

**HUBER HEIGHTS CITY SCHOOL DISTRICT
MONTGOMERY COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2019, 2020 and 2021 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2022 THROUGH 2026**



**Forecast Provided By
Huber Heights City School District
Treasurer's Office
Sam Braun, Treasurer/CFO
(937) 237 - 4126
*November 11, 2021***

Huber Heights City School District-Montgomery County
Notes to the Five Year Forecast
General Fund Only
November 11, 2021

Introduction to the Five Year Forecast

School districts are required to file a five (5) year financial forecast by November 30, 2021, and May 31, 2022 for fiscal year 2022 (July 1, 2021 to June 30, 2022). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2022 (July 1, 2021-June 30, 2022) is the first year of the five-year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the November 2021 filing.

Economic Outlook

This five-year forecast is being filed during a recovery from the COVID-19 Pandemic and a health and financial struggle that encompassed our state, country and global economy. School districts play a vital role in their communities, and we believe it is important to maintain continuity of services to our students and staff. The district has maintained services to students throughout the Pandemic. Federal funding sent to school districts through the Elementary and Secondary Schools Education Relief Funds (ESSER) has been a much needed resource to offset the loss of state funding. Additional Federal CARES Act funding was used to cover the costs of additional technology needs, personal protective equipment, and cleaning costs caused by the pandemic. Data and assumptions noted in this forecast are based on the best and most reliable data available to us as of the date of this forecast.

Forecast Risks and Uncertainty:

A five year financial forecast has risks and uncertainty not only due to economic uncertainties noted above but also due to state legislative changes that will occur in the summer of 2023 due to deliberation of the state biennium budgets for FY24-25. We have estimated revenues and expenses based on the best data available to us and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

- I. Montgomery County completed a sexennial reappraisal in tax year 2020, the resulting values impacting 2021 tax collections. Class I values increased \$110 million to a total value of \$678 million, an unprecedented 19% gain. Class II values increased \$12 million to a value of \$141 million, a 10% gain. A triennial sales update will take place in tax year 2023 for collection in 2024. A 10.0% increase in Class I property value is projected and a 2.5% increase in Class II value. The real estate sales market has remained robust through 2020 and 2021.

- II. One significant change in funding from the State Biennium Budget passed for FY22-23 is that non-public schools are now funded directly. Money for non-publics will no longer show up as a revenue and an expense in state aid. This changes the forecast to now show about \$3 million less in state aid and about \$3 million less in expenses. The net impact of the bill on Huber Heights state aid is a small increase. We hope to have more complete data from the state in December and will update the May forecast with it. Student wellness and success has moved back to general fund for FY22. This movement increases general fund revenue and expenses by equal amounts.

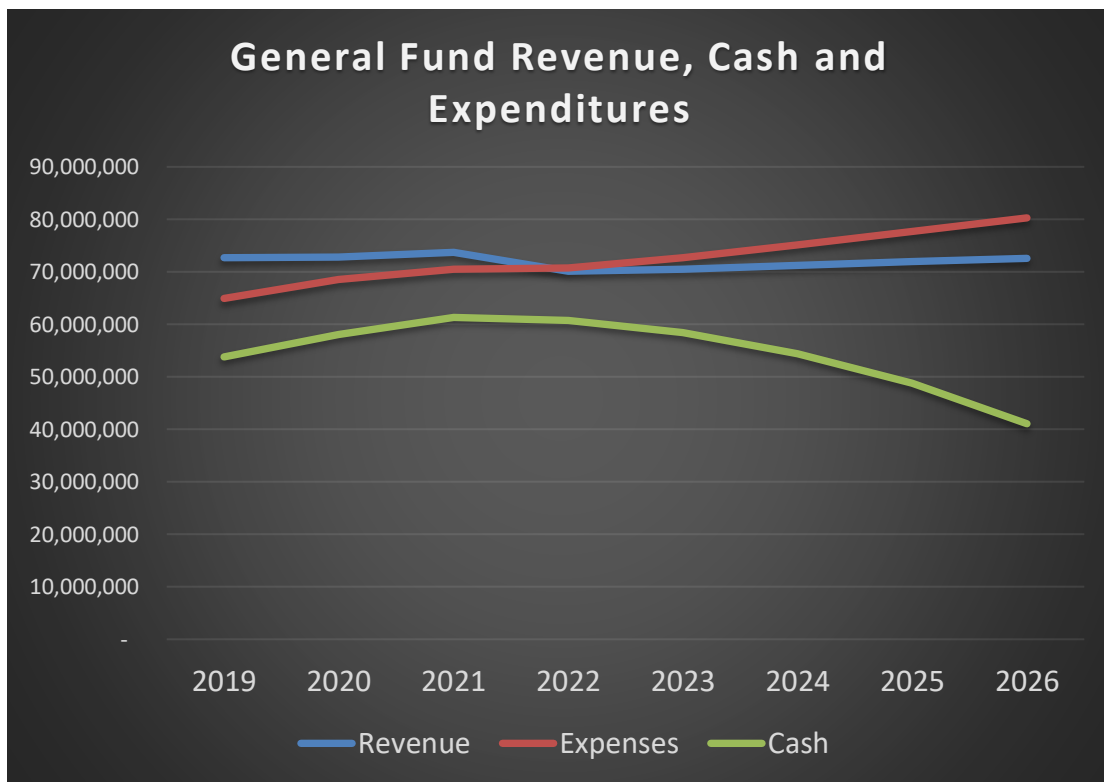
- III. The State Budget represents 55% of district revenues and is an area of risk to revenue. The future risk comes if the state economy stalls or worsens and the funding formula in future state budgets reduces funding to our district. HB110, the most recent budget, did increase overall funding for education and adopted the Cupp-Patterson funding formula. The six percent overall funding increase is positive, but

may not age well if inflation continues to increase. There are future State Biennium Budgets covering the period from FY24-25 and FY26 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY26. We will adjust the forecast in future years as we have data to help guide this decision.

- IV. Labor relations in the district have been amicable with all parties working for the best interest of students and realizing the resource challenges the district faces. We believe as the district moves forward a strong working relationship will continue. Negotiations are expected to commence in the late winter of 2022.

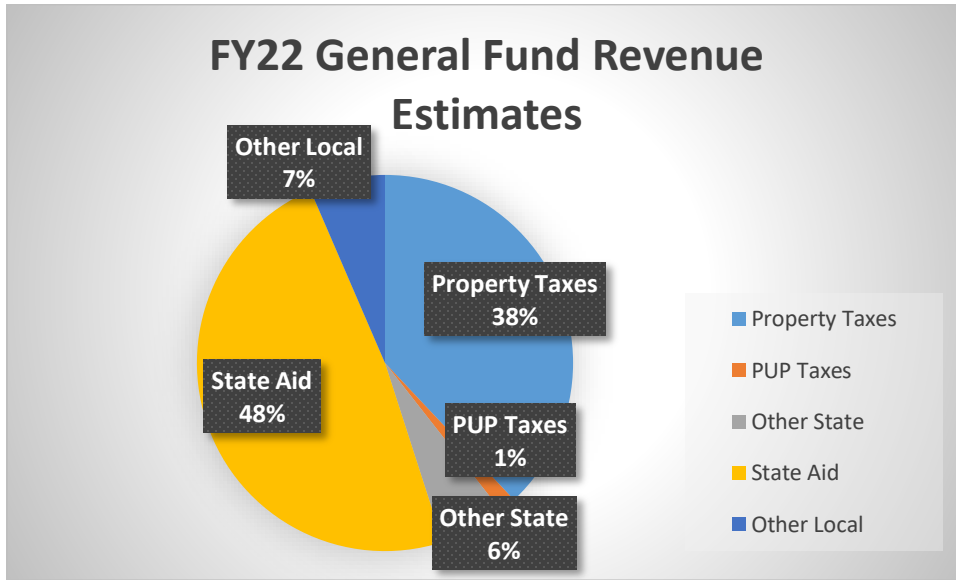
If you would like further information please feel free to contact Sam Braun, Treasurer/CFO of Huber Heights City School District at 937-237-4126.

General Fund Revenue, Expenditure and Ending Cash Balance



Revenue Assumptions

Estimated General Fund Revenues



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditor based on new construction, sexennial reappraisals or triennial sales updates. Montgomery County completed a sexennial reappraisal in tax year 2020, the resulting values impacting 2021 tax collections. Class I values increased \$110 million to a total value of \$678 million, an unprecedented 19% gain. Class II values increased \$12 million to a value of \$141 million, a 10% gain. A triennial sales update will take place in tax year 2023 for collection in 2024. A 10.0% increase in Class I property value is projected and a 2.5% increase in Class II value.

HB49 authorized a reduction in CAUV computations that will result in CAUV values falling on average by 30%. These reductions will occur as districts experience their next reappraisal or update cycle. CAUV values represent less than 1% of the District’s Class I residential agricultural values, therefore there will be no significant effect on our taxpayers or tax revenues.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

<u>Tax Year/Collection Year</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>	<u>2024/2025</u>	<u>2025/2026</u>
	Actual	Projected	Projected	Projected	Projected	Projected
Valuation Class I	678,466,780	680,162,947	681,863,354	751,754,348	753,633,734	755,517,818
Valuation Class II	141,887,720	142,242,439	142,598,045	146,519,492	146,885,790	147,253,005
Valuation Public Utility	17,020,230	17,530,837	18,056,762	18,598,465	19,156,419	19,731,111
Total Valuation	837,374,730	839,936,223	842,518,162	916,872,305	919,675,943	922,501,935

ESTIMATED REAL ESTATE TAX (Line #1.010)

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Property Taxes	26,623,315	26,689,874	26,970,418	27,235,216	27,303,304

Property tax levies are estimated to be collected at 99% of the annual amount. We are allowing for a 1% delinquency rate that matches our historical collection rate for current taxes at 99%. Typically, 53.9% of the new residential/agriculture (Res/Ag) and commercial/industrial (Comm/Ind) is expected to be collected in the February tax settlements and 46.1% is expected to be collected in the August tax settlements. Public utility tax settlements (PUPP) are estimated to be received 50% in February and 50% in August. This forecast also includes a 0.25% yearly value increase for new construction.

Renewal and Replacement Levies – Line #11.02

No renewal or replacement levies are modeled in this forecast.

New Tax Levies – Line #13.030

No new levies are modeled in this forecast.

Estimated Tangible Personal Tax – Line#1.020

The phase out of tangible personal property tax (TPP) began in fiscal year 2006. The TPP was eliminated after fiscal year 2011. Any revenues received in this line at Public Utility Personal Property taxes which are collected at the districts gross tax rates not subject to reduction factors.

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Public Utility Personal Taxes	1,006,895	1,037,102	1,068,215	1,100,261	1,133,269

State Foundation Revenue Estimates

A) Unrestricted State Foundation Revenue – Line #1.035

The amounts estimated for state funding are based on HB110, the State’s most recent Biennium Budget. We are forecasting one percent growth in future years and will reevaluate once we receive more information from the State.

Future State Budgets:

There are future State Biennium Budgets covering the period from FY24-25 and FY26 in this forecast. Future uncertainty in both the state foundation funding formula and the state’s economy makes this area an elevated risk to district funding long range through FY26. We will adjust the forecast in future years as we have data to help guide this decision.

Casino Revenue

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. As of March 4, 2013 all four (4) casinos were open for business and generating Gross Casino Tax Revenues (GCR). Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year which began for the first time on January 31, 2013.

Due to the COVID-19, casinos were closed from March 12, to June 18, 2020 resulting in reduced revenues. Prior to COVID-19 closure, casino revenues were growing modestly as the economy improved. Original

projections for FY21-25 estimated a .4% decline in pupils to 1,778,441 and GCR increasing to \$95.5 million or \$53.75 per pupil. We believe FY22 revenues will return to the post COVID-19 level.

State Aide	2022	2023	2024	2025	2026
Basic Aid-Unrestricted	31,139,322	31,450,715	31,765,222	32,082,874	32,403,703
Casino	380,000	383,800	387,638	391,514	395,430
Total State Aide	31,519,322	31,834,515	32,152,860	32,474,389	32,799,132

B) Restricted State Revenues – Line # 1.040

HB166 continues funding two restricted sources of revenues to school districts which are Economic Disadvantaged Funding and Career Technical Education Funding. The amount of the Economically Disadvantaged Aid is estimated to remain stable each remaining year of the forecast. We have also added Student Wellness and Success Funds to this category.

Restricted State Aide	2022	2023	2024	2025	2026
Career Tech	142,544	142,544	142,544	142,544	142,544
SWSF	1,520,532	1,520,532	1,520,532	1,520,532	1,520,532
Economic Disadvantaged	806,837	806,837	806,837	806,837	806,837
Total Restricted	2,469,913	2,469,913	2,469,913	2,469,913	2,469,913

C) Restricted Federal Grants in Aid – line #1.045

No amounts are included throughout the forecast period.

State Taxes Reimbursement/Property Tax Allocation

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged to residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59.

Homestead Exemptions are also credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007 HB119 expanded the Homestead Exemption for all seniors over age 65 or who are disabled regardless of income. Effective September 29, 2013 HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who had their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will slow the growth of homestead reimbursements to the district, and as with the rollback reimbursements above, increase the taxes collected locally on taxpayers.

Summary of State Tax Reimbursement – Line #1.050

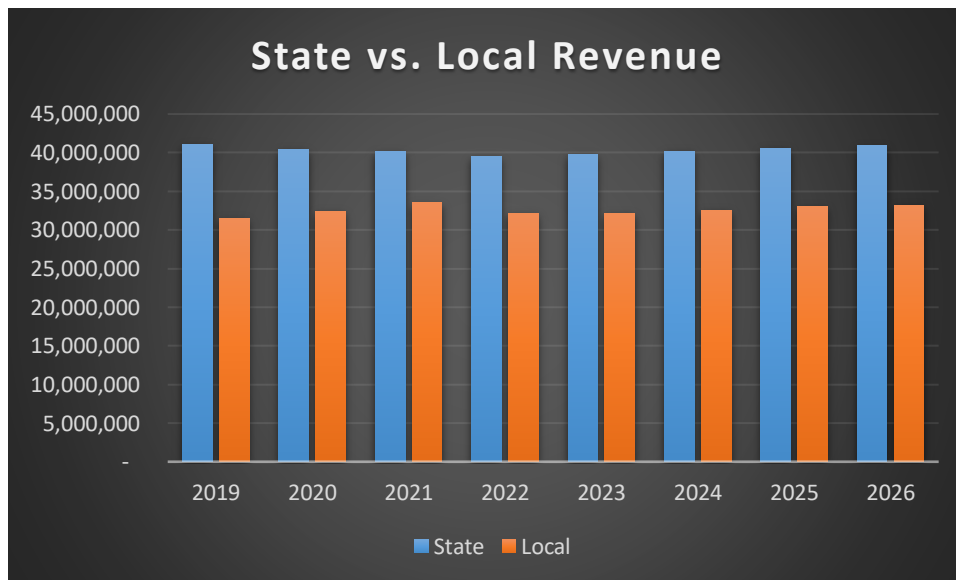
State Tax Reimbursements	2022	2023	2024	2025	2026
Total Rollback & Homestead	3,942,361	3,952,217	3,999,831	4,044,661	4,054,772

Other Local Revenues – Line #1.060

Tuition is forecasted to increase slightly for fiscal years 2020 through 2024. The District also received payments in lieu of taxes (TIF payments) from various companies in order to alleviate the loss of property taxes. These payments are expected to increase slightly across the forecast. Interest is expected to decline due to fed rate reductions which will impact our earning capability in this area. We have reduced FY22 by interest 50% due to the rapid reduction in interest rates to help stimulate the economy due to the COVID-19 recession. We do expect interest to recover in 2023 as the Federal Reserve has indicated rate increases are on the horizon. The remaining other local revenue sources are expected to remain constant from FY22 to FY26.

Other Local Revenue	2022	2023	2024	2025	2026
Tuition	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Fees	175,000	175,000	175,000	175,000	175,000
TIF Payments	783,357	800,357	799,357	907,357	925,357
Interest	250,000	300,000	350,000	400,000	500,000
Other	935,000	935,000	935,000	935,000	935,000
Local Other Total	3,143,357	3,210,357	3,259,357	3,417,357	3,535,357

Comparison of Local Revenue and State Revenue



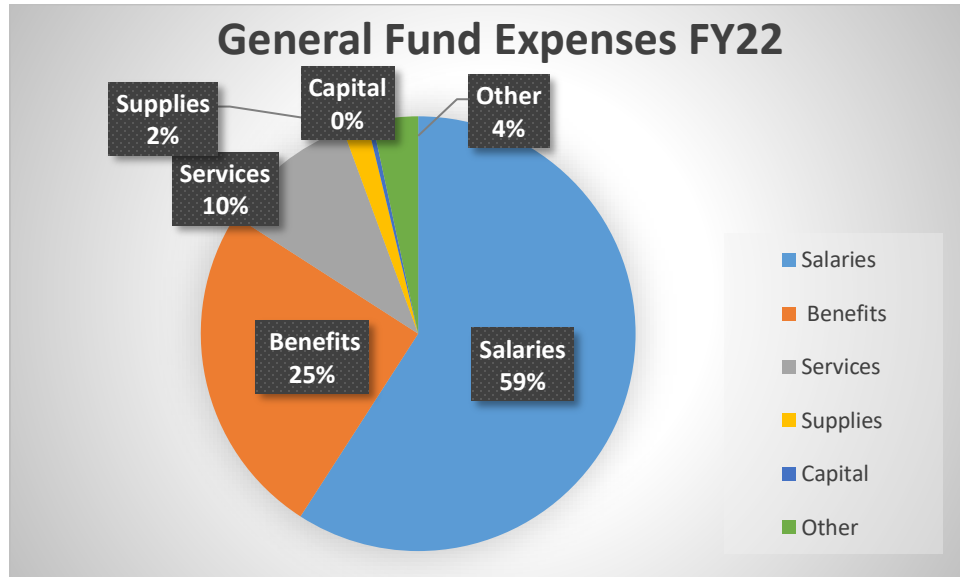
Short-Term Borrowing – Lines #2.010 & Line #2.020

There is no short term borrowing planned for in this forecast at this time from any sources.

Transfers In / Return of Advances – Line #2.040 & Line #2.050

Other financing sources consist of transfers and advances. Transfers are permanent reallocation of funds and advances are those funds that the school district anticipates will be re-paid during the forecasted period. Advances are made from the general fund to other funds, primarily to cover grant monies that are not received as of fiscal year end. Advances are forecasted based on the historical timeliness of grant monies not received at fiscal year-end.

Estimated General Fund Expenditures



Expenditures Assumptions

Wages – Line #3.010

The model reflects a base increase of 2.5% for FY22. There is a projected 1% increase for FY23-26.

Wages	2022	2023	2024	2025	2026
Certificated Regular	31,540,373	32,486,585	33,461,182	34,465,018	35,498,968
Certificated Temporary	825,909	825,909	825,909	825,909	825,909
Certificated Supplemental	281,126	283,937	286,776	289,644	292,541
Certificated Other	26,648	27,447	28,270	29,118	29,992
Classified Regular	7,202,084	7,418,147	7,640,691	7,869,912	8,106,009
Classified Temporary	404,614	404,614	404,614	404,614	404,614
Classified Supplemental	266,017	268,677	271,364	274,078	276,819
Classified Overtime	137,845	139,223	140,615	142,021	143,442
Classified Other	13,043	13,174	13,305	13,438	13,573
Severance - Cert	315,000	100,000	100,000	100,000	100,000
Severance - Class	120,000	50,000	50,000	50,000	50,000
Board Members	14,250	14,250	14,250	14,250	14,250
Total Wages #3.010	41,146,909	42,031,963	43,236,978	44,478,003	45,756,116

Fringe Benefits Estimates Line 3.02

This area of the forecast captures all costs associated with benefits and retirement costs, of which all benefits except health insurance are directly related to the wages paid.

A) STRS/SERS

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law. The model also includes an estimate for the annual surcharge due to the School Employees Retirement System.

Insurance

The estimated increase for medical and dental insurance is 7.5% FY22-FY26. The increases include adjustments for inflation and the most current research of where premiums will be going in the future.

The Further Consolidated Appropriations Act of 2020, included a full repeal of three taxes originally imposed by the Affordable Care Act (ACA): the 40% Excise Tax on employer-sponsored coverage (a.k.a. “Cadillac Tax”), the Health Insurance Industry Fee (a.k.a. the Health Insurer Tax), and the Medical Device Tax. These added costs are no longer a uncertainty factor for our health care costs in the forecast.

B) Workers Compensation & Unemployment Compensation

Workers Compensation is estimated at 0.7% of wages which is consistent with past forecasts. Unemployment Compensation has been negligible and is anticipated to remain as such as we plan our staffing needs carefully.

C) Medicare

Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Summary of Fringe Benefits – Line #3.020

Benefits					
FICA/Medicare	596,630	609,463	626,936	644,931	663,464
ODJFS & BWC	329,175	336,256	345,896	355,824	366,049
Retirement - Certified	4,574,368	4,707,343	4,844,299	4,985,357	5,130,637
Retirement - Classified	1,125,299	1,156,132	1,187,878	1,220,564	1,254,219
Medical - Certified	7,155,845	7,692,534	8,269,474	8,889,684	9,556,411
Medical - Classified	2,965,703	3,188,131	3,427,240	3,684,283	3,960,605
Dental	560,111	571,313	582,740	594,394	606,282
Vision	53,057	54,118	55,201	56,305	57,431
Life	32,292	32,938	33,596	34,268	34,954
Total Benefits #3.020	17,392,481	18,348,228	19,373,260	20,465,611	21,630,051

Purchased Services – Line #3.030

Purchased services include expenditures for utilities, professional development and state foundation deductions for tuition-type students, scholarships and college credit plus. Estimates for this line item were based upon historical trends and estimated service needs. A 1-3% increase was incorporated throughout the forecast from FY22 – FY26 for inflationary purposes; with the exception of community school deduction expenditures which will no longer be charged to the districts due to changes made in HB110. Some services previously paid from SWSF are moving back into the general fund in the other tuition category.

<u>Source</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>
Professional Services	2,367,868	2,289,902	2,312,240	2,334,886	2,357,844
Other Tuition	1,850,000	1,871,250	1,892,768	1,914,556	1,936,620
Copier Lease	200,000	202,000	204,020	206,060	208,121
Utilities	1,353,868	1,392,998	1,433,272	1,474,723	1,517,388
Transportation/Property Maintenance	1,389,296	1,402,189	1,415,211	1,428,363	1,441,647
Total Purchased Services Line #3.030	7,161,032	7,158,339	7,257,510	7,358,589	7,461,620

Supplies and Materials – Line #3.040

An overall inflation of 1.0% is being estimated for this category of expenses, as well as the District’s five year plans for technology and textbook adoptions.

<u>Source</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
Supplies, Technology & Curriculum	318,793	293,481	296,415	299,380	302,373
Textbooks	525,000	530,250	535,553	540,908	546,317
Transportation Fuel and Supplies	443,758	448,196	452,678	457,204	461,776
Total Supplies Line #3.040	1,287,551	1,271,926	1,284,645	1,297,492	1,310,467

Capital Outlay – Line # 3.050

Costs in FY 22-26 include purchasing equipment for students and staff and is based on the District’s five-year plans for bus purchases, capital improvements and technology. Some bus and capital purchases will be made out of ESSER funds for FY 22.

<u>Capital</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Buses	100,000	300,000	303,000	306,030	309,090
Capital Outlay	158,469	160,054	161,654	163,271	164,903
Capital Outlay Total #3.050	258,469	460,054	464,654	469,301	473,994

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the County ESC deductions for specialized services provided to the District and Auditor & Treasurer (A&T) fees. Auditor and Treasurer Fees have decreased since the County Auditor completed its 2020 sexennial reappraisal, returning some real estate assessment fees to local jurisdictions and reducing future charges.

<u>Other Expenses</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
County Auditor & Treasurer Fees	250,000	252,500	255,025	257,575	260,151
Montgomery County ESC	1,722,801	1,714,152	1,765,576	1,818,544	1,873,100
Other Expenses	394,128	398,069	402,050	406,070	410,131
Total Other Expenses #4.300	2,366,928	2,364,721	2,422,651	2,482,189	2,543,382

Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfers and end of year short term loans (advances) from the General Fund to other funds until they have received reimbursements to repay the General Fund. Transfers are permanent reallocation of funds. Advances have limited impact to the General Fund as the amounts are repaid as soon as dollars are received in the debtor fund.

<u>Source</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>
Operating Transfers Out Line #5.010	100,000	100,000	100,000	100,000	100,000
Advances Out Line #5.020	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Transfer & Advances Out	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000

Encumbrances –Line#8.010

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

	2022	2023	2024	2025	2026
<i>Estimated Encumbrances</i>	600,000	600,000	600,000	600,000	600,000

Ending Unencumbered Cash Balance “The Bottom-line” – Line#15.010

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 results in a negative unencumbered cash balance is a violation of Ohio Revised Code section 5705.412, punishable by personal liability of \$10,000, unless an alternative “412” certificate can be issued pursuant to House Bill 153 effective September 30, 2011. Based on the chart immediately below, unencumbered fund balance will be positive throughout the forecast. In addition, Board policy requires cash reserves equal 4 months of operating expenditures. Based on the chart immediately below, cash reserves are in compliance with Board policy throughout FY26.

	2022	2023	2024	2025	2026
Estimated Unencumbered Cash Balance	60,109,980	57,818,727	53,849,621	48,190,234	40,460,352