

Five-Year Financial Forecast Update January 2019

**Presentation to
Board of Education
Galway Central School District**

FINANCIAL FORECAST 2019-20 TO 2023-24

A long-range financial plan is crucial to maintaining sound fiscal health. This plan shows what decisions may be necessary over the next five years to sustain or modify programs.

This purpose of this plan is: *To Ensure that the District has the Fiscal Capacity to Provide the Resources for Increased Educational Opportunities for Every Galway Central School Student.*

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A long-range plan helps the district to realize its goals. It fosters fiscal stability. It helps to sustain programs and services. It identifies future issues. It helps to redirect resources.

Key components of the long-range plan involve reasonable assumptions and data collection, leading to interpretation of results. The worst case should be contemplated and plausible unknowns should be considered.

It is always best to be transparent regarding the management of publicly funded programs. Information is disseminated and presented in plain language using appropriate formats that have been suggested by the Office of the State Comptroller and the State Education Department.

FINANCIAL FORECAST 2019-20 TO 2023-24

The long-range financial plan takes into consideration key factors that impact school district budgets, most notably:

- Student Enrollment Trends
- Curriculum Mandates
- Technology Needs
- Facility Needs
- Contractual Requirements
- State Aid Trends
- Building Aid Formulas
- Tax Levy Limitation
- Use of Reserve Accounts
- Board of Education Goals
- Community Expectations

FINANCIAL FORECAST 2019-20 TO 2023-24

A long-range plan is based upon assumptions and degrees of uncertainty.

Assumptions for Budget Appropriations:

- Funding is estimated for the cost of employee collective bargaining agreements (in place or projected).
- Health Insurance costs are still expected to increase at 5% to 8% each year.
- Retirement System costs seem to have stabilized and are now lower than in recent years, so the appropriations forecast reflects this.
- Bus purchases are based on a 6 to 8 year or 100,000 miles replacement cycle and allocation of an average of \$260,000 per year for bus purchase capital expenses.
- Debt Service expenses reflect a schedule of outstanding capital project bonds. Repayment of bonds results in corresponding State Building Aid, which is currently 77%. Building Aid is received in the same year as the debt service expenditure.

FINANCIAL FORECAST 2019–20 TO 2023–24

Assumptions for Revenues:

- ▶ Annual appropriated fund balance of an average of \$1.4 million
- ▶ Foundation Aid in accordance with state budget adopted for 2018-19, and about a 3.0 percent increase each ensuing school year, based on recent trends.
- ▶ Expenditure-driven aids are based on levels of expenditure and “Present Law”; costs are reimbursed in the year following expense at the aid ratios set forth by State Education Department calculations. Examples are Transportation, BOCES, and costs for educating students with special needs.

FINANCIAL FORECAST 2019-20 TO 2023-24

Areas of uncertainty (beyond District control) – Revenue related :

- ▶ Assessed valuation of properties, along with equalization rates.
- ▶ State changes with the STAR program.
- ▶ Interest earning rates on bank deposits.
- ▶ Tax Levy Limitation regulations.
- ▶ The formulas for the payment of State Aid.
- ▶ Local, state, and national economic conditions.

FINANCIAL FORECAST 2019–20 TO 2023–24

Areas of uncertainty – Expense related:

- Budget increases resulting from negotiations with employee bargaining units.
- Staffing needs to accommodate program changes to provide students with additional opportunities to exceed academic performance standards.
- Increases in health insurance premiums.
- Increases in energy costs, especially school bus fuel and heating oil.
- Future student enrollment, especially changes in special education classified numbers.

FINANCIAL FORECAST 2019-20 TO 2023-24

	ACTUAL	ACTUAL	FORECAST	FORECAST	FORECAST	FORECAST
<u>ENROLLMENT</u>						
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
K-6	425	425	422	420	416	414
7-12	373	375	380	380	379	378
Total	798	800	802	800	795	792
Change from prior year	-12 -1.48%	2 0.25%	2 0.25%	0 -0.25%	-7 -0.88%	-8 -1.01%

FINANCIAL FORECAST 2019-20 TO 2023-24

<u>APPROPRIATIONS</u>	BUDGET	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Salaries	\$ 9,579,632	\$ 9,867,021	\$ 10,163,032	\$ 10,467,923	\$ 10,781,960	\$ 11,105,419
Equipment	\$ 194,851	\$ 202,645	\$ 210,751	\$ 219,181	\$ 227,948	\$ 237,066
Contractual/Other	\$ 1,645,591	\$ 1,662,047	\$ 1,678,667	\$ 1,695,454	\$ 1,712,409	\$ 1,729,533
Supplies	\$ 560,691	\$ 566,298	\$ 571,961	\$ 577,680	\$ 583,457	\$ 589,292
Learning Materials	\$ 169,044	\$ 169,044	\$ 169,044	\$ 169,044	\$ 169,044	\$ 169,044
Tuitions to Other Schools	\$ 134,505	\$ 141,230	\$ 148,292	\$ 155,706	\$ 163,492	\$ 171,666
BOCES	\$ 2,641,829	\$ 2,681,456	\$ 2,721,678	\$ 2,762,503	\$ 2,803,941	\$ 2,846,000
Employee Benefits	\$ 4,889,626	\$ 5,134,107	\$ 5,390,813	\$ 5,660,353	\$ 5,943,371	\$ 6,240,540
Other Debt Service / Fund Transfers	\$ 396,900	\$ 569,700	\$ 428,750	\$ 305,000	\$ 310,000	\$ 315,000
Building Debt Service	\$ 1,287,813	\$ 2,179,117	\$ 1,745,442	\$ 1,743,686	\$ 1,740,811	\$ 1,741,667
Grand Total	\$ 21,500,482	\$ 23,172,666	\$ 23,228,429	\$ 23,756,531	\$ 24,436,433	\$ 25,145,227
Dollar Difference		\$ 1,672,184	\$ 55,764	\$ 528,102	\$ 679,902	\$ 708,794
Percent Difference		7.78%	0.24%	2.27%	2.86%	2.90%
Total Without Building Debt	\$ 20,212,669	\$ 20,993,549	\$ 21,482,987	\$ 22,012,845	\$ 22,695,622	\$ 23,403,560
Dollar Change		\$ 780,880	\$ 489,439	\$ 529,858	\$ 682,777	\$ 707,938
Percentage Change		3.86%	2.33%	2.47%	3.10%	3.12%

FINANCIAL FORECAST 2019-20 TO 2023-24

<u>REVENUES</u>	BUDGET	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Fund Balance Approp.	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000
Capital Project Aid on Debt	\$ 991,616	\$ 1,677,920	\$ 1,343,990	\$ 1,342,638	\$ 1,340,424	\$ 1,341,084
State Aid	\$ 8,216,942	\$ 8,463,450	\$ 8,717,354	\$ 8,978,874	\$ 9,248,241	\$ 9,525,688
All Other Sources	\$ 240,690	\$ 243,097	\$ 245,528	\$ 247,983	\$ 250,463	\$ 252,968
Payment in Lieu of Taxes	\$ 30,000	\$ 55,000	\$ 56,100	\$ 57,222	\$ 58,366	\$ 59,534
Property Taxes and Related	\$ 10,621,234	\$ 10,833,659	\$ 11,050,332	\$ 11,271,338	\$ 11,496,765	\$ 11,726,701
Revenue Total	\$ 21,500,482	\$ 22,673,126	\$ 22,813,303	\$ 23,298,056	\$ 23,794,259	\$ 24,305,974
Dollar Difference		\$ 1,172,644	\$ 140,178	\$ 484,753	\$ 496,203	\$ 511,714
Percent Difference		5.45%	0.62%	2.12%	2.13%	2.15%
Tax Levy \$ Change		\$ 212,425	\$ 216,673	\$ 221,007	\$ 225,427	\$ 229,935
Tax Levy % Change		2.00%	2.00%	2.00%	2.00%	2.00%
Potential Revenue Gap		\$ 499,540	\$ 415,126	\$ 458,475	\$ 642,173	\$ 839,253

FINANCIAL FORECAST 2019–20 TO 2023–24

Analysis of data previously presented

- ▶ Based on the factors listed in this report, the baseline budget is projected to increase each year in the range of 2.3 to 3.9 percent, as a matter of maintaining the present educational plan and instructional program offerings.
- ▶ There remains uncertainty with the state aid component of the financial picture. This unknown impacts our long-range planning analysis. We need to be very conservative with projections regarding state aid increases.
- ▶ Also, the Tax Levy Limitation formula impacts the projection model as it essentially is allowing only a minimal increase tied to the CPI (Consumer Price Index).

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Analysis of data previously presented (continued)

- ▶ Please Note: even with moderate budget growth of an average of 2.9 %, the resulting tax levy increase each year would exceed the base tax levy limitation formula. Therefore, an additional draw-down of available fund balance, and/or reductions in budget appropriations, may be necessary, notwithstanding larger increases in state aid.

2019–20 Budget and Financial Plan Process

Dec. 6, 2018: Financial Condition Update

Jan. 3, 2019: Rollover Budget and Long-Range (Multi-Year) Plan

The following dates are subject to change:

Feb. 7, 2019: Preliminary 2019-20 Budget

Feb. 28, 2019: Updated Preliminary 2019-20 Budget

March 7, 2019: Tentative 2019-20 Budget

March 21, 2019: Updated Tentative 2019-20 Budget

April 11, 2019: Revised 2019-20 Tentative Budget (leading into Proposed 2019-20 Budget)

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Galway Central School District
January 2019**

THANK YOU FOR YOUR ATTENTION

