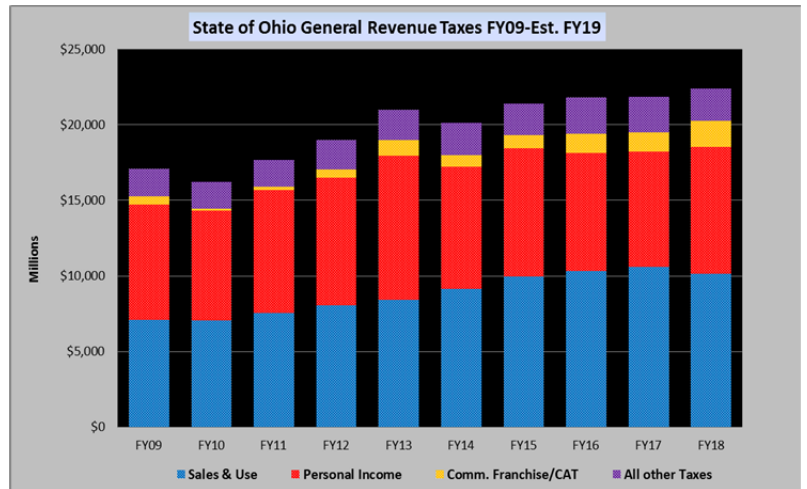
State Economic Variables Affecting the Five Year Forecast

It is prudent in long range forecasting to consider the economic climate in which projections of revenues are made. Below are significant statewide economic data which suggests that the economy for the FY19-23 period should grow at approximately 2% annual pace and will be relatively consistent for FY19 and FY20, however, the U. S Treasury bond rate for the two year bond is close to exceeding the ten year rate. When this occurs it is referred to as an “inverted yield curve” and is a reliable economic predictor of recessions in our economy. We feel FY19 and FY20 will be relatively stable but an economic slowdown for our state could occur in 2021.

It is important for our school district to consider the statewide economic data for two important reasons. First, our state funding is directly affected by state revenue collections and the health of the state budget. While the state presently has a record \$2.7 billion Budget Stabilization Fund, a recession would likely result in state funding cuts to public education. We anticipate that the FY20-FY21 state biennium budget should be stable

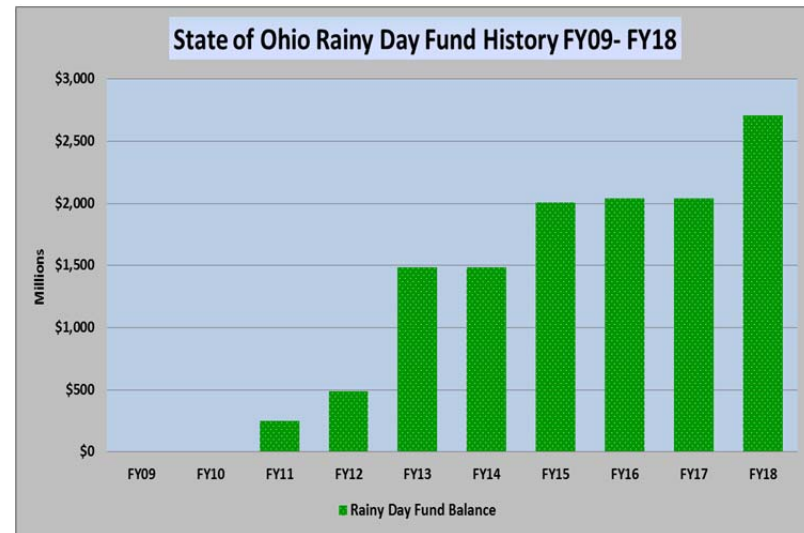
based on current data. Second, the same economic forces driving state tax revenues are also generally affecting the underlying economics of most communities across Ohio, which impacts the ability to collect local tax revenue. Generally speaking, local school district economic viability is tied to the same fundamental economics that drive the state's economic viability.

The graph to the right notes that the State of Ohio revenues through FY18 have recovered in spite of the personal income tax cuts in FY15 and FY16. State revenue has been relatively flat since FY15 due to reductions in income tax rates. The state economy is not expected to tip into a recession during FY19 or FY20 but long term that could be a concern. The decline in personal income tax in FY15 is due to an 8.5% rate reduction from HB59 and the drop in FY16 and FY17 is due to a 6.3% rate reduction in HB64. Baring further legislative cuts personal income should continue to grow.



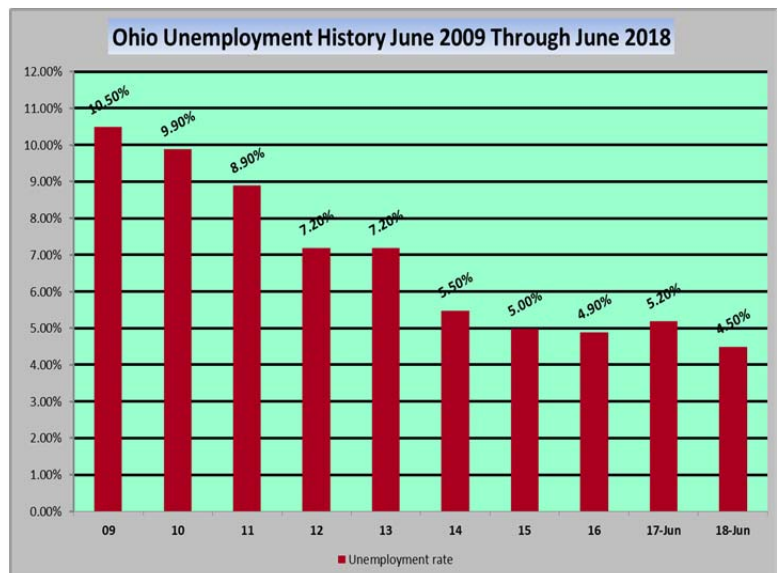
Source: Ohio Legislative Service Commission

The recovery of the labor market which began in 2010 continues in 2018 as noted in personal income tax growth and overall growth in state revenues in 2018. Modest 2% to 2.5% growth in state revenue is an



Source: Ohio Legislative Service Commission

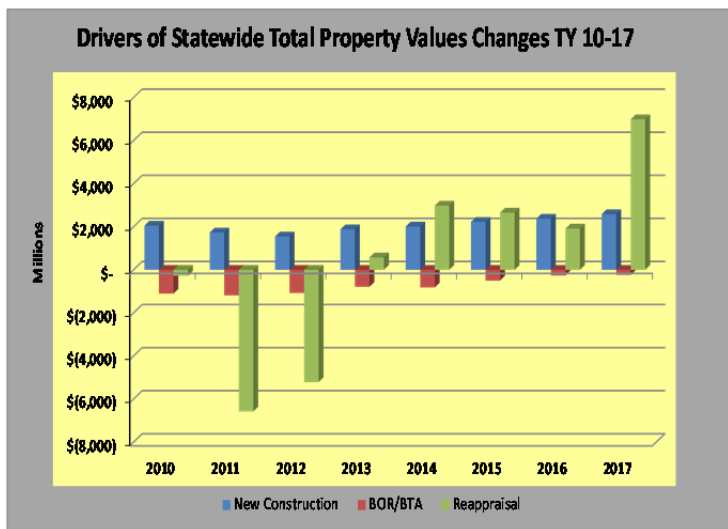
Over the past 12 months ended June 2018 Ohio's unemployment rate decreased slightly by .7% to 4.5%. This is a significant measure to monitor for continued economic growth and viability. Many believe the state is at nearing full employment. As noted above, personal income taxes and sales tax are highly correlated to employment and have been the two major drivers of the recent recovery. As of August 2018, the unemployment rate in Franklin County was 3.8 % which is below the 4.5% state average.



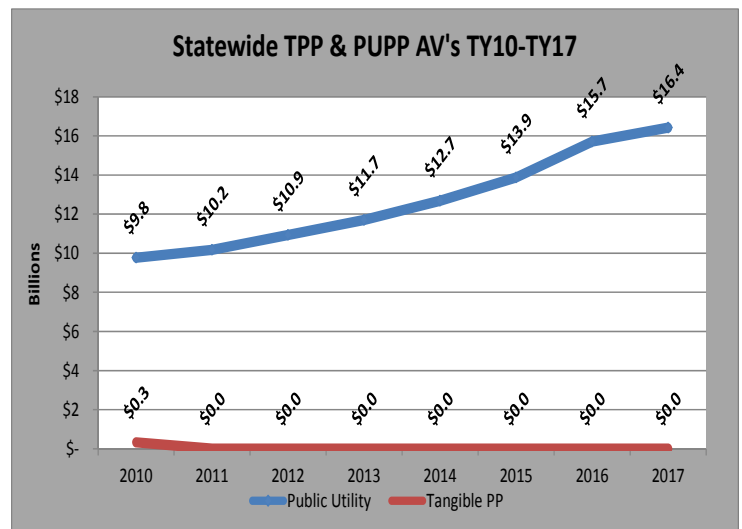
indication that the economy is growing at a slower pace and that there could be an economic slow down coming within three years. The state rainy day fund (RDF) also known as the Budget Stabilization Fund, has been steady since FY15 but in FY18 legislation allowed for an increase in contributions. There is currently \$2.7 billion in this fund and will help long term if there is an economic slow down. This cushion should continue to help ensure that funding for schools approved in the new state biennium budget to be approved in June 2019 should be met through FY21 even if a brief slow down in the economy occurs as some economist anticipate by 2021.

For school districts, real property values are another important piece of economic data. In the 2017 Tax Year, 41 of Ohio's 88 counties experienced a reappraisal or update for Class 1 (Residential and Agricultural Property) and Class 2 (Commercial, Industrial and Mineral Property). From Tax Year 2007 to 2012, Class 1 and 2 property values declined by \$10.8 billion, a reduction of 4.6% reflecting the impacts of the 2008 recession on property devaluation. In 2017 Class 1 values rose by \$7.3 billion or 3.9% statewide, while Class 2 property increased by \$1.67 billion or 3.2% statewide. Property values in Tax Year 2017 have fully recovered and exceed pre-recession values for all classes of property. Home values for the 12 month period ending in June 2018 were up statewide by an average of 5.1%. The green bar noted in the graph on the following page shows the 2017 reappraisal reflected a sharp increase in property values statewide.

The final category of property is Public Utility Personal Property (PUPP) values. The graph on the following page shows that Tangible Personal Property (TPP) was eliminated by HB66 for all categories of TPP in tax year 2011. PUPP values on the other hand continued to grow throughout the 2008 Recession and into Tax Year 2017 due in part to continued new construction, reinvestment in aging infrastructure due to low interest rates and development of natural gas and petroleum transmission lines across the state. PUPP values are of higher worth as they are taxed at the full gross tax rate. PUPP values grew \$717.1 million or 4.6% statewide in Tax Year 2017.



Source: Ohio Department of Taxation



Source: Ohio Department of Taxation

Overall, the economy of the state is stable and should continue to grow slightly during the forecast period. This should provide a stable basis for which to make projections of state revenues to the district in the next biennium budget covering FY20 and FY21. The improved labor market continues to provide for steady property tax collections in this forecast by: 1) increasing and stabilizing property values; 2) increasing current property tax collections; and, 3) liquidating prior delinquent tax collections.

Forecast Risks and Uncertainty

Our financial forecast is laden with risks and uncertainty not only due to economic uncertainties but also due to volatility of the legislative changes. We have estimated revenues and expenses based on the best data available to us at the time of this forecast. The items below give a short description of the current issues and how they may affect our forecast long term:

- I. **Tuition, Vouchers & Community Schools** - There are many provisions in the current state budget bill that reduce district revenue in the form of exposure to school choice scholarships or vouchers, school

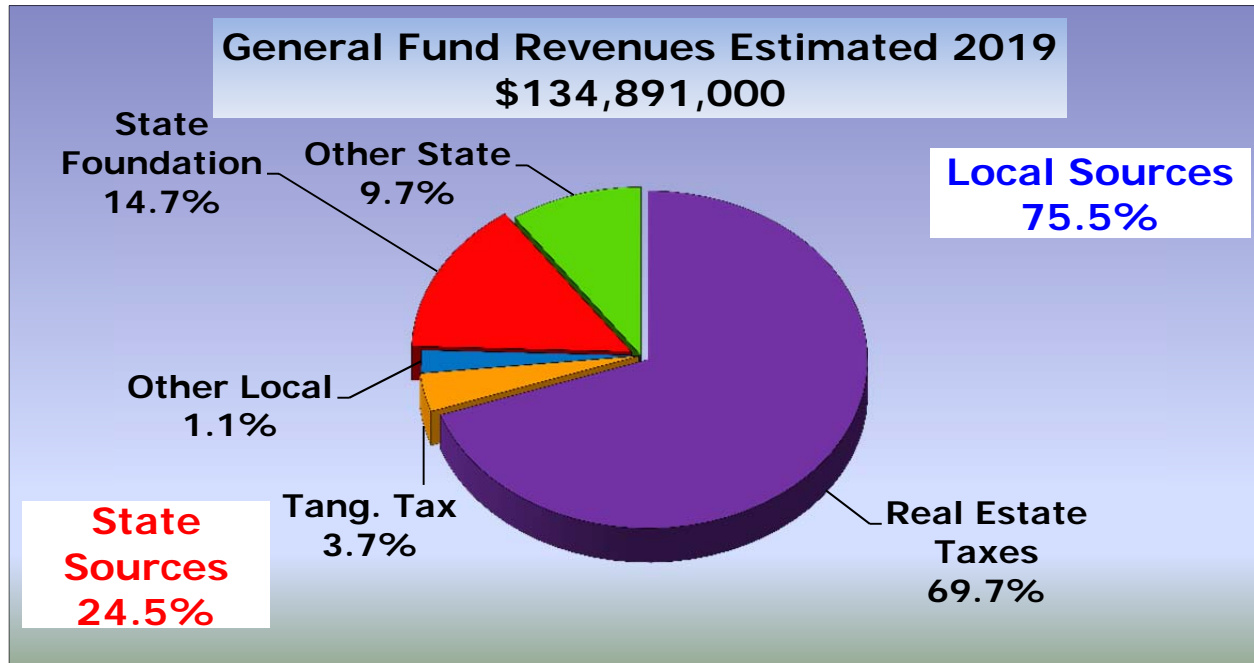
reform initiatives, College Credit Plus, and other programs. The cost of each Peterson Special Needs voucher and Autism Scholarship Program increased sharply in HB64 from \$20,000 each to \$27,000, a 35% increase. These two programs now reduce our state revenue \$1.9 million annually, and community schools reduce it another \$1.3 million annually. Several new provisions have been introduced recently, including SB85 and HB200, which seek to expand voucher eligibility regardless of the performance of the local school, and increase the amounts, as well as the creation of portable education savings accounts (ESA's). Continued expansion or creation of programs such as these could expose the district to further reductions in state revenue not currently in this forecast, and we will monitor any changes to these programs closely.

- II. **State Foundation Funding** - The current biennial state budget for FY18-19 did not appropriate enough resources to fully fund all districts according to its school funding formula. Many districts, including ours, received a capped increase of 7.5% in FY16 and FY17, and will receive capped increases of 3.6% in FY18 & FY19. This equates to \$4 million annually in additional revenue the District should be receiving. We are assuming 3% annual cap increases in FY20 through FY23, but that could be further reduced. A 1% change in the CAP equates to \$0.2 million for our District. The current model of educational funding is a political method of distribution of limited resources rather than a true calculation of funding needs, and this presents challenges predicting state revenues.
- III. **Student Safety and Wellbeing** – The administration continues to seek ways to ensure the safety and wellbeing of our entire student body. The forecast includes the cost of resource officers at our high schools as well as additional mental health specialists. While we believe the staffing increases currently projected in this forecast accommodate our needs, the current national climate of school safety could create the need for additional costs not contained in this forecast.

Detailed Forecast Analysis

The following pages present a detailed analysis of each of the major line items in the forecast. The major lines of reference for the forecast are noted in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Jeff McCuen, Treasurer of Worthington City School District, at 614-450-6120.

Revenue Assumptions All Revenue Sources General Fund FY19



Real Estate Value Assumptions

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. For tax year 2017, collected in 2018, a full sexennial reappraisal occurred, and overall values increased \$192 million (10.3%). Residential/agricultural values increased \$158 million (11.3%) while commercial/industrial values increased \$35 million (8.5%), and public utility values increased \$8.3 million (18.7%). Future annual estimates include 0.5% growth in new residential construction, no growth in commercial construction, and 3% growth in PUPP values annually.

Estimated Assessed Property Valuations by Collection Year

Classification	Estimated TAX YEAR 2018 COLLECT 2019	Estimated TAX YEAR 2019 COLLECT 2020	Estimated TAX YEAR 2020 COLLECT 2021	Estimated TAX YEAR 2021 COLLECT 2022	Estimated TAX YEAR 2022 COLLECT 2023
Res./Ag.	\$1,565,299,299	\$1,573,125,795	\$1,580,991,424	\$1,588,896,381	\$1,596,840,863
Comm./Ind.	\$446,337,530	\$446,337,530	\$446,337,530	\$446,337,530	\$446,337,530
Public Utility (PUPP)	\$54,098,474	\$55,721,428	\$57,393,071	\$59,114,863	\$60,888,309
Total Assessed Value	\$2,065,735,303	\$2,075,184,753	\$2,084,722,025	\$2,094,348,774	\$2,104,066,702

Estimated Real Estate Tax (Line #1.010)

It is important to note that of the \$192 million increase, \$183 million was the result of reappraisal and \$9 million was related to growth in new construction. State law protects homeowners from a tax increase simply due to reappraisal, so the District receives very little additional revenue from reappraisal changes. Therefore our property tax revenue estimates, as shown below, are relatively unchanged from previous estimates. Based on the predicted changes in property values above, the following chart illustrates Real Estate Property Tax collections:

	FY19	FY20	FY21	FY22	FY23
August Settlement	\$43,106,817	\$42,872,672	\$43,016,641	\$43,161,755	\$43,306,010
February Settlement	49,041,721	49,206,420	49,371,944	49,538,294	49,705,477
August Delinquent	105,290	185,132	185,762	186,394	187,030
February Delinquent	1,401,672	1,434,775	1,439,654	1,444,556	1,449,483
Prior Year Advances taken	(4,673,500)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Current Year Advances Estimated	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Total General Property Taxes	\$93,982,000	\$93,699,000	\$94,014,000	\$94,331,000	\$94,648,000

Property tax levies are estimated to be collected at 98% of the annual amount. This allows 2% delinquency factor. Historically, 53% of the Residential/Agricultural and Commercial/Industrial property taxes are expected to be collected in the February tax settlement and 47% collected in the August tax settlement. FY19 August settlement includes one-time settlements totaling \$1.3 million as a result of challenges to commercial property values. No future additional levies are projected in this forecast.

Estimated Tangible Personal Property Tax (Line #1.020)

	FY19	FY20	FY21	FY22	FY23
Public Utility Pers. Property	\$4,959,000	\$5,114,000	\$5,268,000	\$5,426,000	\$5,589,000

The phase out of TPP taxes as noted earlier began in FY06 with HB66 that was adopted in June 2005. The amount remaining on Line #1.020 is the public utilities personal property tax revenues from telephone, electric, and gas tangible property. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the County Auditor. PUPP values increased 18% for FY18 due to significant investment in one electric power parcel, creating an increase of \$1 million annually. We project values to grow 3% in future years due to continued upgrade and re-investment in utility lines, creating a small increase in revenue annually.

Unrestricted State Grants-in-Aid (Line #1.035)

Source	FY19	FY20	FY21	FY22	FY23
Basic Foundation Aid	\$17,310,000	\$17,791,000	\$18,299,000	\$18,824,000	\$19,348,000
Additional Aid Items	<u>\$1,252,000</u>	<u>\$1,252,000</u>	<u>\$1,252,000</u>	<u>\$1,252,000</u>	<u>\$1,252,000</u>
Basic Aid-Subtotal	\$18,562,000	\$19,043,000	\$19,551,000	\$20,076,000	\$20,600,000
Ohio Casino Commission ODT	<u>\$511,000</u>	<u>\$516,000</u>	<u>\$521,000</u>	<u>\$526,000</u>	<u>\$532,000</u>
Total Unrestricted State Aid	\$19,073,000	\$19,559,000	\$20,072,000	\$20,602,000	\$21,132,000

A) Basic Foundation Aid

House Bill 49, the FY18-19 state budget, maintained the framework of the existing school funding formula. It is very complex with over 300 variables, and could change again in future budgets. The formula is based on a core per pupil amount, called the opportunity grant, and nine other categorical funding items, which are then measured against the State Share Index (SSI), which is a method that measures a district's wealth and capacity to raise local revenue. There are also additional components of capacity aid, transportation supplement, graduation bonus, and 3rd grade reading bonus. Changes to the formula impacting our District for the 18-19 budget include an increase to the core per pupil amount from \$6,000 to \$6,010 in FY18 and \$6,020 in FY19, a decrease of the gain "CAP" from 7.5% to 3.6%, and a decrease of the minimum state share of transportation funding from 50% to 37.5% in FY18 and 25% in FY19.

The amounts included in Basic Foundation Aid are based on computations from the most recent September 2018 State Foundation Payment Report (SFPR). FY19 amounts are based on the state budget formula as approved and future years assume the formula continues in the same form, with base per pupil increases of 0.5% annually and “CAP” increases of 3% annually.

The following table illustrates our actual basic foundation aid compared to the fully calculated amount without the cap (net of community school & scholarship deductions):

	FY19	FY20	FY21	FY22	FY23
Capped Formula Aid	18,960,188	19,438,279	19,941,852	20,463,462	20,983,681
Uncapped Formula Aid	<u>22,516,968</u>	<u>22,601,125</u>	<u>22,867,683</u>	<u>23,068,020</u>	<u>23,217,590</u>
Difference	(\$3,556,780)	(\$3,162,846)	(\$2,925,831)	(\$2,604,558)	(\$2,233,909)

Current calculations indicate our district will remain on the CAP through FY23 based on our assumptions above. This means that in FY23, the District will have received \$13.8 million less than it should have over the five year forecast period according to the funding formula.

Excluded from foundation aid are the following amounts relating to community school and scholarship/choice school deductions:

Source	FY19	FY20	FY21	FY22	FY23
Community/Stem Deduction	\$1,246,000	\$1,267,000	\$1,280,000	\$1,293,000	\$1,306,000
Scholarship Deduction	<u>\$1,967,000</u>	<u>\$2,084,000</u>	<u>\$2,202,000</u>	<u>\$2,321,000</u>	<u>\$2,461,000</u>
Total Deduction	\$3,213,000	\$3,351,000	\$3,482,000	\$3,614,000	\$3,767,000
Community/Stem ADM	108	113	118	123	128
Scholarship ADM	<u>87</u>	<u>92</u>	<u>97</u>	<u>102</u>	<u>107</u>
Total ADM	195.00	205.00	215.00	225.00	235.00

The state’s foundation formula counts these students in the resident district’s calculation of gross state aid, subject to the state share index and other components of the formula, but then deducts the full per-pupil amount from the resident district and transfers it to the educating entity. This creates a net loss for the resident district. Since this activity meets the definition of an agency fund, both the revenue and expenses are excluded from lines #1.035 and #3.030, respectively, and accounted for in a separate fund.

B) Additional Aid Items

Additional Aid items include preschool special education funding and special education transportation funding. We are assuming these funds continue throughout the life of the forecast at current levels.

C) Casino Revenue

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds are distributed to school districts in January and August each year.

Actual casino revenue for FY 18 generated \$51.14 per pupil, which equated to \$510,725 for our District. For FY19-23 we estimate stable total casino revenues and slightly less statewide student population, which should equate to approximately \$52 per pupil annually.

Restricted Grants-in-Aid (Line #1.040)

Source	FY19	FY20	FY21	FY22	FY23
Economically Disadvantaged	\$160,000	\$157,000	\$153,000	\$149,000	\$146,000
Career Tech	\$238,000	\$238,000	\$238,000	\$238,000	\$238,000
Medicaid/Catastrophic Aid	<u>\$400,000</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>
Total Restricted State Revenues	\$798,000	\$695,000	\$691,000	\$687,000	\$684,000

HB49 continues funding two restricted sources of revenues to school district which are Economic Disadvantaged Funding and Career Technical Education funding. We have incorporated these amounts into the restricted aid amount in Line # 1.04 for FY19-23. These amounts can change or be eliminated in future state budgets and are calculated as part of the foundation formula on a per pupil basis.

The District also participates in the Medicaid in Schools Program. The District bills the state for eligible services that are reimbursable under Medicaid. Catastrophic Aid includes state reimbursement for those special education costs that exceed an unusually large, state determined amount, which is estimated at approximately \$100,000 annually.

Property Tax Allocation (Line #1.050)

Source	FY19	FY20	FY21	FY22	FY23
Rollback and Homestead	\$10,026,000	\$10,077,000	\$10,127,000	\$10,178,000	\$10,229,000
TPP Reimbursement	<u>\$3,121,000</u>	<u>\$1,970,000</u>	<u>\$820,000</u>	<u>\$0</u>	<u>\$0</u>
Total Prop. Tax Allocation	\$13,147,000	\$12,047,000	\$10,947,000	\$10,178,000	\$10,229,000

A) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66 the FY06-07 budget bill previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are also credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007 HB119 expanded the Homestead Exemption for all seniors over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013 HB59 changed the requirement for Homestead Exemptions, and those who become eligible thereafter will only receive a Homestead Exemption if they meet the income qualifications.

B) Tangible Personal Property Reimbursements – Fixed Rate

School districts were to be reimbursed by the State of Ohio for the TPP tax losses at varying levels, but those reimbursements were severely curtailed by HB153 effective July 1, 2012. The District received \$15 million in FY11, reduced down to \$10.6 million in FY15. This sharp cut was a major factor in the District gaining approval of a 6.9 mill incremental operating levy in 2012, which helped offset this loss. HB64 reinstated the phase out of the reimbursement beginning in FY16 resulting in the District only receiving \$8.0 million in FY16 and \$5.4 million in FY17, and continued that phase-out so that the District would have received \$0 in FY20. However, SB 208 amended HB64 and became effective February 15, 2016. It provides that, beginning in FY18, the TPP Fixed Rate funding will be phased out at 5/8ths (62.5%) of what 1 mill would raise in local taxes beginning with Tax Year 2016 assessed property values. Based on our calculations, we will now receive reimbursements through FY21, and have accounted for them in this forecast per the chart above. The latest

budget bill, HB49, attempted to further delay the rate of phase out for significantly impacted districts such as ours, but that line item was vetoed by the Governor. While we are hopeful the legislature will work to address this issue, we have not assumed any further TPP reimbursement beyond what was included in SB208.

Other Local Revenues (Line #1.060)

Source	FY19	FY20	FY21	FY22	FY23
Interest	\$1,900,000	\$1,500,000	\$1,300,000	\$1,000,000	\$600,000
Pay To Participate	132,000	132,000	132,000	132,000	132,000
Tuition and Charges	300,000	300,000	300,000	300,000	300,000
Other	600,000	200,000	200,000	200,000	200,000
Total Other Local Revenues	\$2,932,000	\$2,132,000	\$1,932,000	\$1,632,000	\$1,232,000

Interest income is generated on investments and will fluctuate based on market rates (current overnight rate is 2.2%), the overall market environment, and most significantly the cash position of the General Fund. Pay to participate fees are charged to students for participating in extracurricular sports teams and activity clubs, and participation rates are expected to remain consistent. The fees are split between the general fund and the activity fund and are used to fund coaches and advisors. Tuition and Charges include tuition for open-enrolled non-resident staff members, non-resident court placed students, special education excess cost payments, summer school, and transportation field trip charges to outside entities.

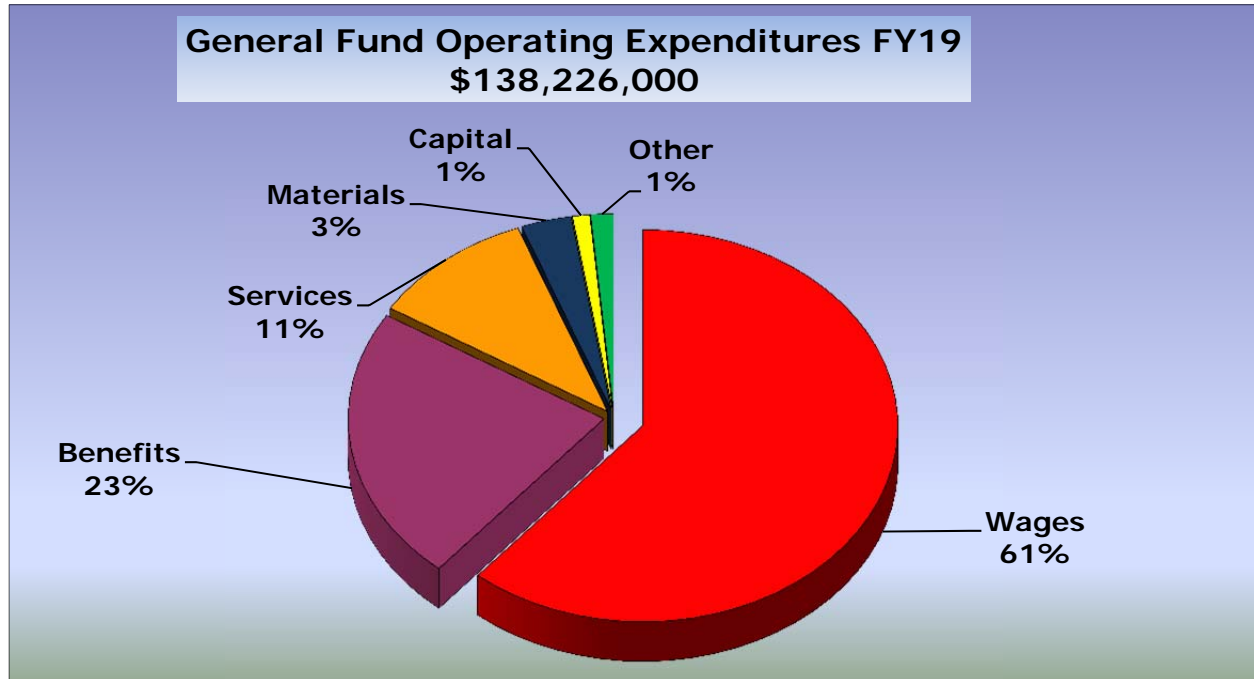
Other Financing Sources (Line #2.050 & Line #2.060)

Source	FY19	FY20	FY21	FY22	FY23
Advance Returns	\$17,700	\$15,000	\$15,000	\$15,000	\$15,000
Refunds/Sale of Assets	\$4,300	\$5,000	\$5,000	\$5,000	\$5,000

These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year, sales of assets, and reimbursements for expenses received for a previous fiscal year in the current fiscal year. All advances over year end are planned to be returned in the succeeding fiscal year.

Expenditures Assumptions

All Expense Categories Sources General Fund FY19



Personal Services (Line #3.010)

Source	FY19	FY20	FY21	FY22	FY23
Base Wages	\$80,597,000	\$81,567,000	\$85,535,000	\$89,519,000	\$93,588,000
Increases	1,612,000	1,631,000	1,711,000	1,790,000	1,872,000
Steps & Training or 3317.141					
Performance	1,878,000	2,227,000	1,925,000	1,853,000	1,778,000
New/Replacement District Staff	1,057,000	762,000	856,000	944,000	727,000
Severance	500,000	400,000	400,000	400,000	400,000
Retirement/Other	(1,177,000)	(652,000)	(508,000)	(518,000)	(528,000)
Total Wages Line 3.010	\$84,542,000	\$86,029,000	\$90,037,000	\$94,136,000	\$98,022,000
<u>Employee Full Time Equivalents</u>					
Certificated	738.25	744.25	752.25	759.25	765.25
Classified	343.13	347.13	351.13	359.13	363.13
Administrative	46.00	46.00	47.00	48.00	48.00
Total	1,127.38	1,137.38	1,150.38	1,166.38	1,176.38

The model reflects annual base wage increases of 2% for certified and classified staff members (2.5% for administrators) per the negotiated agreements through FY20 and assumes 2% for FY21-23. The model also includes annual step increases based on staff placement.

The new/replacement district staff line item for FY19 includes 12 additional staff, as well as retirement replacements from FY18 offset by savings from those retirees on the Retirement/Other line item. Similarly, these lines contain a projected 5 retirees at the end each year, based on current years of experience and historical trends, as well as additional staff to accommodate enrollment growth as follows: 10 FTE in FY20 (2 special ed,

4 regular ed, 4 classified), 13 FTE in FY21 (2 special ed, 6 regular ed, 4 classified, 1 admin), 16 FTE in FY22 (2 special ed, 5 regular ed, 8 classified, 1 admin) and 10 FTE in FY23 (2 special ed, 4 regular ed, 4 classified). This is based on enrollment projections indicating approximately 100-200 additional students per year.

FY19 also includes \$2.5 million for a 25th pay date. The District operates on 24 equal pays, with the first pay in September and continuing through the end of August. With school starting earlier in August, the District has agreed to move up the first pay in FY19 to August 2018 instead of September 2018, creating a one-time 25th pay in FY19.

Employees' Retirement & Insurance Benefits (Line #3.020)

This area of the forecast captures all costs associated with benefits and retirement costs.

A) STRS/SERS will increase as Wages Increase

Source	FY19	FY20	FY21	FY22	FY23
Base Wages	\$11,375,000	\$11,514,000	\$12,077,000	\$12,643,000	\$13,222,000
Increases	226,000	228,000	240,000	251,000	262,000
Steps & Training	263,000	312,000	270,000	259,000	249,000
New District Staff	148,000	107,000	120,000	132,000	102,000
Pick Up	776,000	788,000	800,000	812,000	824,000
Retirement/Other	(165,000)	(91,000)	(71,000)	(73,000)	(74,000)
SERS Surcharge	285,000	291,000	297,000	303,000	309,000
Total Retirement Contributions	\$12,908,000	\$13,149,000	\$13,733,000	\$14,327,000	\$14,894,000

As required by current law the District pays 14% of all employee wages to STRS or SERS. Pick up includes the employee share of retirement contributions paid by the Board of Education on behalf of administrators, which is 10% for those under SERS and 14% for those under STRS.

B) Insurance

Source	FY19	FY20	FY21	FY22	FY23
Base Costs	\$14,748,000	\$15,492,000	\$16,291,000	\$17,308,000	\$18,418,000
New District Staff	108,000	180,000	234,000	288,000	180,000
H.S.A contributions	1,285,000	1,285,000	1,285,000	1,285,000	1,285,000
Effect of Cap	0	0	0	0	0
Insurance Trend Adjustment	636,000	619,000	783,000	822,000	863,000
Total Insurance Estimates	\$16,777,000	\$17,576,000	\$18,593,000	\$19,703,000	\$20,746,000

The district is in the fourth calendar year of being self-insured for employee medical insurance, which allows the administration to manage the program in the most optimal manner. Claims ran lower than expected the first few years, allowing the District to save over \$10 million and reduce premiums by 8% and 6.7% for calendar year 2016 & 2017, respectively. An increase of 7.14% was implemented for CY18 to cover trend increases, and we have included a 4.2% increase for CY19 and estimate 5% thereafter. The model is based on current enrollment in the plan at the current levels, with any additional staff in future years expected to participate in the program.

Patient Protection and Affordable Care Act (PPACA) Costs- the Patient Protection and Affordable Care Act (PPACA) commonly called Obamacare or the Affordable Care Act (ACA), is a United States federal statute signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education

Reconciliation Act, it represents the most significant regulatory overhaul of the country's healthcare system since the passage of Medicare and Medicaid in 1965.

It is still uncertain to what extent the long term implementation of PPACA will cost our district in additional funds, especially since it is being reviewed at the federal level for amendment or repeal. The significant concern is the 40% "Cadillac Tax" for plans whose value of benefits exceeds \$10,200 for individual plans and \$27,500 for family plans. Based on current projections, we do not anticipate exceeding these thresholds during the life of this forecast, but will monitor this closely.

C) Workers Compensation & Unemployment Compensation

Source	FY19	FY20	FY21	FY22	FY23
Workers Comp	\$338,000	\$344,000	\$360,000	\$377,000	\$392,000
Unemployment	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Total WC & UC Estimates	\$343,000	\$349,000	\$365,000	\$382,000	\$397,000

The District is self-insured for workers compensation insurance, and the premium rate charged was reduced from 0.8% of covered wages in FY17 to 0.6% in FY18, and 0.4% for FY19 as a result of lower claims experience and sufficient reserve balances.

Unemployment is expected to remain at a very low level. The district is a direct reimbursement employer which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Source	FY19	FY20	FY21	FY22	FY23
Base Costs	\$1,166,000	\$1,197,000	\$1,261,000	\$1,318,000	\$1,376,000
New District Staff	<u>15,000</u>	<u>11,000</u>	<u>12,000</u>	<u>14,000</u>	<u>11,000</u>
Total Medicare Estimate	1,181,000	1,208,000	1,273,000	1,332,000	1,387,000

Medicare will continue to increase at the same rate as wage increases. Contributions are 1.45% for all new employees to the district on or after April 1, 1986.

Summary of Employee Retirement/Insurance (Line #3.020)

Source	FY19	FY20	FY21	FY22	FY23
STRS/SERS	\$12,908,000	\$13,149,000	\$13,733,000	\$14,327,000	\$14,894,000
Insurance's	16,777,000	17,576,000	18,593,000	19,703,000	20,746,000
Workers Comp/Unemployment	343,000	349,000	365,000	382,000	397,000
Medicare	1,181,000	1,208,000	1,273,000	1,332,000	1,387,000
Other/Tuition	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>	<u>140,000</u>
Total Employee Retirement/Insurance Benefits	\$31,349,000	\$32,422,000	\$34,104,000	\$35,884,000	\$37,564,000

Purchased Services (Line #3.030)

Source	FY19	FY20	FY21	FY22	FY23
Consulting/Legal (41x)	\$1,592,000	\$1,640,000	\$1,689,000	\$1,740,000	\$1,792,000
Maint., Repairs, Property (42x)	2,545,000	2,256,000	2,324,000	2,394,000	2,466,000
Utilities (441 & 45x)	2,600,000	2,805,000	3,020,000	3,246,000	3,483,000
Tuition to other Entities (47x)	2,250,000	2,363,000	2,481,000	2,605,000	2,735,000
Other Purchased Services	<u>5,459,000</u>	<u>5,623,000</u>	<u>5,792,000</u>	<u>5,966,000</u>	<u>6,145,000</u>
Total Purchased Services	\$14,446,000	\$14,687,000	\$15,306,000	\$15,951,000	\$16,621,000

This category includes payments for contracted services, utilities, property insurance, special education transportation, legal fees, and tuition to other entities. We are estimating base increases of 3% annually for most areas. Utilities also include an additional \$75,000 annually for bandwidth expansion if needed. The District has negotiated long term gas and electric contracts to help hold down energy costs.

Maintenance, repairs and property includes the expected need for modular units based on latest enrollment projections. We estimate 5 additional modular units for the summer of 2019 and two additional units in the future. This will be closely monitored as we progress through the year.

Tuition represents program services we contract with other entities for and mainly represents special education as well as vocational services at the Delaware Area Career Center, and is expected to grow 3% annually. College Credit Plus tuition costs are currently estimated at \$430,000 annually. Costs for specialized transportation of special needs students continue to increase.

Other purchased services include substitute teachers and contracted services from the Education Service Center of Central Ohio (ESCCO) totaling \$2 million, other consultants, professional development, and other services. We are estimating base increases of 3% annually for this area.

Supplies and Materials (Line #3.040)

Source	FY19	FY20	FY21	FY22	FY23
Supplies	\$4,394,000	\$3,837,000	\$4,186,000	\$4,025,000	\$4,146,000

An overall inflation of 3% is being estimated for this category which is characterized by textbooks, copy paper, maintenance supplies, materials, and bus fuel. Included in this line item are textbook costs for curriculum updates of \$1.1 million for FY19, reduced to \$0.5 million in FY20 and beyond based on projections from our Academic Achievement Office.

Capital Outlay (Line # 3.050)

Source	FY19	FY20	FY21	FY22	FY23
Equipment & Building Improvements	\$413,000	\$425,000	\$438,000	\$451,000	\$465,000
Technology	<u>1,095,000</u>	<u>2,286,000</u>	<u>1,487,000</u>	<u>908,000</u>	<u>445,000</u>
Total Capital Outlay	\$1,508,000	\$2,711,000	\$1,925,000	\$1,359,000	\$910,000

An overall inflation rate of 3% annually is being used in this category. Major capital improvements are funded through the remaining balances in the building fund via passage of a capital improvement bond issue in 2012. The forecast assumes major future capital needs will be funded through a future bond issue, but we now include replacement Chrome books and PC's as part of operations due to the integral role technology plays in testing and day to day delivery, as well as a shortened useful life of these items.

Other Objects (Line #4.300)

Source	FY19	FY20	FY21	FY22	FY23
County Auditor & Treasurer Fees	\$1,457,000	\$1,452,000	\$1,457,000	\$1,462,000	\$1,467,000
County ESC	64,000	66,000	68,000	70,000	72,000
Other	<u>466,000</u>	<u>480,000</u>	<u>494,000</u>	<u>509,000</u>	<u>524,000</u>
Total Other Expenses	\$1,987,000	\$1,998,000	\$2,019,000	\$2,041,000	\$2,063,000

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit, bank fees, and other miscellaneous expenses. County auditor and treasurer fees correlate directly with property tax collections and are expected to increase as tax collections increase. Bank fees have increased in recent years due to increased online collection of fees, meal payments, and extracurricular activities.

Other Financing Uses (Line #5.010 & Line #5.020)

Source	FY19	FY20	FY21	FY22	FY23
Transfers Out (#5.010)	\$527,000	\$527,000	\$526,000	\$316,000	\$316,000
Advances Out (#5.020)	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Total Other Financing Uses	\$542,000	\$542,000	\$541,000	\$331,000	\$331,000

Advances out cover end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. The transfers out are to cover payments on energy conservation debt, which are paid off via operational savings from decreased utility costs.

Encumbrances (Line#8.010)

	FY19	FY20	FY21	FY22	FY23
Estimated Encumbrances	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered. They are expected to remain consistent.

Reservations of Fund Balance (Line #9.040 & Line #9.060)

Source	FY19	FY20	FY21	FY22	FY23
Contingency (Line 9.040)	\$21,029,000	\$11,807,000	\$12,298,000	\$12,783,000	\$13,277,000
Tax Advances (Line 9.060)	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Total Reservations of Balance (Line#9.080)	\$26,029,000	\$16,807,000	\$17,298,000	\$17,783,000	\$18,277,000

The contingency reservation was established by the Board of Education to plan for extraordinary events beyond the control of the District's normal operations. The contingency fund is to be utilized by the District in consultation with the Board. The increase in the contingency reserve from FY14 through FY18 is equal to the tangible tax reimbursement that was not anticipated to continue when voters approved an operating levy in 2012 to extend the life of the levy. FY19 begins deficit spending, so the reserve is reduced by the deficit amount until it reaches a 30 day reserve balance.

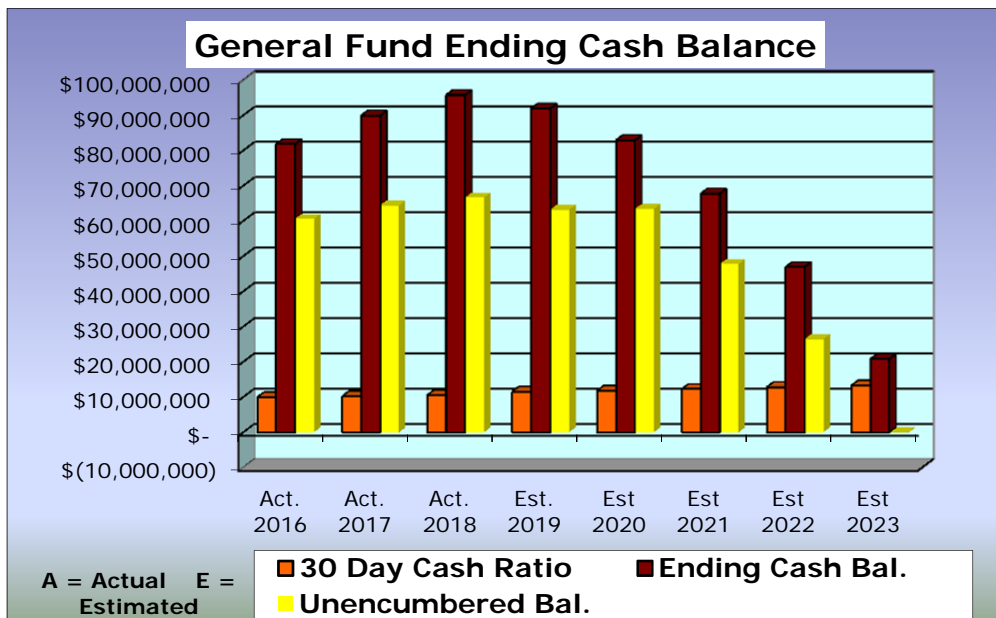
The property tax advance reservation is required because the District requests advances of real estate taxes from the County prior to settlement that occurs in August, and such funds are intended to fund the next fiscal year

and not current operations. The District requests these advances for investment purposes, and the amount can fluctuate from year to year based on how much the County has available for advance.

Ending Unreserved Fund Balance (Line#15.010)

	FY19	FY20	FY21	FY22	FY23
Ending Unreserved Cash Balance	\$63,162,539	\$63,424,539	\$47,759,539	\$26,423,539	(\$193,461)

This amount must not go below \$-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of \$10,000, unless an alternative “412” certificate can be issued pursuant to HB153 effective September 30, 2011. Thirty days, or one month, of operating cash is a responsible minimum ending balance target according to the GFOA.



The graph to the left captures in one snapshot the operating scenario facing Worthington City School District over the next few years. The main challenge is, beginning in FY19, annual expenditures begin to exceed revenues, creating a decline in available balances that will need to be addressed.