



# 2017-2018 Budget Update

February 7, 2017

# Guiding Question

Given a host of fiscal challenges, can we deliver a district budget that falls within the Allowable Tax Levy Limit while:

- maintaining programs, class size, and current staffing levels;
- accommodating higher enrollment;
- meeting individual student program needs; and
- fulfilling contractual obligations?

# Fiscal Challenges

- Flat / declining revenue (non-tax levy)
- Lower reserve levels
- Limited allowable tax levy growth and budget-to-budget increases
- Salary, program, and employee health benefit obligations increasing at a rate that exceeds allowable levy and budget-to-budget growth

# Revenue Projections

- \$368,175 increase of state aid
- Fund Balance reduction of \$330,381
- Elimination of \$572,438 from the ERS Reserve Fund
- Lower revenue projections (-\$173,878) in non-tax levy revenue categories

Beginning with a -\$708,522 deficit of revenues based on fund balance reduction and lower reserves/non-tax levy revenues sources

# Non Tax Levy Revenues

|                | Budgeted 2016-17 | Projection 2017-18 | Change          |
|----------------|------------------|--------------------|-----------------|
| State Aid*     | 6,872,976        | 7,241,151          | 368,175         |
| Fund Balance   | 2,830,381        | 2,500,000          | -330,381        |
| Reserves       | 572,438          | 0                  | -572,438        |
| Other Revenues | <u>4,970,004</u> | <u>4,796,126</u>   | <u>-173,878</u> |
| Total          | 15,245,799       | 14,537,277         | -708,522        |

We anticipate a loss of \$708,522 in Non Tax Levy Revenues over prior year. Tax levy would need to increase to cover the lose

\* State Aid is using early projections from Governor's proposal and is subject to change

# Use of Reserves and Fund Balance

- For 16-17, the District used \$3,402,819 of reserves and fund balance to balance the budget
  - \$2,500,000 –historical fund balance utilization
  - \$ 330,381 - use of additional fund balance
  - \$ 572,438 remaining balance of ERS Reserve (previously used to offset higher contribution rates)
- Total fund balance decreased \$6,705,012 since June 30, 2014
- Unassigned fund balance currently at 3.63% as of June 30, 2016
  - Used to support budgets to stay under tax cap
  - Tax Certiorari reserve decreased \$3,122,727 with no anticipate to replenish at year's end

# Change in Reserves

## (Non-spendable & Restricted)

|                         |  | 2011       | 2012       | 2013       | 2014       | 2015      | 2016      |
|-------------------------|--|------------|------------|------------|------------|-----------|-----------|
| Non-spendable           |  |            |            |            |            |           |           |
| Prepaid expenditures    |  | \$ 966,556 | \$ 973,430 | \$ 272,274 | \$ 106,464 | \$ -      | \$ -      |
| Long-term receivable    |  | 529,281    | 122,744    | 521,843    | 399,099    | 399,099   | -         |
| Non-spendable Total     |  | 1,495,837  | 1,096,174  | 794,117    | 505,563    | 399,099   | -         |
| Restricted              |  |            |            |            |            |           |           |
| Workers compensation    |  | 560,966    | 564,517    | 566,548    | 568,861    | 168,919   | 168,973   |
| Unemployment benefits   |  | 65,398     | 65,619     | 65,757     | 66,026     | 34,033    | 34,043    |
| Repairs                 |  | 9,038      | 9,038      | 9,040      | 9,077      | 9,081     | 9,095     |
| Tax certiorari          |  | 6,889,675  | 6,413,759  | 7,298,467  | 7,766,798  | 6,996,403 | 6,643,433 |
| Retirement contribution |  | 2,542,211  | 1,557,487  | 1,063,167  | 1,567,509  | 572,438   | -         |
| Total Restricted        |  | 10,067,288 | 8,610,420  | 9,002,980  | 9,978,271  | 7,780,874 | 6,855,544 |

# Change in Reserves

## (Assigned & Unassigned)

|                           |  | 2011          | 2012          | 2013          | 2014          | 2015          | 2016         |
|---------------------------|--|---------------|---------------|---------------|---------------|---------------|--------------|
| Assigned                  |  |               |               |               |               |               |              |
| Purchases on order        |  | 2,823,648     | 675,163       | 347,411       | 1,641,909     | 1,880,643     | 482,045      |
| Use of fund balance       |  | 2,500,000     | 2,500,000     | 2,500,000     | 3,000,000     | 3,000,000     | 2,830,381    |
| Transfer to Capital       |  | 2,300,000     | -             | 750,000       | 920,000       | 995,000       | -            |
| Transfer from ERS reserve |  | 500,000       | 1,000,000     | 1,000,000     | 1,000,000     | 1,000,000     | 572,438      |
| Total Assigned            |  | 8,123,648     | 4,175,163     | 4,597,411     | 6,561,909     | 6,875,643     | 3,884,864    |
| Unassigned                |  | 4,439,484     | 4,528,921     | 5,066,786     | 5,234,605     | 5,301,998     | 4,834,928    |
| Total Fund Balances       |  | \$ 24,126,256 | \$ 18,410,678 | \$ 19,461,294 | \$ 22,280,348 | \$ 20,357,614 | \$15,575,336 |



# Large Expense Areas

- Employee health care benefit costs
- Special Education program expenditures
  - Rise in number of out of district students
  - Increasing tuition costs
  - Residential room and board rates
  - Medically fragile students (look into bringing programs in house)
- Transportation expenses
  - Cost of transportation
  - Amount of transportation runs
- Salaries
  - Contractual obligations

# Increasing Employee Health Care Costs

- While we have previously achieved savings by way of implementing self-funded employee health insurance and prescription plans, the utilization patterns over the past two years are higher than predicted
- The District anticipates being \$1.8m over budget this year in health costs
  - Unanticipated increase in utilization
  - Budgeting closer to actuals
- We anticipate higher self-funded insurance costs based on actual expenses, inflationary factors, and stop loss policy premium cost increases.

# 2017-2018 Enrollment Projections as of 1-1-17

| Grade                 | 2016-17 Actuals |              | Class Size | 2017-18 Actuals |              | Change from |
|-----------------------|-----------------|--------------|------------|-----------------|--------------|-------------|
|                       | Enrollment      | # of Classes |            | Enrollment      | # of Classes |             |
| <b>MAMARONECK AVE</b> |                 |              |            |                 |              |             |
| K                     | 60              | 3            | 19         | 54              | 3            | 0           |
| Dual Lang. K          | 48              | 2            | 24         | 48              | 2            | 0           |
| 1                     | 68              | 3            | 21         | 60              | 3            | 0           |
| Dual Lang. 1          | 48              | 2            | 24         | 48              | 2            | 0           |
| 2                     | 58              | 3            | 21         | 68              | 3            | 0           |
| Dual Lang. 2          | 41              | 2            | 24         | 48              | 2            | 0           |
| 3                     | 79              | 4            | 21         | 58              | 3            | -1          |
| Dual Lang. 3          | 47              | 2            | 24         | 41              | 2            | 0           |
| 4                     | 106             | 5            | 25         | 79              | 4            | -1          |
| Dual Lang. 4          | 0               | 0            | 24         | 47              | 2            | 2           |
| 5                     | 120             | 5            | 25         | 106             | 5            | 0           |
|                       | <b>675</b>      | <b>31</b>    |            | <b>657</b>      | <b>31</b>    | <b>0</b>    |
| Sp. Ed.               | 41              | 5            |            | 41              | 5            | 0           |
|                       | <b>716</b>      | <b>36</b>    |            | <b>698</b>      | <b>36</b>    | <b>0</b>    |
| <b>MURRAY</b>         |                 |              |            |                 |              |             |
| K                     | 118             | 6            | 22         | 109             | 5            | -1          |
| 1                     | 142             | 7            | 22         | 118             | 6            | -1          |
| 2                     | 99              | 4            | 25         | 142             | 6            | 2           |
| 3                     | 138             | 6            | 25         | 99              | 4            | -2          |
| 4                     | 121             | 5            | 26         | 138             | 6            | 1           |
| 5                     | 123             | 5            | 26         | 121             | 5            | 0           |
|                       | <b>741</b>      | <b>33</b>    |            | <b>727</b>      | <b>32</b>    | <b>-1</b>   |
| Sp. Ed.               | 6               | 1            |            | 5               | 1            | 0           |
|                       | <b>747</b>      | <b>34</b>    |            | <b>732</b>      | <b>33</b>    | <b>-1</b>   |

# 2017-2018 Enrollment Projections as of 1-1-17

| Grade                         | 2016-17 Actuals |              | Class Size | 2017-18 Actuals |              | Change from |
|-------------------------------|-----------------|--------------|------------|-----------------|--------------|-------------|
|                               | Enrollment      | # of Classes |            | Enrollment      | # of Classes |             |
| <b>CENTRAL</b>                |                 |              |            |                 |              |             |
| K                             | 85              | 4            | 22         | 79              | 4            | 0           |
| 1                             | 84              | 4            | 22         | 85              | 4            | 0           |
| 2                             | 75              | 3            | 25         | 84              | 4            | 1           |
| 3                             | 90              | 4            | 25         | 75              | 3            | -1          |
| 4                             | 79              | 3            | 26         | 90              | 4            | 1           |
| 5                             | 77              | 3            | 26         | 79              | 3            | 0           |
|                               | <b>490</b>      | <b>21</b>    |            | <b>492</b>      | <b>22</b>    | <b>1</b>    |
| Sp. Ed.                       | 10              | 1            |            | 6               | 1            | 0           |
|                               | <b>500</b>      | <b>22</b>    |            | <b>498</b>      | <b>23</b>    | <b>1</b>    |
| <b>CHATSWORTH</b>             |                 |              |            |                 |              |             |
| K                             | 130             | 6            | 22         | 121             | 6            | 0           |
| 1                             | 131             | 6            | 22         | 130             | 6            | 0           |
| 2                             | 115             | 5            | 25         | 131             | 6            | 1           |
| 3                             | 122             | 5            | 25         | 115             | 5            | 0           |
| 4                             | 111             | 5            | 26         | 122             | 5            | 0           |
| 5                             | 107             | 4            | 26         | 111             | 5            | 1           |
|                               | <b>716</b>      | <b>31</b>    |            | <b>730</b>      | <b>33</b>    | <b>2</b>    |
| Sp. Ed.                       | 0               | 0            |            | 0               | 0            | 0           |
|                               | <b>716</b>      | <b>31</b>    |            | <b>730</b>      | <b>33</b>    | <b>2</b>    |
| <b>Elem Totals</b>            |                 |              |            |                 |              |             |
| <b>Elem Totals w/o Sp Ed</b>  | <b>2622</b>     | <b>116</b>   |            | <b>2606</b>     | <b>118</b>   | <b>2</b>    |
| <b>Elem Totals with Sp Ed</b> | <b>2679</b>     | <b>123</b>   |            | <b>2658</b>     | <b>125</b>   | <b>2</b>    |

# 2017-2018 Enrollment Projections as of 1-1-17

| Grade               | 2016-17 Actuals |  | 2017-18 Actuals |             |
|---------------------|-----------------|--|-----------------|-------------|
|                     | Enrollment      |  | Enrollment      | Change from |
| <b>HOMMOCKS</b>     |                 |  |                 |             |
| 6                   | 388             |  | 427             | 0           |
| 7                   | 412             |  | 388             | 0           |
| 8                   | 394             |  | 412             | 1           |
| Total Reg Ed        | 1194            |  | 1227            | -1          |
| Sp Ed               | 14              |  | 11              | 1           |
| 5 Total             | 1208            |  | 1238            | 0           |
| <b>MHS</b>          |                 |  |                 |             |
| 9                   | 398             |  | 394             | 0           |
| 10                  | 387             |  | 398             | 0           |
| 11                  | 356             |  | 387             | 1           |
| 12                  | 369             |  | 356             | 0           |
| Total Reg Ed        | 1510            |  | 1535            |             |
| Sp Ed               | 18              |  | 24              |             |
| Total               | 1528            |  | 1559            |             |
|                     |                 |  |                 |             |
| Secondary Totals    | 2736            |  | 2797            |             |
| Districtwide Totals | 5415            |  | 5455            | +40         |

## Property Tax Cap Calculation under Chapter 97 of the Laws of 2011

|          |  |                                    |                    |                       |
|----------|--|------------------------------------|--------------------|-----------------------|
|          | <b>Prior Year Levy (2016-17)</b>                                       |                                    |                    | <b>\$ 117,913,364</b> |
|          | Tax Base Growth Factor (not yet published, used last 2 year's average) |                                    |                    | x <u>1.0058</u>       |
|          |  |                                    |                    | \$ 118,597,262        |
| Add      | 2016/17 Payment in Lieu of Taxes (PILOT)                               |                                    |                    | + <u>41,832</u>       |
|          |  |                                    |                    | \$118,639,094         |
| subtract | Prior Year Exemptions  | Debt Service                       | 8,630,635          | - <u>6,939,751</u>    |
|          |  | <u>Less Building Aid</u>           | <u>(1,690,884)</u> |                       |
|          |  | Net Exemption                      | 6,939,751          |                       |
|          | Prior Year Tax Levy Limit  |                                    |                    | \$ 111,699,343        |
| multiply | Allowable Growth Factor  | (Lesser of CPI or 2%)              | Estimate of 1%     | x <u>1.26%</u>        |
|          |  |                                    |                    | \$113,106,754         |
| Subtract | 2017/18 PILOT (Payment In Lieu of Taxes) estimate                      | First PILOT started in 2016/17     |                    | <u>(42,281)</u>       |
|          | Current Year Tax Levy Limit  |                                    |                    | \$113,064,473         |
| Add      | Capital Tax Levy   | Projected Debt Service             | 7,887,664          | + <u>6,080,727</u>    |
|          |  | <u>Less Estimated Building Aid</u> | <u>(1,806,937)</u> |                       |
|          |  | Projected Net Addition             | 6,080,727          |                       |
|          | Allowable tax levy   |                                    |                    | \$119,145,200         |
|          |  |                                    | Tax Cap Increase:  | \$1,231,836           |
|          |  |                                    | Tax Cap Percent:   | 1.04%                 |

# By the Numbers—Tax Levy Cap Formula

|   |              |
|---|--------------|
| <b>Tax Levy</b>                                     | <b>1.26%</b> |
| Levy increase                                       | 119,200,054  |
| Revenue Projections                                 | 14,537,727   |
| 2016 – 17 Budget                                    | 133,159,163  |
| Expenditure Growth (under the allowable levy limit) | 578,618      |
| 2017-18 Budget Limit                                | 133,737,781  |
| Tax Levy Increase                                   | 1,231,836    |

# Budget Development

|                        | 2016-17<br>Budget  | 2017-18<br>As of 2/7/17 | \$ Difference    | % Difference |
|------------------------|--------------------|-------------------------|------------------|--------------|
| Salaries               | 72,874,184         | 73,929,919              | 1,055,735        | 1.45%        |
| Equipment              | 311,272            | 355,782                 | 44,510           | 14.30%       |
| Contracted Services    | 15,101,207         | 16,596,766              | 1,495,559        | 9.90%        |
| Materials & Supplies   | 2,359,919          | 2,533,575               | 173,656          | 7.36%        |
| Benefits               | 33,657,946         | 34,772,694              | 1,114,748        | 3.31%        |
| Lease/Fiscal/Transfers | 8,854,635          | 8,166,664               | -687,971         | -7.77%       |
| <b>Total</b>           | <b>133,159,163</b> | <b>136,355,400</b>      | <b>3,196,237</b> | <b>2.40%</b> |



# Getting Under the Cap- How Far To Go?

|          | 2016-17     | 2017-18 at Tax Cap | 2017-18 as of Today | Amount to get under Tax Cap |
|----------|-------------|--------------------|---------------------|-----------------------------|
| Tax Levy | 117,913,364 | 119,200,054        | 121,818,123         | 2,618,069                   |

To get under the tax cap calculation we need to reduce the budget, increase non-tax levy revenues or a combination of both by \$2.6m

# What Will it Take to Stay Below the Cap?

- Currently we can grow the levy \$1,286,690 (subject to change)
- Starting out \$708,522 short in other revenues
- \$578,168 room to grow the budget
  - Reduce the budget
    - Staff, resources, and program reductions
  - Increase revenues
    - Use of fund balance which is already down \$6.7m since June 30, 2014
    - Reduce Tax Certiorari Reserve – will force us to bond for settlements
- Difficult decisions to be made if we want to stay under the tax cap

# Override – What Does it Mean?

- If the Board decides the Tax Levy must exceed the Tax Levy Limit using the formula, they may decide to ask for an override of the Tax Cap Levy Limit
- If the Board presents a budget with an override, a super majority vote is needed to pass the budget. This means more than 60% of the people who vote would need to vote in favor of the budget as opposed to more than 50% in a regular vote
- If after 2 votes the budget fails, then we must adopt an contingency budget with a 0% increase in the tax levy.

# What is a Contingency Budget

- A contingency budget requires a 0% tax levy increase from the prior year
- As a result of lower tax levy revenues we would be required to reduce the budget or add revenues (fund balance) or a combination of the two

|          | 2016-17 Tax Levy | 2017-18 at Tax Cap Level | 2017-18 as of Today |
|----------|------------------|--------------------------|---------------------|
| Tax Levy | 117,913,364      | 119,200,054              | 121,818,123         |

| Amount to get under Tax Cap | Amount to get to contingent budget |
|-----------------------------|------------------------------------|
| 2,618,069                   | 3,904,759                          |

# Next Steps

- Identify list of staff reductions
- Review all expenditure line items and identify priority reductions
- Identify program reductions
- Revisit revenue projections and consider fund balance options
- Explore health insurance plan savings options



# Discussion

# Budget Meeting Dates

- Tuesday, March 7, 2017 - Superintendent's Recommended Budget
- Tuesday, March 14, 2017 – Budget Meeting (if needed)
- Tuesday, March 21, 2017 – Budget Meeting
- Tuesday, April 4, 2017 – Budget Meeting
- Tuesday, April 18, 2017 – Board Adopts Budget
- Tuesday May 2, 2107 – Budget Hearing (statutory)
- Tuesday, May 16, 2017 – Budget and Board Trustee Vote