

Five-year Forecast Assumptions
 Prepared February 1, 2010

Financial projections are required for school districts by Section 5705.391 of the Ohio Revised Code enacted in Sub. H.B. No. 412. The projections are intended to provide a method for the Ohio Department of Education and the State Auditor's Office to identify school districts that are headed toward financial difficulty. The format of the projection has also been designed as a guide for determining the ability to certify obligations under the requirements of Section 5705.412 of the Ohio Revised Code. This financial projection is prepared by the treasurer of the Grandview Heights City Board of Education. Assumptions contained in the financial projection are based on information that is deemed the best that is available as of the time of preparation. Actual numbers may differ significantly from those contained in the financial projection.

Revenues

1. General property taxes for FY-10 are from the October 15, 2009 AOCER for the 2009-10 fiscal year for \$10,799,363.47 less property tax advances of \$1,058,450 that were received by the School District in June, 2009 (FY-09). The third 1/4 telephone personal property tax phase-out has already been deducted from the certification. General property taxes for FY-11 and beyond are from the October 15, 2009 AOCER.

Fourth 1/4 telephone personal property tax phase-outs are presented such that tax revenues of \$72,850 will be eliminated by the end of FY-11.

The Franklin County Board of Tax Appeals is currently reviewing a property tax valuation complaint that could result in a loss of real estate tax revenues for the School District. An estimated amount of potential real estate tax refund and annual reduction of real estate tax revenues is presented in the table below.

| | Fiscal Yr. <u>2009-10</u> | Fiscal Yr. <u>2010-11</u> | Fiscal Yr. <u>2011-12</u> | Fiscal Yr. <u>2012-13</u> | Fiscal Yr. <u>2013-14</u> |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 10,799,363.47 | 10,799,363.47 | 10,799,363.47 | 10,799,363.47 | 10,799,363.47 |
| 4th 1/4 tele. P/P tax phase-out | | -18,213.00 | -18,213.00 | -18,213.00 | -18,213.00 |
| Potential Real Estate Tax Refund | | -409,396.00 | 0.00 | 0.00 | 0.00 |
| Potential Reduction Granted by BTA | | -204,698.00 | -204,698.00 | -204,698.00 | -204,698.00 |
| Sexennial reappraisal on <u>inside mills</u> | | | | 100,000.00 | 100,000.00 |
| | <u>10,799,363.47</u> | <u>10,167,056.47</u> | <u>10,576,452.47</u> | <u>10,676,452.47</u> | <u>10,676,452.47</u> |

Growth in general property tax revenues are projected to occur in the 2012-13 fiscal year due to the 2011 reappraisal to begin its effect in the 2012 calendar/collection year. This assumes a similar growth in valuation of \$20,000,000 that occurred in 2000 following the 1999 reappraisal. With five inside mills, the tax revenue increase would be \$100,000 in the 2012-13 fiscal year.

Projected real estate tax revenues do not include any potential increase as a result of the Grandview Yard development at this time. According to the compensation agreement between the School District and the City of Grandview Heights, approved by the Board of Education on July 30, 2009, the School District will receive an amount equal to 11% of all real property taxes that would have been received by all political subdivisions and taxing districts on the exempt value of all the parcels of the property used for non-residential purposes and anywhere from 15% to 60% for residential units depending on the number of units and year of assessment.

2. General property taxes collected during calendar year 2002 reflected the \$609,719 annual reduction in public utility personal property paid as inter-county returns at general property tax collection time. Calendar/collection year 2002 was the beginning of the deregulation. During the 2009-10 fiscal year the School District is expected to continue to receive \$420,000 from the State of Ohio for deregulation reimbursement. The final reimbursement of \$210,000 was originally expected to be received from the state in August, 2006. However, the District may qualify to receive reimbursement payments through August, 2016 if growth in state school foundation payments remain small. See note #9 below.

- H.B. No. 66, the biennial budget bill for the State of Ohio for 2005-07, reduces tangible personal property tax valuations until this tax is completely eliminated as a source of revenue for school districts as listed on the left.

| <u>Percent of Valuation Reduction</u> | | <u>Mostly Affects</u> |
|---------------------------------------|---------|-----------------------|
| | | <u>Fiscal Year:</u> |
| 28.17% Tax Collection Year 2006 | 1st 1/4 | FY-07 |
| 23.03% Tax Collection Year 2007 | 2nd 1/4 | FY-08 |
| 22.52% Tax Collection Year 2008 | 3rd 1/4 | FY-09 |
| 24.61% Tax Collection Year 2009 | 4th 1/4 | FY-10 |
| 00.83% Tax Collection Year 2010 | | |
| 00.84% Tax Collection Year 2011 | | |

Personal property taxes for FY-10 are from the October 15, 2009 AOCER for the 2009-10 fiscal year in the amount of \$18,650.47. This personal property tax revenue estimate includes the fourth reduction of about one fourth of the District's personal property tax valuation as presented in the table above. Personal property taxes are projected to be discontinued entirely beginning in FY-11 and beyond.

- Interest income projections for FY-10 and beyond are based upon actual receipts through December, 2009. Interest rates have declined significantly during 2009. Cash balances available for investment purposes in FY-10 are assumed to be similar to those in FY-09.
- Other local revenue of \$242,566 beginning in FY-10 includes the following:

| | |
|---------------------------------|---|
| All-day kindergarten tuition | 67,287 (2 Classes) |
| Other tuition students | 45,391 (3 Metro School students and 2 tuition students) |
| Student activity fees | 50,000 |
| Property use fees | 30,000 |
| Other miscellaneous receipts | 25,000 |
| Property use fees, stadium area | <u>24,888</u> |
| Total estimated local revenue | 242,566 |

As described in H.B. 1, School Districts who currently charge tuition for all-day kindergarten may continue to do so through FY-11. Beginning in FY-12 and beyond, projections for other local revenue will be reduced by \$80,190 which is the revenue amount projected to be received in FY-11.

- School foundation program estimates for FY-10 assumes a slightly smaller collection than what was actually received during FY-09 less \$100,000 which is part of the foundation program that is being funded through the Federal stimulus package and reported in a separate fund. School foundation program estimates for FY-11 and beyond assume a 2% annual reduction with 100% of the estimated revenue being posted to the General Fund.
- Rollback & homestead exemption estimates for FY-10 and beyond are according to the October 15, 2009 AOCER.
- H.B. No. 66, the biennial budget bill for the State of Ohio for 2005-07, reduces tangible personal property tax valuations until this tax is completely eliminated as a source of revenue for school districts. Additionally, the law promises "hold harmless" reimbursements to be paid to school districts to offset the loss of tangible personal property taxes from 2006 until 2018. Beginning in calendar year 2011, these hold harmless reimbursements from the state were expected to be gradually phased-down until they are zero in 2018. However, H.B No. 1, the biennial budget bill for the State of Ohio for 2009-11, extends the full hold harmless reimbursements through fiscal year 2013. The phase-down would then begin in fiscal year 2014 at the level mandated in the original H.B. 66.

In accordance with the Ohio Department of Taxation website, the Grandview Heights School District received \$58,718 in hold harmless reimbursements during FY-06. Therefore, the Revenue in Lieu of Taxes for FY-06 is listed as follows:

70,977.20 Personal property tax state reimbursement for filers < \$10,000

58,718.23 Personal property tax hold harmless reimbursement from the state
 129,695.43 Revenue in Lieu of Taxes in 2005-06 fiscal year

Revenue in Lieu of Taxes for FY-07 was as follows:

45,146.63 Personal property tax state reimbursement for filers < \$10,000
459,025.07 Personal property tax hold harmless reimbursement from the state
 504,171.70 Revenue in Lieu of Taxes in 2006-07 fiscal year

Revenue in Lieu of Taxes for FY-08 was as follows:

36,329.34 Personal property tax state reimbursement for filers < \$10,000
793,944.70 Personal property tax hold harmless reimbursement from the state
 830,274.04 Revenue in Lieu of Taxes in 2007-08 fiscal year

Revenue in Lieu of Taxes for FY-09 was as follows:

18,164.67 Personal property tax state reimbursement for filers < \$10,000
1,126,846.86 Personal property tax hold harmless reimbursement from the state
 1,145,011.53 Revenue in Lieu of Taxes in 2008-09 fiscal year

| <u>Percent of Valuation Reduction</u> | | <u>Reimbursement from the State</u> | | |
|---------------------------------------|--------------------------|-------------------------------------|-------|-----------------------|
| 00.00% | Tax Collection Year 2005 | | FY-06 | 58,718 (Actual) |
| 28.17% | Tax Collection Year 2006 | 1st 1/4 | FY-07 | 459,025 (Actual) |
| 23.03% | Tax Collection Year 2007 | 2nd 1/4 | FY-08 | 793,945 (Actual) |
| 22.52% | Tax Collection Year 2008 | 3rd 1/4 | FY-09 | 1,126,847 (Actual) |
| 24.61% | Tax Collection Year 2009 | 4th 1/4 | FY-10 | 1,436,308 (Projected) |
| 00.83% | Tax Collection Year 2010 | | FY-11 | 1,436,308 (Projected) |
| 00.84% | Tax Collection Year 2011 | | FY-12 | 1,436,308 (Projected) |
| No valuation left to reduce | | | FY-13 | 1,436,308 (Projected) |
| No valuation left to reduce | | | FY-14 | 741,602 (Projected) |
| No valuation left to reduce | | | FY-15 | 571,398 (Projected) |
| No valuation left to reduce | | | FY-16 | 401,194 (Projected) |
| No valuation left to reduce | | | FY-17 | 230,991 (Projected) |
| No valuation left to reduce | | | FY-18 | 72,944 (Projected) |
| No valuation left to reduce | | | FY-19 | 0 (Projected) |

9. Other state revenue includes the receipt of direct reimbursement from the state to offset local tax revenue lost due to electricity and natural gas utility deregulation as follows. These direct reimbursements were originally expected to be discontinued entirely after August, 2006. However, the Ohio Department of Education website explains that this direct reimbursement may be continued on a year-to-year basis as long as the inflation adjusted public utility deregulation tax loss is greater than the increase in state school foundation payments received by the School District for the current fiscal year. For fiscal year 2007 the Ohio Department of Education has calculated the excess loss of public utility taxes to be \$573,079. As such, the District's annual state school foundation revenue would need to increase by \$573,079 before it would no longer qualify to receive its electricity and natural gas utility direct reimbursements from the state. Therefore, these reimbursements are expected to continue until August, 2016 when this reimbursement program is discontinued by the state.

Electricity and natural gas utility deregulation reimbursements have been received and are projected to continue as follows:

\$304,859 in FY-02 (Actual)
 \$408,667 in FY-03 (Actual)
 \$409,168 in FY-04 (Actual)
 \$419,906 in FY-05 (Actual)
 \$420,252 in FY-06 (Actual)
 \$420,200 in FY-07 (Actual)

| | | |
|-----------|----------|-------------|
| \$420,351 | in FY-08 | (Actual) |
| \$420,212 | in FY-09 | (Actual) |
| \$420,000 | in FY-10 | (Projected) |
| \$420,000 | in FY-11 | (Projected) |
| \$420,000 | in FY-12 | (Projected) |
| \$420,000 | in FY-13 | (Projected) |
| \$420,000 | in FY-14 | (Projected) |
| \$420,000 | in FY-15 | (Projected) |
| \$420,000 | in FY-16 | (Projected) |
| \$210,000 | in FY-17 | (Projected) |

Expenditures

10. 2004-05 expenditures and beyond include School District reorganization activities approved by the Board of Education on February 10, 2004. Projected 2009-10 expenditures include all appropriations in effect as of November 30, 2009.
11. Staff member assignments effective at the beginning of FY-10 are assumed to continue for FY-11 and beyond.
12. Scheduled certificated staff salaries are per the GHEA Settlement Agreement for FY-10, FY-11 and FY-12. FY-10 contains a 0% base salary increase, FY-11 contains a 2% base salary increase, FY-12 contains a 2.75% base salary increase. Scheduled certificated staff salaries increase for longevity only beyond FY-12. No base increase has been included for FY-13 and beyond. (A 1% General Fund certificated salary schedule base increase is estimated to cost \$71,000 salary only and \$83,000 with fringe benefits.) (General Fund movement up the salary schedule is estimated to cost \$126,000 salary only and \$147,000 with fringe benefits.)
13. Scheduled non-certificated staff salaries are per the GHESSE Settlement Agreement for FY-10, FY-11 and FY-12. FY-10 contains a 0% base salary increase, FY-11 contains a 2% base salary increase, FY-12 contains a 2.75% base salary increase. Scheduled non-certificated staff salaries increase for longevity only beyond FY-12. No base increase has been included for FY-13 and beyond. (A 1% General Fund non-certificated salary schedule base increase is estimated to cost \$13,100 salary only and \$15,000 with fringe benefits.) (General Fund movement up the salary schedule is estimated to cost \$19,200 salary only and \$22,000 with fringe benefits.)
14. Non-scheduled administrative/treasurer salaries for FY-11 are estimated to increase 2.9% (2009 estimated CPI increase of .4% plus 2.5% potential merit increase). Salaries increase 5.5% per year in FY-12 and each year thereafter (average CPI increase of 3% plus 2.5% merit increase). Board of Education Policy #3124.02 establishes compensation for administrators.
15. Scheduled supplemental salaries, substitute certificated salaries, and substitute non-certificated salaries increase 3.75% per year for FY-12 and beyond. Board of Education Policy #6231.01 establishes that, "Total appropriations for supplemental contracts for staff activities relating to extracurricular or co-curricular programs (e.g. coaching, advising, mentoring, managing and other duties not included as part of a teaching, administrative, or non-certificated staff contract) shall not exceed 2.5% of the total operating budget." Existing positions known not to be filled have not been budgeted.
16. Non-certificated overtime, staff development, curriculum development and other salaries and stipends remain constant for FY-11 and beyond.
17. Severance pay is budgeted for anticipated retirements during FY-11. No severance is budgeted beyond FY-11.
18. Retirement (14.0%) and Workers' Compensation (1.0%) increase commensurate with salaries.
19. The single health insurance premium share is 90/10 employer/employee and the family premium share is 80/20 employer/employee. Traditional health insurance premiums have increased as follows for the past six fiscal years:

0.0 % 2009-10
 2.9 % 2008-09
 7.9 % 2007-08
 5.0 % 2006-07
 2.0 % 2005-06
 2.0 % 2004-05

No changes in the relative premium shares between the employer and employee are projected. Health insurance premiums are projected to increase 10% annually (per correspondence with Group Benefits Agency) for FY-11 and beyond.

- 20. Life insurance premiums are projected to remain constant for FY-11 and beyond.
- 21. Dental insurance premiums did not increase for FY-10 and are projected to increase 10% (per GBA correspondence) annually for FY-11 and beyond.
- 22. Medicare payments increase by 2.9% for FY-11 and 5.5% annually for FY-12 and beyond.
- 23. Unemployment payments remain constant for FY-11 and beyond.
- 24. SERS employer surcharge increases by 3% (average CPI increase for last 6 years) for FY-12 and beyond.
- 25. Other fringe benefits increase 2.9% in FY-11 and 5.5% annually for FY-12 and beyond.
- 26. A 3% (average CPI increase for last 6 years) annual increase for FY-11 and beyond has been applied to :
 - a. cost-center budgets
 - b. special education tuition/transportation
 - c. new textbooks
 - d. fiscal charges
 - e. Technology
 - f. miscellaneous purchased services
 - g. miscellaneous supplies
 - h. miscellaneous other expenses

A 10% annual increase for FY-12 and beyond has been applied to utilities (electricity, natural gas, water & sewer). Energy USA has said to expect 7% annual increases in natural gas. A 50% increase in natural gas cost was experienced in FY-06.

Beginning in FY-09 a new expenditure account was added to pay for costs associated with Jarod's Law that mandates various health, safety and capital improvements in Ohio school districts. \$75,000 has been budgeted for FY-10 in function 2710 and object 423 in the 050 District-wide cost center. Beginning in FY-10 and beyond we budgeted \$0 due to the removal of Jarod's Law mandates passed as part of H.B. 1.

- 27. No court settlements are anticipated.
- 28. An extracurricular van has been anticipated for purchase every other fiscal year beginning with \$20,000 in FY-10. Otherwise, a 3% (average CPI increase for last 6 years) inflationary increase has been applied to miscellaneous capital outlay for FY-12 and beyond. The most recent new extracurricular van was purchased during FY-08 for \$17,540.
- 29. Transfers from the General Fund to the Bond Retirement Fund are planned as follows to make principal and interest payments on the \$175,000 unvoted debt issued on December 1, 2006 for the purpose of purchasing and installing the synthetic grass playing field at Bobcat Stadium:

| | | |
|-------------|-------|----------|
| \$24,540.83 | FY-08 | (Actual) |
| \$23,786.76 | FY-09 | (Actual) |

| | | |
|-------------|-------|-------------|
| \$23,078.13 | FY-10 | (Projected) |
| \$22,334.38 | FY-11 | (Projected) |
| \$21,590.63 | FY-12 | (Projected) |
| \$20,846.88 | FY-13 | (Projected) |
| \$20,103.13 | FY-14 | (Projected) |
| \$19,359.38 | FY-15 | (Projected) |
| \$18,615.63 | FY-16 | (Projected) |
| \$17,871.88 | FY-17 | (Projected) |

\$35,000 was transferred from the General Fund to the Food Service Fund at the end of FY-09. It is anticipated that \$41,000 will be needed for transfer into the Food Service Fund in FY-10. For FY-11 and beyond we will continue to budget \$41,000 to be transferred into the Food Service Fund.

30. A contingency has been established for FY-10 as follows:

\$169,646.00 General contingency
 \$80.20 Psychologist's Office
 \$3,000.00 Stevenson Elementary School
 \$172,726.20

The General contingency is usually established at \$50,000 annually, however in November 2009 several budgeted accounts were revised and the net amount of all changes were added here. FY-11 and beyond do not reflect contingencies.

31. The balance in the District's reserve for budget stabilization is \$750,000 as of June 30, 2009. No additional contribution is planned for FY-10 and beyond. Policy - DIF of the Board of Education is to establish and maintain this reserve at 5% of the District's base General Fund revenues which have increased due to the passage of the November 8, 2005 operating tax levy and the receipt of various tax reimbursements from the State of Ohio.
32. A separate reserve has been established to accumulate proceeds from stadium area cell tower rental contracts to be used to pay the debt necessary to purchase the synthetic grass playing field. The balance in the District's stadium area reserve is \$22,910.33 as of December 31, 2009. It is expected that the revenues will only be sufficient to cover debt payments and that no significant balance will accumulate in this reserve.