



UPPER ARLINGTON SCHOOLS
2017-2018 FINANCIAL UPDATE

April 2018

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Serve, Lead, Succeed

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STAY CONNECTED WITH UA SCHOOLS

Upper Arlington Schools is a national leader in education due, in large part, to an unprecedented level of partnership with its community. We invite all residents to stay connected with the schools and to feel welcome to reach out with any questions or ideas.

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We are pleased to provide you with the third annual 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.

The Upper Arlington Schools staff is dedicated to the district's mission of challenging and supporting every

student every step of the way. To stay true to that mission, our work is guided by the 2015-2018 Strategic Plan, which was developed in partnership with the community using an innovative hybrid approach that combined the best practices of both the public and private sectors. The result is a focused plan with five goals in the areas that matter most to our students, their families and the residents of Upper Arlington.

To meet our academic goals, we must realize fiscal and operational excellence and ensure we are directing as many resources as possible to the classroom and personalized instruction. To that end, we are committed to the strategies identified in the Strategic Plan.

Additionally, the district's nearly three-year master planning process concluded in early 2017, and the community approved funding of the first phase of the master plan through the passage of a combined operating levy and bond issue in November 2017. Important decisions will occur in 2018 regarding the design of six new or renovated school buildings, with construction starting in early 2019.

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,

A handwritten signature in black ink that reads "Andrew L. Geistfeld".

Andrew L. Geistfeld
Treasurer/CFO, Upper Arlington Schools

GENERAL FUND FINANCIAL OVERVIEW

The increase in local tax revenue in FY 2017 is a result of two factors: first, the increase of tax collection rates over prior years as the economy continued to strengthen and, second, the timing of tax payments by residents during the calendar year.

The increase of instruction expenditures in FY 2017 was largely related to the addition of 10 staff members due to enrollment growth, increased special education expenditures related to the increased enrollment and additional needs, and the first payment on a technology lease for devices for grades K-8. In FY 2015, a one-time fund transfer to the debt service fund was made to pay off an outstanding energy note and a one-time fund transfer was made to the permanent improvement fund for construction related to an elementary school addition. In FY 2015, the Franklin County auditor reduced property tax collection fees; whereas, in FY 2016 and FY 2017 this did not occur, which explains the increase in business support/financial expenditures.

RESOURCES TAKEN IN IN THOUSANDS OF DOLLARS

	FY17	FY16	FY15
LOCAL TAXES*	72,877	71,708	71,338
STATE SUPPORT	13,250	13,143	13,221
INVESTMENT INCOME	607	389	176
TUITION AND FEES	257	312	319
OTHER REVENUE	612	653	583
TRANSFERS/ADVANCES FROM OTHER FUNDS	178	70	388
TOTAL REVENUES/ RESOURCES	87,781	86,275	86,025

SERVICES PROVIDED IN THOUSANDS OF DOLLARS

	FY17	FY16	FY15
INSTRUCTION	55,174	53,171	52,961
PUPIL SUPPORT	5,784	5,688	5,533
INSTRUCTIONAL STAFF SUPPORT	4,088	4,133	4,239
ADMINISTRATION	5,186	5,211	5,023
BUSINESS SUPPORT/ FINANCIAL	2,556	2,521	2,094
OPERATION AND MAINTENANCE	6,731	6,664	6,880
TRANSPORTATION	1,674	1,658	1,544
CENTRAL SUPPORT	1,302	1,269	1,049
OTHER	1,431	1,522	1,322
TRANSFERS/ADVANCES TO OTHER FUNDS	162	593	2,524
TOTAL EXPENDITURES/ SERVICES PROVIDED	84,088	82,430	83,169

RESOURCES OVER EXPENDITURES IN THOUSANDS OF DOLLARS

	FY17	FY16	FY15**
	3,693	3,845	2,856

* Tax incremental financing collections are included with local taxes.

** Transfers between general fund sub-funds were eliminated in the chart above.

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 decrease. 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

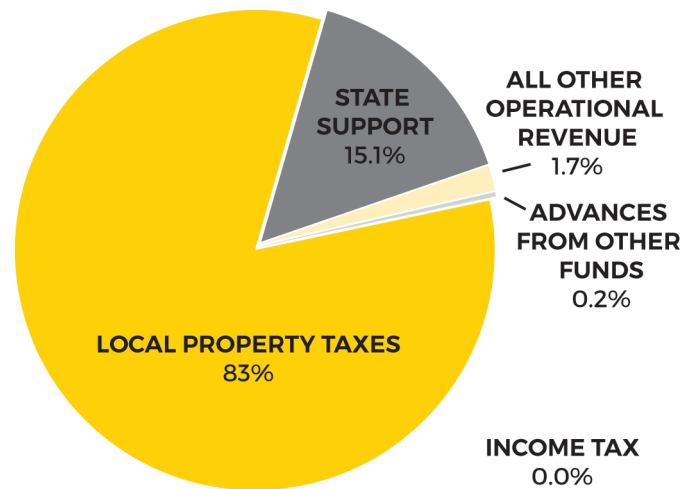
This graph shows the amount of cash collections received by the district from real and personal property taxes. Property taxes provide a majority of the local revenue to operate and maintain our schools. The district accounts for these collections in three funds.

GENERAL FUND (OPERATING LEVY): Tax dollars are received by the district for day-to-day operations, which primarily entail employee salaries and benefits.

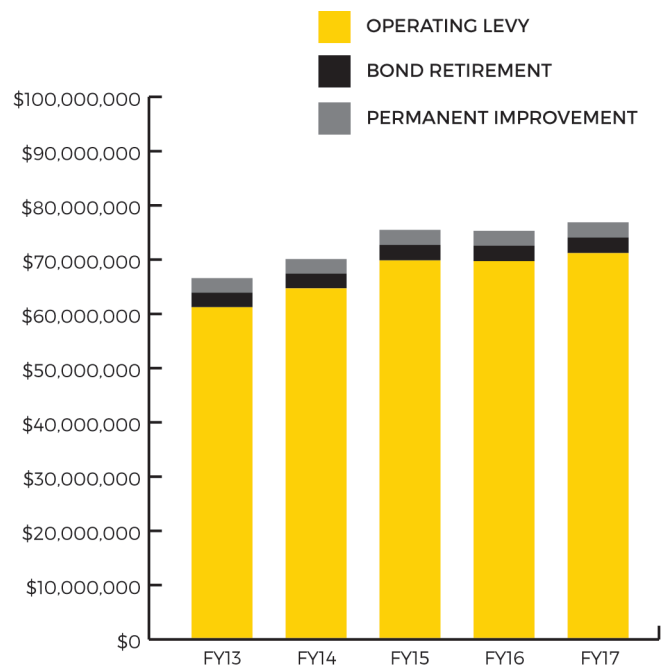
BOND RETIREMENT: Tax dollars are received for the payment of principal and interest on voter-approved bond issues related to renovation/ construction of buildings. Bond millage rates are set by the county auditor to generate sufficient revenue to pay the principal and interest on outstanding bonds.

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 2017



PROPERTY TAX REVENUE THE THREE DISTRICT FUNDS



WHERE THE MONEY COMES FROM

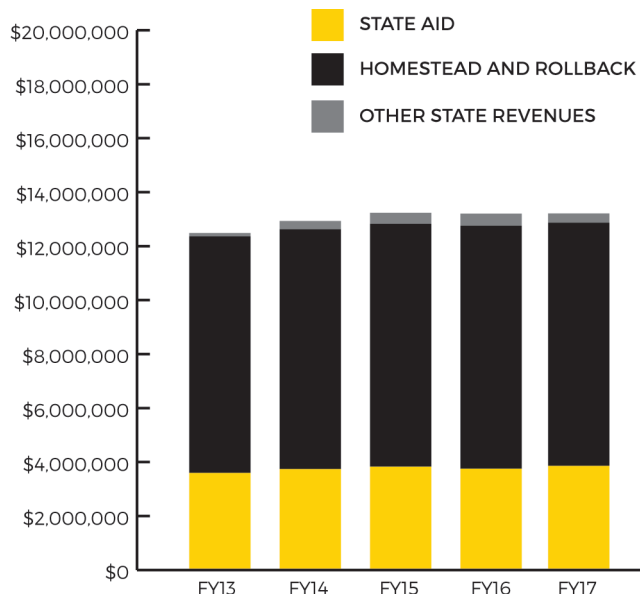
STATE SUPPORT

State sources of revenue generated \$13,250,000, or 15.1%, 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.

A portion (\$3,880,000) of the district's state support comes from State Aid, which 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.

The majority of state support (approximately \$8,960,000) comes from Homestead and Rollback payments, which represent the portion of the local tax bill paid by the state instead of the local taxpayer.

STATE SOURCES OF REVENUE FIVE-YEAR COMPARISON



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.

CASINO REVENUE VERSUS TOTAL REVENUE

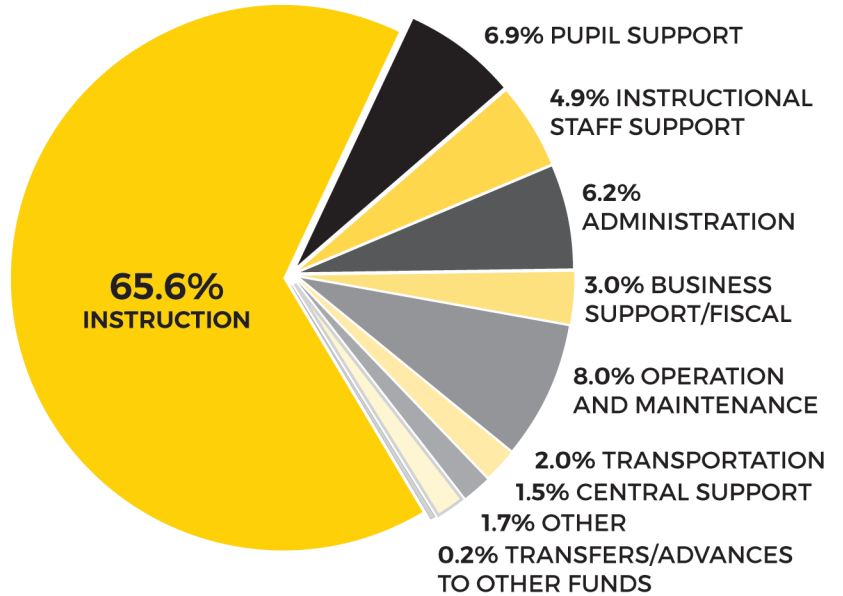
CASINO REVENUE	FY15	FY16	FY17
	\$294,000	\$299,000	\$298,000
PERCENTAGE OF TOTAL REVENUE/ RESOURCES	0.3%	0.3%	0.3%

WHERE THE MONEY GOES

EXPENDITURES AND SERVICES FOR FY 2017

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

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

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, 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 2017 tax year collected in calendar year 2018.

UNBUNDLING THE TAX RATE 2018 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	38.19 MILLS	VARIOUS	PERMANENT
PERMANENT IMPROVEMENT	2.0 MILLS	1.65 MILLS	2007	PERMANENT
BOND RETIREMENT	6.9 MILLS	6.9 MILLS	VARIOUS	VARIOUS
TOTAL RATE	114.76 MILLS	52.39 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	TANGIBLE PERSONAL*	TOTAL
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
2012	\$1,429,149,240	\$143,813,000	\$14,833,180	—	\$1,587,795,420
2011	\$1,451,941,830	\$131,376,540	\$13,441,950	—	\$1,596,760,320
2010	\$1,448,510,040	\$134,749,240	\$12,142,180	\$701,757	\$1,596,103,217
2009	\$1,438,223,040	\$137,114,730	\$11,521,760	\$1,403,513	\$1,588,263,043

* State legislation resulted in a tangible personal property (TPP) tax phaseout period that began in collection year 2006 and culminated in the elimination of TPP tax in collection year 2010. During the past 10 collection years, residential assessed valuation averaged more than 90 percent of the district's total assessed valuation.

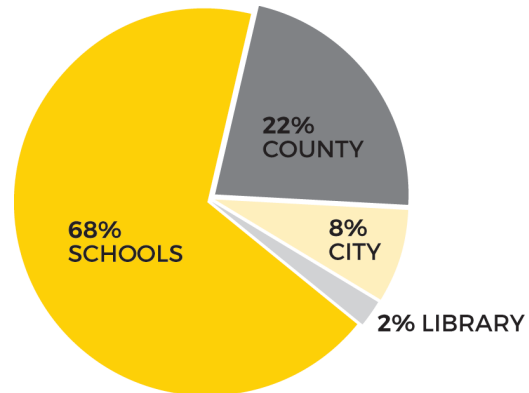
Source: Franklin County Auditor

PROPERTY TAX

Shown below are the 2018 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 \$2,691 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.

2018 APPROXIMATE ANNUAL COST PER \$100,000 IN HOME VALUE

SCHOOLS	\$1,833
COUNTY	\$589
CITY	\$211
LIBRARY	\$58
TOTAL	\$2,691



2018 SCHOOL PROPERTY TAX RATES

HOW UPPER ARLINGTON COMPARES WITH OTHER LOCAL DISTRICTS

This chart illustrates the residential property tax collected on a county-appraised \$100,000 home in 2018 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.

HILLIARD	\$1,970
NEW ALBANY	\$1,904
OLENTANGY	\$1,884
WESTERVILLE	\$1,872
DUBLIN	\$1,859
UPPER ARLINGTON	\$1,833
WORTHINGTON	\$1,765
COLUMBUS	\$1,606
REYNOLDSBURG*	\$1,584
WHITEHALL	\$1,559
BEXLEY*	\$1,548
PICKERINGTON*	\$1,503
SOUTHWESTERN	\$1,492
GAHANNA	\$1,350
GRANDVIEW HEIGHTS	\$1,286

* 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, 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.



TREMONT ELEMENTARY CONSTRUCTION

The Upper Arlington City School District utilized approximately \$6,137,000 as of June 30, 2017, in current and future permanent improvement money to fund additions and renovations at Tremont Elementary to meet the school's growing enrollment needs. At the start of the 2016-2017 school year, the district opened the first-phase addition, with five classrooms and a media center. During the 2016-2017 school year, the gymnasium addition was completed. By the start of the 2017-2018 school year, renovations were completed within the existing building to create a new cafeteria, two new music rooms, and a new secure main entry and administrative office.

Because the district used permanent improvement money for urgently needed construction at Tremont Elementary School, the overall project cost for future construction at this school during the first phase of the facilities master plan is reduced.

ACCUMULATED EXPENDITURES FY 2009 - FY 2017



BUILDINGS AND GROUNDS

\$22,416,000

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 buildings safe, dry and secure (renovation of entrances, patching of roofs, restroom renovations, HVAC improvements and ADA enhancements).



TECHNOLOGY AND RESOURCES

\$6,451,000

Traditionally, these funds were used for printed textbooks. Starting in FY 2016, a majority of these funds were used for student 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

\$998,000

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

FISCAL RESPONSIBILITY

The Upper Arlington Schools Efficiency Project has created a more focused, agile and sustainable school district. During this process, the district committed to seeking efficiency measures to reduce costs by \$4,500,000 by the end of 2016-2017 while not impacting students' educational experience. By October 2016, it had surpassed that commitment, enacting approximately \$4,700,000 in efficiency measures. The savings were realized through the use of technology, creative thinking, partnerships and shared services.

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, 2017, is approximately \$13,370,000 in refunded bonds. This outstanding principal amount relates to the original issuance of \$44,400,000 approved by the community in 1995.

Additionally, in December 2017 the district issued \$9,500,000 in short-term bond anticipation notes to be paid off when future bonds are issued in early 2018. These anticipation notes relate to the bond levy approved by the voters in November 2017 (see Page 12).

LEASES

The district entered into two four-year leases for the purchase of technology devices related to its one-to-one technology initiative. As of December 31, 2017, the total outstanding lease amount is approximately \$3,026,000 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, 2017, is approximately \$3,025,000. A portion of current and future revenue collected from the district's permanent improvement levy will be used to pay off this note.

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 district anticipates that several internal and external factors will have a significant impact on financial planning in the near future. The financial priorities that stand out for the district in the immediate future are continued enrollment growth, with its associated space and staffing needs, as well as the success of the November 2017 combined operating levy and bond issue and the implementation of the first phase of the district's facilities master plan.



ENROLLMENT GROWTH

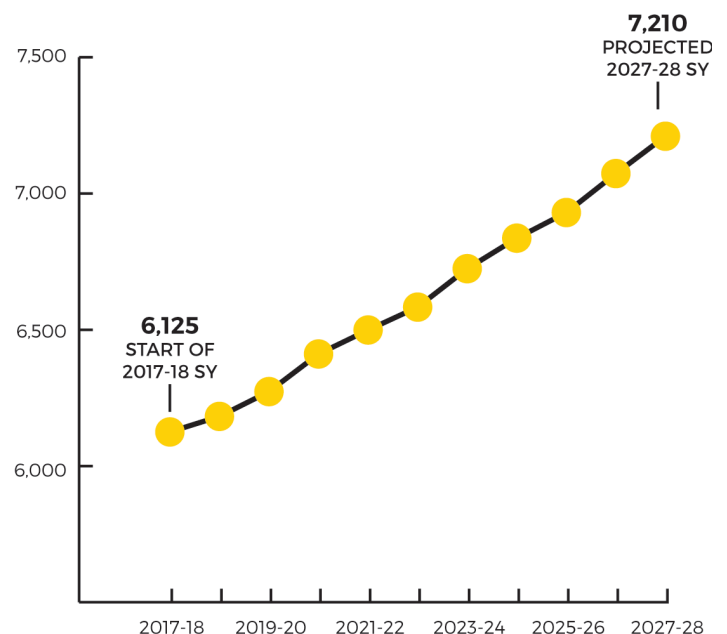
As of the 2017-2018 school year, enrollment in the Upper Arlington City School District had increased to 6,125 students in kindergarten through grade 12, continuing a period of growth since the 2007-2008 school year.

Based on third-party enrollment projections updated in October 2017, the district should anticipate adding more than 1,000 students over the next 10 years. That would be an increase of more than 21% over 20 years.

The district has not experienced growth to this degree in decades, and it has significant impacts on district finances. Growing enrollment poses the greatest challenge in planning for six new or renovated school buildings that will serve the students of Upper Arlington for the next 50-plus years. Additionally, as the student population increases, so too must the staff.

As this trend continues, the district will need to closely monitor enrollment growth to properly account for staffing needs in future five year forecasts.

ENROLLMENT PROJECTIONS DISTRICTWIDE THROUGH 2027-2028



FUTURE FOCUS



NOVEMBER 2017 OPERATING LEVY AND BOND ISSUE

After more than two and a half years and more than 8,000 touch points with the Upper Arlington community, the facilities master planning process came to an end in the spring of 2017. Based on community feedback and the recommendations of the community volunteers on the Financial Advisory Board, the Board of Education finalized the district's master plan and in June 2017 took action to place a combined 3.75-mill operating levy and \$230,000,000 bond issue on the fall ballot.

On November 7, 2017, Upper Arlington voters approved the ballot issue by a vote of 55% to 45%, endorsing moving forward with the first phase of the community-developed facilities master plan. Collections began in January 2018 for the additional 3.75 mills of operating funding and the bond issue, which is being collected at an additional 5.17 mills of debt service compared to 2017.

The success of the November 2017 ballot issue has had a positive impact on operating and capital funds, providing both the needed operating money to maintain the district's high-quality academic programs and the bond funding to build a new high school and renovate or rebuild all five elementary schools in the first phase of the master plan.

In approximately 10 years, the Upper Arlington Board of Education and the community will need to revisit the second phase of the master plan, involving the two middle schools and Burbank Early Childhood School.

COMMUNITY'S MASTER PLAN FIRST PHASE PROJECT COSTS

UAHS	REBUILD	\$142,111,000
BARRINGTON	RENOVATE	\$31,024,000
GREENSVIEW	REBUILD	\$22,636,000
TREMONT	RENOVATE	\$14,906,000
WICKLIFFE	REBUILD	\$23,848,000
WINDERMERE	REBUILD	\$22,181,000
TREMONT ATHLETIC FIELDS		\$1,800,000
LESS: PRIVATE FUNDING		(\$5,000,000)
LESS: SCOPE REDUCTIONS		(\$23,506,000)

**FIRST PHASE TOTAL PROJECT COST
\$230,000,000**

FUTURE FOCUS



IMPLEMENTING THE FACILITIES MASTER PLAN

Immediately after the passage of the November 2017 combined operating levy and bond issue, the Board of Education launched a design process involving as many community members, staff members and students as possible in the design of the six new or renovated buildings.

The design process is divided into four phases spanning December 2017 through February 2019. At several points during process, independent construction estimates will be produced to ensure that the projects stay on budget and on schedule. The budget approved by the Upper Arlington Board of Education for all six projects plus the Tremont athletic fields is \$230,000,000 in bond funding plus \$5,000,000 in capital fundraising.

CAPITAL CAMPAIGN

In finalizing the district's facilities master plan, the Board of Education committed to privately fundraising at least \$5,000,000 to offset the cost of the first phase of the master plan to Upper Arlington homeowners. While the bond issue supported by voters in 2017 (\$230,000,000) will cover the majority of the project costs, the the capital fundraising campaign will allow community members and businesses to leave a mark on the future of education in Upper Arlington. Through this campaign, naming-rights opportunities are available at various support levels at the high school, elementary schools and several athletic facilities.

CONSTRUCTION TIMELINE FIRST PHASE OF THE MASTER PLAN

SPRING 2018

Work will begin to develop the Tremont athletic fields.

FALL 2018

The turf field behind Tremont will be completed.

DECEMBER 2018

Construction will begin on the high school site, first on a new Marv Moorehead Stadium.

MARCH 2019

Work will begin on a new high school and four new or renovated elementary schools: Barrington, Greensview, Tremont and Wickliffe.

SPRING 2019

The baseball and softball diamonds behind Tremont will be completed.

AUGUST 2019

The new Marv Moorehead Stadium will be completed.

SUMMER 2020

Work will begin on a new Windermere Elementary School.

FALL 2020

The new Greensview and Wickliffe and the renovated Barrington and Tremont will open. Windermere students will be educated in the old Wickliffe building for the 2020-2021 school year.

FALL 2021

The new Windermere and high school will open.

FALL 2022

The new high school site will be completed, with the old building demolished and that space developed into athletic field space.



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