

Five-Year Financial Forecast Update February 2021

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

FINANCIAL FORECAST 2021 TO 2026

This financial forecast reflects our purpose to continue to improve student educational achievement and to meet learning standards and graduation requirements.

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 maintain or modify programs.

It is still important to update the long-range financial plan even though we are still in the grip of the COVID-19 viral pandemic, with the havoc it has wreaked on our citizens and the economy.

The financial plan is in alignment with the District's philosophy: *To Ensure that the District has the Fiscal Capacity to Provide the Resources for Increased Educational Opportunities for Every Schoharie Central School Student.*

FINANCIAL FORECAST 2021 TO 2026

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 significant data collection and interpretation of results. The worst case should be anticipated and plausible unknowns should be considered.

Also, a long-range plan serves as a vehicle to communicate the status of district finances to the school community and the public.

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

FINANCIAL FORECAST 2021 TO 2026

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

- Student Enrollment Trends
- The Health and Welfare of the Student Population
- Curriculum Mandates
- Education Priorities
- Staff Training and Development
- Technology Mandates and Emerging 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 2021 TO 2026

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 3% to 6% each year.
- Retirement System costs seem to be moderately rising.
- Bus purchases are based on a 6 to 8 year or 100,000 miles replacement cycle and allocation of an average of \$325,000 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 83%. Building Aid is generally received in the same year as the debt service expenditure as long as all reports have been filed on time.

FINANCIAL FORECAST 2021 TO 2026

Assumptions for Revenues:

- ▶ Annual appropriated fund balance of an average of \$1.5 million
- ▶ Foundation Aid in accordance with state budget adopted for 2020-21. We have decided to maintain that aid level in this long-range plan scenario.
- ▶ 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 2021 TO 2026

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 2021 TO 2026

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 2021 TO 2026

	ACTUAL	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
<u>ENROLLMENT</u>						
	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
K-5	452	480	485	489	493	495
6-12	392	402	406	408	409	408
Out-of-District	36	32	32	32	32	33
Total	880	914	923	929	934	936
Change from prior year	-35 -3.87%	34 3.86%	9 0.98%	6 0.65%	5 0.54%	2 0.21%

FINANCIAL FORECAST 2021 TO 2026

<u>APPROPRIATIONS</u>	BUDGETED	PRELIMINARY	FORECAST	FORECAST	FORECAST	FORECAST
	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
Salaries	\$ 9,772,325	\$ 10,158,739	\$ 10,463,501	\$ 10,777,406	\$ 11,100,728	\$ 11,433,750
Equipment	\$ 99,200	\$ 101,200	\$ 105,000	\$ 105,000	\$ 110,000	\$ 110,000
Contractual/Other	\$ 1,449,250	\$ 1,586,650	\$ 1,602,517	\$ 1,618,542	\$ 1,634,727	\$ 1,651,074
Supplies	\$ 627,225	\$ 611,600	\$ 615,000	\$ 618,000	\$ 625,000	\$ 630,000
Learning Materials	\$ 111,500	\$ 103,750	\$ 104,000	\$ 104,000	\$ 104,000	\$ 104,000
Tuitions to Other Schools	\$ 496,000	\$ 485,000	\$ 494,700	\$ 504,594	\$ 514,686	\$ 524,980
BOCES	\$ 2,473,700	\$ 2,586,700	\$ 2,625,501	\$ 2,664,883	\$ 2,704,856	\$ 2,745,429
Employee Benefits	\$ 7,047,159	\$ 7,160,720	\$ 7,375,542	\$ 7,596,808	\$ 7,824,712	\$ 8,059,453
Other Debt Service	\$ 291,912	\$ 170,505	\$ 107,674	\$ 54,084	\$ -	\$ -
Building Debt Service	\$ 2,388,085	\$ 2,389,550	\$ 1,986,763	\$ 1,889,163	\$ 1,795,688	\$ 1,801,738
Grand Total	\$ 24,756,356	\$ 25,354,414	\$ 25,480,197	\$ 25,932,480	\$ 26,414,398	\$ 27,060,425
Dollar Difference		\$ 598,058	\$ 125,783	\$ 452,283	\$ 481,918	\$ 646,027
Percent Difference		2.42%	0.50%	1.78%	1.86%	2.45%
Total Without Building Debt	\$ 22,368,271	\$ 22,964,864	\$ 23,493,434	\$ 24,043,317	\$ 24,618,710	\$ 25,258,687
Dollar Change		\$ 596,593	\$ 528,570	\$ 549,883	\$ 575,393	\$ 639,977
Percentage Change		2.67%	2.30%	2.34%	2.39%	2.60%

FINANCIAL FORECAST 2021 TO 2026

<u>REVENUES</u>	BUDGETED	PRELIMINARY	FORECAST	FORECAST	FORECAST	FORECAST
	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
Fund Balance Usage	\$ 1,600,000	\$ 1,550,000	\$ 1,500,000	\$ 1,450,000	\$ 1,400,000	\$ 1,350,000
Capital Project Aid on Debt	\$ 1,982,111	\$ 2,103,204	\$ 1,970,328	\$ 1,970,328	\$ 1,879,210	\$ 1,788,091
State Aid	\$ 10,089,205	\$ 8,941,745	\$ 10,089,205	\$ 10,200,187	\$ 10,302,189	\$ 10,405,210
All Other Sources	\$ 361,200	\$ 1,246,856	\$ 367,842	\$ 371,520	\$ 375,236	\$ 378,988
Payment in Lieu of Taxes	\$ 1,916,559	\$ 1,955,646	\$ 1,994,759	\$ 2,034,654	\$ 2,075,347	\$ 2,116,854
Property Taxes and Related	\$ 8,807,281	\$ 8,863,373	\$ 9,040,640	\$ 9,221,453	\$ 9,405,882	\$ 9,594,000
Revenue Total	\$ 24,756,356	\$ 24,660,824	\$ 24,962,774	\$ 25,248,142	\$ 25,437,865	\$ 25,633,143
Dollar Difference		\$ (95,532)	\$ 100,514	\$ 203,255	\$ 189,722	\$ 195,279
Percent Difference		-0.39%	0.41%	0.81%	0.75%	0.77%
Tax Levy \$ Change		\$ 56,092	\$ 177,267	\$ 180,813	\$ 184,429	\$ 188,118
Tax Levy % Change		0.64%	2.00%	2.00%	2.00%	2.00%
Potential Revenue Gap		\$ 693,590	\$ 517,423	\$ 684,338	\$ 977,053	\$ 1,427,282

FINANCIAL FORECAST 2021 TO 2026

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 2.5 to 3.5 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).

FINANCIAL FORECAST 2021 TO 2026

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.

Five-Year Financial Forecast Update Schoharie Central School District

February 2021

