

APPROVED

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COLUMBUS CITY SCHOOLS

FRANKLIN COUNTY, OHIO

ASSUMPTIONS AND NOTES

FIVE-YEAR FORECAST – OCTOBER 2018

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEARS ENDING JUNE 30

ACTUAL: 2016, 2017, 2018

FORECASTED: 2019, 2020, 2021, 2022, 2023

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October 16, 2018

Table of Contents

EXECUTIVE SUMMARY	3
Introduction (Ohio Department of Education)	3
Purposes/Objectives of the Five-Year Forecast (Ohio Department of Education)	3
General Economic Conditions and Outlook	4
Revenues, Expenditures and Ending Cash Balances	6
REVENUES	8
Overview	8
Revenue Details	9
FYF Line Breakdown	10
1.010 General Property Tax (Real Estate)	11
1.020 Tangible Personal Property	12
1.035 Unrestricted State Grants-in-Aid	13
1.040 Restricted State Grants-in-Aid	14
1.045 Restricted Federal Grants	15
1.050 Property Tax Allocation	16
1.060 All Other Operating Revenues	17
2.040 Operating Transfers-In	18
2.050 Advances-In	19
2.060 All Other Financing Sources	20
EXPENDITURES	21
Overview	21
FYF Line Breakdown	22
3.010 Personal Services	23
3.020 Employees' Retirement/Insurance Benefits	24
3.030 Purchased Services	25
Community Schools Break Out	26
3.040 Supplies and Materials	27
3.050 Capital Outlay	28
4.020 Principal-Notes	29
4.055 Principal-Other	30

4.060	Interest and Fiscal Charges	31
4.300	Other Objects	32
5.010	Operating Transfers-Out	33
5.020	Advances-Out	34
5.030	All Other Financing Uses	35
6.010	Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	36
7.020	Cash Balance June 30	37
8.010	Estimated Encumbrances June 30	38
	References	39
	Budget Reduction Narratives	39
	FY 19 General Fund Budget Narratives	39
	Five Year Forecast – Schedule of Revenue, Expenditures, and Changes in Fund Balances	40

EXECUTIVE SUMMARY

Introduction (Ohio Department of Education)

A forecast is somewhat like a painting of the future based upon a snapshot of today. That snapshot, however, will be adjusted and the further into the future the forecast extends, the more likely it is that the projections will deviate from actual experience. A variety of events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/replacement), salary increases, or businesses moving in or out of the district. The five-year forecast is viewed as a key management tool and must be updated periodically. In Ohio, most school districts understand how they will manage their finances in the current year. The five-year forecast encourages district management teams to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with ODE when events take place that will significantly change their forecast or, at a minimum, when required under statute.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the *Assumptions to the Financial Forecast* before drawing conclusions or using the data as a basis for other calculations. The assumptions are very important to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected.

Since the preparation of a meaningful five-year forecast is as much an art as it is a science and entails many intricacies, it is recommended that you contact the Treasurer/Chief Fiscal Officer or Board of Education (BOE) of the individual school district with any questions you may have. The Treasurer or CFO submits the forecast, but the BOE is recognized as ultimately responsible for the development of the forecast and the official owner.

Purposes/Objectives of the Five-Year Forecast (Ohio Department of Education)

Here are at least three purposes or objectives of the five-year forecast:

- (1) To engage the local board of education and the community in 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 schools districts with potential financial problems

O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to submit a five-year projection of operational revenues and expenditures along with assumptions to the Department of Education prior to October 31 of each fiscal year and to update this forecast between April 1 and May 31 of each fiscal year. ODE encourages school districts to update their forecast whenever events take place that will significantly change the forecast.

General Economic Conditions and Outlook

General economic conditions drive state and local tax revenues, which in turn impact school district finances. Local tax revenues are derived from property taxes, which tend to be a more stable source of income. Boards of education have the ability to levy additional taxes on real property upon a favorable vote of the residents of the district; anecdotally, voters tend to be more likely to support imposing additional taxes upon themselves when the economy is good, and less so when economic conditions are poor. State revenue – which is distributed via a funding formula – is an amalgamation of various tax sources, though the primary drivers in Ohio are the sales and income taxes. These two sources in particular are often directly correlated with economic conditions (though specific policy decisions may also impact collections).

According to the Ohio Office of Budget and Management (OBM):

Second-quarter real GDP growth was revised slightly higher to 4.2 percent, lifting the year-over-year growth rate to 2.9 percent, which appears to represent an upward shift in the underlying trend. The upward revision to the second-quarter growth rate resulted from a positive adjustment to net exports that was only partially offset by a small downward adjustment to personal consumption expenditures (OBM, 2018).

OBM further notes:

In a sign of substantial momentum in the economy, corporate profits continued to rise at a rapid rate in the second quarter. Even before the direct effects of the corporate tax rate cut, economic profits – profits adjusted for inventory valuation and capital consumption – increased 14.0 percent at an annual rate to 7.7 percent above the year earlier level. After taxes, economic profits rose 10.0 percent annualized to 16.1 percent from a year ago. Profits not only provide funds for expansion, but more importantly promote expansion by signaling the existence of attractive business opportunities (OBM, 2018).

OBM indicates that the Ohio unemployment rate increased in July to 4.6 percent, its highest level since January 2018; however, since last July, the unemployment rate has decreased by 0.5 percent (OBM, 2018). Nationally, the unemployment rate decreased from the month before by a statistically significant amount in eleven states in the month of July. Two states had higher rates than the month prior (Louisiana and Maine) The unemployment rate was unchanged or not statistically different from the month before in all other states (OBM, 2018).

According to the Ohio Legislative Service Commission (LSC), General Revenue Fund (GRF) tax receipts through August 2018 (representing the first two months of the fiscal year) came in at \$27.8 million above estimates (LSC, 2018). Per LSC:

Through August this fiscal year, though the sales and use tax posted a positive variance of \$47.6 million, the PIT [personal income tax] fell \$18.3 million below anticipated revenue, and the CAT experienced a shortfall of \$12.9 million. Most other GRF tax sources were above estimates, including the cigarette tax (\$3.0 million) and utility-related taxes (\$7.6 million) (LSC, 2018).

GRF revenue from the sales and use tax totaled \$1.80 billion through August 2018 (LSC, 2018). According to LSC, “The sales and use tax struggled for most of FY 2018 but ended the fiscal year on a strong footing and with a positive variance of \$120.3 million. Thus, early results in FY 2019 appear to continue the very recent trend” (LSC, 2018). LSC further notes that non-auto sales and use tax receipts for August were \$27.2 million (3.2 percent) above estimate; when compared to the same month last year, receipts increased \$66.6 million (8.2 percent) (LSC, 2018).

LSC notes positive trends in the personal income tax through the end of FY 2018 but recognizes that tax receipts have failed to meet estimates over the first two months of FY 2019 (LSC, 2018). The Commission noted:

The PIT finished FY 2018 5.4 percent above estimate, mostly from outsized tax receipts in the last fiscal quarter. However, in FY 2019, the PIT has fallen below projections. GRF revenue of \$1.36 billion through August was \$18.3 million (1.3 percent) below estimate, including negative variances of \$5.1 million (0.8 percent) in July and \$13.2 million (1.8 percent) in August. However, compared to year-ago receipts, FY 2019 revenue increased a healthy \$66.7 million (5.2 percent) (LSC, 2018).

FY 2018 ended with a positive variance of \$573.6 million in GRF tax sources, driven by large positive variances from the PIT (\$433.8 million) and the sales and use tax (\$120.3 million). (LSC, 2018) Just as noted in the May 2018 Five-Year Forecast, the strong finish to FY 2018 coupled with a positive start to FY 2019 may bode well for school districts should receipts continue to outpace estimates, especially as we enter the transition to planning for the next biennium.

Revenues, Expenditures and Ending Cash Balances

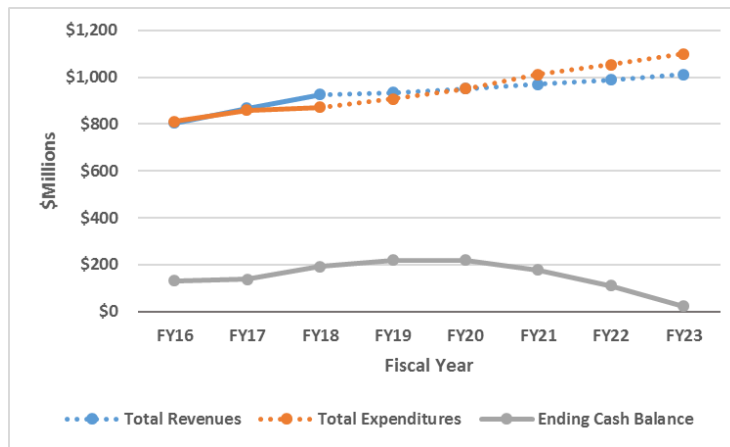
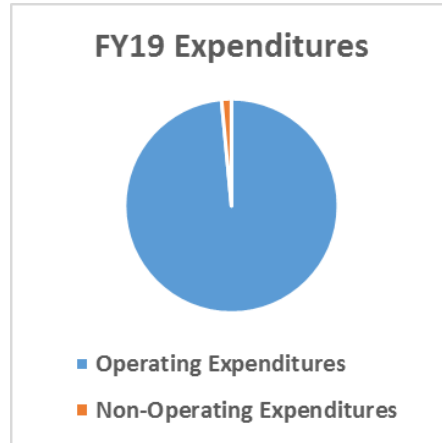
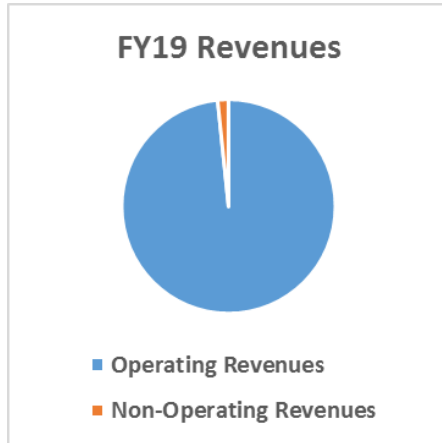
Included in this update are:

1. Over \$55 million in favorable variances (a combination of revenues above budget and expenditures below budget) for the most recent fiscal year, FY18.
2. \$18.3 million in expenditure reductions which began in FY19 and anticipated to continue through FY22 (as was reflected in the May 2018 forecast)

The preparation of the May 2018 forecast included the district's response to the \$224 million deficit projected in the October 2017 forecast. To address the projected FY22 deficit, the district undertook a thorough review of all budgets identifying approximately \$18.3 million in reductions to be effective with the 2018-19 fiscal year (see: [Budget Reduction Narratives](#)). These reductions, intended to carry forward at least through FY22, were a combination of personnel and non-personnel items. Over the 5-year period of the forecast, a total of just under \$104 million in expenditures was reduced from the May 2018 forecast. Favorable revenue variances during FY18, anticipated to carry forward to subsequent years, were estimated to add an average of \$25 million in revenue each year. Coupled with the \$104 million in expenditures reductions, this \$125 million 5-year increase in projected revenues was projected to eliminate the FY22 deficit shown in the October 2017 forecast. Just six months since the preparation work on the May 2018 forecast, results for FY18 are known and include \$29.4 million in revenue above and \$25.9 million in expenditures below the May projections. These favorable variances served, in part, as the base for projections in this forecast.

Total revenues in the October forecast are projected to increase at the rate of 1.82% annually from \$925 million in FY18 to \$1.012 billion in FY23. Total expenditures are projected to increase at the rate of 4.77% from \$871.4 million in FY18 to \$1.1 billion in FY23. Expenditures begin to exceed revenues in FY20 driving the June 30 fiscal year ending cash balance from a positive \$191.1 million at the end of FY18 to just \$23.4 million at the end of FY23. The ending cash balance for FY22, once projected to be at a deficit of \$224 million and subsequently recast in the May 2018 forecast to be a positive \$4.7 million, is now projected to be \$110 million. Keep in mind that 30-days cash balance, a typical target for public sector financial planning, is \$73 million in FY18 and climbs to \$92 million in FY23. This target is met in four out of the five years of the forecast, but the forecasted cash balance falls short in FY23.

	ACTUAL			PROJECTED					
	<i>\$Millions</i>	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<i>Total Revenues</i>		\$804.8	\$864.9	\$925.1	\$934.5	\$951.1	\$969.7	\$987.9	\$1,012.3
<i>Operating Revenues</i>		\$788.4	\$854.1	\$911.8	\$919.1	\$938.1	\$956.7	\$974.9	\$999.3
<i>Non-Operating Revenues</i>		\$16.4	\$10.8	\$13.3	\$15.4	\$13.0	\$13.0	\$13.0	\$13.0
<i>Total Expenditures</i>		\$811.8	\$859.4	\$871.4	\$907.0	\$951.5	\$1,010.9	\$1,054.0	\$1,099.8
<i>Operating Expenditures</i>		\$797.8	\$845.6	\$861.1	\$893.4	\$937.9	\$997.3	\$1,040.4	\$1,086.2
<i>Non-Operating Expenditures</i>		\$14.0	\$13.8	\$10.3	\$13.6	\$13.6	\$13.6	\$13.6	\$13.6
<i>Revenues Over (Under) Expenditures</i>		(\$7.0)	\$5.5	\$53.7	\$27.5	(\$0.4)	(\$41.2)	(\$66.1)	(\$87.5)
<i>Ending Cash Balance</i>		\$131.9	\$137.4	\$191.1	\$218.6	\$218.2	\$177.0	\$110.9	\$23.4



REVENUES

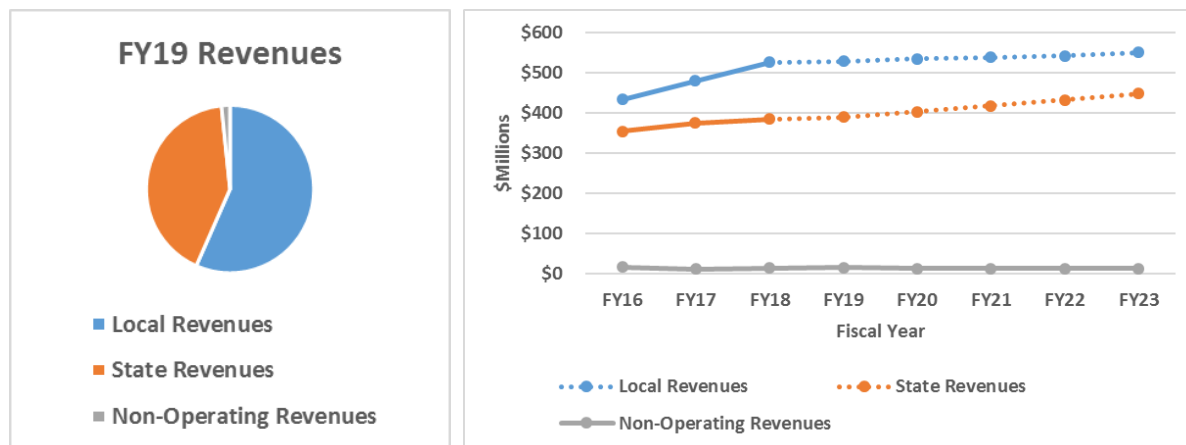
Overview

Local revenues (e.g. property taxes, tuition, fees, investment earnings, rentals, and donations) are projected to increase at the rate of 1.8% annually to \$550.5 million in FY23 from \$526.6 million in FY18. Property taxes are a major driver of local revenues increasing at a projected rate of 1.2% annually from FY18 after larger increases in FY17 and FY18 due to the passage of a new, 5.58 mill operating tax levy in November 2016. Other local revenues are projected to decline (to \$18 million in FY23 from \$26 million in FY18) during the five-year forecast period largely due to the phase-out of Win-Win payments from other districts.

State revenues (e.g. State Foundation Program, rollback and homestead exemption reimbursement, and personal property tax reimbursement) are projected to increase at the rate of 3.1% annually to \$448.8 million in FY23 from \$385.1 million in FY18. 90-92% of state revenues are related to the State Foundation Program and are projected at a growth rate of 3.7% from FY18 to FY23. The property tax allocation received from the State is projected to decline due to the elimination of the personal property tax reimbursement in FY19.

Non-operating revenues (“Other Financing Sources” in the Five-Year Forecast and comprised of transfers-in, advances-in and other financing sources) are projected to be flat for the five years of the forecast¹ at \$13.0 million per year, in line with the FY18 amount of \$13.3 million.

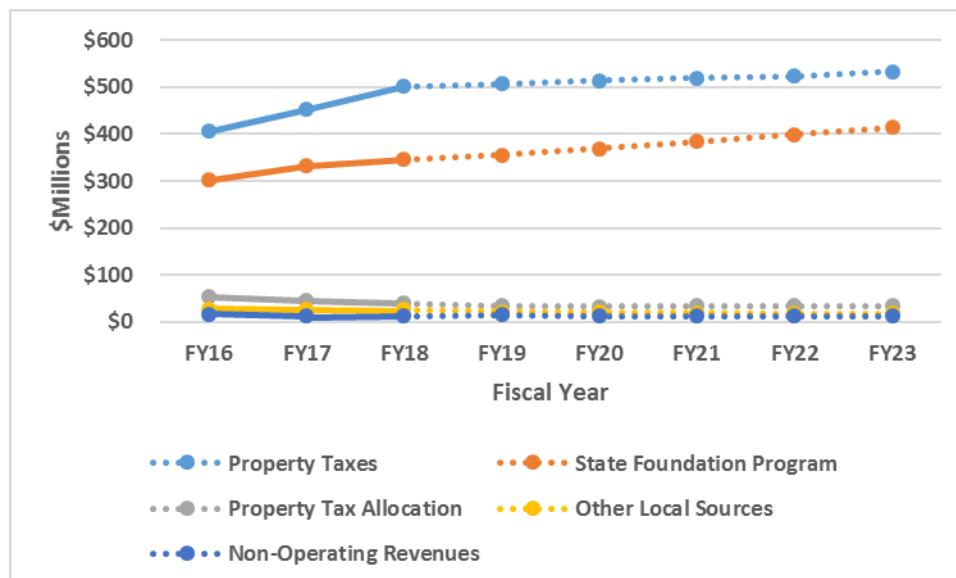
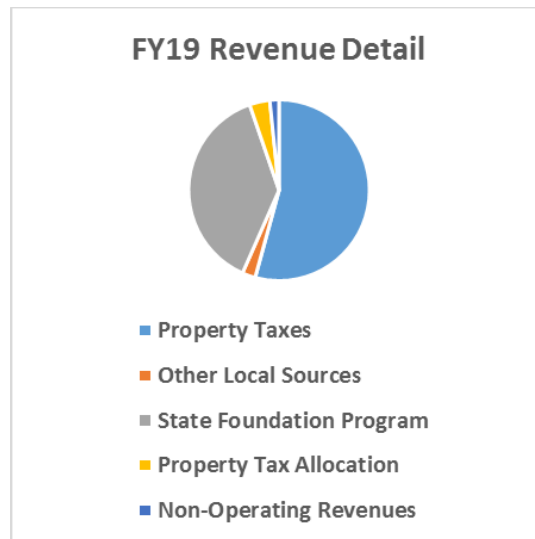
	ACTUAL			PROJECTED				
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<i>Total Revenues</i>	\$804.8	\$864.9	\$925.1	\$934.5	\$951.1	\$969.7	\$987.9	\$1,012.3
<i>Local Revenues</i>	\$433.5	\$478.5	\$526.6	\$529.2	\$534.7	\$538.8	\$542.0	\$550.5
<i>State Revenues</i>	\$354.9	\$375.6	\$385.1	\$389.9	\$403.4	\$417.9	\$432.9	\$448.8
<i>Non-Operating Revenues</i>	\$16.4	\$10.8	\$13.3	\$15.4	\$13.0	\$13.0	\$13.0	\$13.0



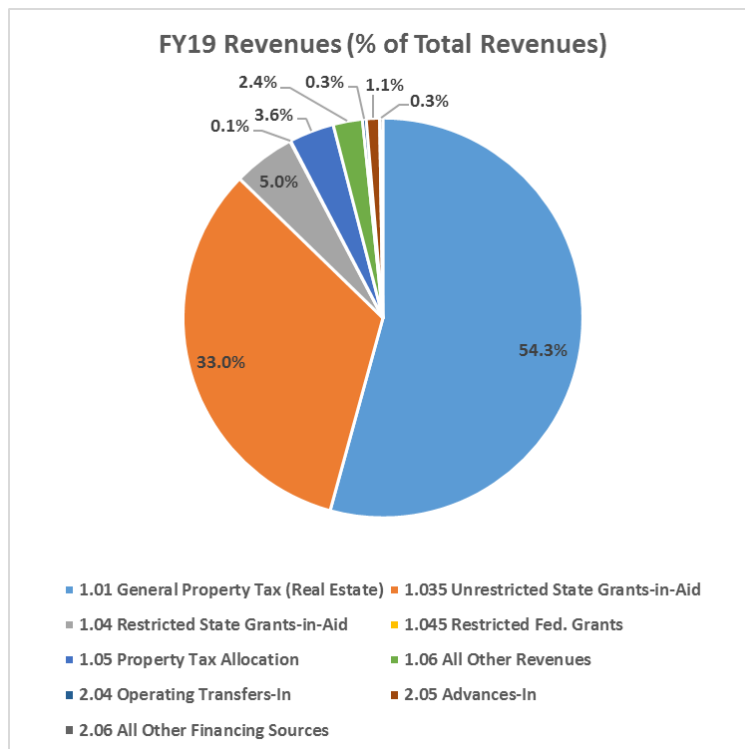
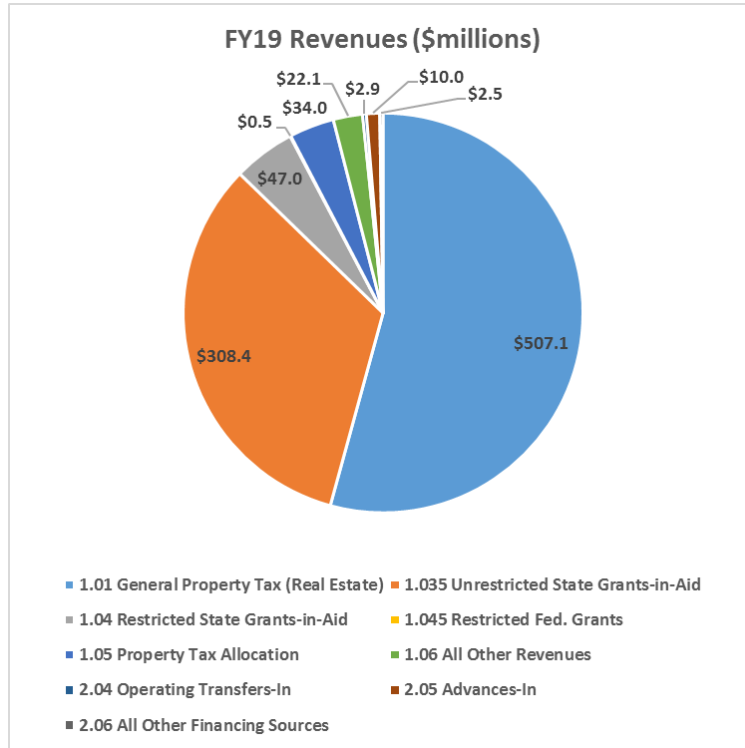
¹ Except for FY19 which includes a one-time refund of prior years’ County Auditor and Treasurer’s fees of \$2.4 million.

Revenue Details

	ACTUAL			PROJECTED				
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<i>\$Millions</i>								
Property Taxes	\$406.2	\$452.8	\$500.9	\$507.1	\$513.8	\$519.1	\$523.5	\$532.5
Other Local Sources	\$27.3	\$25.8	\$25.7	\$22.1	\$20.9	\$19.7	\$18.5	\$18.0
Total Local Revenues	\$433.5	\$478.5	\$526.6	\$529.2	\$534.7	\$538.8	\$542.0	\$550.5
State Foundation Program	\$301.7	\$330.5	\$345.1	\$355.9	\$369.7	\$383.9	\$398.8	\$414.2
Property Tax Allocation	\$53.2	\$45.1	\$40.1	\$34.0	\$33.7	\$34.0	\$34.1	\$34.6
Total State Revenues	\$354.9	\$375.6	\$385.1	\$389.9	\$403.4	\$417.9	\$432.9	\$448.8
Non-Operating Revenues	\$16.4	\$10.8	\$13.3	\$15.4	\$13.0	\$13.0	\$13.0	\$13.0
Total Revenues	\$804.8	\$864.9	\$925.1	\$934.5	\$951.1	\$969.7	\$987.9	\$1,012.3



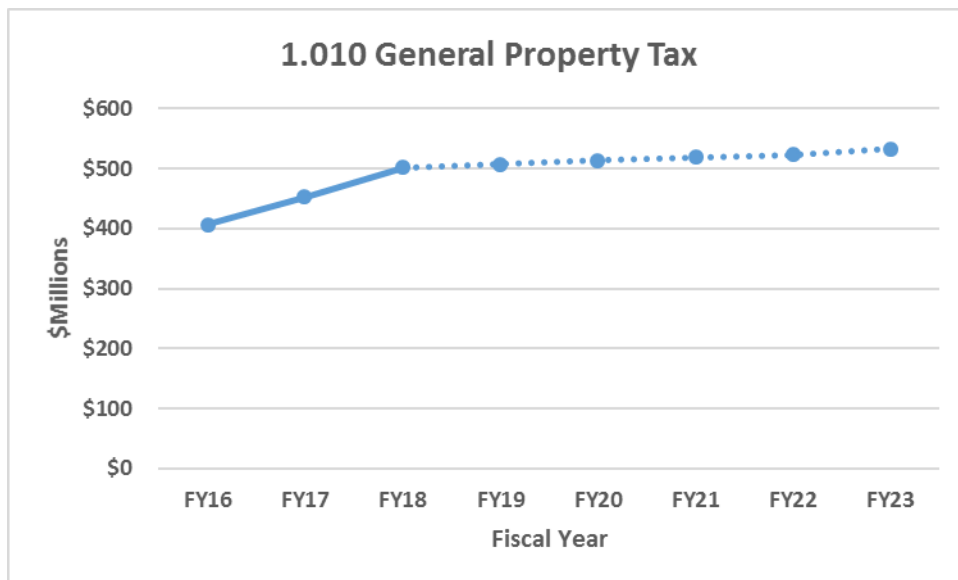
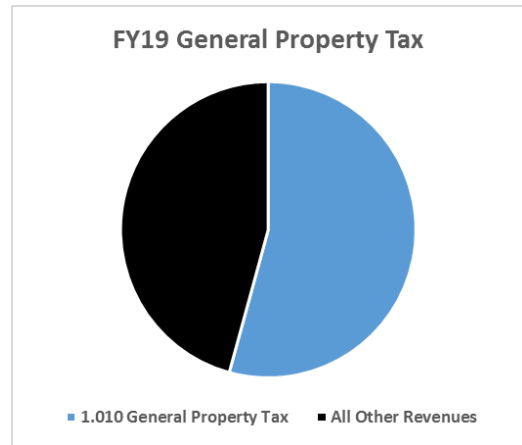
FYF Line Breakdown



1.010 General Property Tax (Real Estate)

Taxes levied by a school district by the assessed valuation of real property located within the school district.

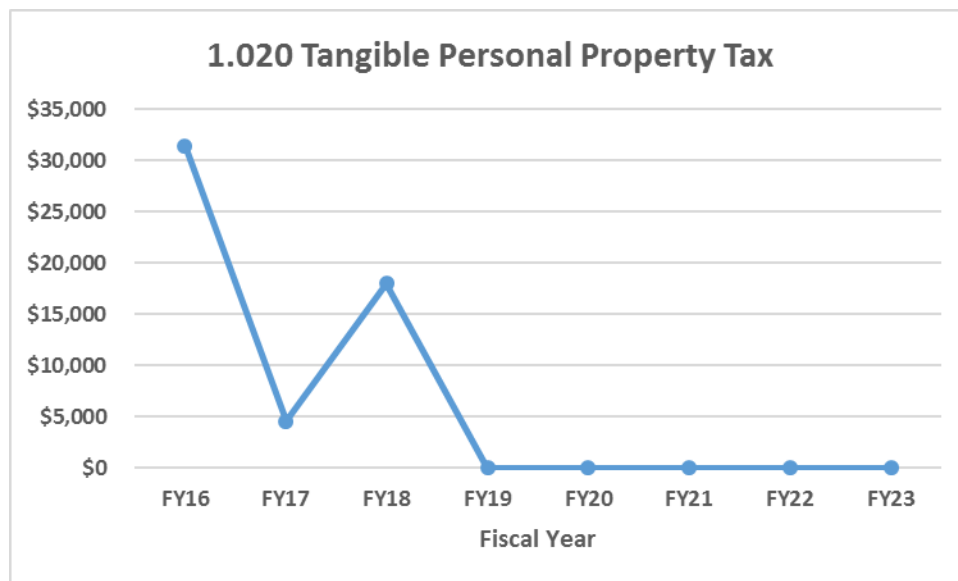
Representing 54% of all revenues, general property taxes benefited beginning in FY17 from the November 2016 passage of a 5.58 mill continuous operating levy. First collected in calendar 2017, FY18 is the first fiscal year which reflects a full year of collection with the new millage. Using FY18 as a base, property taxes are projected to grow at a rate of 1.2% annually during the forecast period. No new, additional tax levy is contemplated in this forecast.



1.020 Tangible Personal Property

Businesses pay the ‘tangible personal property tax’ on equipment or supplies/materials of which they own. This tax is being phased out and is being replaced with the Commercial Activities Tax (CAT). There is no revenue from tangible personal taxes included in this FYF.

Reimbursement from the state for this loss is included in line 1.050 Property Tax Allocation. This reimbursement is also being phased out.

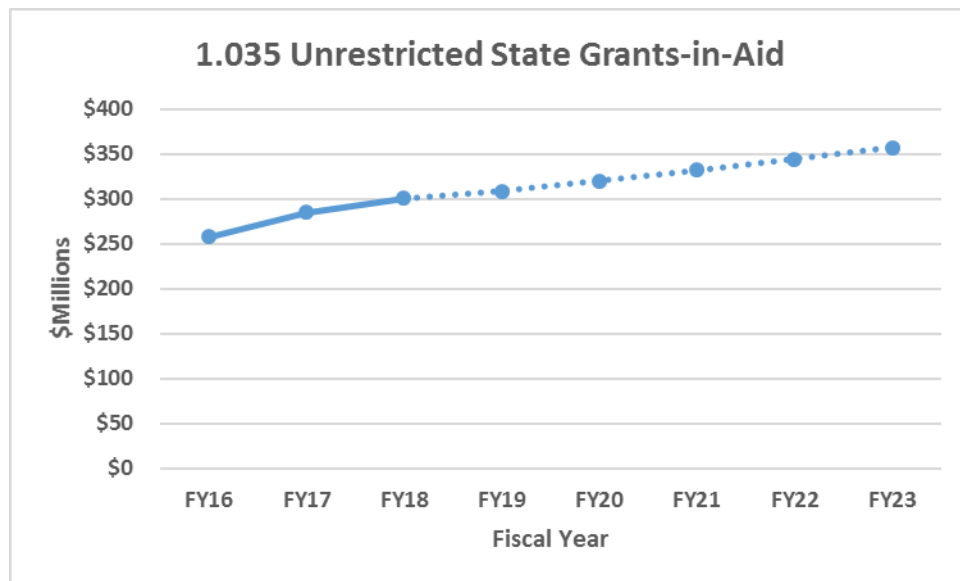
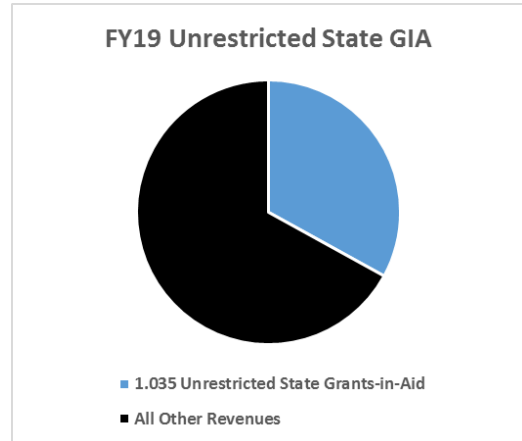


1.035 Unrestricted State Grants-in-Aid

Funds received through the State Foundation Program with no restriction. The foundation formula is the primary vehicle which the Ohio legislature uses to determine how much state aid each school district is to receive.

This revenue line represents 33% of all revenues and 79% of all revenues received from the state. It is expected that the district will be subject to the cap for the duration of the years covered in this forecast. For FY18, the funding cap meant the district received \$110 million less in state funding than the formula calculation calls for. For FY19 the estimate is \$93 million less.

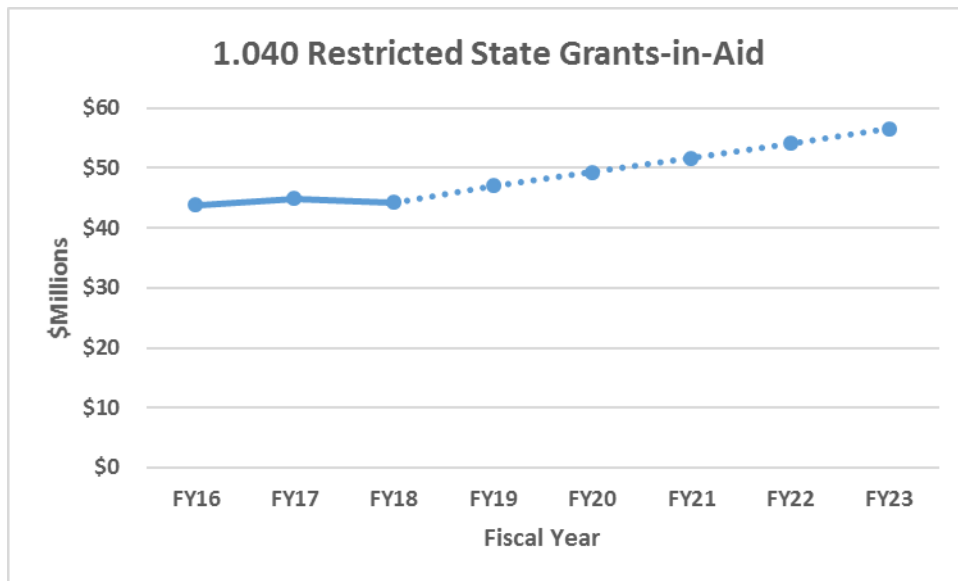
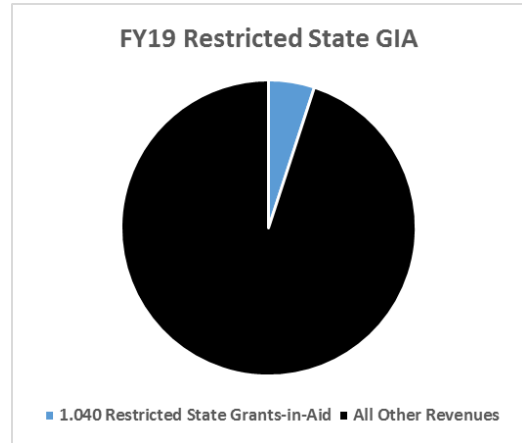
This forecast assumes the cap will increase 4% annually consistent with the state’s current biennial budget. This line also includes an estimated \$2.5 million in Casino revenue each year. In Q1 of calendar year 2019, the state will begin discussions on the next biennial budget, FY20 – FY22. The outcome of those discussions and ultimate adoption of the FY20 – 22 state biennial budget has the potential to have a dramatic impact on the district’s financial future. Due to the nature of the “cap” calculation and that some items are not subject to the cap, the allocation to this line may vary during the year. Therefore, the district monitors the total of lines 1.035 and 1.040 against the total capped amount and not necessarily line by line.



1.040 Restricted State Grants-in-Aid

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes. Examples include economic disadvantaged and career-technical funding.

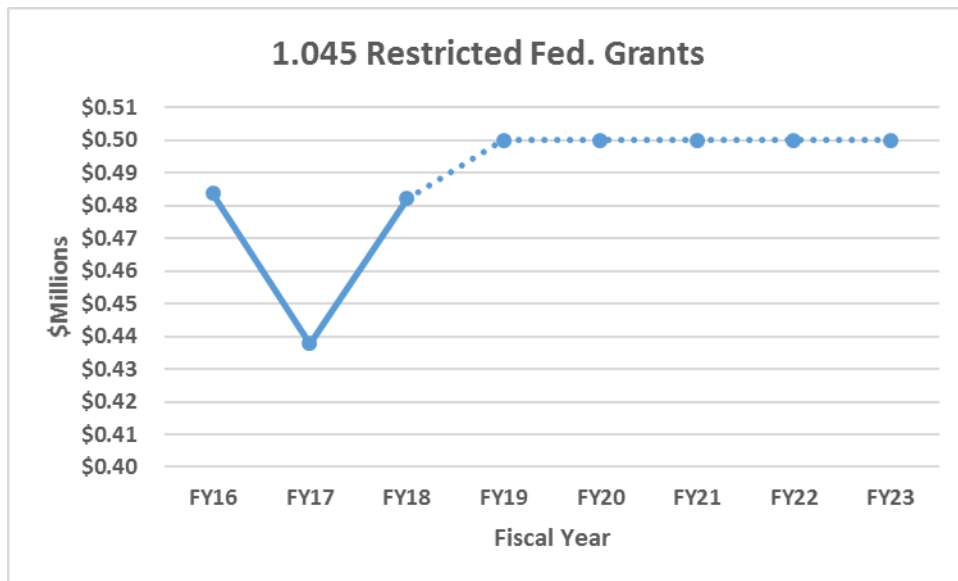
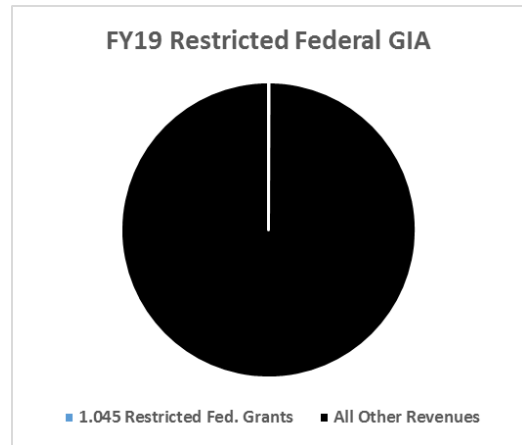
These funds are 5% of all revenues and 12% of state revenues. As with line 1.035, changes in the calculated funding during the year and the effect of the “cap” on the allocation of state revenues to each line may cause this amount to vary during the year. In total for the fiscal year, however, the district may expect to receive the full cap amount even though lines 1.035 and 1.040 may appear to be over or under original estimates. This “accounting effect” will also distort trends for lines 1.035 and 1.040 when taken separately over several fiscal years.



1.045 Restricted Federal Grants

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes. Examples include the Education Jobs fund.

For CCS, this is the QSCB interest rebate from the Federal government and is a very small portion of overall revenues.

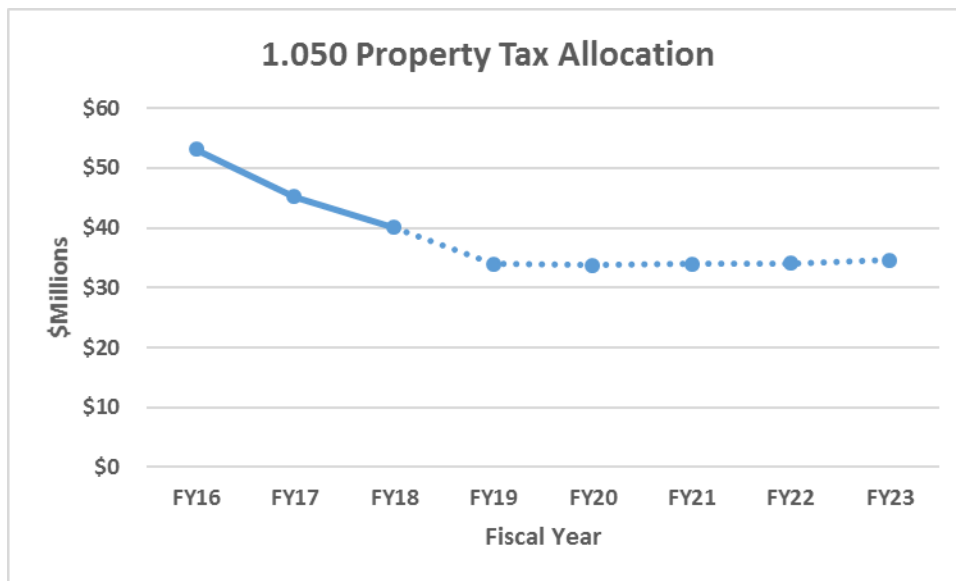
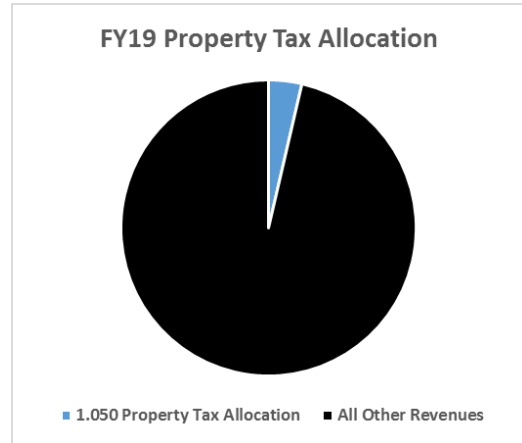


1.050 Property Tax Allocation

This line includes funds received for Tangible Personal Property Tax (TPP) Reimbursement (as discussed above), Electric Deregulation, Homestead and Rollback, and the “ten thousand dollar exemption” where businesses are exempt from paying the first \$10,000 of property tax and the district is reimbursed through state funding.

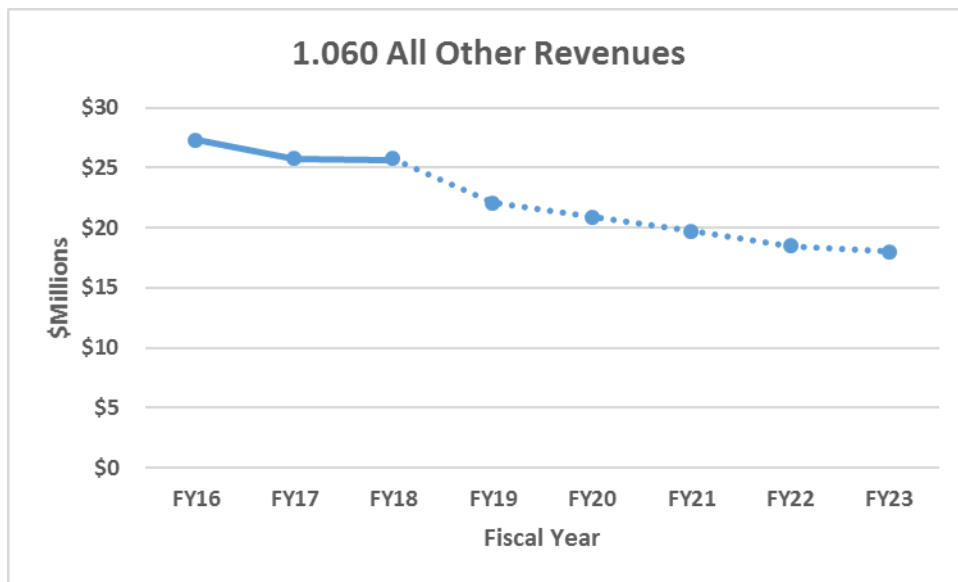
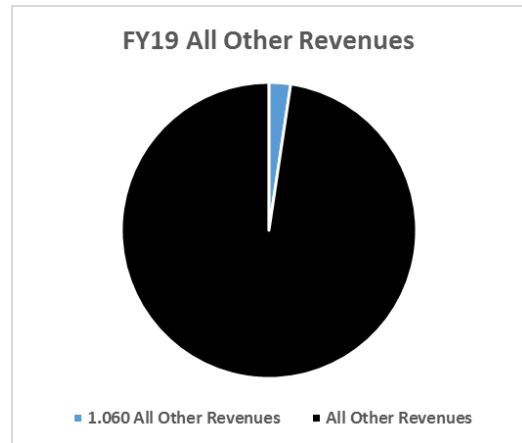
TPP reimbursement is estimated at \$0.3 million in FY19 and then is totally phased out beginning in FY20.

This revenue source is 4% of total revenues and 9% of funds received from the state. The 10.5% Rollback provision was repealed in 2013 (HB59) and as a result all tax levies approved by voters beginning in 2014 are not subject to the rollback, saving the state money but passing that cost on to local taxpayers. The November 2016, 5.58 mills is therefore not subject to the rollback and local taxpayers bear the full cost of that levy. Rollback is generally forecasted as a percentage of total estimate Residential (R1) tax collections with an adjustment for levies not subject to the rollback.



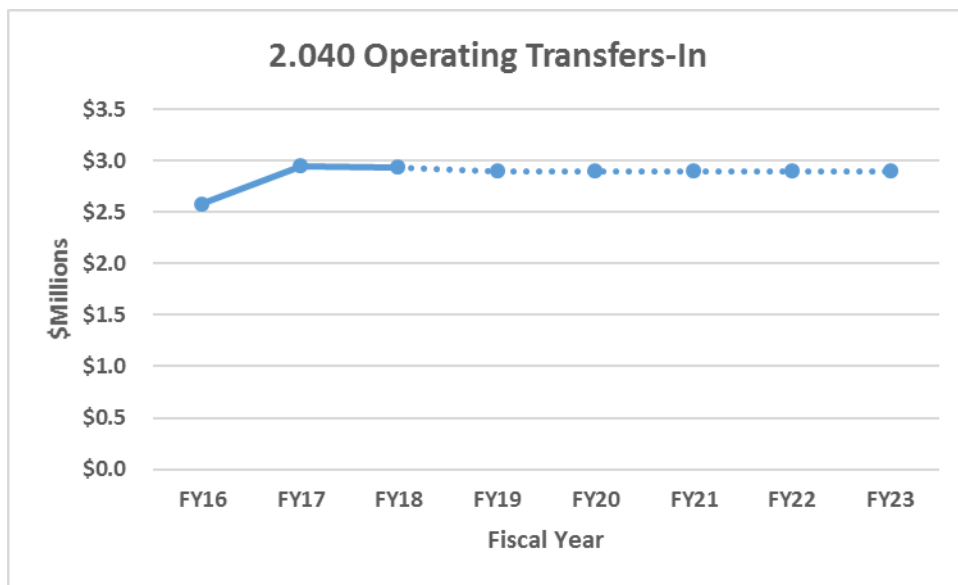
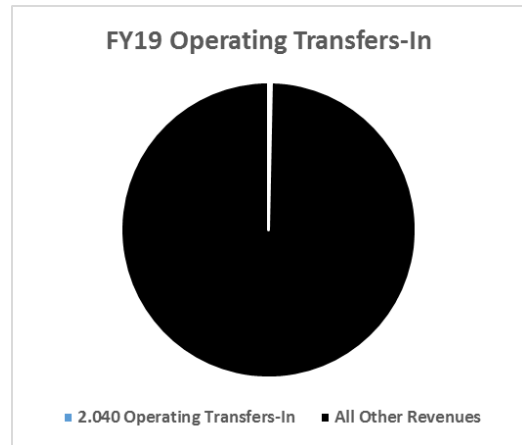
1.060 All Other Operating Revenues

Operating revenue sources not included above. Examples include but are not limited to tuition, fees, investment income, rentals, and donations. Significant items included here as well are payments in lieu of taxes (PILOTs), Win-Win payments and Medicaid reimbursement. PILOTs are difficult to predict as they depend on cases before the Board of Revision and/or Board of Tax Appeals and any out-of-court settlements we may reach. This line also includes income tax revenue sharing from the City of Columbus resulting from various CRAs and/or TIFs. Win-Win payments are projected to decline over time (80%, 60%, 40%, 20%, 0% of the calculated amount for FY18-FY22) until completely eliminated in FY22. Medicaid reimbursement is projected at the 5-year average of \$3.4 million per year each year of the FYF. 2.4% of total revenues.



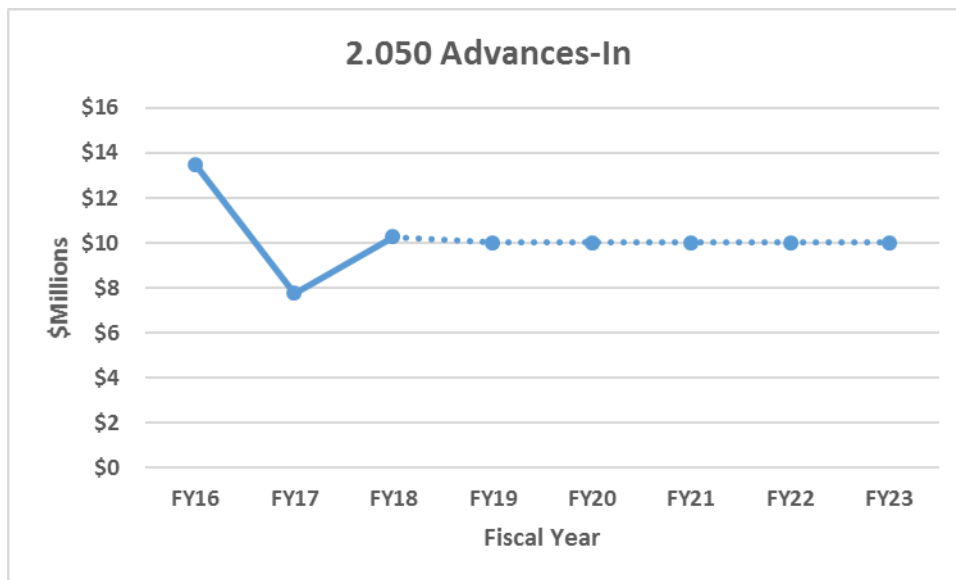
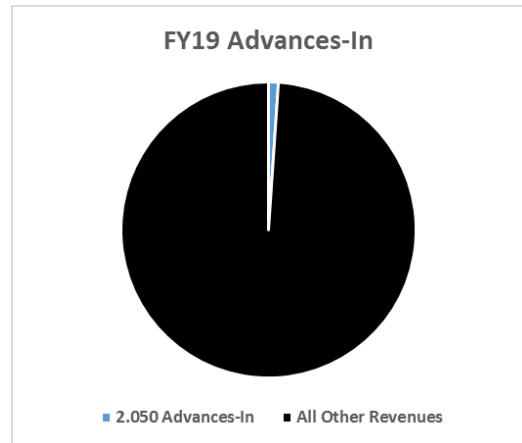
2.040 Operating Transfers-In

Permanent movement of monies between funds. This is related to a transfer to the Debt Service fund to pay debt service on bonds issued for the purchase of school buses. Less than 0.5% of total revenues.



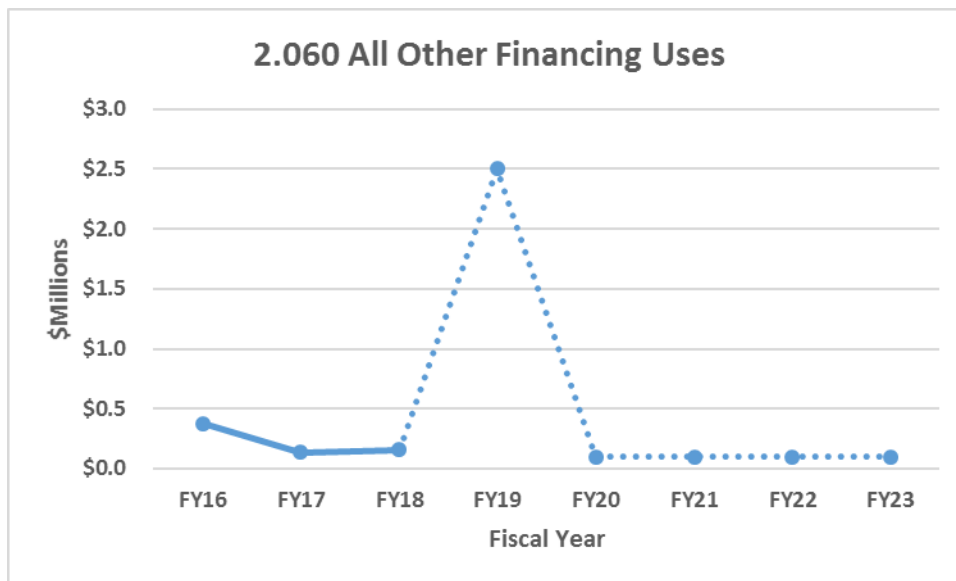
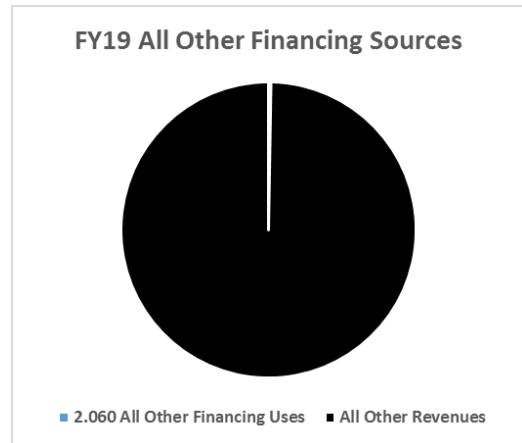
2.050 Advances-In

Temporary movement of monies between funds. Generally dependent on the cash flow needs of other funds, this is the return of funds temporarily advances to other funds from the General Fund. The corollary expenditure line is line 5.020 Advances-Out. Projected at \$10 million flat in line with the prior 3-year average. 1% of total revenues.



2.060 All Other Financing Sources

Sale and Loss of Assets, Refund of Prior Year Expenditures. At \$100,000, this represents less than 0.01% of total revenue and is projected flat² for the duration of the FYF.



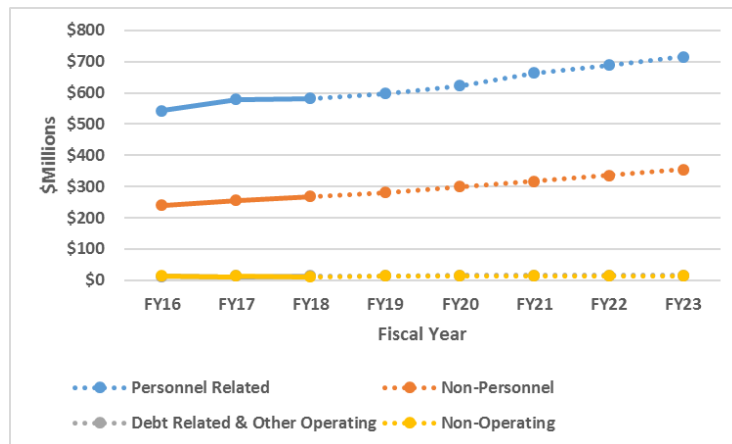
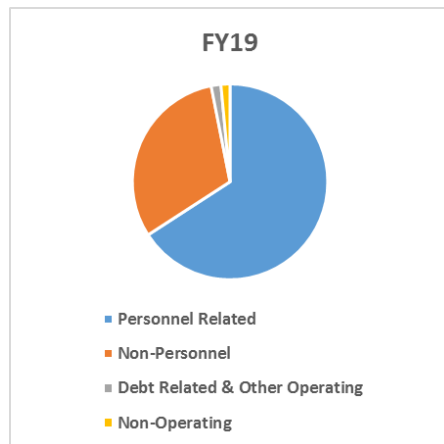
² For FY19, at the time of preparing this forecast, it was known that the district received a one-time refund of County Auditor and Treasurer Fees of \$2.4 million.

EXPENDITURES

Overview

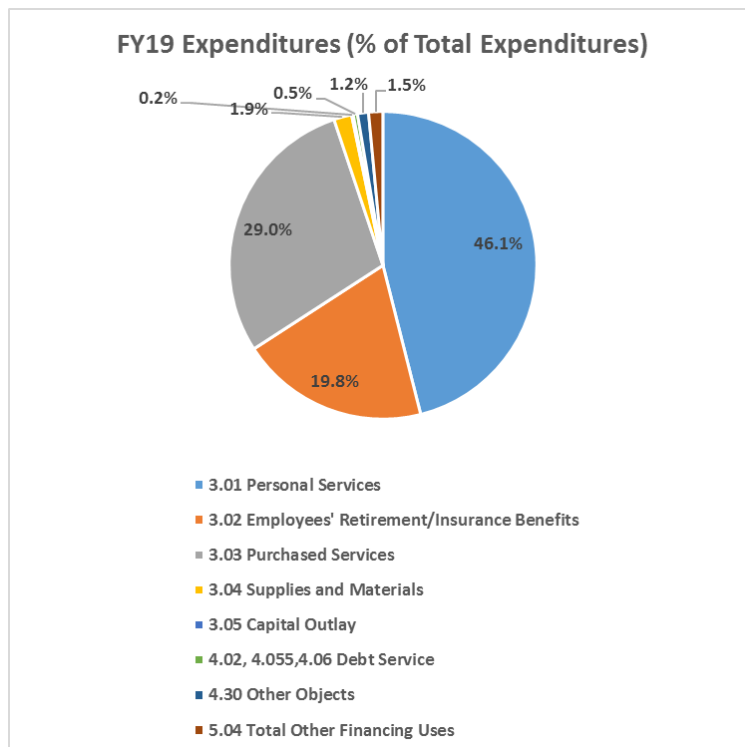
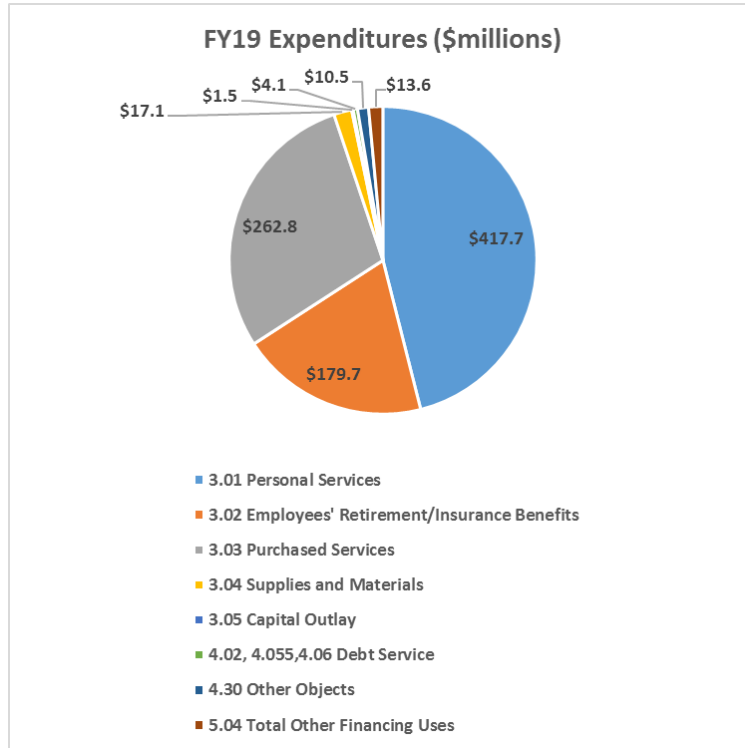
Personnel related expenditures (Salaries/Wages and Benefits, lines 3.010 and 3.020 in the FYF) are forecasted to increase at a rate of 4.3% annually from \$580 million in FY18 to \$716 million in FY23. Non-personnel items (lines 3.020 – 3.050 in the FYF) increase from \$267 million in FY18 to \$355 million in FY23, a growth rate of 5.9% annually³. Debt related expenditures (lines 4.020 – 4.060 in the FYF) are projected to remain substantially unchanged during the forecast period as do other operating expenditures (line 4.300 in the FYF). Non-Operating expenditures (“Other Financing Uses”, line 5.040 in the FYF, which includes Transfers and Advances Out and Other Financing Uses) are projected flat at the average of prior years for each year of the forecast.

	ACTUAL			PROJECTED				
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<i>\$Millions</i>								
Total Expenditures	\$811.8	\$859.4	\$871.4	\$907.0	\$951.5	\$1,010.9	\$1,054.0	\$1,099.8
<i>Personnel Related</i>	\$543.9	\$579.0	\$580.1	\$597.4	\$623.2	\$664.7	\$689.5	\$715.5
<i>Non-Personnel</i>	\$240.9	\$253.7	\$267.1	\$281.4	\$299.6	\$317.2	\$335.5	\$355.0
<i>Debt Related</i>	\$4.2	\$4.0	\$4.1	\$4.1	\$4.2	\$4.2	\$4.2	\$4.1
<i>Other Operating</i>	\$8.7	\$8.9	\$9.7	\$10.5	\$10.9	\$11.2	\$11.2	\$11.6
<i>Non-Operating</i>	\$14.0	\$13.8	\$10.3	\$13.6	\$13.6	\$13.6	\$13.6	\$13.6



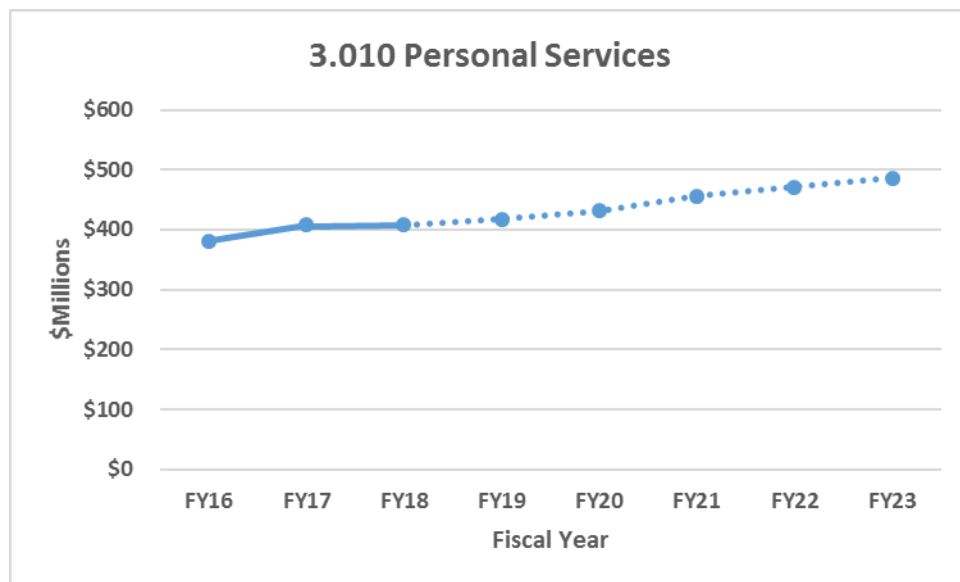
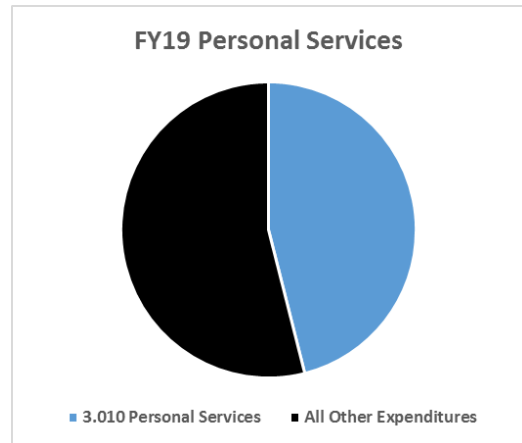
³ The non-personnel forecast is based on the district’s 5 year budget process, not a “last year plus” methodology. The percent growth rate while descriptive is not indicative of the process employed to arrive at the five-year projection.

FYF Line Breakdown



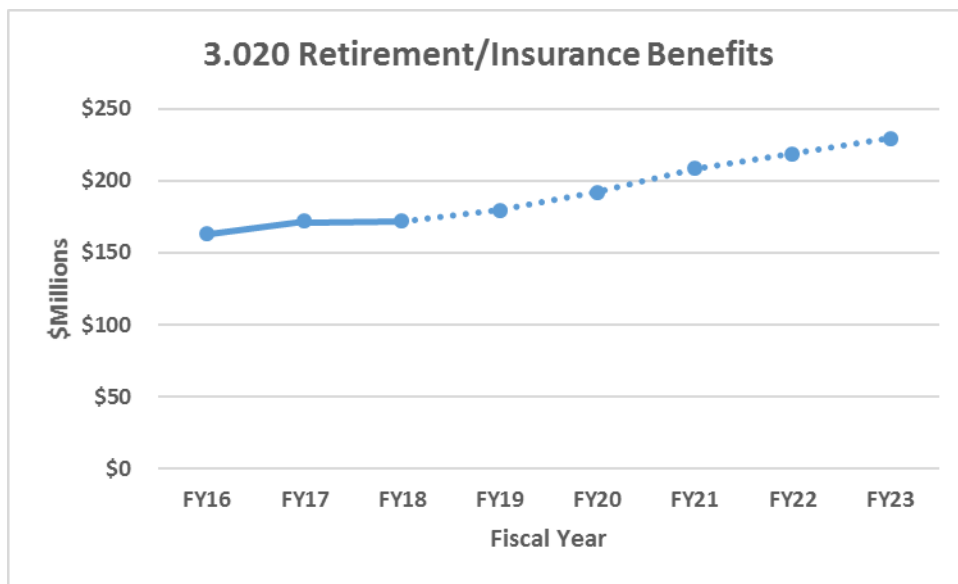
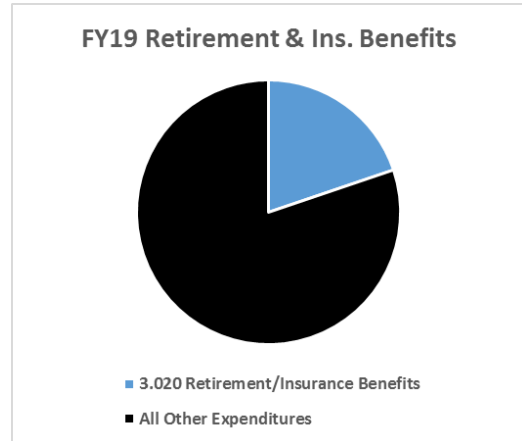
3.010 Personal Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc. The forecast includes step increases for current staff, additional staffing as promised in the November 2016 levy campaign and negotiated base salary/wage increases for FY18 and FY19. The negotiated agreements with two of the district’s collective bargaining groups expire in August 2019 and any subsequent base increase is subject to negotiations at that time, however, a 1% across the board base increase is included in the FYF for FY20 – FY23. The projected growth rate FY18 to FY23 is 3.5%. Personal Services represents 46% of all expenditures.



3.020 Employees' Retirement/Insurance Benefits

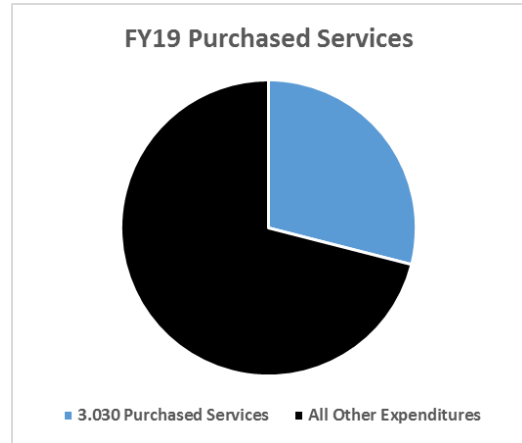
Retirement for all employees, Workers Comp., Medicare, unemployment, and all health-related insurances. Retirement, workers comp., and Medicare are all based on a percentage of applicable salaries/wages. Health-related insurances are projected based on trend averaging +5.5%⁴ annually. The projected growth rate FY18 to FY23 for all retirement and insurance benefits is 6.0%. Retirement/Insurance Benefits account for 20% of total expenditures.



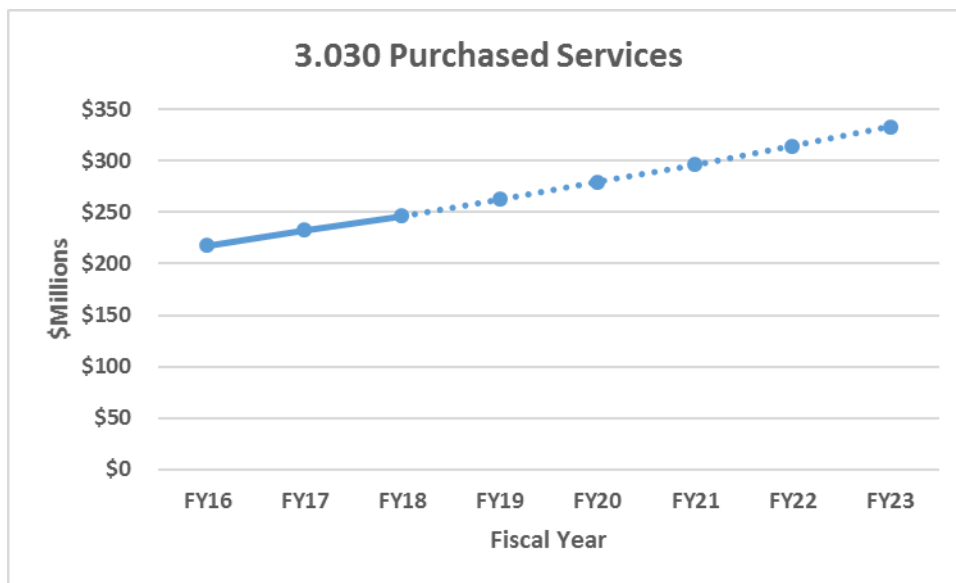
⁴ Trends for medical, life, dental and vision individually ranged from 0.38% to 9.75% annually.

3.030 Purchased Services

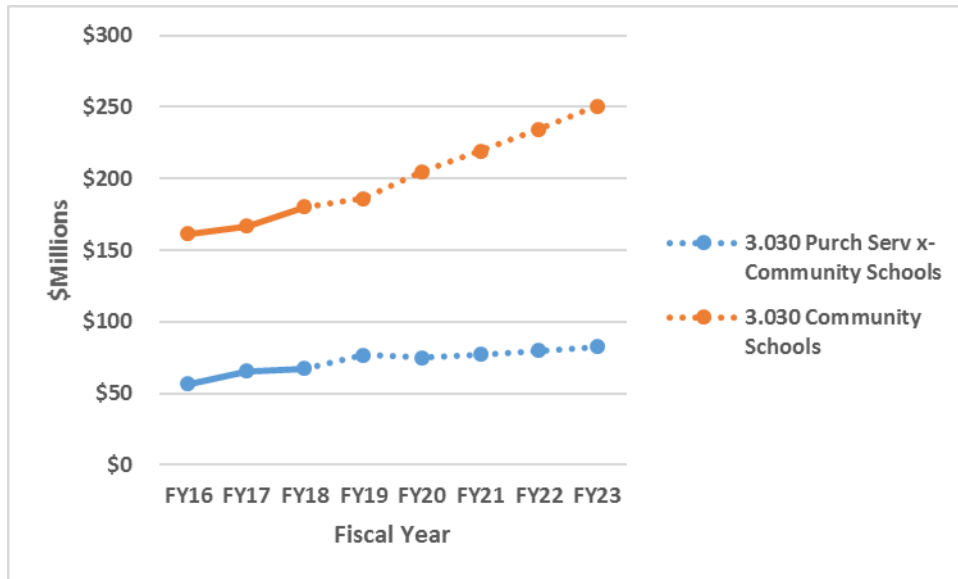
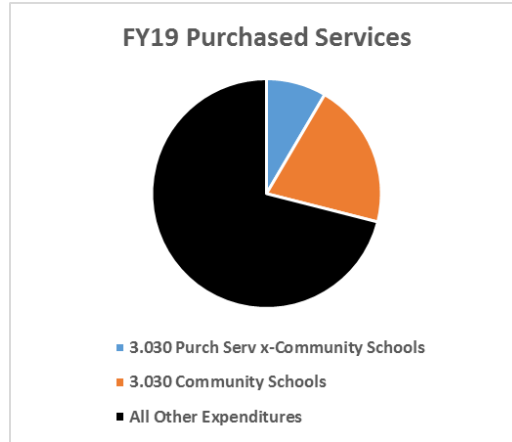
Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase. Examples include but are not limited to legal fees, maintenance agreements, utilities, and tuition paid for students attending other school districts, including open enrollment and community schools. The projected growth rate FY18 to FY23 is 6.2%. In total, purchased services account for 29% of General Fund expenditures. As with all other non-personnel lines (3.040 Supplies and Materials, 3.050 Capital Outlay, and 4.030 Other Objects), projected expenditures are based on the district’s annual budget preparation process which generally begins during the second quarter of the fiscal year and continues through May culminating in the adoption of an appropriation resolution in June for the ensuing fiscal year. Additionally, as noted in the introduction, all non-personnel budgets were subject to a thorough review and subsequently reduced for FY19 (see: [FY19 General Fund Budget Narratives](#)).



A significant expenditure within purchased services is the deduction for community schools. Because of its financial and political impact, this deduction/expenditure is called out in most financial reporting of the district. The projection for community schools, etc., is based on an estimate of both the number of students and the dollars per student that leave the district based on trend. The FY18-FY23 projected growth rate for community schools is 6.9% and 4.3% for purchased services excluding community schools.

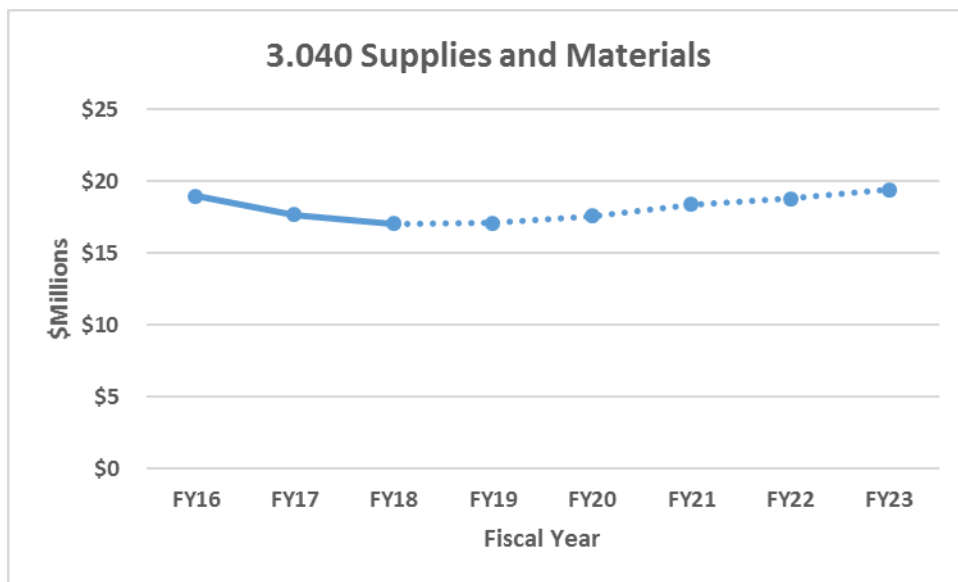


Community Schools Break Out



3.040 Supplies and Materials

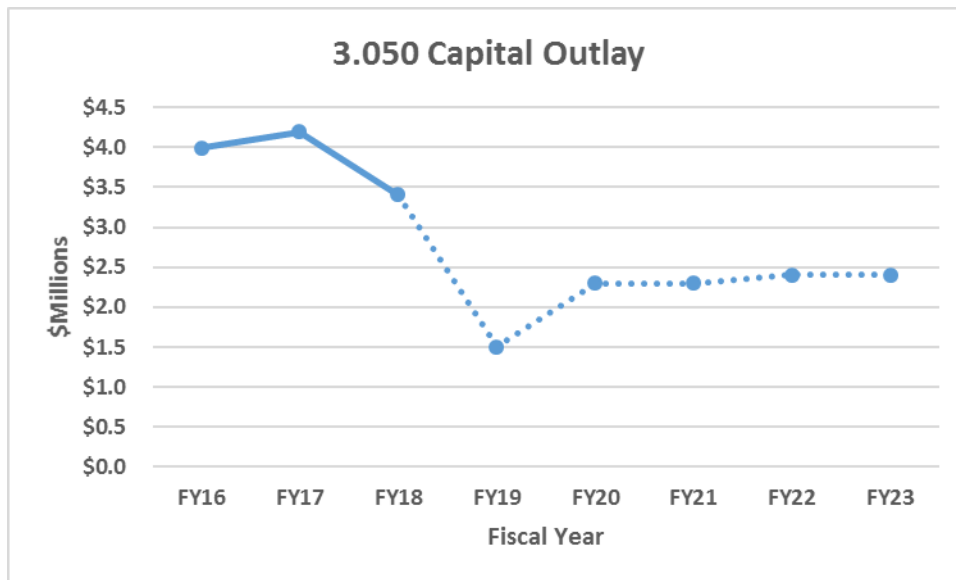
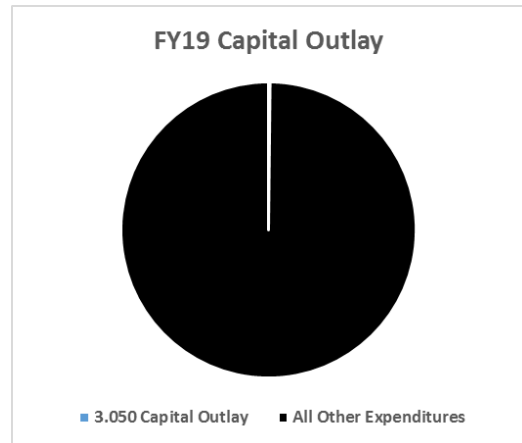
Examples include but are not limited to general supplies, instructional materials including textbooks and media materials, bus fuel and tires, and all other maintenance supplies. At 2% of total expenditures, this line is projected to grow 2.7% annually from \$17.0 million in FY18 to \$19.4 million in FY23. During the forecast, the growth rate is 3.2% (\$17.6 million in FY19, \$19.4 million in FY23). Again, the projection for this non-personnel line item is not based on “last year plus”, instead it’s based on the district’s 5 year budget process (see [FY19 General fund Budget Narratives](#) and has been reduced based on the wide ranging reduction process completed in the 3rd quarter of this fiscal year.



3.050 Capital Outlay

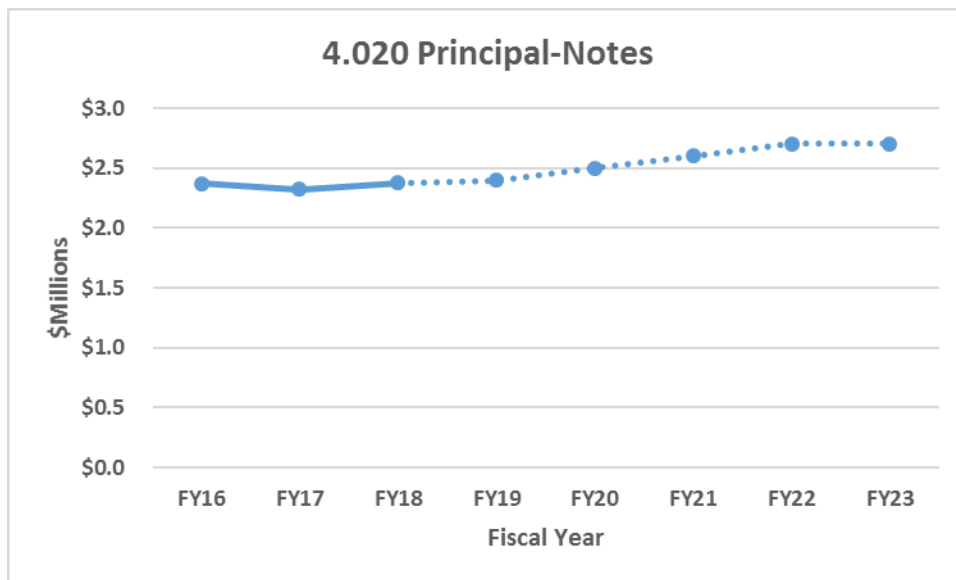
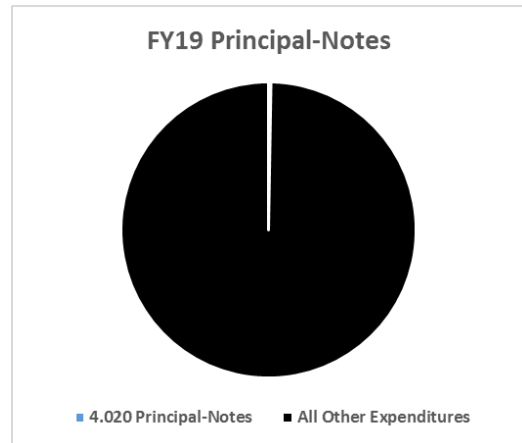
This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, buses, and vehicles. For FY19 this represents less than 0.2% of the General Fund expenditures. As a result of reduced state funding which came to light in Q3 of FY17, the district identified during the budget preparation process as much capital outlay as possible that could be shifted to alternate sources of funding such as the newly approved Permanent Improvement Fund and bond issue (“Operation Fix-It”).

Further, capital outlay was subject to the budget reductions identified in Q3 of the fiscal year 2018. The result is a significant drop in the allocation for capital outlay in FY18 and beyond versus previous fiscal years. Again, the projection for this non-personnel line item is not based on “last year plus”, instead it’s based on the district’s 5 year budget process (see [FY19 General Fund Budget Narratives](#) for details).



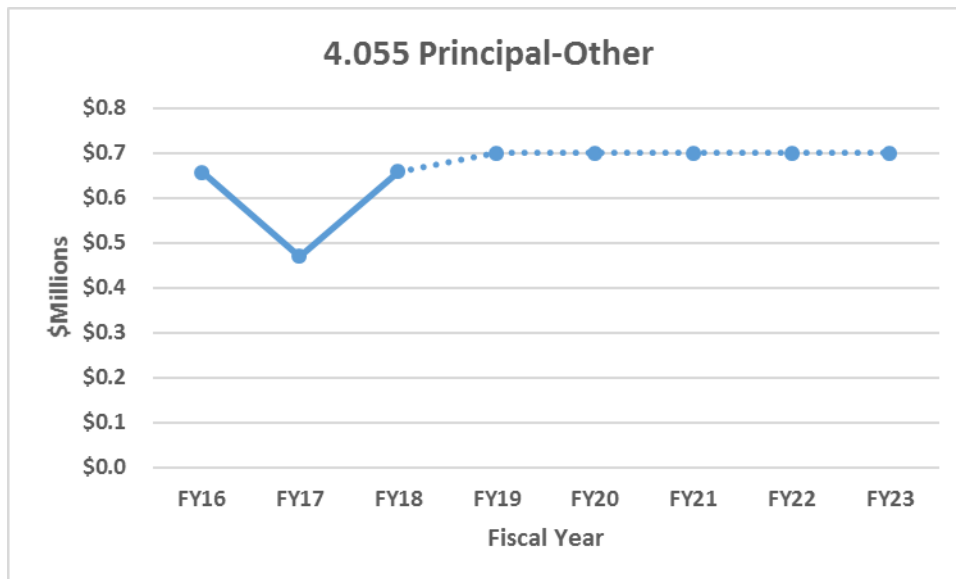
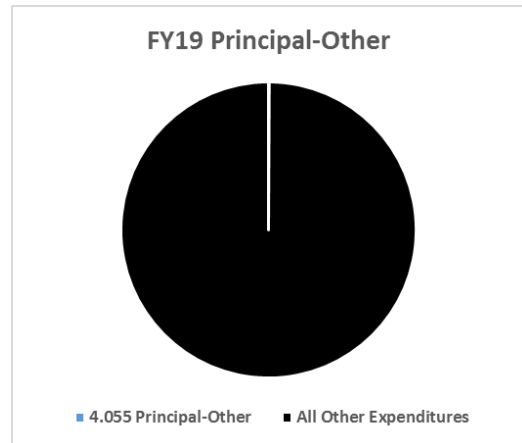
4.020 Principal-Notes

Payment of principal on the BANs issued in 2013 for the purchase of school buses. This debt will be fully retired at the end of FY24. This expenditure flows through the Debt Service Fund on the district records but is included and reported here due to a requirement that the FYF reflect all General Fund related activities.



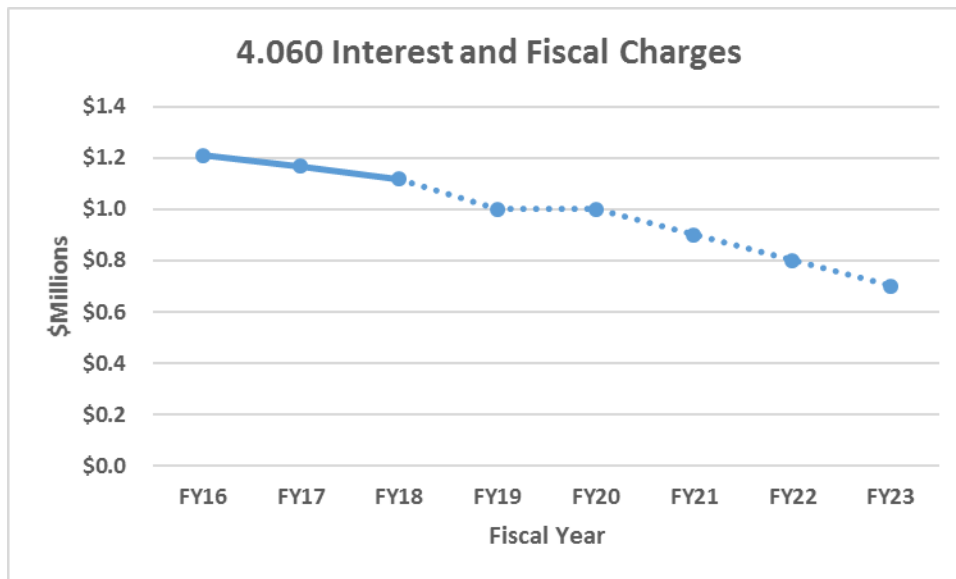
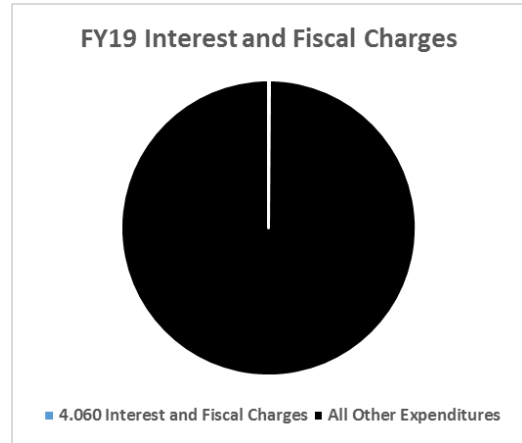
4.055 Principal-Other

Payment of principal on Qualified School Construction Bonds issued in 2011. Another example of Debt Service Fund activity reported in the FYF as General Fund related. This debt is fully retired after FY25.



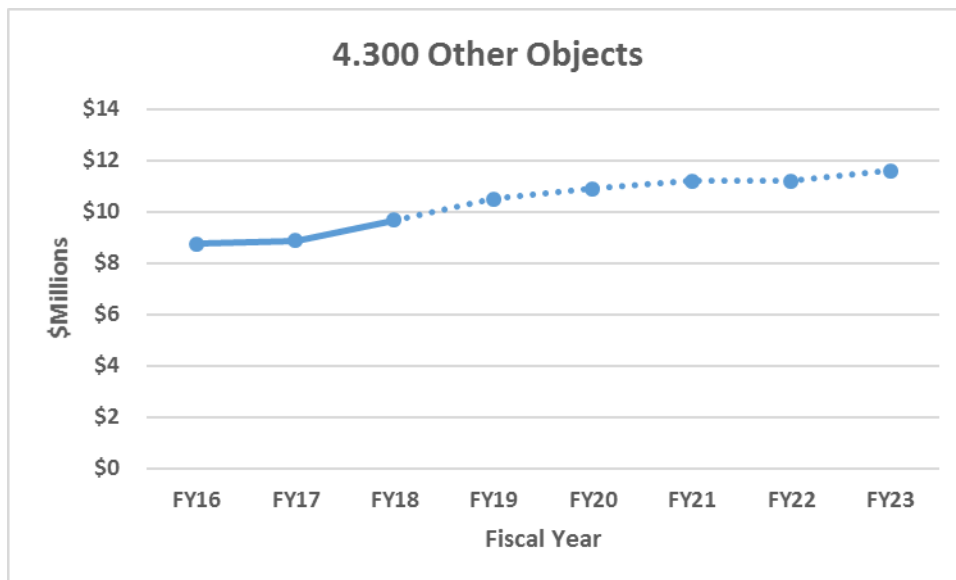
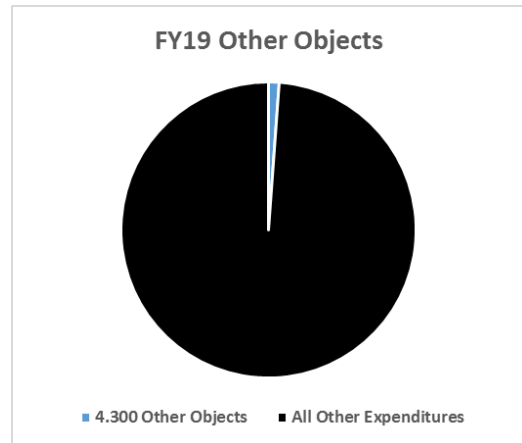
4.060 Interest and Fiscal Charges

Interest payable on the BANs and QSCBs the principal of which is shown on lines 4.020 and 4.055.



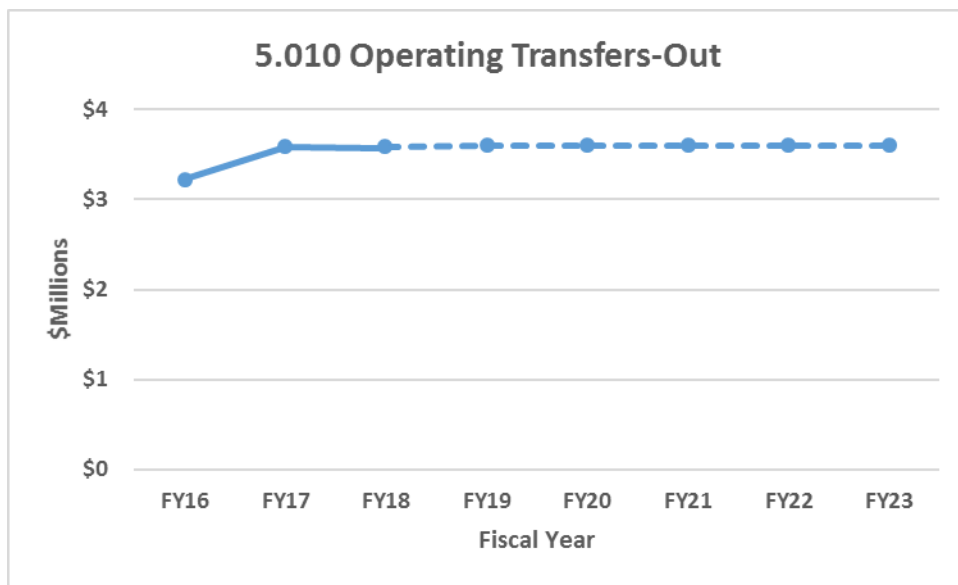
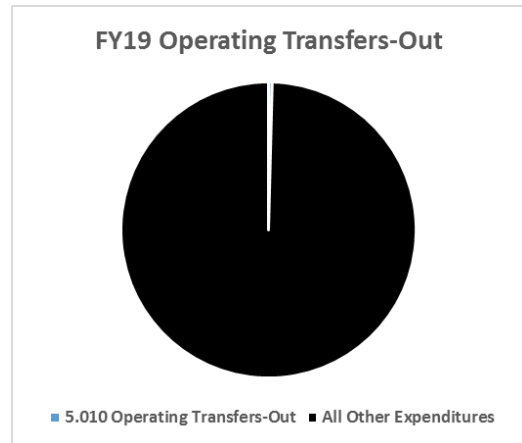
4.300 Other Objects

The primary components listed here consists of membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, election expenses, etc. Just over 91% of the line is for county auditor and treasurer fees for the calculation, assessment, collection and distribution of property taxes.



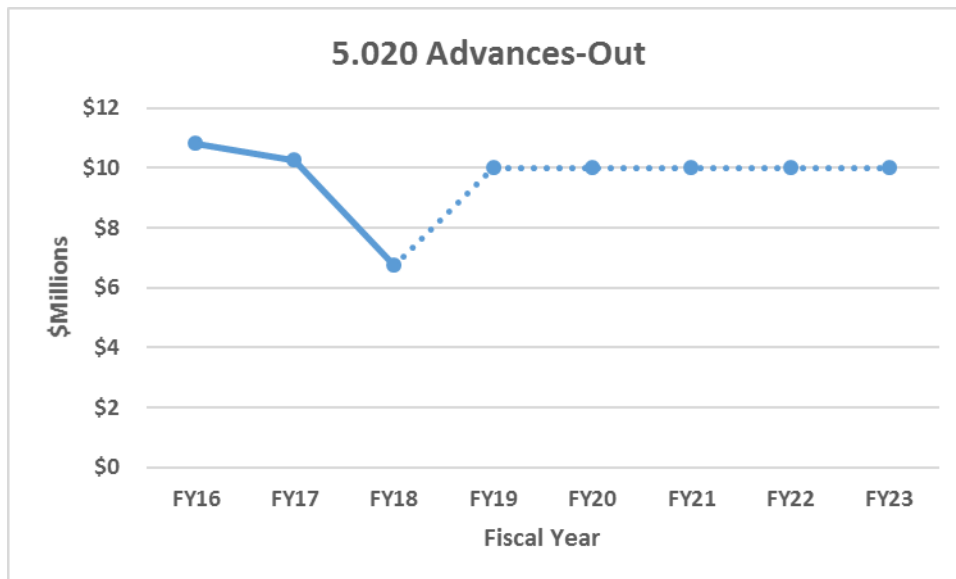
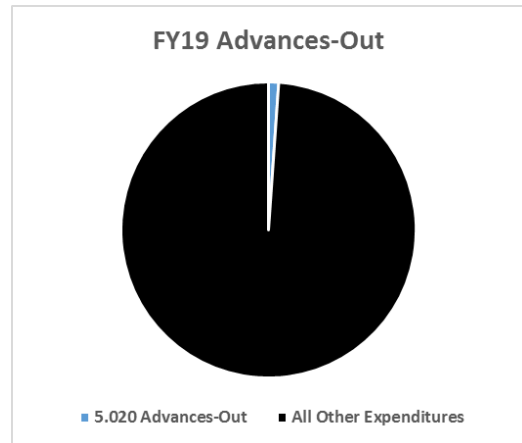
5.010 Operating Transfers-Out

Permanent movement of monies between funds. Included here is a transfer of \$2.9 million to the Debt Service Fund for the payment of debt service on the school bus bond anticipation notes (BANs) (the expenditure corollary to revenue line 2.04) and the annual transfer of \$642,800 to the Athletics Funds. The transfer for payment of the bus BANs will end after FY24 once the bonds are paid off.



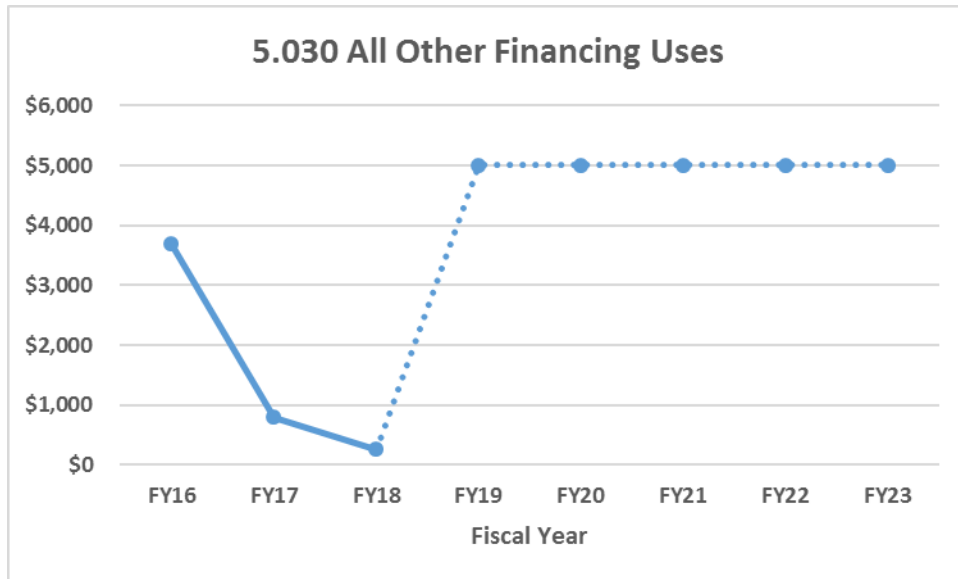
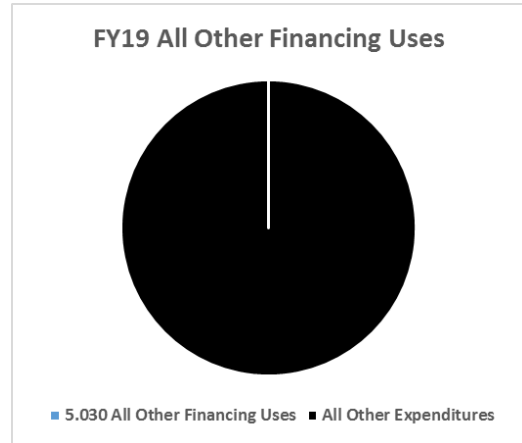
5.020 Advances-Out

Temporary movement of monies between funds. Activity here is dependent on the cash flow needs of other funds. This is the expenditure corollary to revenue line 2.050 Advances-In.



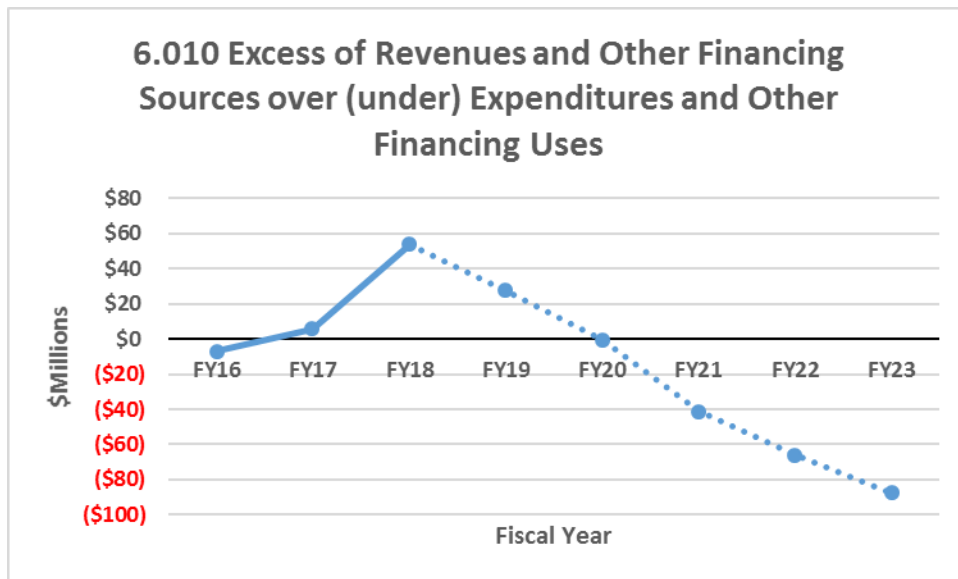
5.030 All Other Financing Uses

A line item for contingencies and refund of prior year receipts. While budgeted (and hence included in the FYF) very little if any expenditure activity occurs on this line.



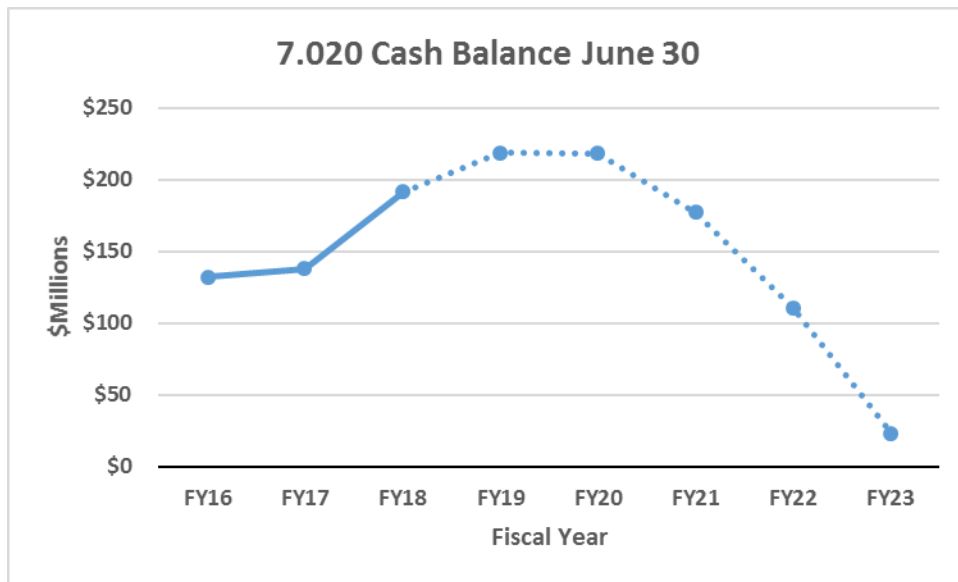
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses

Line 2.080 minus 5.050. This line can be used to get a good sense of a school district’s fiscal health. A positive number indicates that a school district spent within its revenue for that fiscal year. A negative number indicates that a school district’s expenditures exceeded the revenue generated for that fiscal year resulting in a reduction to any surplus the district may hold. A school district experiencing several years of “overspending” will almost always result in fiscal concerns or insolvency. The district increased its cash balance in FY18 and is expected to repeat, albeit to a lesser extent, an increase in FY19. Cash balance begins to decline as expenditures exceed revenues in FY20 and beyond.



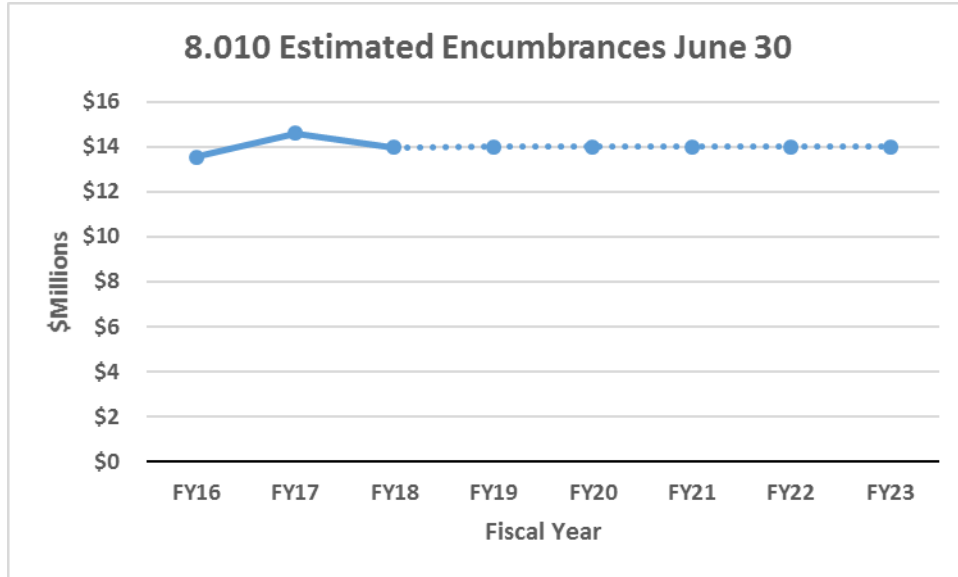
7.020 Cash Balance June 30

The Government Finance Officers Association has a best practices recommendation of maintaining a 30-day cash balance reserve or target. While there is no formal board policy on cash balance, our discussions always reference this as our planning target. In this forecast, 30-days cash balance ranges from \$75 to \$90 million and is met in 4 out of the 5 years. The projected FY23 cash balance of \$23.4 million represents just 8 days of operations.



8.010 Estimated Encumbrances June 30

The amount of money already requested through a purchase order. The funds have been obligated, but a check has not yet been written. Funds may be encumbered (obligated) in one fiscal year and paid in another.



References

- LSC. (2018). *Budget Footnotes 42(1)*. Columbus, Ohio: Ohio Legislative Service Commission :
<https://www.lsc.ohio.gov/documents/budget/documents/budgetfootnotes/v42n01.pdf>.
- OBM. (2018). *Monthly Economic Summary and State Financial Report*. Columbus, Ohio: Ohio Office of Budget and Management, http://obm.ohio.gov/budget/monthlyfinancial/doc/2018-09_mfr.pdf.
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<http://education.ohio.gov/getattachment/Topics/Finance-and-Funding/Five-Year-Forecast/How-to-Read-a-Five-Year-Forecast/HOW-TO-READ-A-FORECAST.pdf.aspx>

Budget Reduction Narratives

[FY19 Budget Reduction Narratives](#)

Or cut and paste into browser:

[https://www.boarddocs.com/oh/columbus/Board.nsf/files/AXRJ844DCE3/\\$file/FY%202019%20Budget%20Reduction%20Narratives%20-%20Non_Personnel%20-%200040418.pdf](https://www.boarddocs.com/oh/columbus/Board.nsf/files/AXRJ844DCE3/$file/FY%202019%20Budget%20Reduction%20Narratives%20-%20Non_Personnel%20-%200040418.pdf)

FY 19 General Fund Budget Narratives

[FY19 General Fund Budget Narratives](#)

Or cut and paste into browser:

[https://www.boarddocs.com/oh/columbus/Board.nsf/files/AZRNL53657B/\\$file/FY19%20Budget%20Narratives%20-%20General%20Fund%20Non%20Personnel%20-%20BOE%20-%200061418.pdf](https://www.boarddocs.com/oh/columbus/Board.nsf/files/AZRNL53657B/$file/FY19%20Budget%20Narratives%20-%20General%20Fund%20Non%20Personnel%20-%20BOE%20-%200061418.pdf)

Five Year Forecast – Schedule of Revenue, Expenditures, and Changes in Fund Balances

See forecast document on following pages.

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COLUMBUS CITY SCHOOLS FIVE YEAR FORECAST FOR FISCAL YEAR 2019

DRAFT
 FAC review: September 12, 2018
 Presentation to Board: October 2, 2018
 Board adoption: October 16, 2018

DISTRICT TYPE: CITY
 IRN: 043802
 COUNTY: FRANKLIN

	ACTUAL				AVERAGE CHANGE	FORECASTED				
	FISCAL YEAR 2016	FISCAL YEAR 2017	FISCAL YEAR 2018			FISCAL YEAR 2019	FISCAL YEAR 2020	FISCAL YEAR 2021	FISCAL YEAR 2022	FISCAL YEAR 2023
Revenues										
1.010 General Property Tax (Real Estate)	406,166,467	452,750,906	500,906,130	11.1%	507,100,000	513,800,000	519,100,000	523,500,000	532,500,000	
1.020 Tangible Personal Property	31,428	4,567	17,997	104.3%	0	0	0	0	0	
1.030 Income Tax	0	0	0	0.0%	0	0	0	0	0	
1.035 Unrestricted State Grants-in-Aid	257,464,819	285,157,418	300,496,271	8.1%	308,400,000	319,900,000	331,800,000	344,200,000	357,100,000	
1.040 Restricted State Grants-in-Aid	43,794,881	44,915,324	44,101,330	0.4%	47,000,000	49,300,000	51,600,000	54,100,000	56,600,000	
1.045 Restricted Fed. Grants	483,614	437,697	482,142	0.3%	500,000	500,000	500,000	500,000	500,000	
1.050 Property Tax Allocation	53,154,974	45,055,095	40,066,952	-13.2%	34,000,000	33,700,000	34,000,000	34,100,000	34,633,639	
1.060 All Other Revenues	27,305,927	25,758,080	25,693,934	-3.0%	22,100,000	20,900,000	19,700,000	18,500,000	18,000,000	
1.070 Total Revenues	788,402,110	854,079,086	911,764,756	7.5%	919,100,000	938,100,000	956,700,000	974,900,000	999,333,639	
Other Financing Sources										
2.010 Proceeds from Sale of Notes	0	0	0	0.0%	0	0	0	0	0	
2.020 State Emergency Loans and Advancements (Approved)	0	0	0	0.0%	0	0	0	0	0	
2.040 Operating Transfers-In	2,581,804	2,945,450	2,938,763	6.9%	2,900,000	2,900,000	2,900,000	2,900,000	2,900,000	
2.050 Advances-In	13,470,939	7,726,404	10,241,811	-5.0%	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	
2.060 All Other Financing Sources	376,175	136,686	149,747	-27.1%	2,500,000	100,000	100,000	100,000	100,000	
2.070 Total Other Financing Sources	16,428,918	10,808,541	13,330,320	-5.4%	15,400,000	13,000,000	13,000,000	13,000,000	13,000,000	
2.080 Total Revenues and Other Financing Sources	804,831,028	864,887,626	925,095,077	7.2%	934,500,000	951,100,000	969,700,000	987,900,000	1,012,333,639	
Expenditures										
3.010 Personal Services	380,842,371	407,284,137	408,261,670	3.6%	417,700,000	431,000,000	456,100,000	470,700,000	485,800,000	
3.020 Employees' Retirement/Insurance Benefits	163,070,716	171,690,855	171,848,655	2.7%	179,700,000	192,200,000	208,600,000	218,800,000	229,700,000	
3.030 Purchased Services	217,924,449	231,939,656	246,750,423	6.4%	262,800,000	279,700,000	296,500,000	314,300,000	333,200,000	
3.040 Supplies and Materials	18,969,766	17,611,867	16,990,913	-5.3%	17,100,000	17,600,000	18,400,000	18,800,000	19,400,000	
3.050 Capital Outlay	3,989,088	4,189,791	3,403,406	-6.9%	1,500,000	2,300,000	2,300,000	2,400,000	2,400,000	
3.060 Intergovernmental	0	0	0	0.0%	0	0	0	0	0	
Debt Service:										
4.010 Principal-All (Historical Only)				0.0%						
4.020 Principal-Notes	2,370,000	2,325,000	2,370,000	0.0%	2,400,000	2,500,000	2,600,000	2,700,000	2,700,000	
4.030 Principal-State Loans	0	0	0	0.0%	0	0	0	0	0	
4.040 Principal-State Advancements	0	0	0	0.0%	0	0	0	0	0	
4.050 Principal-HB 264 Loans	0	0	0	0.0%	0	0	0	0	0	
4.055 Principal-Other	657,665	469,065	657,665	5.8%	700,000	700,000	700,000	700,000	700,000	
4.060 Interest and Fiscal Charges	1,211,519	1,168,944	1,117,257	-4.0%	1,000,000	1,000,000	900,000	800,000	700,000	
4.300 Other Objects	8,736,184	8,875,716	9,675,157	5.3%	10,500,000	10,900,000	11,200,000	11,200,000	11,600,000	
4.500 Total Expenditures	797,771,758	845,555,031	861,075,144	3.9%	893,400,000	937,900,000	997,300,000	1,040,400,000	1,086,200,000	
Other Financing Uses										
5.010 Operating Transfers-Out	3,224,604	3,588,250	3,581,563	5.5%	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	
5.020 Advances-Out	10,808,889	10,241,811	6,723,427	-19.8%	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	
5.030 All Other Financing Uses	3,691	793	267	-72.4%	5,000	5,000	5,000	5,000	5,000	
5.040 Total Other Financing Uses	14,037,184	13,830,853	10,305,256	-13.5%	13,605,000	13,605,000	13,605,000	13,605,000	13,605,000	
5.050 Total Expenditures and Other Financing Uses	811,808,943	859,385,884	871,380,400	3.6%	907,005,000	951,505,000	1,010,905,000	1,054,005,000	1,099,805,000	
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(6,977,914)	5,501,743	53,714,676	348.7%	27,495,000	(405,000)	(41,205,000)	(66,105,000)	(87,471,361)	
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	138,873,288	131,895,373	137,397,116	-0.4%	191,111,792	218,606,792	218,201,792	176,996,792	110,891,792	
7.020 Cash Balance June 30	131,895,373	137,397,116	191,111,792	21.6%	218,606,792	218,201,792	176,996,792	110,891,792	23,420,432	
8.010 Estimated Encumbrances June 30	13,557,932	14,583,814	13,973,332	1.7%	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	
Reservation of Fund Balance										
9.010 Textbooks and Instructional Materials	0	0	0	0.0%	0	0	0	0	0	
9.020 Capital Improvements	0	0	0	0.0%	0	0	0	0	0	
9.030 Budget Reserve	0	0	0	0.0%	0	0	0	0	0	
9.040 DPIA	0	0	0	0.0%	0	0	0	0	0	
9.045 Fiscal Stabilization	0	0	0	0.0%	0	0	0	0	0	
9.050 Debt Service	0	0	0	0.0%	0	0	0	0	0	
9.060 Property Tax Advances	0	0	0	0.0%	0	0	0	0	0	
9.070 Bus Purchases	0	0	0	0.0%	0	0	0	0	0	
9.080 Subtotal	0	0	0	0.0%	0	0	0	0	0	
Fund Balance June 30 for Certification of										
10.010 Appropriations	118,337,442	122,813,302	177,138,461	24.0%	204,606,792	204,201,792	162,996,792	96,891,792	9,420,432	

COLUMBUS CITY SCHOOLS FIVE YEAR FORECAST FOR FISCAL YEAR 2019

DRAFT
FAC review: September 12, 2018
 Presentation to Board: October 2, 2018
 Board adoption: October 16, 2018

DISTRICT TYPE: CITY
IRN: 043802
COUNTY: FRANKLIN

	ACTUAL				AVERAGE CHANGE	FORECASTED				
	FISCAL YEAR 2016	FISCAL YEAR 2017	FISCAL YEAR 2018			FISCAL YEAR 2019	FISCAL YEAR 2020	FISCAL YEAR 2021	FISCAL YEAR 2022	FISCAL YEAR 2023
Revenue from Replacement/Renewal Levies										
11.010	Income Tax - Renewal			0.0%						
11.020	Property Tax - Renewal or Replacement			0.0%						
11.300	Cumulative Balance of Replacement/Renewal Levies			0.0%	0	0	0	0	0	0
Fund Balance June 30 for Certification of Contracts,										
12.010	118,337,442	122,813,302	177,138,461	24.0%	204,606,792	204,201,792	162,996,792	96,891,792	9,420,432	
Revenue from New Levies										
13.010	Income Tax - New			0.0%	0	0	0	0	0	0
13.020	Property Tax - New			0.0%	0	0	0	0	0	0
13.030	Cumulative Balance of New Levies			0.0%	0	0	0	0	0	0
14.010	Revenue from Future State Advancements			0.0%	0	0	0	0	0	0
15.010	Unreserved Fund Balance June 30	118,337,442	122,813,302	177,138,461	24.0%	204,606,792	204,201,792	162,996,792	96,891,792	9,420,432

See accompanying summary of significant forecast assumptions and accounting policies
 Includes: General fund, Emergency Levy fund, and any portion of Debt Service fund related to General fund debt.