

**NOTES TO THE FIVE YEAR FORECAST
GENERAL FUND ONLY**

May 21, 2012

THE FORECAST

This forecast is scheduled to be approved by the Worthington Board of Education on May 21, 2012. The forecast presents the financial estimates of the Worthington City School District's education program. The assumptions made to prepare this forecast are explained in the following pages.

REVENUE ASSUMPTIONS

REAL ESTATE VALUE ASSUMPTIONS

Property values are established each year by the Franklin County Auditor based on new construction and complete or updated values. A reappraisal of district property values occurred for 2011 values to be collected in calendar year 2012. The reappraisal decreased Class I values 3.32% and increased Class II values by .22%. This has been factored into the projection for district property values along with their corresponding tax reduction factors affecting outside voted millage.

For 2011 Res./Ag. increased .46% for new construction; Comm./Ind. decreased 1.37%; Public Utility increased 13.70%; Total AV increased \$141k primarily due to the growth in residential value. The operating levy and HB920 increased the effective rates resulting in, the Class I rate of 43.05 mills and Class II rate of 57.23 mills.

For 2012 the total AV decreased by \$61 million due to the negative reappraisal. Res/Ag decreased \$46.6 million and Comm./Ind. decreased \$18 million while Public Utility increased \$3.6 million

For 2013 the historic growth trends will be adjusted from/ to: Res./Ag. .0% to .0 % (no change); Comm./Ind. 0.0% to 0.0% (no change); due to public utility deregulation growth is estimated to be 0%.

For 2014 the historic growth trends will be adjusted from/ to: Res./Ag. .0% to .5 % (increase); Comm./Ind. 0.0% to 0.0% (no change); due to public utility deregulation growth is estimated to be 0%.

For 2015 the historic growth trends will be adjusted from/ to: Res./Ag. .05% to .08 % (increase); Comm./Ind. 0.0% to 0.0% (no change); due to public utility deregulation growth is estimated to be 0%. Total AV is estimated to remain constant with a reappraisal of no increase projected.

For 2016 the historic growth trends will be adjusted from/ to: Res./Ag. .08% to .08 % (no change); Comm./Ind. 0.0% to 0.0% (no change); due to public utility deregulation growth is estimated to be 0%.

ESTIMATED ASSESSED VALUE BY COLLECTION YEARS (IN MILLIONS)

Classification	Act. 2011	Act. 2012	Est. 2013	Est. 2014	Est. 2015
Res./Ag.	\$1,372	\$1,326	\$1,326	\$1,333	\$1,344
Comm./Ind.	434	416	416	416	416
P.U. Pers.	<u>34</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>
Total	<u>\$1,840</u>	<u>\$1,779</u>	<u>\$1,779</u>	<u>\$1,786</u>	<u>\$1,797</u>

NEW TAX LEVIES

New levies are estimated to be collected at 96% of the annual amount. This allows for 2.25% delinquency and 1.75% A & T fees. Also, 52% of new Res./Ag. is expected to be collected in February tax settlements and 48% collected in August tax settlements. Public Utility and Commercial taxes are estimated at 53% in February and 47% in August. These timing estimates are very important to estimating when new levy or new construction tax dollars will be available to the district. HB66 (2006) has eliminated the 10% rollback on Class II property (commercial and industrial), and HB119 (2007) has expanded homestead for seniors for the first \$ 25,000 of value.

ESTIMATED REAL ESTATE TAX (Line 1.01)

Source	FY12	FY13	FY14	FY15	FY16
New Base	\$66,071,145	\$68,759,731	\$68,425,749	\$68,565,225	\$68,918,248
New Construction	115,277	0	139,476	353,024	\$433,096
Delinquent	2,214,558	1,675,000	1,742,000	1,811,680	1,884,147
Advances In	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Reappraisal	<u>(\$361,814)</u>	<u>(\$333,982)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$75,539,166</u>	<u>\$77,600,749</u>	<u>\$77,807,225</u>	<u>\$78,229,928</u>	<u>\$78,735,492</u>

ESTIMATED PUBLIC UTILITY TANGIBLE PERSONAL TAX (Line 1.02)

The phase-out of inventory taxes for business as a result of HB66 is complete. The public utility tangible tax remains in place.

Source	FY12	FY13	FY14	FY15	FY16
Tangible Personal Property	\$0	\$0	\$0	\$0	
Public Utility Personal	<u>\$3,071,573</u>	<u>\$3,275,892</u>	<u>\$3,275,892</u>	<u>\$3,275,892</u>	<u>\$3,275,892</u>
Total	<u>\$3,071,573</u>	<u>\$3,275,892</u>	<u>\$3,275,892</u>	<u>\$3,275,892</u>	<u>\$3,275,892</u>

UNRESTRICTED GRANTS IN AID (Line 1.035)

The State of Ohio passed the biennial budget for fiscal years 2012 and 2013. The budget contains significant changes to school funding with a new model planned for the next biennium. The full effects of this new funding model are not known at this time, but the biennial budget provides for decreases in basic aid for fiscal year 2012 and an increase in fiscal year 2013. We are not anticipating receiving any additional foundation funding from the state when the new model is put in place. There has been much discussion regarding potential casino revenue in future years, we are not including any additional revenue at this time as there is no school funding formula in place to determine whether such funds will result in an increase for the District.

Source	FY12	FY13	FY14	FY15	FY16
Basic Aid	\$13,564,785	\$13,564,785	\$13,564,785	\$13,564,785	\$13,564,785
Preschool Aid	\$247,622	\$247,622	\$247,622	\$247,622	\$247,622
Subsidy for High Performing Districts	\$158,725	\$158,725	\$158,725	\$158,725	\$158,725
Special Ed Transportation	<u>\$205,632</u>	<u>\$205,632</u>	<u>\$205,632</u>	<u>\$205,632</u>	<u>\$205,632</u>
Total	<u>\$14,176,764</u>	<u>\$14,176,764</u>	<u>\$14,176,764</u>	<u>\$14,176,764</u>	<u>\$14,176,764</u>

RESTRICTED STATE GRANTS IN AID (Line 1.04)

These amounts are given to the district and restricted for specific purposes. We receive Career Tech funds but they are part of our reduced foundation aid. We expect this funding to continue.

Source	FY12	FY13	FY14	FY15	FY16
Career Tech	<u>\$91,288</u>	<u>\$91,288</u>	<u>\$91,288</u>	<u>\$91,288</u>	<u>\$91,288</u>
Total	<u>\$91,288</u>	<u>\$91,288</u>	<u>\$91,288</u>	<u>\$91,288</u>	<u>\$91,288</u>

RESTRICTED FEDERAL GRANTS IN AID (Line 1.045)

The District received \$1.2 million in 2011 as restricted federal funds that the State of Ohio used to stabilize its budget and fund education. This amount is not being replaced by the state in the current biennium and represents a significant loss to the district. The amount in 2012 represents the Federal Ed jobs fund allocation to Worthington, we chose last year to retain these funds for use in FY2012.

Source	FY12	FY13	FY14	FY15	FY16
Federal Medicaid reimbursement	\$25,000	\$75,000	\$100,000	\$100,000	\$100,000
Federal Stimulus Funds	<u>\$746,041</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	<u>\$771,041</u>	<u>\$75,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>

PROPERTY TAX ALLOCATION (Line 1.05)

a) ROLLBACK & HOMESTEAD REIMBURSEMENT

These funds are reimbursements from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers. These amounts will grow along with new levies and new construction in Res./Ag property classifications. Senior citizens receive an additional homestead exemption of \$25,000.

Source	FY12	FY13	FY14	FY15	FY16
Base R & H	\$8,018,893	\$8,375,877	\$8,475,770	\$8,491,620	\$8,531,736
New Levy	356,984	99,893	0	0	0
New Construction	<u>0</u>	<u>0</u>	<u>15,850</u>	<u>40,116</u>	<u>49,216</u>
Total	<u>\$8,375,877</u>	<u>\$8,475,770</u>	<u>\$8,491,620</u>	<u>\$8,531,736</u>	<u>\$8,580,951</u>

b) TANGIBLE PERSONAL PROPERTY REIMBURSEMENTS

These amounts reflect the state's reimbursement of tangible personal property tax that is being phased-out in the current budget. The budget calls for a reduction of \$2.2 million annually during the biennium, \$2.2 million in FY2012 and \$4.4 million in FY13. We are conservatively estimating the continued phase-out of this reimbursement as the state does not have a current revenue source to continue making payments.

Source	FY12	FY13	FY14	FY15	FY16
TPP Reimbursement	<u>\$12,804,876</u>	<u>\$10,586,918</u>	<u>\$8,368,960</u>	<u>\$6,151,002</u>	<u>\$3,933,044</u>

SUMMARY OF PROPERTY TAX ALLOCATION

Source	FY12	FY13	FY14	FY15	FY16
Homestead & Rollback	\$8,375,877	\$8,475,770	\$8,491,620	\$8,531,736	\$8,580,951
TPP Reimbursement	<u>12,804,876</u>	<u>10,586,918</u>	<u>8,368,960</u>	<u>6,151,002</u>	<u>3,933,044</u>
Total	<u>\$21,180,753</u>	<u>\$19,062,688</u>	<u>\$16,860,580</u>	<u>\$14,682,738</u>	<u>\$12,513,995</u>

OTHER LOCAL REVENUES (Line 1.06)

Interest income will decrease as the cash position of the General Fund fluctuates over the forecast period. The federal fiscal policy decreased rates in light of the current economic circumstances to a new overnight rate range of 0.00% to .25%. The District's balances available for investment and maturities of investments vary month to month due to cash flow needs. We are estimating interest revenue to decline throughout the forecast period due to decreasing cash balances and a low rate environment. Funds are predominately invested in STAR Ohio, federal agency securities, certificates of deposit, commercial paper and interest bearing sweep accounts. Security of the public funds collected by the district is the top priority of the Treasurer's office.

Other local revenues are estimated based on past trends and researching activity over the past two years in detail. We do not anticipate significant changes in this revenue area in the current forecast.

Source	FY12	FY13	FY14	FY15	FY16
Interest Income	\$280,000	\$225,000	\$200,000	\$175,000	\$175,000
Pay To Participate	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Tuition	550,000	550,000	550,000	550,000	550,000
Other	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>
Total	<u>\$1,230,000</u>	<u>\$1,175,000</u>	<u>\$1,150,000</u>	<u>\$1,125,000</u>	<u>\$1,125,000</u>

RETURN OF ADVANCES & REFUND OF PRIOR YEAR EXPENDITURES

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

Source	FY12	FY13	FY14	FY15	FY16
Advance Returns	\$502,200	\$0	\$0	\$0	\$0
Transfers	\$0	\$0	\$0	\$0	\$0
R.O.P.Y.E. (*)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$502,200</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(*) refund of prior years expenditures.

EXPENDITURE ASSUMPTIONS

PERSONAL SERVICES (Line 3.01)

The model reflects pay increases approved by the Board of Education for certificated staff effective August 1, 2011 for three years of 0%, 0% and .5% respectively per year. Increases and step & training increases are projected to grow as additional staff members are added for increased enrollment. Classified employees covered by the WESP agreement were granted increase of 0%, 0% and 1.25% effective January 1, 2012 January 1, 2013 and July 1, 2013;

The forecast estimates future wage increases for all employees to be 1% in FY15 and FY16. The forecast also assumes the district will meet the educational goals to allow for the .5% performance increase for all employees in FY14.

The Other line includes reductions for the elimination of certified substitutes from district payroll. The Central Ohio Educational Service Center has taken on the responsibility for substitutes and there is a corresponding increase in the purchased services area. In FY13, the Other line reflects the savings from the retirement of 34 certified staff members and the remaining change for substitutes.

We are projecting growth in staff of 2FTE certified and 2 FTE Classified each year.

Source	FY12	FY13	FY14	FY15	FY16
Base Wages	\$72,519,030	\$73,043,928	\$71,568,641	\$72,629,366	\$74,518,863
Increases	362,595	0	357,843	726,294	745,189
Steps & Training	1,450,381	0	200,000	1,016,811	1,043,264
New District Staff	0	124,713	145,039	146,392	147,865
Merit pay	0	0	357,843	0	0
Other	(\$688,078)	(\$1,600,000)	0	0	0
Total	<u>\$73,643,928</u>	<u>\$71,568,641</u>	<u>\$72,629,366</u>	<u>\$74,518,863</u>	<u>\$76,455,181</u>

FRINGE BENEFIT ESTIMATES (Line 3.02)

A) STRS/SERS will be 14% of wages paid, Pickup and Surcharge vary each year as a function of salary.

Source	FY12	FY13	FY14	FY15	FY16
STRS & SERS Required contrib on Base Wages	\$10,152,664	\$10,226,150	\$10,019,610	\$10,168,111	\$10,432,641
Increases	50,763	0	50,098	101,681	104,326
Steps & Training	203,053	0	28,000	142,354	146,057
New District Staff	0	17,460	20,305	20,495	20,701
Merit pay	0	0	50,098	0	0
Other	(\$180,331)	(\$224,000)	0	0	0
STRS/SERS Pickup	507,907	507,907	512,986	518,116	523,297
SERS Surcharge	260,659	273,692	287,377	301,746	316,833
SERS Catch-up	<u>197,350</u>	<u>197,350</u>	<u>197,350</u>	<u>197,350</u>	<u>197,350</u>
Total	<u>\$11,192,066</u>	<u>\$10,998,559</u>	<u>\$11,165,824</u>	<u>\$11,449,853</u>	<u>\$11,741,205</u>

B) Health insurance premiums increased in January 2012 by 11.99%. Estimated increases are 13% and 11% for FY13 and FY14 respectively for medical insurance which is the best data available at this time. The estimated increases for FY15 and beyond are 3%.

Source	FY12	FY13	FY14	FY15	FY16
Base Costs	\$10,555,025	\$11,847,703	\$13,344,496	\$14,952,937	\$15,990,642
New District Staff	0	31,178	36,260	36,598	36,966
HSA Contribution	1,599,150	1,236,000	1,236,000	1,236,000	1,236,000
Inflation	<u>1,292,678</u>	<u>1,465,615</u>	<u>1,572,181</u>	<u>1,001,107</u>	<u>472,253</u>
Total	<u>\$13,446,853</u>	<u>\$14,580,496</u>	<u>\$16,188,937</u>	<u>\$17,226,642</u>	<u>\$17,735,861</u>

C) Workers compensation became self insured by Worthington City schools as of 8/1/09. We have achieved significant savings but are still building a balance to protect the district. We are keeping the internal rate at .007 for Fiscal 2012 and Fiscal 2013, but reducing in Fiscal year 2014 to .006.

Source	FY12	FY13	FY14	FY15	FY16
Base Costs	\$520,324	\$511,307	\$432,759	\$446,235	\$457,844
New District Staff	0	748	870	878	887
Other	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Total	<u>\$545,324</u>	<u>\$537,056</u>	<u>\$458,629</u>	<u>\$472,113</u>	<u>\$483,731</u>

D) Medicare is paid for all employees hired after April 1, 1986 at a rate of 1.45%. This expenditure is growing as more experienced staff (hired prior to 4/1/86) retire and new staff are hired to replace them.

Source	FY12	FY13	FY14	FY15	FY16
Base Costs	\$963,628	\$1,011,809	\$1,064,299	\$1,125,171	\$1,183,658
New District Staff	0	1,808	2,103	2,123	2,144
Merit pay	0	0	5,189	0	0
Total	<u>\$963,628</u>	<u>\$1,013,618</u>	<u>\$1,071,591</u>	<u>\$1,127,293</u>	<u>\$1,185,802</u>

SUMMARY OF FRINGE BENEFITS

Source	FY12	FY13	FY14	FY15	FY16
STRS/SERS	\$11,192,066	\$10,998,559	\$11,165,824	\$11,449,853	\$11,741,205
Insurance's	13,446,853	14,580,496	16,188,937	17,226,642	17,735,861
Workers Comp & Unemployment	545,324	537,056	458,629	472,113	483,731
Medicare	963,628	1,013,618	1,071,591	1,127,293	1,185,802
Other	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>
Total	<u>\$26,272,871</u>	<u>\$27,254,729</u>	<u>\$29,009,981</u>	<u>\$30,400,901</u>	<u>\$31,271,599</u>

PURCHASED SERVICES (Line 3.03)

Overall service costs are increasing faster than inflation due to energy and tuition costs. The district has negotiated electric service contracts with Strategic Energy and implemented an energy conservation program to help hold down energy cost increases. We have implemented budgetary reductions in buildings and departments for FY2012. We have transitioned substitutes out of wages and into the other category of purchased services by contracting with the COESC. We are adding \$350k for technology in FY13 and beyond for consultants. We have decreased anticipated utilities for FY13 by \$346,550 due to anticipated natural gas savings. We are estimating inflation at 5% for Utilities, 8% for Tuition and 3% in other areas for future years.

Source	FY12	FY13	FY14	FY15	FY16
Consulting/Legal (41x)	\$770,424	\$1,143,537	\$1,177,843	\$1,213,178	\$1,249,573
Equipment Maint/Repair (423)	\$837,562	\$862,689	\$888,570	\$915,227	\$942,684
Utilities (441 & 45x)	\$2,931,000	\$2,731,000	\$2,867,550	\$3,010,928	\$3,161,474
Tuition other Districts (47x)	\$4,643,704	\$5,015,200	\$5,416,416	\$5,849,729	\$6,317,707
Other	<u>\$3,139,563</u>	<u>\$3,233,750</u>	<u>\$3,330,763</u>	<u>\$3,430,686</u>	<u>\$3,533,607</u>
Total	<u>\$12,322,253</u>	<u>\$12,986,176</u>	<u>\$13,681,142</u>	<u>\$14,419,748</u>	<u>\$15,205,045</u>

MATERIALS AND SUPPLIES (Line 3.04)

We are increasing this area for FY13 for curriculum \$500k and maintenance \$500k. An overall inflation rate of 3% is being estimated for this category of expense.

Source	FY12	FY13	FY14	FY15	FY16
Supplies	\$2,751,485	\$3,834,030	\$3,949,051	\$4,067,523	\$4,189,549
ADM Growth	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	<u>\$2,751,485</u>	<u>\$3,834,030</u>	<u>\$3,949,051</u>	<u>\$4,067,523</u>	<u>\$4,189,549</u>

EQUIPMENT (Line 3.05)

An overall inflation rate of 3% is being estimated for this category of expense.

Source	FY12	FY13	FY14	FY15	FY16
Capital Outlay	\$198,143	\$204,087	\$210,210	\$216,516	\$223,011
New Buses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$198,143</u>	<u>\$204,087</u>	<u>\$210,210</u>	<u>\$216,516</u>	<u>\$223,011</u>

OTHER EXPENSES (Line 4.3)

The category of Other Expenses amounted to \$1,689,853 for FY 11. Of that total, Auditor & Treasurer fees were \$1,280,266. The category includes County Board of Ed deductions for participation in the SB140 City/County Agreement of \$235,708 in FY 11 and other miscellaneous expenses. Auditor and treasurer fees will increase sharply anytime a new operating levy is collected. Also new construction will cause A & T fees to increase as more tax dollars are collected. The Auditor and Treasurer fees for FY 12 have been reduced by the \$312,701 refund announced for May 4, 2012.

Source	FY12	FY13	FY14	FY15	FY16
Other expenses	\$1,462,272	\$1,885,364	\$1,969,400	\$2,028,482	\$2,089,336
Inc. A&T Levy	<u>55,477</u>	<u>26,675</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,517,749</u>	<u>\$1,912,039</u>	<u>\$1,969,400</u>	<u>\$2,028,482</u>	<u>\$2,089,336</u>

OTHER FINANCING USES (Line 5.xx)

This account group covers fund to fund transfers and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. The transfers out are deposited in the debt service fund to pay for the WEC certificates of participation and the HB264 project.

Source	FY12	FY13	FY14	FY15	FY16
Transfers	\$1,051,125	\$1,076,047	\$1,101,619	\$876,170	\$948,414
Advances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,051,125</u>	<u>\$1,076,047</u>	<u>\$1,101,619</u>	<u>\$876,170</u>	<u>\$948,414</u>

TAX ANTICIPATION NOTE REPAYMENT

No General Fund borrowing is planned in this five year projection.

ENCUMBRANCES

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

RESERVATION OF FUND BALANCE

The contingency reservation was established by the Board of Education to plan for extraordinary events beyond the control of the District's ordinary operations. The contingency fund is to be utilized by the District in consultation with the Board.

The property tax advance reservation is required because the District requests an advance of the real estate taxes from the county settlement scheduled in August and such funds are not to be spent on current operations. The District utilizes these funds for investment purposes.

ENDING UNENCUMBERED CASH BALANCE

This amount must not go below \$-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which will cause a negative unencumbered cash balance is a violation of 5705.412, ORC, punishable by personal liability of \$10,000.

RISKS

The forecast assumes passage of a bond issue no later than 2012 to keep at least \$2.5 million in annual expenditures from being added to the general fund due to maintenance, technology and transportation needs.

The recession has adversely affected the real estate market for both residential and commercial property. We have experienced a reduction in value of 3.4% in Worthington residential property. While we have included the decrease from reappraisal in the current year forecast, the possibility of additional reductions in our tax base does exist.

The State Budget has significantly decreased our revenue . The foundation was supported by Federal stimulus funds which have now been eliminated. The budget for FY13 may include additional decreases in state funding as a new funding model is developed.

The state budget has reduced the tangible reimbursement FY12 & FY13, but indicates a hold harmless for future years with no means to pay for it. The forecast assumes these funds will continue to be phased out.

There have been many charter school and private school legislative actions which have negatively impacted the District. Fiscal Year 2013 will be the start of the Jon Peterson Scholarship and we are currently aware of 11 students who will use this new private school option. We will continue to monitor the legislative process but cannot ascertain all of the potential effects at this time.

The forecast assumes salary increases beyond the negotiated agreements to be 1% and 3% growth in health insurance for fiscal years 2015 and 2016, The actual results will depend on the outcome of negotiations with employees.

The forecast indicates the need for additional community support during 2012. The state continues to reduce the resources it provides to Worthington and we expect this to continue. We need to actively engage our legislators and our community to minimize the impact of state revenue decreases so we can minimize the impact on the educational program.