



2021-2022 Financial Update

February 2022

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Upper Arlington, Ohio 43221
(614) 487-5000

www.uaschools.org
@UA_Schools
Serve, Lead, Succeed



UPPER ARLINGTON BOARD OF EDUCATION

The Board of Education is proud to serve the students, staff, families and residents of Upper Arlington Schools. We invite all residents to stay connected with the schools and to reach out with questions.

President Lori Trent, Vice President Jenny McKenna, Member Nancy Drees, Member Nidhi Satiani and Member Lou Sauter

boe@uaschools.org

RECOGNITION OF FINANCIAL EXCELLENCE

Upper Arlington Schools is committed to being a good steward of our community's investment in our schools. Every year, we rely on external, third-party review of our finances by the state auditor's office. **We are proud to consistently earn a clean audit opinion and the Auditor of State Award - recognizing our commitment to effective and accountable financial practices for our community.** Effective and efficient use of our financial resources is crucial to ensuring that we can provide the high-quality educational experiences that our students deserve and our community expects.



We are pleased to provide you with the 2021-2022 Upper Arlington Schools Financial Update. This document is meant to provide our community with a clear and concise look at the state of the district's finances and the factors that will impact our financial situation in the coming years.

Everything we do throughout the Upper Arlington school district remains rooted in our strategic plan.

Launched in 2019, our strategic plan supports our mission of challenging and supporting every student, every step of the way. The foundational element of our strategic plan is continuous improvement – in every facet of our district, from teaching and learning to finances.

Financial information presented in this report was prepared on the cash basis of accounting, which differs from financial information prepared in accordance with generally accepted accounting principles (GAAP) in the United States. The information presented is unaudited and prepared for informational purposes only. Annual audited financial statements prepared in accordance with GAAP can be obtained at www.uaschools.org.

I hope you find this report both interesting and informative. As always, if you have any questions, please feel free to contact me at treasurer@uaschools.org or (614) 487-5000.

Sincerely,

Andrew L. Geistfeld
Treasurer/CFO, Upper Arlington Schools
treasurer@uaschools.org



@UpperArlingtonSchools



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GENERAL FUND FINANCIAL OVERVIEW

Total revenues/resources increased approximately 2.7% in fiscal year 2021 (July 2020 to June 2021) due mostly to tax receipts. In FY 2021, tax receipts increased due to new construction valuations, delinquency collections and reappraisal citywide of all property valuations. Fiscal year 2019 collections were less than normal due to residents paying a larger portion of their taxes in fiscal year 2018; therefore, less was due in fiscal year 2019. In fiscal year 2020, the state reduced district funding by approximately \$500,000 due to the impact of COVID-19 on the state economy. This reduction did not occur in fiscal year 2021. The increase in transfers/advances from other funds is a direct result of transfers/advances to other funds in fiscal year 2020.

Total expenditures and services provided increased 4.25% in FY2021. The major driver of this increase was staffing and related benefits. Contracts with both employee unions include increases in base compensation from 1% to 2.35%. Additionally, administration expenses increased due to legal expenses associated with various items. The increase in transfers to other funds in FY2021 was due to the establishment of a separate fund for future employee severance.

RESOURCES TAKEN IN IN THOUSANDS OF DOLLARS

	FY21	FY20	FY19**
LOCAL TAXES*	84,316	82,693	77,064
STATE SUPPORT	13,252	12,826	13,307
INVESTMENT INCOME	758	1,993	1,806
TUITION AND FEES	324	239	252
OTHER REVENUE	267	628	1017
TRANSFERS/ADVANCES FROM OTHER FUNDS	2,213	139	526
TOTAL REVENUES/ RESOURCES	101,130	98,518	93,972

SERVICES PROVIDED IN THOUSANDS OF DOLLARS

	FY21	FY20	FY19
INSTRUCTION	64,005	61,912	59,811
PUPIL SUPPORT	7,589	7,470	7,018
INSTRUCTIONAL STAFF SUPPORT	4,910	4,716	4,723
ADMINISTRATION	6,862	6,268	6,067
BUSINESS SUPPORT/ FINANCIAL	3,018	2,821	2,718
OPERATION AND MAINTENANCE	7,267	7,030	7,452
TRANSPORTATION	1,893	1,870	1,966
CENTRAL SUPPORT	1,451	1,601	1,576
OTHER	1,514	1,527	1,608
TRANSFERS/ADVANCES TO OTHER FUNDS	3,124	2,271	1,059
TOTAL EXPENDITURES/ SERVICES PROVIDED	101,633	97,486	93,998

RESOURCES OVER (UNDER) EXPENDITURES IN THOUSANDS OF DOLLARS

	FY21	FY20	FY19
	(-503)	1,032	(-26)

* Tax incremental financing collections are included with local taxes.

** Items reclassified to be consistent with FY20.

WHERE THE MONEY COMES FROM

GENERAL FUND REVENUE

Local Property Taxes includes residential, commercial and public utility property taxes and tax incremental financing proceeds. State Support includes aid based on a funding formula, the Homestead (owner-occupied) and Rollback credit, and the district's portion of casino revenue. All Other Operational Revenue includes tuition, student activity fees, rental charges, investment income and donations.

The district received the majority of its revenue – 83% – from local property taxes. The burden on local taxpayers is likely to grow as state aid is expected to remain steady. Approximately 90% of property taxes are generated from residential property as the district has relatively little commercial property. The district does not receive any local income tax.

LOCAL PROPERTY TAXES

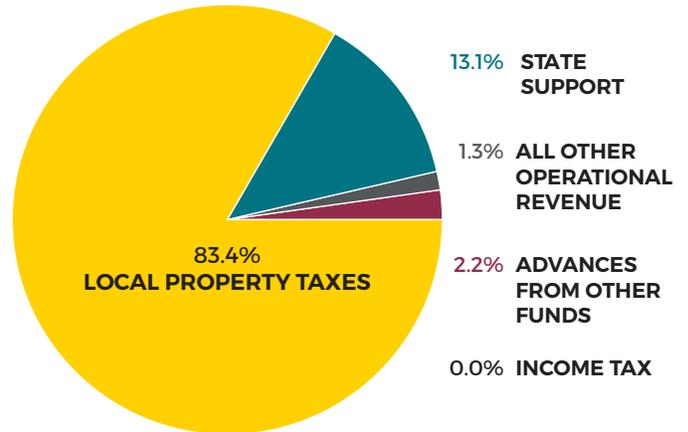
This graph shows the amount of cash collections received by the district from real and personal property taxes. Property taxes provide a majority of the local revenue to operate and maintain our schools. The district accounts for these collections in three funds.

GENERAL FUND (OPERATING LEVY): Tax dollars are received by the district for day-to-day operations, which primarily entail employee salaries and benefits. The increase is due to a 3.75 mill operating levy and timing of tax payments as discussed on Page 3.

BOND RETIREMENT: Tax dollars are received for the payment of principal and interest on voter-approved bond issues related to renovation/ construction of buildings. Bond millage rates are set by the county auditor to generate sufficient revenue to pay the principal and interest on outstanding bonds. The increase is due to tax collection related to the \$230 million bond issue in January 2018. See Page 10 for more details.

PERMANENT IMPROVEMENT: Tax dollars are received by the district and can be used only for repairs, improvements to buildings and grounds, technology, vehicles, textbooks, and other capital assets with a useful life of five years or more. These funds cannot be used for employee salaries and benefits.

GENERAL FUND REVENUE FY 2021



PROPERTY TAX REVENUE THE THREE DISTRICT FUNDS



WHERE THE MONEY COMES FROM

STATE SUPPORT (GENERAL FUND)

State sources of revenue generated \$13,252,000, or 13%, of all general fund revenues. Because of a relatively high property valuation and income per pupil, as well as other demographic figures, the district is considered wealthy and receives much less than the state average. In fact, private schools received more in state support per pupil compared with the district. District leaders continue to advocate for raising our state support to the same amount a private school receives.

In FY20, the state reduced its funding by approximately \$500,000 due to the impact of the pandemic on the state economy. This reduction lasted one year.

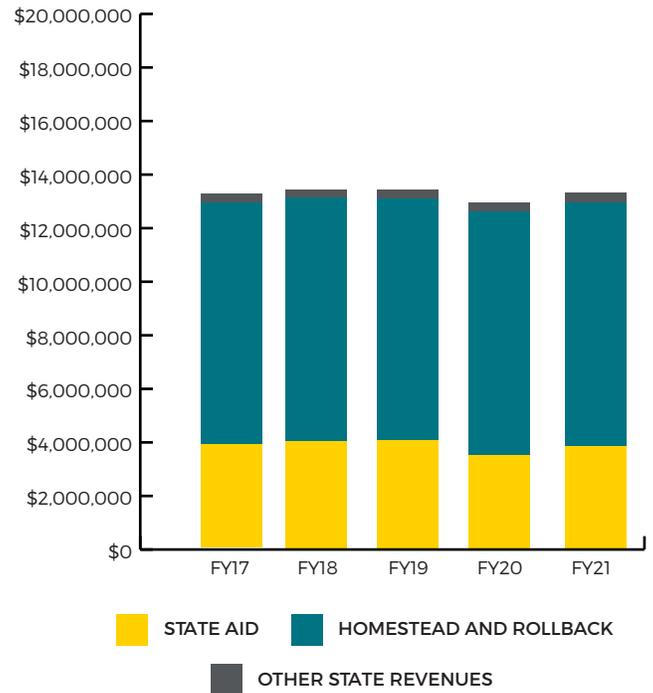
A portion (\$3,821,000) of the district’s state support comes from State Aid, which in most years is a formula calculation based mostly on student enrollment. However, because the district would lose money if its funding was calculated on this formula, the state guarantees the district the same amount it received the previous year. A new funding formula will be implemented by the State of Ohio for FY22.

The majority of state support (approximately \$9,096,000) derives from Homestead and Rollback payments, which represent the portion of the local tax bill paid by the state instead of the local taxpayer.

CASINO REVENUE

The state legislature designated 34 percent of tax receipts generated from casinos to school districts across the state starting in calendar year 2013. The district is appreciative of any additional funding; however, as illustrated in the chart at right, the impact of this revenue source is minimal. Casino revenue is included in “Other State Revenues” in the graph above.

STATE SOURCES OF REVENUE FIVE-YEAR COMPARISON



CASINO REVENUE VERSUS TOTAL REVENUE

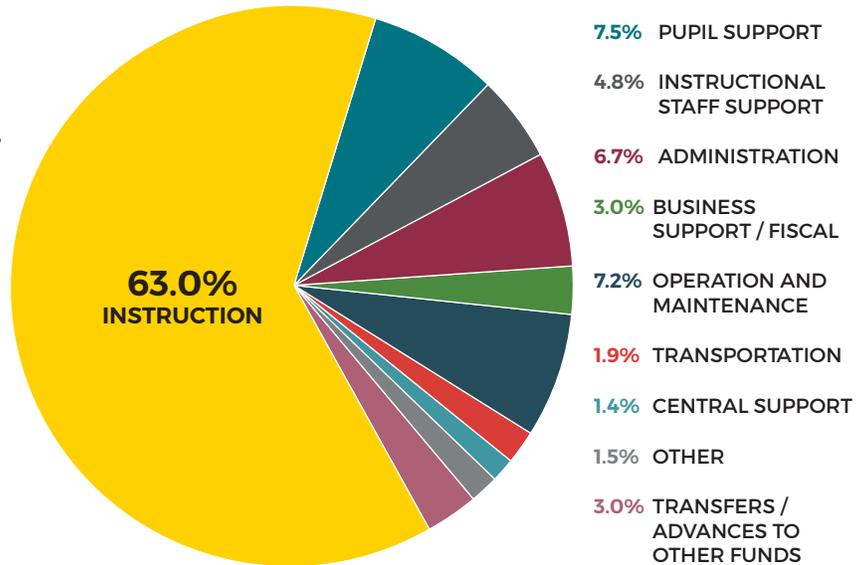
CASINO REVENUE	FY19	FY20	FY21
	\$327,000	\$337,000	\$266,000
PERCENTAGE OF TOTAL REVENUE/ RESOURCES	0.3%	0.3%	0.3%

WHERE THE MONEY GOES

EXPENDITURES AND SERVICES FOR FY 2021

INSTRUCTION

This largest expenditure category relates to the direct instruction of our students. Students are directly impacted by expenditures from this category.



PUPIL SUPPORT

This area comprises all guidance services, health/safety monitors, health aides, nurses, speech, hearing, occupational therapy, physical therapy and psychological services.

INSTRUCTIONAL STAFF SUPPORT

These expenditures include library services, curriculum development, staff training, technology integration support and teacher aides.

ADMINISTRATION

These expenditures represent those of the administration and Board of Education's operation of the district. This includes school building administration and secretarial support.

BUSINESS SUPPORT / FISCAL

These costs include business services such as risk management, construction management, courier services and tax collection fees. Also included are various financial functions such as accounts payable, accounts receivable, payroll, auditing, budgeting and reporting, and fringe benefit administration.

OPERATION AND MAINTENANCE

These costs relate to the safe and efficient environment of the school including building maintenance, grounds and custodial services.

TRANSPORTATION

These expenditures relate to providing transportation to students who live in the Upper Arlington City School District, consistent with Board of Education policies and the laws of the State of Ohio.

CENTRAL SUPPORT

These central support expenditures include community relations, technology department, human resource management, and other service costs across the district.

OTHER

These costs account for salaries, benefits and supplies for club- and athletic-related activities.

TRANSFERS/ADVANCES

These transfers/advances account for withdrawing money from one fund and placing it in another fund either temporarily (advances) or permanently (transfers).



TAX RATES AND VALUATION

All tax rates for the district, except inside millage and bond retirement, are reduced as property valuations increase. In accordance with House Bill 920, as property valuations increase during the triennial update and reappraisal periods, the voted millage is reduced to generate the same amount of tax revenue for the district as was received when each levy was initially approved by the voters. The chart below illustrates the difference between the district's gross, or voted, tax rates and the effective rate, or the amount that is being collected for residential properties. The rates below are for the 2021 tax year collected in calendar year 2022.

UNBUNDLING THE TAX RATE 2022 COLLECTION YEAR

	GROSS RATE	EFFECTIVE RATE	YEAR APPROVED	LENGTH APPROVED
INSIDE OPERATING*	5.65 MILLS	5.65 MILLS	N/A	PERMANENT
VOTED OPERATING	100.21 MILLS	32.63 MILLS	VARIOUS	PERMANENT
PERMANENT IMPROVEMENT	2.0 MILLS	1.41 MILLS	2007	PERMANENT
BOND RETIREMENT	6.5 MILLS	6.5 MILLS	VARIOUS	VARIOUS
TOTAL RATE	114.36 MILLS	46.19 MILLS	—	—

* Inside operating millage is provided by the Constitution of the State of Ohio and is levied without a vote of the people. It is called inside millage because it is "inside" the law. This millage amount does not change.

Source: Franklin County Auditor

ASSESSED VALUATION A YEAR-OVER-YEAR COMPARISON

COLLECTION YEAR	RESIDENTIAL	COMMERCIAL	PUBLIC UTILITY	TOTAL
2022	\$2,129,321,590	\$183,166,090	\$33,759,250	\$2,346,246,930
2021	\$2,112,763,320	\$167,126,010	\$31,930,290	\$2,311,819,620
2020	\$1,780,400,940	\$138,290,130	\$29,552,740	\$1,948,243,810
2019	\$1,770,205,240	\$139,692,830	\$28,203,640	\$1,938,101,710
2018	\$1,770,534,840	\$146,465,390	\$26,122,100	\$1,943,122,330
2017	\$1,572,002,900	\$130,772,140	\$25,476,890	\$1,728,251,930
2016	\$1,563,721,350	\$130,320,970	\$25,127,720	\$1,719,170,040
2015	\$1,552,365,800	\$141,855,270	\$25,444,440	\$1,719,665,510
2014	\$1,423,681,260	\$126,625,020	\$24,361,790	\$1,574,668,070
2013	\$1,423,771,040	\$130,053,810	\$23,367,670	\$1,577,192,520

* During the past 10 collection years, residential assessed valuation averaged more than 90 percent of the district's total assessed valuation.

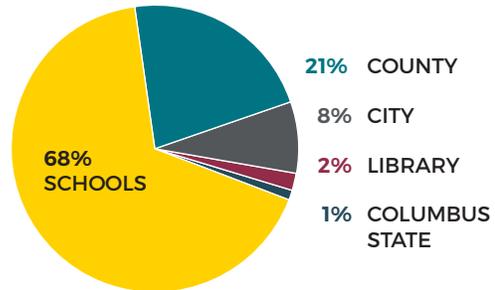
Source: Franklin County Auditor

PROPERTY TAX

Shown below are the 2022 collection year amounts generated from an Upper Arlington home that the county auditor appraised at \$100,000. The pie chart represents the percentage of each dollar going to each taxing entity. The approximate total of \$2,410 is the annual amount a \$100,000 home would generate in taxes. These amounts, which are rounded to the nearest dollar, include the portion the state pays directly for state credits such as Homestead (owner-occupied) and Rollback for levies passed before November 2013.

2022 APPROXIMATE ANNUAL COST PER \$100,000 IN HOME VALUE

SCHOOLS	\$1,617
COUNTY	\$529
CITY	\$199
LIBRARY	\$49
COLUMBUS STATE	\$16
TOTAL	\$2,410



2022 SCHOOL PROPERTY TAX RATES

HOW UPPER ARLINGTON COMPARES WITH OTHER LOCAL DISTRICTS

This chart illustrates the residential property tax collected in 2022 on a county-appraised \$100,000 home for various school districts in Franklin County. These amounts, which are rounded to the nearest dollar, include the portion the state pays directly for state credits such as Homestead (owner-occupied) and Rollback for levies passed before November 2013.

OLENTANGY	\$1,981
WORTHINGTON	\$1,888
WESTERVILLE	\$1,822
DUBLIN	\$1,773
NEW ALBANY	\$1,733
GAHANNA	\$1,632
HILLIARD	\$1,625
BEXLEY*	\$1,619
UPPER ARLINGTON	\$1,617
WHITEHALL	\$1,380
COLUMBUS	\$1,315
REYNOLDSBURG*	\$1,301
SOUTHWESTERN	\$1,287
GRANDVIEW HEIGHTS	\$1,239
PICKERINGTON*	\$1,216
GROVEPORT	\$1,184

* These districts also collect income tax that is not included in the above amounts.

PERMANENT IMPROVEMENT FUND

In November of 2007, Upper Arlington voters approved a 6.2-mill combined operating levy and permanent improvement levy, with 2.0 mills (currently collected at 1.65 mills), or approximately \$3,000,000 per year, in permanent improvement revenue. The permanent improvement levy has allowed the district to dedicate funds specifically to repair, maintain and upgrade its buildings; purchase educational resources and textbooks; and purchase vehicles and technology equipment – all vital in meeting the needs of our students. These funds cannot be used for employee salaries, day-to-day operations or consumables.

ACCUMULTATED EXPENDITURES

FY 2009 - FY 2021



BUILDINGS AND GROUNDS

\$29,072,000

These funds have addressed immediate space needs of the district (building additions to Greensview, Barrington and Tremont elementary schools) and immediate concerns related to keeping the district's school facilities safe, dry and secure (renovation of entrances, patching of roofs, HVAC improvements, ADA enhancements, parking lot updates and renovation of athletic venues).



TECHNOLOGY AND RESOURCES

\$10,943,000

Traditionally, these funds were used for printed textbooks. Starting in FY 2016, a majority of these funds were used for student and staff devices relating to the one-to-one technology initiative. These funds have also been used for technology upgrades, implementation of wireless networks, creation of a computer replacement cycle and phone system replacement.



VEHICLES

\$1,830,000

These funds have reduced the average life of district vehicles (buses and maintenance), allowing for increased student and staff safety.

DEBT

BOND RATINGS

For many years, Upper Arlington Schools has been one of a handful of Ohio school districts able to maintain high bond ratings from both Standard & Poor's and Moody's. In January of 2018, both bond agencies upheld the district's high ratings. Even though the district was about to embark on a large investment into its facilities, both agencies found that a long history of community support and strong financial practices provided a solid foundation for these projects.

OUTSTANDING BONDS AND BOND ANTICIPATION NOTES

The Debt Service Fund accounts for the accumulation of resources for and the payment of debt principal and interest. Revenues from this fund are generated from local sources in the form of property taxes. Outstanding as of December 31, 2021, is approximately \$210,995,000 in bonds. The majority of the outstanding bonds, \$208,335,000, relates to the bond levy approved by voters in November 2017. The remaining \$2,660,000 consists of refunded bonds that relate to the original issuance of \$44,400,000 approved by the community in 1995.

LEASES

The district entered into a four-year lease for the purchase of technology devices related to its one-to-one technology initiative. As of December 31, 2021, the total outstanding lease amount is approximately \$694,300 in principal.

NOTES PAYABLE

In May 2016, the district issued tax anticipation notes in the amount of \$4,500,000 to be used for constructing a building addition at Tremont Elementary School. The outstanding amount as of December 31, 2020, was approximately \$775,000. The district made the final payment on this loan on December 1, 2021, and therefore, as of December 31, 2021, there is no outstanding amount. The district's permanent improvement levy was used to pay off this note over the outstanding years.

FIVE-YEAR FORECAST

All Ohio school districts are required to file a five-year forecast with the Ohio Department of Education. The report reflects three years of historical revenues and expenditures as well as a forecast of the current fiscal year and four additional fiscal years. While the forecast is an important planning tool, it paints a picture of the future based upon a combination of current realities, certain assumptions and predictions. As such, it is a living document that is subject to frequent change and is officially updated in May and October of each year. The most recent five-year forecast is available at www.uaschools.org.

FUTURE FOCUS



The foundational element of the Upper Arlington Schools 2019-2024 Strategic Plan is continuous improvement. We are looking at every facet of our district – including finances – through the lens of continuous improvement. Upper Arlington Schools is committed to providing the best possible experience for the students of Upper Arlington and a sound financial future for our schools. This means keeping a keen eye on efficient and effective use of our financial resources, with the goal of preserving the overall student experience.

FUTURE FINANCIAL IMPACTS

The new five-year forecast reflects what we have been anticipating for some time – that **the biggest impacts on our future finances will be inflation, enrollment growth and the decision to delay an operating levy for two years** as a result of the pandemic and the economic situation. As we go forward in the 2022 calendar year, the Board of Education will continue to discuss how it will address the district's future financial needs.

COMMITMENT TO EFFICIENCY

Over the past two years, in the absence of new operating funding, we have creatively stretched our financial resources by reducing our budget reserve; seeking out approximately \$4.6 million in cost reductions, primarily through a three-year hiring freeze on new positions; and utilizing additional COVID-related funding made available to school districts.

GROWING ENROLLMENT

Enrollment growth is one of our most exciting challenges as a district and a community. Enrollment has grown districtwide over the past decade, and projections indicate that it will continue to grow even more significantly over the next 10 years.

\$4,600,000
IN COST REDUCTIONS
since the summer of 2020



PROJECTED K-12 ENROLLMENT

24.6% projected increase – or
more than 1,500 students
2021-2022 to 2031-2032

FUTURE FOCUS

HOUSE BILL 920 IMPACT

In Upper Arlington, approximately 96 percent of district revenues are fixed, with little or no room for growth. A major factor in this is House Bill 920, a state law passed in the 1970s.

HB 920 ensures that voted operating levies do not grow as property values increase. As property values increase, the millage collected for each voted operating levy is reduced to ensure the district's funding from the operating levy remains flat.

A major factor in the impact of HB 920 is inflation. Every three years, the value of taxable property in a school district is determined by the county auditor. If inflation has caused the value of the property to increase, the auditor reduces the school tax rate so schools do not receive more money. So, as inflation drives up the value of property, HB 920 prevents schools from collecting more money. However, that also leaves districts unable to meet the increases in school costs caused by inflation and enrollment growth.

Generally speaking, the only way school districts see an increase in property tax revenue is when voters approve a new operating levy. That contributes to the need for school districts to return to voters every three years to keep up with the cost of doing business.

DELAYED FUNDING REQUEST

As of the fall of 2022, it will have been five years since our district last went to voters to request additional operating funding. Even with the proactive cost-saving steps we have taken, our expenditures are already outpacing our revenue. This is a typical levy cycle for a school district, and it's why school districts usually go back to voters every three years to request new operating funding.

As we go forward in the 2022 calendar year, the Board of Education will continue to discuss how it will address the district's future financial needs.

Prepared to serve, lead and succeed

Effective and efficient use of financial resources is crucial to ensuring that Upper Arlington Schools can provide the high-quality educational experiences that our community expects. Here's how we're delivering on this commitment to our community.

#1 in the state

in the percentage of funding dedicated to classroom instruction

#1 in the state

in the combined percentage of students taking Advanced Placement or International Baccalaureate courses

#1 in central Ohio

And #4 in the state in the percentage of students scoring at "remediation free" levels on the ACT

#2 in central Ohio

And #7 in the state in "Prepared for Success" percent, which looks at how well prepared our students are for future opportunities in college or career

#3 in central Ohio

And #9 in the state in the percentage of students enrolled in college within two years of high school graduation

OUT OF APPROXIMATELY 610 SCHOOL DISTRICTS
(total varies slightly each year depending on the reporting category)

Source: 2020-2021 State Report Card

FUTURE FOCUS



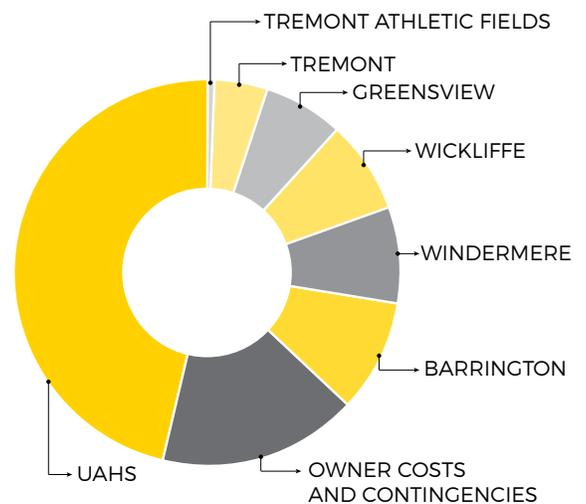
BUILDING OUR FUTURE MASTER PLAN CONSTRUCTION PHASE

Over the past two years, Upper Arlington Schools has been **BUILDING OUR FUTURE** for the Upper Arlington students and community of today and for generations to come. A grand opening celebration in August of 2021 marked the completion of the first phase of the community-developed facilities master plan – on schedule and on budget – as the district welcomed the community inside the Barrington Elementary School renovation and addition; the new Greensview Elementary School; the Tremont Elementary School renovation and addition; the new Wickliffe Progressive Elementary School; the new Windermere Elementary School; and the new and state-of-the-art Upper Arlington High School. All of these spaces will support the core business of Upper Arlington Schools – to challenge and support every student, every step of the way. These new and renovated schools also provide additional space – approximately 200,000 square feet across all six buildings – to meet the needs of our growing district. In the event that growth exceeds projections, each project has been designed to have a logical place for a classroom addition, if needed.

LEGACY CAPITAL CAMPAIGN

For the first time in the history of Upper Arlington Schools, a capital campaign was brought to the forefront to support the monumental task of building comprehensive academic facilities. With nearly 400 donors and gifts ranging from \$20 to \$1 million, the Legacy campaign has exceeded its goal of raising \$7.5 million toward construction costs and project enhancements benefiting students' academic and co-curricular experiences, including music, arts and athletics.

ALLOCATED BUDGET FIRST PHASE OF THE MASTER PLAN



PROJECT COSTS	\$235,000,000
LESS: PRIVATE FUNDRAISING	(\$5,000,000)
TOTAL	\$230,000,000



CHALLENGE AND SUPPORT
EVERY STUDENT,
EVERY STEP OF THE WAY.