DUNKIRK CITY SCHOOL DISTRICT

DECEMBER 14, 2017

BUDGET PERFORMANCE PROJECTION THROUGH 2023

KEY FACTORS:

- THE PROJECTIONS OFFERED FOCUS ON THE KNOWN –
  - MITIGATION AID DECLINES AS PER CURRENT LAW
  - NRG PILOT AS PER CURRENT AGREEMENT
  - EMPLOYMENT CONTRACTS AS CURRENTLY CONSTITUTED
  - BOCES CAPITAL PROJECT WORK AS CURRENTLY ESTIMATED
  - DEBT SERVICE AS CURRENTLY ESTIMATED

- AND THE UNKNOWN –
  - TAX LEVY INCREASES AT 2% PER ANNUM
  - HIGHER BENEFIT COSTS BASED ON PROJECTED INCREASES IN HEALTHCARE AND RETIREMENT EXPENSES
  - STATE AID INCREASES BASED ON HISTORICAL TREND DATA

ASSUMPTIONS

DUNKIRK CITY SCHOOL DISTRICT
Six Year Financial Plan, Fiscal Years 2018-2023
General Fund

	Actual		Assumptions					
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Real Property Taxes	-4%	8%	2%	2%	2%	2%	2%	2%
Property Tax Items	-4%	-2%	-1%	-1%	-1%	-1%	-1%	-1%
State Aid	5%	4%	6%	3%	3%	3%	3%	3%
NRG Pilot Transition Aid			-2%	-14%	-17%	-20%	-25%	-33%
Federal Aid	31%	25%	-25%					
Interfund Transfers								
Other Revenue	-38%							
Personal Services	6%	-1%	5%	4%	4%	3%	3%	3%
Equipment and Capital Outlay	-22%	49%						
Contractual	-7%	8%	16%	3%	3%	-5%	3%	3%
Supplies	3%	-2%	3%	3%	3%	3%	3%	3%
Debt Service (Principal and Interest)	-4%	13%						
Employee Benefits	-4%	-3%	8%	8%	8%	8%	8%	8%

DUNKIRK CITY SCHOOL DISTRICT
Six Year Financial Plan, Fiscal Years 2018-2023
General Fund

	2016	2017	2018	2019	2020	2021	2022	2023
Revenues								
Real Property Taxes	$ 6,932,530	$ 7,505,586	$ 7,655,698	$ 7,808,812	$ 7,964,988	$ 8,124,288	$ 8,286,773	$ 8,452,509
Property Tax Items	$ 2,330,420	$ 2,283,276	$ 2,260,443	$ 2,237,839	$ 2,215,460	$ 2,193,306	$ 2,171,373	$ 2,149,659
State Aid	$ 25,131,475	$ 26,209,007	$ 28,185,663	$ 29,031,233	$ 29,902,170	$ 30,395,120	$ 31,306,973	$ 32,246,183
NRG Pilot	**$ 4,005,538**	**$ 612,848**	**$ 200,000**	**$ 200,000**	**$ 200,000**	**$ 200,000**	**$ 200,000**	**$ 200,000**
Transition Aid		**$ 2,714,154**	**$ 2,663,878**	**$ 2,283,324**	**$ 1,902,770**	**$ 1,522,216**	**$ 1,141,662**	**$ 761,108**
Federal Aid	$ 371,942	$ 465,224	$ 348,918	$ 348,918	$ 348,918	$ 348,918	$ 348,918	$ 348,918
Interfund Transfers	$ 75,139							
Other Revenue	$ 335,905	$ 397,981	$ 397,981	$ 397,981	$ 397,981	$ 397,981	$ 397,981	$ 397,981
Total Revenues and Other Sources	**$ 39,182,949**	**$ 40,188,076**	**$ 41,712,581**	**$ 42,308,106**	**$ 42,932,287**	**$ 43,181,828**	**$ 43,853,681**	**$ 44,556,358**
Expenditures								
Personal Services	$ 19,127,566	$ 18,878,886	$ 19,822,830	$ 20,615,744	$ 21,440,373	$ 22,083,584	$ 22,746,092	$ 23,428,475
Equipment and Capital Outlay	$ 125,529	$ 186,873	$ 186,873	$ 186,873	$ 186,873	$ 186,873	$ 186,873	$ 186,873
Contractual	$ 6,072,969	$ 6,582,068	$ 7,635,199	$ 7,864,255	$ 8,100,182	$ 7,695,173	$ 7,926,029	$ 8,163,809
Supplies	$ 366,270	$ 360,409	$ 371,221	$ 382,358	$ 393,829	$ 405,644	$ 417,813	$ 430,347
Debt Service (Principal and Interest)	$ 3,053,493	$ 3,455,749	$ 3,831,000	$ 3,831,000	$ 3,831,000	$ 3,831,000	$ 3,831,000	$ 3,831,000
Employee Benefits	$ 8,746,363	$ 8,456,098	$ 9,132,586	$ 9,863,193	$ 10,652,248	$ 11,504,428	$ 12,424,782	$ 13,418,765
Interfund Transfers	$ 571,135	$ -	$ 175,000	$ 175,000	$ 175,000	$ 175,000	$ 175,000	$ 175,000
Total Expenditures and Other Uses	**$ 38,063,325**	**$ 37,920,083**	**$ 41,154,709**	**$ 42,918,422**	**$ 44,779,506**	**$ 45,881,702**	**$ 47,707,589**	**$ 49,634,269**
Surplus (Deficit)	**$1,119,624**	**$2,267,993**	**$557,872**	**($610,316)**	**($1,847,218)**	**($2,699,874)**	**($3,853,908)**	**($5,077,912)**
Budgetary Reserves								
Fund Equity, Beg. of Year	$ 19,841,784	$ 20,961,408	$ 23,229,401	$ 23,787,273	$ 23,176,957	$ 21,329,738	$ 18,629,864	$ 14,775,956
Fund Equity, End of Year	$ 20,961,408	$ 23,229,401	$ 23,787,273	$ 23,176,957	$ 21,329,738	$ 18,629,864	$ 14,775,956	$ 9,698,045
Nonspendable and Restricted Fund Balance	$ 19,336,846	$ 21,610,953	$ 22,030,769	$ 21,345,177	$ 19,418,526	$ 16,671,610	$ 12,739,772	$ 7,579,629
Unrestricted Fund Balance	**$ 1,624,562**	**$ 1,618,448**	**$ 1,756,504**	**$ 1,831,780**	**$ 1,911,212**	**$ 1,958,254**	**$ 2,036,184**	**$ 2,118,416**

Notes:
NRG PILOT reduced 85% 2017, to $200,000 thereafter. Repowering NOT included.
Transition Aid total = **$ 12,989,112**
Transition Aid expanded to 7 years and reduced 10% per year until final 20% drop.
BOCES Capital Project starts 2018 and ends 2020.
Retirement contributions up on reduction of est results, Healthcare increases 6-8% annually.
No provision for Boces/School 6 lease/debt service/building aid, as this is designed to net to $0.
District will use Retirement and Unemployment Reserves to fund deficit operations ongoing.

NRG Loss:	$ 678,536	$ 1,141,660	$ 1,522,214	$ 1,902,768	$ 2,283,322	$ 2,663,876	$ 3,044,430
	cumulative	$ 1,820,196	$ 3,342,410	$ 5,245,178	$ 7,528,500	$ 10,192,376	$ 13,236,806
[Property Tax + NRG]/Total Expenditures	28.74%	21.41%	19.09%	18.66%	18.23%	18.14%	17.79%	17.43%

District Audited Financial Statement Data

Reserves	6/30/2017	Purpose
Employee Retirement	$ 8,778,019	ERS payment funding est
Unemployment	$ 6,084,778	Unemployment insurance payments
Employee Benefits	$ 326,037	
Tax Certiorari	$ 3,779,971	Tax assessment challenges
Repair Reserve	$ 200,036	
Debt Service	$ 23,479	
Capital	$ 265,395	
Total Restricted	$ 19,457,715	
Unassigned	$ 1,737,200	
	$ 21,194,915	
	$ 18,642,768	

RESERVE FUNDS THAT MAY BE USED BY NEW YORK SCHOOL DISTRICTS

Reserve Name/ Account Code	Legal Citation	Purpose	Established By:	Funding Source(s)	Expenditures	Duration	Restrictions
Retirement Contribution Reserve Fund (A 827)	GML §6-r	To fund employer retirement contributions. i.e. any portion of the amount(s) payable by an eligible school district to the NY State and Local Employees' Retirement System (ERS), **but not TRS**	BOE Resolution	1. Budgetary Approp. or other funds that may be legally appropriated. 2. Revenue not restricted by Law to be paid to another fund or account. 3. Transfers from Tax Certiorari, Capital or Repair Reserves	Authorized by BOE Resolution	No Limit.	Transfers from or back to other reserve funds require a public hearing with 15 days notice published in official newspaper(s)
Workers Compensation Reserve Fund (A 814)	GML §6-j (S)	To fund Workers Compensation expenses, related medical expenses and self-insurance administrative costs.	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated	Separate BOE authorization not required to spend from this reserve.	No Limit. BOE may terminate if district no longer self-insures	Districts that self-insure may establish reserve. Funds remaining at the end of each school year, in excess of requirement to pay all pending claims, may be transferred, within 60 days of the close of the school yr., to other reserve funds or applied to budgetary appropriations for new school year.
Unemployment Insurance Reserve (A 815)	GML §6-m	To pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the school district uses the benefit reimbursement method.	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated or funds from other reserves authorized in the GML, or Ed. Law subject to permissive referendum.	Separate BOE authorization not required to spend from this reserve.	No Limit. BOE may terminate if district converts to tax contribution method of funding	If district converts to tax contribution funding mechanism, balance exceeding the amount necessary to pay all outstanding claims may be transferred, to any other reserve fund(s) authorized by GML or Ed. Law §3651. Excess funds remaining at end of any school year may be transferred, within 60 days of the close of that school yr., to other reserve fund(s) or applied to budgetary appropriations for the new school year.
Insurance Reserve Fund (A 863)	GML §6-n	To pay liability, casualty and other types of losses, except those incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee.	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated or funds from other reserves authorized in the GML, subject to permissive referendum.	Separate BOE authorization not required to spend from this reserve.	No Limit.	Annual contribution(s) limited to greater of $33,000 or 5% of the budget. No limit on accumulated reserve balance. Cannot use $ for any purpose covered by another special reserve. Settled or compromised claims up to $25,000 may be paid without judicial approval. Should BOE terminate this reserve, remaining funds in excess of incurred or accrued liabilities may be transferred to any other reserve fund authorized by the GML or Ed. Law §3651.
Property Loss Reserve (A 861) Liability Reserve (A 862)	Ed. Law §1709 (8-c) (S)	To pay for property loss & liability claims incurred	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated	Separate BOE Resolution not required for most expenditures. (See restrictions.)	No Limit.	Annual contribution(s) limited to greater of $15,000 or 3% of the budget. Separate funds required for property loss and liability claims. $ deposited cannot be used for another purpose w/o voter approval except BOE may use $ not required to settle pending claims, to purchase insurance policies to cover losses previously self-insured. Balances may not be reduced below amounts required. to settle all pending claims.

(S) in legal citation column indicates requirement for separate bank account per OSC Financial Management Guide.

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November, 2016

RESERVE FUNDS THAT MAY BE USED BY NEW YORK SCHOOL DISTRICTS

Reserve Name/ Account Code	Legal Citation	Purpose	Established By:	Funding Source(s)	Expenditures	Duration	Restrictions
Employee Benefit Accrued Liability Reserve (A 867)	GML §6-p	To pay accrued benefits due employees upon termination of service for vacation, sick leave, personal leave etc.	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated or funds from other reserves authorized in the GML, subject to permissive referendum.	Separate BOE authorization not required to spend from this reserve.	No Limit.	Upon termination by BOE, balance not required to satisfy all incurred or accrued liabilities may be transferred to any other reserve fund(s) authorized in the General Municipal Law (GML). May not be used to fund health or other post retirement benefits.
Tax Certiorari Reserve (A 864)	Ed. Law §3651(1-a) (S)	To pay judgments & claims in tax certiorari proceedings per RPTL, Article 7	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated. Monies held in reserve may not exceed amount necessary to meet anticipated judgments & claims	Separate BOE authorization not required to spend from this reserve.	No Limit	$ not expended for judgments & claims in the year deposited, must be returned to General Fund on or before 1st day of the 4th school yr. after deposit of such monies into the reserve unless claim(s) are still open and not finally determined or otherwise terminated or disposed of after the exhaustion of all appeals.
Repair Reserve (A 882)	GML §6-d (S)	For repairs to capital improvements or equipment not recurring annually or at shorter intervals.	BOE Resolution	Budgetary Approp. or other funds that may be legally appropriated. Voter approval is required to fund this reserve.	Public hearing required (except in an emergency) before spending from this reserve.	No Limit	Reserve must be repaid in equal installments over next two school yrs. if expenses are made without holding a public hearing. Emergency spending requires 2/3 majority vote of BOE. Legal notice required 5 days in advance of hearing. Unneeded balance may be transferred to Capital, Tax Certiorari or Retirement Contribution Reserves.
Capital Reserve (A 878)	Ed. Law §3651 (S)	To pay the cost of any object or purpose for which bonds may be issued	Voter Approval Only	Proposition(s) put before voters must specify purpose(s), ultimate $ amount(s) to be deposited into reserve(s), probable term(s) or life/lives and source(s) of funds to be deposited into the reserve(s).	Voter approval required to spend from these reserve(s). Annual approp(s). to fund reserve(s) require voter approval.	Limited to term or life approved by voters. Voters may extend term only before end date. Reserve(s) defunct after term(s) expire, except to spend remaining funds w/ voter approval.	Purpose must be specific i.e. to purchase school buses, facility construction, equipment etc. Total exp. over life of each reserve may not exceed voter-approved maximum. Funds may be transferred to other reserves only with voter approval. Voter approval required to terminate reserve before specified expiration date. Remaining funds must first be applied to district's outstanding bonded indebtedness and secondarily to reduce the tax levy.
Mandatory Reserve for Debt Service (A 884) (V 884)	GML §6-l (S)	To cover debt service payments on outstanding obligations (bonds, BANS) after the sale of district capital assets or improvements	BOE Resolution BOE must establish if	Proceeds from the sale of capital assets and improvements as defined in GML § 6-c. Includes but not limited to land, buildings, equipment and vehicles	For debt service only or to retire outstanding obligations	Terminates once outstanding obligations are repaid.	Applicable State or Federal Aid must also be deposited into the reserve fund if proceeds from sale are not sufficient to repay all outstanding obligations. Proceeds of sale in excess of indebtedness may be expended for any other lawful district purpose.
Reserve for Tax Reduction (A 891)	Ed. Law §1604(36) §1709(37)	To allow for the gradual use of proceeds from the sale of district real property	BOE Resolution	Proceeds from the sale of real property in excess of what is required to repay outstanding debt (Bonds, BANS)	$'s from reserve to be appropriated annually over ten or fewer yrs. to offset tax levy	Up to ten yrs.	Proceeds of must be placed in Mandatory Reserve for Debt Service in amount necessary to retire all outstanding obligations before BOE may establish Reserve for Tax Reduction.

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NOTE: Reserve for Inventory (A 845) may be established to limit maximum investment in inventory and to restrict that portion of fund balance, which is not available for appropriation.

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SUMMARY – FUND BALANCE IS ESSENTIAL WHEN -

- REVENUE GROWTH IS RESTRICTED
  - TAX LEVY GROWTH IS GOVERNED BY THE TAX CAP LEGISLATION. COMBINED WITH LIMITED ASSESSED VALUES, A 2% LEVY INCREASES RAISES REVENUE BY APPROXIMATELY $190,000.
  - THE NRG/MITIGATION AID ONGOING REVENUE LOSS IS ROOTED IN CONTRACT AND CURRENT LAW.
  - STATE AID IS AWARDED ANNUALLY, AND SUBJECT TO NYS BUDGET PERFORMANCE. THE CURRENT OUTLOOK FOR 2019 AID IS COLORED BY ONGOING DEFICIT OPERATIONS.

- EXPENDITURE GROWTH IS CONTRACTUAL
  - SALARY AND BENEFIT EXPENDITURES ACCOUNT FOR ROUGHLY 79% OF OUR BUDGET AFTER DEBT SERVICE IS REMOVED. CONTRACTUAL AGREEMENTS GOVERN FUTURE COST INCREASES AND BENEFITS OFFERED. RETIREMENT SYSTEM COSTS ARE DETERMINED BY THE STATE.