



# **HUDSON CITY SCHOOL DISTRICT - - SUMMIT COUNTY**

Financial Report  
Five Year Forecast  
October, 2015



## Table of Contents

	<u>PAGE #</u>
<b>Table of Contents</b>	<b>2</b>
<b>Executive Summary</b>	<b>3</b>
<b>Revenue Overview</b>	<b>4</b>
1.010 - General Property Tax (Real Estate)	5
1.020 - Public Utility Personal Property	6
1.035 - Unrestricted Grants-in-Aid	7
1.040 & 1.045 - Restricted Grants-in-Aid	8
1.050 - Property Tax Allocation	9
1.060 - All Other Operating Revenues	10
2.070 - Total Other Financing Sources	11
<b>Expenditures Overview</b>	<b>12</b>
3.010 - Personnel Services	13
3.020 - Employee Benefits	14
3.030 - Purchased Services	15
3.040 - Supplies and Materials	16
3.050 - Capital Outlay	17
3.060 - 4.060 - Intergovernmental & Debt	18
4.300 - Other Objects	19
5.040 - Total Other Financing Uses	20
<b>Five Year Forecast</b>	<b>21</b>

### Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the 412 certificate.
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

## Executive Summary

	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Beginning Balance	24,062,618	26,646,027	25,505,241	22,362,069	17,049,296
+ Revenue	60,910,198	59,187,219	59,291,804	59,394,219	59,397,910
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(58,326,788)	(60,328,005)	(62,434,977)	(64,706,992)	(67,072,189)
= Revenue Surplus or Deficit	2,583,410	(1,140,786)	(3,143,172)	(5,312,773)	(7,674,279)
Ending Balance	26,646,027	25,505,241	22,362,069	17,049,296	9,375,017
Revenue Surplus or Deficit w/o Levies	2,583,410	(1,140,786)	(3,143,172)	(5,312,773)	(7,674,279)
Ending Balance w/o Levies	26,646,027	25,505,241	22,362,069	17,049,296	9,375,017

Executive Summary:

While the district continues to maintain a positive cash balance through the forecast, the revenue shortfall (expenses exceeding revenue) grows from 2016's revenue surplus of \$2,583,410, to a revenue shortfall of \$7,674,279 in 2020. This 2020 level, and the trend toward it, are obviously unsustainable with current revenue sources and projections.

Revenue is projected to contract slightly during the forecast period because of substantial state funding reductions. The state funding reductions account for about \$2,340,000 of the \$7,674,279 projected 2020 shortfall. Cumulatively, the state funding reductions reduce the districts projected 2020 cash balance by \$8,632,000.

The district will continue to monitor its financial forecast and consider alternatives, including additional levy requests if warranted in the future.

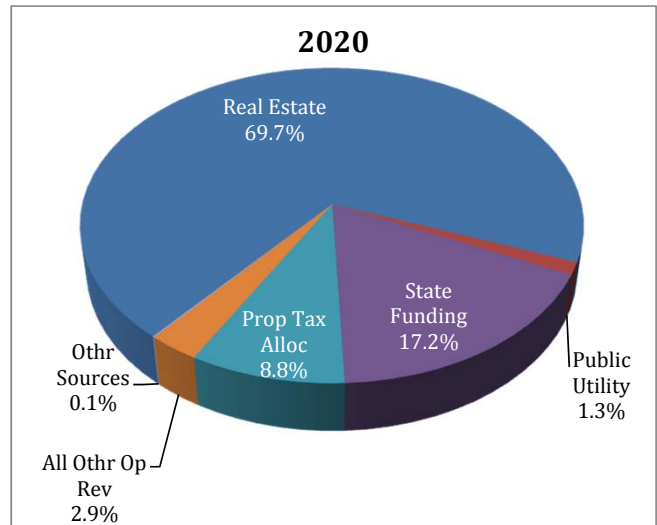
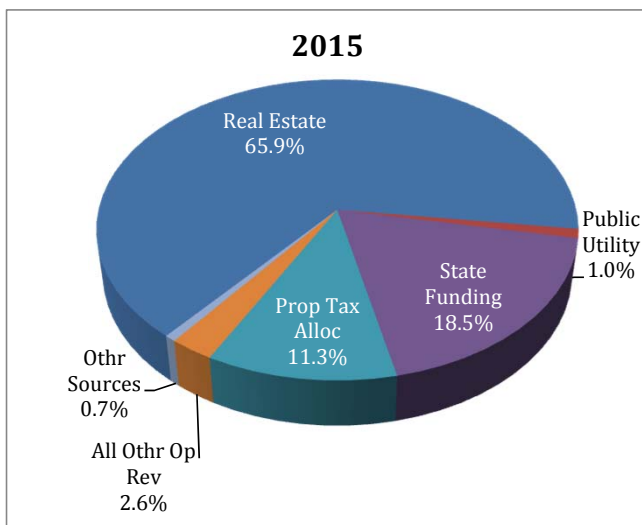
## Revenue Overview

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	
<b>Revenue:</b>							
1.010-Real Estate	2.81%	0.88%	0.10%	0.63%	0.62%	0.39%	0.52%
1.020-Public Utility	13.19%	8.94%	3.34%	3.00%	3.25%	3.50%	4.41%
1.030-Income Tax	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1.035-State Funding	-0.89%	12.77%	-10.08%	-2.09%	-2.15%	-2.18%	-0.75%
1.040-Restricted Aid	122.41%	-62.91%	0.00%	0.00%	0.00%	0.00%	-12.58%
1.045-Restr Federal SFSF	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1.050-Property Tax Alloc	-3.48%	-16.67%	-11.17%	0.75%	0.74%	0.48%	-5.17%
1.060-All Other Operating	11.73%	2.35%	2.78%	0.68%	0.69%	0.70%	1.44%
1.070-Total Revenue	1.27%	0.10%	-2.83%	0.18%	0.17%	0.01%	-0.48%
2.070-Total Other Sources	37.64%	-85.45%	0.00%	0.00%	0.00%	0.00%	-17.09%
2.080-Total Rev & Other Srcs	1.33%	-0.48%	-2.83%	0.18%	0.17%	0.01%	-0.59%

**Notes & Assumptions:**

For state revenue line (1.035, 1.040 and 1.050) items the district's state funding is projected to decline a total of \$2.8 million over the forecast period because of the state's elimination of tangible personal property (TPP) reimbursement on the property tax allocation note. In addition, the district is modeling a 2.0% annual reduction in guarantee formula payments for 2018 through 2020. More detail regarding state funding is provided on the unrestricted revenue note.

Because of state funding losses, and the modest real estate valuation growth that is offset by tax rate reductions in accordance with state law, the district's revenue is projected to contract slightly through the forecast period.



### 1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



**Notes & Assumptions:**

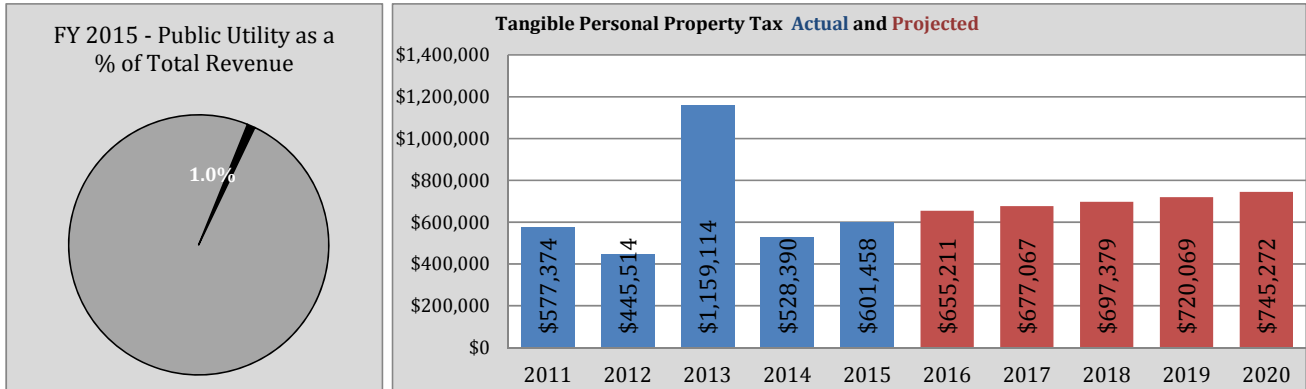
Real estate tax revenue comprises 65.9% of the district's revenue. Tax rates and property values are its key components. Revenue increased in 2011 because of a new 4.9 mill levy. There are no additional levies modeled at the present time as the need is analyzed each year. The district's residential effective tax rate (operating levies) was 47.24 mills in 2014, which is \$4.72 per \$1,000 of assessed property valuation. Residential valuation is assessed at 35% of appraised.

Property values totaled \$919,449,390 in 2014 for 2015 calendar year tax collections, and have increased \$38,612,350 since 2011 primarily because of the county's triennial update of values that occurred in 2014. The county will be performing a reappraisal in 2017 which is projected to contribute to further property valuation growth. The district's 2019 property values are projected to total \$983,870,812 in 2019, with growth of \$64,421,422 since 2014.

In addition to the calculation of taxes owed as a function of valuations and tax rates, the actual collection rate of taxes also impacts the district's revenue. With the inclusion of prior year delinquencies paid, the district received 100.45% of its 2015 residential taxes billed. The forecast includes a continued 100% collection rate of taxes.

### 1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.

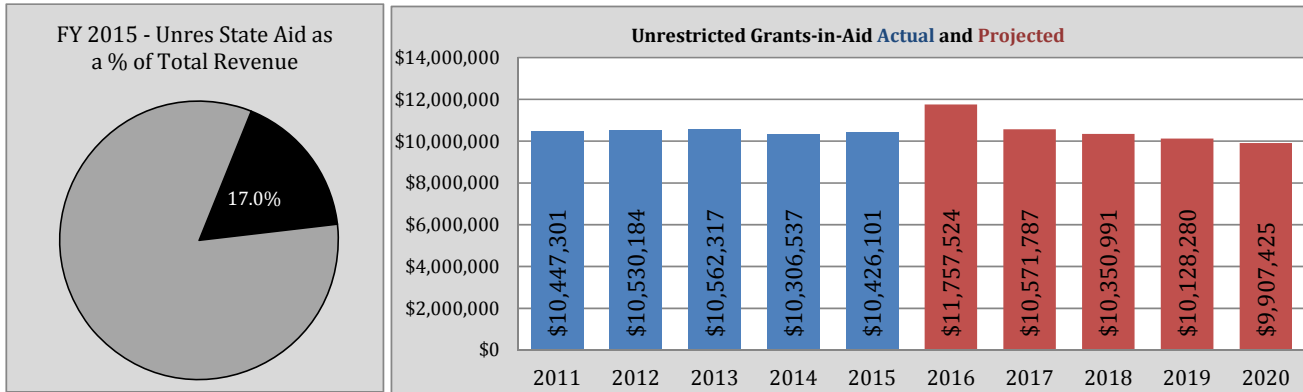


**Notes & Assumptions:**

Public utility property (gas lines, power grids, etc.) generates only 1.0% of the district's revenue. The valuation is taxed at the district's full voted tax rate which is 86.93 mills (\$8.63 per \$1,000 of assessed valuation). Valuations are projected to grow similar to the historical five-year trend.

### 1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



**Notes & Assumptions:**

The state's per pupil funding formula generates 17% of the district's revenue. It has remained fairly stable for the past five years because the district is on what is known as the "guarantee." In essence, the current formula calculation does not generate as much as the district's historical level and the result is a guaranteed level of funding of approximately \$10.4 million in 2015.

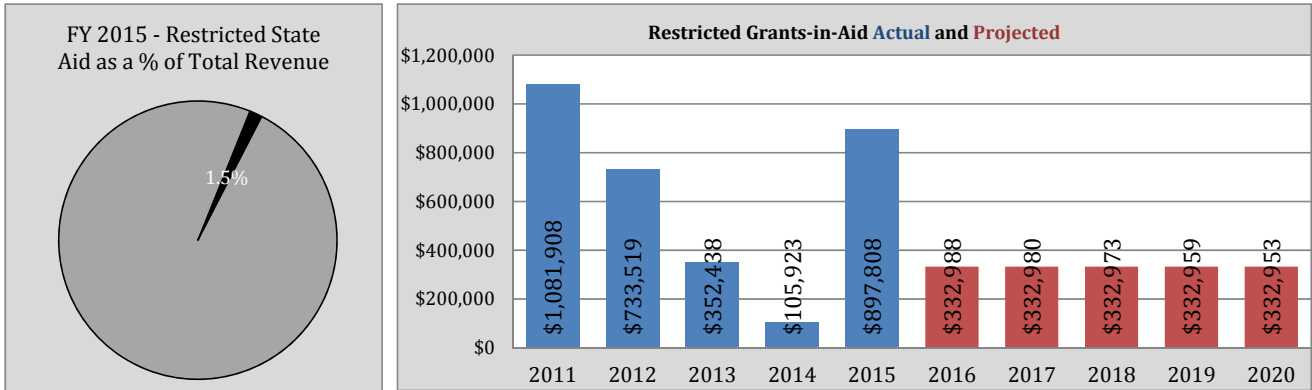
The district's revenue is projected to increase in 2016 because of a one year hold harmless payment for state reductions to the district's tangible personal property (TPP) reimbursement. This reimbursement is explained more fully on the Property Tax Allocation note. This one-time payment in 2016 is projected to be \$1,177,916. The payment is discontinued in 2017 and the district continues to lose the TPP reimbursement.

The district's per pupil valuation of \$205,043 is 147.38% of the state average per pupil valuation of \$139,128. It is this ratio that drives the district's per pupil funding which calculates a state share of 21.31%. Districts with lower per pupil valuation receive higher levels of state share of the \$5,900 formula amount per pupil. In 2016 the formula calculates about \$1,257 per pupil. The district's calculated formula funding is \$8,717,513 and the district is guaranteed \$10,703,327. It is this guarantee of approximately \$2.0 million that is subject to legislative reduction in future years. The forecast models a 2.0% reduction in each year for 2018 through 2020.

This line items also includes casino revenue which is estimated to be about \$50.50 per pupil.

### 1.040 & 1.045 - Restricted Grants-in-Aid

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



**Notes & Assumptions:**

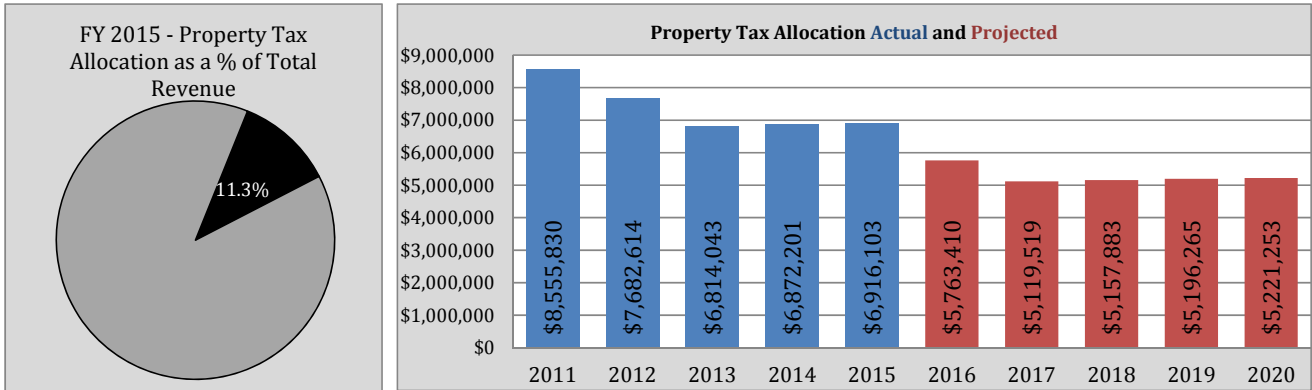
A portion of the district's per pupil formula funding must be classified as restricted. This is funding for economic disadvantaged (\$806), and career technical program reimbursement (\$32,183).

In addition, the district receives catastrophic special education funding that is classified as restricted. These revenue sources are projected to remain relatively unchanged through the forecast period. The district did receive two-years of catastrophic reimbursement in 2015, but going forward the forecast models a single year's reimbursement for 2016 through 2020.



### 1.050 - Property Tax Allocation

Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.



**Notes & Assumptions:**

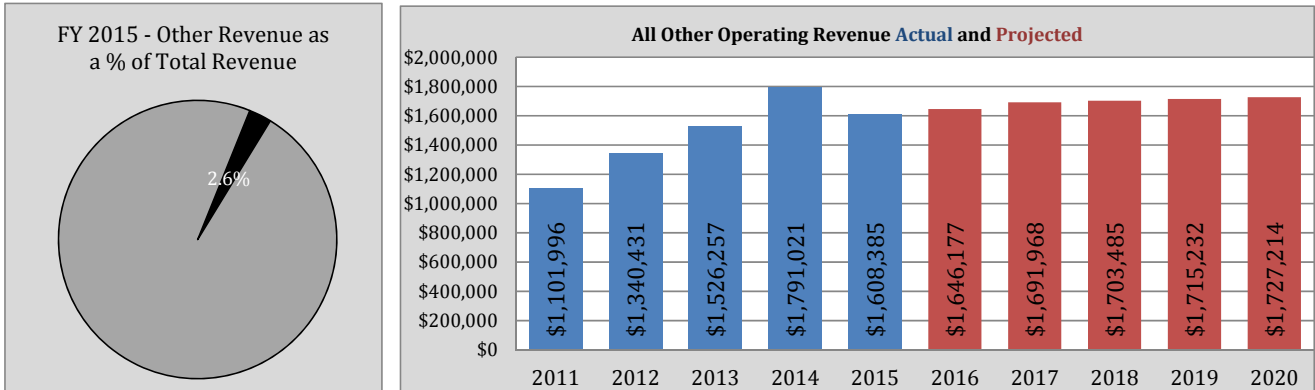
The state's reimbursement for local property taxes made up 11.3% of the district's revenue in 2015. The primary sources for this revenue are residential rollback (12.5% on owner/occupied) which was \$4,581,277 in 2015, and homestead which was \$513,410 in 2015.

In 2015, the district also received \$1,828,367 in tangible personal property (TPP) reimbursement for Ohio's 2005 tax reform which removed this local source of taxation and replaced it with a reimbursement. The reimbursement was \$4,085,069 in 2011, and has been reduced to its current level. The reductions are legislated to continue, and 2016's revenue is projected to be only \$650,451; a one time supplement is included in 2016's unrestricted funding as referenced on that note. There is no provision for a hold harmless supplement in 2017 when the district's TPP reimbursement is legislated to decline to \$0.

Since 2011 the district will have lost \$4,085,069 in state funding for tangible personal property reimbursement. In addition, the state legislated that future levies would not include the 12.5% owner/occupied tax credit, this will increase the local taxpayer cost of any future levies that are passed.

### 1.060 - All Other Operating Revenues

Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



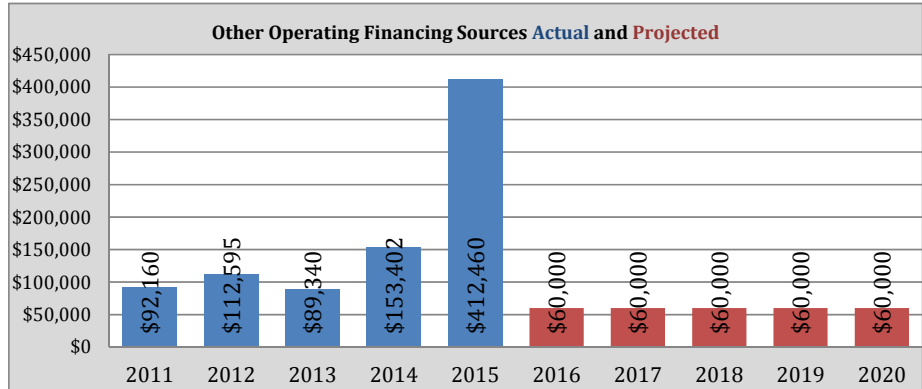
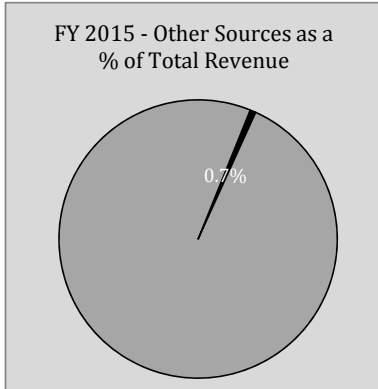
Notes & Assumptions:

Other revenue is 2.6% of the district's total operating revenue. The largest component of this revenue source is for kindergarten tuition payments received in the amount of \$530,250. The second largest component of the category is tax incentive financing (TIF) revenue for payments made in lieu of taxes. The amount in 2015 was \$484,788. Both of these categories are modeled to remain at consistent levels through the forecast ending in 2020.

Extracurricular fees of \$292,380 and classroom fees of \$114,462 complete the bulk of other revenue, and are also projected to remain consistent through the forecast.

## 2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.



Notes & Assumptions:

Other sources include the repayment of advances and transfers, as well as a refund of county auditor/treasurer fees which occurred in 2015. This revenue, even with 2015's one time refund, was just 0.7% of total revenue.

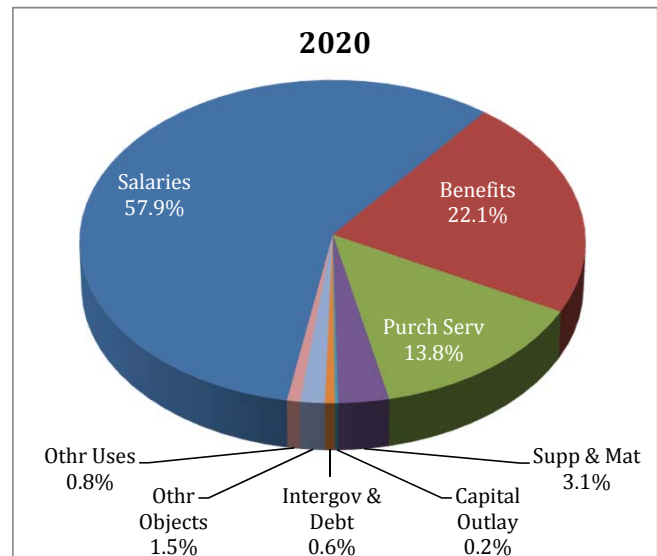
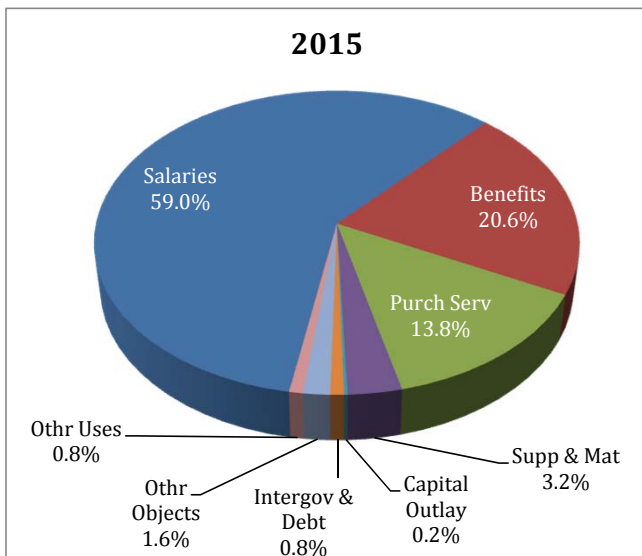
## Expenditures Overview

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	
<b>Revenue:</b>							
3.010-Salaries	-2.04%	3.63%	2.81%	2.91%	3.03%	3.05%	3.09%
3.020-Benefits	-3.00%	2.57%	5.56%	5.67%	5.79%	5.85%	5.09%
3.030-Purchased Services	2.55%	3.84%	3.72%	3.50%	3.53%	3.59%	3.63%
3.040-Supplies & Materials	-0.43%	5.49%	2.86%	2.88%	2.91%	2.93%	3.42%
3.050-Capital Outlay	-8.82%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
3.060-Intergov	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.010-4.060-Debt	62.41%	-1.80%	-0.83%	-2.10%	2.57%	-1.38%	-0.71%
4.300-Other Objects	-1.45%	2.28%	2.11%	2.12%	2.12%	2.13%	2.15%
4.500-Total Expenditures	-1.79%	3.43%	3.46%	3.52%	3.67%	3.69%	3.56%
5.040-Total Other Uses	274.21%	23.70%	0.00%	0.00%	0.00%	0.00%	4.74%
5.050-Total Exp & Other Uses	-1.71%	3.59%	3.43%	3.49%	3.64%	3.66%	3.56%

**Notes & Assumptions:**

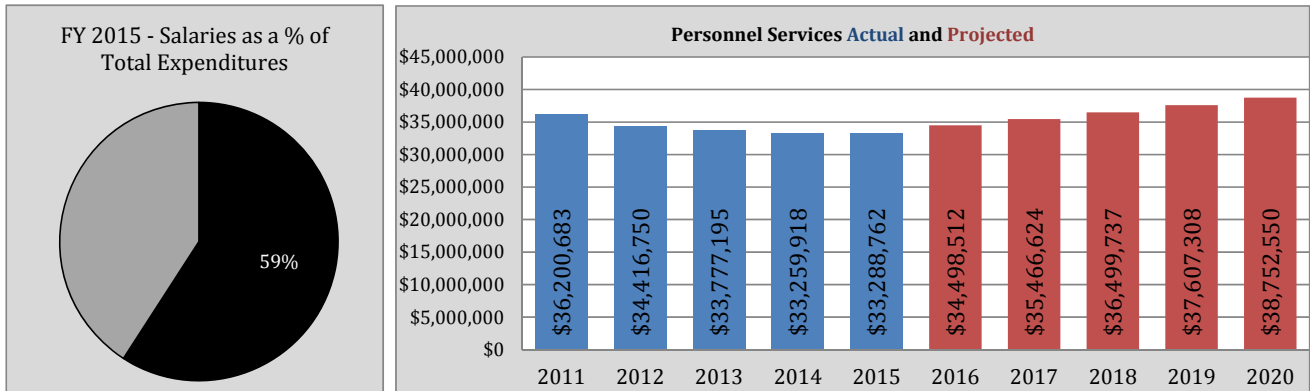
The district's operating expenses are projected to grow at an average annual rate of 3.56%. Other financing uses are projected to grow in 2016 because of transfers to fund a modest capital needs plan. These transfers amount to \$500,000 per year for the periods 2016 through 2020.

The district's historical average annual change for the five year period is -1.79% per year. During the previous five years the district's salary costs were reduced by \$3,650,000 from 2010's level of \$36.9 million, to 2015's level of \$33.3 million. In addition, fringe benefits were reduced \$2.0 million for the same time period.



### 3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



**Notes & Assumptions:**

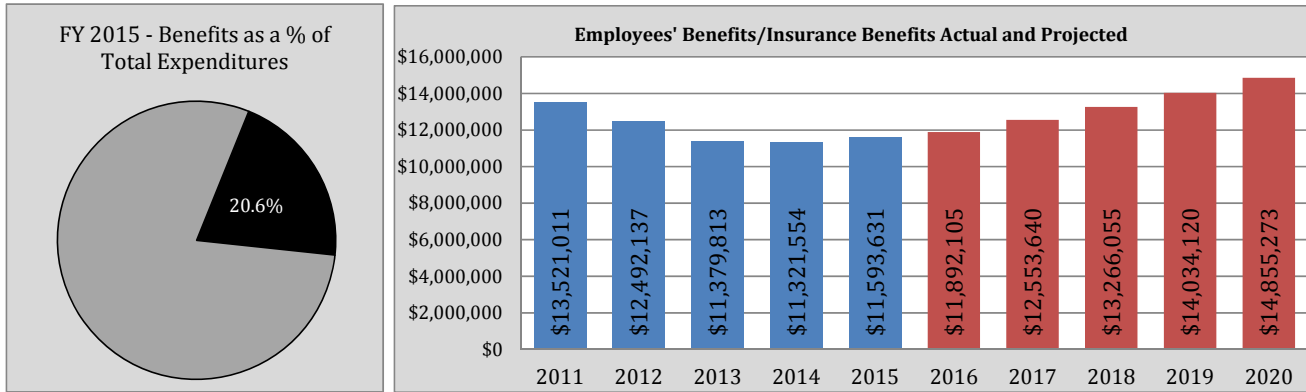
Salary costs are almost 60% of the budget and have been reduced at an average annual rate of 2.04% over the past five years. The costs are projected to increase annually at a rate of 3.09% over the forecast period.

The number of employees are projected to remain relatively consistent through the forecast with the exception of one teacher FTE reduction in 2017 and 2018 through attrition. The forecast does reflect the retirement of 10 employees per year with lower cost replacements. The salary savings average \$305,000 per year.

Certified employees comprise about 71% of total salaries, classified is 14.14%, and administrative is 6.10%. The average annual increase of 3.09% through 2020 is modeled to show the historical trend change in these salary categories.

### 3.020 - Employees' Benefits

Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.

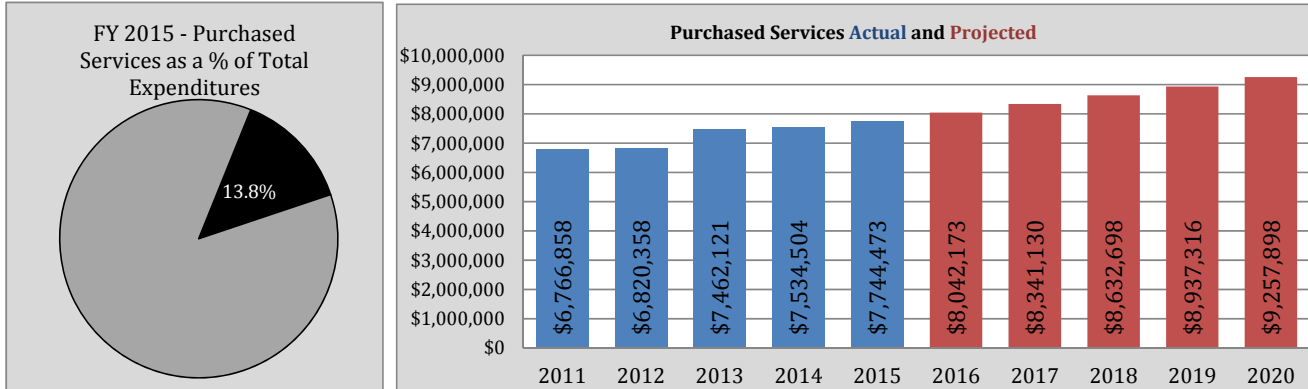


**Notes & Assumptions:**

A little over one-fifth of the district's operating budget is spent on fringe benefit. Health insurance is a little more than half of the total fringe benefit cost. Health insurance costs increased \$249,790 from 2014 to 2015. The health insurance costs are not projected to increase in FY 2016, and are modeled to increase 8.0% per year for the 2017 through 2020 period.

### 3.030 - Purchased Services

Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase.



**Notes & Assumptions:**

Purchased services are expenses for costs such as contracted transportation, utilities, tuition paid to other districts, etc. The cost is about 14% of the district's budget. In 2015 the district paid \$3,384,807 for transportation services which increased about \$400,000, or 13.7% over 2014. These costs are projected to grow 5.0% per year through the forecast.

The district paid \$1,144,380 in tuition to other entities in 2015, the growth through the forecast is projected to be about 2.0% per year.

Utilities and related services cost increased \$36,395 in 2015, and are projected to increase an average of approximately \$48,000 per year through 2020.

### 3.040 - Supplies & Materials

Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



**Notes & Assumptions:**

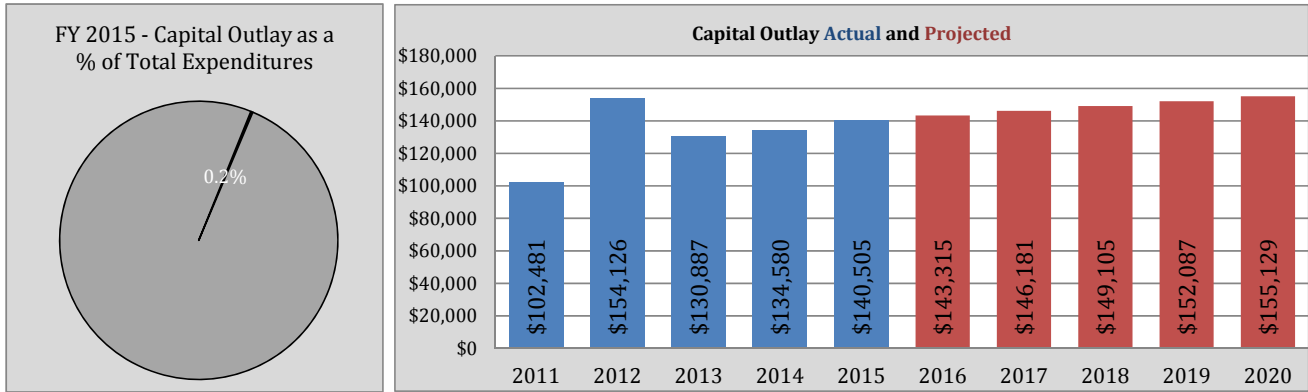
Supplies are just 3.2% of the budget. Instructional supplies totaled \$1,031,116 in 2015, and are projected to grow by \$70,973 to get published and electronic textbook material to the 2014 level. Annual growth for instructional supplies will average about 3.0% through 2020 as modeled.

Fuel costs totaled \$330,141 in 2015, which is a decrease of 17.6% over the previous year. These costs are projected to grow 5.0% per year through 2020. Maintenance and custodial supplies increased \$46,000, or 12.5%, to \$416,787 in 2015; these costs are projected to grow 2.5% through 2020.



### 3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.

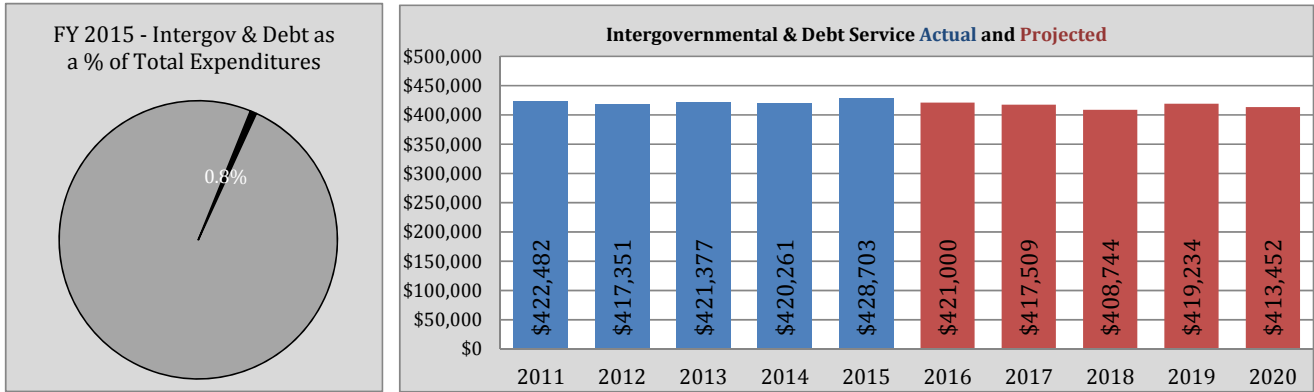


**Notes & Assumptions:**

Capital outlay is only 0.2% of the district's budget and is projected to remain consistent. The district is modeling transfers to fund capital projects through 2020. This capital transfer modeling is reflected on the other uses note.

### 3.060-4.060 - Intergovernmental & Debt

These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.

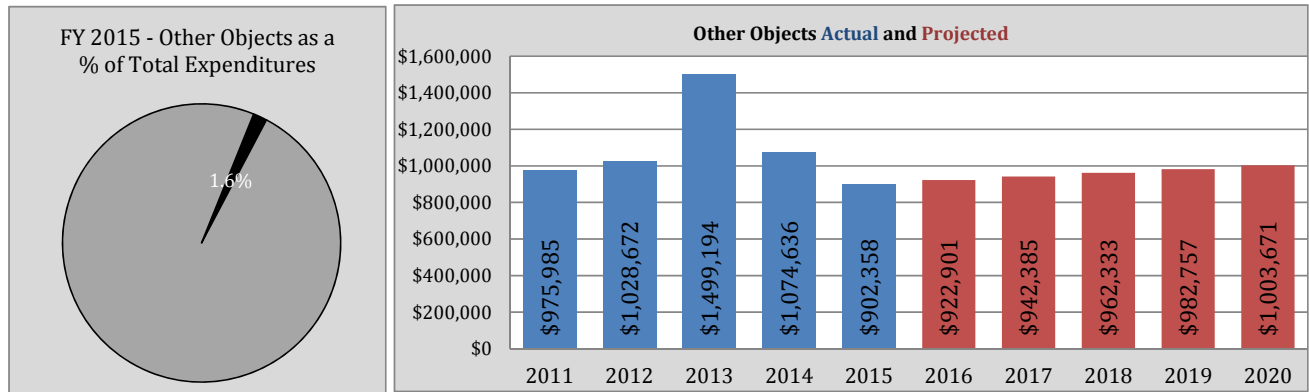


**Notes & Assumptions:**

The only debt payments from the general fund are for energy savings (HB 264) projects. The above reflects the amortization schedule for this debt.

### 4.300 - Other Objects

Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.

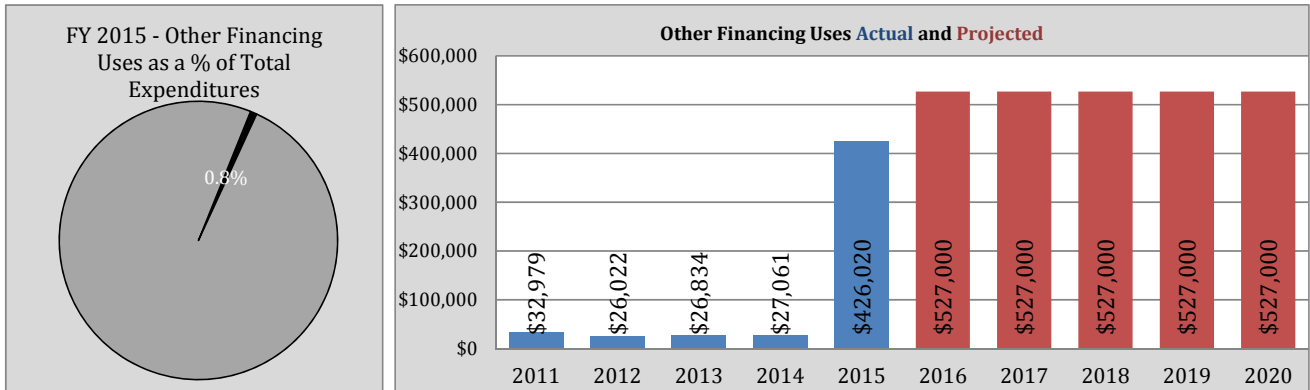


**Notes & Assumptions:**

The largest component of other operating expenditures is the payment of county auditor and treasurer fees which totaled \$765,976; this was a reduction of 17.2% over 2014. This 2015 level serves as the basis for 2016 and beyond with 2.0% annual growth.

### 5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



**Notes & Assumptions:**

Other uses includes items such as transfers and advances to other funds. The district is modeling annual transfers to fund district-wide capital needs. The transfer schedule was \$400,000 in 2015, and is modeled at \$500,000 per year in 2016 through 2020.

HUDSON CITY SCHOOL DISTRICT - - SUMMIT COUNTY

Fiscal Year:	Actual	FORECASTED				
	2015	2016	2017	2018	2019	2020
<b>Revenue:</b>						
1.010 - General Property Tax (Real Estate)	40,339,618	40,694,886	40,733,898	40,989,093	41,241,414	41,403,794
1.020 - Public Utility Personal Property	601,458	655,211	677,067	697,379	720,069	745,272
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	10,426,101	11,757,524	10,571,787	10,350,991	10,128,280	9,907,425
1.040 - Restricted Grants-in-Aid	897,808	332,988	332,980	332,973	332,959	332,953
1.045 - Restricted Federal Grants - SFSF	-	-	-	-	-	-
1.050 - Property Tax Allocation	6,916,103	5,763,410	5,119,519	5,157,883	5,196,265	5,221,253
1.060 - All Other Operating Revenues	1,608,385	1,646,177	1,691,968	1,703,485	1,715,232	1,727,214
<b>1.070 - Total Revenue</b>	<b>60,789,473</b>	<b>60,850,198</b>	<b>59,127,219</b>	<b>59,231,804</b>	<b>59,334,219</b>	<b>59,337,910</b>
<b>Other Financing Sources:</b>						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	-	-	-	-	-	-
2.060 - All Other Financing Sources	412,460	60,000	60,000	60,000	60,000	60,000
2.070 - Total Other Financing Sources	412,460	60,000	60,000	60,000	60,000	60,000
<b>2.080 - Total Rev &amp; Other Sources</b>	<b>61,201,933</b>	<b>60,910,198</b>	<b>59,187,219</b>	<b>59,291,804</b>	<b>59,394,219</b>	<b>59,397,910</b>
<b>Expenditures:</b>						
3.010 - Personnel Services	33,288,762	34,498,512	35,466,624	36,499,737	37,607,308	38,752,550
3.020 - Employee Benefits	11,593,631	11,892,105	12,553,640	13,266,055	14,034,120	14,855,273
3.030 - Purchased Services	7,744,473	8,042,173	8,341,130	8,632,698	8,937,316	9,257,898
3.040 - Supplies and Materials	1,781,883	1,879,783	1,933,536	1,989,304	2,047,170	2,107,216
3.050 - Capital Outlay	140,505	143,315	146,181	149,105	152,087	155,129
3.060 - Intergovernmental	-	-	-	-	-	-
<b>Debt Service:</b>						
4.010 - Principal-All Years	-	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	345,000	345,000	350,000	350,000	370,000	375,000
4.055 - Principal - Other	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	83,703	76,000	67,509	58,744	49,234	38,452
4.300 - Other Objects	902,358	922,901	942,385	962,333	982,757	1,003,671
<b>4.500 - Total Expenditures</b>	<b>55,880,315</b>	<b>57,799,788</b>	<b>59,801,005</b>	<b>61,907,977</b>	<b>64,179,992</b>	<b>66,545,189</b>
<b>Other Financing Uses</b>						
5.010 - Operating Transfers-Out	426,000	526,000	526,000	526,000	526,000	526,000
5.020 - Advances-Out	-	-	-	-	-	-
5.030 - All Other Financing Uses	20	1,000	1,000	1,000	1,000	1,000
5.040 - Total Other Financing Uses	426,020	527,000	527,000	527,000	527,000	527,000
<b>5.050 - Total Exp and Other Financing Uses</b>	<b>56,306,335</b>	<b>58,326,788</b>	<b>60,328,005</b>	<b>62,434,977</b>	<b>64,706,992</b>	<b>67,072,189</b>
<b>6.010 - Excess of Rev Over/(Under) Exp</b>	<b>4,895,598</b>	<b>2,583,410</b>	<b>(1,140,786)</b>	<b>(3,143,172)</b>	<b>(5,312,773)</b>	<b>(7,674,279)</b>
7.010 - Cash Balance July 1 (No Levies)	19,167,020	24,062,618	26,646,027	25,505,241	22,362,069	17,049,296
7.020 - Cash Balance June 30 (No Levies)	24,062,618	26,646,027	25,505,241	22,362,069	17,049,296	9,375,017
8.010 - Estimated Encumbrances June 30	1,201,357	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
<b>10.010 - Fund Bal June 30 for Cert of App</b>	<b>22,861,261</b>	<b>25,646,027</b>	<b>24,505,241</b>	<b>21,362,069</b>	<b>16,049,296</b>	<b>8,375,017</b>
<b>Rev from Replacement/Renewal Levies</b>						
11.010 & 11.020 - Income & Property Tax-Renewal	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
<b>12.010 - Fund Bal June 30 for Cert of Obligations</b>	<b>22,861,261</b>	<b>25,646,027</b>	<b>24,505,241</b>	<b>21,362,069</b>	<b>16,049,296</b>	<b>8,375,017</b>
<b>Revenue from New Levies</b>						
13.010 & 13.020 - Income & Property Tax-New	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
<b>15.010 - Unreserved Fund Balance June 30</b>	<b>22,861,261</b>	<b>25,646,027</b>	<b>24,505,241</b>	<b>21,362,069</b>	<b>16,049,296</b>	<b>8,375,017</b>

