

Upper Arlington City School District

2024

November

**Five Year
Forecast
Report**



2024-25

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Treasurer/CFO

Upper Arlington City School District

Board Approved 11/12/2024

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Forecast Purpose/Objectives

Ohio Department of Education and Workforce's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

Forecast Methodology

This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year, and while cash flow monitoring helps to identify unexpected variances, no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.

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 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029
Revenue:						
1.010 - General Property Tax (Real Estate)	97,263,587	101,167,496	100,383,617	101,632,956	102,701,911	103,121,683
1.020 - Public Utility Personal Property	4,001,107	3,035,387	3,399,344	3,535,351	3,708,074	3,782,262
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	5,581,956	6,431,432	6,789,989	7,006,429	7,269,780	7,372,359
1.040 - Restricted Grants-in-Aid	942,585	1,110,633	701,481	704,378	715,873	718,900
1.045 - Restricted Federal Grants-in-Aid	-	-	-	-	-	-
1.050 - State Share of Local Property Taxes	9,440,777	9,587,309	9,639,319	9,756,939	9,873,420	9,917,867
1.060 - All Other Operating Revenues	5,828,869	6,079,174	5,537,278	5,147,278	4,647,278	4,647,278
1.070 - Total Revenue	123,058,881	127,411,431	126,451,028	127,783,331	128,916,336	129,560,349
Other Financing Sources:						
2.040 - Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	2,721	249,272	30,000	30,000	30,000	30,000
2.060 - All Other Financing Sources	22,630	30,000	30,000	30,000	30,000	30,000
2.070 - Total Other Financing Sources	25,351	279,272	60,000	60,000	60,000	60,000
2.080 - Total Revenues and Other Financing Sources	123,084,232	127,690,703	126,511,028	127,843,331	128,976,336	129,620,349
Expenditures:						
3.010 - Personnel Services	66,979,529	73,179,338	76,701,086	80,375,225	84,553,029	88,976,122
3.020 - Employees' Retirement/Insurance Benefits	22,495,950	24,797,877	26,758,485	28,776,342	30,888,556	33,155,279
3.030 - Purchased Services	14,553,379	16,471,941	17,391,681	18,378,768	19,335,834	20,349,083
3.040 - Supplies and Materials	2,923,899	3,967,395	3,765,091	3,915,694	4,072,322	4,235,215
3.050 - Capital Outlay	78,425	89,500	93,080	96,803	100,675	104,702
4.300 - Other Objects	1,626,379	1,927,203	2,004,291	2,084,462	2,167,841	2,254,554
4.500 - Total Expenditures	108,657,561	120,433,253	126,713,713	133,627,294	141,118,257	149,074,956
Other Financing Uses						
5.010 - Operating Transfers-Out	1,886,050	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000
5.020 - Advances-Out	249,272	30,000	30,000	30,000	30,000	30,000
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	2,135,322	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000
5.050 - Total Expenditures and Other Financing Uses	110,792,883	121,793,253	128,073,713	134,987,294	142,478,257	150,434,956
Excess of Rev & Other Financing Uses Over (Under)						
6.010 - Expenditures and Other Financing Uses	12,291,349	5,897,450	(1,562,685)	(7,143,963)	(13,501,921)	(20,814,607)
Cash Balance July 1 - Excluding Proposed Renewal/						
7.010 - Replacement and New Levies	54,085,997	66,377,346	72,274,796	70,712,112	63,568,149	50,066,228
7.020 - Cash Balance June 30	66,377,346	72,274,796	70,712,112	63,568,149	50,066,228	29,251,621
8.010 - Estimated Encumbrances June 30	952,220	850,000	850,000	850,000	850,000	850,000
15.010 - Unreserved Fund Balance June 30	65,425,126	71,424,796	69,862,112	62,718,149	49,216,228	28,401,621
Board of Education - Budget Reserve	27,164,390	30,108,313	31,678,428	33,406,823	35,279,564	37,268,739
Unreserved Fund Balance June 30 (after budget reserve)	38,260,736	41,316,483	38,183,684	29,311,326	13,936,664	(8,867,118)

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Forecast Overview

Upper Arlington City School District

Budget Reserve

The Board formally adopted the practice of maintaining 25% (or approximately 90 days) of annual expenditures as a cash reserve into policy on May 10, 2016. This fiscally responsible practice protects the District in the event of any unforeseen budgetary constraints or unexpected revenue shortfall in the future. Decreasing reserve fund balances would also trigger conversations of future levy needs and budget reduction requirements when the reserve cannot be fulfilled due to decreasing fund balances.

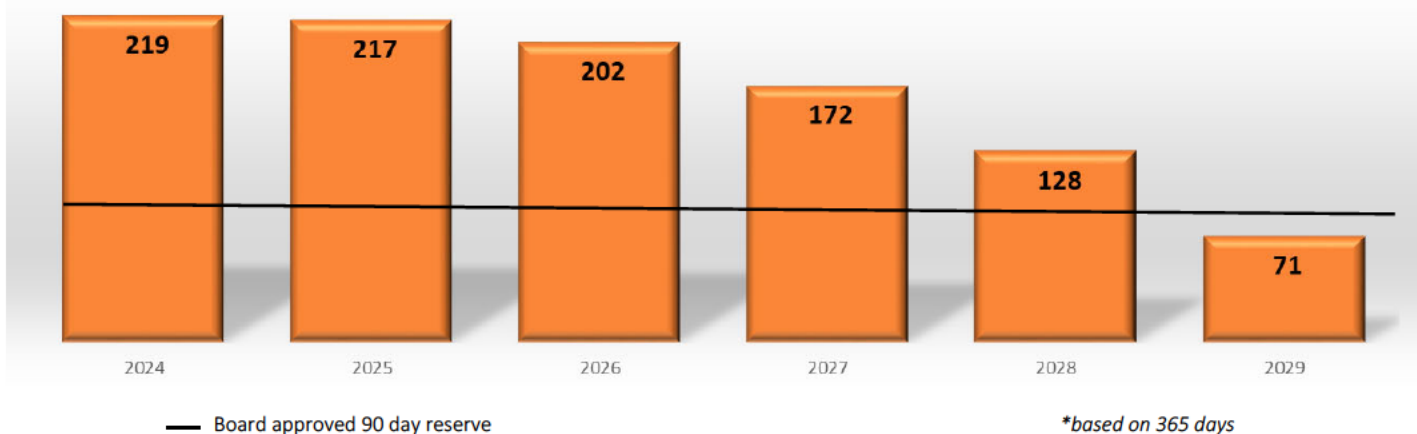
The Coronavirus (COVID-19) Pandemic affected the economy in various ways across the world and the District. The purpose of a budget reserve is to protect the District's finances during unexpected times like this. Starting in FY21 the Board chose to reduce the budget reserve to 48 days (or 13%) of annual expenditures in order to limit the impact of delaying a request to the community for an additional tax levy by two years. However, in November 2023 the Board chose to increase the budget reserve back to 90 days (or 25%) of annual expenditures.

The Ohio Department of Education and Workforce's (ODEW) five year forecast template does NOT include a line to report Board approved budget reserve amounts such as this. Thus, the unreserved fund balance amounts listed in line 15.010 of the forecast are misleading. Below are the unreserved fund balances the district uses when making short term and long term decisions:

	Actual	FORECASTED				
	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029
15.010 - Unreserved Fund Balance June 30	\$ 65,425,126	\$ 71,424,796	\$ 69,862,112	\$ 62,718,149	\$ 49,216,228	\$ 28,401,621
Less: Board of Education - Budget Reserve	\$ (27,164,390)	\$ (30,108,313)	\$ (31,678,428)	\$ (33,406,823)	\$ (35,279,564)	\$ (37,268,739)
Unreserved Fund Balance June 30	\$38,260,736	\$41,316,483	\$38,183,684	\$29,311,326	\$13,936,664	\$ (8,867,118)

In FY29 the district cannot meet its 25% (or approximately 90 days) of annual expenditures reserve policy as indicated by the \$8,867,118 deficit balance. A deficit balance is expected in districts like Upper Arlington that are dependent on a 3-year new levy cycle. Over the next two years the district will continue to evaluate its expenditures and determine the timing of the next operating levy. In November 2022, when the community approved the last operating levy, the district shared that it anticipated that its next levy request would be in November 2025. As you will see in this forecast, revenue is anticipated to remain relatively flat and expenditures are anticipated to grow with inflation and enrollment growth over the next five years.

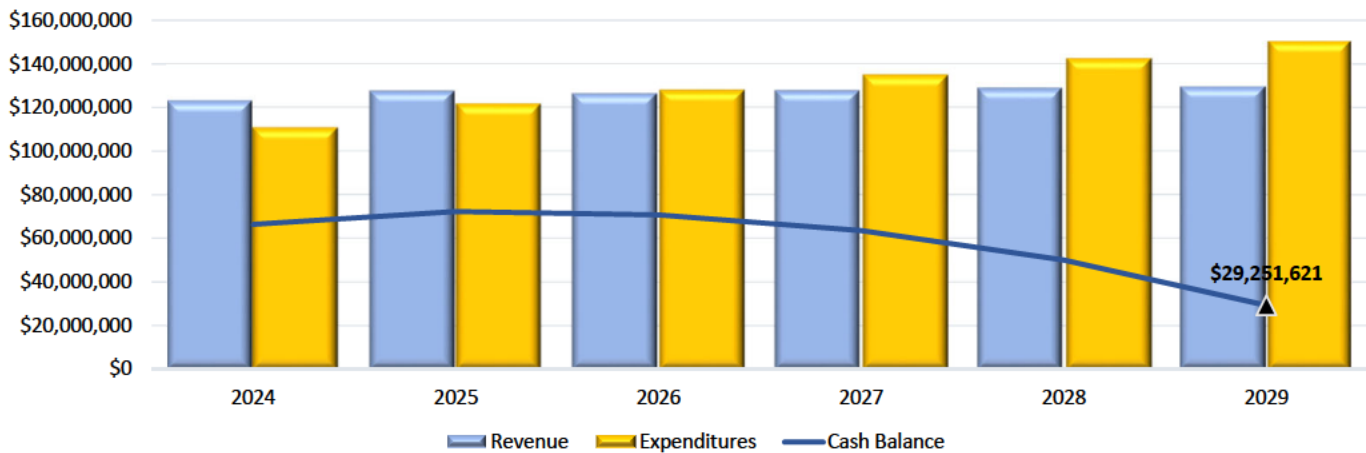
Days of Cash on Hand at Fiscal Year-end



Forecast Summary

Upper Arlington City School District

Projected Revenue, Expenditures, and Cash Balance



Financial Forecast Summary

	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029
Beginning Balance (Line 7.010)	66,377,346	72,274,796	70,712,112	63,568,149	50,066,228
+ Revenue	127,690,703	126,511,028	127,843,331	128,976,336	129,620,349
- Expenditures	(121,793,253)	(128,073,713)	(134,987,294)	(142,478,257)	(150,434,956)
= Revenue Surplus or Deficit	5,897,450	(1,562,685)	(7,143,963)	(13,501,921)	(20,814,607)
Line 7.020 Ending Balance	72,274,796	70,712,112	63,568,149	50,066,228	29,251,621

Financial Summary Notes

Expenditure growth is projected to outpace revenue change. By the end of 2029, the cash balance is projected to decline by a total of \$37,125,725 compared with 2024. Starting in fiscal year 2026 and beyond, expenditures are currently projected to exceed revenue, resulting in a revenue shortfall in these years.

The projected change in revenue is expected to be less than the historical average. Over the past four years, revenue increased by 5.87% (\$6,141,716 annually). However, it is projected to increase by 1.05% (\$1,307,223 annually) through fiscal year 2029. Notably, Real Estate is expected to be \$3,825,150 less per year compared to historical averages as projected revenue generated by new levies, is not included in the balances above until the levy is approved by the community.

Expenses are forecasted to increase at a faster pace than the historical trend. Expenditures increased by 3.26% (\$3,326,445 annually) during the past 4-year period and are projected to increase by 7.16% (\$7,928,415 annually) through 2029. The forecast line with the most change on the expense side, Salaries, is anticipated to be \$2,091,175 more per year in the projected period compared with historical averages due to the number of positions added to the General Fund in FY25 and a hiring freeze during the historical years impacting the historical average.

The graph above illustrates the financial position of the district with NO reserves for the next five years based on the projections and assumptions in this forecast (see detailed assumptions that follow). The success of the November 2022 levy put the district in a strong financial position in the early years of the forecast.

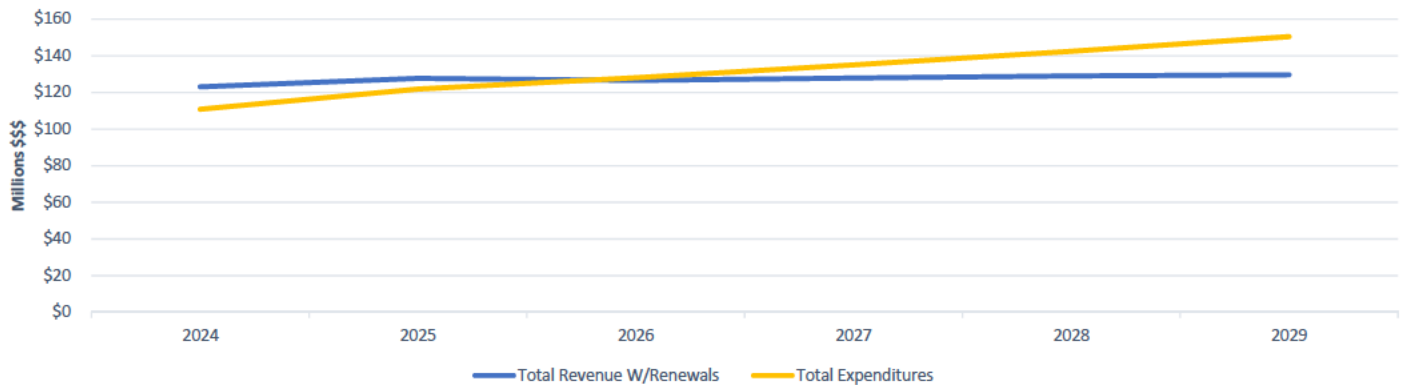
The graph depicts a typical levy cycle when revenue exceeds expenditures in the first few years after approval of the levy and then expenditures begin to exceed revenue. The district typically requests a new property tax operating levy every 3 years. Future levies are NOT included in the forecast until the voters approve a levy.

See detailed trends and explanations discussed in the following pages.

Forecast Analysis

Upper Arlington City School District

Revenue Compared to Expenditures



From 2025 to 2029, total revenues are projected to change by 1.05%

Expenditure change is expected to outpace revenue change.

From 2025 to 2029, total expenses are projected to change by 7.16%

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. As the property values continue to grow, this eventually will impact the affordability for prospective homebuyers and could eventually impact property values.
- **Enrollment growth** – As noted above, the district expects to gain an additional 279 students from FY24 to FY29. 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 discussed and proposed to modify the law regarding property taxation – more specifically the reappraisal process. Revisions in the reappraisal process or changes in property tax calculations would reduce the projected reappraisal increases and property tax projections discussed later in these notes.
- **Economy** – Currently, the State of Ohio is experiencing economic growth. This economic growth allowed for additional phasing-in of the state funding formula. 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 the COVID pandemic as the district’s state funding was temporarily reduced.
- **Labor** – Similar to other districts across the state, the District continues to have difficulty filling openings for bus drivers, nutritional services and aide positions.

Enrollment

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

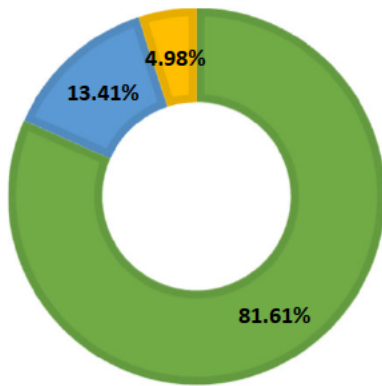
	Actual FY22	Actual FY23	Actual FY24	Projected FY25	Projected FY26	Projected FY27	Projected FY28	Projected FY29
K-5	2,891	2,957	2,992	3,017	3,010	3,031	3,027	3,042
6-8	1,425	1,431	1,470	1,479	1,544	1,557	1,591	1,572
9-12	1,889	1,857	1,891	1,913	1,901	1,932	1,957	2,018
Total	6,205	6,236	6,353	6,409	6,455	6,520	6,575	6,632
% growth	1.0%	.5%	1.9%	.9%	.7%	1.0%	.8%	.9%

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 moving in.

Revenue Overview

Upper Arlington City School District

Revenue Sources



Local Taxes

Real Estate Tax	79.23%
Public Utility Tax	2.38%
Income Tax	0.00%

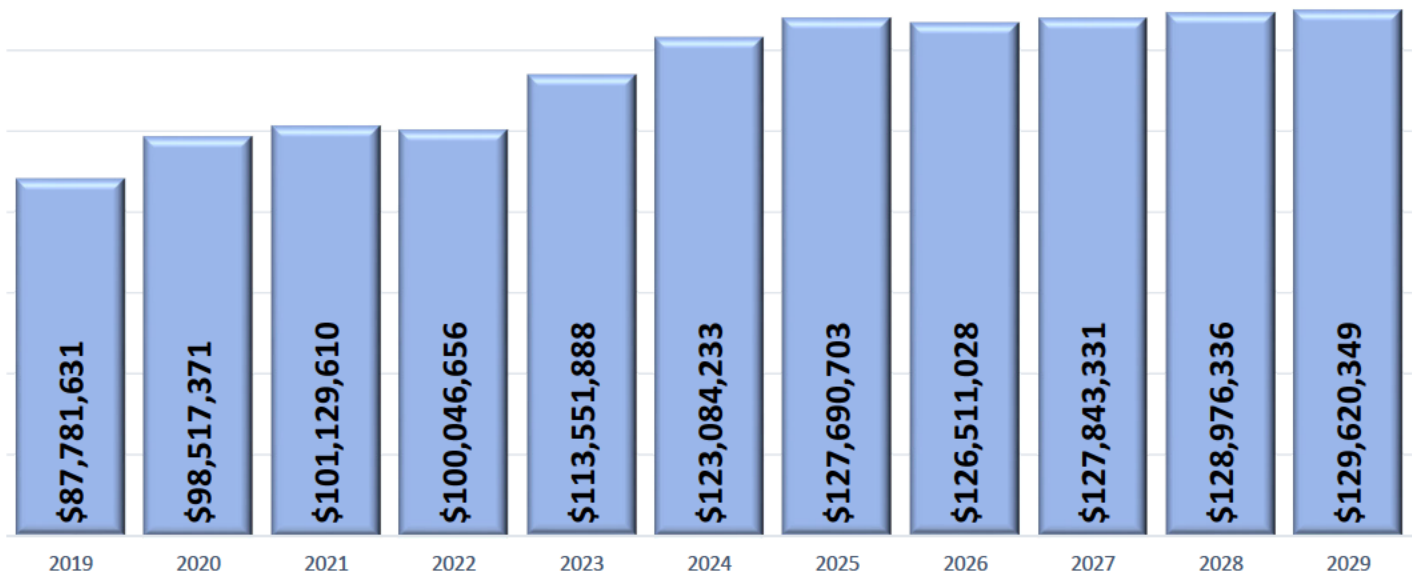
State Sources

State Funding	5.04%
Restricted Aid	0.87%
State Share of Local Tax	7.51%

All Other Revenue

Other Revenue	4.76%
Other Sources	0.22%

Annual Revenue Actual + Projected



Historic Revenue Change versus Projected Revenue Change

	Historical Average Annual \$\$ Change	Projected Average Annual \$\$ Change	Projected Compared to Historical Variance	Over the past four years, revenue increased by 5.87% (\$6,141,716 annually). However, it is projected to increase by 1.05% (\$1,307,223 annually) through fiscal year 2029. Notably, Real Estate is expected to be \$3,825,150 less per year compared to historical averages as projected revenue generated by new levies, is not included in the balances above until the levy is approved by the community.
Real Estate	4,996,769	1,171,619	(\$3,825,150)	
Public Utility	\$236,134	(\$43,769)	(\$279,903)	
Income Tax	\$0	\$0	\$0	
State Funding	\$679,122	313,343	(\$365,778)	
State Share of Property Tax	\$105,821	\$95,418	(\$10,403)	
All Othr Op Rev	\$153,572	(\$236,318)	(\$389,891)	
Other Sources	(\$29,702)	\$6,930	\$36,632	
Total Average Annual Change	6,141,716 5.87%	1,307,223 1.05%	(\$4,834,492) -4.82%	

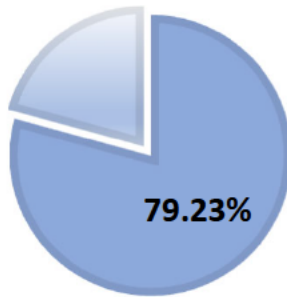
For Comparison:

Expenditure average annual change is projected to be >

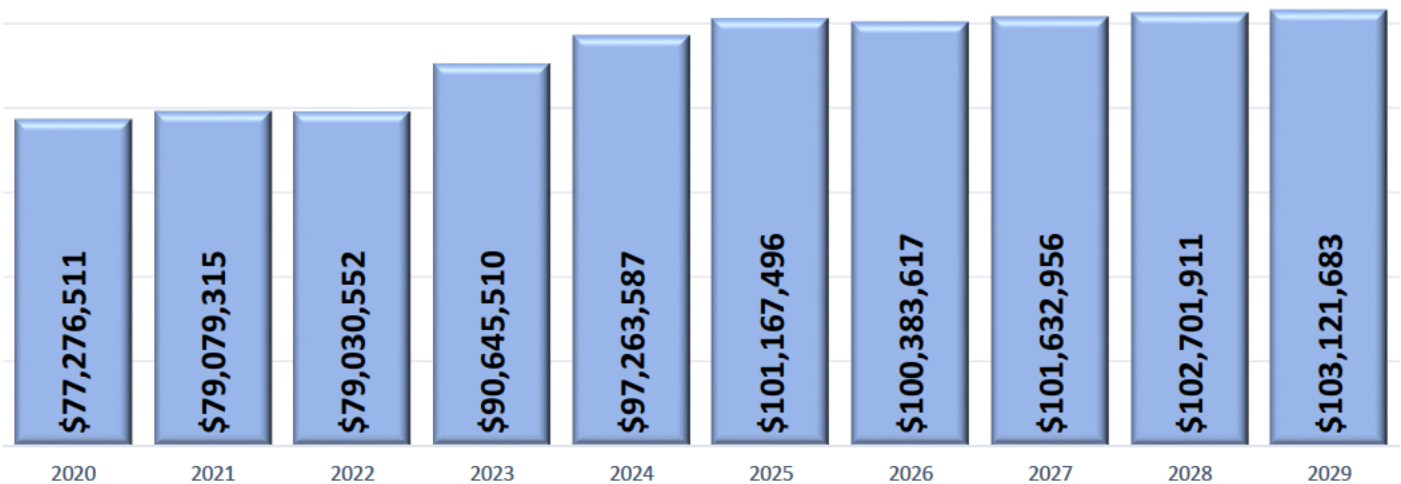
\$7,928,415 On an annual average basis, expenditures are projected to grow faster than revenue.

1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



Real estate property tax revenue accounts for 79.23% of total district general fund revenue.



Key Assumptions & Notes

Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class 2 Rate	Change	
2023	2,895,656,460	574,928,540	37.09	-	50.70	-	99.6%
2024	2,892,394,460	(3,262,000)	37.21	0.13	50.88	0.18	99.5%
2025	2,900,144,460	7,750,000	37.28	0.06	50.97	0.09	99.5%
2026	3,203,733,460	303,589,000	34.40	(2.88)	46.85	(4.12)	99.5%
2027	3,205,920,460	2,187,000	34.52	0.12	47.02	0.17	99.5%
2028	3,214,524,460	8,604,000	34.58	0.06	47.10	0.08	99.5%

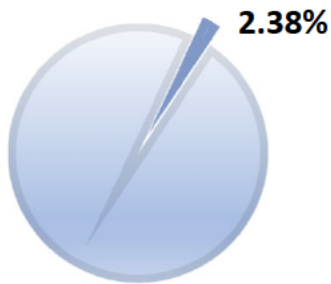
Class I, or residential/agricultural taxes, make up approximately 89.55% of the real estate property tax revenue. The Class I tax rate is 37.21 mills in tax year 2024. The projections reflect an average gross collection rate of 99.5% annually through tax year 2028. The revenue changed at an average annual historical rate of 6.07% and is projected to change at an average annual rate of 1.19% through fiscal year 2029. The reason for this difference is because revenue generated by new levies, is not included in the balances above until the levy is approved by the community.

SEE APPENDIX FOR MORE DETAIL ON KEY ASSUMPTIONS IMPACTING PROPERTY TAXES

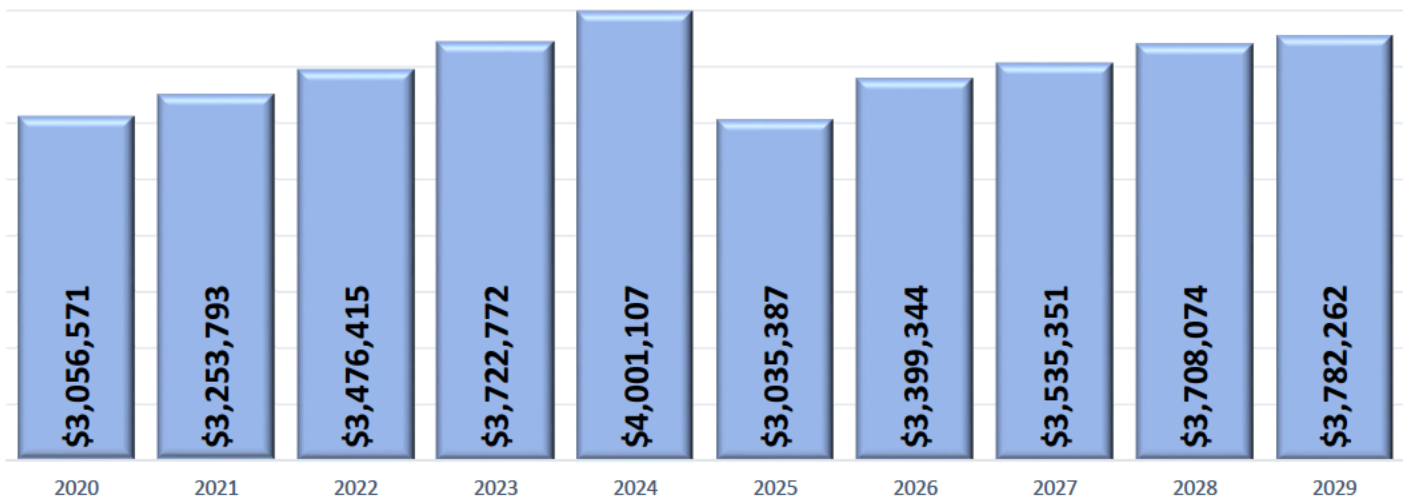
The District records all Tax Incremental Financing (TIF) and Payment in Lieu of Tax (PILOT) receipts in Other Revenue. Property values recorded in the TIF area are reclassified, and revenue generated from these areas are reported as "Other Revenue" instead of "Real Estate Tax." See note Line 1.06 – All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

1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



Public Utility Personal Property tax revenue accounts for 2.38% of total district general fund revenue.



Key Assumptions & Notes

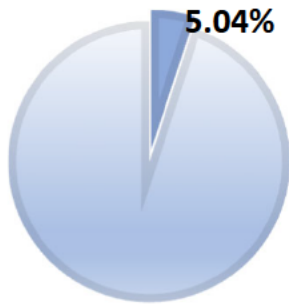
Values and Tax Rates					Gross Collection Rate Including Delinquencies
Tax Year	Valuation	Value Change	Full Voted Rate	Change	
2023	36,625,360	1,101,470	112.76	-	96.7%
2024	33,495,080	(3,130,280)	112.76	0.00	82.3%
2025	33,495,080	-	112.76	-	90.0%
2026	36,175,080	2,680,000	112.76	-	90.0%
2027	36,899,080	724,000	112.76	-	90.0%
2028	37,637,080	738,000	112.76	-	90.0%

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. The property is taxed at the full voted tax rate, which in tax year 2024 is 112.76 mills. The forecast is modeling an average gross collection rate of 88.47%. The revenue changed historically at an average annual dollar amount of \$236,134 and is projected to change at an average annual dollar amount of -\$43,769 through fiscal year 2029.

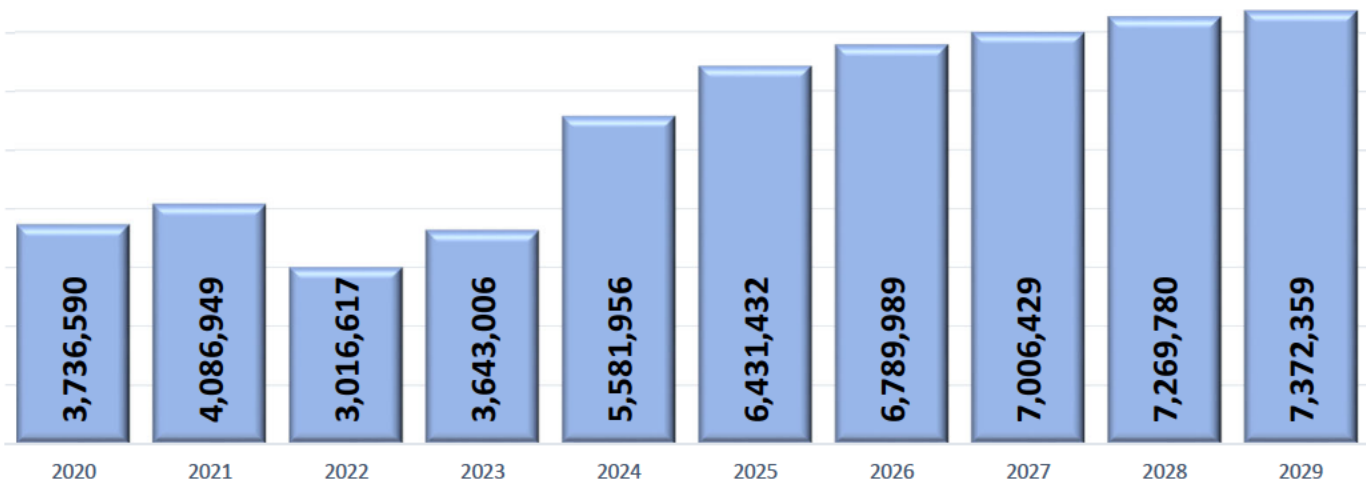
In calendar year 2024, the PUPPT valuations decreased 8.55% due to valuation challenges by the utility companies. This was a reduction of approximately \$600,000 in revenue from expectation. Due to the timing of this revision, the entire impact of this reduction occurred in FY25; thus, FY24 was overstated by approximately \$300,000 and FY25 is understated by \$300,000. Valuations are expected to increase 2% to 4% a year after tax year 2025 as utility companies upgrade their assets.

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



Unrestricted State Aid revenue accounts for 5.04% of total district general fund revenue.



Key Assumptions & Notes

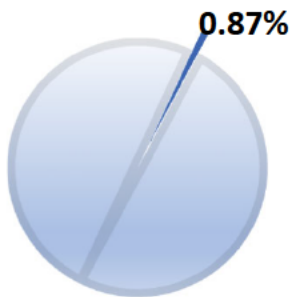
Beginning in FY 2022, the state adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates four components identified as necessary to the education process. The base cost is currently calculated for two years using a statewide average based upon historical actual data. Additionally, the FSFP changed funding to where students are educated versus where students live. In past years, the district received funding from students who lived in the district but attended other schools (i.e. community schools). For Upper Arlington Schools, the projected total calculated base cost is approximately \$52,247,000 in FY 2025. The state's share of the total calculated base cost is \$5,247,000, or \$814 per pupil. With this new base cost methodology, state revenue for the district will increase as enrollment grows.

In June 2023, the State Legislature approved the State biennium budget that covers FY24 and FY25. The budget included a few changes to the FSFP that increased the District's allocation by almost \$2 million. The three most impactful adjustments to the district were: 1) the phase-in of the FSFP to 50% in FY24 and 67.7% in FY25, compared with the 33.3% phase-in previously; 2) an increase in the funding floor from 5% to 10% (UA is on the funding floor); and 3) updated base cost inputs for calculations from FY18 costs to FY22 costs.

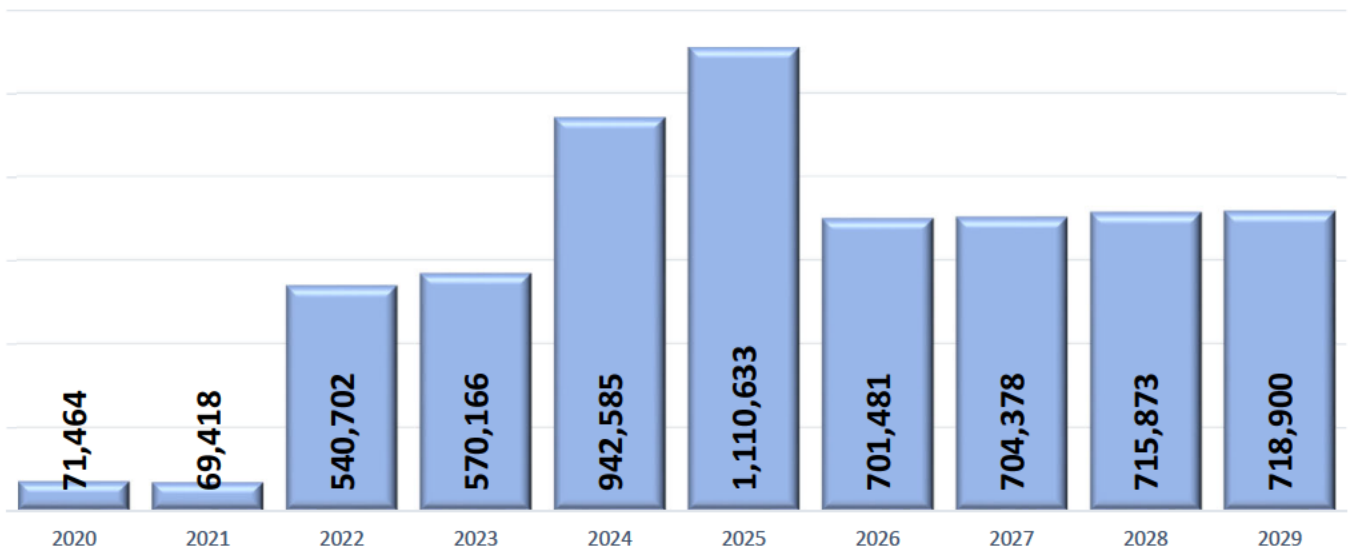
When the FSFP was implemented, the recommendation was to increase the phase-in percentage to 87% in FY26 and 100% in FY27. In this forecast, the district will maintain the phase-in at 67.7% for FY25 and beyond as a downturn in the economy would impact any potential increase in phase-in. If during the next biennium budget the legislature would implement the recommended phase-in percentages, the cumulative impact on this forecast would be an approximately \$6 million increase in the FY29 unreserved fund balance.

1.040 & 1.045 - Restricted Grants-in-Aid

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



Restricted State Aid revenue accounts for 0.87% of total district general fund revenue.



Key Assumptions & Notes

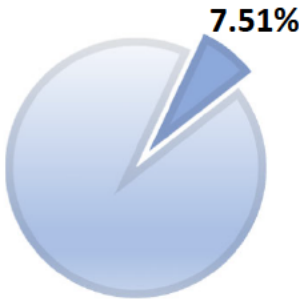
Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Historically, the district's restricted state aid changed annually on average by \$291,056 and is projected to change annually on average by -\$44,737. Restricted funds represent 0.87% of the district's total revenue. Starting in fiscal year 2022, the district's Success & Wellness funding became restricted; the state's share of this funding recorded as restricted is \$194,900. This funding has implications on general fund expenditures in that certain spending now occurring in a fund external to the general fund could shift to the general fund. The expenditures in this forecast are adjusted to reflect this change.

Also included in restricted funds are 1) the district's allocation of tax receipts generated from the state casinos and 2) a partial reimbursement of specific student services costs. The district's casino allocation in FY24 was \$424,000 and student services cost reimbursement was \$250,000.

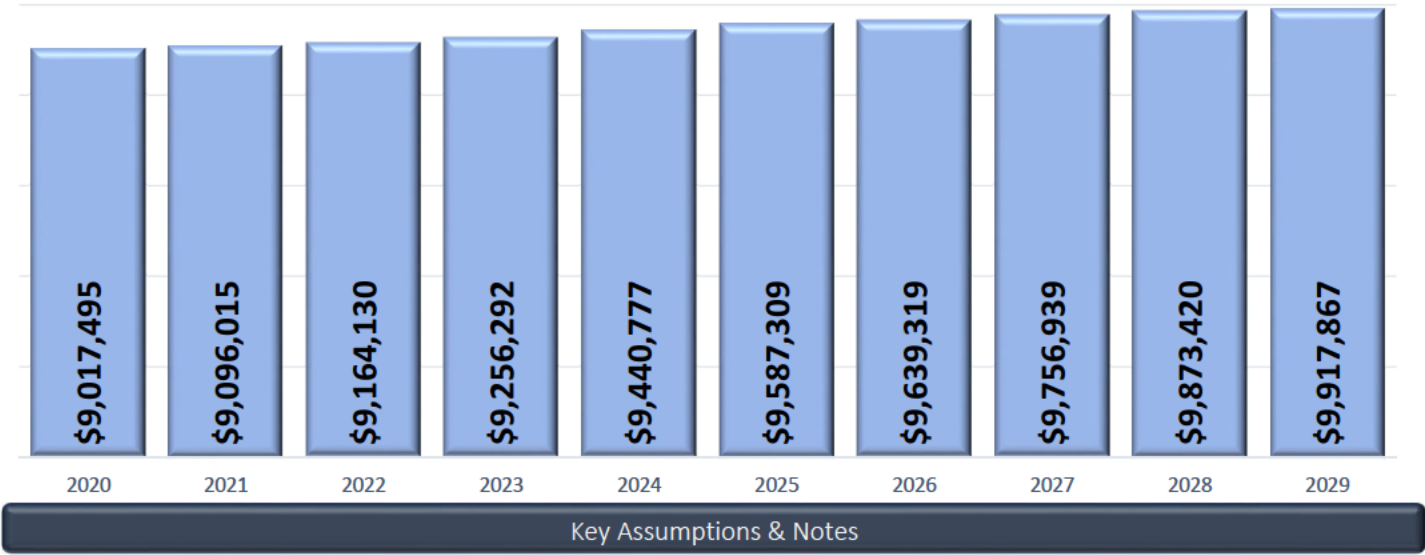
The district has included a one-time \$420,000 increase in FY25 for Science of Reading stipends from ODEW for staff members who complete required training.

1.050 - State Share of Local Property Taxes

Includes funds received for Homestead and Rollback.



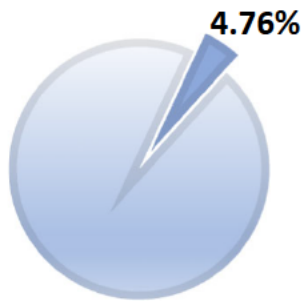
State Share of Local Property tax revenue accounts for 7.51% of total district general fund revenue.



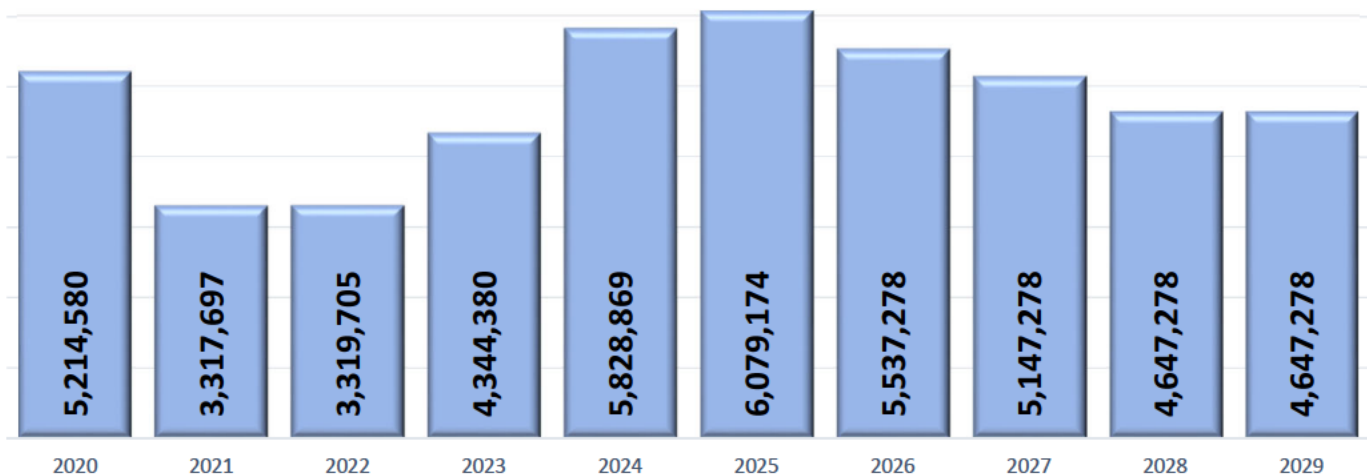
State Share of Local Property Taxes primarily consists of reimbursements from the State of Ohio for local taxpayer credits or reductions to their tax bill. The state reduces the local taxpayer's tax bill with a 10% rollback credit and 2.5% owner-occupied Rollback credit, plus a Homestead credit for qualifying taxpayers. In fiscal year 2025, approximately 8.9% of local residential property taxes will be reimbursed by the state in the form of Rollback credits and approximately 0.6% will be reimbursed in the form of qualifying Homestead credits.

1.060 - All Other Operating Revenues

Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



All Other Revenue accounts for 4.76% of total district general fund revenue.



Key Assumptions & Notes

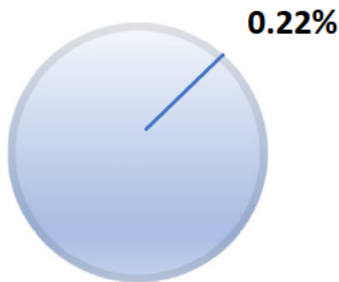
Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was \$153,572. The projected average annual change is -\$236,318 through fiscal year 2029.

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 FY22, 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. The district is expecting another TIF to begin in FY25.

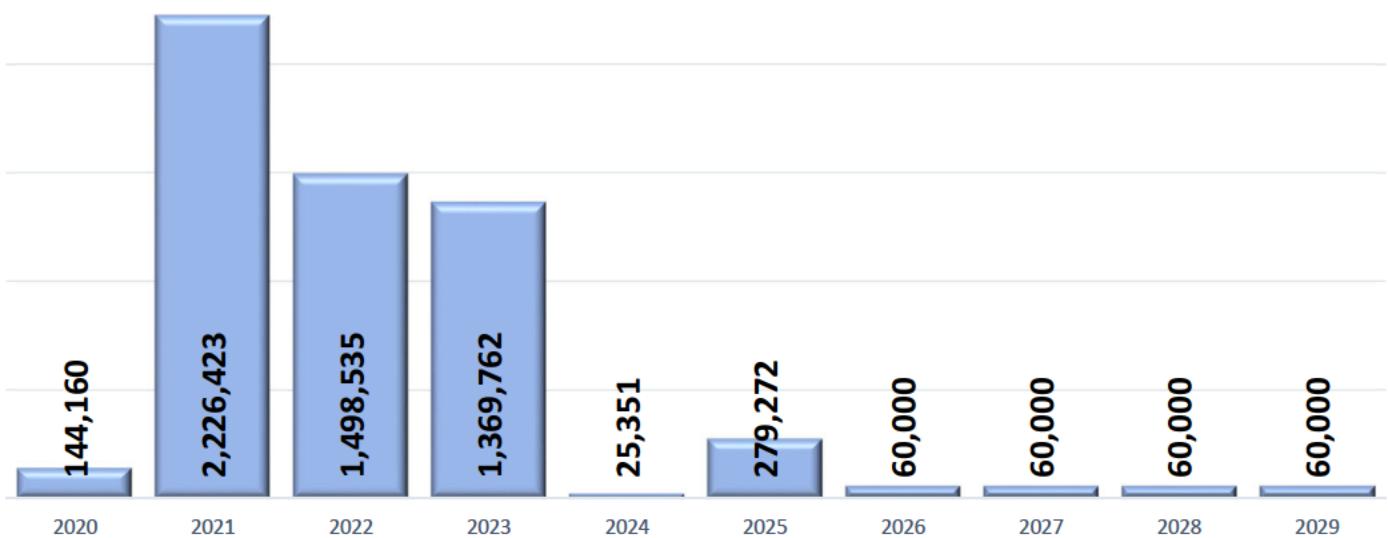
Actual FY22	Actual FY23	Actual FY24	Projected FY25	Projected FY26	Projected FY27	Projected FY28	Projected FY29
\$ 2,259,000	\$ 2,507,000	\$ 2,288,000	\$ 2,779,000	\$ 2,627,000	\$ 2,737,000	\$ 2,737,000	\$ 2,737,000

2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.



Other Sources of revenue accounts for 0.22% of total district general fund revenue.



Key Assumptions & Notes

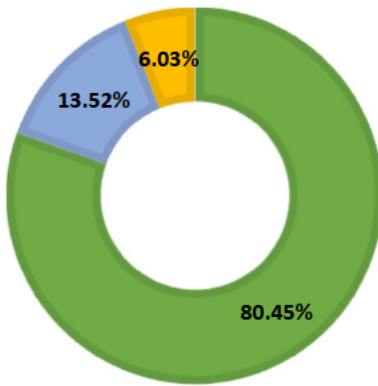
	FORECASTED					
	2024	2025	2026	2027	2028	2029
Transfers In	-	-	-	-	-	-
Advances In	2,721	249,272	30,000	30,000	30,000	30,000
All Other Financing Sources	22,630	30,000	30,000	30,000	30,000	30,000

Other Sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In 2024 the district received \$2,721 as advances-in and is projecting advances of \$249,272 in fiscal year 2025. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$30,000 in 2025 and average \$30,000 annually through 2029.

Expenditure Overview

Upper Arlington City School District

Expenditure Categories



Personnel Costs

Salaries	60.09%
Benefits	20.36%

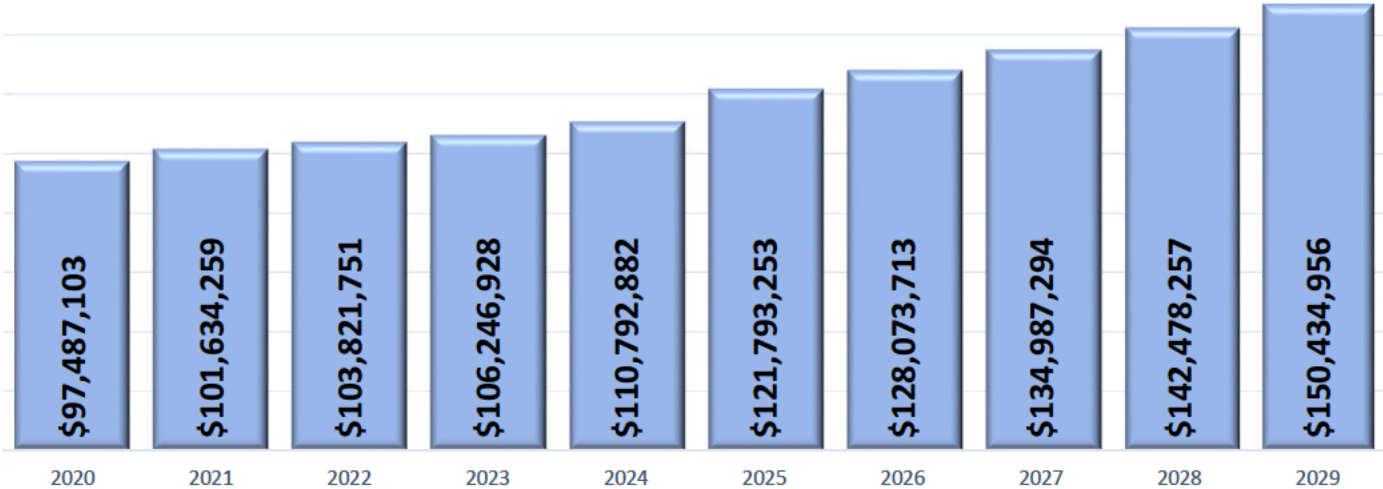
Purchased Services

Professional and Technical Services	8.47%
Utilities	1.52%
Repairs, Leases, Tuition, Contracts, Other	3.53%

All Other Expenditures

Supplies, Capital, Debt, Other Obj	4.91%
Other Uses	1.12%

Annual Expenditures Actual + Projected



Historic Expenditures Change versus Projected Expenditures Change

	Historical Average Annual \$\$ Change	Projected Average Annual \$\$ Change	Projected Compared to Historical Variance	Expenditures increased by 3.26% (\$3,326,445 annually) during the past 4-year period and are projected to increase by 7.16% (\$7,928,415 annually) through 2029. The forecast line with the most change on the expense side, Salaries, is anticipated to be \$2,091,175 more per year in the projected period compared with historical averages due to the number of positions added to the General Fund in FY25 and a hiring freeze during the historical years impacting the historical average.
Salaries	\$ 2,308,143	\$ 4,399,319	\$2,091,175	
Benefits	\$512,202	\$2,131,866	\$1,619,664	
Purchased Services	\$307,189	\$1,159,141	\$851,952	
Supplies & Materials	\$204,791	\$262,263	\$57,472	
Capital Outlay	(\$34,782)	\$5,255	\$40,038	
Intergov & Debt	\$0	\$0	\$0	
Other Objects	\$62,840	\$125,635	\$62,795	
Other Uses	(\$33,939)	(\$155,064)	(\$121,125)	
Total Average Annual Change	\$3,326,445 3.26%	\$7,928,415 7.16%	\$4,601,970 3.90%	

For Comparison:

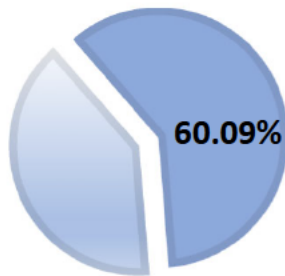
Revenue average annual change is projected to be >

\$1,307,223

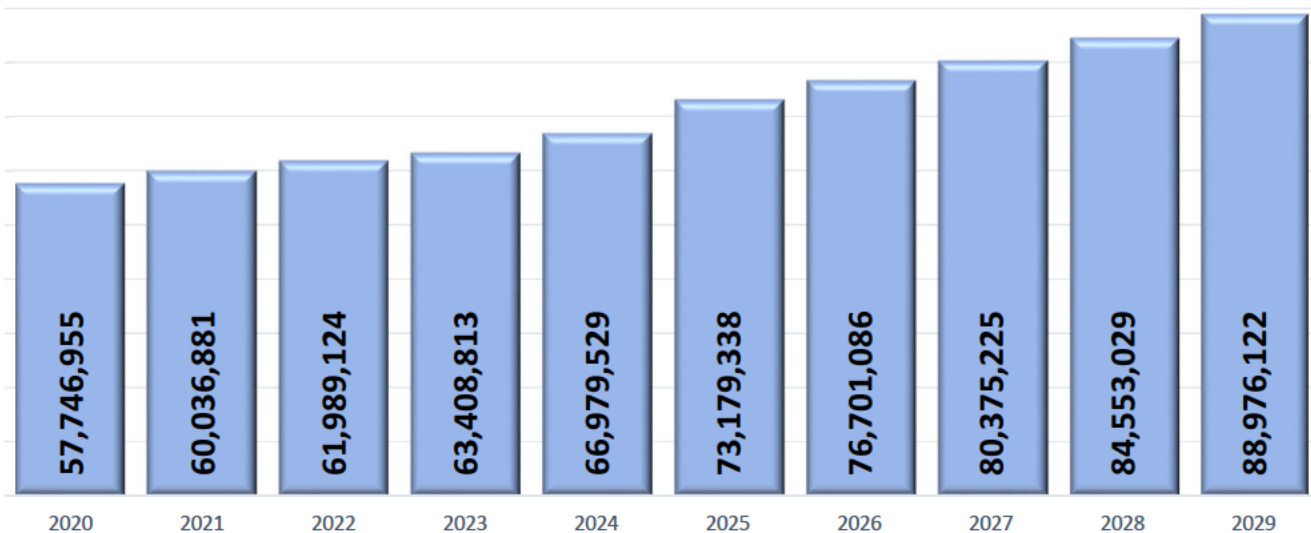
On an annual average basis, revenues are projected to grow slower than expenditures.

3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



Salaries account for 60.09% of the district's total general fund spending.



Key Assumptions & Notes

Salaries represent 60.09% of total expenditures and increased at a historical average annual rate of 3.78% (or \$2,308,143). This category of expenditure is projected to grow at an annual average rate of 5.86% (or \$4,399,319) through fiscal year 2029. The projected average annual rate of change is 2.07% more than the five year historical annual average.

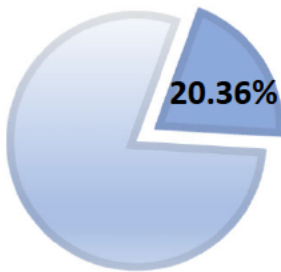
This is largely due to approximately 30 new positions being paid out of the General Fund in FY25. The ESSERS grant ended in FY24, requiring 13 positions to be brought into the General Fund. Approximately 13.5 positions were added for student services support (intervention specialists, multilingual learners, psychological services, occupational therapists and gifted support) and 5.4 positions were added due to increased enrollment.

In FY24, the district began operating its preschool special education program itself instead of contracting these services. 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 increased payroll and benefits but reduced purchased services costs in FY24.

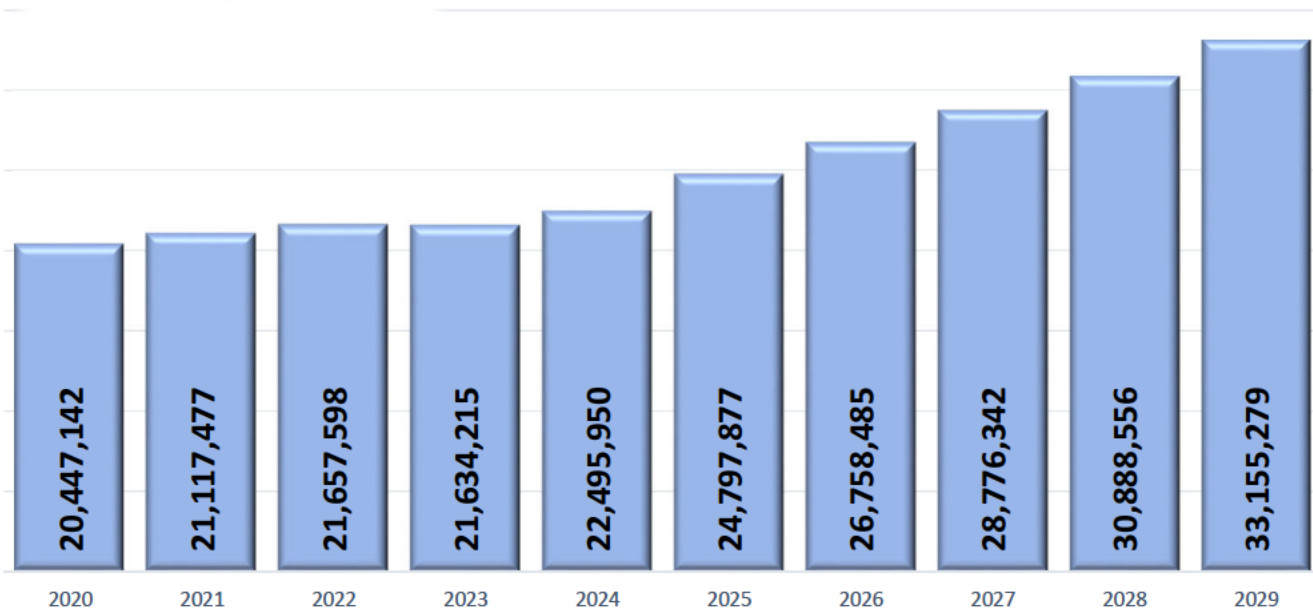
The teachers association contract includes increases on the salary schedule from July 2024 to June 2027, between 3.25% and 3.5%. The salary schedule for support personnel was changed in FY25 to be more aligned with the Central Ohio market. There was not a consistent percentage increase in FY25 as each position was evaluated separately. Salary increases on the salary schedule for support personnel are 2.75% for FY26 and 3% in FY27. In both of these contracts, automatic step increases occur (avg. 1.8% for teaching staff).

3.020 - Employees' Benefits

Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



Benefits account for 20.36% of the district's total general fund spending.



Key Assumptions & Notes

Benefits represent 20.36% of total expenditures and increased at a historical average annual rate of 2.43%. This category of expenditure is projected to grow at an annual average rate of 8.07% through fiscal year 2029. The projected average annual rate of change is 5.64% more than the five year historical annual average.

Insurance (50% of employees' benefit expenditures)

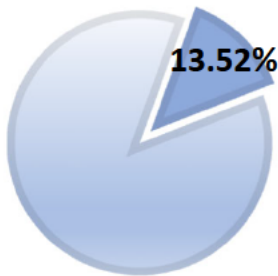
Annual health insurance renewals and future negotiated agreements will affect this category. The District is self-funded and offers a high-deductible medical insurance plan. On average, premium increases have been less than the industry trend. Due to plan changes, including the addition of co-insurance in 2020, and low claims, the District experienced no premium increase in 5 of the last 8 calendar years. The District's claims in 2024 are higher than anticipated, causing a 7.99% premium increase in 2025. Based on discussion with the actuaries and projected claim increases, the District has projected an 18% increase in calendar year 2026 and future medical insurance increases for calendar years 2027-2029 ranging between 8% and 10%. Additionally, the number of employees utilizing the insurance plans have increased with staffing. The District will continue to review insurance plans and processes for future savings.

Pension (45% of employees' benefit expenditures)

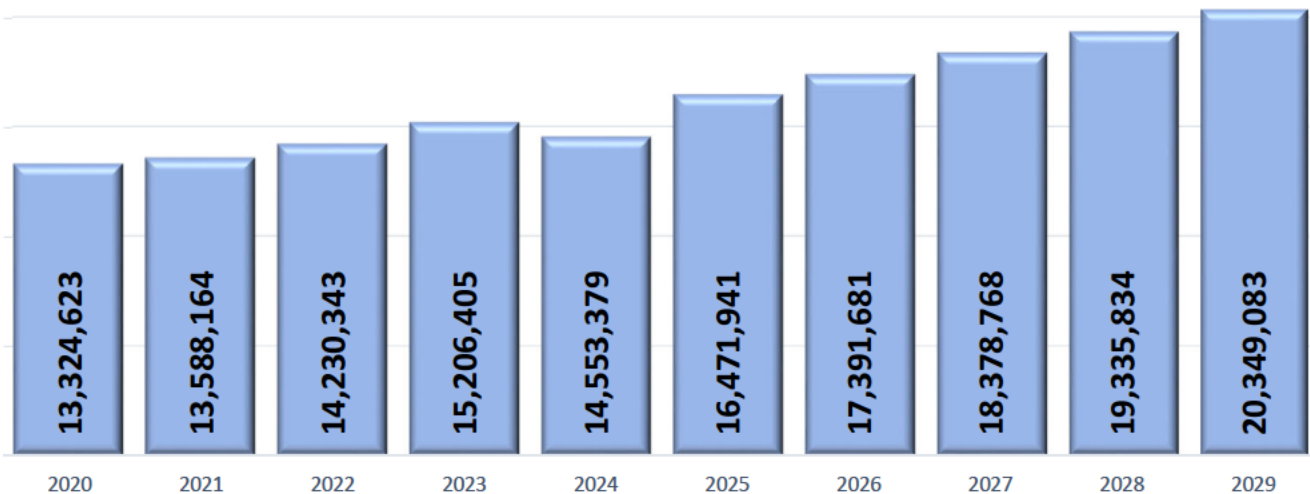
The Ohio Revised Code requires all districts to contribute 14% of total employees' payroll into a state pension system, i.e. State Teachers Retirement System (STRS) or School Employees Retirement System (SERS). Any fluctuations in payroll will have a direct impact on pension expenditures. See line 3.01 – Personnel Services for additional detail on payroll fluctuations.

3.030 - Purchased Services

Amounts paid for services rendered by personnel who are not on the payroll of the school district, expenses for tuition paid to other districts, utility costs and other services that the school district may purchase.



Purchased Services account for 13.52% of the district's total general fund spending.



Key Assumptions & Notes

Purchased Services represents 13.52% of total expenditures and increased at a historical average annual rate of 2.32%. This category of expenditure is projected to grow at an annual average rate of 6.98% through fiscal year 2029. Starting in 2022, the Fair School Funding Plan (State Funding) only accounted for district-educated enrollment, thereby reducing District tuition costs for open enrollment 'out,' community schools, STEM, and scholarship students. This change resulted in lower District costs but also less per-pupil state revenue since per-pupil funding is now paid directly by the state to the district students attend.

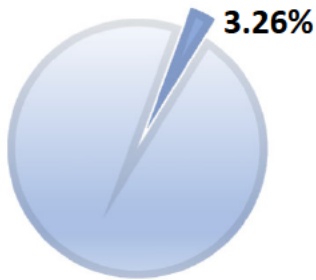
This line includes items such as tuition owed to other private entities for district students attending programs for specific needs and support, transportation of pupils, property insurance, legal services, utilities, technology contracts/leases, substitutes, professional development and others. It also includes a contract with the Education Service Center of Central Ohio (ESC) for staffing and various student programs related to special education.

As mentioned earlier, in FY24 the District began operating its preschool special education program internally. These changes increased payroll/benefits but decreased 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 and substitute numbers are down.

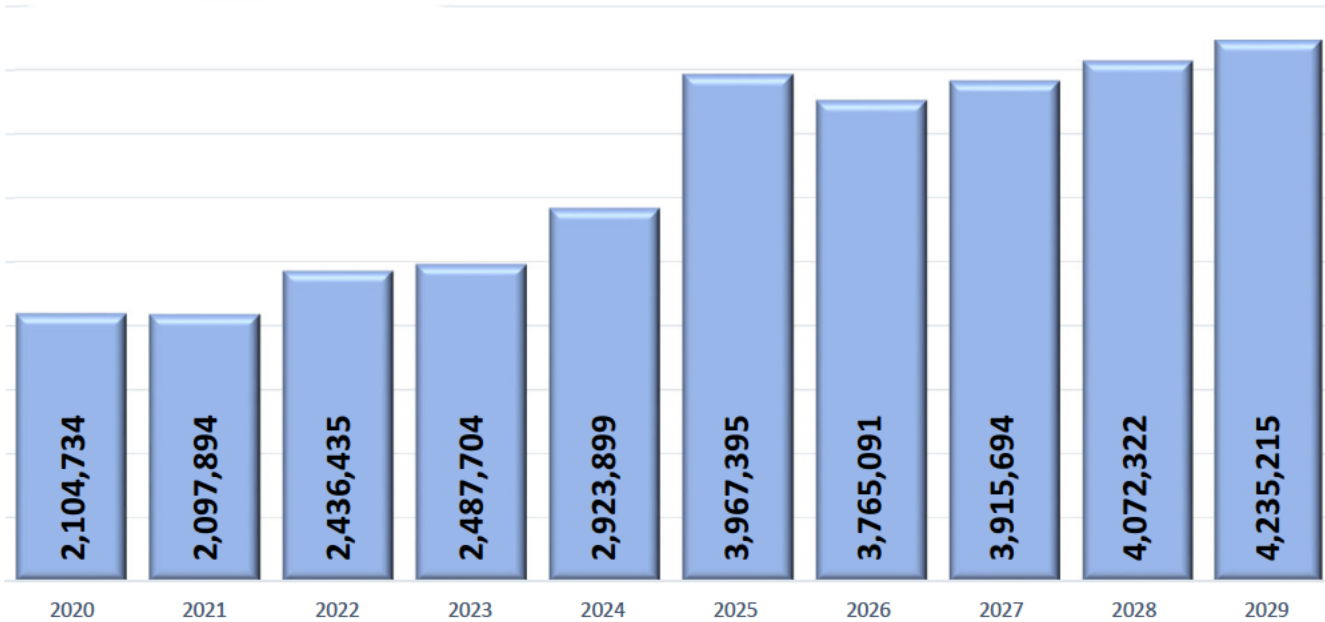
The District manages its utility costs through purchasing co-ops, which has led to consistency over the last several years. The District is locked into lower rates through FY25 due to previous contracts. However, once these contracts expire, the District will experience large increases in gas and electric costs. Electric is anticipated to increase 26% and gas 15% in FY26 and between 8% and 15% in future years.

3.040 - Supplies & Materials

Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



Supplies and Materials account for 3.26% of the district's total general fund spending.



Key Assumptions & Notes

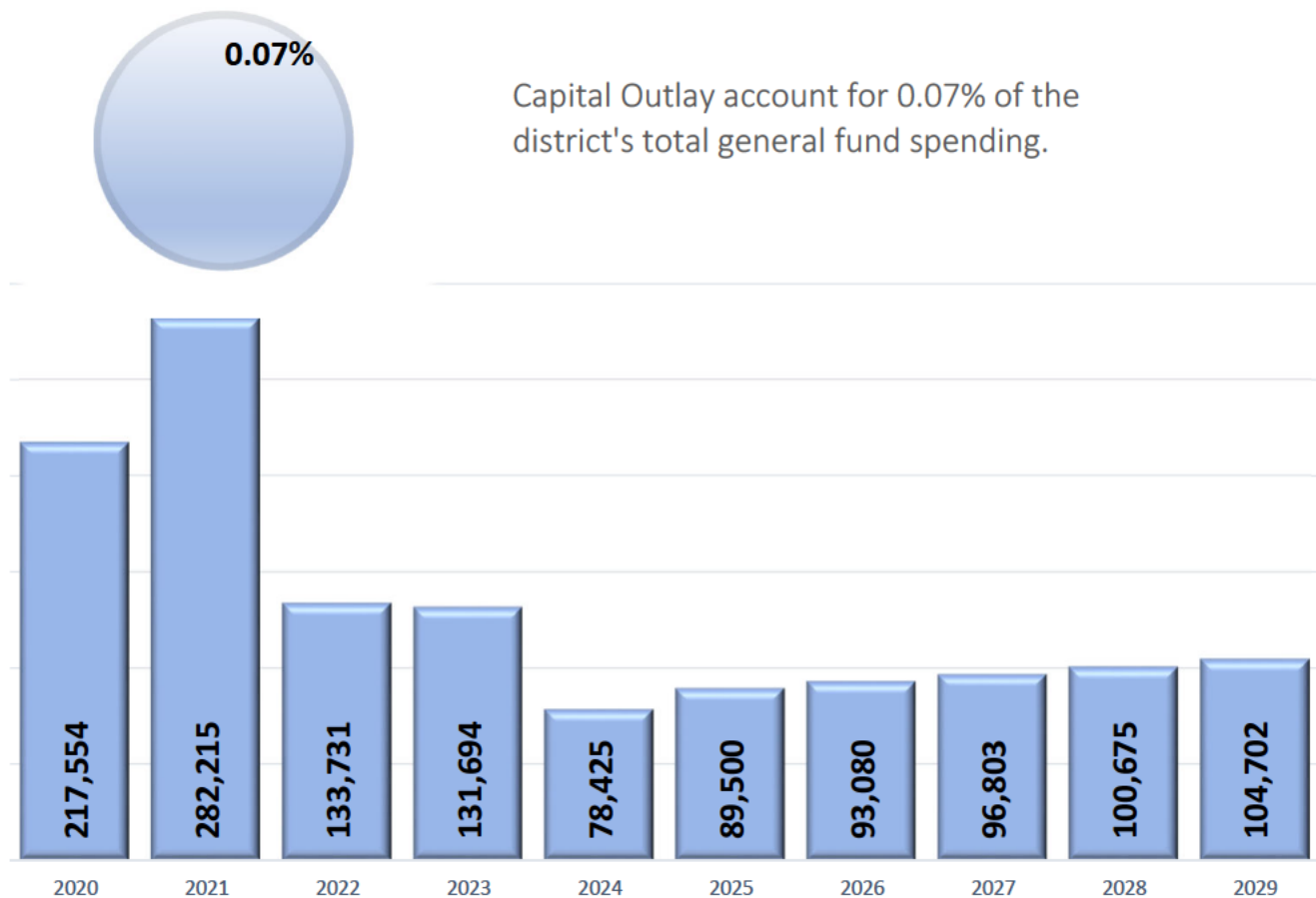
Supplies & Materials represent 3.26% of total expenditures and increased at a historical average annual rate of 8.86%. This category of expenditure is projected to grow at an annual average rate of 8.52% through fiscal year 2029. The projected average annual rate of change is 0.34% less than the five year historical annual average.

These items include textbooks, software, instructional materials and building budget items that go toward classroom and office supplies, 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.).

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 5-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. Additionally, in FY25 an additional \$300,000 was budgeted for textbooks as ODEW issued supplements to districts for the purchase of new resources for Language Arts.

3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



Key Assumptions & Notes

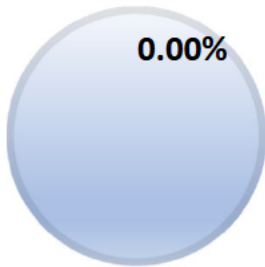
Capital Outlay represents 0.07% of total expenditures and decreased at a historical average annual amount of \$34,782. This category of expenditure is projected to grow at an annual average rate of \$5,255 through 2029. The projected average annual change is more than the 5-year historical annual average.

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.

3.060-4.060 - Intergovernmental & Debt

These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



Intergovernmental and Debt account for 0.00% of the district's total general fund spending.

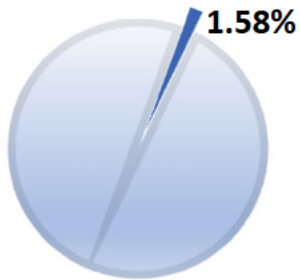
Key Assumptions & Notes

The Intergovernmental/Debt expenditure category details general fund debt issued by the District.

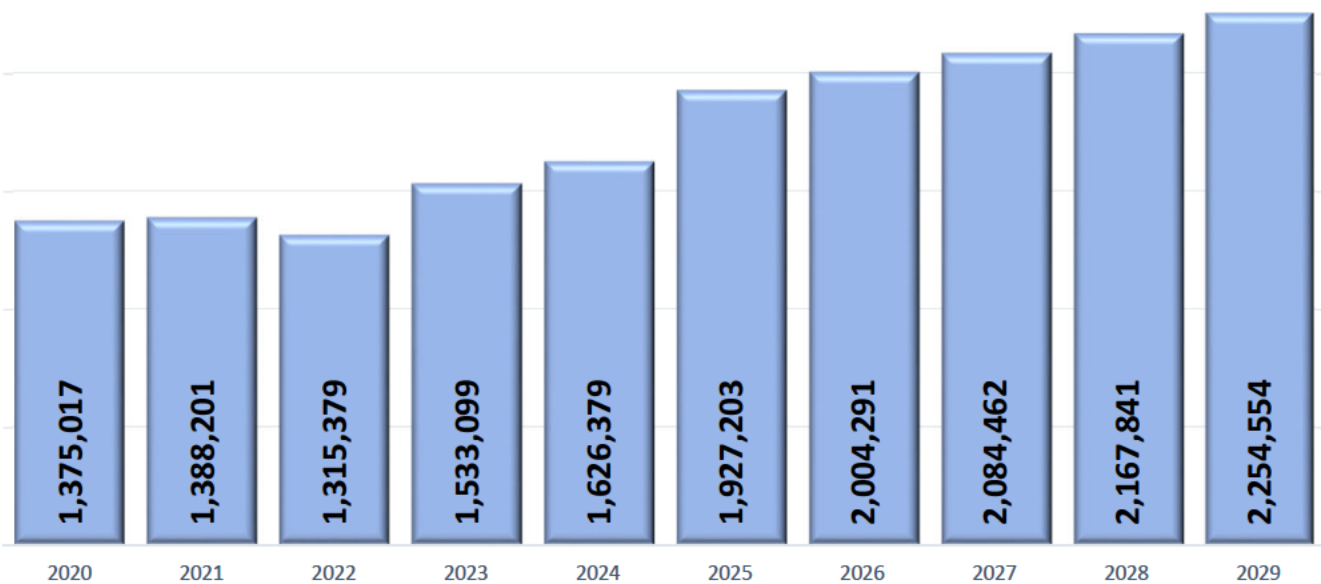
The District has no general fund debt.

4.300 - Other Objects

Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



Other Objects account for 1.58% of the district's total general fund spending.



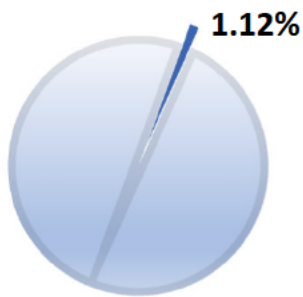
Key Assumptions & Notes

Other Objects represents 1.58% of total expenditures and increased at a historical average annual rate of 4.59%. This category of expenditure is projected to grow at an annual average rate of 6.90% through fiscal year 2029. The projected average annual rate of change is 2.31% more than the 5-year historical annual average.

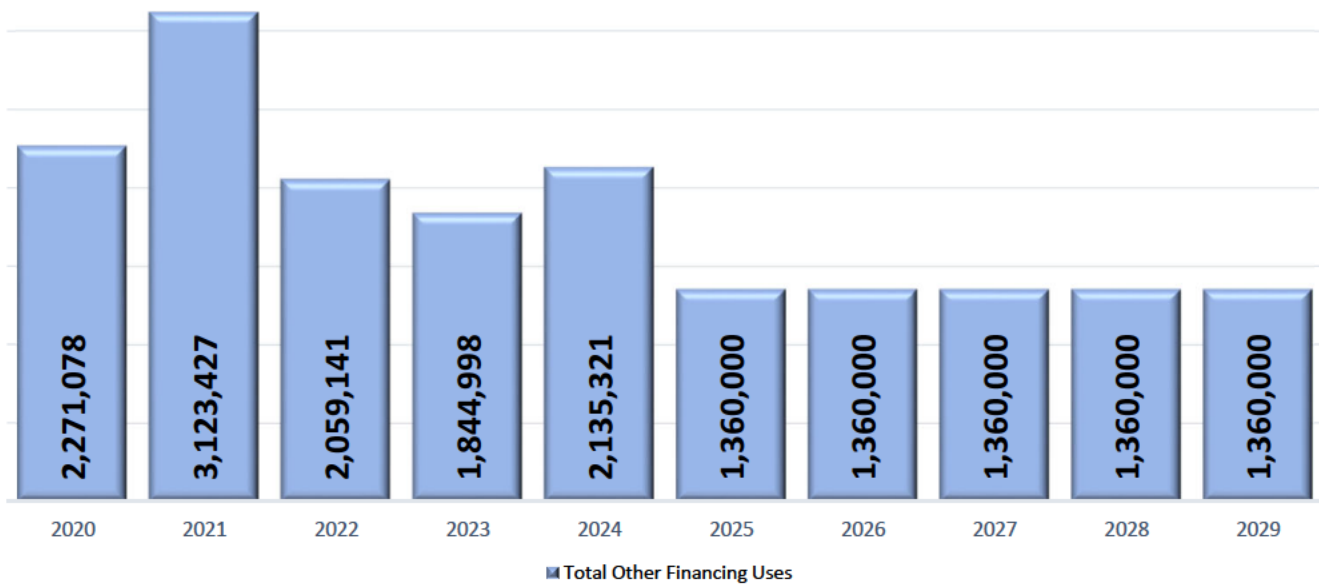
The primary item included in this category are the auditor and treasurer fees related to collection of property taxes.

5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



Other Uses account for 1.12% of the district's total general fund spending.



■ Total Other Financing Uses

Key Assumptions & Notes

	FORECASTED					
	2024	2025	2026	2027	2028	2029
Transfers Out	1,886,050	1,330,000	1,330,000	1,330,000	1,330,000	1,330,000
Advances Out	249,272	30,000	30,000	30,000	30,000	30,000
Other Financing Uses	-	-	-	-	-	-

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.

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.

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

Line 1.010 – Real Estate Tax

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

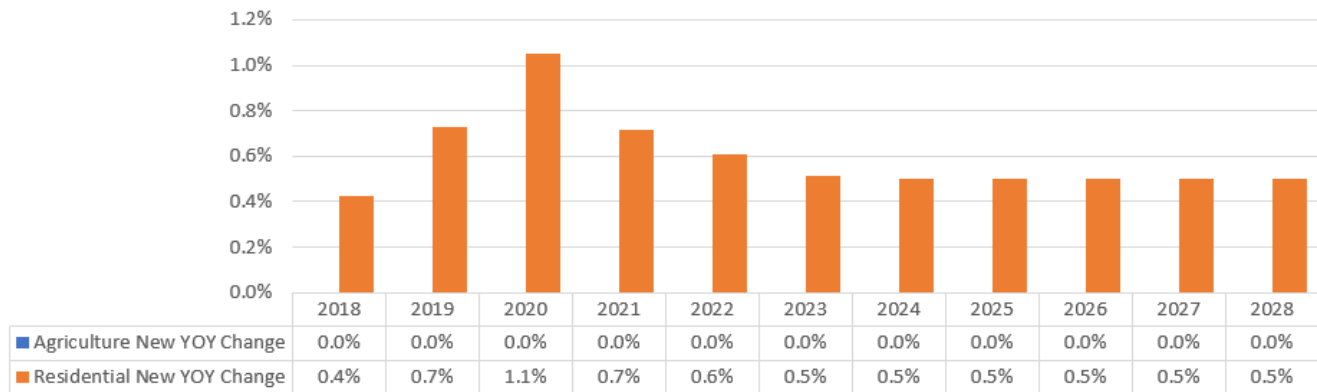
1) Levies

The District's residents approved a new 6.9 mil operating levy in November 2022. This levy generated 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.

2) New Construction

The District is landlocked with very few vacant lots; thus, the majority of residential new construction, which is minimal, consists 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 2025-2029. 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).

YOY New Construction Change in Class I - Residential



*Tax years 2018-2023 are actual percentages and 2024-2028 are projections.

3) 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 10% increase in residential valuation for calendar year 2027.

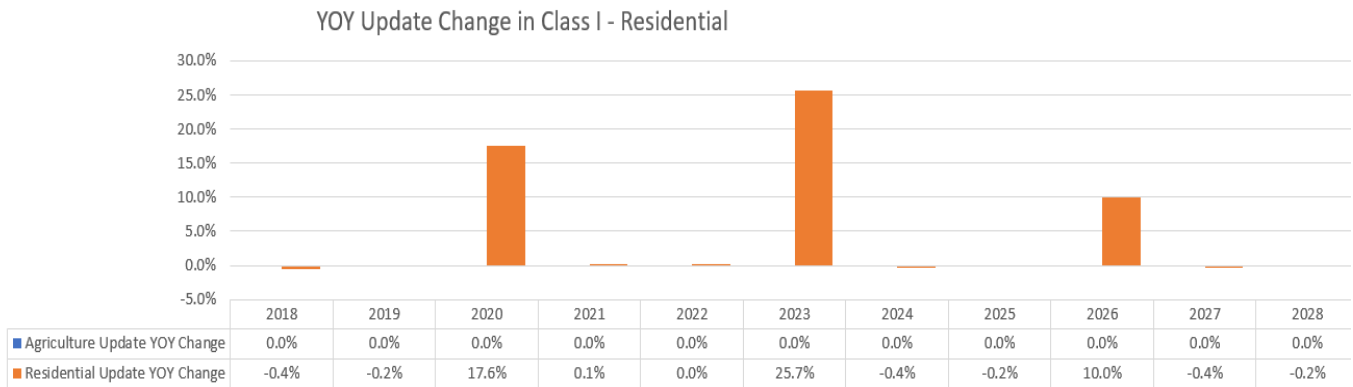
Due to the number of valuation challenges filed by homeowners requesting decreases in valuation throughout the years, the District's residential valuation is projected to decrease between 0.2% and 0.4% during non-appraisal years. (Collection year 2019 and 2020 valuation decreased 0.4% and 0.2%, respectively.) 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.

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

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 House Bill (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 mills. 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 credits), 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 2018-2023 are actual percentages and 2024-2028 are projections.

Collections

The District typically receives 58% of its commercial property taxes in the first half of the collection year (i.e. March) and 42% in the second half of the collection year (i.e. September). Even though this is one collection year, it splits between fiscal years. For collection year 2024, this trend unexpectedly changed due to timing of payments by businesses. Only 49% of the commercial property taxes were received in the first half of the year, and 51% were received in the second half of the year. This led to property taxes being understated by approximately \$850,000 in FY24 and overstated by \$850,000 in FY25. This change in payment pattern is not expected to occur in future collection years.