

Five-year Forecast Assumptions
 Prepared July 1, 2010

Financial projections are required for school districts by Section 5705.391 of the Ohio Revised Code. 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

- General property taxes for FY-11 are based upon the February 19, 2010 Amended Official Certificate of Estimated Resources (AOCER) dated February 19, 2010 less tax advances received during the prior fiscal year in June, 2010 as follows:

10,845,550.48 General property tax per February 19, 2010 AOCER
-2,939,511.00 Tax advances received by the District in June, 2010
 7,906,039.48 General property tax revenue estimate for the 2010-11 fiscal year

General property taxes for FY-12 and beyond are from the February 19, 2010 AOCER for the 2010-11 fiscal year.

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>2011-12</u>	Fiscal Yr. <u>2012-13</u>	Fiscal Yr. <u>2013-14</u>	Fiscal Yr. <u>2014-15</u>
	10,845,550.48	10,845,550.48	10,845,550.48	10,845,550.48
Potential Real Estate Tax Refund	-614,094.00	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 inside mills		50,000.00	50,000.00	50,000.00
	<u>10,026,758.48</u>	<u>10,690,852.48</u>	<u>10,690,852.48</u>	<u>10,690,852.48</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 \$10,000,000 that occurred in 2009 following the 2008 triennial update. With five inside mills, the tax revenue increase would be \$50,000 in the 2012-13 fiscal year.

P.I.L.O.T. (Payment In Lieu Of Tax) Receipt projections are based upon information provided to the School District from R.W. Baird, consultants for the City of Grandview Heights. These projections assume the completion of "Phase I" of the Grandview Yard project developed by Nationwide Realty Investors. 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 between 15% and 60% for residential units depending on the number of units and year of assessment.

	Fiscal Yr. <u>2010-11</u>	Fiscal Yr. <u>2011-12</u>	Fiscal Yr. <u>2012-13</u>	Fiscal Yr. <u>2013-14</u>
Valuation Reduction "Hold-Harmless"	129,243	129,243	129,243	129,243
Grandview Yard Phase I PILOT		23,807	73,217	98,820

129,243 153,050 202,460 228,063

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 2010-11 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.
3. 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-11 are from the February 19, 2010 AOCER for the 2010-11 fiscal year. Personal property taxes are projected to be discontinued entirely beginning in FY-12 and beyond.

4. Interest income projections for FY-11 and beyond are based upon actual receipts through April, 2010. Interest rates declined significantly in 2009 and 2010. Cash balances available for investment purposes in FY-11 are assumed to be similar to those in FY-10.
5. Other local revenue of \$276,170 beginning in FY-11 includes the following:

All-day kindergarten tuition	81,200	(35 Students @ \$290 for 8 months in FY-11)
Other tuition students	45,000	(3 Metro School students and 2 tuition students)
Student activity fees	50,000	
Property use fees	30,000	
Other miscellaneous receipts	45,000	
Property use fees, stadium area	24,970	
Total estimated local revenue	276,170	

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 \$81,200 which is the revenue amount projected to be received in FY-11.

6. School foundation program estimates for FY-11 assumes a 10% reduction with 100% of the estimated revenue credited to the General Fund. Additionally FY-12 (the first year of the new biennium) assumes a 10% reduction. These 10% reductions represent the consensus of the members of the Board of Education following their discussion of state and national economic conditions including the slow tax revenue collection being experienced by the State of Ohio and the expected loss of federal stimulus dollars at the state level.
7. Rollback & Homestead estimates for FY-11 and beyond are according to the February 19, 2010 AOCER for the 2010-11 fiscal year.
8. 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 resume 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

Revenue in Lieu of Taxes for FY-10 was as follows:

1,436,308.10 Personal property tax hold harmless reimbursement from the state

<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 (Actual)
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)

- 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)
\$420,252	in FY-10	(Actual)
\$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 2010-11 expenditures include all appropriations in effect as of July 1, 2010.
11. It is anticipated that 1.0 FTE teacher position will not be replaced beginning with the 2011-12 school year. All other staff member assignments are assumed to continue for the 2011-12 fiscal year 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 \$73,000 salary only and \$85,000 with fringe benefits.) (General Fund movement up the salary schedule is estimated to cost \$144,000 salary only and \$168,000 with fringe benefits.)
13. Scheduled non-certificated staff salaries are per the GHESSA 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 \$12,500 salary only and \$14,500 with fringe benefits.) (General Fund movement up the salary schedule is estimated to cost \$15,500 salary only and \$18,000 with fringe benefits.)
14. No wage increase has been budgeted for non-scheduled administrative/treasurer salaries for FY-11 and no increase has been projected for future fiscal years. The Board of Education may increase salaries for non-scheduled administrative employees and treasurer in accordance with Policies AFB-R, AFBA-R, BCCC, CBC, GCB-2 and GCD-2-R. (A 1% General Fund non-scheduled administrative/treasurer salary increase is estimated to cost \$10,300 salary only and \$13,100 with fringe benefits. There are no salary schedules upon which these employees can move.)

15. Scheduled supplemental salaries, substitute certificated salaries, and substitute non-certificated salaries increase 3.75% per year for FY-12 and beyond. Existing positions known not to be filled have not been budgeted. 3.75% increase = 2.75% base increase + 1% movement up the salary schedule.
16. Non-certificated overtime, staff development, curriculum development and other salaries and stipends remain constant for FY-12 and beyond.
17. Severance pay is budgeted for anticipated retirements during FY-11. No severance payments and no retirements are anticipated for FY-12 and beyond.
18. Retirement (14.0%) and Workers' Compensation (1.0%) increase commensurate with salaries. During fiscal years 2011 through 2016 while the School Employees Retirement System implements its foundation deduction catch-up, the rate of 15.2% shall be used to estimate the employer share of retirement contributions instead of 14.0%.
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 seven fiscal years:

9.3 %	2010-11
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-12 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 5.5% annually for FY-12 and beyond.
23. Unemployment payments remain constant for FY-12 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 3% annually for FY-12 and beyond.
26. A 3% (average CPI increase for last 6 years) annual increase for FY-12 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.

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-11. 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)
\$23,061.60	FY-10	(Actual)
\$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)

Transfers from the General Fund to the Food Service Fund are anticipated to promote the health and wellness of students by perpetuating a food service program that includes healthy options.

\$30,000.00	FY-08	(Actual)
\$35,000.00	FY-09	(Actual)
\$45,000.00	FY-10	(Actual)
\$45,000.00	FY-11	(Projected)

30. A contingency has been established for FY-11 as follows:

\$50,000.00	General contingency
\$133.00	Psychologist's Office
<u>\$3,000.00</u>	Stevenson Elementary School
\$53,133.00	

No additional contingency has been established for FY-12 and beyond.

In the Uniform School Accounting Manual, the Auditor of the State of Ohio defines a contingency of this nature to be an expenditure line item as follows:

To be used for unanticipated emergencies, this classification shall not exceed three (3) percent of total appropriations for current expense. No expenditures are to be made from this function. These modified appropriations are to be made by two thirds (2/3) vote of the board of education authorizing the modification of other functions as needed.

In accordance with these regulations from the Auditor of State, the School District would be eligible to insert a contingency line item in its General Fund budget of almost a half-million dollars or ten times the amount of contingency actually budgeted by the Board of Education. Note that this contingency is only a budgetary line item in the District's General Fund. This is not an actual set-aside of cash and it is not intended to accumulate from year to year.

31. The balance in the District's reserve for budget stabilization is \$750,000 as of June 30, 2010. This

reserve represents an accumulation of cash set aside as a reserve within the District's General Fund. No additional contribution is planned for FY-11 and beyond. Policy - DIF of the Board of Education creates and requires the maintenance of this reserve at 5% of the District's base General Fund revenues which are defined as the following. Note that not all types of revenues may be currently collected by the School District.

- a. General Fund real and personal property tax revenue
- b. Emergency levy fund revenue as a component of the General Fund
- c. General Fund payments received in lieu of local property taxes
- d. General Fund income taxes
- e. District's share of city income tax based on development agreements
- f. General Fund state foundation revenue

According to Board Policy DIF, the Board of Education may appropriate monies from the amount set aside in its reserve for budget stabilization if any of the following circumstances exist:

1. The District's loss at the ballot of an existing operating levy in the current or previous fiscal year. (The loss at the ballot of a new operating tax levy does not qualify as a circumstance to authorize the appropriation of monies from the reserve for budget stabilization.)
 2. Property tax or income tax delinquencies equal to five percent or more of taxes charged and payable in any one fiscal or calendar year
 3. A loss of five percent or more of total tangible personal property assessed valuation in any one fiscal or calendar year
 4. A loss in revenue or an expenditure due to civil insurrection which equals five percent or more of the District's base revenues as defined above
 5. A loss in revenue or an expenditure due to a natural disaster which equals five percent or more of the District's base revenues as defined above
 6. An expenditure due to a catastrophic capital loss which equals five percent or more of the District's base revenues as defined above
 7. A loss of state aid in any one fiscal year which equals five percent or more of the District's base revenues as defined above
 8. A tax refund paid by the District in any one fiscal year which equals five percent or more of the District's base revenues as defined above
 9. Any other unanticipated, extraordinary, unusual and infrequent occurrence in any one fiscal year that results in an expenditure or a loss in revenue equal to five percent or more of the District's base revenues as defined above
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 \$34,027.96 as of June 30, 2010. It is expected that the revenues will only be sufficient to cover debt payments and that no significant balance will accumulate in this reserve.