



HUDSON CITY SCHOOL DISTRICT - -
SUMMIT COUNTY

Five Year Forecast Financial Report

October, 2017

Kathryn Sines, CFO

Table of Contents

	<u>PAGE #</u>
Table of Contents	2
Executive Summary	3
Revenue Overview	4
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
Expenditures Overview	12
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
Five Year Forecast	21

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

Five Year Forecast - Simplified Statement

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Beginning Balance	31,956,651	32,022,881	29,712,647	25,098,834	17,956,486
+ Revenue	61,348,158	61,238,829	61,363,171	61,409,829	61,279,258
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(61,281,929)	(63,549,063)	(65,976,984)	(68,552,178)	(71,242,714)
= Revenue Surplus or Deficit	66,230	(2,310,234)	(4,613,813)	(7,142,348)	(9,963,456)
Ending Balance	32,022,881	29,712,647	25,098,834	17,956,486	7,993,030

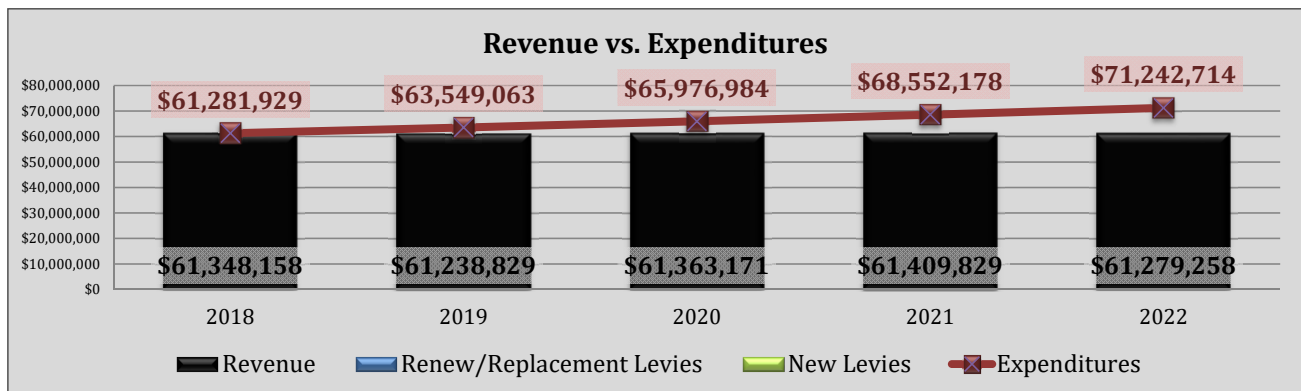
Summary:

The district's projections reveal a stable operating environment through FY 2022 with a projected ending cash balance of \$7,993,030. The district's forecast continues to reflect a trend toward operating revenue shortfall.

District revenue is not projected to grow through FY 2022 because the largest source of revenue, real estate taxes, has limited ability to grow without additional levies. While the district's property values are projected to increase the revenue growth is much less due to the reduction in tax rates in response to property value inflation.

State revenue to the district is projected to continue declining through FY 2022. The largest decline in state revenue to-date has been for reimbursement for lost tangible personal property value. The district's state per pupil funding is not growing because the district is a guaranteed district (see page 7).

The combination of stagnant revenue and inflationary cost increases serve as the basis for the district's trend toward revenue shortfall. The cash reserves on hand enable the district to remain stable as it considers options to balance revenue and expenditures.

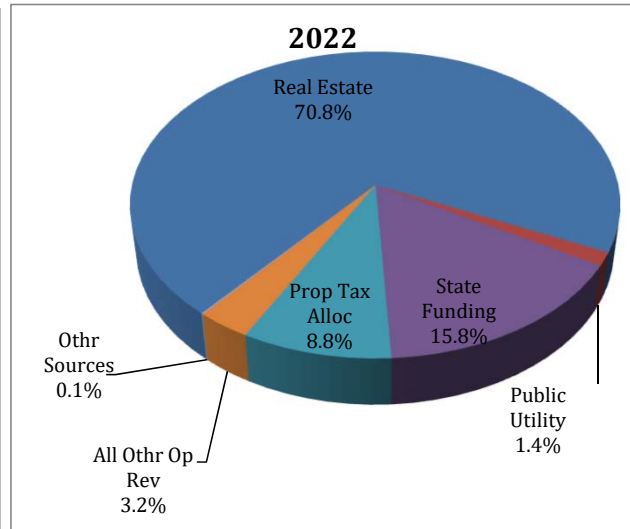
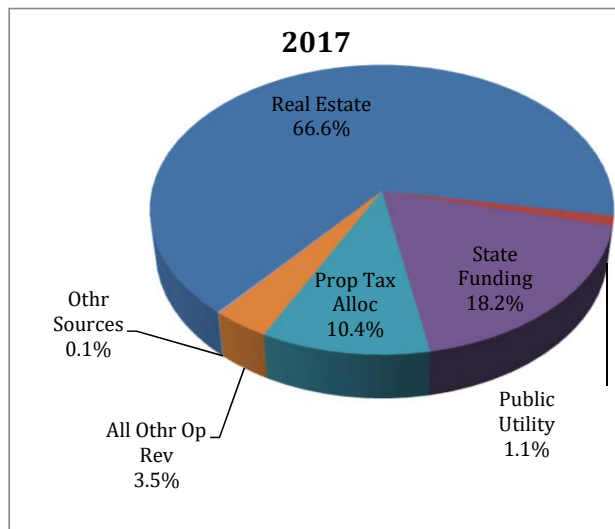


Revenue Overview

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	
		2018	2019	2020	2021	2022	
Revenue:							
1.010-Real Estate	1.77%	3.12%	0.49%	0.69%	0.94%	0.94%	1.23%
1.020-Public Utility	26.52%	9.25%	2.87%	3.10%	3.11%	3.35%	4.34%
1.030-Income Tax	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.035-State Funding	0.10%	-0.47%	0.37%	-2.07%	-4.09%	-6.07%	-2.47%
1.040-Restricted Aid	120.73%	-45.84%	1.92%	0.00%	0.00%	0.00%	-8.78%
1.045-Restr Federal SF SF	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.050-Property Tax Alloc	-3.48%	-15.22%	-3.82%	0.73%	1.05%	1.06%	-3.24%
1.060-All Other Operating	10.47%	-6.14%	-2.25%	-0.51%	-0.50%	-0.74%	-2.03%
1.070-Total Revenue	1.05%	-0.16%	0.03%	0.20%	0.08%	-0.21%	-0.01%
2.070-Total Other Sources	37.54%	190.56%	-68.19%	0.00%	0.00%	0.00%	24.47%
2.080-Total Rev & Other Srcs	1.03%	0.05%	-0.18%	0.20%	0.08%	-0.21%	-0.01%

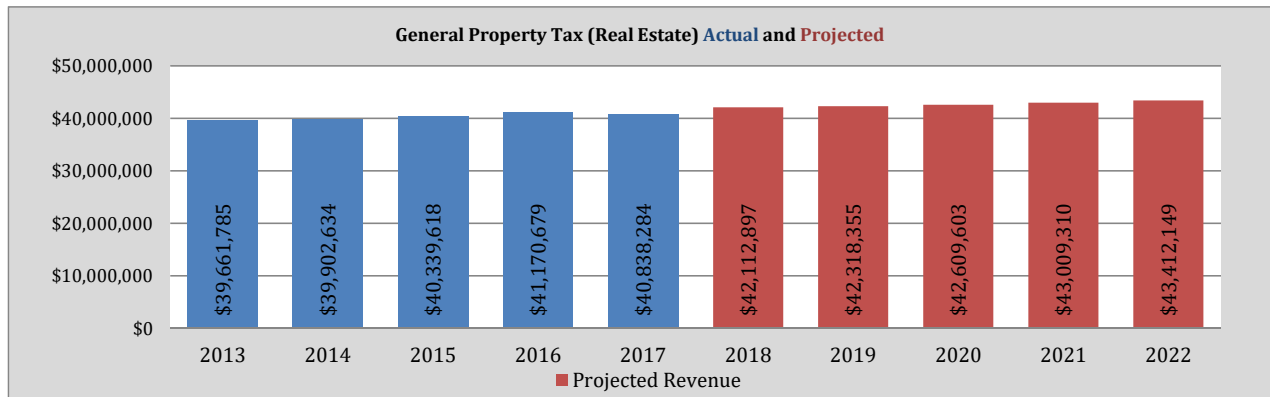
The district's largest revenue source, real estate, is expected to grow at an average annual rate of just 1.23%. While property values are increasing with inflationary pressure the district's real estate revenue does not increase because tax rates are reduced (HB 920). For example, the 2017 tax rate for 2018 collections is projected to decrease 3.8 mills in response to modeled property value inflation. The table below reflects the district's valuation change and the change in tax rate throughout the forecast period.

Tax Year	Real Property Valuation	Year-Over-Year Change	Res./Agr. Tax Rate	Year-Over-Year Change	Business Tax Rate	Year-Over-Year Change
2014	919,449,390	28,518,050	47.24	(1.06)	64.71	(0.60)
2015	928,703,860	9,254,470	47.10	(0.13)	64.32	(0.39)
2016	948,759,150	20,055,290	46.97	(0.14)	63.68	(0.64)
2017	1,037,544,560	88,785,410	43.17	(3.80)	62.58	(1.10)
2018	1,042,647,196	5,102,636	43.23	0.06	62.77	0.19
2019	1,048,309,684	5,662,488	43.29	0.06	62.94	0.16
2020	1,112,268,988	63,959,304	41.18	(2.11)	61.33	(1.60)
2021	1,118,647,406	6,378,418	41.24	0.06	61.47	0.13



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).



Real estate tax revenue comprises 66.6% of the district's revenue. Tax rates and property values are its key components. The district's last new levy was for 4.9 mills and began generating revenue in FY 2012. No new levies are modeled in this forecast. The district's residential effective tax rate (operating levies) was 46.96 mills in 2016 for collection in 2017. Real estate is assessed at 35% of appraised value.

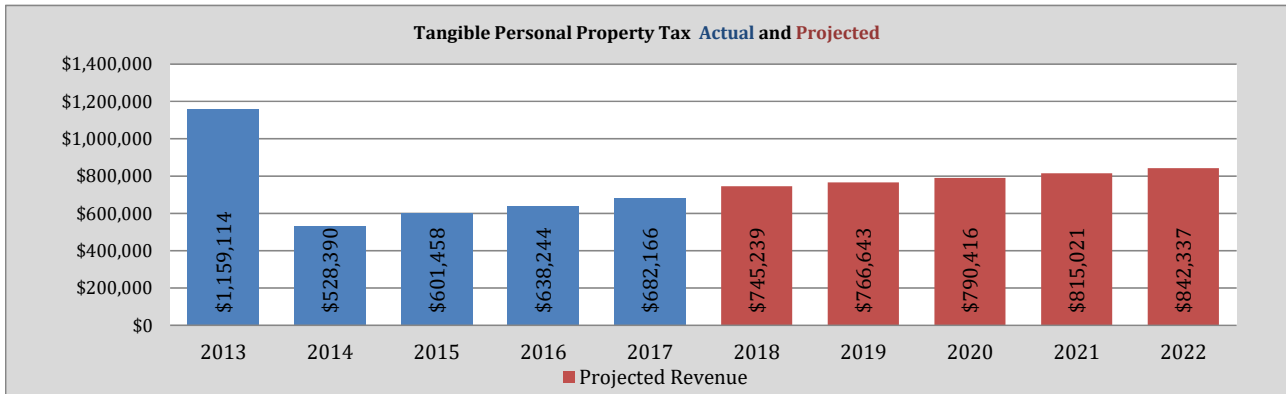
Values increased by \$21,278,000 to \$957,220,278 in 2016 with most of this growth in the form of new construction. The county's reappraisal is in 2017 which is projected to grow values by 10.0%. In response the effective tax rate will decline to 43.17 mills. The district's residential and business real estate 2017 property values are projected to exceed \$1.0 billion and total \$1,046,229,255.

The calculation of taxes owed is also a function of the actual collection rate of taxes. The 2017 collections including prior year delinquencies paid were 99.7% of current taxes billed. A 100.0% gross (current + delinquent) collection rate of taxes is forecasted through FY 2022.

Total Valuation by Class						
Tax Year	Agricultural	Residential	Class II	Personal Prop	Total	YOY \$ Change
2009	8,809,840	804,923,750	129,236,980	7,792,630	950,763,200	(14,772,510)
2010	8,910,350	808,360,180	132,503,270	6,525,640	956,299,440	5,536,240
2011	8,777,640	755,268,210	116,791,190	4,697,110	885,534,150	(70,765,290)
2012	8,833,730	756,410,830	120,400,690	5,718,170	891,363,420	5,829,270
2013	9,033,200	763,395,040	118,503,100	6,390,820	897,322,160	5,958,740
2014	9,281,810	787,621,550	122,546,030	7,450,040	926,899,430	29,577,270
2015	9,112,270	795,286,360	124,305,230	7,238,320	935,942,180	9,042,750
2016	9,134,670	807,712,760	131,911,720	8,461,030	957,220,180	21,278,000
2017	8,930,459	893,712,760	134,901,341	8,684,694	1,046,229,255	89,009,075
2018	8,755,459	898,932,762	134,958,975	8,953,464	1,051,600,660	5,371,405
2019	8,580,459	904,648,283	135,080,942	9,231,640	1,057,541,325	5,940,665
2020	9,190,645	963,707,249	139,371,094	9,519,553	1,121,788,541	64,247,217
2021	9,015,645	970,084,492	139,547,270	9,860,113	1,128,507,519	6,718,978

1.020 - Public Utility Personal Property

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

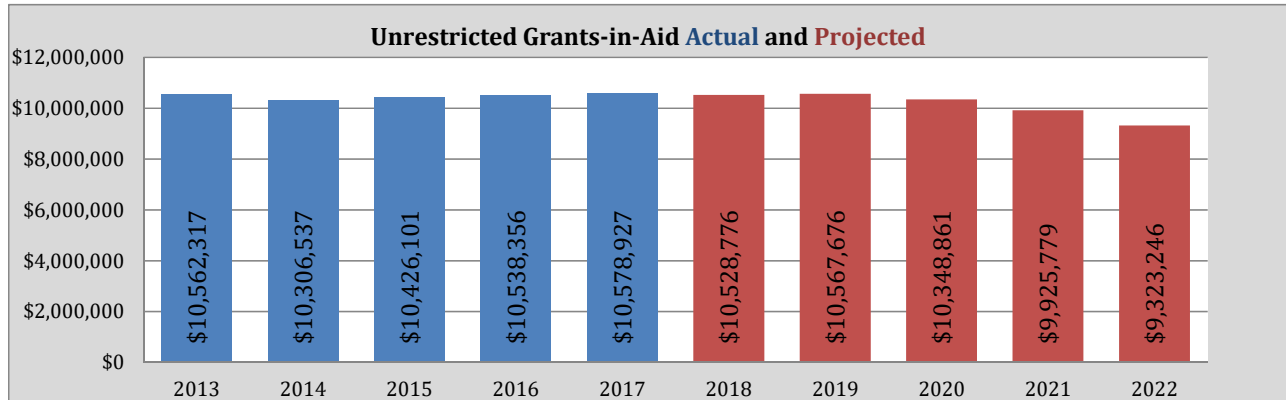


Public utility property (gas lines, power grids, etc.) generates only 1.1% of the district's revenue. The valuation is taxed at the district's full voted tax rate which is 86.93 mills (\$8.63 per \$1,000 of assessed valuation). Valuations are projected to grow similar to the historical five-year trend.

In November 2012 (Fiscal Year 2013) the district received a one-time personal tangible settlement payment of \$697,083.

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



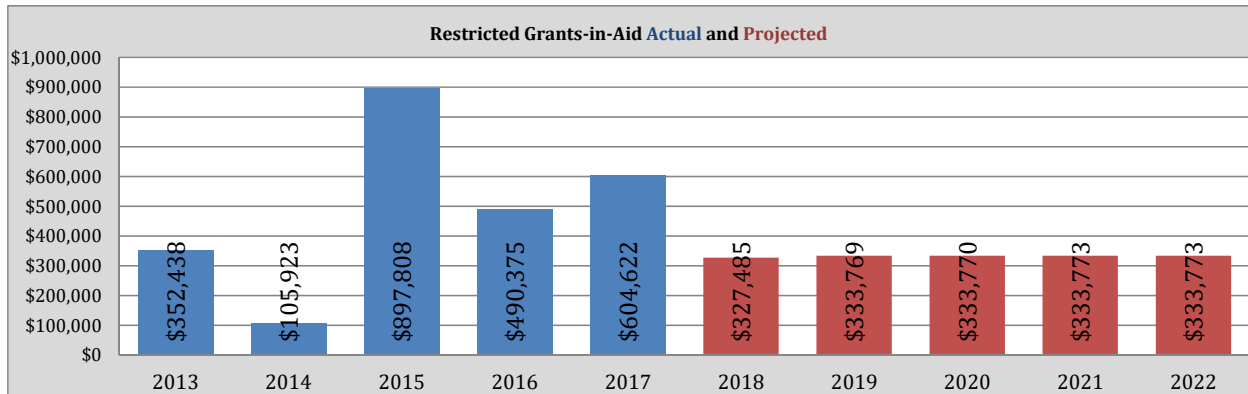
The state's per pupil funding formula generates 17.3% of the district's revenue. It has remained fairly stable for the past five years because the district is on what is known as the "guarantee." In essence, the current formula calculation does not generate as much as the district's historical level and the result is a guaranteed level of funding of approximately \$10.7 million in 2017

The district's FY 2018 per pupil funding valuation of \$207,418 is 143% of the state average per pupil valuation and is up almost \$6,000 per pupil from the FY 2016 level of \$201,450 per pupil. It is this wealth ratio that drives the district's per pupil funding which calculates a state share of 23.65%, or \$1,421 of the state's \$6,010 per pupil in funding. Hudson's median taxpayer income is more than twice the statewide median of \$32,873. This local wealth per pupil and local taxpayer capacity generate a much lower state share percentage than that calculated for lower income school districts. Districts with lower per pupil valuation receive higher levels of state share of the \$6,010 formula amount per pupil. In recent years the state of Ohio has continued to present change to the guarantee calculation. Because of these past attempts the forecast models a 2.0% funding reduction in each year for 2020 through 2022.

This line item also includes casino revenue which is estimated to be about \$49.50 per student in FY 2018 the amount in FY 2017 was \$49.79 per student and \$50.68 per student in FY 2016.

1.040 & 1.045 - Restricted Grants-in-Aid

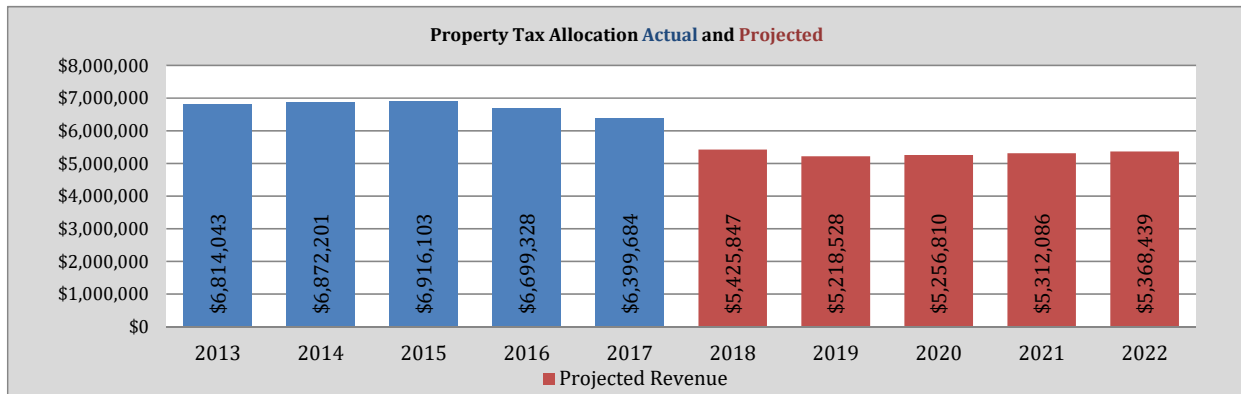
Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



Career tech funding is posted in this line item along with catastrophic special education cost reimbursement. In 2014 the district did not receive the reimbursement but received it twice in 2015. The district averages about \$300,000 per year in catastrophic special education cost reimbursement, the trend is projected to continue.

1.050 - Property Tax Allocation

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



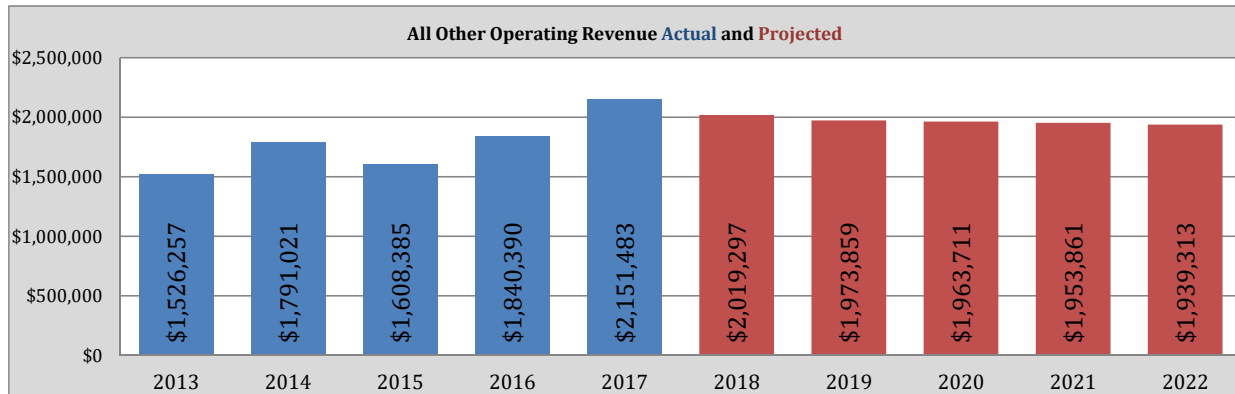
The state's reimbursement for local property taxes made up 10.4% of the district's revenue in 2017. The primary sources for this revenue are residential rollback (12.5% on owner/occupied) which was \$4.85 million in 2017, and homestead which was \$452,008 in 2017.

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 a final payment of \$265,650 in FY 2018. There is no TPP reimbursement in FY 2019 and beyond which explains the decrease reflected in the bar chart.

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.

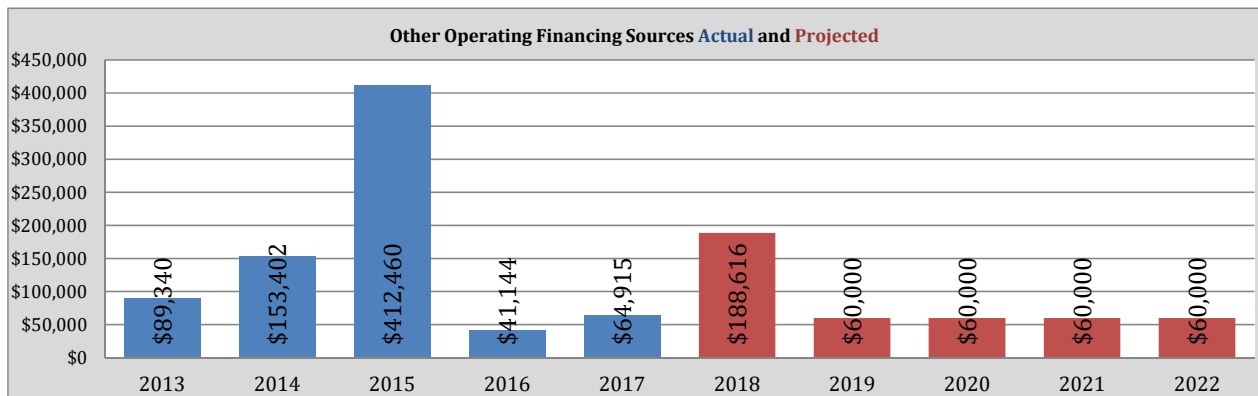


All other revenue is 3.5% of the district's total operating revenue and is comprised of tuition payments, extracurricular and classroom fees, interest income, etc. Kindergarten tuition is the largest single tuition source of revenue.

Revenue increased in 2016 and 2017 because of an increase in interest income and also tuition revenue. The 2017 revenue serves as the basis for 2018 with declining interest income projected as the district's cash balance declines.

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.

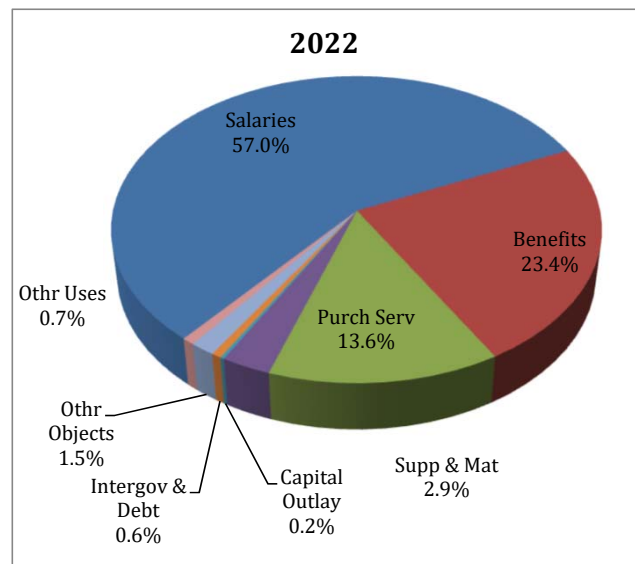
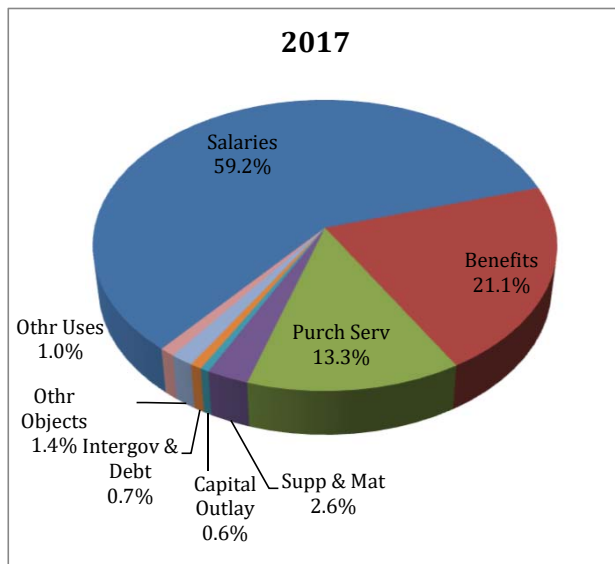


Other sources are non-operating and are usually refunds received, or reduction adjustments made to prior year expenditures. Fiscal Year 2018 includes a Bureau of Workers' Compensation refund of \$136,530. The district also received BWC refunds in FY 2014 of \$104,000 and FY 2015 in the amount of \$107,000. The refunds can happen periodically but are not guaranteed. Also, the district received a one-time reimbursement of county auditor and treasurer fees in FY 2015.

Expenditures Overview

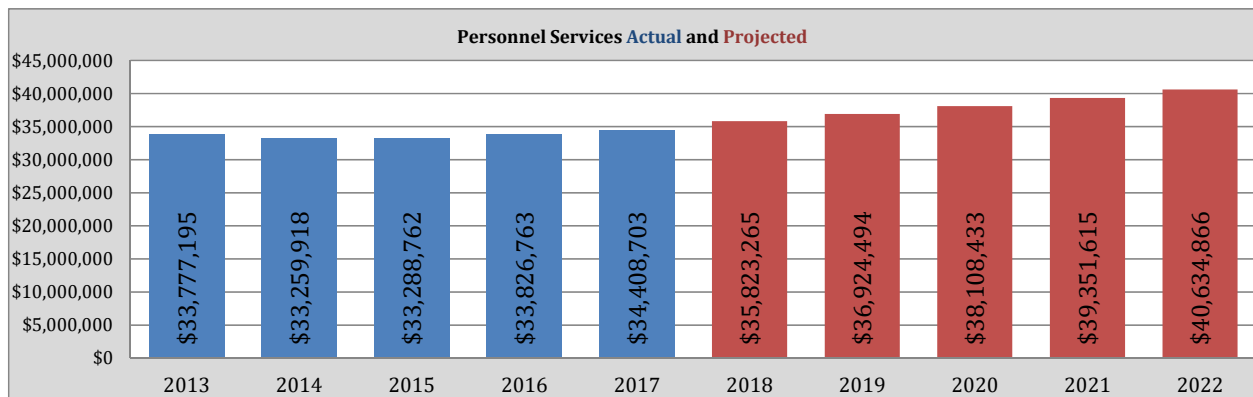
	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	
		2018	2019	2020	2021	2022	
Expenditures:							
3.010-Salaries	0.01%	4.11%	3.07%	3.21%	3.26%	3.26%	3.38%
3.020-Benefits	-0.24%	7.22%	5.83%	6.07%	6.14%	6.18%	6.29%
3.030-Purchased Services	2.66%	7.86%	3.80%	3.83%	3.85%	3.88%	4.65%
3.040-Supplies & Materials	-2.13%	23.94%	2.49%	2.51%	2.52%	2.54%	6.80%
3.050-Capital Outlay	34.80%	-53.34%	2.00%	2.00%	2.00%	2.00%	-9.07%
3.060-Intergov	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.010-4.060-Debt	0.02%	-2.10%	2.57%	-1.38%	0.81%	-0.50%	-0.12%
4.300-Other Objects	-1.28%	15.47%	2.12%	2.13%	2.13%	2.14%	4.80%
4.500-Total Expenditures	0.18%	5.61%	3.73%	3.85%	3.93%	3.96%	4.22%
5.040-Total Other Uses	302.00%	-6.09%	0.00%	0.00%	0.00%	0.00%	-1.22%
5.050-Total Exp & Other Uses	0.37%	5.49%	3.70%	3.82%	3.90%	3.92%	4.17%

The cost of providing services to students is expected to grow at an average annual rate of 4.22% through FY 2022. Salaries and benefit comprise about 80% of the district's overall budget. The cost of health insurance for employees is projected to grow at an average annual rate of 8.0% per year. Combined with salary driven benefit cost (retirement) the benefits category is projected to grow 6.29% annually on average through FY 2022.



3.010 - Personnel Services

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



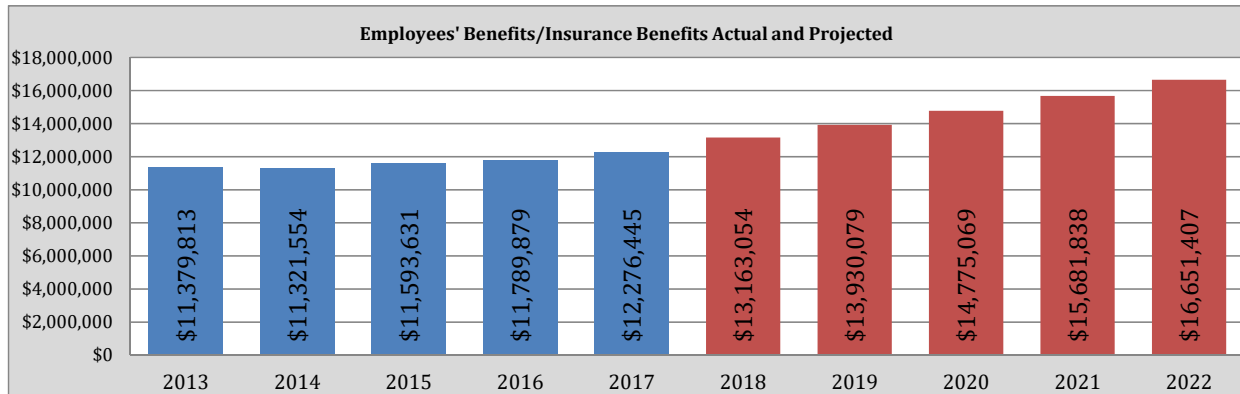
Salary costs are 59.2% of the budget and have been contained to just 0.01% average annual growth over the past five years. The costs are projected to increase annually at a rate of 3.38% over the forecast period.

The number of projected employees is projected to remain fairly constant through the forecast. The forecast does reflect the retirement of 10 teachers per year with lower cost replacements. The salary savings average \$356,000 per year. The projections also include an additional 1.0 certified teacher FTE in FY 2020, 2021, and 2022.

Certified employees comprise about 71% of total salaries, classified is 14.14%, and administrative is about 6.10% of total salary cost.

3.020 - Employees' Benefits

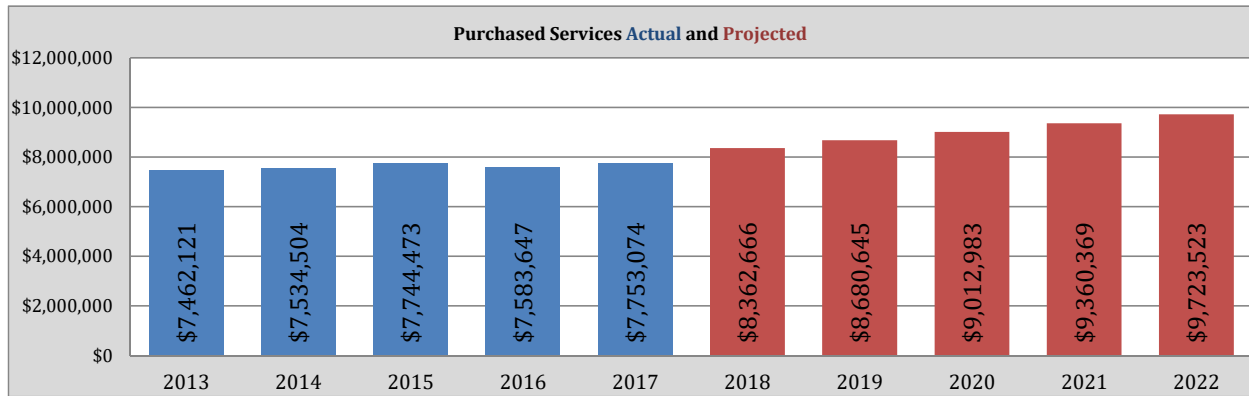
Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



A little over one-fifth of the district's operating budget is spent on fringe benefit. Health insurance is about half of the total fringe benefit cost. Health insurance costs are projected to increase 8% annually during the forecast period. Additional cost is reflected for a 1.0 FTE certified teacher in FY 2020, 2021, and 2022.

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.

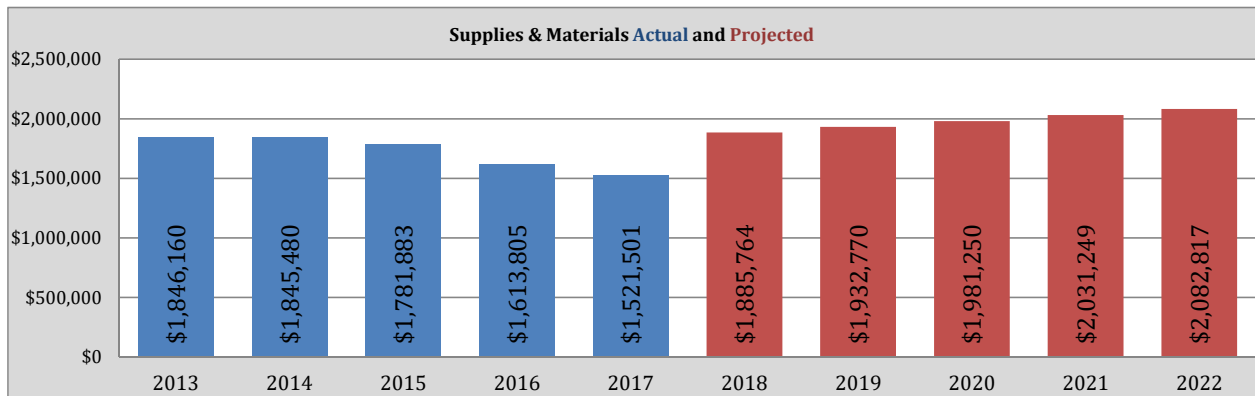


Purchased services comprise 13.3% of the district's budget and cover services such as student tuition, utilities, transportation, and professional services. Transportation cost is the single largest component of the purchased services category and totaled \$3,456,888 in FY 2017.

Utilities totaled \$906,083 in FY 2017 with electricity more than half of the total utility expense. Electricity cost totaled \$548,224 in FY 2017. Growth is modeled to reflect the more volatile nature of the cost of utilities.

3.040 - Supplies & Materials

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

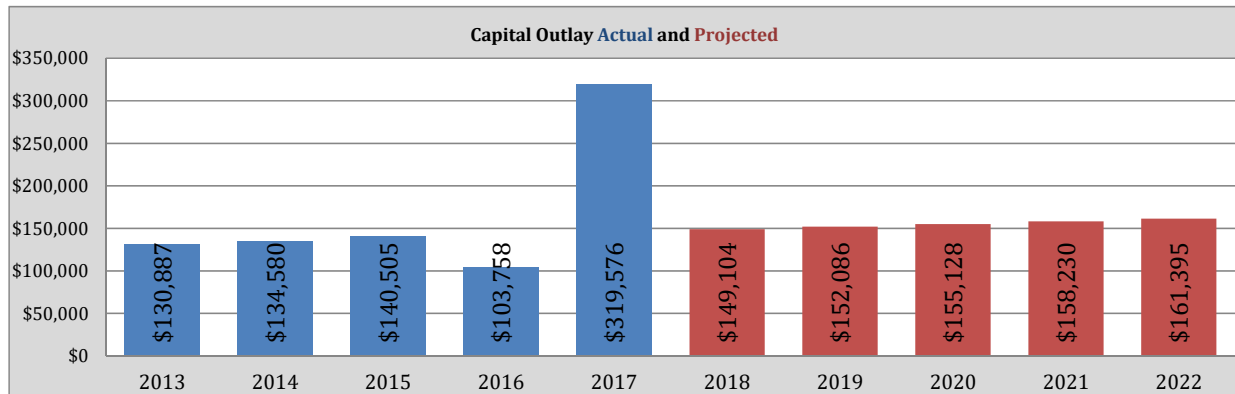


Supplies are 2.6% of the budget. Instructional supplies totaled \$979,095 in 2016, and \$888,285 in FY 2017. Most of the decline in FY 2017 was in the textbook category. Textbook purchases are projected to increase in FY 2018 and continue at an average annual rate of \$350,000.

Fuel costs dropped by \$100,000 in FY 2016, which is a decrease of 31.2% over the previous year. These costs are projected to grow to \$275,000 in FY 2018 and then grow by 3.0% per year through FY 2022.

3.050 - Capital Outlay

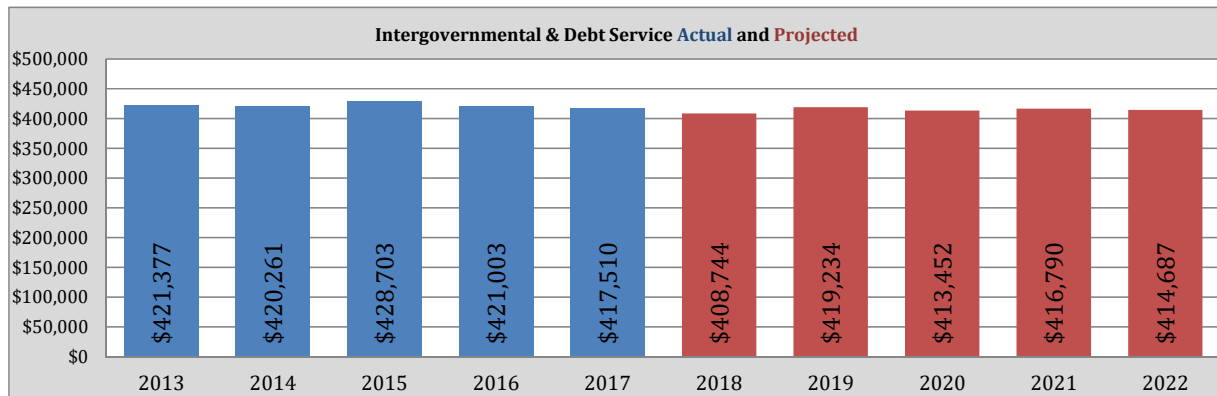
This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



Capital outlay is just 0.6% of the district's general fund budget. In FY 2017 there was an increased investment in technology. Projected cost in FY 2018 is returned to the pre-FY 2017 level and is projected to remain consistent through FY 2022.

3.060-4.060 - Intergovernmental & Debt

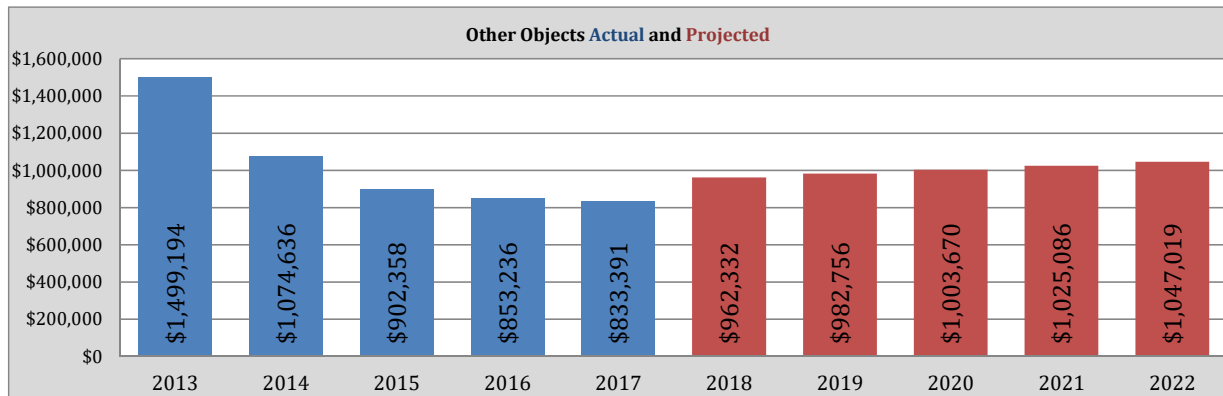
These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



The district has two HB 264 energy conservation loans. One issue originated in 2007 and will be fully paid in FY 2022. The other issue originated in 2009 and will also be fully paid in FY 2025.

4.300 - Other Objects

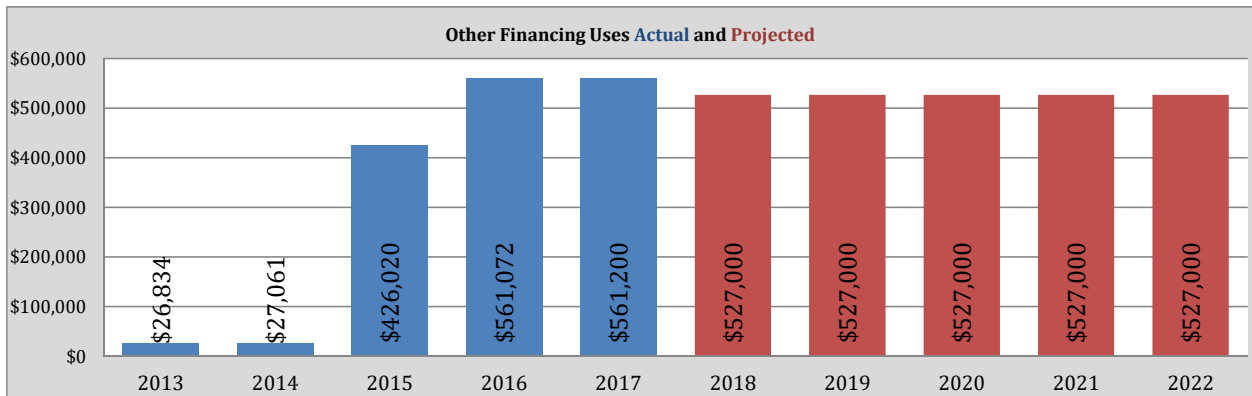
Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



Other objects include county auditor and treasurer fees and represent 1.4% of the district's budget. Projected trends are in line with historical levels.

5.040 - Total Other Financing Uses

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



Other financing uses are comprised of transfers to the permanent improvement fund for funding of the district's capital plan, the amount for this purpose is \$500,000 each year. Transfers also include funding provided to student activities.

HUDSON CITY SCHOOL DISTRICT - - SUMMIT COUNTY

Fiscal Year:	Actual	FORECASTED				
	2017	2018	2019	2020	2021	2022
Revenue:						
1.010 - General Property Tax (Real Estate)	40,838,284	42,112,897	42,318,355	42,609,603	43,009,310	43,412,149
1.020 - Public Utility Personal Property	682,166	745,239	766,643	790,416	815,021	842,337
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	10,578,927	10,528,776	10,567,676	10,348,861	9,925,779	9,323,246
1.040 - Restricted Grants-in-Aid	604,622	327,485	333,769	333,770	333,773	333,773
1.045 - Restricted Federal Grants - SFSF	-	-	-	-	-	-
1.050 - Property Tax Allocation	6,399,684	5,425,847	5,218,528	5,256,810	5,312,086	5,368,439
1.060 - All Other Operating Revenues	2,151,483	2,019,297	1,973,859	1,963,711	1,953,861	1,939,313
1.070 - Total Revenue	61,255,166	61,159,542	61,178,829	61,303,171	61,349,829	61,219,258
Other Financing Sources:						
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	64,915	188,616	60,000	60,000	60,000	60,000
2.070 - Total Other Financing Sources	64,915	188,616	60,000	60,000	60,000	60,000
2.080 - Total Rev & Other Sources	61,320,081	61,348,158	61,238,829	61,363,171	61,409,829	61,279,258
Expenditures:						
3.010 - Personnel Services	34,408,703	35,823,265	36,924,494	38,108,433	39,351,615	40,634,866
3.020 - Employee Benefits	12,276,445	13,163,054	13,930,079	14,775,069	15,681,838	16,651,407
3.030 - Purchased Services	7,753,074	8,362,666	8,680,645	9,012,983	9,360,369	9,723,523
3.040 - Supplies and Materials	1,521,501	1,885,764	1,932,770	1,981,250	2,031,249	2,082,817
3.050 - Capital Outlay	319,576	149,104	152,086	155,128	158,230	161,395
3.060 - Intergovernmental	-	-	-	-	-	-
Debt Service:						
4.010 - Principal-All Years	350,000	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	-	350,000	370,000	375,000	390,000	400,000
4.055 - Principal - Other	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	67,510	58,744	49,234	38,452	26,790	14,687
4.300 - Other Objects	833,391	962,332	982,756	1,003,670	1,025,086	1,047,019
4.500 - Total Expenditures	57,530,200	60,754,929	63,022,063	65,449,984	68,025,178	70,715,714
Other Financing Uses						
5.010 - Operating Transfers-Out	561,000	526,000	526,000	526,000	526,000	526,000
5.020 - Advances-Out	-	-	-	-	-	-
5.030 - All Other Financing Uses	200	1,000	1,000	1,000	1,000	1,000
5.040 - Total Other Financing Uses	561,200	527,000	527,000	527,000	527,000	527,000
5.050 - Total Exp and Other Financing Uses	58,091,400	61,281,929	63,549,063	65,976,984	68,552,178	71,242,714
6.010 - Excess of Rev Over/(Under) Exp	3,228,680	66,230	(2,310,234)	(4,613,813)	(7,142,348)	(9,963,456)
7.010 - Cash Balance July 1 (No Levies)	28,727,971	31,956,651	32,022,881	29,712,647	25,098,834	17,956,486
7.020 - Cash Balance June 30 (No Levies)	31,956,651	32,022,881	29,712,647	25,098,834	17,956,486	7,993,030
8.010 - Estimated Encumbrances June 30	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	30,956,651	31,022,881	28,712,647	24,098,834	16,956,486	6,993,030
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Income & Property Tax-Renewal	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	30,956,651	31,022,881	28,712,647	24,098,834	16,956,486	6,993,030
Revenue from New Levies						
13.010 & 13.020 - Income & Property Tax-New	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	30,956,651	31,022,881	28,712,647	24,098,834	16,956,486	6,993,030