

2018-19 Fund Balance and Long-Range Planning



January 3, 2019
Board of Education Meeting

Fund Balance

- On June 30, 2018, the District's fund balance was \$13,497,000
 - \$4,876,000 in assigned and unassigned fund balance. This includes:
 - \$3,000,000 appropriated to offset the 2018-19 operating budget
 - \$517,000 for encumbered items
 - \$1,359,000 of unassigned fund balance for emergencies
 - \$8,621,000 in restricted fund balance

Restricted Fund Balance

- Funds set aside for a specific purpose
- Authorized pursuant to either Education Law or General Municipal Law



Restricted Fund Balance

Bus Capital Reserve

Reserve Account Name	Balance July 1, 2018	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2019
CAPITAL RESERVE - BUS RESERVE 2014	\$351,671	(\$351,671)	\$0	\$0
CAPITAL RESERVE - BUS RESERVE 2015	\$1,823,467	(\$113,004)	\$17,105	\$1,727,568
CAPITAL RESERVE - BUS RESERVE 2018	\$693,000	\$0	\$6,930	\$699,930
	\$2,868,138	(\$464,675)	\$24,035	\$2,427,498

- Largely funded from Transportation Aid received on prior year bus purchases
- The District has a long-range bus replacement plan and spends approximately \$400K to \$600K annually to maintain its bus fleet
- Can only be established and used with voter approval
- The 2019-20 budget vote in May will include a proposition for the purchase of buses
- The recommended optimal funding level for the bus reserve is \$2.4M (\$600K per year x 4 years)

Restricted Fund Balance

Buildings and Grounds Capital Reserve

Reserve Account Name	Balance July 1, 2018	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2019
CAPITAL RESERVE - BUILDINGS & GROUNDS 2010	\$265,007	(\$67,356)	\$1,977	\$199,628
CAPITAL RESERVE - BUILDINGS & GROUNDS 2016	\$402,127	\$0	\$4,021	\$406,148
	\$667,134	(\$67,356)	\$5,998	\$605,776

- Available to purchase equipment needed in the Buildings and Grounds Department
- Can only be established and used with voter approval
- The 2019-20 budget vote will include a proposition to purchase needed equipment
- The recommended optimal funding level for the buildings and grounds capital reserve is \$500K. This will allow the District the ability to replace a pick-up truck annually and to replace other aging equipment for approximately 5 years

Restricted Fund Balance

Facilities, Equipment and Technology Capital Reserve

Reserve Account Name	Balance July 1, 2018	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2019
CAPITAL RESERVE FUND - 2017	\$513,998	\$0	\$5,140	\$519,138

- Available to offset the local share of any future capital project, to purchase equipment needed for the operation of facilities and for upgrading District technology
- Can only be established and used with voter approval
- Based upon needs identified in the building conditions survey, the recommended funding level for the capital reserve should be as high as \$8M

Restricted Fund Balance Debt Service Reserve

Reserve Account Name	Balance July 1, 2018	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2019
RESERVE FOR BONDED DEBT	\$222,605	(\$87,000)	\$1,356	\$136,961

- May be expended with Board approval only
- Used to offset the gap between Debt Service expenses (principal and interest payments) and Building Aid
- May use as part of the 2019-20 budget
- Reserve will be fully expended in a couple of years

Debt Service Reserve versus Future Building Aid

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Bonds & BANS:						
Principal	\$900,000	\$615,000	\$1,284,872	\$1,168,915	\$1,418,163	\$1,462,627
Interest	213,765	583,203	868,155	1,159,634	906,402	848,134
Total Debt Service	\$1,113,765	\$1,198,203	\$2,153,027	\$2,328,549	\$2,324,565	\$2,310,761
Projected Estimated Building Aid on Capital Projects	\$1,026,700	\$897,991	\$1,960,220	\$2,120,048	\$2,108,472	\$2,115,597
Local Share	\$87,065	\$300,212	\$192,807	\$208,501	\$216,093	\$195,164
Building Aid - Capital Projects	\$1,026,700	\$897,991	\$1,960,220	\$2,120,048	\$2,108,472	\$2,115,597
Building Aid - Capital Outlay Projects	77,700	78,600	78,600	78,600	78,600	78,600
Total Estimated Building Aid	\$1,104,400	\$976,591	\$2,038,820	\$2,198,648	\$2,187,072	\$2,194,197

Restricted Fund Balance

Employee Benefit Accrued Liability Reserve

Reserve Account Name	Balance July 1, 2018	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2019
EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE	\$2,183,665	\$0	\$21,837	\$2,205,502

- May be established, funded and expended with Board approval only
- Available to pay for the cash payment of accrued unused sick leave, personal leave, holiday leave, vacation time, and other benefits earned by employees and payable upon termination/retirement
- Cannot be used for retirement incentives
- The recommended optimal funded level for the EBLAR reserve is to accrue 100% of the liability

Restricted Fund Balance

Tax Certiorari Reserve

Reserve Account Name	Balance July 1, 2018	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2019
RESERVE FOR TAX CERTIORARI	\$51,723	\$0	\$0	\$51,723

- May be established without voter approval, provided funds do not exceed the amount which might reasonably be deemed necessary to anticipate judgments and claims arising out of tax certiorari proceedings
- Funds may be funded and expended with Board approval only
- Reserve is reviewed annually, typically in June
- The recommended optimal funding level is to accrue for 100% of the possible tax liability

Restricted Fund Balance Liability and Casualty Reserve

Reserve Account Name	Balance July 1, 2018	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2019
RESERVE FOR LIABILITY & CASUALTY	\$40,398	\$0	\$404	\$40,802

- May be established, funded and expended with Board approval only
- Used to cover claims not covered by insurance
- The recommended optimal funding level is \$40K



Restricted Fund Balance

Workers' Compensation Reserve

Reserve Account Name	Balance July 1, 2018	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2019
WORKERS' COMPENSATION RESERVE	\$517,631	\$0	\$5,176	\$522,807

- May be established, funded and expended with Board approval only
- The reserve may be used to help offset workers' compensation premiums
- Use of the reserve cannot exceed the annual expenditure amount
- Plan to use some of the reserve in 2019-20 due to an anticipated large premium increase that will impact premiums for the next 3 years.
- The recommended optimal funding level for this reserve is \$500K (2 years of workers' compensation costs)



Restricted Fund Balance

Unemployment Reserve

Reserve Account Name	Balance July 1, 2018	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2019
UNEMPLOYMENT RESERVE	\$517,631	\$0	\$5,176	\$522,807

- May be established, funded and expended with Board approval only
- This reserve may be used to help offset budget deficits
- Use of the reserve cannot exceed the annual expenditure amount
- Would recommend a very gradual use of this reserve, if no other options are available
- The recommended optimal funding level for this reserve is \$515K
(Maximum unemployment benefit is \$450 per week for 26 weeks X 22 employees X 2 years)



Restricted Fund Balance Retirement Contribution (ERS) Reserve

Reserve Account Name	Balance July 1, 2018	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2019
RETIREMENT CONTRIBUTION RESERVE	\$1,071,649	\$0	\$10,716	\$1,082,365

- May be established, funded and expended with Board approval only
- These reserves may be used to help offset budget deficits
- Use of the reserve cannot exceed the annual expenditure amount
- Would recommend a very gradual use of these reserves, if no other options are available
- The recommended optimal funding level for this reserve is \$1.56M (2 years of budgeted expenditures)



Fund Balance

- Use of fund balance should be considered as part of budget discussions
- Use of fund balance should not be used as a short-term solution or quick fix
- Fund Balance should be reviewed as part of the District's long-range fiscal plan
- Short-term solutions may have serious negative long-term impacts



Long-Range Planning

- Aids in projecting the future costs of existing services and programs
- Aids in determining whether existing revenue streams will be sufficient to cover costs during periods of reduced resources
- Allows for early identification of potential problems
- Assesses the impact of the property tax cap
- Helps to set goals and fiscal priorities

Long-Range Planning

- Keeps decision makers informed to avoid surprises
- Brings all stakeholders (i.e. taxpayers, parents and students, union groups, etc.) together to develop proactive solutions
- Anticipates program and demographic changes
- Assesses efficiency and effectiveness of existing programs



Long-Range Planning Assumptions

	2019-20	2020-21	2021-22	2022-23	2023-24
Tax Cap	2.0%	2.0%	2.0%	2.0%	2.0%
Assumed increase in Foundation State Aid	1.5%	2.0%	2.0%	2.0%	2.0%
Salaries	Based on negotiated contracts				
Benefits					
Employee Retirement System (ERS)	16.00%	16.00%	16.00%	16.00%	16.00%
Teacher Retirement System (TRS)	9.50%	10.00%	10.50%	11.00%	11.50%
Social Security	7.65%	7.65%	7.65%	7.65%	7.65%
Health Insurance	8.00%	8.00%	8.00%	8.00%	8.00%
Other	5.00%	5.00%	5.00%	5.00%	5.00%
ERS, TRS and Social Security are based on a % of salary, all other items reflect expected rate increases over the prior year					
Other					
Contractual	2.00%	2.00%	2.50%	2.50%	2.50%
Supplies	2.00%	2.00%	2.00%	2.00%	2.00%

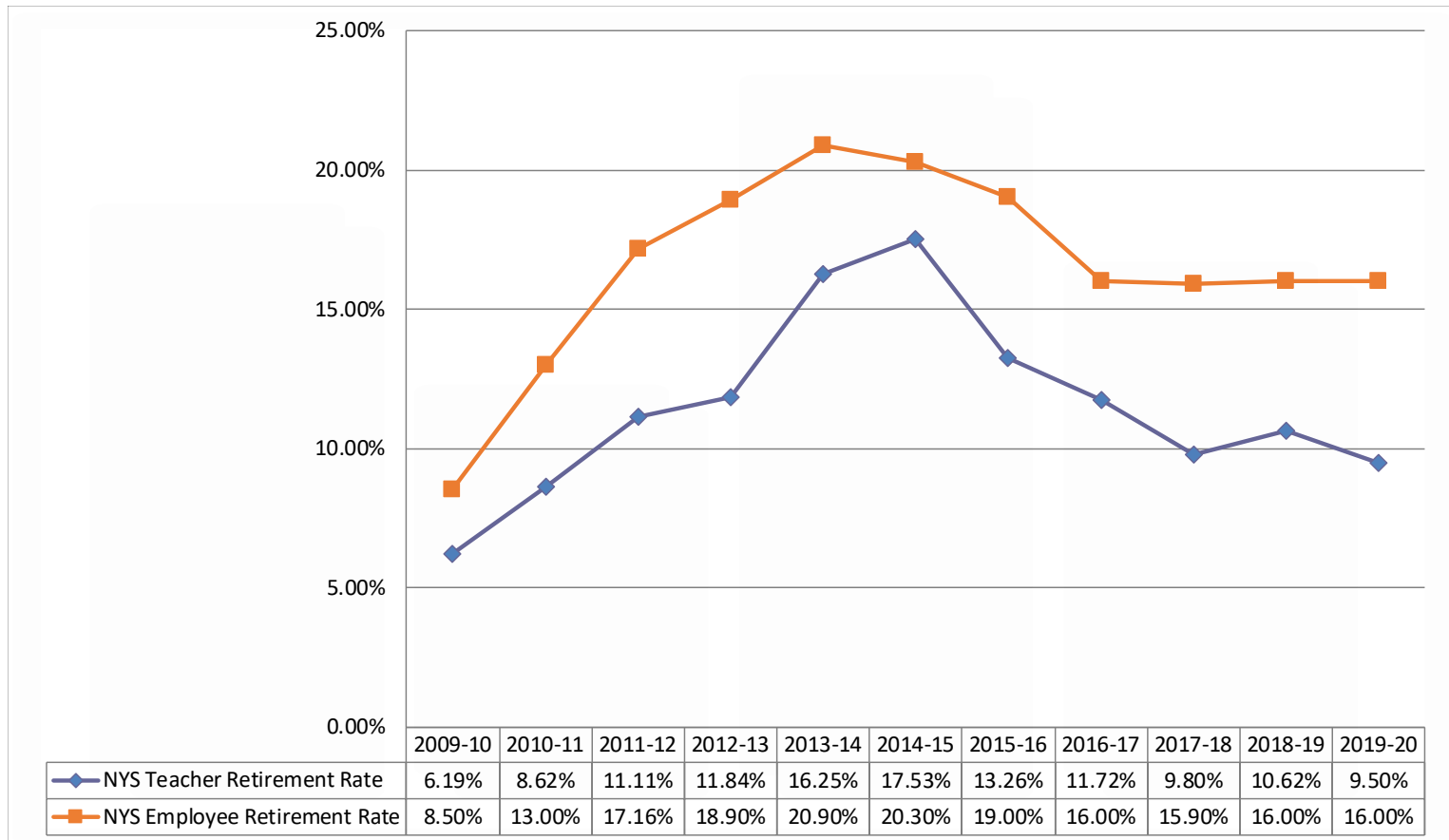
Long-Range Plan - Expenditures

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Expenditure Budget Projection (Based on current year program):						
Salaries	\$17,311,438	\$17,980,897	\$18,673,925	\$19,386,510	\$20,128,066	\$20,877,964
Employee Benefits	\$8,687,045	\$9,084,310	\$9,728,989	\$10,385,545	\$10,830,163	\$11,837,871
Debt Service	\$1,133,765	\$1,218,203	\$2,173,027	\$2,348,549	\$2,344,565	\$2,330,761
BOCES	\$2,636,689	\$2,627,606	\$2,693,296	\$2,760,629	\$2,829,644	\$2,900,386
Supplies and Equipment	\$1,230,080	\$1,213,680	\$1,232,151	\$1,250,993	\$1,270,211	\$1,289,813
Contractual	\$2,873,363	\$2,854,451	\$2,839,360	\$2,908,868	\$2,980,115	\$3,053,143
Transfer to Capital	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Total Projected Expenditure Budget	\$33,972,380	\$35,079,147	\$37,440,748	\$39,141,094	\$40,482,764	\$42,389,938
Increase in the Expenditure Budget		\$1,106,767	\$2,361,601	\$1,700,346	\$1,341,670	\$1,907,174
% Increase in the Expenditure Budget		3.26%	6.73%	4.54%	3.43%	4.71%

Long-Range Plan - Expenditures

	2018-19	2019-20	Dollar Change	Percentage Change
Expenditure Budget Projection (Based on current year program):				
Salaries	\$17,311,438	\$17,980,897	\$669,459	3.87%
Employee Benefits	\$8,687,045	\$9,084,310	\$397,265	4.57%
Debt Service	\$1,133,765	\$1,218,203	\$84,438	7.45%
BOCES	\$2,636,689	\$2,627,606	(\$9,083)	-0.34%
Supplies and Equipment	\$1,230,080	\$1,213,680	(\$16,400)	-1.33%
Contractual	\$2,873,363	\$2,854,451	(\$18,912)	-0.66%
Transfer to Capital	\$100,000	\$100,000	\$0	0.00%
Total Projected Expenditure Budget	\$33,972,380	\$35,079,147	\$1,106,767	3.26%

Impact of Retirement Rates



Expenditure Unknowns

- Finalized TRS & ERS retirement rates
 - Budgeted 9.5% for TRS (Range from NYSTRS is 8.5% to 9.5%)
- Health insurance premium increases
 - Budgeted 8% increase per year (Finalized rates won't be available until March 2019)
- Possible new program initiatives and changes to the educational program
- Analysis of class sizes and student course selections
- Potential retirements?

Long-Range Plan

Revenues and Use of Fund Balance

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure Budget	33,972,380	35,079,147	37,440,748	39,141,094	40,482,764	42,389,939
Less: Total Non-Property Tax Revenue	(15,944,533)	(16,159,923)	(17,441,063)	(17,906,247)	(18,214,749)	(18,543,636)
Appropriated Fund Balance for Next Year's Taxes	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Use of Debt Service Reserve	(87,000)	(100,000)	(40,000)	-	-	-
Use of Workers' Compensation Reserve	-	(75,000)	(65,000)	(55,000)	-	-
Use of ERS Reserve	-	-	(50,000)	(50,000)	(50,000)	(50,000)
Use of the Unemployment Reserve	(56,550)	-	(10,000)	(10,000)	(10,000)	(10,000)
Required Tax Levy	14,884,297	15,744,224	16,834,686	18,119,847	19,208,015	20,786,303
Expected increase in the tax levy	-	859,927	1,090,461	1,285,161	1,088,168	1,578,288
% Increase in the tax levy	2.27%	5.78%	6.93%	7.63%	6.01%	8.22%
Increase in the Expenditure Budget		1,106,767	2,361,601	1,700,345	1,341,670	1,907,174
% Increase in the Expenditure Budget		3.26%	6.73%	4.54%	3.43%	4.71%

Revenue Unknowns

- State Aid – Typically not finalized until April 1st
 - Governor's proposal will be released in January
 - Long-range plan includes an estimated 1.5% increase in Foundation Aid – Reasonable?
- Impact of Property Tax Cap Calculation



Long-Range Plan

Tax Cap Calculation – Preliminary 2019-20

- Tax cap is the lesser of 2% or the Consumer Price Index (CPI). Since the CPI is greater than 2%, the allowable growth factor will most likely be the CPI. A 2% increase would be approximately \$298K.
- As of January 3, 2019, the tax base growth factor is not available for 2019-20
- Certain exclusions are a work in process as we need additional information and clarification from the State:
 - Calculation of capital expenditures, net of aid – Probably no exclusion for this in 2019-20
 - Pension expenditures above 2%. No exclusion for ERS or TRS for 2019-20
 - Possible carryover of the unused portion of tax cap from the prior year (approximately \$227K)

Long-Range Plan – Budget Implications

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Projection Summary:						
Projected Expenditures	\$33,972,380	\$35,079,147	\$37,440,748	\$39,141,094	\$40,482,764	\$42,389,939
Projected Revenue and Use of Fund Balance	33,972,380	34,516,906	36,091,685	36,816,582	37,385,991	38,037,102
Deficit - Required Reduction to Expenditure Budget	\$0	\$562,241	\$1,349,063	\$2,324,512	\$3,096,773	\$4,352,836
Tax Levy Increase Needed to Balance the Budget		\$859,927				
Increase in Tax Levy Needed to Balance the Budget		5.78%				



Long-Range Plan

- The long-range plan is an estimate based on the most current information
- Subject to change – Can be impacted by various factors including:
 - Retirement rates (not yet finalized)
 - Health insurance increases
 - Property Tax Cap (not finalized)
 - No State budget in place
 - Possible new program initiatives
 - Class sizes and student course selection
 - Contract negotiations
 - Economy – State finances
 - Utility costs, etc.
- The longer the plan goes out into the future, the less reliable the projections are



Questions and Discussion

