

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 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Revenue:								
1.010 - General Property Tax (Real Estate)	67,512,299			72,466,817	75,977,259	76,297,287	76,820,261	77,310,807
1.020 - Public Utility Personal Property	2,517,325	67,328,326	68,856,634	2,682,895	2,750,988	2,723,478	2,696,243	2,669,281
1.035 - Unrestricted Grants-in-Aid	4,103,875			4,128,624				
1.040 - Restricted Grants-in-Aid	109,798	2,581,464	2,582,307	39,514	39,514	39,514	39,514	39,514
1.050 - Property Tax Allocation	8,954,959	4,037,269	4,140,220	9,066,530	4,135,167	4,140,416	9,288,800	4,150,935
1.060 - All Other Operating Revenues	2,417,810	8,955,922	8,955,922	2,527,500	2,393,500	2,193,500	2,118,500	2,193,500
1.070 - Total Revenue	85,616,066	86,094,571	87,810,421	90,911,880	94,473,864	94,615,212	95,108,685	95,720,299
Other Financing Sources:								
2.040 - Transfers-In	1,165,304	-	-	-	-	-	-	-
2.050 - Advances-In	388,058	69,656		83,634	85,000	85,000	85,000	85,000
2.060 - All Other Financing Sources	20,959	111,098		20,000	20,000	20,000	20,000	20,000
2.070 - Total Other Financing Sources			177,524	103,634	105,000	105,000	105,000	105,000
2.080 - Total Revenues and Other Financing Sources	87,190,387	86,275,225	87,781,631	91,015,514	94,578,864	94,720,212	95,213,685	95,825,299
Expenditures:								
3.010 - Personnel Services	50,789,646	50,476,460	197,760	53,562,000	55,387,000	57,555,000	59,595,000	61,646,000
3.020 - Employees' Retirement/Insurance Benefits	16,764,430	17,521,436	50,868,565	19,055,000	20,038,400	21,230,000	22,500,000	23,800,000
3.030 - Purchased Services	9,715,280	10,174,662	18,389,255	12,022,462	12,377,960	12,907,160	13,417,399	13,902,199
3.040 - Supplies and Materials	2,020,058	2,108,409	11,391,740	2,281,624	2,354,602	2,429,902	2,507,902	2,588,702
3.050 - Capital Outlay	442,816	320,737		39,525	322,400	135,600	135,800	136,000
4.300 - Other Objects	913,191	1,235,473	1,853,599	1,378,489	1,409,599	1,441,499	1,474,199	1,507,899
4.500 - Total Expenditures	80,645,421	81,837,177	83,926,044	88,339,101	91,889,962	95,699,162	99,630,301	103,580,801
Other Financing Uses								
5.010 - Operating Transfers-Out	3,618,801	408,366		85,000	90,000	95,000	100,000	105,000
5.020 - Advances-Out	69,656	184,473		85,000	85,000	85,000	85,000	85,000
5.030 - All Other Financing Uses	121	-		10,000	10,000	10,000	10,000	10,000
5.040 - Total Other Financing Uses	3,688,578	592,839	78,350	180,000	185,000	190,000	195,000	200,000
5.050 - Total Expenditures and Other Financing Uses	84,333,999	82,430,016	83,840,828	88,519,101	92,074,962	95,889,162	99,825,301	103,780,801
6.010 - Expenditures and Other Financing Uses	2,856,388	3,845,309	3,693,603	2,496,413	2,503,903	(1,168,950)	(4,611,616)	(7,955,502)
Excess of Rev & Other Financing Uses Over (Under)								
7.010 - Replacement and New Levies	32,754,318	35,610,706		43,149,618	45,646,031	48,149,934	46,980,984	42,369,368
7.020 - Cash Balance June 30	35,610,706	39,456,015	39,456,015	45,646,031	48,149,934	46,980,984	42,369,368	34,413,866
8.010 - Estimated Encumbrances June 30	1,158,640	820,052		825,000	850,000	875,000	900,000	925,000
Reservations of Fund Balance:								
9.030 - Budget Reserve	20,161,355	20,459,294	770,412	22,085,000	22,972,000	23,925,000	24,908,000	25,895,000
15.010 - Unreserved Fund Balance June 30	14,290,711	18,176,669	20,215,195	22,736,031	24,327,934	22,180,984	16,561,368	7,593,866

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

OVERVIEW

The Five-Year Forecast (Forecast) is required to be completed twice a year (October & May) for the General Fund and submitted to the Ohio Department of Education. Assumptions contained in this Forecast are based on information that is deemed the best available as of the time of preparation. Actual amounts may differ significantly from those contained in the Forecast. All school districts in the state of Ohio report on a fiscal year. A fiscal year (FY) begins July 1st and ends June 30th. For example FY14 begins July 1, 2013 and ends June 30, 2014. This Forecast includes the general operating fund of the District, called the General Fund.

Enrollment

Annually, the District contracts with a third party to complete enrollment projections. For the third consecutive year, the enrollment projections indicate more than a 10% increase in enrollment ten years out. The third party is currently preparing their Fall annual enrollment projections. This enrollment growth will impact future staffing and space needs of the District (see notes Line 3.01 – Personnel Services for more details).

	Actual FY16	Actual FY17	Projected FY18	Projected FY19	Projected FY20	Projected FY21	Projected FY22
K-5	2,692	2,752	2,819	2,845	2,909	2,968	3,015
6-8	1,407	1,416	1,424	1,444	1,494	1,516	1,523
9-12	1,819	1,820	1,882	1,893	1,870	1,927	1,961
Total	5,918	5,988	6,125	6,182	6,273	6,411	6,499

Source: Enrollment obtained from "Enrollment Projections Report" dated October 2017 – Planning Advocates

Levy

In November 2012, the District’s 5.8 mil operating levy was defeated, which was the first levy defeat in approximately 20 years. This failure resulted in approximately \$3 million of budget cuts/cost avoidance starting in FY14.

In November 2013, the District’s residents approved a 4.0 mil operating levy. Revenue collection related to this levy started in calendar year 2014, impacting the second half of FY14. The 4.0 mil levy generates approximately \$6.2 million annually.

In November 2017, the District’s residents approved a 3.75 mil operating levy and a \$230 million bond for replacement/renovation of six of its educational buildings. The revenue related to the bond is not included in this forecast as it is not reported in the general fund but rather a capital project fund. The 3.75 mil levy generates approximately \$6.5 million annually, impacting the second half of FY18.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Biennium Budget

A new school funding formula was introduced in HB59 which started in FY14. This funding formula had little impact on the District during FY14 and FY15. The formula included a “guarantee” that allowed districts to receive at least the same GROSS funding as they received in FY13.

HB 64 was passed in June 2015 and impacts FY16 and FY17. This House Bill continued the concept of the “Transitional Aid Guarantee” (Guarantee). This District continues to be on the Guarantee through this biennium budget; thus, no material change in state funding is expected during these years.

The State’s Legislature and the Governor’s Office approved the FY18/FY19 biennium budget in June 2017. As in past biennium budgets the District continues to be on a “guarantee”, receiving the same amount of funding as in prior years.

College Credit Plus (CCP)

CCP is a State Program that was required to be implemented by all school districts in FY16. This Program required districts to work with institutions of higher education (IHE) to create 15 and 30 semester hour pathways for students to obtain college credit in high school. Costs of these programs will vary based on participation and contracts with IHEs. The District experienced a 200% increase (or \$53,000) in FY17 and estimates a range of 10% to 27% increases in future years. This program has the potential to grow exponentially.

Budget Stabilization

During the November 2013 levy, the administration recommended to the Board of Education to continue the informal practice of maintaining three months of expenditures as a cash reserve. The intent of this reserve is to help stabilize the budget for unanticipated events. The Board formally adopted this practice into policy on May 10, 2016. Additional details of this budget stabilization reserve are included in note Line 9.03 – Budget Reserve.

Digital Conversion

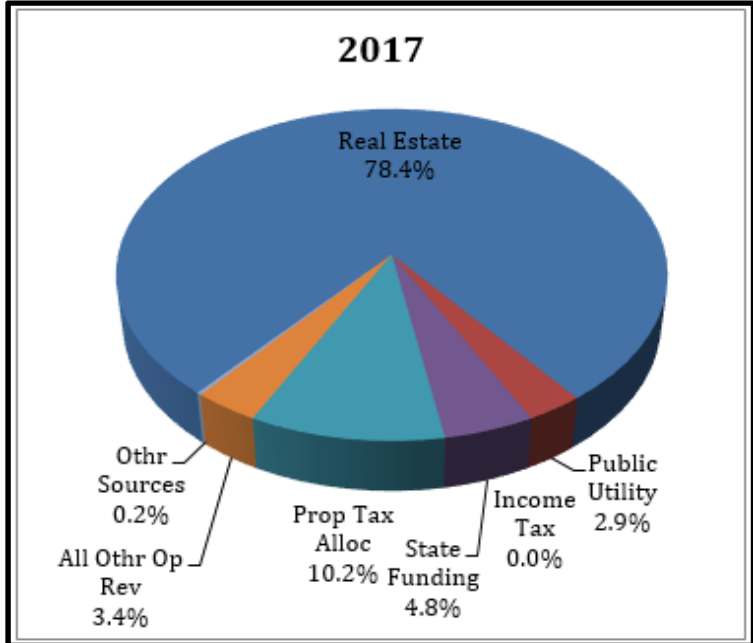
As part of the District’s personalization goal in its strategic plan, the District implemented a plan for students to have direct one-to-one access to a technological device that appropriately supports and maximizes their learning. The implementation for secondary students occurred in FY16 and had minimal impact on this forecast, as lease payments will not be paid out of the general fund. However, in FY17 the District implemented this plan for elementary students. The lease payments for these technological devices are paid out of the general fund through a reallocation of current funds (see notes Line 3.03 – Purchased Services, Line 3.04 Supplies and Materials and Line 3.05 – Capital Outlay).

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

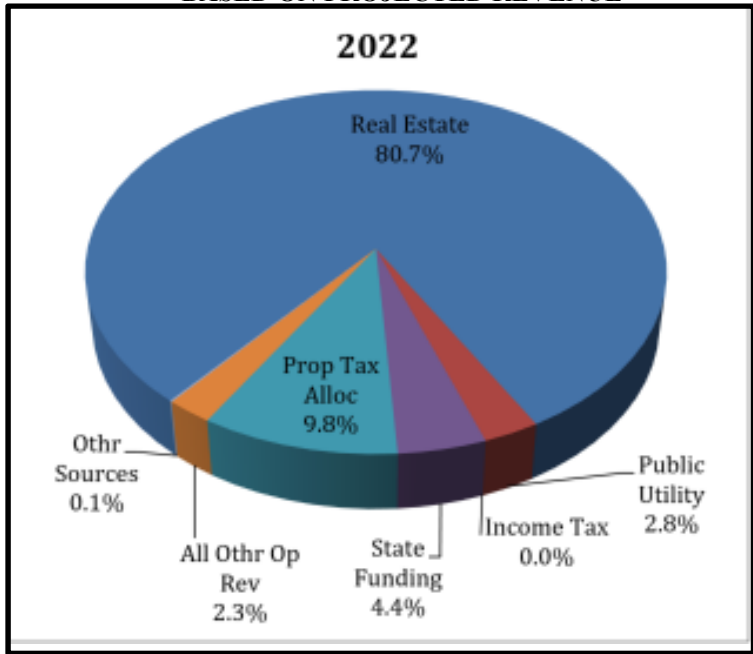
REVENUE

The graphs below illustrate the allocation of actual revenue amounts between categories for FY17 and the projected allocation between revenue categories for FY22 based on forecasted amounts.

BASED ON ACTUAL REVENUE



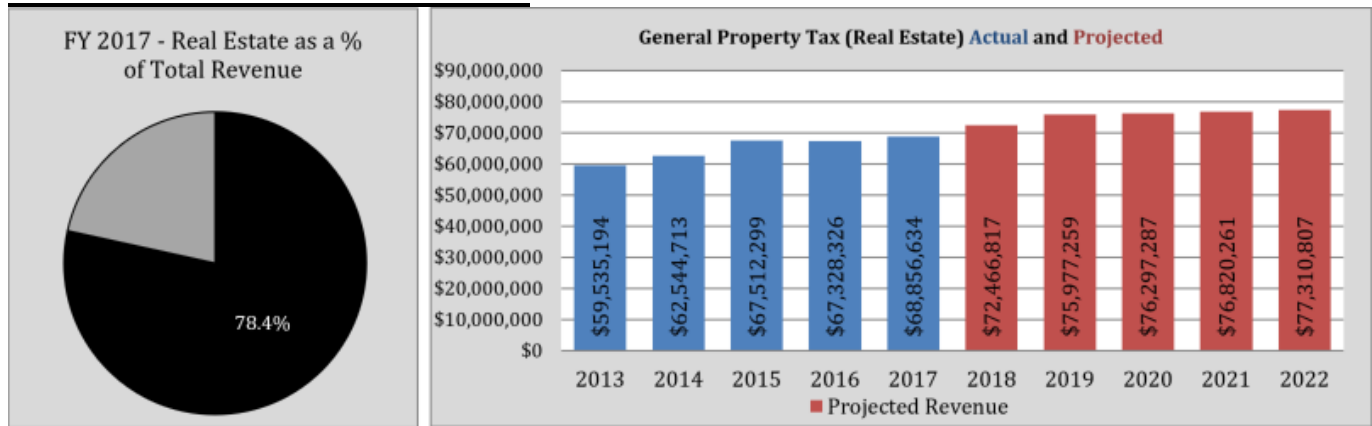
BASED ON PROJECTED REVENUE



See detail notes on revenue categories on pages 4-10.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 1.010 – Real Estate Tax



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

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

Levies

As mentioned previously, the District’s residents approved a 3.75 mill new operating levy in November 2017. This levy generates an additional \$6.5 million annually. Revenue collection for this levy start in calendar year 2018; thus, approximately half the collection amount was recorded in FY18 and a full year of collection was reported in FY19.

New Construction

The District is landlocked with very few vacant lots; thus, the majority of residential new construction, which is minimal, consists mostly of remodeling existing homes. Residential new construction has resulted in assessed valuation increasing between 0.30% and 1.28% since 2002. Residential new construction increased assessed valuation by .5% in calendar year 2018 and 2017. Assessed valuation is projected to increase by .5% in calendar years 2019-2022. New construction of .5% generates approximately \$322,000 of additional revenue in calendar year 2018 (includes the State’s amount for homestead and rollback).

Appraisals

The County Auditor performs appraisals every three years. The latest appraisal by the county was conducted in the fall of 2017 and resulted in a 12.1% increase in total residential valuation for calendar year 2018. The previous appraisal occurred in calendar year 2015 which impacted fiscal years 2015 and 2016. The 2015 appraisal resulted in a residential valuation increase of 7.77%.

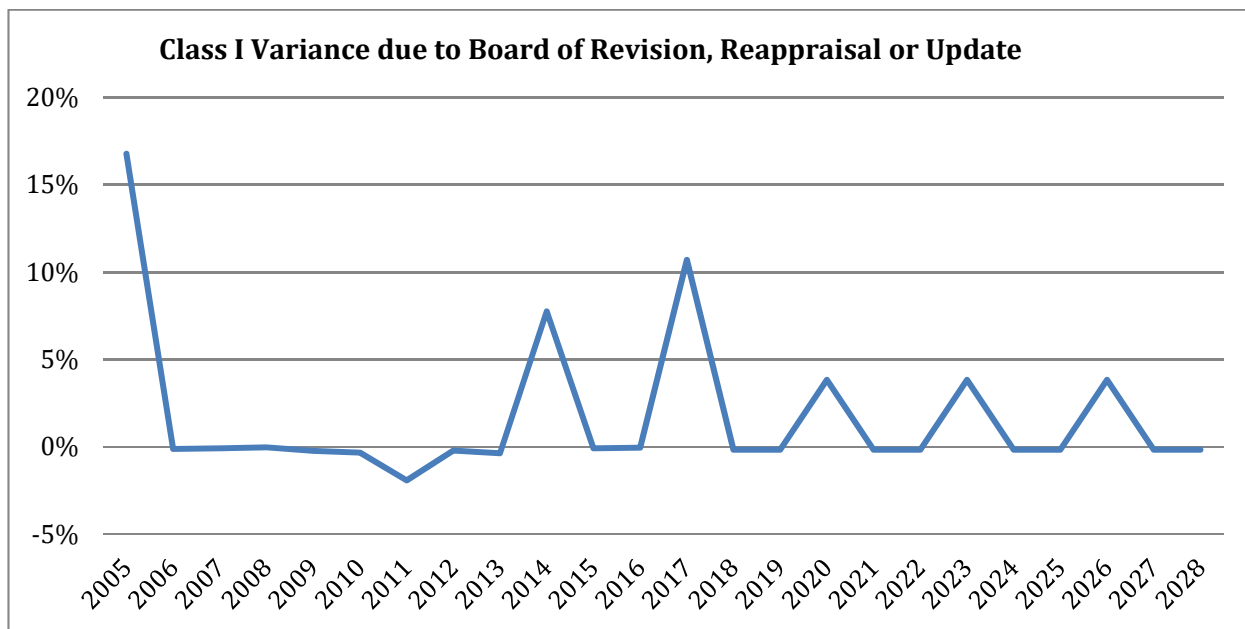
Due to the number of valuation challenges filed by homeowners requesting decreases in valuation throughout the years, the District’s valuation is projected to decrease by .15% during non-appraisal years. See the “Class I Variance Graph” for past fluctuations and future projections on appraisals.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 1.010 – Real Estate Tax, continued

Overall, Upper Arlington maintained its property values during challenging economic times. However, it is important to realize that increased or decreased valuation due to the appraisal process has little impact on District’s revenue due to HB 920. In its simplest form, HB 920 means as district valuation increases, most tax rates decrease (or vice versa) so districts receive the same revenue as the year before. The only exception to this rule is something called “inside millage” which is not reduced or increased. The inside millage rate was set decades ago. For Upper Arlington, the inside millage rate is 5.65 mills. As valuations increase the district receives additional revenue generated from inside mills and as valuations decrease the district loses revenue. The estimated impact of a 12% increase in valuation due to the reappraisal in calendar year 2018 is approximately \$1,000,000 (includes the State’s amount for homestead and rollback), not a 12% increase in total residential tax revenue.

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



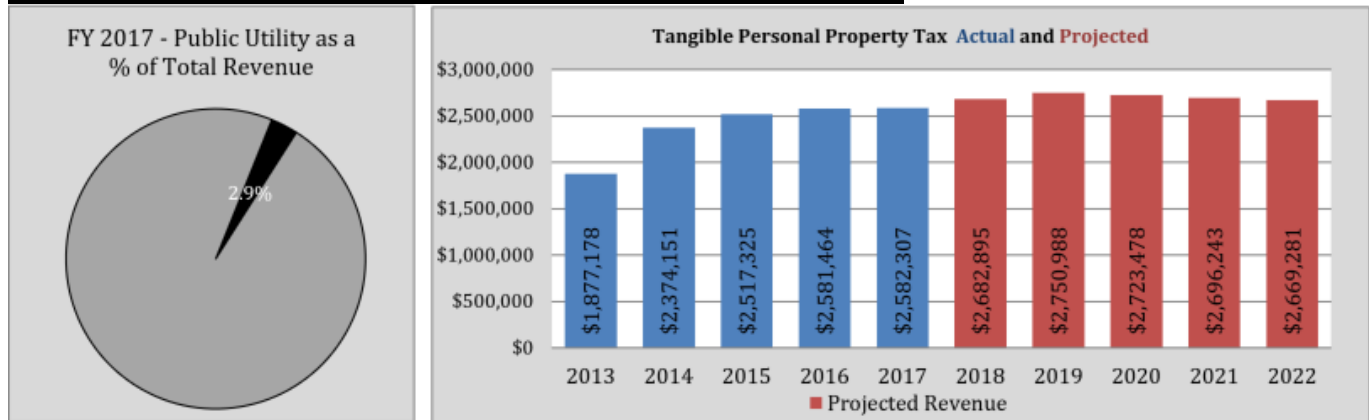
*Tax Years 2005-2016 are actual percentages and 2017-2028 are projections.

Other

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.

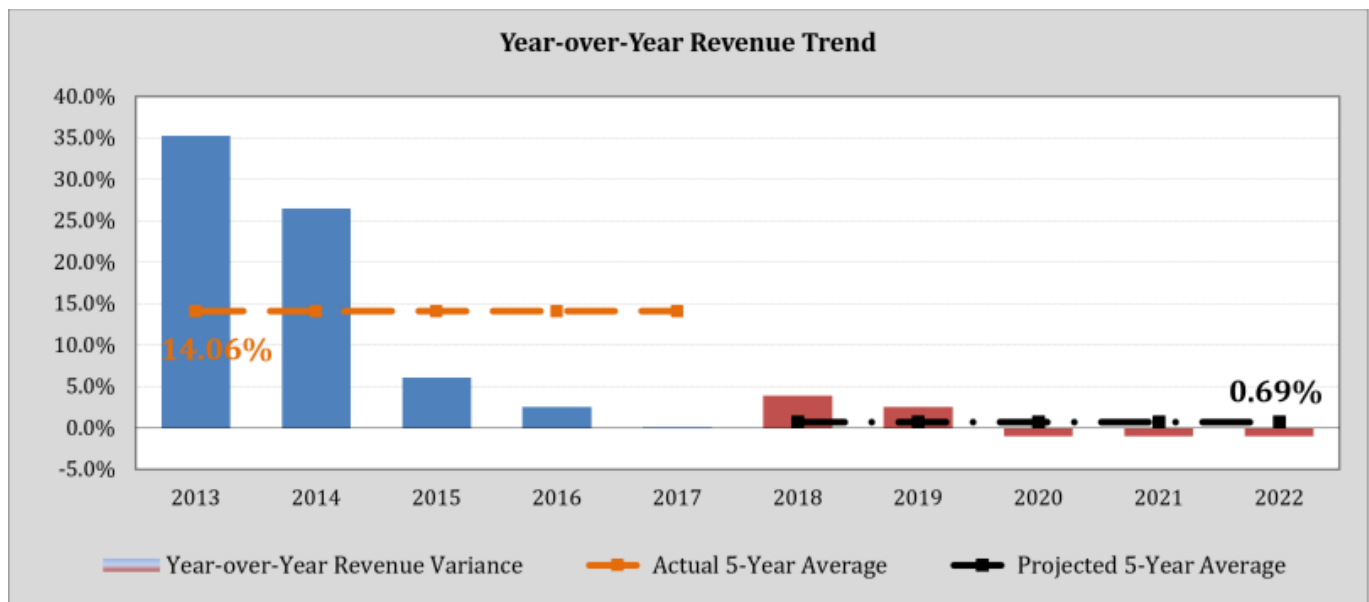
UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Lines 1.02 – Public Utility Personal Property Tax



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

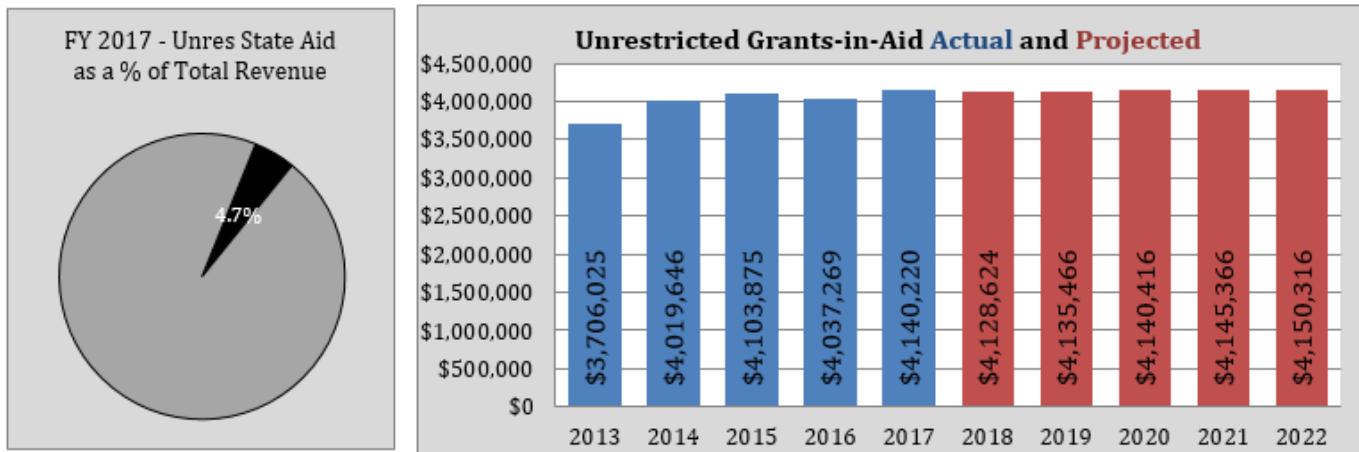
In FY13 and forward, the only amounts reported in line 1.02 are revenue related to public utility personal property tax (PUPPT) and delinquent PPT payments related to prior years. Utility companies continue to lobby for a decrease in these taxes; however, to date no changes have occurred. The District has very little PUPPT valuation, however, in calendar year 2013 the District’s PUPPT valuation increased by approximately 50% which was rare. This increase was mostly due to a new power transmission line that runs through the District. This new valuation increased revenue by almost \$800,000; beginning in calendar year 2013 (half of FY13 and half of FY14). The District will reduce PUPPT 1% starting in calendar year 2019 to account for the depreciation of utility assets generating this revenue. PUPPT also increased in calendar year 2014 due to a new 4.0 mil operating levy and calendar year 2018 due to a new 3.75 mil operating levy that was discussed previously.



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 1.035 - Unrestricted Grants-in-Aid



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

The District receives approximately the same amount of state foundation support as it did more than 10 years ago.

FY14 & FY15

HB 59 was passed in June 2013 and created a new school funding formula which impacted FY14 and FY15. The new funding formula included a caveat that a district receiving less state funds from the new formula than what was received in FY13 would be kept whole. This concept is called the “Transitional Aid Guarantee” (Guarantee). This District is one of many districts on this Guarantee. Also, as part of HB59, Preschool funding now flows through the District versus being paid directly to the Education Service Center of Central Ohio (ESC), the provider of early learning for the District. This change increased revenue by approximately \$224,000. Overall, the impact on the bottom line is minimal because expenditures also increased since the funding now flows through the District.

The State Legislature designated 34% of tax receipts generated from casinos to school districts across the state starting in calendar year 2013. The District received casino receipts of approximately \$298,000 in FY17 and projects approximately \$300,000 each fiscal year thereafter. This revenue stream is highly volatile; however, overall fluctuations will not have a material impact on the District’s financial position.

FY16, FY17, FY18 & FY19

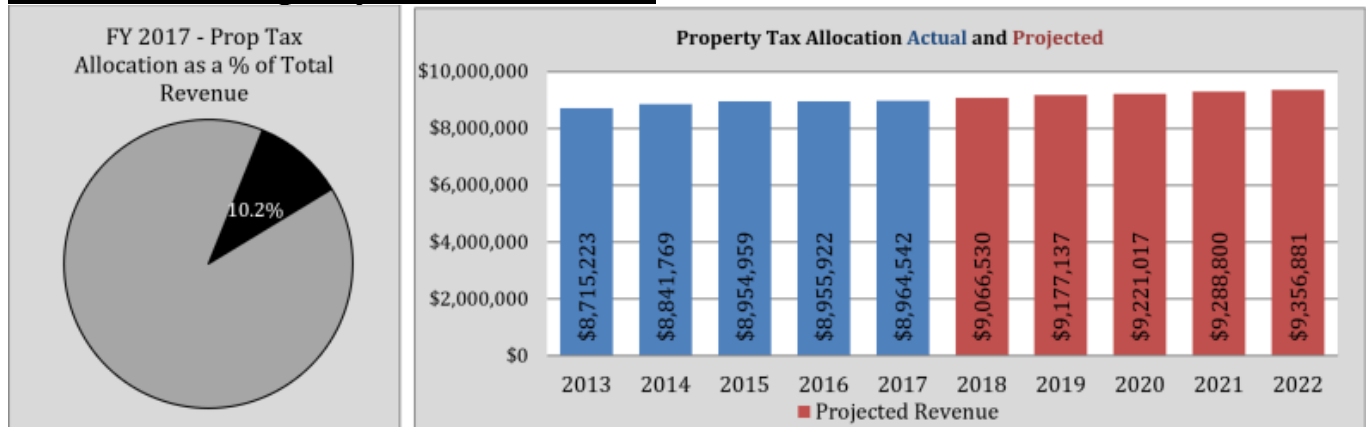
The budget bills passed in June 2015 (impacting FY16 & FY17) and June 2017 (impacting FY18 & FY19) had little impact on the district’s funding as both budget bills continued the concept of the “Transitional Aid Guarantee” (Guarantee). The minimal increase seen in the chart above is due to increased enrollment in special needs preschool; however, this additional funding is paid to a third party providing services to the District’s special needs preschool students.

FY20, FY21 & FY22

As funding in these fiscal years will be defined by future biennium budgets the District has assumed the “Transitional Aid Guarantee” will stay in place over these years and minimal changes in the funding formula will occur. However, it is important to realize that in these later years the District could come off the Guarantee and be funded through the funding formula. However, this will not have a material impact on the District’s financial position.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 1.05 - Property Tax Allocation

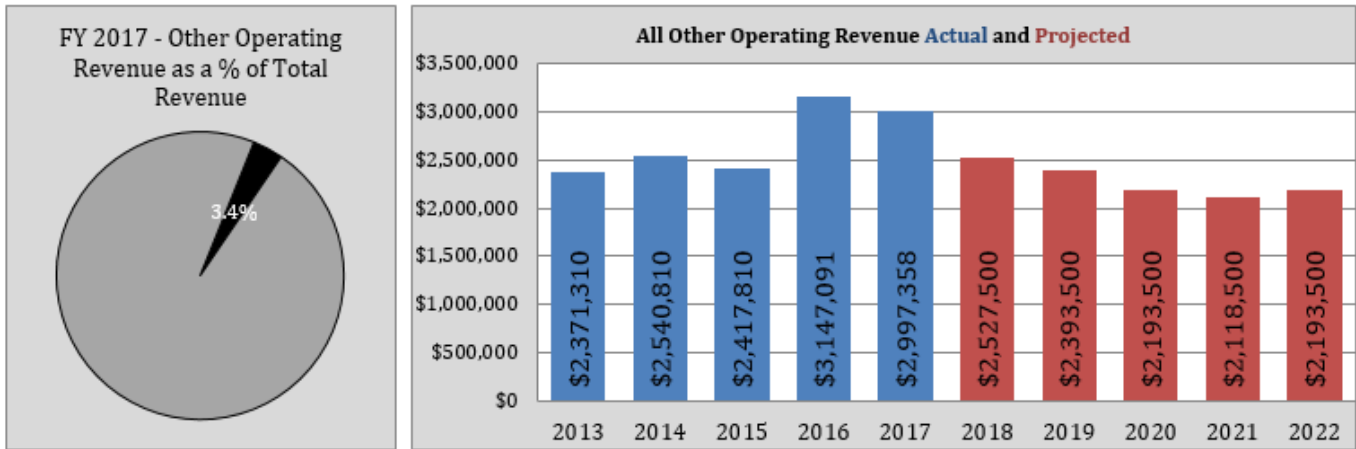


**2013-2017 are actual amounts and 2018-2022 are projected amounts.

Rollback & Homestead are State of Ohio programs which reduce an individual’s share of property taxes. The Homestead exemption requires the state to pay a portion of property taxes for lower income senior citizens. The Rollback exemption requires the state to pay approximately 12.5% of an individual’s property taxes. Effective November 2013, the State will no longer pay this Rollback exemption on any new levies. Revenue related to both Homestead and Rollback exemptions will increase as valuations increase; however, only revenue generated from the Homestead exemption will increase related to any new levies.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 1.06 – All Other Operating Revenue



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

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

Investment earnings are related to current and expected market conditions. The passage of the levy in 2013 allowed the District to invest more and for a longer term at higher rates which increases revenue. The District’s investment income for FY17 was \$607,000 compared to \$99,000 in FY14. However, as cash balances decrease in future years, investment earnings are also projected to decrease.

Tuition and other revenues are expected to remain consistent during the five-year projection, while rental income is expected to decrease starting in FY19 as a major weekend tenant plans to relocate.

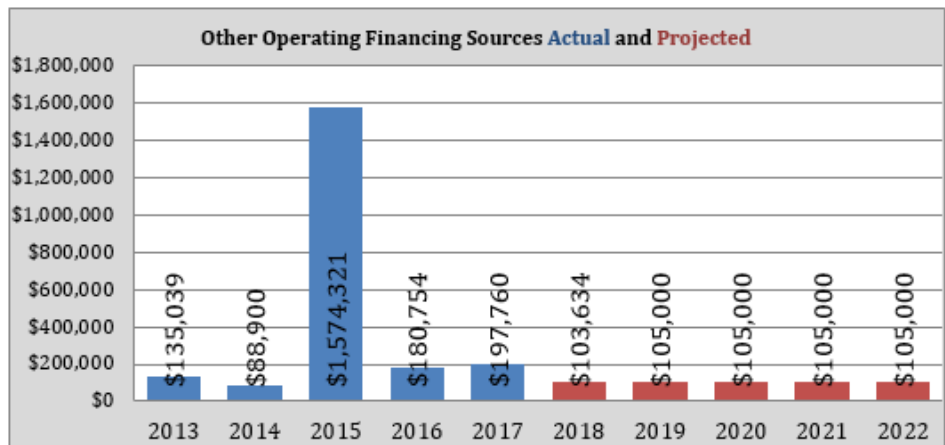
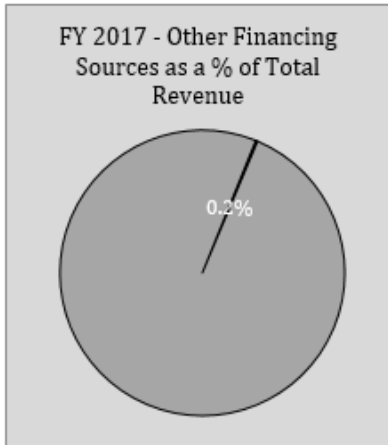
The majority of revenue in this classification relates to Tax Incremental Financing (TIF) and Payment In Lieu of Tax (PILOT) receipts. TIF financing redirects routine property taxes to various projects. In most TIF cases, the District’s portion of TIF collections is equal to property tax collections without a TIF; however, because the project is classified as a TIF the District records the revenue separate from real estate taxes.

In FY15, the District received TIF payments for seven projects in the City of Upper Arlington. In FY16, one TIF project was completed and another project (hotel/condominiums/commercial project) came on line resulting in a net increase of almost \$400,000. This increase is misleading as the new TIF included back payments from a previous year, thus resulting in the smaller amount in FY17. Additionally, FY17 included a one-time payment that is not expected in FY18 and beyond. The following amounts are specifically related to TIF revenue:

Actual FY15	Actual FY16	Actual FY17	Projected FY18	Projected FY19	Projected FY20	Projected FY21	Projected FY22
\$ 1,307,000	\$ 1,795,000	\$ 1,439,000	\$ 1,152,000	\$ 1,173,000	\$ 1,173,000	\$ 1,173,000	\$ 1,173,000

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 2.06 – All Other Financing Sources



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

This category includes advances and transfers from other funds.

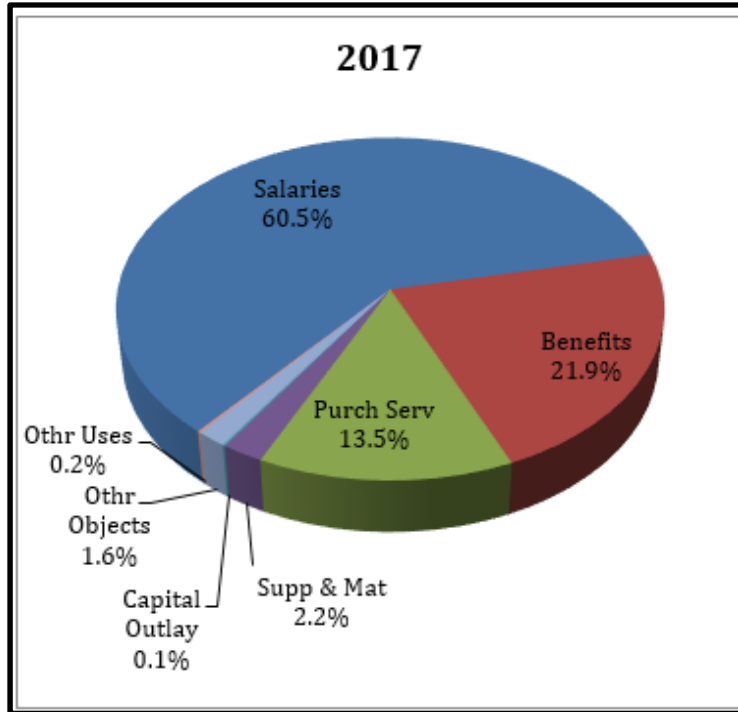
Minimal fluctuations have occurred over the years except in FY15. In FY15, the District removed the restriction on \$1.17 million and transferred it into the general fund. This was later transferred out of the general fund and into the permanent improvement fund to be used for a building addition at Tremont Elementary. Additionally, in FY15 the general fund received repayments of \$388,000 from various grant funds that were advanced money in the previous year (FY14). This is a common practice when dealing with reimbursable grants; however, the amount advanced to other funds in FY14 was larger than normal due to one-time reimbursable grants received in FY14.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

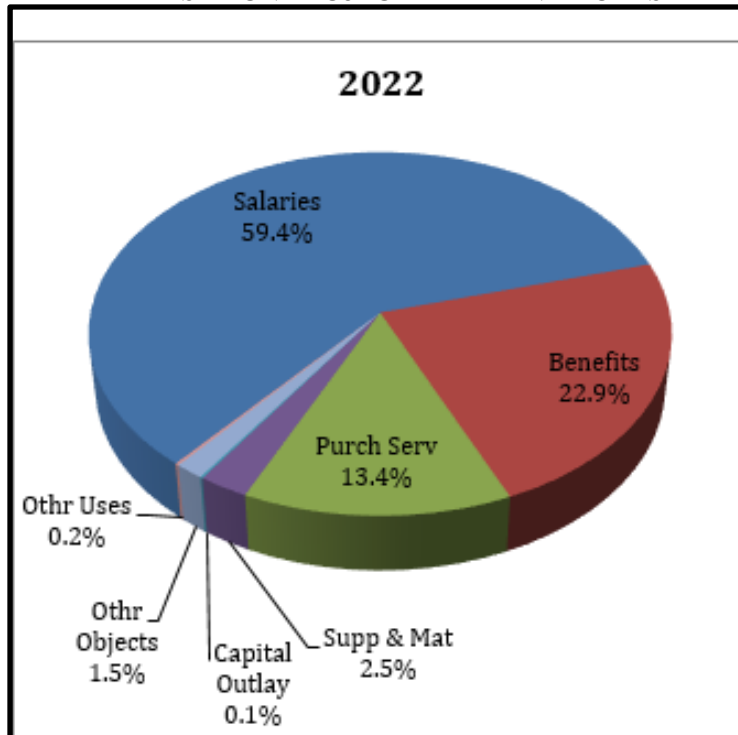
EXPENDITURES

The graphs below illustrate the allocation of actual expenditure amounts between categories for FY17 and the projected allocation between expenditure categories for FY22 based on forecasted amounts.

BASED ON ACTUAL EXPENDITURES



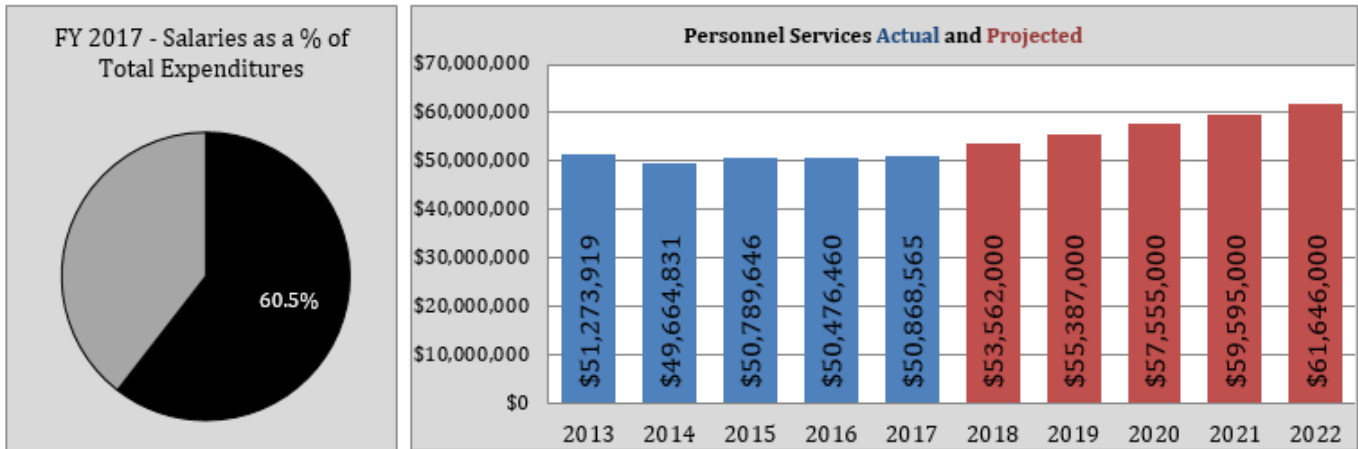
BASED ON PROJECTED EXPENDITURES



See detail notes on expenditure categories on pages 12-22.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 3.01 – Personnel Services



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

Salaries and wages for staff are based on negotiated agreements expiring in June 2020 for support personnel and June 2018 for teachers. For projection purposes, the District expects increases in wages in FY19 and beyond to be market driven. Other factors related to wages are costs associated with changes in education categories and annual advancement (steps) on the salary schedule.

The teachers' association contract included no increases on the salary schedule for calendar years 2012 and 2013, a 1% increase on the salary schedule in 2014, no increases on the salary schedule from January 2015 to July 2017 and a 2% increase starting in August 2017. The support personnel's contract included no increases on the salary schedule from January 2014 through December 2016, a 2.5% increase starting January 2017 for 18 months, a 2% increase starting in July 2018 and a 1.75% increase starting in July 2019. In both of these contracts, automatic step increases occurred.

The District had large groups of retirees (25) in FY14 and (19) in FY15. Many of these retirees took advantage of the early separation agreement the District offers which impacts the following fiscal year. As experienced teachers retired, skilled but less experienced teachers filled the open positions thus decreasing personnel expenditures. Fewer staff retired the last two years, six in FY16 and nine in FY17. The District is projecting five staff retirements per year for the remaining years of the forecast.

The decreased expenditures in FY14 was due to the elimination of 30 staff positions as part of the approximate \$3 million in reductions after a failed levy.

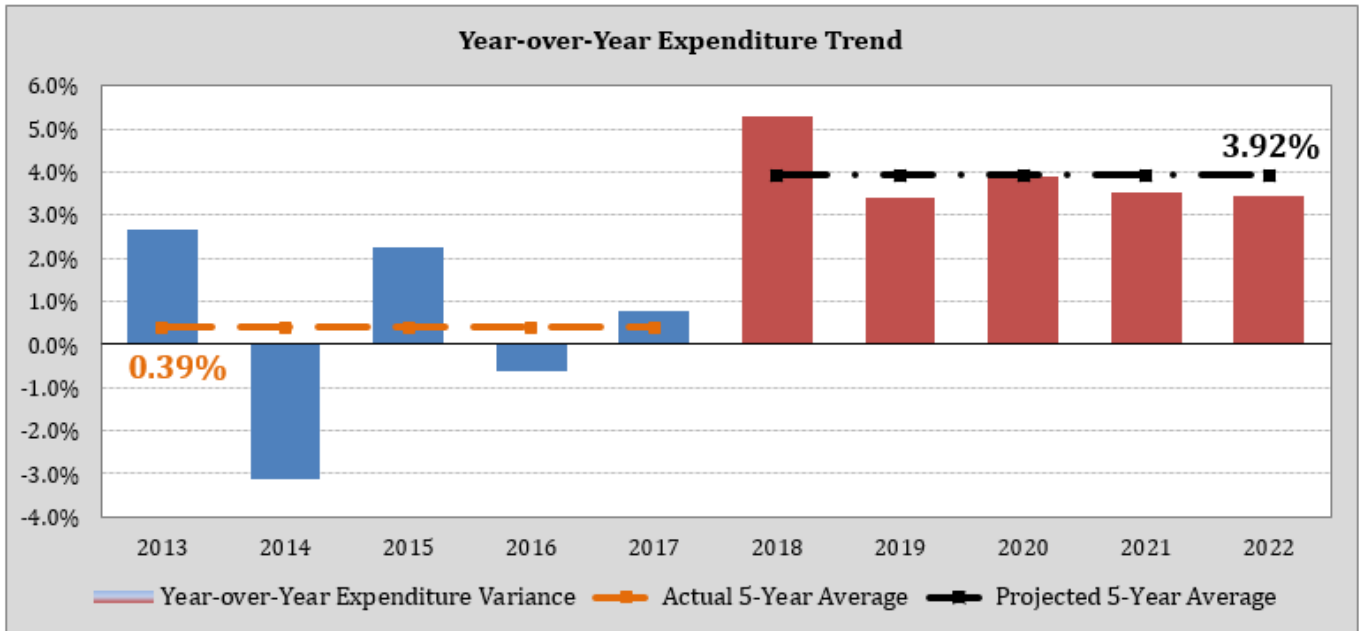
In FY15, the District added approximately seven special education teachers in order to meet the needs of students. Additionally, the District eliminated 13 positions from payroll (mostly permanent substitute positions and non-classroom teachers) and contracted with the ESC to provide these supervisory and similar services (reported as purchased services in FY15). Reductions in this expenditure category related to these 13 positions is offset by increased retirement/separation incentive costs, step increases, and the seven additional staff.

As enrollment continues to grow additional staff is necessary. The enrollment increase in FY17 & FY18 caused specific grade levels at specific buildings to become too large thus requiring additional staff in the classroom and supporting the classroom, along with additional needs in the special education program. The District added 9 staff members in FY17 and 10 staff members in FY18. The District has included 4-5 additional staff in each of the next four years.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 3.01 – Personnel Services, continued

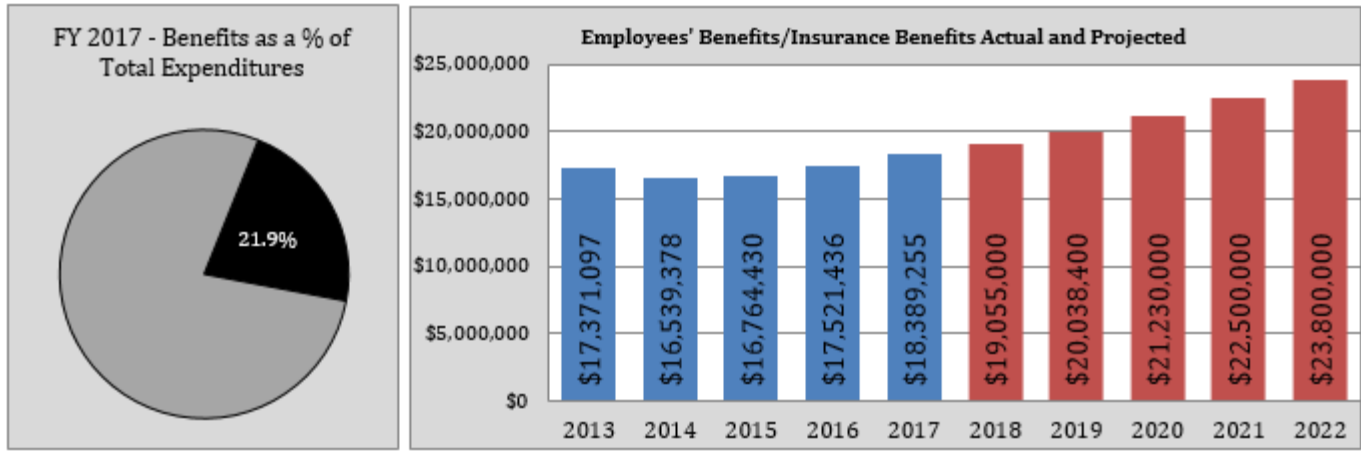
This chart illustrates the percent change in personnel expenditures from one year to the next.



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 3.02 – Employees’ Benefits



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

The decrease in FY14 benefit expenditures relates to staffing reductions made in FY14, as mentioned in the previous note (Line 3.01 – Personnel Services).

Insurance (54% of employees’ benefit expenditures)

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

District had abnormally low claims in 2012 which led to a premium decrease of 6.8% for calendar year 2013. This is highly unusual and the District does not anticipate this type of renewal in future years. In 2014, the District became self-insured for its medical coverage. This change resulted in premium increases of 6.2% (a 3.8% savings in premium quotes for fully insured programs). The increase in medical premiums for 2015 was 5%.

Overall, premium increases since 2011 have been less than the industry trend. Unfortunately, in 2015 the District’s claims exceeded expectations. These large claims greatly impacted the premium increase for 2016. The medical premium for 2016 increased 26%. Fortunately, the claims in 2016 were less than projected which led to no increase in insurance premiums for 2017 and a 2.5% increase in premiums for 2018. Future premium increases for calendar years 2019-2022 are projected at 7% based on current trend and adjustments to insurance plan.

Additionally, the number of staff utilizing the insurance plans is expected to increase as staffing increases due to enrollment. See line 3.01 – Personnel Services for additional detail on staffing.

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

Other Benefits

Pension (41% of employees’ benefit expenditures)

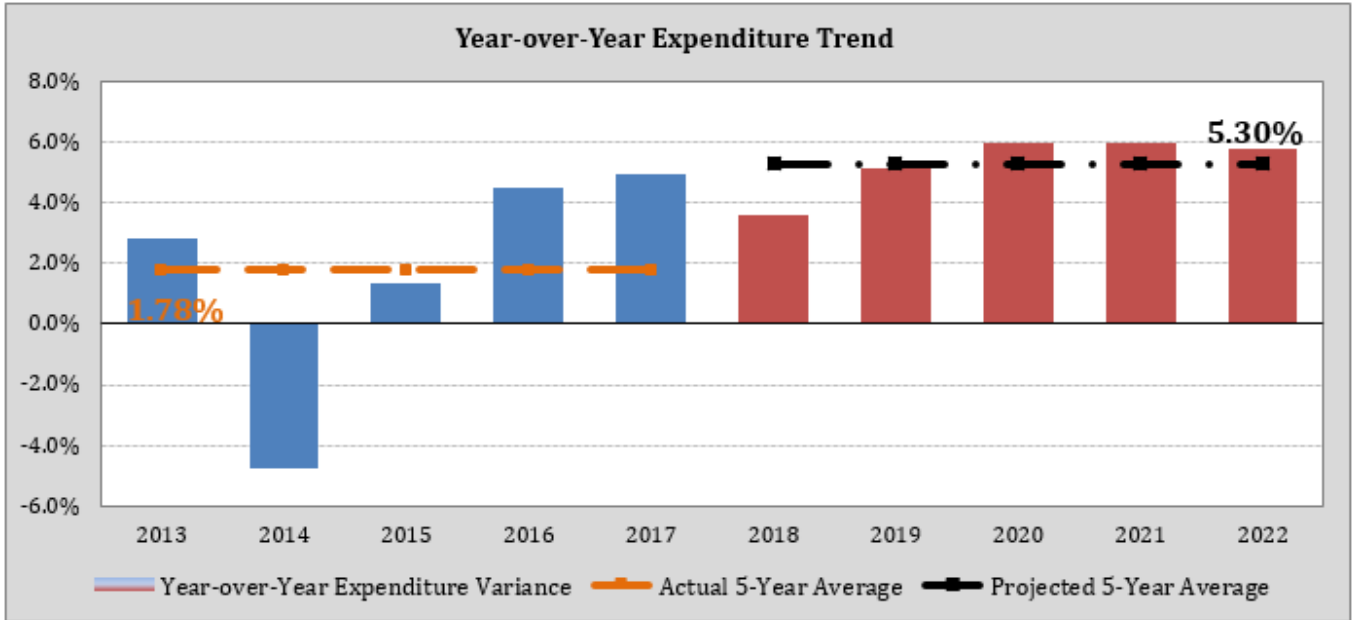
The Ohio Revised Code requires all districts to contribute 14% of total employees’ payroll into a state pension system (i.e. State Teachers Retirement System (STRS) or School Employees Retirement System (SERS)).

UPPER ARLINGTON CITY SCHOOL DISTRICT
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Line 3.02 – Employees’ Benefits, continued

Workers’ Compensation

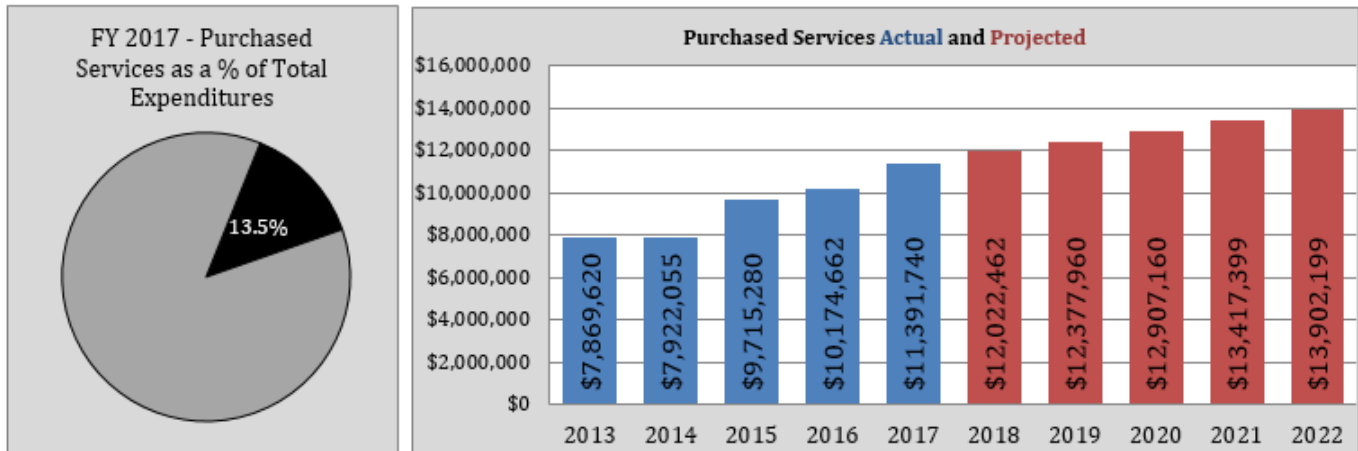
The District became self-funded related to workers compensation in September 2012. This decision has benefited the District, as it now has more control over its premiums. In FY16 the District reduced its rates by 35% and followed this decrease by decreases of 35% in FY17 and 50% in FY18.



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

UPPER ARLINGTON CITY SCHOOL DISTRICT
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Line 3.03 – Purchased Services



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

GENERAL TRENDS

This line includes items such as charter school payments, autism scholarships, tuition owed to other public entities for District students attending programs at these entities, 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.

The District expects the various types of purchased services to increase between 2-10% dependent on the service in FY19-FY22.

Natural gas costs increased 72% or \$140,000 in FY15 (\$60,000 related to prior year). Natural gas consumption increased in FY14 due to an abnormally cold winter; however, the increase in cost did not impact expenditures until FY15 based on consortium budget procedures at the time. Utilities (natural gas, electric and water) are expected to increase approximately 5% a year starting in FY18.

As enrollment continues to increase in the District it also increases ESC costs due to additional enrollment in various ESC programs. This increase is most notable in the special education services for preschool. The costs associated with this program increased by approximately \$200,000 in FY17 as an additional classroom was added. ESC programs are projected to increase 4-5% a year due to program enrollment and staffing costs with the exception of FY20 where the increase is estimated at 8% due to the anticipated addition of another preschool classroom.

As mentioned in personnel services, the District contracted with the ESC for permanent substitutes and supervisory positions in FY15. This eliminated approximately \$718,000 from personnel services and benefits and increased purchased services by approximately the same amount. Additionally, costs associated with paraprofessionals increased greater than 20% due to 13 months of expenses in FY15 (timing of invoices), additional staff needed for extended school year services and throughout the year as dictated by student needs.

As noted in the Overview on page 1, the District implemented a digital conversion program in FY16 as part of its Strategic Plan. In FY17, the District made its first lease payment (approximately \$500,000) related to technology devices for all elementary students. This amount was reallocated from the supplies, other purchased services and capital outlay expenditure lines (see note Line 3.04 Materials and Supplies and Line 3.05 – Capital Outlay for more detail).

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

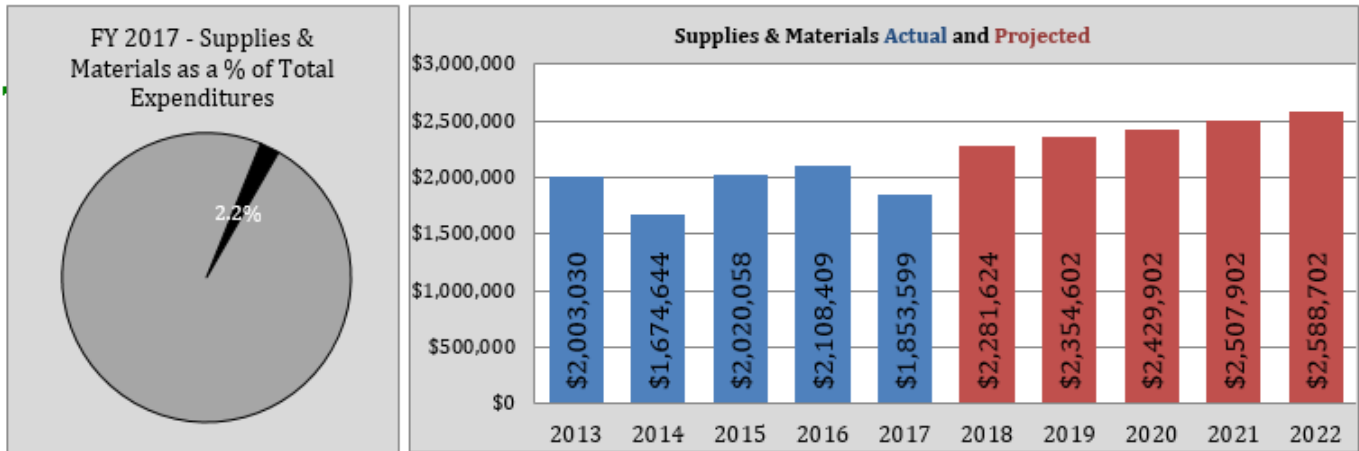
Line 3.03 – Purchased Services, continued

As mentioned in the Overview on page 1, the creation of the College Credit Plus program by the legislature in FY16 was expected to impact on purchased services in FY16; however, the impact was delayed until FY17 due to timing of payments. The cost related to post-secondary in FY17 increased 200% (or \$53,000) and the District estimates a range of 10% to 27% increases in future years. This program has the potential to grow exponentially.

Finally, an area of cost uncertainty in the future is tuition/other payments required to be paid for District students attending other entities such as STEM schools, charter schools, Franklin County Board of Development Disabilities, and other special education programs. In FY17, the cost of these programs increased approximately \$400,000, or greater than 25%. Costs are estimated to increase 5% annually starting in FY18.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 3.04 – Supplies & Materials



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

These items include textbooks, software, instructional materials, and building budget items that go toward classroom and office supplies, teacher training, classroom equipment, and library materials.

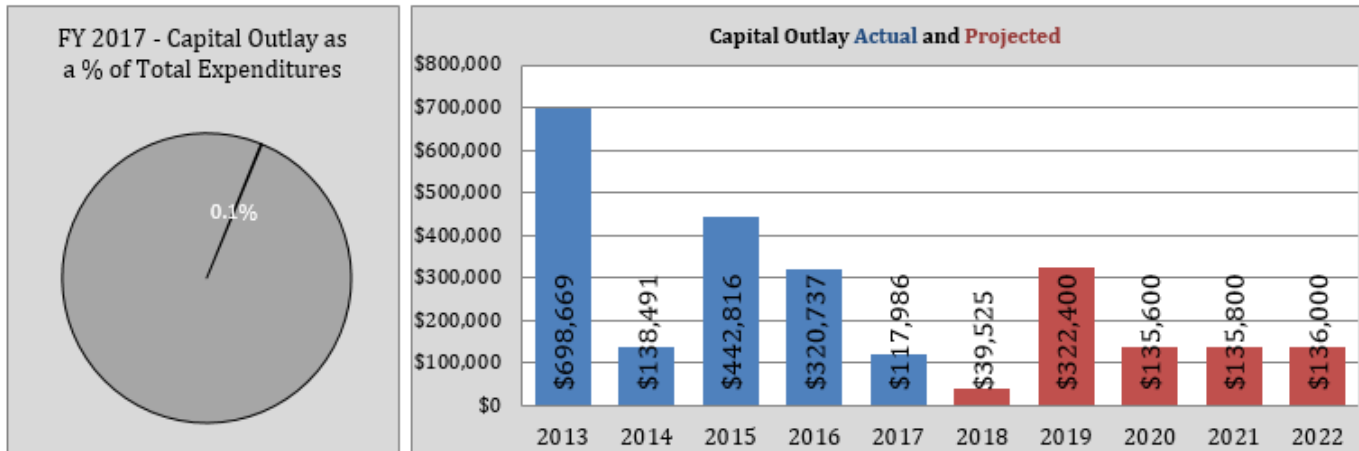
In FY14, the District made few textbook/classroom textbook purchases and postponed other planned purchases as it was reviewing priorities. In FY15, the District purchased approximately \$200,000 in classroom materials related to literacy. Similar purchases are expected in future years as the District continues to evaluate its curriculum and use of various software. FY17 is approximately \$150,000 less than FY16, largely due to the reallocation of funds for the lease payment related to the elementary technology devices.

In FY18, textbook/software purchases are expected to increase due to required curriculum resource updates by AP/IB and enrollment increases throughout most grade levels.

Increases of approximately 2.0% are expected for supplies in FY19-FY22.

UPPER ARLINGTON CITY SCHOOL DISTRICT
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Line 3.05 – Capital Outlay



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

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

Technology purchases are expected to fluctuate year to year based on computer replacement needs of the District.

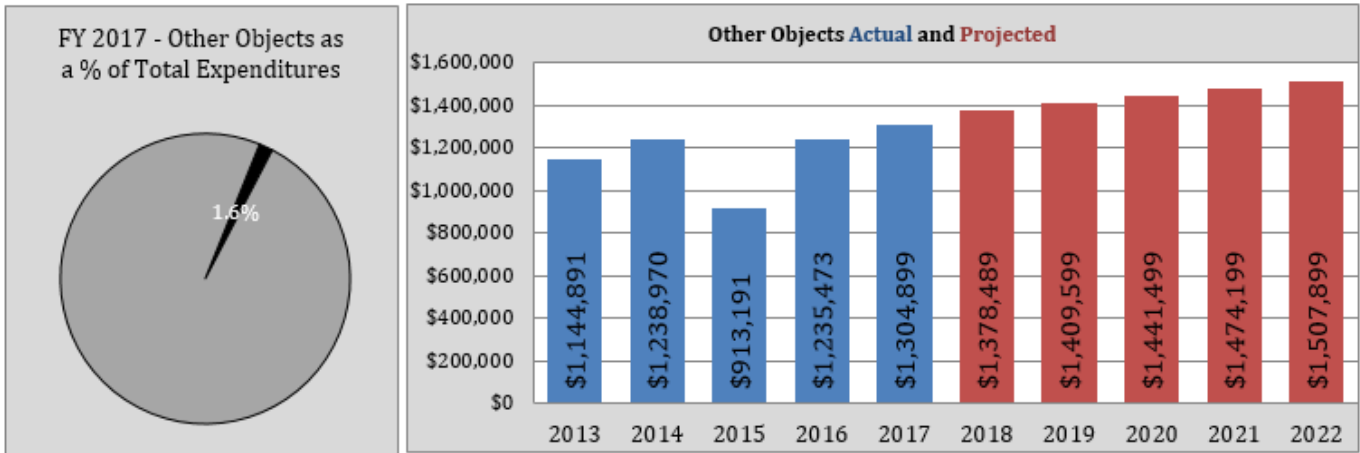
In FY14, the District made few technology purchases and postponed other planned purchases as it was reviewing its priorities. In FY15 and FY16, the District purchased approximately \$400,000 and \$300,000 in technology related equipment. In FY17, the District reallocated \$200,000 from capital outlay to purchase services related to the leasing of technology instead of purchasing it (see note Line 3.03 – Purchased Services for more detail).

Technology equipment purchases are expected to be minimal in FY18 due to the leasing of computers/iPads for the students instead of one time purchases. In FY19, the District plans on beginning replacing various non-leased technology devices (i.e laptops, servers, projectors, etc).

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

UPPER ARLINGTON CITY SCHOOL DISTRICT
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Line 4.3 – Other Objects



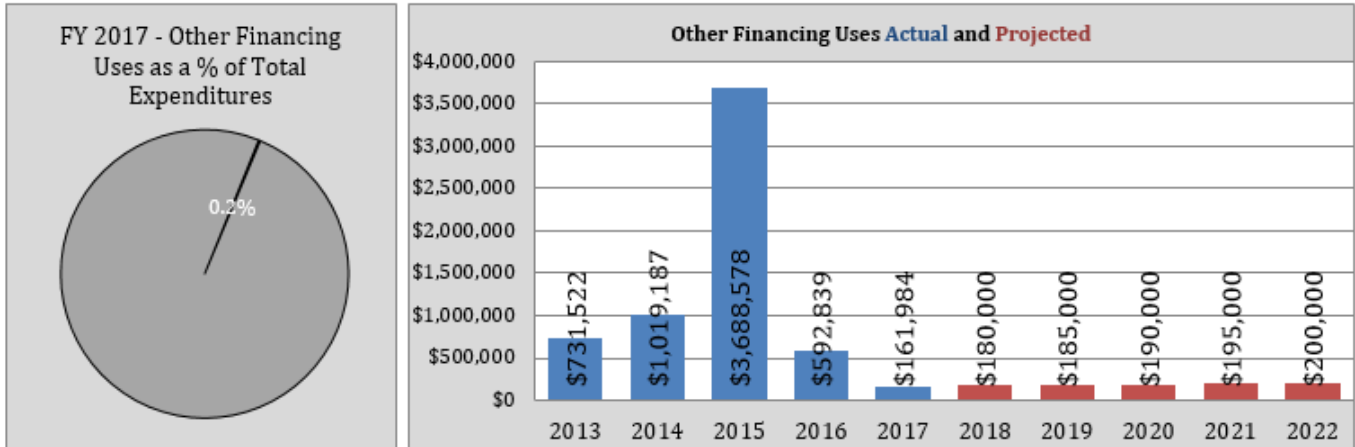
**2013-2017 are actual amounts and 2018-2022 are projected amounts.

The primary item is auditor/treasurer fees for collection of taxes. In FY15 the County Auditor reduced tax collection fees by approximately \$230,000. This reduction is not expected to occur in FY18-FY22.

In calendar year 2014, Franklin County implemented a new fee in order to create funds for a county land bank. The County charges a 5% fee on all delinquent tax collections and related penalties.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 5.01 - Transfers Out and Line 5.02 – Advances Out



**2013-2017 are actual amounts and 2018-2022 are projected amounts.

Permanent transfers to other funds are expected to be evaluated on an annual basis.

In FY13, the District issued a five year energy conservation note which helped decrease future utility costs. The District transferred funds to the debt service fund over three years to pay off this note. In FY15, the District paid off the remaining outstanding balance of approximately \$1.2 million – 2 years early.

Also in FY15, as mentioned earlier in Line 2.06 – All Other Financing Sources, the District removed the restriction on \$1.17 million and transferred it into the general fund. This was later transferred out of the general fund and into the permanent improvement fund to be used for a building addition at Tremont Elementary. In FY16, the District made a one-time transfer of \$253,000 to the permanent improvement fund for building planning.

Temporary advances are anticipated for grant funds that have negative cash balances at the end of the year as the District awaits reimbursement from the granting agency. FY14 was an abnormally large year for advances as the District received three new state grants that were not reimbursed by year’s end, thus requiring advances of approximately \$388,000 (see note Line 2.06 – All Other Financing Sources for more detail).

In FY18 and beyond transfers and advances are projected to be approximately \$180,000.

UPPER ARLINGTON CITY SCHOOL DISTRICT
December 2017 Five-Year Forecast Assumptions/Notes

Line 9.03 – Budget Reserve

Reserve Established in 2013

In 2013, as the Board was reviewing its future financial needs and discussing the November 2013 levy, the administration recommended that the District continue to follow its informal practice of reserving an amount equal to 3 months of expenditures (25% of annual expenditures) set aside for future budget stabilization needs. This practice was formalized by the Board in May 2016 when it adopted this practice into policy. This reservation allows the District to be fiscally responsible and stay financially sound in times of unexpected revenue shortfall or unanticipated budget requirements. In addition, this practice will trigger conversations of future levy needs and budget reduction requirements when the reserve amount cannot be fulfilled due to decreasing fund balances. The District began to illustrate this reserve in the Forecast starting in FY15.

The passage of the November 2013 levy allowed for this reserve to be established for FY15-17. However, at that time, only \$16,801,168 was projected as the FY18 budget stabilization amount. In order to meet the goal of 3 months of expenditures, the District committed to make budget reductions within the FY14-17 time period to add \$4.5 million to the FY18 bottom line through the Efficiency Project. As of October 2016, the District has exceeded its commitment and added approximately \$4,656,000 to the District’s bottom line in FY18 by making decisions; thus, reducing expenditures and avoiding future budgeted costs. (Note: Increases to the fund balance caused by unanticipated revenue or actual costs being less than budgeted (not due to decisions) are not included in meeting the \$4.5 million efficiency goal).

	Actual			Projected				
	2015	2016	2017	2018	2019	2020	2021	2022
2013 - Budget Stabilization	\$ 20,161,355	\$ 20,459,294	\$20,824,011	\$22,085,000	\$22,972,000	\$23,925,000	\$24,908,000	\$25,895,000
Total	\$ 20,161,355	\$ 20,459,294	\$20,824,011	\$22,085,000	\$22,972,000	\$23,925,000	\$24,908,000	\$25,895,000