



2022-2023 Financial Update

March 2023

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www.uaschools.org
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Serve, Lead, Succeed



UPPER ARLINGTON BOARD OF EDUCATION

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

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

boe@uaschools.org

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Upper Arlington Schools is a national leader in education due, in large part, to an unprecedented level of partnership with its community. We invite all residents to stay connected with the schools.

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We are pleased to provide you with the 2022-2023 Upper Arlington Schools Financial Update. This document is meant to provide our community with a clear and concise look at the state of the district's finances and the factors that will impact our financial situation in the coming years.

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

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

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

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

Sincerely,

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

FISCAL HIGHLIGHTS

RECOGNITION OF EXCELLENCE



Upper Arlington Schools is **#1 in the state (tie) for the percentage of funding dedicated to classroom instruction** out of approximately 610 public school districts in the state of Ohio.



Upper Arlington Schools has received **the Auditor of State Award for 10 consecutive years** in recognition of our commitment to effective and accountable financial practices for our community.

S&P Global

Upper Arlington Schools continues to be one of a handful of Ohio school districts that has **the highest bond rating — AAA — from S&P Global** in recognition of our strong financial planning and community support. The rating allows districts to obtain lower interest rates when issuing debt, decreasing the costs for our community.



Treasurer/CFO Andrew Geistfeld was named the **2022 Ohio Outstanding Treasurer of the Year** by the Ohio Association of School Business Officials — leading the way among more than 600 school districts across the state.

BOND REFINANCING

Upper Arlington Schools has **successfully managed \$230 million in bond funding for the first phase of the facilities master plan** — ensuring that the community's new high school and five renovated or rebuilt elementary school projects remained on budget and on schedule. Following the grand opening for all new buildings, the district proactively took on a bond refinancing project in April of 2022, netting a gross savings of approximately \$24 million for Upper Arlington taxpayers over the life of those bonds.

FOCUS ON THE STUDENT EXPERIENCE

Upper Arlington Schools is continuing to provide **access to new programming and resources to support the academic and overall success of its students**. Following the completion of all five new and renovated elementary schools for the fall of 2021, Upper Arlington Schools launched a new all-day kindergarten program to better meet the needs of developing learners. In addition, federal COVID-19 relief funding through the Elementary and Secondary School Emergency Relief Fund (ESSER) has supported additional opportunities such as the district's Online Academy and the academic, well-being and enrichment programming available through Summer Academy.



COMMITMENT TO CONTINUOUS IMPROVEMENT

In 2022, the Upper Arlington Board of Education launched **the Listen Learn Lead process, a system for ongoing community engagement** — to *listen* to all voices, *learn* from what was heard and use the community's feedback to *lead* the district to an even brighter future. Based on the themes that arose from the Listen Learn Lead feedback opportunities, the district is implementing a series of recommendations involving financial accountability, student engagement and enhanced communications.

WHERE THE MONEY COMES FROM

Total revenues/resources decreased approximately 1% in fiscal year 2022 (July 2021 to June 2022). In FY2022, the state adopted a new funding formula, the Fair School Funding Formula (FSFP). One of the changes in FSFP was to distribute funds based on where students are educated versus their district of residence. This change eliminated a gross up of revenue and expense of approximately \$1 million due to residents attending other districts (i.e. charter schools, stem schools, etc.). The overall net impact of FSFP on the bottom line was minimal. The decrease in transfers/advances from other funds is a direct result of advances to other funds in the previous fiscal year.

Total expenditures and services provided increased 2.15% in FY2022. The major driver of this increase was staffing and related benefits. Contracts with both employee unions included increases in base compensation from 2% to 2.75%. A portion of this increase was offset by the elimination of the expense gross up, discussed above, related to the adoption of the new state funding formula. Additionally, fewer non-teaching staff vacancies existed in FY2022 compared to the previous two years of COVID impact. The decrease in transfers/advances to other funds is a direct result of timing of grant reimbursements and donations which allowed for fewer advances at year-end.

RESOURCES TAKEN IN IN THOUSANDS OF DOLLARS

	FY22	FY21**	FY20
LOCAL TAXES*	84,753	84,316	82,693
STATE SUPPORT	12,721	13,252	12,826
INVESTMENT INCOME	423	758	1,993
TUITION AND FEES	343	324	239
OTHER REVENUE	342	158	628
TRANSFERS/ADVANCES FROM OTHER FUNDS	1,465	2,213	139
TOTAL REVENUES/ RESOURCES	100,047	101,021	98,518

SERVICES PROVIDED IN THOUSANDS OF DOLLARS

	FY22	FY21	FY20
INSTRUCTION	65,562	64,005	61,912
PUPIL SUPPORT	8,204	7,589	7,470
INSTRUCTIONAL STAFF SUPPORT	4,844	4,910	4,716
ADMINISTRATION	6,885	6,862	6,268
BUSINESS SUPPORT/ FINANCIAL	3,071	2,909	2,821
OPERATION AND MAINTENANCE	7,885	7,267	7,030
TRANSPORTATION	1,843	1,893	1,870
CENTRAL SUPPORT	1,920	1,451	1,601
OTHER	1,549	1,514	1,527
TRANSFERS/ADVANCES TO OTHER FUNDS	2,059	3,124	2,271
TOTAL EXPENDITURES/ SERVICES PROVIDED	103,822	101,524	97,486

RESOURCES OVER (UNDER) EXPENDITURES IN THOUSANDS OF DOLLARS

	FY22	FY21	FY20
	(-3,775)	(-503)	1,032

* Tax incremental financing collections are included with local taxes.

** Items reclassified to be consistent with FY22.

WHERE THE MONEY COMES FROM

GENERAL FUND REVENUE

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

The district received the majority of its revenue — 85% — from local property taxes. The burden on local taxpayers is likely to grow as state aid is expected to remain steady. Approximately 90% of property taxes are generated from residential property as the district has relatively little commercial property. The district does not receive any local income tax.

LOCAL PROPERTY TAXES

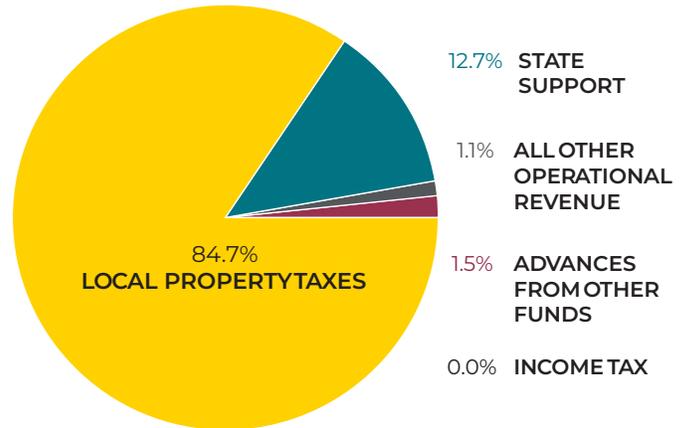
This graph shows the amount of cash collections received by the district from real and personal property taxes. Property taxes provide a majority of the local revenue to operate and maintain our schools. The district accounts for these collections in three funds.

GENERAL FUND (OPERATING LEVY): Tax dollars are received by the district for day-to-day operations, which primarily entail employee salaries and benefits. The fluctuation between FY18 and FY19 was due to the timing of tax payments.

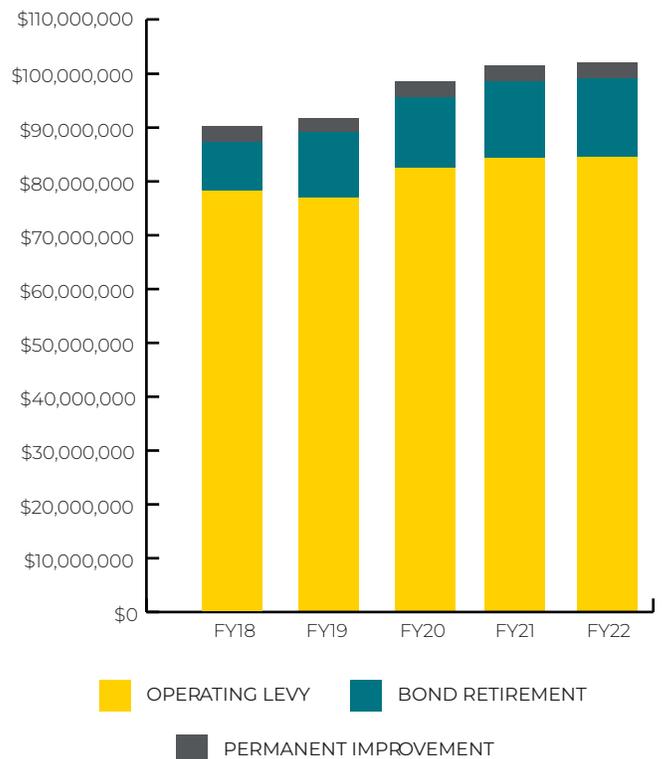
BOND RETIREMENT: Tax dollars are received for the payment of principal and interest on voter-approved bond issues related to renovation/ construction of buildings. Bond millage rates are set by the county auditor to generate sufficient revenue to pay the principal and interest on outstanding bonds. The increase is due to tax collection related to the \$230 million bond issue in January 2018. See Page 11 for more details.

PERMANENT IMPROVEMENT: Tax dollars are received by the district and can be used only for repairs, improvements to buildings and grounds, technology, vehicles, textbooks, and other capital assets with a useful life of five years or more. These funds cannot be used for employee salaries and benefits. See Page 10 for details.

GENERAL FUND REVENUE FY 2022



PROPERTY TAX REVENUE THE THREE DISTRICT FUNDS



WHERE THE MONEY COMES FROM

STATE SUPPORT (GENERAL FUND)

State sources of revenue generated \$12,721,000, or 13%, of all general fund revenues. Because of a relatively high property valuation and income per pupil, as well as other demographic figures, the district is considered wealthy and receives much less than the state average. In fact, private schools received more in state support per pupil compared with the district. District leaders continue to advocate for raising our state support to the same amount a private school receives.

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

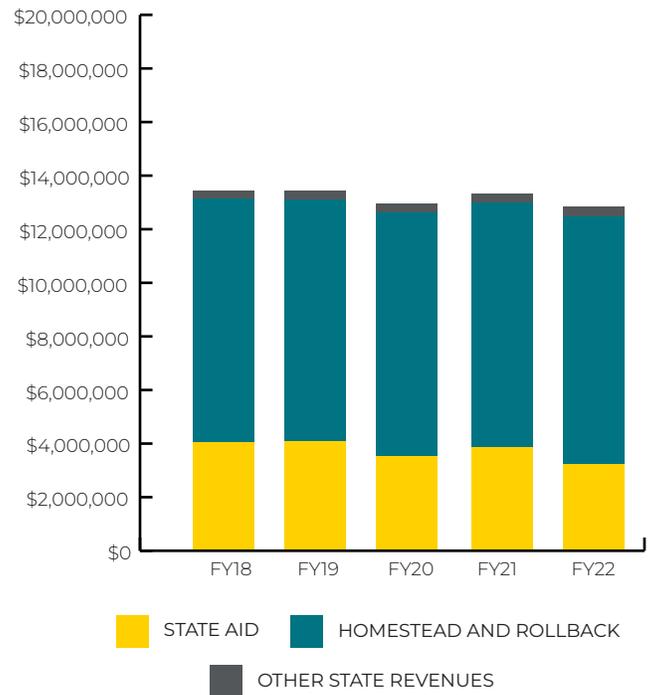
A portion (\$3,164,000) of the district's state support comes from State Aid, which in most years is a formula calculation based mostly on student enrollment. However, because the district would lose money if its funding was calculated on this formula, the state guarantees the district the same amount it received the previous year. A new funding formula was implemented by the State of Ohio for FY22, which is driven by a base cost methodology that incorporates components identified as necessary to the education process. This formula changed how funding is distributed so that it is based on where students are educated versus their district of residence. As noted previously, the new state funding formula eliminated a gross-up of revenue and expenditures, resulting in the State Aid decrease in FY22.

The majority of state support (approximately \$9,164,000) derives from Homestead and Rollback payments, which represent the portion of the local tax bill paid by the state instead of the local taxpayer.

CASINO REVENUE

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

STATE SOURCES OF REVENUE FIVE-YEAR COMPARISON



CASINO REVENUE VERSUS TOTAL REVENUE

CASINO REVENUE	FY20	FY21	FY22
	\$337,000	\$266,000	\$393,000

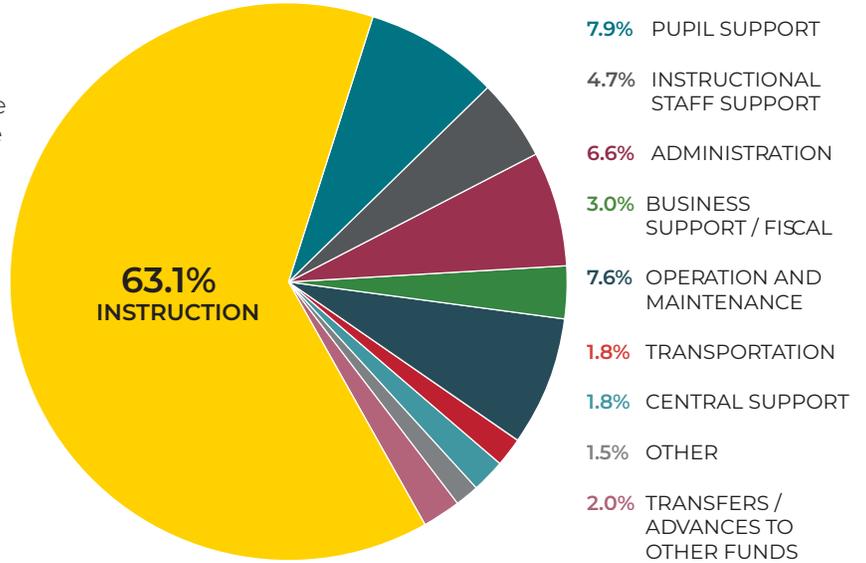
PERCENTAGE OF TOTAL REVENUE/ RESOURCES	FY20	FY21	FY22
	0.3%	0.3%	0.3%

WHERE THE MONEY GOES

EXPENDITURES AND SERVICES (GENERAL FUND) FOR FY 2022

INSTRUCTION

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



PUPIL SUPPORT

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

INSTRUCTIONAL STAFF SUPPORT

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

ADMINISTRATION

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

BUSINESS SUPPORT / FISCAL

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

OPERATION AND MAINTENANCE

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

TRANSPORTATION

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

CENTRAL SUPPORT

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

OTHER

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

TRANSFERS/ADVANCES

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



TAX RATES AND VALUATION

All tax rates for the district, except inside millage and bond retirement, are reduced as property valuations increase. In accordance with House Bill 920, as property valuations increase during the triennial update and reappraisal periods, the voted millage is reduced to generate the same amount of tax revenue for the district as was received when each levy was initially approved by the voters. The chart below illustrates the difference between the district's gross, or voted, tax rates and the effective rate, or the amount that is being collected for residential properties. The rates below are for the 2022 tax year collected in calendar year 2023.

UNBUNDLING THE TAX RATE 2023 COLLECTION YEAR

	GROSS RATE	EFFECTIVE RATE	YEAR APPROVED	LENGTH APPROVED
INSIDE OPERATING*	5.65 MILLS	5.65 MILLS	N/A	PERMANENT
VOTED OPERATING	107.11 MILLS	39.53 MILLS	VARIOUS	PERMANENT
PERMANENT IMPROVEMENT	2.0 MILLS	1.41 MILLS	2007	PERMANENT
BOND RETIREMENT	6.5 MILLS	6.5 MILLS	VARIOUS	VARIOUS
TOTAL RATE	121.26 MILLS	53.09 MILLS	—	—

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

Source: Franklin County Auditor

ASSESSED VALUATION A YEAR-OVER-YEAR COMPARISON

COLLECTION YEAR	RESIDENTIAL	COMMERCIAL	PUBLIC UTILITY	TOTAL
2023	\$2,142,430,500	\$178,291,730	\$35,529,580	\$2,356,251,810
2022	\$2,129,321,590	\$183,166,090	\$33,759,250	\$2,346,246,930
2021	\$2,112,763,320	\$167,126,010	\$31,930,290	\$2,311,819,620
2020	\$1,780,400,940	\$138,290,130	\$29,552,740	\$1,948,243,810
2019	\$1,770,205,240	\$139,692,830	\$28,203,640	\$1,938,101,710
2018	\$1,770,534,840	\$146,465,390	\$26,122,100	\$1,943,122,330
2017	\$1,572,002,900	\$130,772,140	\$25,476,890	\$1,728,251,930
2016	\$1,563,721,350	\$130,320,970	\$25,127,720	\$1,719,170,040
2015	\$1,552,365,800	\$141,855,270	\$25,444,440	\$1,719,665,510
2014	\$1,423,681,260	\$126,625,020	\$24,361,790	\$1,574,668,070

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

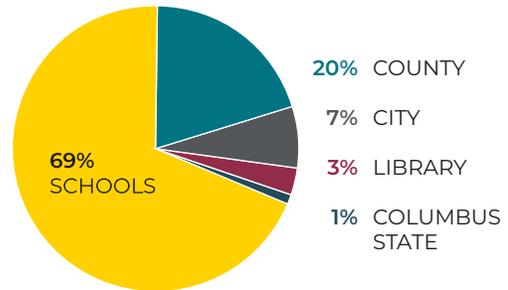
Source: Franklin County Auditor

PROPERTY TAX

Shown below are the 2023 collection year amounts generated from an Upper Arlington home that the county auditor appraised at \$100,000. The pie chart represents the percentage of each dollar going to each taxing entity. The approximate total of \$2,683 is the annual amount a \$100,000 home would generate in taxes. These amounts, which are rounded to the nearest dollar, include the portion the state pays directly for state credits such as Homestead (owner-occupied) and Rollback for levies passed before November 2013.

2023 APPROXIMATE ANNUAL COST PER \$100,000 IN HOME VALUE

SCHOOLS	\$1,858
COUNTY	\$528
CITY	\$197
LIBRARY	\$84
COLUMBUS STATE	\$16
TOTAL	\$2,683



2023 SCHOOL PROPERTY TAX RATES

HOW UPPER ARLINGTON COMPARES WITH OTHER LOCAL DISTRICTS

This chart illustrates the residential property tax collected in 2023 on a county-appraised \$100,000 home for various school districts in Franklin County. These amounts, which are rounded to the nearest dollar, include the portion the state pays directly for state credits such as Homestead (owner-occupied) and Rollback for levies passed before November 2013.

BEXLEY*	\$2,201
WORTHINGTON	\$2,089
OLENTANGY	\$1,967
UPPER ARLINGTON	\$1,858
WESTERVILLE	\$1,799
NEW ALBANY	\$1,731
DUBLIN	\$1,727
GAHANNA	\$1,629
HILLIARD	\$1,622
REYNOLDSBURG*	\$1,571
PICKERINGTON*	\$1,455
WHITEHALL	\$1,407
COLUMBUS	\$1,312
SOUTHWESTERN	\$1,251
GRANDVIEW HEIGHTS	\$1,238
GROVEPORT	\$1,181

* The district's school income tax collection was converted into mills by dividing calendar year 2022 gross income tax distribution by tax year 2022 total property tax valuation and multiplying by 1,000. Information was obtained from the Ohio Department of Taxation website. School district income tax rates are the following: Bexley (.75%), Pickerington (1%) and Reynoldsburg (.5%).

PERMANENT IMPROVEMENT FUND

In November of 2007, Upper Arlington voters approved a 6.2-mill combined operating levy and permanent improvement levy, with 2.0 mills (currently collected at 1.41 mills), or approximately \$3,000,000 per year, in permanent improvement revenue. The permanent improvement levy has allowed the district to dedicate funds specifically to repair, maintain and upgrade its buildings; purchase educational resources and textbooks; and purchase vehicles and technology equipment — all vital in meeting the needs of our students. These funds cannot be used for employee salaries, day-to-day operations or consumables.

ACCUMULATED EXPENDITURES FY 2009 - FY 2022



BUILDINGS AND GROUNDS

\$33,373,000

These funds have addressed immediate space needs of the district at all levels and immediate concerns related to keeping the district's school facilities safe, dry and secure (renovation of entrances, patching of roofs, HVAC improvements, ADA enhancements, parking lot updates, renovation of athletic venues, maintenance / custodial equipment, and other projects).



TECHNOLOGY AND RESOURCES

\$11,152,000

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



VEHICLES

\$2,192,000

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

DEBT

BOND RATINGS

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

OUTSTANDING BONDS AND BOND ANTICIPATION NOTES

The Debt Service Fund accounts for the accumulation of resources for and the payment of debt principal and interest. Revenues from this fund are generated from local sources in the form of property taxes. Outstanding as of December 31, 2022, is approximately \$203,944,900 in bonds. The outstanding bonds relate to the bond levy approved by voters in November 2017 and with the original issue of \$230,000,000. In 2022, \$73,500,000 of these bonds were refinanced for a \$24,200,000 gross savings (interest and principal) over the life of these bonds.

LEASES

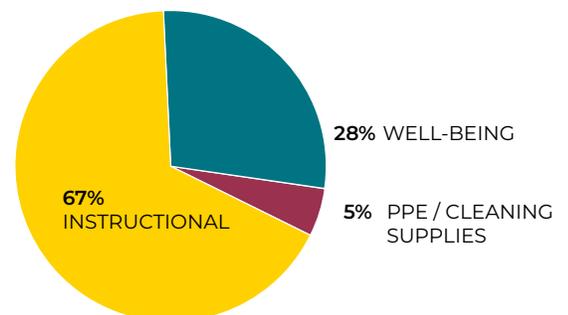
The district entered into a four-year lease in 2022 for the purchase of technology devices related to its one-to-one technology initiative. As of December 31, 2022, the total outstanding lease amount is approximately \$1,093,440 in principal.

FIVE-YEAR FORECAST

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

COVID-19 (ESSER) FUNDING

Since March of 2020, Upper Arlington Schools has been allocated approximately \$6,200,000 in federal grant funding to prepare, prevent and respond to COVID-19. The majority of the actual and future costs, approximately \$5,000,000 through fiscal year 2024, has been allotted toward expenses that directly impact student instruction. This includes costs associated with the district's Summer Academy programming, the UA Online Academy and professional development for the district's new and totally personalized student support system, the Multi-Tiered System of Support (MTSS).



EFFICIENCY AND FUTURE FOCUS



Upper Arlington Schools is committed to being a good steward of our community’s investment in our schools. We remain focused on the responsible use of taxpayer dollars by continually seeking out cost efficiencies through local and national purchasing consortiums and other options that do not have an impact on the day-to-day student experience. This is crucial to ensuring that the majority of our budget continues going to what matters most — the instruction and support of our students. Below are some examples of how the district has taken steps over the years to reduce costs.



WORKERS’ COMPENSATION AND MEDICAL INSURANCE

The most significant source of savings, over time, has been the shift to self-funded workers’ compensation and medical insurance plans, which allow the district to pay the cost of each claim out of pocket, as it is incurred, instead of paying a fixed premium to an insurance carrier.



ELECTRIC AND GAS SERVICES

Upper Arlington Schools is part of a utility consortium with nearly 200 other school districts for electric and gas services. In June 2022, the consortium negotiated an agreement with Direct Energy/NRG that will continue to net additional savings for the Upper Arlington school district.



TRASH AND RECYCLING

In addition to utilizing a cost-saving consortium for trash services through the Solid Waste Authority of Central Ohio (SWACO), Upper Arlington Schools is partnering with SWACO on a school recycling pilot project, with the goal of it becoming a model for other school districts in the Columbus area and reducing the amount of trash going to the landfill.



FURNITURE AND BUILDING SYSTEMS

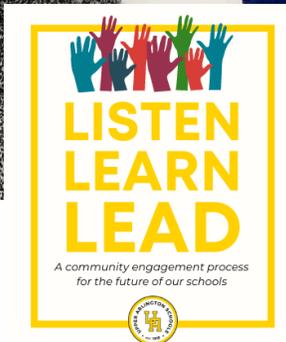
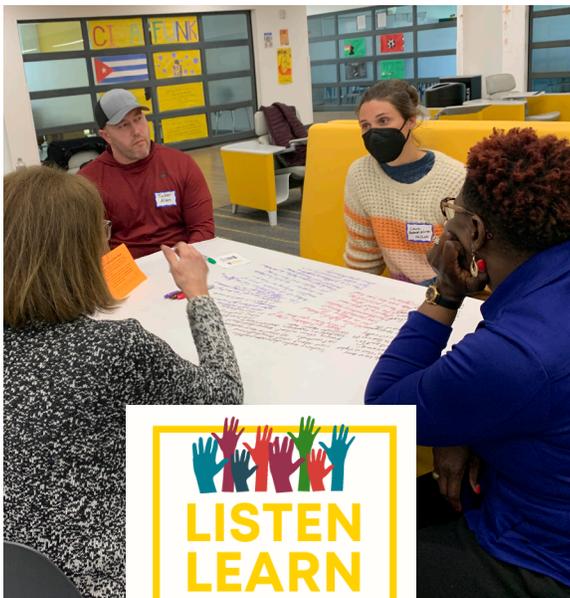
While preparing for the new and renovated building projects, Upper Arlington Schools chose to purchase standardized furniture, mechanical, electrical and HVAC systems in all new buildings, which contributes to cost savings upfront and in the future.

EFFICIENCY AND FUTURE FOCUS

ISSUE 5 IMPACT

The new five year forecast reflects a significant shift in the immediate financial outlook for the district, and that is due to the passage of Issue 5 on the November 8, 2022, ballot. Because additional operating funding will be coming into the district beginning in 2023, the new forecast now shows the district in a stable financial position over the next few years. It's important to note that the new forecast does reflect the typical levy cycle of a suburban school district like Upper Arlington.

In Upper Arlington, approximately 96 percent of district revenues are fixed, with little or no room for growth. A major factor in this is House Bill 920, a state law passed in the 1970s. House Bill 920 ensures that voted operating levies do not grow as property values increase. In fact, as property values increase, tax rates actually decrease for homeowners, so the district gets about the same amount of money. Generally speaking, because of House Bill 920, the only way school districts see an increase in property tax revenue related to operating levies is when voters approve a new operating levy. That is why suburban school districts like Upper Arlington return to voters every three to five years in order to keep up with inflation and maintain the current level of school operations.



LISTEN LEARN LEAD

In 2022, the Upper Arlington Board of Education launched the Listen Learn Lead process, a system for ongoing community engagement — to listen to all voices, learn from what was heard and use the community's feedback to lead the district to an even brighter future. In the financial area, there was strong support from adult stakeholders for continuing or expanding the amount of opportunities and programs for students and providing ongoing transparency about financial decisions.

Based on the themes that emerged from the Listen Learn Lead feedback opportunities in the spring of 2022, Upper Arlington Schools is in the process of implementing three recommendations involving finances.

- Re-establish a treasurer financial advisory committee made up of community members.
- Increase awareness of this Annual Financial Update and other financial documents.
- Increase awareness of the district's efficiency efforts.

CAPITAL PROJECT RESERVE FUND

Responsible planning for future financial needs is a crucial part of the district's commitment to being a good steward of the community's investment in its schools. With that commitment in mind, the Board of Education has approved moving forward with a capital project reserve fund to proactively plan for eventual replacement needs for district facilities such as new HVAC systems, roofs, or a turf field once it has reached its expected lifespan. This had been discussed during the facilities master planning process, and it will not impact the district's general fund. Beginning with the 2022-2023 fiscal year, the district will set aside \$750,000 annually in permanent improvement funding for the capital project reserve fund.



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