

FUND BALANCE AND LONG-RANGE PLANNING

*January 19, 2017
Board of Education Meeting*



Fund Balance



- On June 30, 2016, the District's fund balance was \$16,461,000
 - \$4,831,000 in assigned and unassigned fund balance.
This includes:
 - *\$3,000,000 appropriated to offset the 2016-17 operating budget*
 - *\$475,000 for encumbered items*
 - *\$1,356,000 of unassigned fund balance for emergencies*
 - \$11,630,000 in restricted fund balance
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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, 2016	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2017
CAPITAL RESERVE - BUS RESERVE 2012	\$497,596	(\$497,596)	\$0	\$0
CAPITAL RESERVE - BUS RESERVE 2014	\$905,255	(\$52,746)	\$1,705	\$854,214
CAPITAL RESERVE - BUS RESERVE 2015	\$1,803,533	\$0	\$3,607	\$1,807,140
	\$3,206,384	(\$550,342)	\$5,312	\$2,661,354

- Largely funded from Transportation Aid received on prior year bus purchases
- The District has a long-range bus replacement plan and spends approximately \$500K to \$600K annually to maintain its bus fleet
- Can only be established and used with voter approval
- The 2017-18 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, 2016	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2017
CAPITAL RESERVE - BUILDINGS & GROUNDS 2010	\$446,910	(\$84,536)	\$724	\$363,098
CAPITAL RESERVE - BUILDINGS & GROUNDS 2016	\$250,000	\$0	\$500	\$250,500
	\$696,910	(\$84,536)	\$1,224	\$613,598

- Available to purchase equipment needed in the Buildings and Grounds Department
- Can only be established and used with voter approval
- The 2017-18 budget vote may include propositions 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, 2016	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2017
CAPITAL RESERVE - FACILITIES, EQUIPMENT & TECHNOLOGY - 2012	\$718,381	\$0	\$1,436	\$719,817
CAPITAL RESERVE - FACILITIES, EQUIPMENT & TECHNOLOGY - 2016	\$2,476,417	\$0	\$4,953	\$2,481,370
	<u>\$3,194,798</u>	<u>\$0</u>	<u>\$6,389</u>	<u>\$3,201,187</u>

- 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
- The 2017-18 budget vote may include a proposition to establish a new reserve
- Based upon needs identified in the building condition survey, the recommended funding level for the capital reserve should be as high as \$10M



Restricted Fund Balance Debt Service Reserve

Reserve Account Name	Balance July 1, 2016	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2017
RESERVE FOR BONDED DEBT	\$215,048	(\$71,193)	\$287	\$144,142

- 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 2017-18 budget
- Reserve will be fully expended in a couple of years



Debt Service Reserve versus Future Building Aid

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Bonds & BANS:						
Principal	\$1,685,000	\$1,792,315	\$860,000	\$595,000	\$615,000	\$640,000
Interest	351,478	437,404	293,390	267,640	246,815	225,290
Total Debt Service	\$2,036,478	\$2,229,719	\$1,153,390	\$862,640	\$861,815	\$865,290
Projected estimated Building Aid on Capital Projects	\$1,954,865	\$2,186,926	\$1,057,303	\$925,542	\$904,118	\$845,432
Local share - Possible use of Debt Service Reserve	\$81,613	\$42,793	\$96,087	(\$62,902)	(\$42,303)	\$19,858
Building Aid - Capital Projects	\$1,954,865	\$2,186,926	\$1,057,303	\$925,542	\$904,118	\$845,432
Building Aid - Capital Outlay Projects	78,800	77,400	77,400	77,400	77,400	77,400
Total Estimated Building Aid	\$2,033,665	\$2,264,326	\$1,134,703	\$1,002,942	\$981,518	\$922,832

Restricted Fund Balance

Employee Benefit Accrued Liability Reserve

Reserve Account Name	Balance July 1, 2016	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2017
EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE	\$2,439,073	(\$133,770)	\$4,878	\$2,310,181

- 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, 2016	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2017
RESERVE FOR TAX CERTIORARI	\$130,797	\$0	\$0	\$130,797

- 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, 2016	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2017
RESERVE FOR LIABILITY & CASUALTY	\$91,322	\$0	\$182	\$91,504

- May be established, funded and expended with Board approval only
- Used to cover claims not covered by insurance
- The recommended optimal funding level is \$25K. Most of the District's losses for the purpose of this reserve are coverage by insurance, therefore, this reserve should be reduced at year-end



Restricted Fund Balance Workers' Compensation Reserve

Reserve Account Name	Balance July 1, 2016	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2017
WORKERS' COMPENSATION RESERVE	\$511,972	\$0	\$1,024	\$512,996

- May be established, funded and expended with Board approval only
- The 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 \$500K (2 years of workers' compensation costs)

Restricted Fund Balance Unemployment Reserve

Reserve Account Name	Balance July 1, 2016	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2017
UNEMPLOYMENT RESERVE	\$479,294	\$0	\$959	\$480,253

- 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 \$500K
(Maximum unemployment benefit is \$430 per week for 26 weeks X 22 employees X 2 years)



Restricted Fund Balance Retirement Contribution (ERS) Reserve

Reserve Account Name	Balance July 1, 2016	Appropriations / Transfers	Projected Interest	Projected Balance June 30, 2017
RETIREMENT CONTRIBUTION RESERVE	\$664,307	\$0	\$1,328	\$665,635

- 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 \$1.55M (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

	2017-18	2018-19	2019-20	2020-21	2021-22
Tax Cap	3.9%	2.0%	2.0%	2.0%	2.0%
Assumed increase in Foundation State Aid	3.5%	3.5%	3.5%	3.5%	3.5%
Salaries	Based on negotiated contracts				
Benefits					
Employee Retirement System (ERS)	16.10%	16.10%	16.00%	16.00%	16.00%
Teacher Retirement System (TRS)	10.50%	10.50%	11.00%	12.00%	13.00%
Social Security	7.65%	7.65%	7.65%	7.65%	7.65%
Health Insurance	9.00%	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%	2.00%	2.00%	2.00%
Supplies	2.00%	2.00%	2.00%	2.00%	2.00%
BOCES	2.50%	2.50%	2.50%	2.50%	2.50%
Equipment	0.00%	0.00%	0.00%	0.00%	0.00%
Miscellaneous	0.00%	0.00%	0.00%	0.00%	0.00%

Long-Range Plan - Expenditures

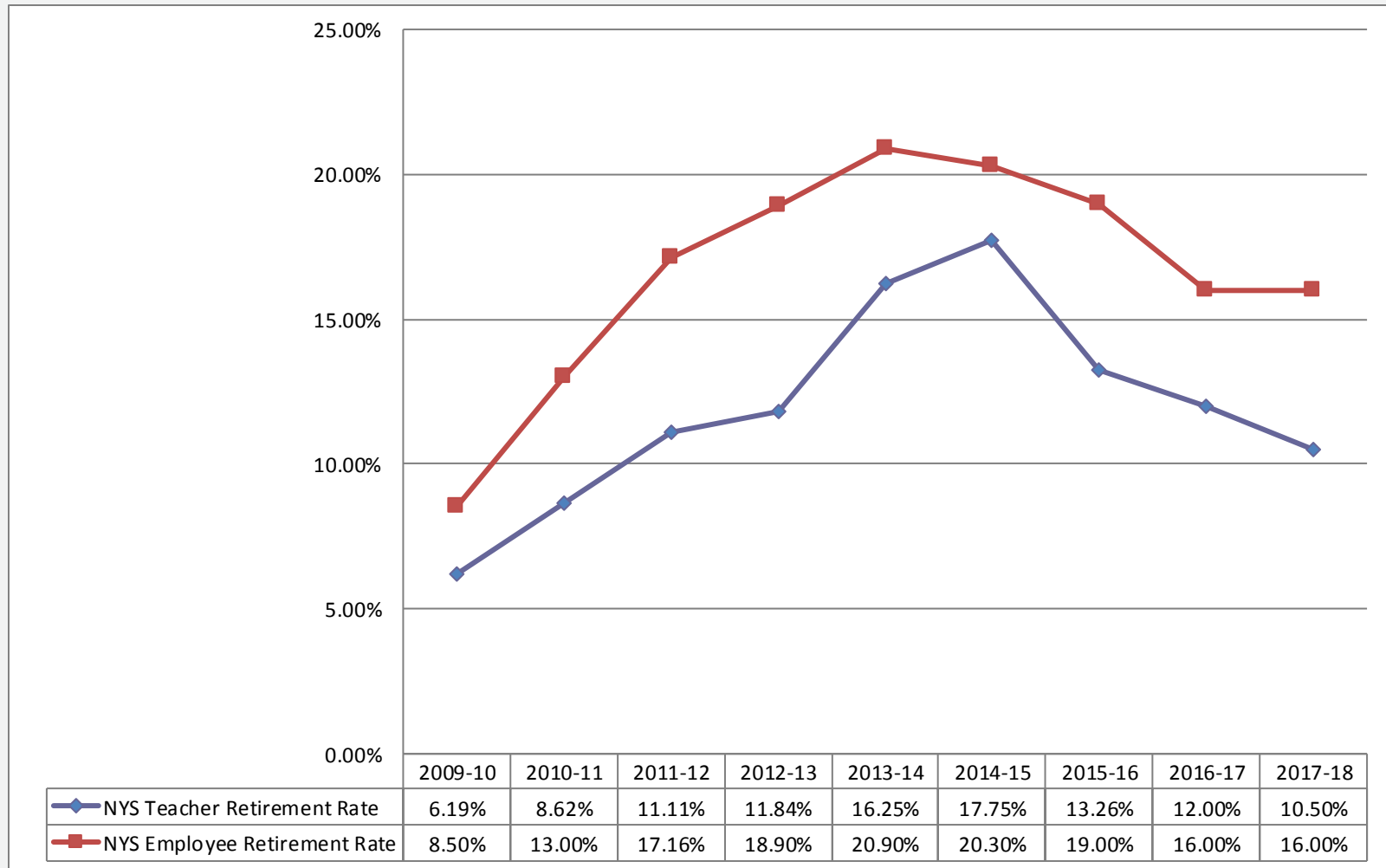
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Expenditure Budget Projection (Based on current year program):						
Salaries	\$16,747,636	\$17,318,294	\$17,965,049	\$18,633,883	\$19,328,751	\$20,050,706
Employee Benefits	\$8,196,146	\$8,501,058	\$8,994,547	\$9,585,487	\$10,098,162	\$11,055,856
Debt Service	\$2,056,478	\$2,249,719	\$1,173,390	\$882,640	\$881,815	\$885,290
BOCES	\$2,516,925	\$2,504,848	\$2,567,469	\$2,631,656	\$2,697,448	\$2,764,884
Supplies and Equipment	\$1,326,584	\$1,325,238	\$1,344,265	\$1,363,672	\$1,383,468	\$1,403,660
Contractual	\$2,967,337	\$2,950,304	\$3,008,130	\$3,067,112	\$3,127,275	\$3,188,640
Transfer to Capital	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Total Projected Expenditure Budget	\$33,911,106	\$34,949,461	\$35,152,850	\$36,264,450	\$37,616,919	\$39,449,036
Increase in the Expenditure Budget		\$1,038,355	\$203,389	\$1,111,600	\$1,352,469	\$1,832,117
% Increase in the Expenditure Budget		3.06%	0.58%	3.16%	3.73%	4.87%

Long-Range Plan - Expenditures

	2016-17	2017-18	Dollar Change	Percentage Change
Expenditure Budget Projection (Based on current year program):				
Salaries	\$16,747,636	\$17,318,294	\$570,658	3.4%
Employee Benefits	\$8,196,146	\$8,501,058	\$304,912	3.7%
Debt Service	\$2,056,478	\$2,249,719	\$193,241	9.4%
BOCES	\$2,516,925	\$2,504,848	(\$12,077)	-0.5%
Supplies and Equipment	\$1,326,584	\$1,325,238	(\$1,346)	-0.1%
Contractual	\$2,967,337	\$2,950,304	(\$17,033)	-0.6%
Transfer to Capital	\$100,000	\$100,000	\$0	0.0%
Total Projected Expenditure Budget	\$33,911,106	\$34,949,461	\$1,038,355	3.1%



Impact of Retirement Rates



Expenditure Unknowns

- Finalized TRS & ERS retirement rates
 - Budgeted 10.50% for TRS (Range from NYSTRS is 9.50% to 10.50%)
- Health insurance premium increases
 - Budgeted 9% increase per year (Finalized rates won't be available until March 2017)
- 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

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Property Taxes	\$14,554,604	\$14,964,338	\$15,263,625	\$15,568,897	\$15,880,275	\$16,197,881
(Estimated Tax Cap Limit) - CPI estimated to be less than 2.0%		3.9% (Used 2.8%)	2.0%	2.0%	2.0%	2.0%
State Aid	\$14,309,112	\$14,930,857	\$14,214,010	\$14,508,871	\$14,928,383	\$15,325,433
Erie County Sales Tax	1,650,000	1,725,000	1,750,000	1,775,000	1,800,000	1,825,000
Other Revenue Sources	397,390	329,266	346,816	359,444	372,152	374,942
	<u>\$30,911,106</u>	<u>\$31,949,461</u>	<u>\$31,574,451</u>	<u>\$32,212,212</u>	<u>\$32,980,810</u>	<u>\$33,723,256</u>
Appropriated Fund Balance for Next Year's Taxes	\$3,000,000	\$3,000,000	\$2,900,000	\$2,800,000	\$2,700,000	\$2,600,000
Use of Debt Service Reserve	-	-	40,000	-	-	19,858
Use of ERS Reserve	-	-	50,000	50,000	50,000	50,000
Use of the Unemployment Reserve	-	-	10,000	10,000	10,000	10,000
Use of Fund Balance & Reserves	<u>\$3,000,000</u>	<u>\$3,000,000</u>	<u>\$3,000,000</u>	<u>\$2,860,000</u>	<u>\$2,760,000</u>	<u>\$2,679,858</u>
Total Revenue and Use of Fund Balance	<u>\$33,911,106</u>	<u>\$34,949,461</u>	<u>\$34,574,451</u>	<u>\$35,072,212</u>	<u>\$35,740,810</u>	<u>\$36,403,114</u>
Increase in Revenue		<u>\$1,038,355</u>	<u>(\$375,010)</u>	<u>\$497,761</u>	<u>\$668,598</u>	<u>\$662,304</u>
% Increase in Revenue		<u>3.06%</u>	<u>-1.07%</u>	<u>1.44%</u>	<u>1.91%</u>	<u>1.85%</u>

Revenue Unknowns

- State Aid – Typically not finalized until April 1st
 - Governor's proposal will be released in January
 - Long-range plan includes an estimated 3.5% increase in Foundation Aid – Reasonable?
- Impact of Property Tax Cap Calculation



Long-Range Plan

Tax Cap Calculation – Preliminary 2017-18

- Tax cap is the lesser of 2% or the Consumer Price Index (CPI). Since the CPI is less than 2% (currently 1.2%), the allowable growth factor will most likely be the CPI
 - Includes the tax base growth factor (approximately 0.7% increase for 2017-18)
 - 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 2017-18
 - Pension expenditures above 2%. No exclusion for ERS or TRS for 2017-18
 - Possible carryover of the unused portion of tax cap from the prior year (approximately \$223K)
 - Projected Tax Cap is 3.9% (Projections include a tax levy increase of 2.8%)
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Long-Range Plan – Budget Implications

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Projected Expenditures	\$33,911,106	\$34,949,461	\$35,152,850	\$36,264,450	\$37,616,919	\$39,449,036
Projected Revenue and Use of Fund Balance	33,911,106	34,949,461	34,574,451	35,072,212	35,740,810	36,403,114
Deficit - Required Reduction to Expenditure Budget	\$0	\$0	\$578,399	\$1,192,238	\$1,876,109	\$3,045,922
Tax Levy increase needed to balance the Budget		\$409,734				
Increase in Tax Levy needed to balance the Budget		2.82%				



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)
 - Property Tax Cap (not finalized)
 - No State budget in place
 - Possible new program initiatives
 - Class sizes and student course selection
 - Contract negotiations
 - Economy
 - Utility costs, etc.
- The longer the plan goes out into the future, the less reliable the projections are



Questions and Discussion

