

Developing A Long Range Financial Plan

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Let's Look at the Numbers

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- **June 30, 2010 – 28 School Districts**
 - Average cash balance - \$12,788,000
 - Average fund balance of the general fund - \$13,692,000
 - Average general fund reserves - \$8,602,000 (does not include appropriated fund balance)
 - Total revenue (GF only) all schools - \$1,268,771,000
 - Total expenditures (GF only) all schools - \$1,217,027,000
 - Average revenue and expenditures \$45,313,000/\$43,465,000
 - Average Budgetary results
 - ✦ Revenue in excess of budget \$992,000
 - ✦ Expenditures under budget \$3,795,000

Let's Look at the Numbers

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- More Statistics
 - ✦ Cash to expenditures = 29.4%
 - ✦ Fund balance to expenditures = 31.5%
 - ✦ Reserves to expenditures = 19.8%
- GFOA recommendation
 - ✦ Used to recommend between 10%-15% of GF expenditures
 - ✦ Today unassigned fund balance should not be less than 2 months of either revenue or expenditures
 - Based on 10 month year and our averages \$9mill revenue/\$8.7mill expenditures
 - On 12 month year = 16% NYS law 4%

Why Plan? - Why Now?

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- Expectation of reduced resources/smaller demographics
- 2% property tax cap (as defined)
- Set goals and fiscal priorities
- Keep decision makers informed/avoid surprises
- Bring all stakeholders to the table before it's too late for proactive solutions (aka bargaining units)
- Experts say 4-5 years/I would recommend no more than 3
- Anticipate program and demographic changes
- Assess efficiency and effectiveness of existing programs

So what should be included?

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6 Step Process

- 1) Get the financial/demographic data – use the right information
- 2) Decide on your timeframe – the longer out you go the more subjective it gets (3 years)
- 3) Determine how much detail you need – focus on manageable financial/operational line items

So what should be included?

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6 Step Process (cont)

- 4) Document assumptions – leave the popcorn trail
 - Look at historical trends (last 3 years audited financials)
 - Temper those trends by understanding anomalies and flattening out the unusual transactions
 - Compare prior projections with actual results – understand where your assumptions were inconsistent with actual
 - Impact of legislation – a 2% property tax cap changes a lot/ARRA money changes a lot

So what should be included?

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6 Step Process *(cOn't)*

4) Document assumptions *(cOn't)*

- Understand funding streams, new mandates and how they will impact past trends
- Policy and program changes – closed a school, consolidated bus routes, more/less special needs children, building aid on new projects
- General economic impact – fuel prices, sales tax (Erie)

So what should be included?

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6 Step Process *(cOn't)*

- 5) Revisit the plan – not a static document, NYC updates quarterly as part of its budget monitoring process
- 6) Get public support – internal stakeholders first, Superintendent, Board and key management team members.
 - Public through website, annual budget mailing
 - PTA's, community advisory committees, Rotary, Kiwanis

The Chicken or the Egg

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- What do I project first, revenue or expenses?
- Governments/Schools are expenditure driven – what do I need to keep programs/services intact? That should equate to the amount of money needed to be raised by taxes and aid.

The Chicken or the Egg

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- New era – start with the revenue first
 - Project the 2% allowable tax increase
 - Obtain Board input on what will be supported as a tax increase
 - Project a reasonable increase in state aid – don't forget building aid and other special aid categories
Be honest BOCES refunds from prior years, interest income, billings to other Districts, Medicaid
 - Use prior year actual not budget as the source of the data (paradigm shift)

The Chicken or the Egg

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- This amount is now the starting point for expenditures
 - Best case scenario – project all staffed (***not funded***) positions and expenditures under current conditions with required contractual raises
 - Project all other line items based on prior actual results and best assumptions of expectations
 - Preserve the historical amount used to balance the budget from fund balance and include that in your expenditure detail

Ok Now it Gets Difficult

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- No doubt a shortfall will occur
- How much fund balance was included to balance the budget? Can more be assigned? What happens to my tax rate if we use too much? Use it all?

Ok Now it Gets Difficult

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- **Its raining – time to use the rainy day funds. What reserves are available to balance the budget?**
 - Debt service reserve, it's time to amortize this over the life the related debt
 - Unemployment insurance – You self insure, layoffs are expected use some of this to fund the expenditure
 - Workers comp reserve – You have been adding to this fairly regularly and never used it
 - EBLAR – State Comptroller's office is telling everyone that there is too much in here

Ok Now it Gets Difficult

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- **Its raining – (con't)**
 - Repair reserve – you expect and budgeted onetime major expenditures – heating/cooling systems, windows, roofs, parking lots, etc.?
 - Employees' Retirement System, the increased contribution rates that you have been saving for have arrived. Time to use the reserve to fund them.
 - Is that Tax Certiorari reserve still needed?

Ok Now it Gets Difficult

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- Ok we did that, don't want to use all of these in one year and can only use the amount of the budgeted expenditure anyway.

Now What?

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- People
 - Give or take, direct salaries, pension plan contributions, health insurance and other benefits will be about 70% -75% of my expenditures
- I know what debt service is (principal and interest) – should have that amount locked down to the penny
- Transportation should be ok
- I have all my building costs and contractual services ironed out based on prior actual amounts
- If I could only renegotiate that darn audit fee!

So I am Back to People

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- I have my scatter-gram that shows all positions and step/scale increases over the next three years
- Objective, realistic revenue projections can not sustain these increases
- Time for the tough decisions - wish you had this data when the contracts were negotiated

Questions

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Reference Materials

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- www.osc.state.ny.us/localgov/myfp/index.htm
 - Multiyear Financial Planning Tutorial (several how-to modules, templates and quiz)
 - School District Spreadsheet (planning template)
- www.gfoa.org
 - Best Practices in Public Budgeting (www.gfoa.org/services/nacslb)
 - Appropriate Level of Unrestricted Fund Balance in the General Fund (www.gfoa.org/index.php?option=com_content&task=view&id=1450)

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