UPPER ARLINGTON CITY SCHOOL DISTRICT - - FRANKLIN COUNTY
Schedule Of Revenue, Expenditures and Changes In Fund Balances
Actual and Forecasted Operating Fund

	ACTUAL			FORECASTED				
	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
Revenue:								
1.010 - General Property Tax (Real Estate)	79,079,315	79,030,552	90,645,510	98,532,464	100,140,833	100,551,320	101,557,100	102,432,390
1.020 - Public Utility Personal Property	3,253,793	3,476,415	3,722,772	3,978,198	4,165,739	4,332,389	4,505,730	4,685,985
1.035 - Unrestricted Grants-in-Aid	4,086,950	3,016,616	3,643,008	5,507,379	6,375,292	6,710,886	6,899,822	7,142,876
1.040 - Restricted Grants-in-Aid	69,421	540,706	570,163	657,227	692,310	703,028	705,741	717,076
1.050 - State Share of Local Property Taxes	9,096,015	9,164,130	9,256,292	9,478,158	9,671,353	9,715,232	9,812,253	9,908,106
1.060 - All Other Operating Revenues	3,317,694	3,319,708	4,344,381	5,887,970	5,800,174	5,410,278	4,910,278	4,410,278
1.070 - Total Revenue	98,903,188	98,548,127	112,182,126	124,041,396	126,845,701	127,423,133	128,390,924	129,296,711
Other Financing Sources:								
2.040 - Transfers-In	-	-	-	-	-	-	-	-
2.050 - Advances-In	2,213,415	1,464,853	732,041	2,721	30,000	30,000	30,000	30,000
2.060 - All Other Financing Sources	13,007	33,681	637,721	30,000	30,000	30,000	30,000	30,000
2.070 - Total Other Financing Sources	2,226,422	1,498,534	1,369,762	32,721	60,000	60,000	60,000	60,000
2.080 - Total Revenues and Other Financing Sources	101,129,610	100,046,661	113,551,888	124,074,117	126,905,701	127,483,133	128,450,924	129,356,711
Expenditures:								
3.010 - Personnel Services	60,036,881	61,989,124	63,408,813	67,183,391	71,734,870	75,348,799	78,851,034	82,420,789
3.020 - Employees' Retirement/Insurance Benefits	21,117,487	21,657,598	21,634,215	22,580,329	24,154,983	25,721,578	27,353,429	29,011,898
3.030 - Purchased Services	13,588,171	14,230,343	15,206,405	15,989,406	17,391,277	18,226,116	19,114,065	20,042,403
3.040 - Supplies and Materials	2,097,896	2,436,435	2,487,702	3,249,545	3,356,202	3,456,888	3,560,595	3,667,412
3.050 - Capital Outlay	282,214	133,730	131,694	82,424	86,545	90,872	95,416	100,186
4.300 - Other Objects	1,388,198	1,315,376	1,533,098	1,567,471	1,609,080	1,652,546	1,698,010	1,745,625
4.500 - Total Expenditures	98,510,847	101,762,606	104,401,927	110,652,566	118,332,957	124,496,799	130,672,549	136,988,313
Other Financing Uses								
5.010 - Operating Transfers-Out	1,658,574	1,327,100	1,842,277	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000
5.020 - Advances-Out	1,464,853	732,041	2,721	30,000	30,000	30,000	30,000	30,000
5.030 - All Other Financing Uses	-	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	3,123,427	2,059,141	1,844,998	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000
5.050 - Total Expenditures and Other Financing Uses	101,634,274	103,821,747	106,246,925	112,012,566	119,692,957	125,856,799	132,032,549	138,348,313
Excess of Rev & Other Financing Uses Over (Under) 6.010 - Expenditures and Other Financing Uses	(504,664)	(3,775,086)	7,304,963	12,061,551	7,212,744	1,626,334	(3,581,625)	(8,991,602)
Cash Balance July 1 - Excluding Proposed Renewal/ 7.010 - Replacement and New Levies	51,060,782	50,556,118	46,781,032	54,085,995	66,147,546	73,360,290	74,986,624	71,404,999
7.020 - Cash Balance June 30	50,556,118	46,781,032	54,085,995	66,147,546	73,360,290	74,986,624	71,404,999	62,413,397
8.010 - Estimated Encumbrances June 30	1,501,396	1,092,661	863,091	850,000	850,000	850,000	850,000	850,000
Reservations of Fund Balance:								
9.030 - Budget Reserve	12,806,410	13,229,139	13,572,251	27,663,000	29,583,000	31,124,000	32,668,000	34,247,000
15.010 - Unreserved Fund Balance June 30	36,248,312	32,459,232	39,650,653	37,634,546	42,927,290	43,012,624	37,886,999	27,316,397

See accompanying summary of significant forecast assumptions and accounting practices.

UPPER ARLINGTON CITY SCHOOL DISTRICT
May 2024 Five-Year Forecast Assumptions/Notes

OVERVIEW

The Five-Year Forecast (Forecast) is required to be completed twice a year (November and May) for the General Fund and submitted to the Ohio Department of Education. Assumptions contained in this Forecast are based on information that is deemed the best available as of the time of preparation. Actual amounts may differ significantly from those contained in the Forecast. All school districts in the state of Ohio report on a fiscal year. A fiscal year (FY) begins July 1st and ends June 30th. For example, FY24 began July 1, 2023, and will end June 30, 2024. This Forecast includes the general operating fund of the District, called the General Fund.

November 2022 – Tax Levy

On November 8, 2022, the residents of Upper Arlington approved a new 6.9 mil continuing operating levy to fund the day to day operations of the district. It has been five years since Upper Arlington voters last approved a new operating levy, as the district delayed its planned levy in 2020 due to the pandemic. See additional information regarding the impact of the pandemic below.

Enrollment

The Upper Arlington City School District contracts with a third party to complete enrollment projections. The projected enrollment growth will influence future staffing and space needs of the District.

	Actual FY21	Actual FY22	Actual FY23	Actual FY24	Projected FY25	Projected FY26	Projected FY27	Projected FY28
K-5	2,788	2,891	2,957	2,992	3,017	3,010	3,031	3,027
6-8	1,459	1,425	1,431	1,470	1,479	1,544	1,557	1,591
9-12	1,899	1,889	1,857	1,891	1,913	1,901	1,932	1,957
Total	6,146	6,205	6,236	6,353	6,409	6,455	6,520	6,575

Source: Projected enrollment recommended data obtained from "Enrollment Projections Report" dated December 2023– Cooperative Strategies

In a majority of districts across Ohio, enrollment is decreasing. Even though Upper Arlington is landlocked, the District's enrollment continues to grow as housing is turning over and families with young children are purchasing houses from families without children at home. FY21 was a one year blip, as enrollment decreased by approximately 30 students due to COVID.

Elementary and Secondary School Emergency Relief Funds (ESSER)

The District's allocation for federal funds related to ESSER is NOT included in this forecast, as these funds are recorded in special federal grant funds and not the general fund. That said, as ESSER funding is completed at the end of FY24, several staffing positions and health service contracts paid with ESSER funding will transition to the General Fund in FY25 and beyond. These additional expenditures are discussed more in the detailed expenditure notes.

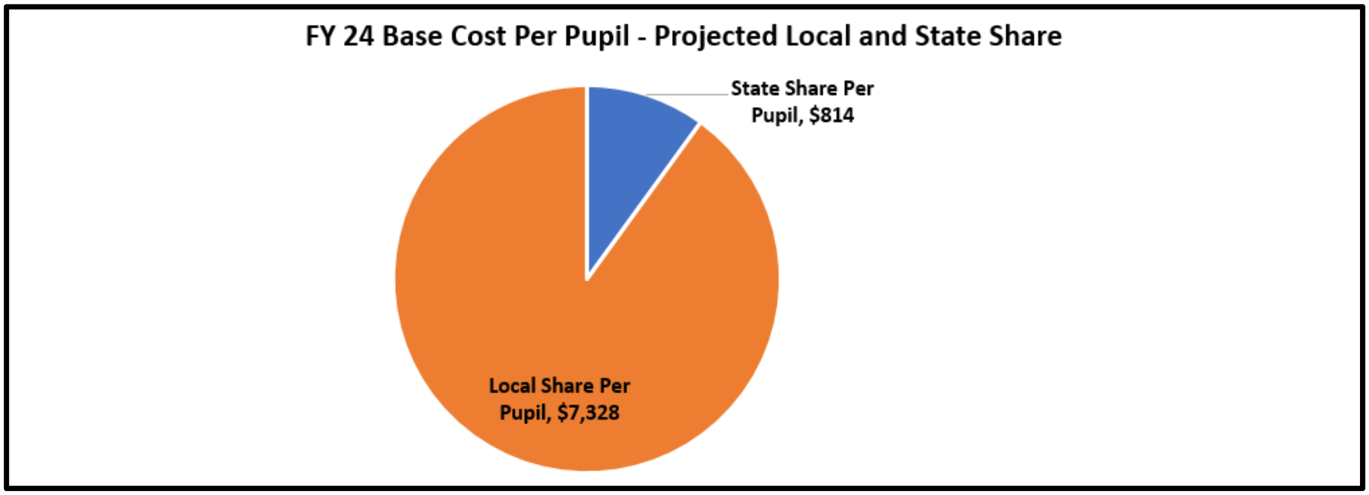
Budget Reserve

The Board formally adopted the practice of maintaining 90 days (or 25%) of annual expenditures as a cash reserve into policy on May 10, 2016. The intent of this reserve is to help stabilize the budget for unanticipated events. In June 2020, the Board reduced the cash reserve amount to 48 days (or 13%) of annual expenditures starting in FY21 and beyond in order to decrease the impact of delaying a planned operating levy request by one year. In November 2023, the Board increased the cash reserve back to 90 days of annual expenditures. Additional details of this budget stabilization reserve are included in note Line 9.03 – Budget Reserve.

State Funding

New State Funding Formula 2021-22 (FY22) and beyond

Beginning in FY 2022, the state adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates four components identified as necessary to the education process. The base cost is currently calculated for two years using a statewide average based upon historical actual data. For Upper Arlington Schools, the projected total calculated base cost is approximately $50,998,000 in FY 2024. The state's share of the total calculated base cost is $5,222,000, or $814 per pupil. With this new base cost methodology, state revenue for the district will increase as enrollment grows.



The FSFP changed how funding is distributed so that it is based on where students are educated versus their district of residence. In past years, the district received funding for students who maintained residency in the district but attended other schools (i.e. community schools). The district expensed the tuition costs that were required to pay these other schools. This caused districts to gross up their revenue and expenses. The FSFP reduces not only revenue but also tuition costs (see Purchased Services). In FY 2021, the district had approximately $1.2 million in expenses associated with tuition costs.

The FSFP also changed restricted aid, which is the portion of state per pupil funding that must be classified for its restricted use. Historically, this was a small amount for the district. Starting in FY 2022, the district's Success & Wellness funds are considered restricted aid, along with gifted and other funding. This will not impact how these funds are expended, only how revenue is reported. Overall, this new formula will be helpful to the district's bottom line.

Changes to the Funding Formula (FY24 and beyond)

In June 2023, the State Legislature approved the State biennium budget that covers FY24 and FY25. This budget included a few changes to the FSFP. The three most impactful adjustments for this district were:

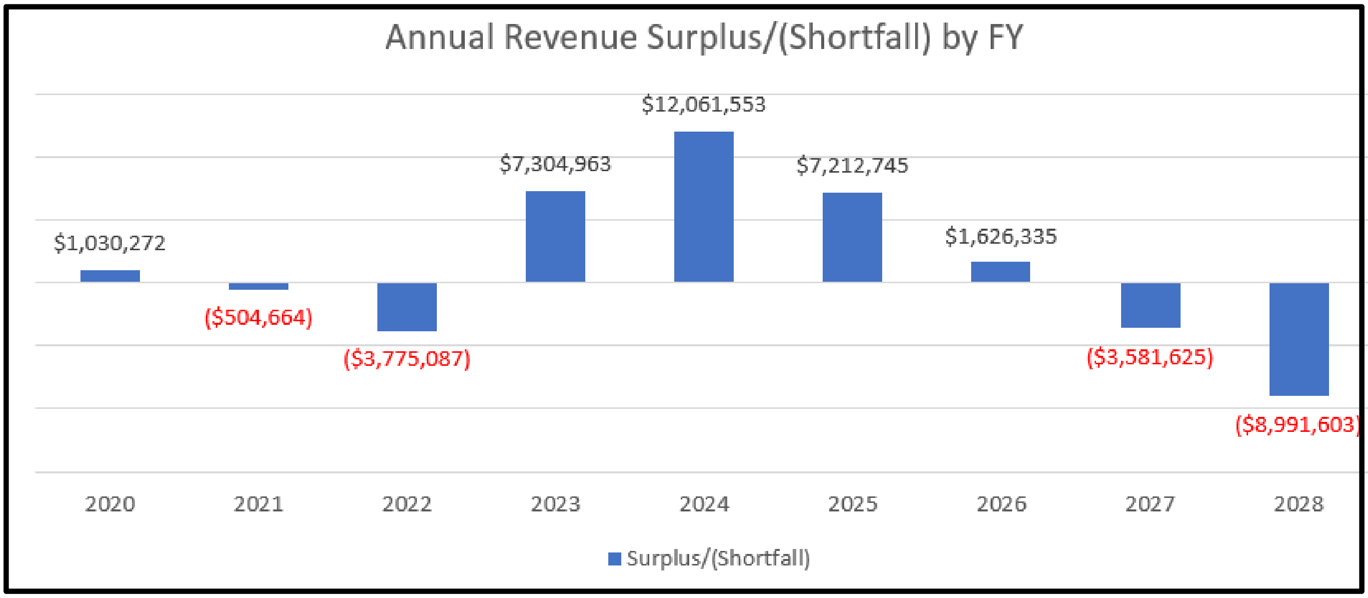
- the phase in of the FSFP to 50% in FY24 and 67.7% in FY25, compared with the 33.3% phase-in during FY22 and FY23;
- an increase in the funding floor from 5% to 10% (Upper Arlington is on the funding floor); and
- updated based cost inputs to the FSFP from FY18 values to FY22 values.

The overall increase in state funding due to the changes in the FSFP is projected to be approximately $2 million.

Summary

The graph below illustrates the financial position of the District on a cash basis (no reserve) for the next five years based on the projections and assumptions in this Forecast (see detailed assumptions on pages 4-19). The success of the November 2022 levy has put the district in a strong financial position for the next five years.

This graph depicts a typical levy cycle where revenue exceeds expenditures in the first few years after approval of the levy and then expenditures begin to exceed revenue. The district typically requests a new property tax operating levy every three years. Future levies are NOT included in the Five-Year Forecast until the voters approve the levy.



Forecast Risks and Uncertainty

We have estimated revenues and expenses based on the best data available to us at the time of this forecast. Any financial forecast has inherent risks and uncertainty, especially in later years. The items below give a short description of significant current issues, risks, and uncertainty:

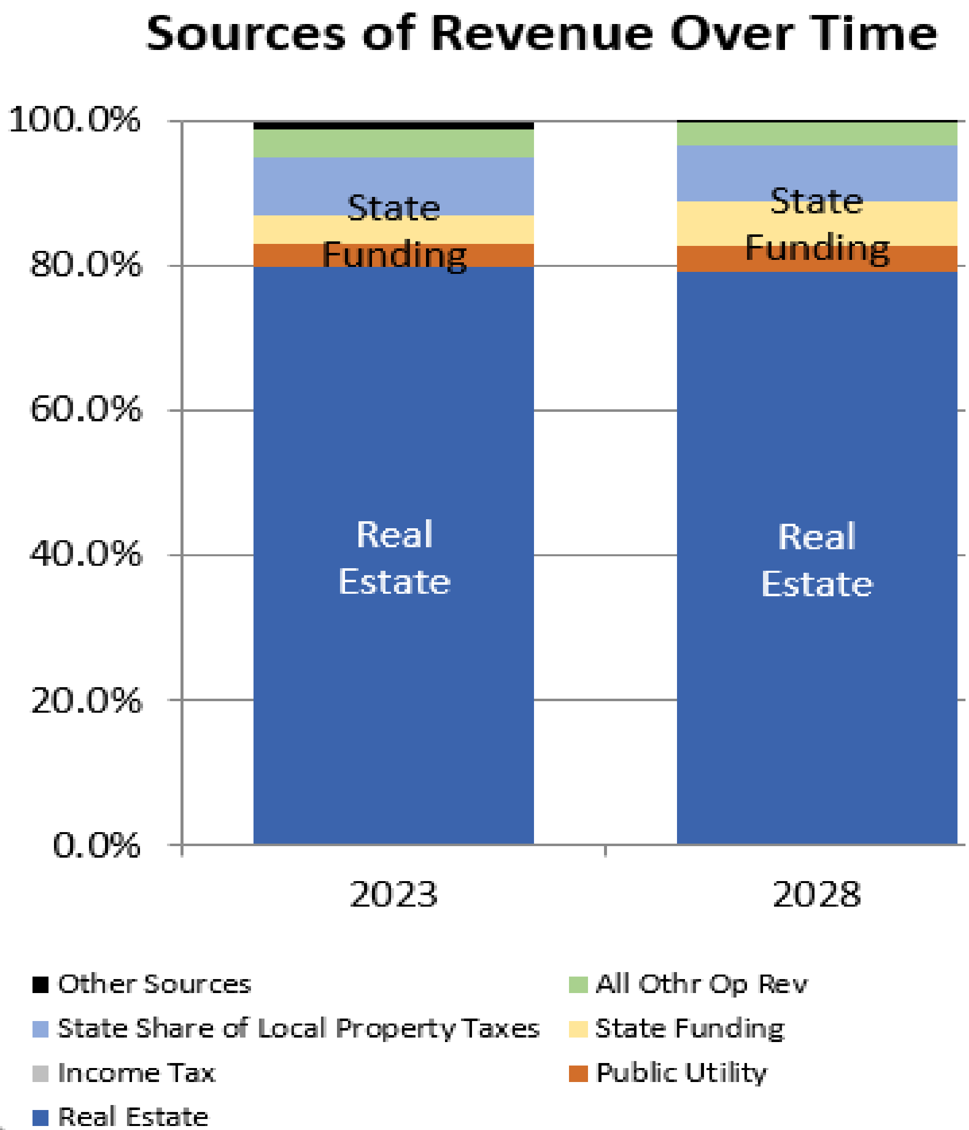
- Rising interest rates, property values, inflation and the economy – The District is heavily reliant on local property tax revenue. Property values continue to increase in the greater central Ohio area. Nationally, inflation rates continue to be much higher than desired, prompting the Federal Reserve to increase rates quickly and significantly. Consequently the 30-year residential mortgage rate has increased. This impacts affordability for prospective homebuyers and could eventually impact property values.
- Enrollment growth – As noted above, the district expects to gain an additional 222 students from FY24 to FY28. The district uses the "recommended" enrollment growth estimate from the Cooperative Strategies enrollment projection report. If actual enrollment is materially different than projections, staffing could be impacted.
- Legislation – The legislature has introduced HB 187 and its companion bill, SB 153, which propose to modify the law regarding property taxation – more specifically the reappraisal process. The revision in the reappraisal process will most likely reduce the projected reappraisal increase discussed later in these notes. However, current legislation language should minimally impact this district compared with other districts across the state.
- Economy – Currently, the State of Ohio is experiencing economic growth. This economic growth allowed for additional phasing-in of the state funding formula (discussed above). However, should there be a downturn in the economy over the next five years, portions of school funding could be at risk. This was most recently experienced during COVID as the district's state funding was temporarily reduced.
- Labor –Similar to other districts across the state, we continue to have difficulty filling openings for bus drivers, nutritional services and aide positions.

REVENUE

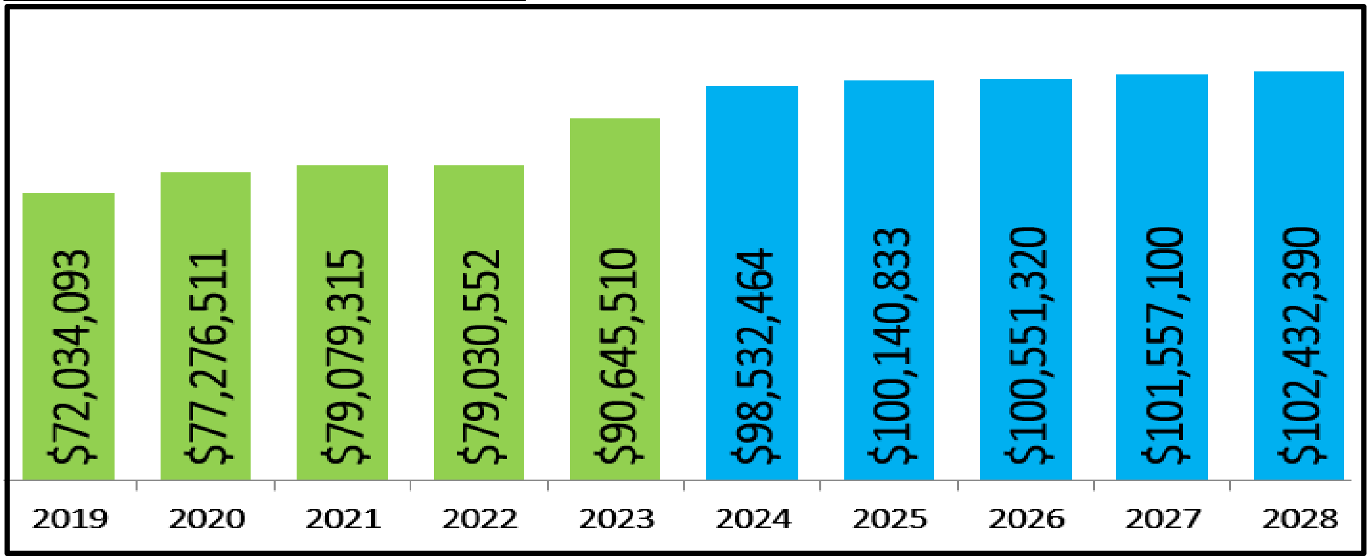
The graphs below illustrate the allocation of actual revenue amounts between categories for FY23 and the projected allocation between revenue categories for FY28 based on forecasted amounts.

Overall, little fluctuation is expected between revenue categories during the next five years. As one can see, the district is highly dependent on real estate taxes.

See detailed notes on revenue categories on pages 5-10.



Line 1.010 – Real Estate Tax



**2019-2023 are actual amounts and 2024-2028 are projected amounts.

The three reasons real estate tax revenue increase are: a new levy, new construction and, to a lesser degree, appraisals.

Levies
As mentioned previously, the District's residents approved a new 6.9 mil operating levy in November 2022. This levy will generate an additional $16.1 million annually. Revenue collection for this levy started in calendar year 2023; thus, approximately half of the collection amount was recorded in FY23 and a full year of collection was reported in FY24. See "Collection" section below for additional information related to FY19.

New Construction
The District is landlocked with very few vacant lots; thus, the majority of residential new construction, which is minimal, consists mostly of remodeling existing homes. Residential new construction has resulted in assessed valuation increasing between 0.30% and 1.28% since 2002. New construction reached a recent high in 2021 of 1.1%. New construction is projected to increase valuations by 0.5% per year in calendar years 2025-2028. An example of the limited impact of new construction is in calendar year 2020; new construction increased residential valuation by 0.7%, generating approximately $495,000 of additional revenue (including the State's amount for homestead and rollback).

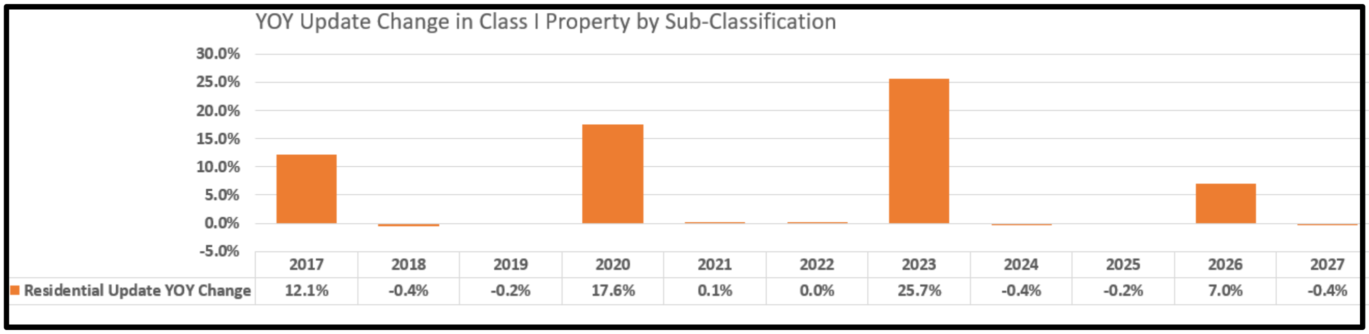
Appraisals
The County Auditor performs appraisals every three years. The latest appraisal by the county was conducted in the fall of 2023 and resulted in a 25.7% increase in residential valuation for calendar year 2024, which impacted FY24 and FY25. The next reappraisal will occur in fall of 2026 and impact FY27 and FY28. The district is forecasting a 7% increase in residential valuation for calendar year 2027.

Due to the number of valuation challenges filed by homeowners requesting decreases in valuation throughout the years, the District's residential valuation is projected to decrease between 0.2% and 0.4% during non-appraisal years. (Collection year 2019 and 2020 valuation decreased 0.4% and 0.2%, respectively.) See the graph on next page for past fluctuations and future projections on appraisals. Additionally, as valuation challenges are finalized, the impact of the decision could generate one-time refunds related to prior year payments, as was the case in fiscal year 2019.

Line 1.010 – Real Estate Tax, continued

Overall, Upper Arlington continues to experience growth in property values. However, it is important to realize that increased or decreased valuation due to the appraisal process has little impact on the District's revenue due to HB 920. In its simplest form, HB 920 means that as property values increase, most tax rates actually decrease for homeowners so districts receive the same revenue as the year before. The only exception to this rule is something called "inside millage," which is a fixed millage rate that is legally provided for by the Ohio Constitution and is not related to tax issues provided by voters. The inside millage rate was set decades ago. For Upper Arlington, the inside millage rate is 5.65 mils. As property values increase, the District receives additional revenue generated from inside millage and as valuations decrease the District loses revenue. The impact of a 17.5% increase in valuation due to the reappraisal in calendar year 2021 was approximately $1,750,000 (including the State's amount for homestead and rollback), not a 17.5% increase in total residential tax revenue.

This graph illustrates the historical and future projections of inflationary increases on residential valuations.

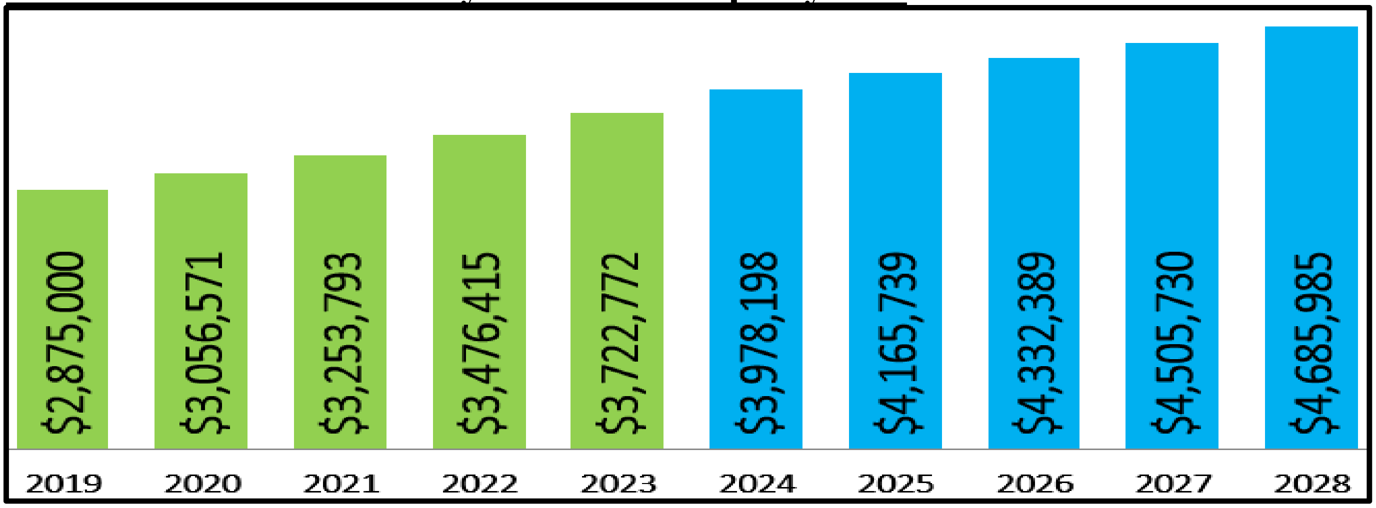


*Tax years 2017-2022 are actual percentages and 2023-2027 are projections.

<u>Collections</u>
In calendar year 2018, more residents paid their entire tax bill in one payment (received in March 2018 – FY2018) due to the pending tax reform change, instead of splitting their tax bill over two payments (the second payment usually received in August 2018 – FY19). This change in payment pattern led to an approximate 5% increase in tax revenue in FY18 but a 5% tax revenue decrease in FY19. This is only a timing difference and has no impact over a two-year period. This change in pattern is affected only calendar year 2018. Tax revenue is slightly down in FY22 due to one-time property tax refunds.

<u>Other</u>
The District records all Tax Incremental Financing (TIF) and Payment in Lieu of Tax (PILOT) receipts in Other Revenue. Property values recorded in the TIF area are reclassified, and revenue generated from these areas are reported as "Other Revenue" instead of "Real Estate Tax." See note Line 1.06 – All Other Revenue for additional information.

Line 1.020 – Public Utility Personal Property Tax



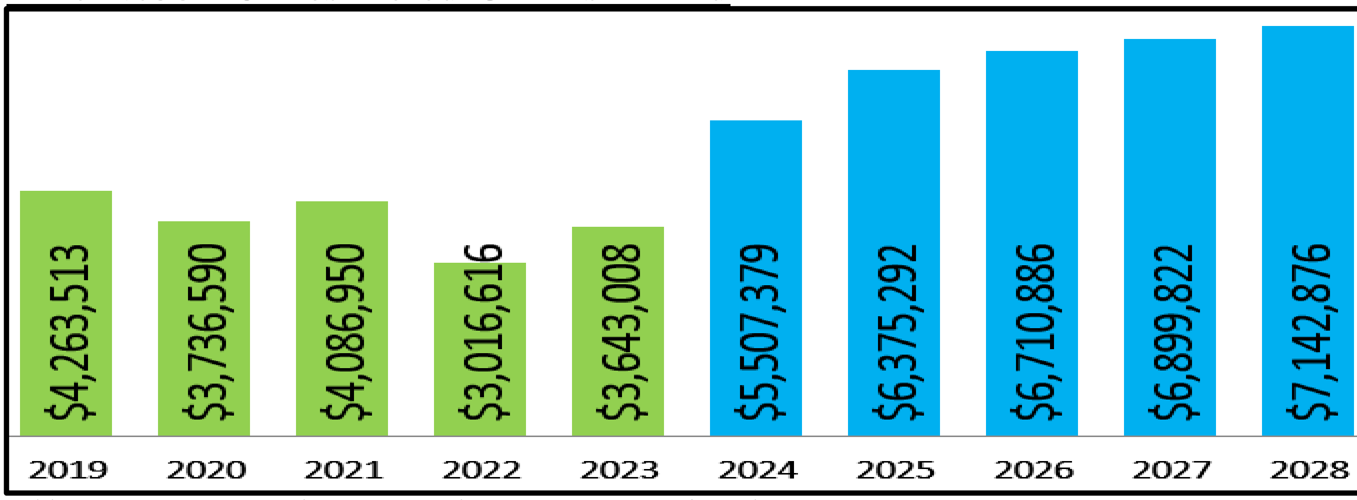
**2019-2023 are actual amounts and 2024-2028 are projected amounts.

The only amounts reported in line 1.02 are revenue related to public utility personal property tax (PUPPT). Utility companies continue to lobby for a decrease in these taxes; however, to date no changes have occurred. PUPPT increased in calendar year 2023 (FY23 and FY24) due to a new 6.9 mil operating levy that was discussed previously. The valuation of public utility personal property continues to increase a little each year due to utility companies upgrading their assets. The 2024 reappraisal caused an increase in valuation of 3.1%. The District has projected a 4% growth in valuation each year.

Line 1.030 – Income Tax

No revenue is forecasted because the district does not levy an Ohio School District Income Tax.

Line 1.035 - Unrestricted Grants-in-Aid



**2019-2023 are actual amounts and 2024-2028 are projected amounts.

State Funding Formula (Foundation)

Prior to FY22

During the last decade there were changes in the State funding formula, but there was always a “guarantee” that allowed districts to receive at least what they received the previous year. This concept was called the “Transitional Aid Guarantee” (Guarantee). The district was on this “guarantee” for over a decade.

In May 2020 (FY20), the State decreased the District’s base funding allocation by approximately $500,000 due to the state’s budget crisis impacted by COVID-19. In FY21, the State restored allocation amounts to the same amounts as FY19 (before budget reductions).

FY22 & FY23

In FY 2022, the state adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates four components identified as necessary to the education process. The base cost is currently calculated for two years using a statewide average based upon historical actual data. For Upper Arlington Schools, the total calculated base cost is approximately $50,998,000 in FY 2024. The state's share of the total calculated base cost is $5,222,000, or $814 per pupil. With this new base cost methodology, state revenue for the district will increase as enrollment grows.

The FSFP changed funding to where students are educated versus where students live. In past years, the district received funding for students who lived in the district but attended other schools (i.e. community schools). The district also expensed the tuition cost the district was required to pay these other schools. This caused districts to gross up their revenues and expenses. The FSFP reduces the district revenue but also reduces tuition costs (see Purchased Services). In FY 2021, the district had approximately $1.2 million in tuition cost expenses. Overall, this new formula is helpful to the district’s bottom line.

Changes to the Funding Formula (FY24 and beyond)

In June 2023, the State Legislature approved the State biennium budget that covers FY24 and FY25. This budget included a few changes to the FSFP. The three most impactful adjustments for this district were:

- the phase in of the FSFP to 50% in FY24 and 67.7% in FY25, compared with the 33.3% phase-in during FY22 and FY23;
- an increase in the funding floor from 5% to 10% (Upper Arlington is on the funding floor); and
- updated based cost inputs to the FSFP from FY18 values to FY22 values.

The overall increase in state funding due to the changes in the FSFP is projected to be approximately $2 million. Forecasted revenue beyond FY24 is due to projected enrollment growth.

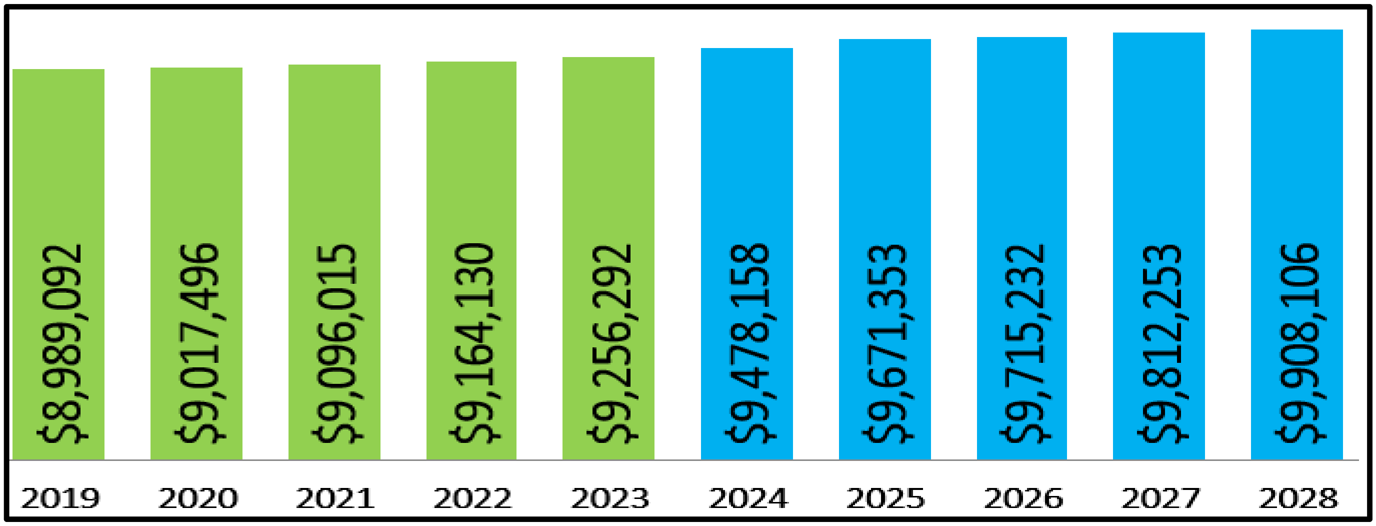
Line 1.040 - Restricted Grants-in-Aid

Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Restricted funds represent 0.50% of total revenue. Starting in FY 2022, the district's Success & Wellness funds are considered restricted aid, along with gifted and other funding. This will not impact only how revenue is reported and not how these funds are spent.

Line 1.045 – Restricted Federal Grants-in-Aid

Funds from the federal government passed through the State are accounted for in specific federal grant funds and are not included in this forecast in accordance with law. This is consistent with the fact that most federal funding for the district comes in the form of grants targeted for specific projects or purposes.

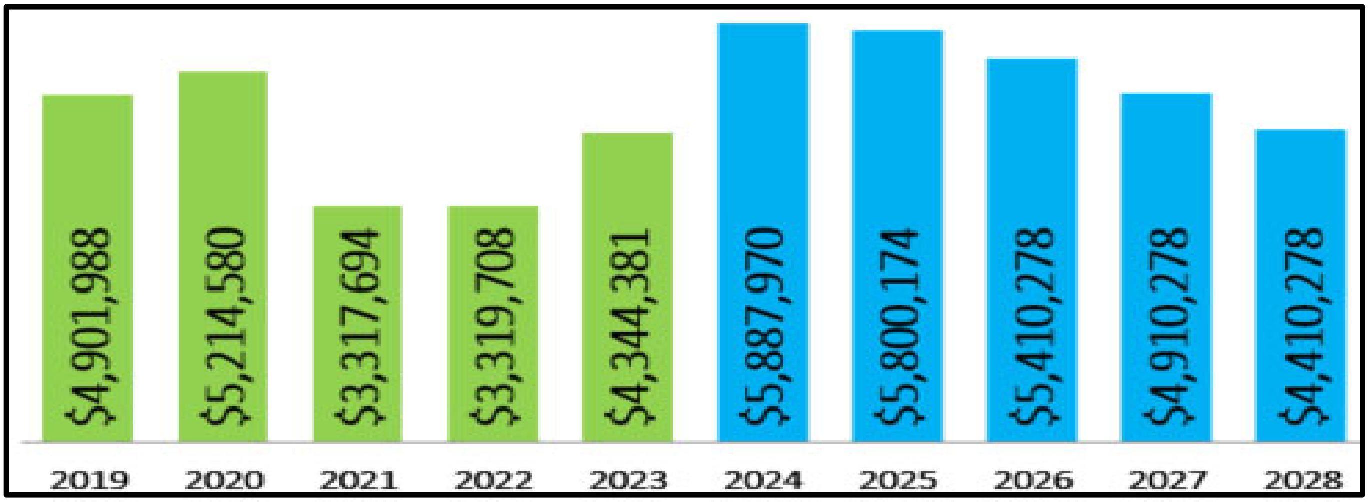
Line 1.050 – State Share of Local Property Taxes



**2019-2023 are actual amounts and 2024-2028 are projected amounts.

State share of local property taxes primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2024, approximately 8.9% of local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 0.7% will be reimbursed in the form of qualifying homestead exemption credits.

Line 1.060 – All Other Operating Revenue



**2019-2023 are actual amounts and 2024-2028 are projected amounts.

This category consists of a number of revenue sources including: investment income, tuition, extracurricular fees, tax incremental financing receipts, and others.

Investment earnings are related to current and expected market conditions. As investment balances and rates were higher in FY19 and FY20, interest revenue was greater than in the years of smaller investment balances and lower rates (FY21 and FY22). The District's investment income for FY20 was $1,993,000 compared with $423,000 in FY22. In FY24, interest revenue is projected at $2.4 million due to larger investment balances and higher rates. As investment balances decrease, interest is also expected to decrease over the remaining four years of the forecast.

Tuition and other revenues are expected to remain consistent during the five-year projection. However, rental income was nonexistent in FY20 and FY21 as the District did not rent space during the pandemic. In FY19 and FY23 rental income was approximately $400,000.

Tax Incremental Financing (TIF) redirects routine property taxes to various projects. In most TIF cases, the District's portion of TIF collections is equal to property tax collections without a TIF; however, because the project is classified as a TIF, the District records the revenue separate from real estate taxes.

In FY21, the District received TIF payments for 12 projects in the City of Upper Arlington. In FY23, the increase relates to an additional TIF and timing of payments, and FY24 was the start of another new TIF.

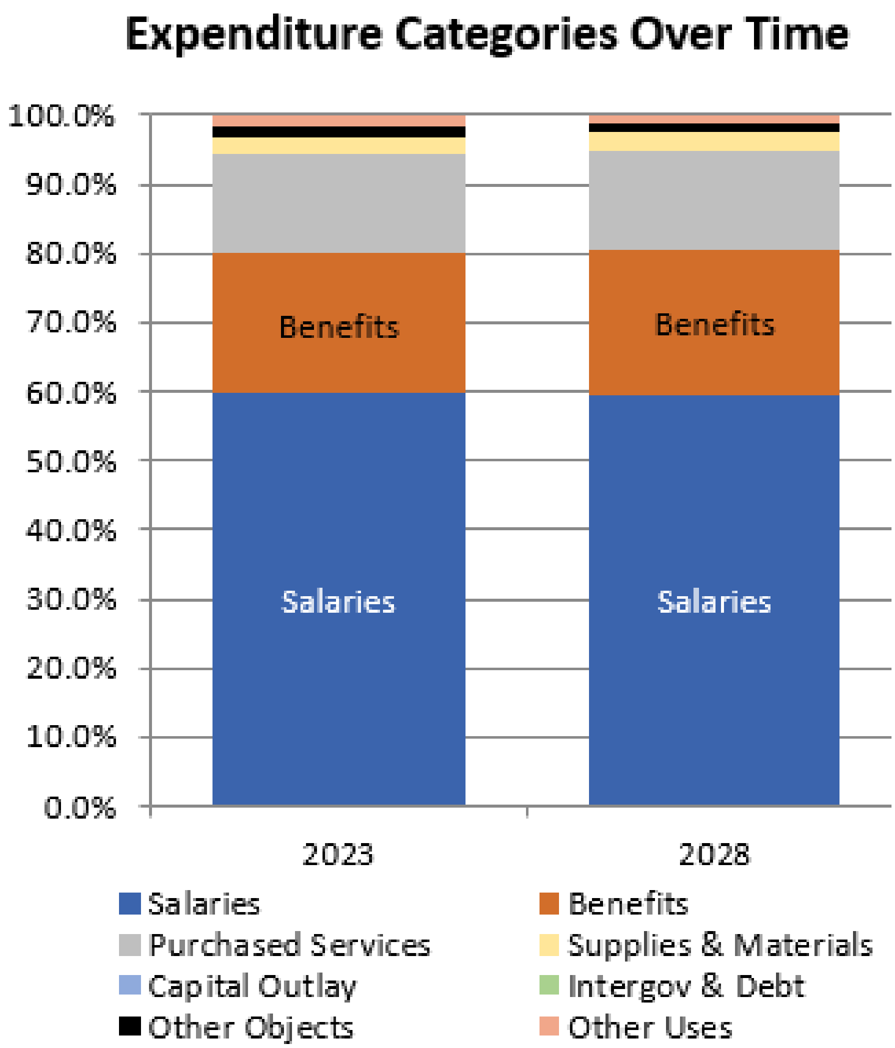
Actual FY21	Actual FY22	Actual FY23	Projected FY24	Projected FY25	Projected FY26	Projected FY27	Projected FY28
$ 1,982,000	$ 2,259,000	$ 2,507,000	$ 2,590,000	$ 2,501,000	$ 2,501,000	$ 2,501,000	$ 2,501,000

Line 2.050 – Advances In / Line 2.060 All Other Financing Sources

Other financing sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source and are related to the previous year advances out (Line 5.020). In FY 2023 the district receipted $732,041 as advances-in and is projecting advances of $2,721 in FY 2024. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting all other financing sources will be $30,000 in FY 2024 and beyond.

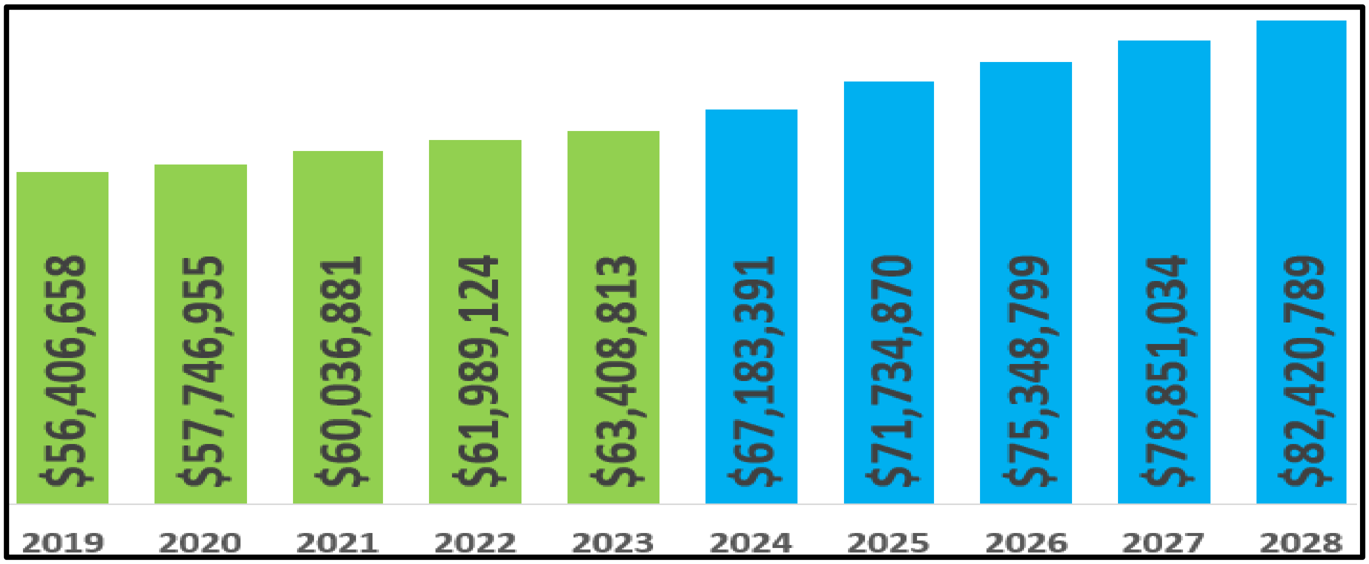
EXPENDITURES

The graphs below illustrate the allocation of actual expenditure amounts between categories for FY23 and the projected allocation between expenditure categories for FY28 based on forecasted amounts.



See detailed notes on expenditure categories on pages 12-19.

Line 3.010 – Personnel Services (Salaries)



**2019-2023 are actual amounts and 2024-2028 are projected amounts.

Salaries represent 60% of total expenditures. Salaries and wages for the majority of staff are based on negotiated agreements expiring in June 2024 for support personnel and teachers. For projection purposes, the district expects increases in wages in FY25 and beyond to be market driven. Other factors related to wages are costs associated with changes in education categories and annual advancement (steps) on the salary schedule.

The teachers' association contract included increases on the salary schedule from August 2018 to June 2024, between 2.0% and 2.5%. The contract for support personnel included increases on the salary schedule from January 2017 through June 2024, between 1.00% and 2.75%. In both of these contracts, automatic step increases occur (avg. 1.8% for teaching staff).

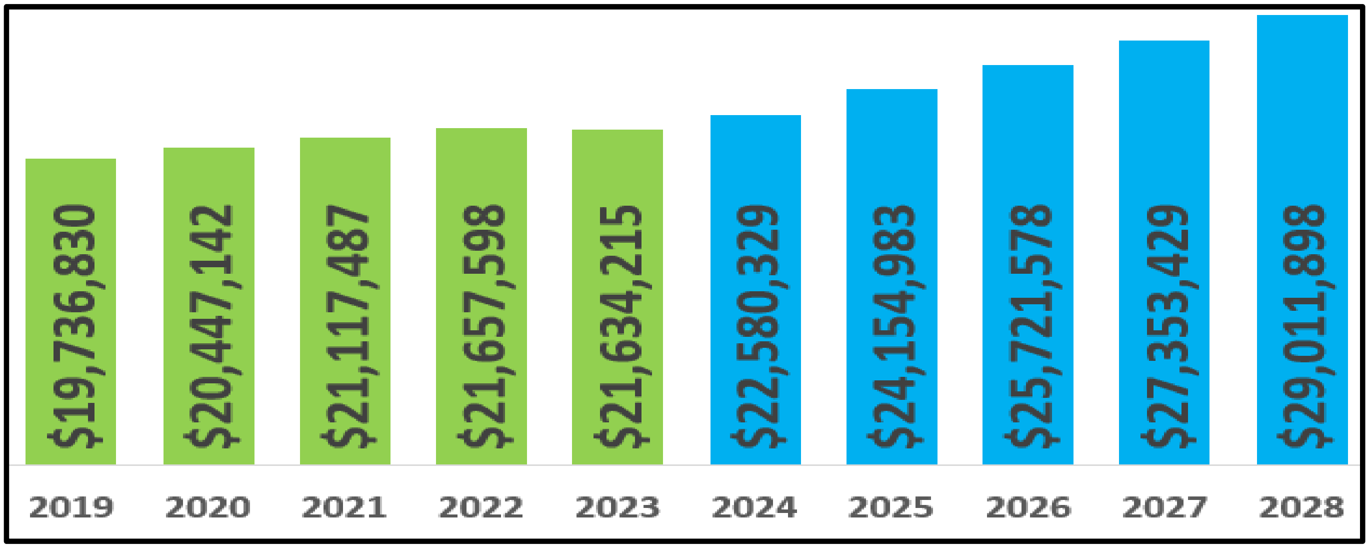
As enrollment grew, additional staff was necessary. The enrollment increase affected specific grade levels at specific buildings, creating the need for additional staff in the classroom and supporting the classroom, along with additional needs in the special education program. In the General Fund, the District added 10 staff members in FY19 and nine staff members in FY20.

As part of the district's budget reduction plan to postpone a levy for two years, the district implemented a hiring freeze through FY23 on new positions, excluding staff related to the implementation of all-day kindergarten in FY23 and custodial support. All-day kindergarten required eight additional positions.

In FY24, the district began operating its preschool special education program itself instead of contracting these services out. This change added approximately 10 positions in FY24. Also in FY24, the district hired its four student service coordinators directly instead of contracting for these positions. These changes will increase payroll and benefits but reduce purchased services costs in FY24.

Additional staff are projected in FY25 and beyond due to projected enrollment growth and programmatic changes. In addition, in FY25 the Online Academy staff and other intervention staff previously paid with federal ESSER funds will be included in the General Fund. This will add approximately $1,000,000 in additional expenses. The number of administration positions remain stable and is not expected to increase in the near future.

Line 3.020 – Employees' Benefits



**2019-2023 are actual amounts and 2024-2028 are projected amounts.

Insurance (53% of employees' benefit expenditures)

Annual health insurance renewals and future negotiated agreements will affect this category.

The District is self-funded and offers a high-deductible medical insurance plan.

On average, premium increases have been less than the industry trend. Premiums increased 2.5% in 2018, 0% in 2019 and 3% in 2020. Due to plan changes, including the addition of co-insurance in 2020 and beyond, the District experienced no premium increase in calendar years 2021-2023. Future medical insurance increases for calendar years 2024-2028 are projected at 7%, which is lower than the current trend.

Additionally, the number of employees utilizing the insurance plans have increased with staffing. See line 3.01 – Personnel Services for additional detail on staffing.

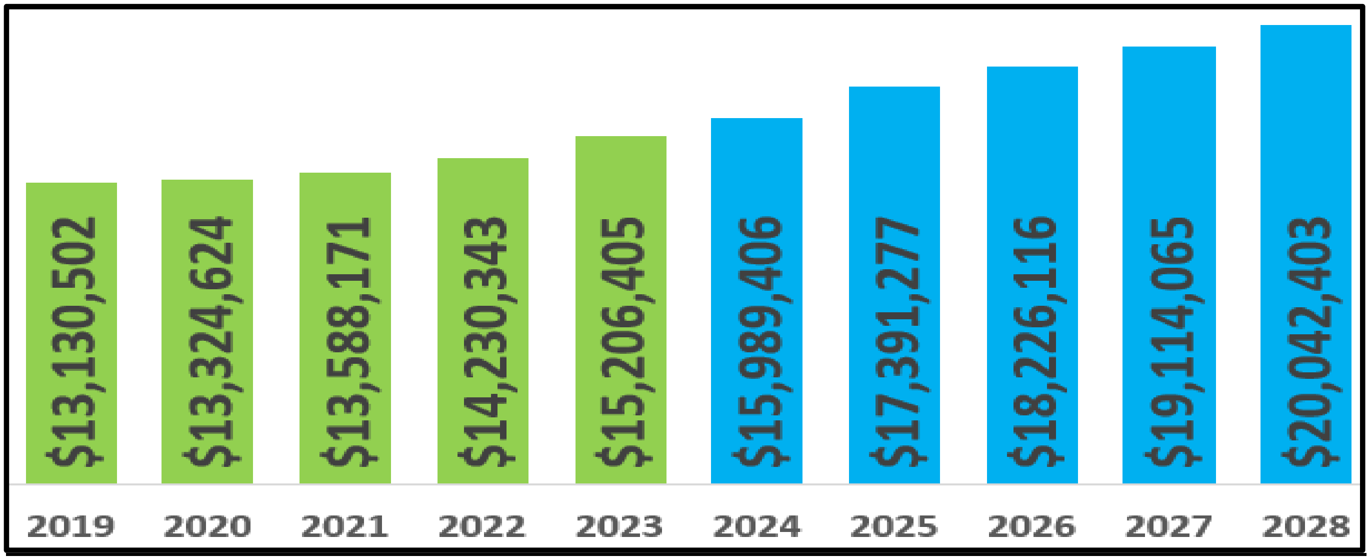
The District will continue to review insurance plans and processes for future savings.

Pension (43% of employees' benefit expenditures)

The Ohio Revised Code requires all districts to contribute 14% of total employees' payroll into a state pension system, i.e. State Teachers Retirement System (STRS) or School Employees Retirement System (SERS).

Any fluctuations in payroll will have a direct impact on pension expenditures. See line 3.01 – Personnel Services for additional detail on payroll fluctuations.

Line 3.030 – Purchased Services



**2019-2023 are actual amounts and 2024-2028 are projected amounts.

General Trends

This line includes items such as tuition owed to other private entities for district students attending programs for specific needs and support, transportation of pupils, property insurance, legal services, utilities, technology contracts/leases, substitutes, professional development and others. It also includes a contract with the Education Service Center of Central Ohio (ESC) for staffing and various student programs related to special education. FY20 and FY21 expenditures were less than expected due to the closure of district buildings related to the pandemic. See page 1 – Coronavirus (COVID-19) Pandemic for more details.

ESC

As District enrollment increases, it also increases ESC costs due to additional enrollment in the various ESC programs and additional required support. This increase is most notable in the special education services for preschool. ESC programs in FY24 and beyond are projected to increase 4% to 5% a year due to program enrollment and staffing costs.

As mentioned earlier, in FY24 the district began operating its preschool special education program internally and hired its four student services coordinators directly. These changes will increase payroll/benefits but decrease purchased services from the ESC by approximately $1.4 million. A portion of this decrease was offset by a larger than normal increase in contracted staffing costs (market driven) related to student services support staff.

The District also contracts with the ESC for all classroom substitutes. This cost increases annually as staffing continues to grow in the District. However, substitute costs in FY21 were lower than normal due to the impact of COVID-19 on professional development and the limited amount of substitutes available. In FY22, districts across central Ohio increased substitute pay almost 30% due to the shortage of substitutes.

In addition to the above, costs in FY24 and beyond will increase as more substitutes are needed as professional development and curriculum reviews continue to increase, and out-of-district programs for special education services continue to rise due to increased enrollment and market costs.

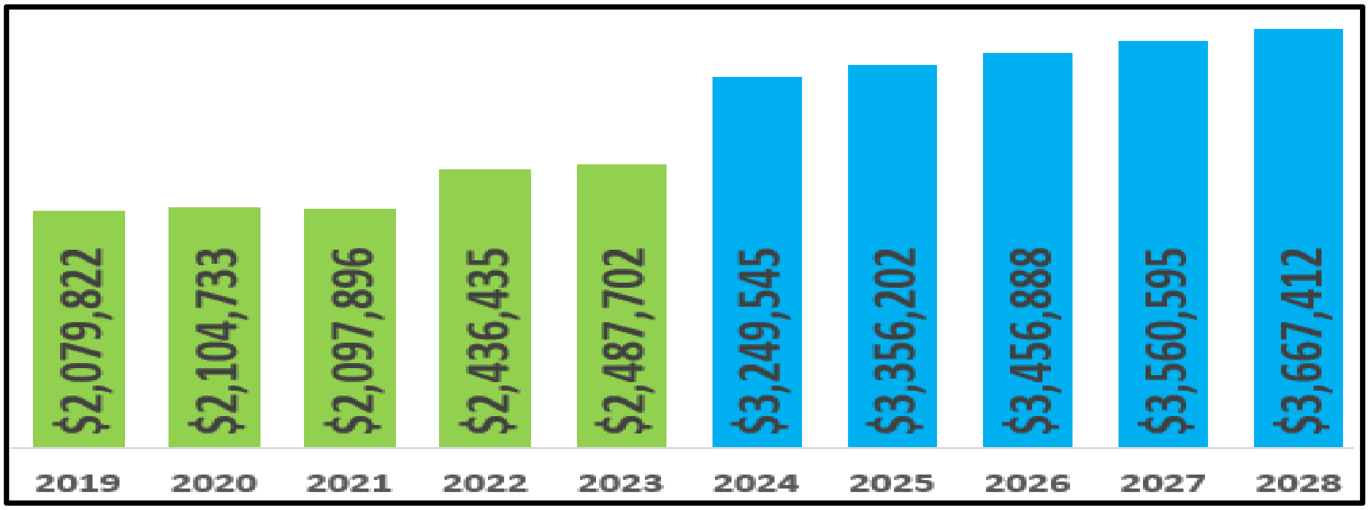
Line 3.030 – Purchased Services, continued

Tuition and Other Payments
In FY22 all tuition costs associated with charter school payments, autism scholarships and tuition owed to other public entities for District students attending programs at these entities were paid directly by the State and not expensed through the district. See line 1.035 – Unrestricted Grants-In-Aid to understand the impact of the new State funding formula on district expenditures.

Utilities
Utilities are anticipated to increase in FY24 and beyond due to the cost of natural gas and electricity. Overall, utilities are projected to increase 8% a year, which is lower than trend due to the utility consortiums the district participates in.

Transition from Grants
In FY25, purchased services is expected to increase $530,000 as the ESSER (federal) funding is completed and the student well-being programs created from a partnership with The Ohio State University and paid with ESSER funds will be funded through the General Fund.

Line 3.040 – Supplies & Materials



**2019-2023 are actual amounts and 2024-2028 are projected amounts.

These items include textbooks, software, instructional materials and building budget items that go toward classroom and office supplies, teacher training, classroom equipment, and library materials. Software used for district operations is also included in this category (i.e. virus protection, human resources, fiscal, networking, etc.).

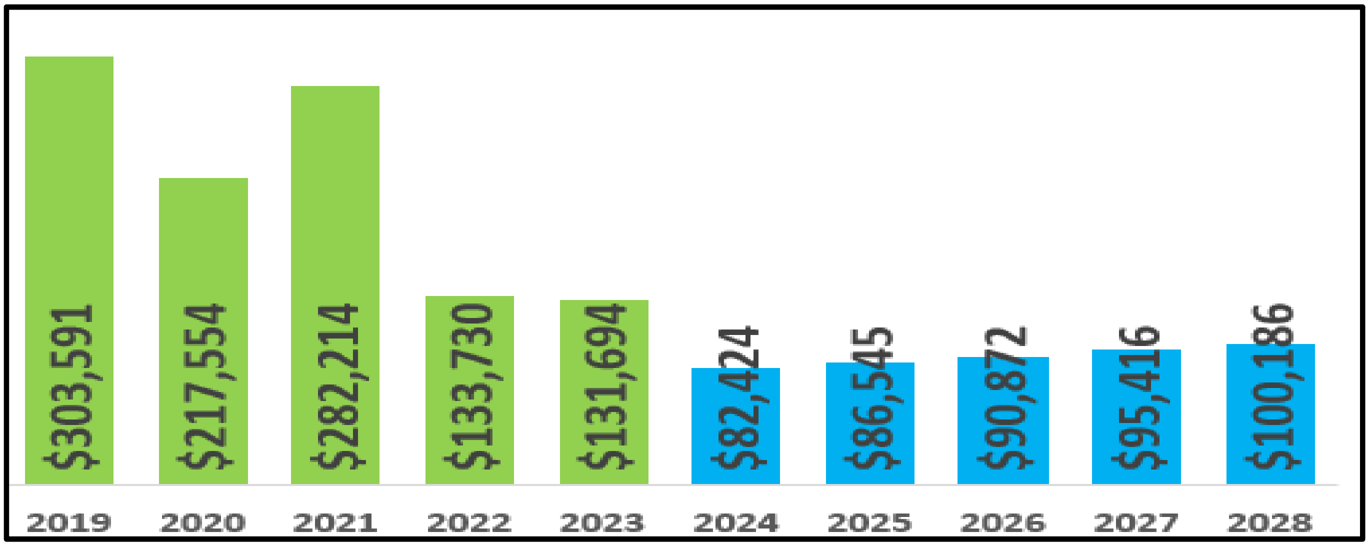
Overall, supplies are projected to increase 4% a year with the following exceptions:

- In FY20 and FY21 expenditures were less than expected due to the closure of district buildings related to the pandemic and a freeze on any non-essential purchases

- In FY22 instructional supplies increased more than 4% due to purchases related to all-day kindergarten, purchases related to the new buildings, and textbooks/other materials related to curriculum reviews. Also, the increase in fuel costs exceeded 4%. These additional expenses are expected to continue in the near future.

- In FY24 and beyond the district included $500,000 per year for new textbooks and other instructional resources. As the district continues to review its curriculum over a five-year cycle, educational resources will need to be updated, and there are minimal financial resources available outside the General Fund to meet these needs as opposed to past years.

Line 3.050 – Capital Outlay



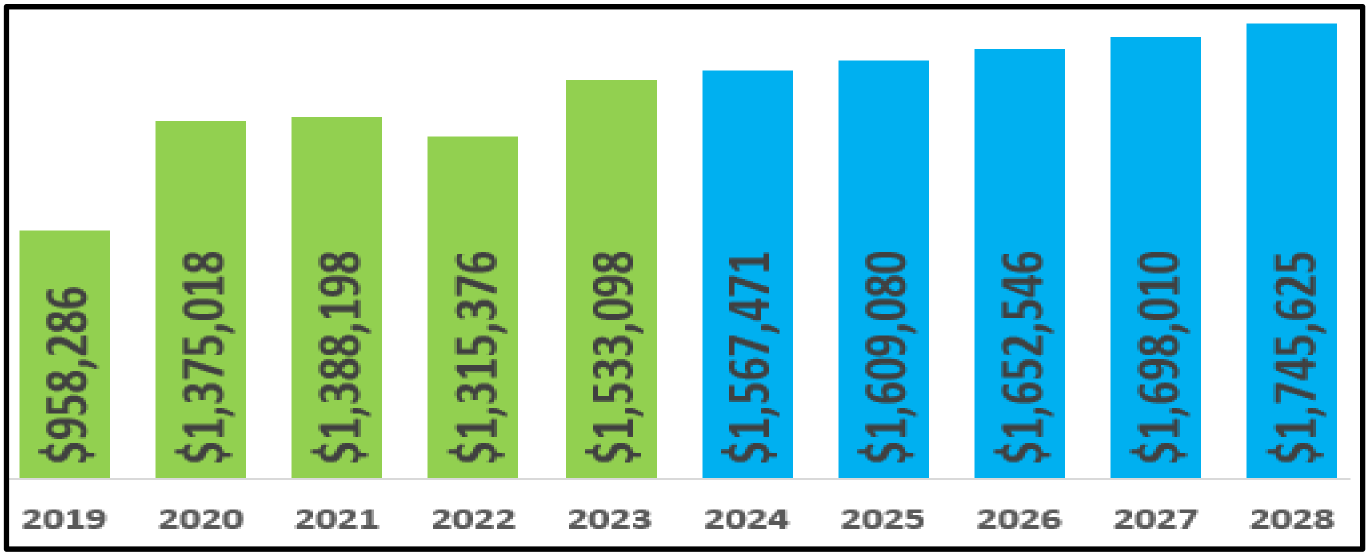
**2019-2023 are actual amounts and 2024-2028 are projected amounts.

Expenditures in this category include equipment, furniture, technology, vehicles, etc.

Most capital outlay expenditures for building improvements and maintenance are reported in the District's Permanent Improvement Fund, which is not included in the Forecast. This fund was created in 2007 thanks to the District's residents passing a 2.0 mill permanent improvement levy. These funds cannot be used for employees' salaries and benefits.

In addition, the District completed a $230 million building project in FY22 that included a new high school, three new elementary buildings and two fully renovated elementary buildings. The bonds and construction expenses related to these projects are not included in the Forecast but in other district accounts.

Line 4.300 – Other Objects



**2019-2023 are actual amounts and 2024-2028 are projected amounts.

The primary item is auditor/treasurer fees for collection of taxes. In FY19 the County Auditor reduced tax collection fees by approximately $230,000. In FY23 and beyond auditor/treasurer fees are expected to increase.

Line 5.010 – Operating Transfers Out / Line 5.020 – Advances Out

Other Uses includes expenditures that are generally classified as non-operating. It is typically in the form of permanent transfers out of the general fund to other funds or advances-out that are then repaid into the general fund from the other district funds. Transfers to the Termination Benefit Fund are projected in this line.

		FORECASTED				
	2023	2024	2025	2026	2027	2028
Transfers Out	1,842,277	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000
Advances Out	2,721	30,000	30,000	30,000	30,000	30,000

Line 8.010 – Estimated Encumbrances

Estimated encumbrances are outstanding purchase orders that have not been approved for payment as the goods or services were not received in the fiscal year they were ordered.

Line 9.03 – Budget Reserve

Reserve Established in 2013

In 2013, as the Board of Education was reviewing its future financial needs and discussing the November 2013 levy, the administration recommended that the District continue to follow its informal practice of reserving an amount equal to 90 days (or 25%) of annual expenditures for future budget stabilization needs. This practice was adopted into policy by the Board in May 2016. This reservation allows the District to be fiscally responsible and stay financially sound in times of unexpected revenue shortfall or unanticipated budget requirements. In addition, this practice will trigger conversations of future levy needs and budget reduction requirements when the reserve amount cannot be fulfilled due to decreasing fund balances. The District began to illustrate this reserve in the Forecast starting in FY15.

The Coronavirus (COVID-19) Pandemic affected the economy in various ways across the world and the District. The purpose of a budget reserve is to protect the District's finances during unexpected times like this. Starting in FY21 the Board chose to reduce the budget reserve to 48 days (or 13%) of annual expenditures in order to limit the impact of delaying, for two years, a request to the community for an additional tax levy. However, in FY24 the Board chose to increase the budget reserve back to 90 days (or 25%) of annual expenditures.

	Actual			Projected				
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Budget Stabilization	$ 12,806,410	$ 13,229,139	$ 13,572,251	$ 27,663,000	$ 29,583,000	$ 31,124,000	$ 32,668,000	$ 34,247,000