In summary...

- Our financial stability has been in question for several years.
  - Expenses have been greater than our revenues, creating a structural deficit in our budget.
  - We’ve been underbudgeting in several key areas.
  - Fund balance ("savings") has been used as revenue to fill the gap between expenses and revenues. As a result, it has been depleted.
  - *The December, 2018 external audit presentation spells this out.*

- $30.1M budget and cost reductions to close by June 2020.
How did we get here?
Loss of over 1/4\textsuperscript{th} of our student population in 17 years
4 years = increase of 1,064 staff

In four years, we added

- 632 Teachers
- 183 Paraprofessionals
- 142 Civil Service staff
- 74 Teaching Assistants
- 33 Administrators
Revenue vs Expenditure Projections

From the December 13, 2018 BOE Finance Committee Report:
Financials in review

- Operating revenues up by $80.8M in 3 years (+12%)
- Expenditures up by $107.6M in 3 years (+17.3%)
- Fund balance (our savings account) has been used to make up for this difference between expenditures and revenues.
  - *This was only partially planned.*
  - We also have NOT been budgeting enough in several areas. Meaning the drain on our savings has been more than expected.
Fund balance

- **What is fund balance?** Money left at the end of the fiscal year due to underspending or taking in additional revenues adds to fund balance (or subtracts, if less revenue or overspending occurs). An “unassigned” fund balance provides a “savings account” that can be used for a variety of needs. All other components of fund balance are targeted for specific purposes.

- Using an appropriation of fund balance as revenue in the budget results in an overall reduction in fund balance for the following year unless unanticipated revenue or savings occurs. **We have been using fund balance as a revenue source to balance the budget regularly for at least the last three years.**
Budgeted fund balance as revenue

- 2016-17 budget: $15.0M in fund balance; $5.0M used
- 2017-18 budget: $17.5M in fund balance; $16.2M used
- 2018-19 budget: $20.0M in fund balance; $42.2M used
- 2019-20 budget: $8.0M in fund balance. However, the district’s fund balance has been depleted. These funds are not available.
Underbudgeting

- Budgets were too low in numerous areas, including:
  - BOCES Special Education Services
  - Charter School Tuition
  - Self-funded Health Insurance
  - Substitute Teachers
  - Retirement Benefits
  - Transportation

- In 2018-19, under budgeting contributed to an additional $22.4M in spending.

- Funds to cover these costs came from fund balance; as a result, the district’s unassigned fund balance is in the negative.
## 2018-19 Top Areas of Budget Overspending

<table>
<thead>
<tr>
<th>Type</th>
<th>Original</th>
<th>Actual</th>
<th>Difference (%)</th>
<th>Difference ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Benefits (Health &amp; Dental insurance)</td>
<td>97,111,914</td>
<td>115,046,118</td>
<td>18%</td>
<td>17,934,204</td>
</tr>
<tr>
<td>Substitutes</td>
<td>10,262,090</td>
<td>17,345,893</td>
<td>69%</td>
<td>7,083,803</td>
</tr>
<tr>
<td>Tuition (includes Charter and schools and agencies)</td>
<td>94,264,530</td>
<td>100,444,164</td>
<td>7%</td>
<td>6,179,634</td>
</tr>
<tr>
<td>Retirement Benefits</td>
<td>33,674,403</td>
<td>38,051,332</td>
<td>13%</td>
<td>4,376,929</td>
</tr>
<tr>
<td>Contract Transportation</td>
<td>64,612,495</td>
<td>67,903,022</td>
<td>5%</td>
<td>3,290,527</td>
</tr>
<tr>
<td>BOCES</td>
<td>22,905,088</td>
<td>25,868,662</td>
<td>13%</td>
<td>2,963,574</td>
</tr>
</tbody>
</table>
What’s next?

- Restore our fund balance
  - Bring unassigned fund balance from -8.9M to $0
  - Begin to restore the other components of fund balance – especially those identified in the audit as a priority (e.g., debt service, health insurance)

- Having a healthier fund balance leads to a higher bond rating. The higher the bond rating, the less it costs to borrow money. It also provides the District with flexibility to manage unanticipated circumstances that may arise.
Target Fund Balance by June 2020: $29.3M

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserved for Debt (Legal Requirement)</td>
<td>$13.5M</td>
</tr>
<tr>
<td>Insurance – General Liability</td>
<td>$1.0M</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>$4.0M</td>
</tr>
<tr>
<td>OPEB (Other Post-Employment Benefits)</td>
<td>$5.0M</td>
</tr>
<tr>
<td>Health Insurance (Unions)</td>
<td>$5.0M</td>
</tr>
<tr>
<td>Prepayments and Encumbrances</td>
<td>$0.8M</td>
</tr>
</tbody>
</table>
Budget & Spending Reduction Goals = $30.1M

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assigned fund balance target</td>
<td>$29.3M</td>
</tr>
<tr>
<td>Existing fund balance</td>
<td>$7.2M</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td><strong>$22.1 M</strong></td>
</tr>
<tr>
<td>Revenue in place of unassigned fund balance</td>
<td>$8.0M</td>
</tr>
<tr>
<td><strong>TOTAL BUDGET &amp; SPENDING REDUCTIONS</strong></td>
<td><strong>$30.1 M</strong></td>
</tr>
</tbody>
</table>
Filling the gap:
Cost avoidance & budget reduction
Areas under review

- Hiring freeze already instituted
- Staffing “True Up”
  - School and program reductions: TBD
- Postpone mid-year school moves (potential $1.7M savings)
- Title grant usage (potential $1.5M)
- Review of $5.2M 2019-20 budget add-backs (can potentially recapture $1.5M)
Areas under review

- Elementary & Middle Summer School (potential $900K - $1.4M reduction)
- Extended Learning Time (ELT) (potential $700K reduction)
- Healthy Rewards Program ($1.0M reduction)
- Healthcare Plan Efficiencies ($1.8M reduction)
- Professional Development (potential $2.0M reduction)
- Martin Street Lease ($1.0M reduction)
Areas under review

- Substitute Teacher Cost Avoidance
- Contracted Services
- CTE to maximize state aid (potential $500K revenue increase)
- Proper accounting of homeless students
- Medicaid Revenue Maximization - (potential $500K revenue increase)
- Staff Leave Give Back - TBD
- ASAR & RTA Contract Negotiations - TBD
- Staff Reductions – potentially $10.0M
Long-term areas under review

• Right size District Footprint
• Student Placement Review (Impact on Transportation & Enrollment)
• Grant Utilization Review
• Increase Student Enrollment
• Pre-K and Kindergarten Placement Policy & Processes
• Improve Student to Staff Ratio
Process moving forward

- Priorities and commitments
  - Assess the soundness of 2019-20 approved budget to quantify similar deficiencies, if any.
  - Closing gap while limiting impact to students
  - Responding to NYS Comptroller’s Audit
  - Special Education Consent Decree – mandated requirements
  - Distinguished Educator Action Plan
  - Outside support and assistance
  - Stakeholder engagement
  - Transparency
  - **Next Meeting: November 12**

Our past will not define our future....