



FINANCIAL ADVISORY BOARD FINAL FINDINGS REPORT

MAY 9, 2017



INTRODUCTION

The Upper Arlington community is now in the final phase of a two-year, multi-step facilities master planning process, and the members of the Financial Advisory Board (FAB) have been honored to play a key role in this historic collaborative effort.

The FAB is a group of 10 community volunteers assembled by the district's Treasurer and Chief Financial Officer, Andrew Geistfeld, in January 2017. FAB members have significant experience in business management and the financing and management of facilities improvement projects (see Appendix A). The team's charge has been to review the funding, phasing and scope of the master plan, the need for an operating levy, as well as to provide findings on several other considerations.

In March, the team provided an initial report to the Upper Arlington Board of Education. Following the release of that report, the district collected feedback on the FAB's initial findings through community meetings, online surveys and a professional telephone survey.

In late April, FAB members reviewed the community feedback and used that information to finalize their suggestions. This document, the team's final report, documents both the initial findings and the final recommendations.

We would like to thank the Upper Arlington Board of Education for its commitment to a transparent, community-driven master planning process. The school district staff has been extremely open with information regarding the planning process, our schools, enrollment projections and budget numbers.

BACKGROUND

The FAB met four times during the months of January and February and once during the month of April. District administration facilitated the meetings and provided ample time for FAB members to research the issues, discuss our thoughts and share concerns or ideas. Relevant external consultants utilized by the district during the master planning process were present at meetings and available to offer analysis, answer questions and provide additional information when requested by FAB members. All facility estimates included in this report have been adjusted to 2019 dollars.

MEETING 1 – JANUARY 9, 2017

In our first meeting, district administration provided a review of the master planning process to date and outlined the areas of consideration for the FAB. We also reviewed the district's five-year financial



forecast, annual expenditures and revenues, and the school funding system in Ohio. The team was also interested to learn that professional third-party enrollment reports project district-wide enrollment growth of more than 10 percent by 2025-2026. Finally the team also received an update on the Efficiency Project and learned that the district has already exceeded the commitment of improving its bottom line by \$4,500,000.

MEETING 2 – JANUARY 23, 2017

In our second meeting, Mr. Geistfeld again presented information regarding the district's five-year financial forecast, its underlying assumptions and the Board of Education's policy on reserve fund balance. He went on to share a potential 4-mill operating levy scenario. Group members asked several questions and provided feedback on each of these topics.

Superintendent Paul Imhoff shared additional details on options for the scope and phasing of the master plan as well as additional considerations the team would be asked to explore.

MEETING 3 – FEBRUARY 13, 2017

During our third meeting, Mr. Geistfeld shared updates to the five-year forecast that were due in part to FAB feedback and updated information becoming available. This updated version of the five-year forecast was presented publicly at the Board of Education meeting on March 7, 2017. The updates to the forecast allowed a lower levy scenario to be evaluated.

The district's external consultants from Perkins+Will, Moody Nolan and Turner Construction shared details about the scope of the master plan and took questions from the group.

District administration also discussed the two rebuild options for Upper Arlington High School, and reviewed the basics of bond issues, which is how school districts in Ohio fund capital improvement projects such as the facilities master plan.

MEETING 4 – FEBRUARY 27, 2017

During our fourth meeting the team focused on coming to the initial findings included in the first report. Members discussed phasing options and potential scope reductions for the master plan as well as the additional considerations outlined below.

FEEDBACK PERIOD - MARCH AND APRIL 2017

During this time the district collected community feedback on the FAB's initial findings through community meetings, online surveys and a professional telephone survey. Nearly 2,400 people responded to this outreach.



MEETING 5 — APRIL 24, 2017

During this meeting, the team reviewed community feedback gathered on the initial findings and discussed what revisions should be made.

FINDINGS

KEY CONSIDERATION: OPERATING LEVY MILLAGE

INITIAL FINDING

As the team considered operating levy millage, members took particular interest in the fact that approximately 96 percent of district revenues are fixed, with little to no room for growth. A major factor in this is House Bill 920, a state law passed in the 1970s. **HB 920 ensures that voted operating levies do not grow as property values increase.** In fact, as property values increase, the millage collected for each voted levy is reduced to ensure the school's funding from the levy remains flat. The value of new construction, which is fairly limited in Upper Arlington, results in increased revenue from existing levies.

The team recognized that this operating levy request will be the first in four years and that the district has exceeded the \$4,500,000 in cost-saving commitments made to the community through the Efficiency Project before the operating levy request in 2013.

After extensive review of Upper Arlington Schools' five-year forecast and operating levy millage scenarios, the team is recommending a reduced operating levy millage of 3.75 rather than the 4 mills initially discussed. Our main thoughts in reaching this decision are to control costs to residents, provide the district funding to continue current programming and ensure that the new millage would not negatively impact future operating needs. The team feels the 3.75 millage rate is the best balance of all of these areas. **It is also worth noting that this would be the smallest operating levy request by the district in more than 35 years.**

FINAL RECOMMENDATION

After reviewing the feedback gathered on the operating levy proposal, the FAB supports moving forward with the initial finding of pursuing a 3.75-mill operating levy.

KEY CONSIDERATION: PHASING OF THE MASTER PLAN

The master plan approved by the Board of Education is a long-term plan meant to be phased over a period of years.



Because of the size and estimated total cost of the master plan, the FAB agrees with the district’s intention to phase the work over time. This will also serve to lessen the impact on taxpayers and protect the district’s credit rating, which is a key factor in securing low interest rates for bond issues. The team considered an implementation schedule for the master plan of either two or three phases, factoring in both the physical needs of the school buildings as well as the needs caused by the district’s growing enrollment.

It is important to note that the Board of Education has stipulated that the work on all five elementary schools must be accomplished together in the same phase of the master plan. Therefore, the funding for all five projects must be secured in a single vote. The FAB supports this stipulation and feels it is wise to ensure parity for all of Upper Arlington’s elementary students.

A three-phase implementation plan would call for rebuilding the high school in the first phase, based on the immediacy of the needs identified in third-party physical assessments and the feedback from the community. The first phase would also include funds to make essential repairs at the remaining schools and address growing enrollment at the elementary level by adding trailers until the schools would be renovated or rebuilt during the second phase of the master plan. Approximately one to four temporary classrooms would be needed at all of the elementary schools except for Tremont based on 10-year enrollment projections. If all-day kindergarten were added, the number of temporary classrooms needed would approximately double. Construction at the middle schools and Burbank Early Childhood School would be in the final phase of the plan.

THREE-PHASE PLAN		
PHASE 1	Rebuild the high school, provide temporary classroom space (trailers) at elementary schools, address essential repairs at elementary and middle schools, address transitional athletic space during high school construction	\$147,037,000 to \$152,111,000 (depending on the rebuild option selected for UAHS)
PHASE 2	Rebuild or renovate elementary schools	\$114,595,000 (plus any increase in interest rates and construction costs)
PHASE 3	Repair middle schools and Burbank Early Childhood School	\$53,178,000 (plus any increase in interest rates and construction costs)
		TOTAL ESTIMATED COST: \$314,810,000 - 319,884,000



A two-phase implementation schedule would call for rebuilding the high school and renovating or rebuilding the elementary schools in the first phase. The needs of the middle schools, as well as Burbank Early Childhood School, could be revisited in approximately 10 years for the second phase.

TWO-PHASE PLAN		
PHASE 1	Rebuild the high school and renovate or rebuild all five elementary schools, address transitional athletic space during high school construction	\$252,852,000 - \$257,926,000 (depending on the rebuild option selected for UAHS)
PHASE 2	Repair middle schools and Burbank Early Childhood School	\$53,178,000 (plus any increase in interest rates and construction costs)
		TOTAL ESTIMATED COST: \$306,030,000 - \$311,104,000

The FAB appreciates that the three-phase option would offer the lowest initial cost for residents. However, the team has serious concerns with delaying construction on the elementary schools. Members cited inflation in construction costs and a possible increase in interest rates as two of their main financial concerns. A third concern is having to fund trailers as a temporary remedy for enrollment growth at the elementary schools before addressing that need on a permanent basis. The team feels the community would not and should not support the idea of our elementary school students and staff having to learn and teach in trailers for several years.

In the end, the team believes that, despite the higher initial cost for residents, it is best to support the two-phase option for the master plan, thus taking advantage of current interest rates, current construction costs and FAB members' confidence in the current leadership of the schools to execute the master plan with integrity.

FINAL RECOMMENDATION

After reviewing the feedback gathered on the implementation of the master plan, the FAB supports moving forward with the initial finding of pursuing a two-phase implementation.

KEY CONSIDERATION: SCOPE OF THE MASTER PLAN

It is clear the district has done a good job of maintaining its facilities. However, the schools are, on average, more than 60 years old and have building systems that are past, or nearing, the end of useful life. Failure to enact a comprehensive master plan at this time would begin to erode the learning atmosphere for students because of the outdated facilities and systems. Furthermore, the costs of essential repairs and temporary fixes would continue to rise in the future unless action is taken now.



Team members appreciated several of the core principles set forth by the Board of Education during the master planning process including to:

- Involve as many community members as possible;
- Address growing enrollment;
- Create flexible learning spaces that address the needs of today’s students and future students rather than replicating 1950s- and 1960s-era buildings;
- Take into account lifecycle costs in construction standards rather than using less expensive materials that might wear out more quickly and cost taxpayers more over the life of the building; and
- Ensure that renovated or rebuilt facilities can offer the same or higher level of educationally beneficial programming as our current buildings.

The team discussed and came to initial findings on the following additional considerations related to the scope of the master plan.

HIGH SCHOOL OPTIONS

When the Board of Education approved the master plan in December 2016, it left on the table two options for rebuilding the high school. Since these options were developed by the high school building teams late in the process, the Board of Education felt additional feedback from both the FAB and the community as a whole was warranted before making a final decision.

The FAB reviewed the options below and the associated cost estimates. (See Appendix B for draft illustrations of the high school rebuild options.)

BRANDON ROAD OPTION \$137,037,000	Front door: Brandon Road with parking access only on one-way streets	Marv Moorehead Stadium: extensive renovations
ZOLLINGER ROAD OPTION \$142,111,000	Front door: Zollinger Road with a drop-off lane and parking access on two-way street	Marv Moorehead Stadium: relocate and rebuild

The team came to consensus that the Zollinger Road option is a more desirable option. Members cited several reasons they feel the Zollinger Road option is the most appropriate course of action, including:

- Better flow of traffic with a drop-off lane and one parking lot entrance on Zollinger Road rather than all traffic coming and leaving the school on very narrow one-way streets;
- Easier access for first responders in case of a medical issue or other emergency;
- Option for future expansion, if necessary, without removing parking spaces or athletic facilities; and



- Better overall site layout with all on-site athletic fields having easy access to athletic support spaces.

The cost difference between the two options is \$5,074,000, which amounts to approximately \$17 per year in additional tax for the owner of a \$400,000 home, which is approximately the average home value in Upper Arlington. This correlates to the cost difference of extensively renovating the existing stadium (the Brandon Road option) or moving the stadium to a new location on the high school site (the Zollinger Road option).

In summary, the team feels it is worth the additional cost of the Zollinger Road option to maximize functionality and safety of the high school site for students and community visitors. While the Brandon Road option would reduce costs initially, the team feels it is less flexible and would likely set up the community for additional costs in the future as enrollment increases and as programming changes.

FINAL RECOMMENDATION

After reviewing the feedback gathered on the high school options, the FAB supports moving forward with the initial finding of pursuing the Zollinger Road option for the high school.

TRANSITIONAL ATHLETIC SPACE DURING POTENTIAL CONSTRUCTION PROJECTS

The FAB recognizes that athletic spaces will have to be used creatively while the school sites are under construction. During the construction of a new high school, field space for both practice and events will be highly limited. Transitional spaces need to be identified to continue to support current programs at the high school, such as baseball, field hockey, football, lacrosse, marching band, tennis, track and field, soccer and softball.

One particular issue brought to the team for consideration was the idea of installing turf fields at the middle schools to better accommodate both middle school and high school teams during work at the high school. Turf fields are more resilient than traditional grass fields and remain “competition ready” despite high traffic and poor weather conditions.

While the team recognizes the advantages of having turf fields at the middle schools, it feels the benefits are not worth the estimated cost of \$1,500,000. The team recommends not pursuing turf fields at Hastings and Jones middle schools at this time unless private funding for this project becomes available.

Additionally, the team considered the possibility of installing a turf field as well as grass fields for baseball and softball behind Tremont Elementary School on district-owned land adjacent to Northam Park. These projects would replace fields that are currently used by many high school athletic teams. A turf field would be utilized even more heavily by high school teams for practice and competition needs during work at the high school site. Upon completion of construction at the high school, the field would still be used by student-athletes but also could be available for use by the community when available.



FAB members feel it is wise to pursue the option of a turf field, along with the softball and baseball diamonds, on the Tremont site. Additionally, members request the district explore the option of sharing the cost of the turf field with the City of Upper Arlington. The district's portion of the turf field, the cost of the baseball and softball diamonds, and the expense to address drainage issues at the Tremont site would add \$1,220,000 to the master plan.

FINAL RECOMMENDATION

After reviewing the feedback gathered on transitional athletic space, the FAB supports moving forward with the initial finding of installing a turf field behind Tremont Elementary School; however, after further discussion, the team feels it is best for the district to fund this project on its own rather than pursuing a shared-funding scenario. The estimated total project cost for the softball diamond, baseball diamond and turf field, and the expense to address drainage issues at the Tremont site, would add approximately \$1,800,000 to the cost of the master plan.

A WELCOME OFFICE TO HOUSE CENTRAL REGISTRATION

District administration chose to remove this consideration from the scope of the master plan.

PRIVATELY FUNDED ALUMNI ROOM AT UPPER ARLINGTON HIGH SCHOOL

The FAB is open to privately funded projects within the master plan, including an alumni room at UAHS.

FUNDS TO ADDRESS FACILITIES ISSUES AT THE CENTRAL OFFICE LOCATED AT 1950 NORTH MALLWAY DRIVE

The team acknowledges the \$1,500,000 in facilities needs identified at the district's central office building, but it encourages the Board of Education to pursue options outside the master plan to address this need. This could include selling the 1950 North Mallway Drive location and using proceeds to add or buy office space at another location or school building. If the Board of Education decides to pursue selling the central office property, it will follow a transparent process as provided by state law and board policies.

Along with the scope considerations listed above, team members reviewed several additional scenarios to reduce the cost of the master plan. The team came to the consensus that the district should reduce the cost to taxpayers by approximately \$23,000,000 to a total of \$235,000,000 for the first phase of the master plan as proposed in this report. The team agreed that any scope reductions should have the least impact on the educational experience of students.

The FAB encourages the district to do its best to benchmark these costs against similar projects in the area. The team recognizes that there is not a uniform standard for reporting school construction costs



but hopes to see the district gather a comparison for the total project costs that the Upper Arlington Board of Education is committed to reporting.

FINAL RECOMMENDATION

The FAB continues to support the idea of considering scope reductions from a financial point of view, however, the team encourages the Board of Education to involve staff and the community in discussions regarding scope changes during the design process that would follow a successful ballot issue.

KEY CONSIDERATION: FUNDING OF THE MASTER PLAN

As the FAB began to consider the funding of the master plan, district leadership introduced the idea of using private fundraising to offset some of the expenses to taxpayers. Members agreed that this was a good option to reduce overall costs and felt it illustrated a good-faith effort by the schools to explore an outside funding option that would be unique for public K-12 school projects.

The team discussed many options for a minimum fundraising goal, finally settling on the idea that a professional feasibility study and additional community input are needed to set a goal that is both challenging and realistic. At this time, the team is using a target of at least \$5,000,000 as a placeholder but assumes this goal may change based on the data points mentioned above.

After taking into account the scope reductions outlined earlier and the tentative \$5,000,000 minimum target for private fundraising, \$230,000,000 is needed to cover the costs of the first phase of the master plan as proposed in this report. This equates to an additional 5.17 mills if collected over 38 years of level payments at an estimated interest rate of 5 percent. When combined with the 3.75-mill operating levy supported by the FAB, that totals 8.92 mills, or \$1,249 per year in additional tax for the owner of a \$400,000 home.

Now that the scope of the project has been more clearly defined, the team recommends the district use this opportunity to identify and share with the community the impact of the additional square footage of new or renovated buildings on operating costs. This would include goals for energy efficiency, as well as the financial impact of additional space on utility, custodial and maintenance costs.

FINAL RECOMMENDATION

After reviewing the feedback gathered on the funding of the master plan, the FAB supports moving forward with the initial findings of pursuing at least \$5 million in private funds and a 5.17-mill bond issue.

SUMMARY AND CONCLUSION

The FAB recommends the Upper Arlington Board of Education pursue a 3.75-mill operating levy combined with an additional 5.17-mill bond issue in November 2017. The bond issue would cover



phase one of the master plan, which would be composed of rebuilding the high school and renovating or rebuilding the five elementary schools. Also included in phase one would be transitional athletic spaces for the high school.

In all, voters would be asked to consider an 8.92-mill combined levy. This would cost approximately \$312 per \$100,000 of home valuation as determined by the county auditor. It would cost the owner of a \$400,000 home an additional \$1,249 in property tax each year. Compared with 2017 tax numbers, that would be approximately a 14 percent increase in overall property taxes.

When comparing school tax rates in central Ohio, Upper Arlington Schools currently ranks 10th out of 15 school districts, with a collection of \$1,500 per every \$100,000 of auditor-assessed home value. If the combination bond issue/operating levy as proposed in this report were to pass, Upper Arlington's school tax rate would rank fourth out of 15 with a collection of \$1,813 per every \$100,000 of auditor-assessed home value (see Appendix C). It is important to note that this calculation does not take into account any changes due to new bond issues or operating levies or school-specific income taxes that may be on the ballots in other communities in 2017 or 2018.

The FAB wishes to acknowledge and commend the transparency demanded by the Upper Arlington Board of Education and implemented by district administration. All questions were answered as quickly as possible, and access to consultants and supporting data was timely and thorough. FAB members felt free to ask any question or bring up any concern during the course of meetings. We felt our feedback, even when it was constructive criticism, was received with gratitude and given an appropriate level of attention.

It has been a pleasure to work with the district on this historic effort. We thank the Board of Education for allowing us to lend our personal and professional expertise to this process.



APPENDIX A

MEMBERSHIP OF THE FINANCIAL ADVISORY BOARD



*Top row from left: Richard Stillman, Brian Jepson, Bill Shkurti, Andy Livingston, Ryan Gilmore
Bottom row from left: Elizabeth Seely, Bill Brennan, Mike Schoedinger and Lisa Ingram
Not pictured: Kris Devine*

The members of the Financial Advisory Board are:

- Bill Brennan, Executive Vice President and Chief Financial Officer of The Pizzuti Companies
- Kris Devine, Deputy Chief Financial Officer of The Ohio State University
- Ryan Gilmore, Chief Financial Officer of Overmyer Hall Associates
- Lisa Ingram, President and Chief Executive Officer of White Castle Management Company
- Brian Jepson, President of OhioHealth Riverside Methodist Hospital
- Andy Livingston, Executive Vice President of Huntington National Bank
- Mike Schoedinger, President of Schoedinger Funeral Homes
- Elizabeth Seely, Executive Director of Ohio State University Hospital East
- Bill Shkurti, Chief Financial Officer (retired) of The Ohio State University
- Richard Stillman, retired investment banker



APPENDIX B HIGH SCHOOL REBUILD OPTIONS

BRANDON ROAD OPTION



**UPPER ARLINGTON HIGH SCHOOL
REBUILD OPTION 1**

*WORKING DRAFT – CONCEPTUAL DIAGRAM
NOT A FINAL DESIGN PLAN
SEPTEMBER 14, 2016*

LEGEND	
	REPAIR
	RENOVATE
	REBUILD
	OUTLINE OF EXISTING BUILDING
	EXISTING TO REMAIN

REBUILD

- INCLUDES NEW AND "RIGHT-SIZED":
- CLASSROOMS AND COLLABORATION SPACE
 - ART AND MUSIC CLASSROOMS
 - LEARNING CENTER
 - GYMNASIUMS AND NATATORIUM
 - THEATER
 - CAFETERIA/ KITCHEN
 - ADMINISTRATION
 - FACILITY SUPPORT

HEIGHT:

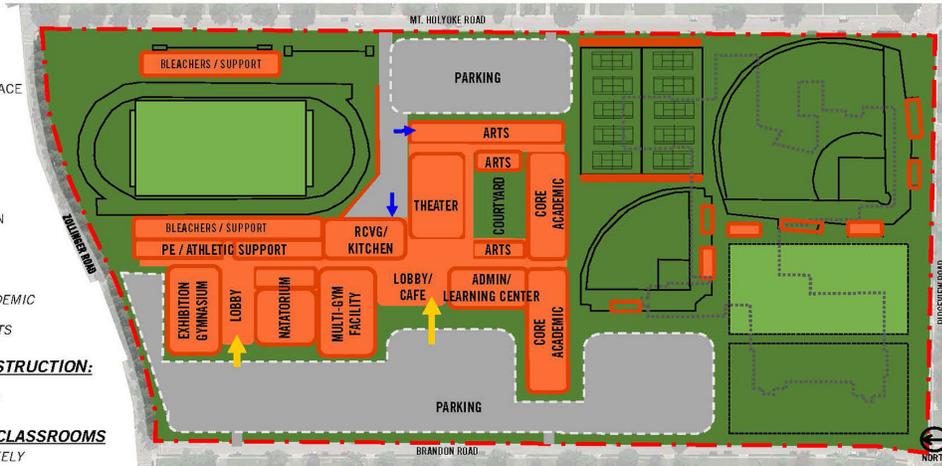
- 4 STORY CORE ACADEMIC
- 2-3 STORIES PE / ATHLETICS / ARTS

DURATION OF CONSTRUCTION:

- TWO YEARS (SITE: THREE YEARS)

USE OF MODULAR CLASSROOMS

(TRAILERS): UNLIKELY



MOODY-NOLAN PERKINS+WILL
hillard jeane Turner

ZOLLINGER ROAD OPTION



**UPPER ARLINGTON HIGH SCHOOL
REBUILD OPTION 2**

*WORKING DRAFT – CONCEPTUAL DIAGRAM
NOT A FINAL DESIGN PLAN
SEPTEMBER 14, 2016*

LEGEND	
	REPAIR
	RENOVATE
	REBUILD
	OUTLINE OF EXISTING BUILDING
	EXISTING TO REMAIN

REBUILD

- INCLUDES NEW AND "RIGHT-SIZED":
- CLASSROOMS AND COLLABORATION SPACE
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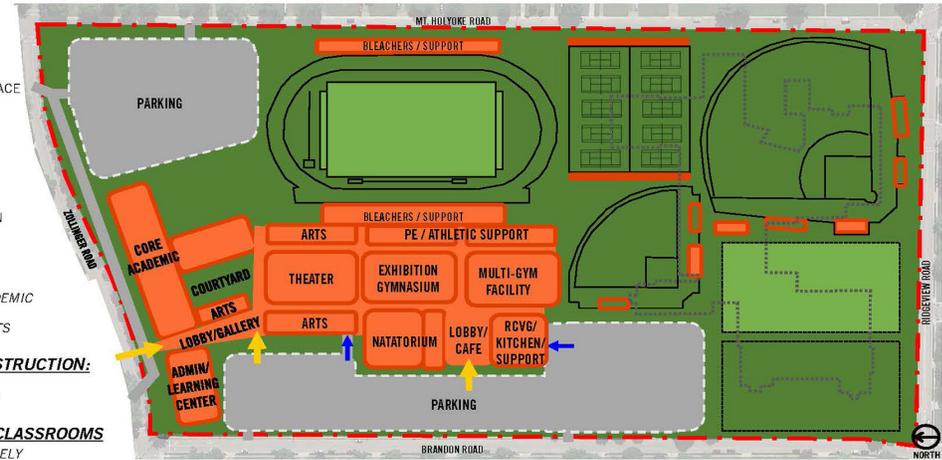
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- TWO YEARS (SITE: THREE YEARS)

USE OF MODULAR CLASSROOMS

(TRAILERS): UNLIKELY



MOODY-NOLAN PERKINS+WILL
hillard jeane Turner



APPENDIX C TAX CHARTS

2017 SCHOOL PROPERTY TAXES

This chart illustrates the residential property tax collected on a county appraised \$100,000 home in 2017 for various school districts in Franklin County. These amounts exclude the state credits – Homestead and Rollback for levies before November 2013.

HILLIARD	\$1,893
OLENTANCY	\$1,834
NEW ALBANY	\$1,830
WESTERVILLE	\$1,812
DUBLIN	\$1,729
WORTHINGTON	\$1,688
REYNOLDSBURG*	\$1,583
COLUMBUS	\$1,578
WHITEHALL	\$1,535
UPPER ARLINGTON	\$1,500
BEXLEY*	\$1,497
SOUTHWESTERN	\$1,433
GRANDVIEW HEIGHTS	\$1,429
PICKERINGTON*	\$1,335
GAHANNA	\$1,321

POTENTIAL CHANGE IN 2017 SCHOOL PROPERTY TAXES (Includes impact of an additional 8.92 mills)

This chart illustrates the residential property tax collected on a county appraised \$100,000 home in 2017 for various school districts in Franklin County. These amounts exclude the state credits – Homestead and Rollback for levies before November 2013.

HILLIARD	\$1,893
OLENTANCY	\$1,834
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UPPER ARLINGTON	\$1,813
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WORTHINGTON	\$1,688
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COLUMBUS	\$1,578
WHITEHALL	\$1,535
BEXLEY*	\$1,497
SOUTHWESTERN	\$1,433
GRANDVIEW HEIGHTS	\$1,429
PICKERINGTON*	\$1,335
GAHANNA	\$1,321