

General Brown Central School District



Long Range Financial Plan and Fund Balance Management 2020-2021

The mission of the General Brown Central School District is to prepare and inspire each student to meet future challenges.

Table of Contents

- ❖ Purpose and Benefit of Long-Range Planning..... 1
- ❖ School District Revenues..... 1
- ❖ School District Expenditures..... 2
- ❖ Financial Analysis/Plan 3-4
- ❖ Purpose and Benefit of Fund Balance Management 5
- ❖ Reserve Plan 6-7
- ❖ Historical Review of Fund Balance 8

❖ **The Purpose and Benefit of Long Range Planning**

Multiyear planning improves management and service delivery and allows for early identification of potential problems. It aids in projecting the future costs of existing services, and in determining whether existing revenue streams will be sufficient to cover these costs by the end of the planning period.

Multiyear financial planning provides information needed for program evaluation. It helps District officials examine the need for new programs, given projected growth and demographic changes. Multiyear planning also allows District officials to look at the efficiency and effectiveness of existing programs and determine what improvements are needed.

Strategic Action Plan

The School District needs to maintain, at all costs the high academic standards of our students, as they are the future of the district and will become our witness as to how we have passed or failed our mission. In February, 2019, the Board of Education approved a Strategic Action Plan for the District, which included three strategic focus areas: Academic Achievement, Intentional Investment in Learning, and School Culture and Community.

❖ **School District Revenues**

Local Tax Levy

The tax levy is the total dollars that a school district collects from property owners within the district in order to balance its budget. The levy is determined after accounting for all other sources of income, including state aid.

The tax rate is used to calculate what each property owner will pay in school taxes. The district tax levy rate is just one factor, along with assessment rates and equalization rates that figure into determining the tax rate. The district does not set individual tax rates.

At the end of June 2011, the New York State Legislature enacted a property tax “cap” that seeks to limit the annual increase in the tax levies of local governments and school districts.

Although the new law has been referred to as a “2 percent tax cap,” it does not, in fact, restrict any proposed tax levy increase to 2 percent. What it does is establish a tax levy limit (which will be determined by each district according to an eight-step, complex formula dictated by the law, and will vary by district) that determines the number of votes needed to pass a school budget. For the 2014-2015 fiscal year, the taxpayers voted to override the tax cap with a 60% supermajority. In all subsequent years, the tax levy increase stayed within the tax levy limit.

State and Federal Aid

About 64% of total revenues are procured through State and Federal Aid. In 2009, the State announced drastic reductions in State Aid to Schools through the Gap Elimination Adjustment (GEA) in order to balance the State budget. Over a six year period, the District lost over 7.8 million dollars through the GEA. The State eliminated the Gap Elimination Adjustment for the 2016-2017 fiscal year. The State has also placed periodic freezes on Foundation Aid. State budget controls funding for many districts that derive a high percentage of their revenue from State Aid. Long Range planning becomes difficult, if not impossible, without consistent

expectations of State Aid revenue. Even after the State passes their budget on time, our funding stream may still be disrupted and payments extended past the original schedule due to lack of cash flow from the State. Given the current economic climate and state of the State due to the pandemic, the school system will continue to find all available options to curtail expenditures and save money.

❖ **School District Expenditures**

The periodic freezes on Foundation Aid and the Gap Elimination Adjustments applied over the 6 budget cycles from 2010-2016 created a funding cliff on the revenue side of the budget. This coupled with escalating health care and contractual obligations and unpredictable retirement contributions posed significant challenges for the Board of Education as they prepared a spending plan each year. Once again, the Board of Education will be posed with significant challenges in the 2020-2021 school year due to 20% aid reductions as a result of the pandemic's impact on the State budget.

In 2013, following years of depleting the District's fund balance, the District was forced to significantly decrease expenses through layoffs. This marked decrease in expenditures was the beginning of financial recovery for the District. After losing 46 positions, the District was able to restore many positions during the 2015-2016, 2016-2017 and 2017-2018 school years and replenish reserve accounts that had been depleted during the economic downturn.

Employee compensation and related fringe benefit costs is the largest area of expense. These costs are mainly affected by two non-controllable factors: number of staff and contracts with collective bargaining units. The District employs approximately 215 full and part time employees. The teachers' association has a collective bargaining agreement which expires on June 30, 2023. The Administrators' collective bargaining agreement expires on June 30, 2021. The school related professionals' collective bargaining agreement expires on June 30, 2024.

Each year, the rising cost of providing pension and insurance benefits, factors beyond the district's control, complicates the development of the annual school budget. Health insurance costs have been increasing by 2-4% each year.

Both the New York State Teachers' Retirement System (TRS) and Employees' Retirement System (ERS) employer contribution rates have risen every year from 2002 through 2013. In 2014, we began to see contribution rates stabilize with a decrease realized in years 2015-2019. Rates are now expected to increase in the near future.

Bus Purchases

The District is on a bus replacement schedule that calls for the purchase of 3-4 new buses each year. The bus replacement plan evens out the transportation costs and ensures that buses are replaced every 6-7 years. Planned purchasing ensures that the district has safe buses to transport students. As buses exceed their warranty and mileage recommendations, they become more costly to maintain and less efficient to run. Most of the purchase price is reimbursed through state transportation aid when purchased with local taxpayer dollars.

❖ **Looking to the future – Financial Analysis/Plan**

Under the Office of the State Comptroller’s fiscal stress monitoring system, the District has improved from a District with “significant” fiscal stress in 2013 to a District with “no designation” in 2015. The District has continued to receive the “no designation” status in every subsequent school year.

9 Year Financial Analysis

General Brown Central School District									
Four Year Financial Plan, Fiscal Years 2021-2024									
General Fund									
	Actual					Estimated	Projected		
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues									
Real Property Tax Items	7,361,589	7,583,693	7,734,561	7,887,811	7,931,739	8,345,646	8,512,559	8,682,810	8,856,466
Charges for Services	182,890	120,815	48,711	49,122	32,454	11,100	11,655	12,238	12,850
State Aid	12,866,742	13,043,730	13,322,202	13,598,143	15,203,669	14,755,248	14,755,248	15,197,905	15,653,843
Federal Aid	92,792	119,312	90,915	189,551	55,500	90,000	90,000	90,000	90,000
Other (includes Sale of Property, Misc.)	424,162	318,749	424,662	428,684	288,510	214,800	250,000	300,000	350,000
Interfund Transfers	0	0	8,000	8,000	10,000	18,000	30,000	100,000	200,000
Appropriated Fund Balance					1,400,000	900,000	900,000	1,000,000	900,000
Total Revenues and Other Sources	\$20,928,175	\$21,186,299	\$21,629,051	\$22,161,311	\$24,921,872	\$24,334,794	\$24,549,462	\$25,382,953	\$26,063,159
Expenditures by Function									
General Support	2,020,338	2,003,742	2,020,316	2,241,161	3,580,639	2,636,721	2,600,000	2,665,000	2,731,625
Instruction	10,105,756	10,459,445	11,127,182	11,532,092	11,355,491	12,563,003	12,600,000	12,978,000	13,367,340
Pupil Transportation	847,933	860,340	911,773	1,017,799	979,286	1,133,700	1,150,000	1,173,000	1,196,460
Employee Benefits	4,883,527	4,887,785	4,936,406	5,116,137	5,181,485	5,839,000	5,950,000	6,158,250	6,373,789
Debt Service (Principal and Interest)	1,107,975	1,075,362	1,229,579	1,237,304	1,491,287	1,652,370	1,652,365	1,934,380	1,934,835
Interfund Transfers	450,848	1,967,481	447,651	439,985	482,592	510,000	485,000	375,000	375,000
Total Expenditures and Other Uses	\$19,416,377	\$21,254,155	\$20,672,907	\$21,584,478	\$23,070,780	\$24,334,794	\$24,437,365	\$25,283,630	\$25,979,049
Surplus (Deficit)	\$1,511,798	(\$67,856)	\$956,144	\$576,833	\$1,851,092	\$0	\$112,097	\$99,323	\$84,110
Budgetary Reserves									
Fund Equity, Beg. of Year	\$3,408,588	\$4,920,386	\$4,852,530	\$5,808,674	\$6,485,507	\$6,936,599	\$6,911,539	\$7,006,789	\$7,030,649
Fund Equity, End of Year	4,920,386	4,852,530	5,808,674	6,485,507	6,936,599	6,936,599	7,006,789	7,030,649	7,114,758
Nonspendable and Restricted Fund Balance	3,182,752	2,393,939	2,839,526	3,781,946	3,804,992	3,500,000	3,500,000	3,500,000	3,500,000

❖ **The Purpose and Benefit of Fund Balance Management**

The Board of Education and Administration considers several aspects of Fund Balance in balancing the overall fiscal health of the District.

Why do we need Fund Balance?

Fund balance is necessary in order to cover cash flow deficits in the summer and to plan for future liabilities as well as to accommodate unforeseen issues. A good Fund Balance Management Plan will substantially reduce or eliminate a negative effect on the normal operation of our District in order to accommodate liabilities that may arise. The General Fund budget voted upon by the community is established to pay for the expenses for that year. There is little room in that budget to pay for extraordinary or unanticipated expenses. We create Fund Balance with the idea that we can support future liabilities – known and unknown – without negatively affecting the instructional program or the taxpayers.

How is Fund Balance created?

Fund Balance is created when unexpended funds remain at the end of the fiscal year primarily by the design and management of annual district budgets. Over the last several years, the General Brown Central School District Board of Education and Administration have been improving their efforts at prudent budget design. We have been conservative with our revenue estimates by acknowledging that the executive and legislative budget proposals are simply projections and estimates... not a guarantee of funding to the district. The actual dollars to be received from the state are not provided to us until November of the year following the vote. By being conservative, we avoid the risk of overstating budgeted revenues.

The appropriate development of the expenditure side of each budget is another area that has progressed and increased in accuracy in recent years. As a strategy to avoid unanticipated expenditures in the budget, the Board of Education strives to anticipate changes in regulations and student population. We receive updates from many sources in Albany and share information received by both the Superintendent and School Business Official from these sources in order to develop the most accurate financial plans possible. We work with the building administrators and department supervisors much more closely to determine changes in placements and programming for the future. Even after the budget is adopted, we monitor the fiscal plan on at least a weekly and sometimes more frequent basis looking for variances from our assumptions.

GASB 54

As of June 30, 2011, GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued, which replaced fund balance classifications with the following:

Fund Balance Classifications

Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government’s general fund, and could report a surplus or deficit, limited to 4 percent of the annual budget.

❖ **Fund Balance and Reserve Plan**

Reserve Funds, like other savings plans, are mechanisms for accumulating cash for future capital outlays and other allowable purchases. The practice of planning ahead and systematically saving for contingencies is considered prudent management. The District feels strongly that Reserves must be funded adequately in order to serve as a revenue source during periods of economic downturn and/or State Aid decreases. This helps safeguard against the loss of educational programming/services and dramatic increases in the tax levy. The District uses conservative budgeting practices to ensure adequate funding of the following reserves and fund balance categories:

Unassigned Fund Balance – These funds are unrestricted and may be used for any valid purpose. They are used for unanticipated, unbudgeted expenditures.

Funding Target: Minimum 4% of the ensuing year’s budget

Assigned Appropriated Fund Balance – These funds are set aside and returned to the community by lowering the required tax levy of the ensuing year’s budget. They also provided the necessary cash flow during the summer months.

Funding Target: \$1,000,000 - \$1,500,000

Unemployment Reserve – This reserve fund is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants.

Funding Target: \$180,000 - \$260,000 (2-3% of payroll)

Workers' Compensation Reserve – The purpose of this reserve fund is to pay for compensation benefits and other expenditures authorized by Article 2 of the Workers' Compensation Law, and for payment of expenditures of administering this self-insurance program.

Funding Target: \$300,000 (Three years of anticipated medical expense claims and administrative costs)

Capital Reserve – The Capital Reserve Fund is used to pay the cost of any object or purpose for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and payments from the reserve.

Funding Target: \$2,800,000

Employee Benefit Accrued Liability – The purpose of this account is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of the employee's service.

Funding Target: \$200,000 (Actual calculated short-term liability for employees' unused accumulated leave time); will spend down reserve to meet target over next few years.

Retirement Contribution Reserve – This reserve fund is used to pay for district expenses to the NYS Employees' Retirement System only.

Funding Target: \$1,400,000 (Four years of anticipated contribution amounts)

Teachers' Retirement System Reserve – This is a sub-fund of the Retirement Contribution Reserve. This reserve fund is used to pay for district expenses to the NYS Teachers' Retirement System only.

Funding Target: The moneys contributed annually shall not exceed 2% of the total salaries of all teachers employed by the District who are members of TRS paid during the immediately preceding fiscal year. The funding target is 10% of the total compensation or salaries of all teachers employed by the District who are members of TRS paid during the immediately preceding fiscal year.

**General Brown Central School District
Historical Review of Fund Balance
2008-2009 to 2019-2020**

Year Ending	Unemployment Reserve	Retirement Reserve		Workers Comp Reserve	Employee Benefits Accrued Liability Reserve	Capital Reserve	Assigned Appropriated Fund Balance	Unassigned Fund Balance	TOTAL
		ERS	TRS						
2008-2009	\$360,985	\$452,676	\$0	\$0	\$0	\$0	\$1,490,000	\$1,292,015	\$2,782,015
2009-2010	\$327,096	\$454,424	\$0	\$0	\$0	\$0	\$1,195,355	\$2,268,903	\$4,245,778
2010-2011	\$301,605	\$773,551	\$0	\$203,049	\$90,255	\$0	\$1,195,000	\$816,000	\$3,379,460
2011-2012	\$274,135	\$457,419	\$0	\$113,563	\$81,083	\$0	\$895,000	\$420,820	\$2,242,020
2012-2013	\$263,932	\$50,419	\$0	\$17,563	\$28,475	\$0	\$459,345	\$0	\$819,734
2013-2014	\$233,939	\$50,419	\$0	\$17,563	\$11,126	\$0	\$895,000	\$677,822	\$1,885,869
2014-2015	\$233,939	\$1,150,419	\$0	\$117,563	\$101,193	\$0	\$895,000	\$781,430	\$3,279,544
2015-2016	\$233,940	\$1,150,419	\$0	\$117,563	\$101,236	\$1,500,000	\$895,000	\$789,337	\$4,787,495
2016-2017	\$233,940	\$1,350,419	\$0	\$267,563	\$241,270	\$0	\$895,000	\$1,492,604	\$4,480,796
2017-2018	\$233,942	\$1,350,419	\$0	\$267,563	\$223,800	\$750,000	\$910,000	\$2,016,014	\$5,751,738
2018-2019	\$238,677	\$1,377,727	\$135,000	\$272,974	\$229,025	\$1,514,743	\$1,400,000	\$1,158,801	\$6,326,947
2019-2020	\$242,078	\$1,397,789	\$135,000	\$276,864	\$213,818	\$1,525,641	\$900,000	\$2,120,689	\$6,811,879