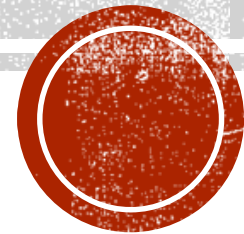


# **WATERFORD-HALFMOON UNION FREE SCHOOL DISTRICT 2022-23 BUDGET**

Finance Committee Presentation

February 10, 2022



# AGENDA

- 2021-22 financial projection: Where are we today?
- Long-term financial plan: Where are we going?
- 2022-23 budget: Implementing a budget strategy to achieve our long-term goals



# 2021-22 FINANCIAL PROJECTION: WHERE ARE WE TODAY?

## 2021-22 Budget Refresher:

Appropriations: \$20,791,576 (3.37% reduction from 2020-21)

### Funded By:

Tax Levy	\$11,680,000
State Aid	\$ 7,720,000
Other Revenue	\$ 499,000
Fund Balance	\$ 892,576



# 2021-22 FINANCIAL PROJECTION: WHERE ARE WE TODAY?

## 2021-22 Budget refresher:

- Post potential pandemic State aid reductions
  - We received an increase in State aid in 2021-22
  - We were able to restore many appropriations that were reduced due to possible State aid cuts
- We received additional Federal funding (CRRSA and ARPA) which we allocated for:
  - Additional AIS teachers at the Jr/Sr High School
  - Homework club at the Elementary School
  - Replacing carpets damaged from eating in the classrooms in the kindergarten & 1<sup>st</sup> grade wing
  - Facilities department & athletic department equipment purchases
  - An additional BOCES social worker to support our students emotional/social wellbeing



# 2021-22 FINANCIAL PROJECTION: WHERE ARE WE TODAY?

- Revenues are expected to be approximately \$100,000 less than budgeted
- Appropriations are expected to be approximately \$800,000 less than budgeted
  - Salaries projected to be approximately \$400,000 less than budgeted due to unexpected retirements, unfilled positions and the UPK program accounted for in the federal projects fund
  - Contractual services projected to be approximately \$165,000 less than planned due primarily to reduced transportation expenses and various others
  - Benefits expected to be about \$95,000 less than planned related to health insurance and retirement costs being less than expected
  - Various other minor accounts projected to be underspent



# 2021-22 FINANCIAL PROJECTION: WHERE ARE WE TODAY?

- Planned operating deficit (appropriated fund balance): ~\$900,000
- Revenues projected less than budget: ~\$100,000
- Expenditures projected less than budget: ~\$800,000
- Projected actual operating deficit: ~\$200,000



# LONG-TERM FINANCIAL PLAN: WHERE ARE WE GOING?

Lets start with where we've been!

- The district has historically appropriated fund balance (unrestricted funds) to finance operating expenditures.
- Appropriated fund balance is a “one-time” revenue and good fiscal practices dictate that we use it to finance “one-time” expenditures (i.e., capital improvements, equipment, etc.). Using it to finance recurring expenditures (i.e., payroll, benefits, etc.) puts the district at risk because when fund balance is used until it is depleted, it leaves the district with a large budget gap.
- The amount appropriated in the last 6 years began at over 10% and decreased to approximately 4% for 2021-22. This far exceeds amounts expended for “one time” costs – fund balance has been appropriated to finance recurring expenditures.



# LONG-TERM FINANCIAL PLAN: WHERE ARE WE GOING?

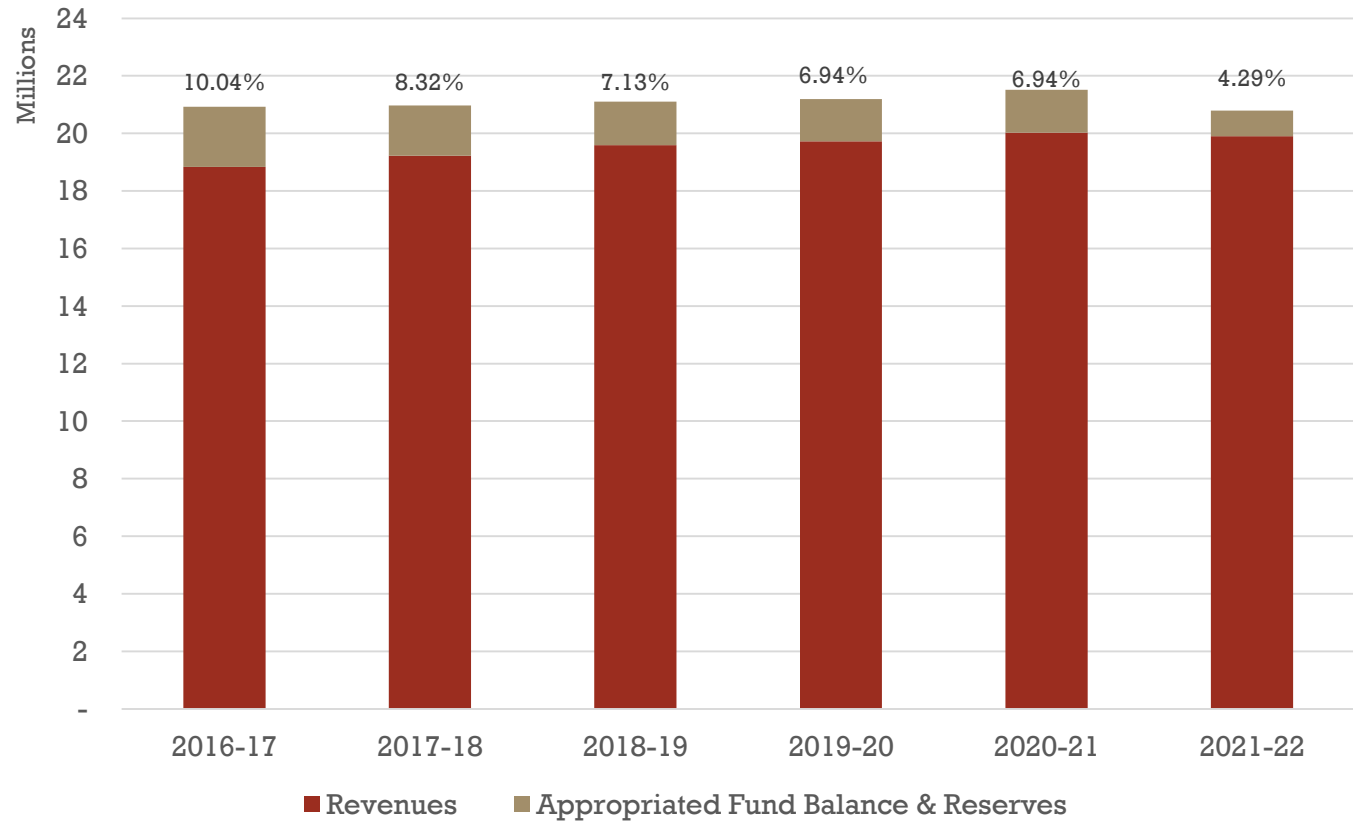
We are moving in the right direction!

The entire column represents our total budget.

Note the tan column section on top – this is the amount of our budget that was funded with appropriated fund balance.

The percentage listed on top is the percent of the budget funded with appropriated fund balance.

Waterford-Halfmoon UFSD Historic Budgets: 6 Year Trend





# LONG-TERM FINANCIAL PLAN: WHERE ARE WE GOING?

Although our budgets have historically relied on appropriated fund balance to finance recurring expenditures, actual expenditures were often less than budgeted – as a result, appropriated fund balance was not used as planned each year.

In the current year, we planned to use approximately \$900,000 of fund balance but will likely only use \$200,000.



# LONG-TERM FINANCIAL PLAN: WHERE ARE WE GOING?

## DEMONSTRATION:

Year 1: The District appropriates \$1.5 million in the budget and actually uses it.

Year 2: The District appropriates \$1.5 million but actually uses \$1.53 million.

Year 3: Only \$970,000 is available to appropriate in the budget. The District now has to fill a \$530,000 budget gap and does so by slashing spending.

Year 4: There is \$0 available to appropriate in its budget. The District again has to cut spending to levels from before year 1. The District also has no cushion for unforeseen events.

	Year 1	Year 2	Year 3	Year 4
<b>Total Fund Balance - Beginning of Year</b>	7,000,000	5,500,000	3,970,000	3,000,000
Restricted Fund Balance (Total Reserves)	3,000,000	3,000,000	3,000,000	3,000,000
<b>Appropriated to Fund Operations</b>	1,500,000	1,500,000	970,000	0
<b>Unrestricted Funds - Beginning of Year</b>	2,500,000	1,000,000	0	0
Actual Expenditures	20,000,000	20,400,000	20,217,400	19,632,348
Actual Revenues	18,500,000	18,870,000	19,247,400	19,632,348
Operating Deficit	(1,500,000)	(1,530,000)	(970,000)	0

\* This demonstration assumes that revenues and appropriations each increase by 2% annually.

\*\* These figures do not represent WHUFSD's finances, they are for demonstrative purposes only.



# LONG-TERM FINANCIAL PLAN: WHERE ARE WE GOING?

## LONG-TERM FISCAL GOALS:

1. Maintain, and when possible and fiscally practical, enhance services
2. Maintain a tax levy that is within the tax levy limit (tax cap)
3. Target an unrestricted fund balance in an amount that complies with real property tax law
4. Reduce reliance on appropriate fund balance (a “one-time” revenue) to finance recurring expenditures (i.e., payroll, benefits, etc.)



# LONG-TERM FINANCIAL PLAN: WHERE ARE WE GOING?

How do we accomplish all of these goals simultaneously?

The District currently has excess unrestricted funds; using these funds prudently and engaging in long-term financial planning will allow us to achieve our long-term goals. What does it mean to use these funds prudently?

- It means that we should appropriate fund balance over an extended period of time. This allows us to reduce fund balance, maintain services and maintain tax levy stability.
- Conversely, appropriating too much unrestricted fund balance can very quickly lead to severe fiscal stress.
- The most prudent use of these funds would be for “one-time” expenditures such as capital costs.



# 2022-23 BUDGET: IMPLEMENTING A BUDGET STRATEGY TO ACHIEVE OUR LONG-TERM GOALS

## 2022-23 BUDGET: REVENUES

### State Aid:

1. The Governor's executive budget proposal provides for a ~\$150,000/3.2% increase in foundation aid
2. Building aid (an expense based aid) is declining ~\$350,000 which is based on project aid declining.
3. The Legislative budget is due April 1 and may impact our aid

### Tax Levy:

1. The PRELIMINARY tax levy limit (tax cap) is ~\$11,990,000 which represents an allowable tax levy increase of \$310,000 or 2.6%.
2. Although WHUFSD didn't receive any additional funds as a result of the MPM Silicones tax certiorari settlement, we do recognize that this greatly impacted our taxpayers .



# 2022-23 BUDGET: IMPLEMENTING A BUDGET STRATEGY TO ACHIEVE OUR LONG-TERM GOALS

## 2022-23 BUDGET: APPROPRIATIONS

Draft 1: Increase appropriations by \$110,000 from 2021-22 to \$20,898,100

1. Debt service is declining an estimated \$223,000 (to coincide with decline in State building aid)
2. Salaries and benefits are projected to increase approximately \$320,000.
3. BOCES service costs are estimated to decline by approximately \$120,000 primarily due to a reduction in special education services
4. Special education tuition at private locations however is estimated to increase by approximately \$170,000
5. All other functional spending areas are estimated to remain at approximately 2021-22 levels (contractual services, materials & supplies, equipment purchases, and interfund transfers).



# 2022-23 BUDGET: IMPLEMENTING A BUDGET STRATEGY TO ACHIEVE OUR LONG-TERM GOALS

## 2022-23 BUDGET: APPROPRIATED FUND BALANCE/BUDGET GAP

As things stand currently...

### Appropriations:

Scheduled to increase by \$110,000.

### Revenues:

State aid and other miscellaneous revenues are scheduled to decline by a net total of approximately \$170,000.

To continue to work toward our goal, we should reduce appropriated fund balance further, to the extent possible, a reasonable target would be a \$150,000 reduction.

With no tax levy increase, this leaves a budget gap of \$430,000...



# 2022-23 BUDGET: IMPLEMENTING A BUDGET STRATEGY TO ACHIEVE OUR LONG-TERM GOALS

## 2022-23 BUDGET: APPROPRIATED FUND BALANCE/BUDGET GAP

As things stand currently...

With a budget gap of \$430,000:

- Increasing the tax levy 1.99% or \$230,000 closes this budget gap to \$200,000 – note, this is within the tax levy limit
- Increasing the tax levy 2.6% or \$310,000 (based on the PRELIMINARY TAX LEVY LIMIT) closes the budget gap to \$120,000
- How do we close any remaining budget gap?
  - Reductions to appropriations?
  - Possible increase in State aid with the Legislative budget?





# MEETING SCHEDULE & OTHER IMPORTANT DATES

- Finance committee meetings
  - March 3, 2022, 6:00 PM
  - March 17, 2022, 6:00 PM
  - March 31, 2022, 6:00 PM
- OTHER IMPORTANT DATES:
  - MARCH 1, 2022: TAX CAP DUE
  - APRIL 1, 2022: NYS LEGISLATIVE BUDGET
  - APRIL 13, 2022: BOE APPROVAL OF BUDGET
  - MAY 5, 2022: BUDGET HEARING
  - MAY 17, 2022: BUDGET VOTE



# QUESTIONS?

