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# Pittsford Schools

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**2022 – 2023 UNDISTRIBUTED BUDGET**

**Budget Work Session #3**

**March 15, 2022**



# 2022-23 Proposed Budget Theme

**“From change to inflation and cost volatility”** Last year the focus was on the changes related to the pandemic and returning to full in school. This year budget planning is complex due to rapid cost increases, economic and world uncertainty

- The 2022-23 budget was developed with an eye to the future and promoting long-term fiscal stability. Recent world events and the economic impact make that a daunting task.
- While some recent new/additional budget supports help, they may not be long term: Foundation State Aid and Federal Stimulus funds
- The expense side is even more volatile:
  - Hiring/recruiting and retention challenges, coupled with several collective bargaining agreements to be negotiated next year
  - Shortage of supplies and delays
  - Extraordinary cost increases
- Looking at the forest through the trees is important
- Previous strong financial performance, planning through reserves and employing efficiencies has helped “weather the pandemic storm” and will be paramount to success through the “inflation storm”



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# What is the “Undistributed Budget”?

**Premise** – A school district, like any organization, has certain expenses that support all departments and are caused by virtually all departments. Some of these costs are difficult to allocate to specific cost centers.

- Therefore, budgeting and accounting treatments are governed by the Office of the NYS Comptroller and the Uniform System of Accounts. A system that has been in existence for more than 50 years and is archaic by today’s technology and standards.
- The system remains in place partially due to the numerous reports that feed databases and decisions on State Aid, mandates, etc. that are predicated on the Uniform System of Accounts.
- It can be a challenge when new requirements and the District’s internal budgeting and decision making process is more program and cost center focused.



# Undistributed Budget Composition

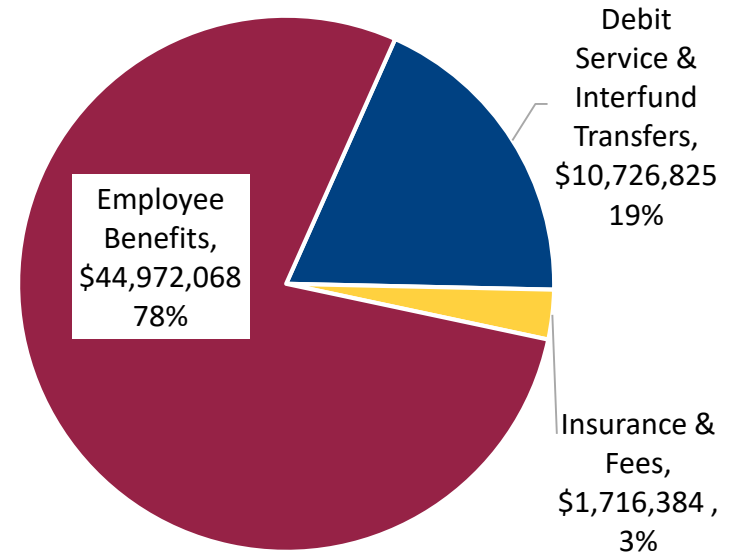
## Three Main Buckets

1. Debt Service & Interfund Transfers
2. Insurance, Judgments & Fees
3. Employee Benefits

## Total of all three buckets:

- \$57,415,277
- 38.4% of the Total District Budget
- **New** – Debt Services reflects PCSD's portion of the BOCES Capital Project

## Proposed 2022-23 Undistributed Budget \$57.4 million

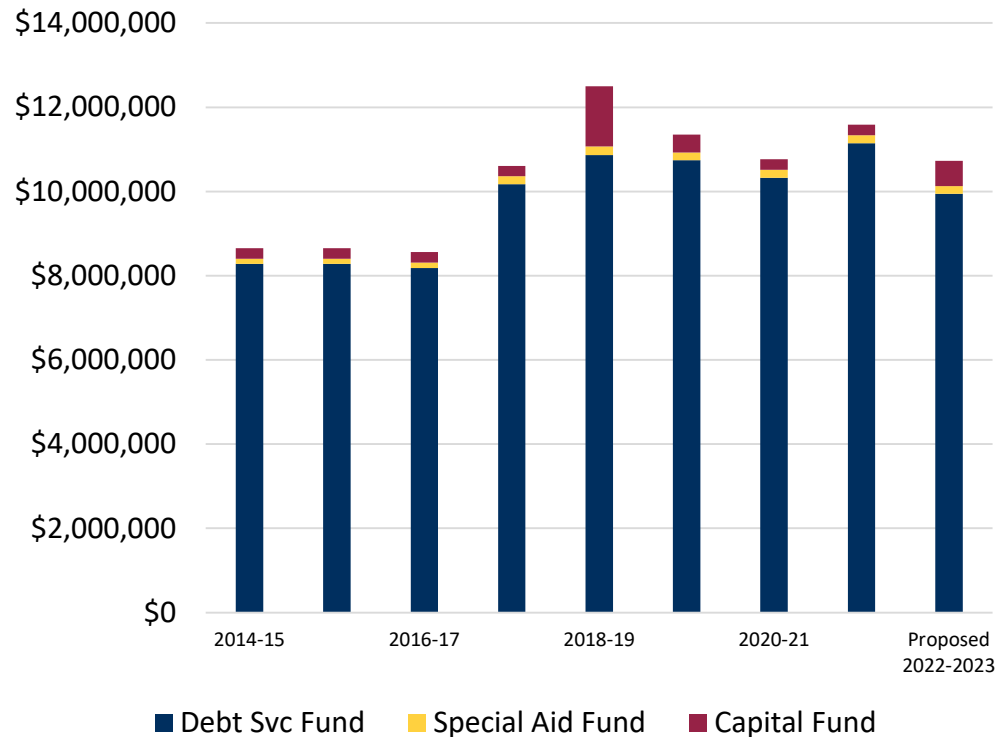


# 1. Debt Service & Interfund Transfers

## \$10,726,825 -7.4% (\$857,518)

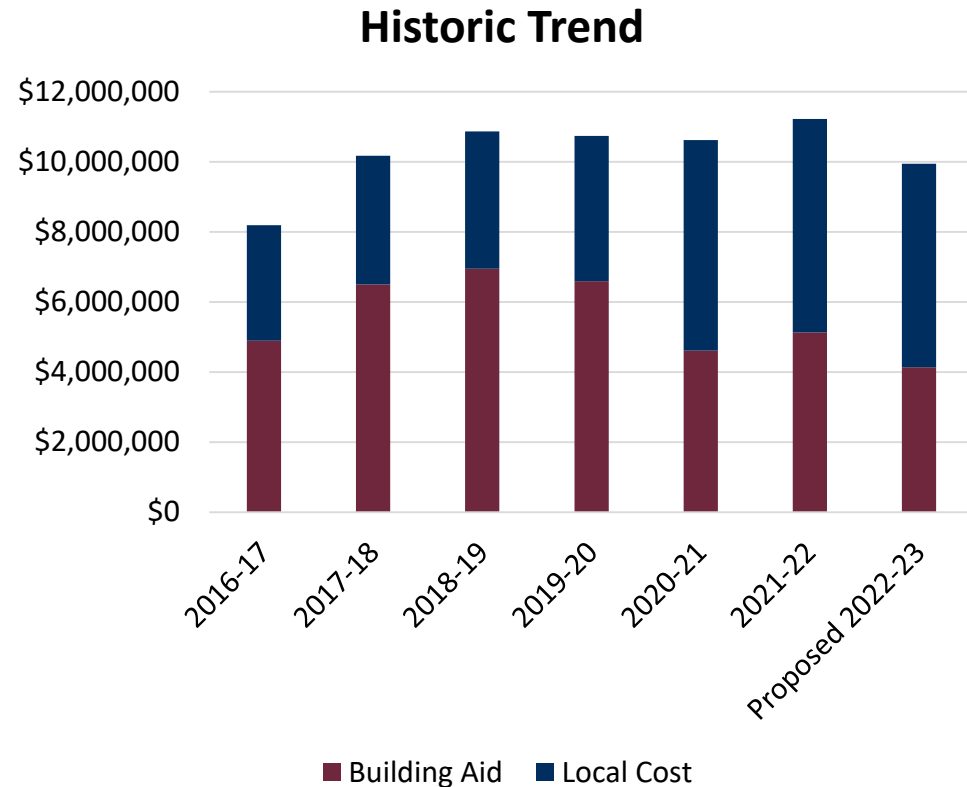
- Intended to pay for voter approved and required obligations
- Debt Service is the payment on debt (similar to a mortgage)
  - Preapproved by the Board and voters at a Capital Project Referendum (vote)
  - Each annual payment is interfund transferred to the Debt Service Fund
  - BOCES Capital Project \$1.2 million came off the books for 2022-23
- Interfund Transfers
  - Money to Funds for specific purposes
    - Special Aid – Extended School Year program (ESY) or Spec Ed Summer School
      - NYS requires the district portion of costs to be transferred to the Special Aid Fund
    - Capital – to fund minor maintenance and repair projects and emergency repairs and equipment and infrastructure replacements
      - Transportation Maintenance Facility Roof
      - Shipping delays and construction cost escalation on Capital Project Items

Historic Trend



# 1. Debt Service

- Intricacies
  - Debt and Aid are based on each building, work performed and many formula variables
  - Debt payments can fluctuate
- Goals
  - To match Debt Payment schedule to Building Aid to minimize local impact and prevent spikes
  - Try to synchronize as much as possible, Capital Improvement Planning to Financial Planning, Level Debt Concept
    - As debt from one project expires have debt from new project commence

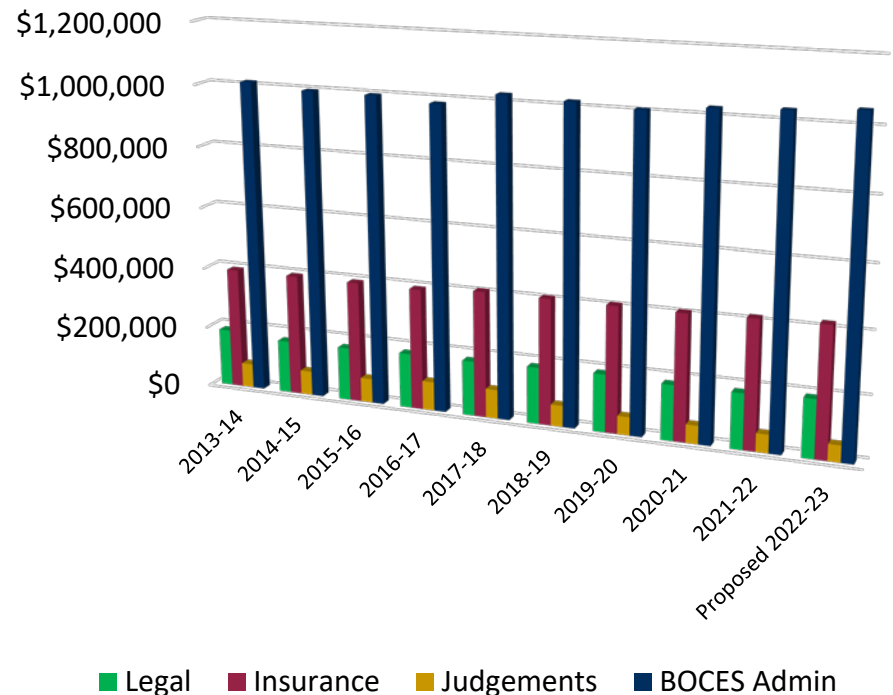


# 2. Insurance, Judgments & Fees

**\$1,716,384 +1.3% +\$22,538**

- Legal Fees \$190,000 +4.9%
  - Representation and process
- General Insurance \$422,000 +1.2%
  - Liability & Property
  - Student Accident (not required by law)
- Judgments and Assessments \$55k
  - Court proceedings
  - Various Governmental fees
- Board Of Cooperative Education Services (BOCES) Administrative Costs \$1,049,384 +1.3%
  - Certain administrative and retiree costs are prorated to the component (shareholder) districts
  - Facility Costs

**BOCES Admin/Capital & Miscellaneous Unallocated Expenses \$1.7 million**



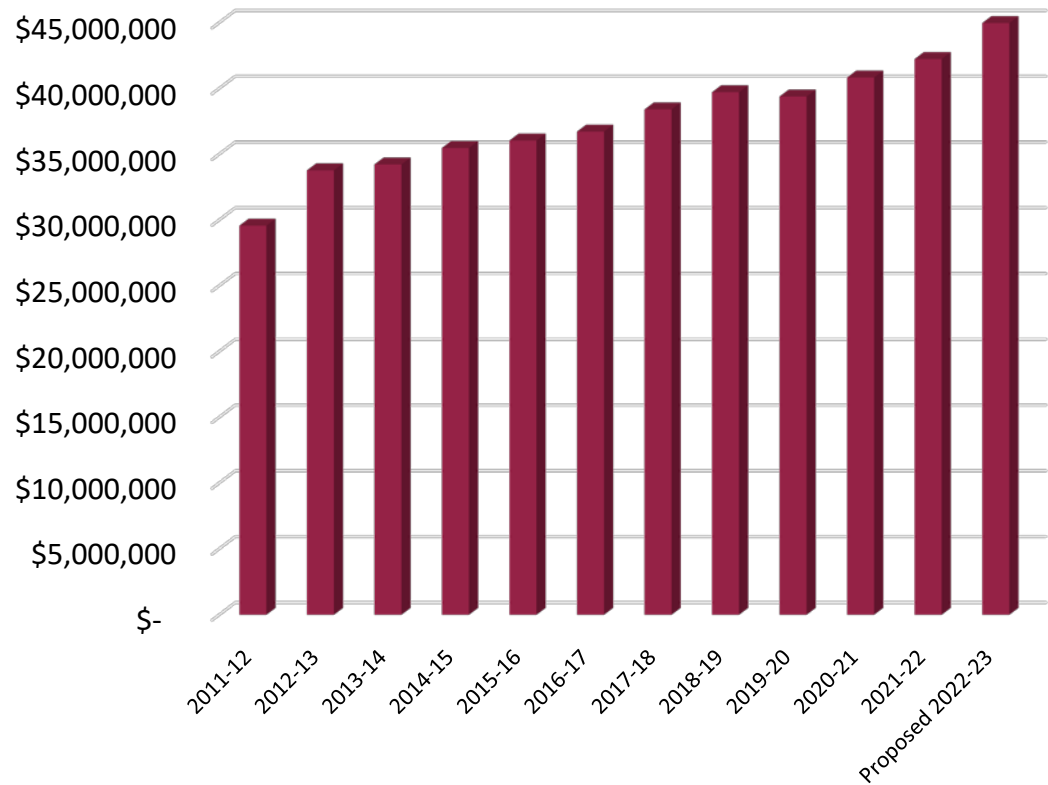
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# 3. Employee Benefits

**\$44,972,068 +6.48% +2,738,049**

- Teacher In-service
- Retirement Systems – rates set by NYS
  - NYS Employee (ERS) -12% decrease
  - NYS Teachers (TRS) + 7.9%
- Employer Social Security (FICA)
- Employee Benefit Insurances
  - Worker’s Compensation - consortium
  - Life Insurance
  - Unemployment
  - Disability
  - Medical & Dental – consortium
  - Medicare
- Separation Payments – Accrued benefits upon separation from employment

**Employee Benefits**

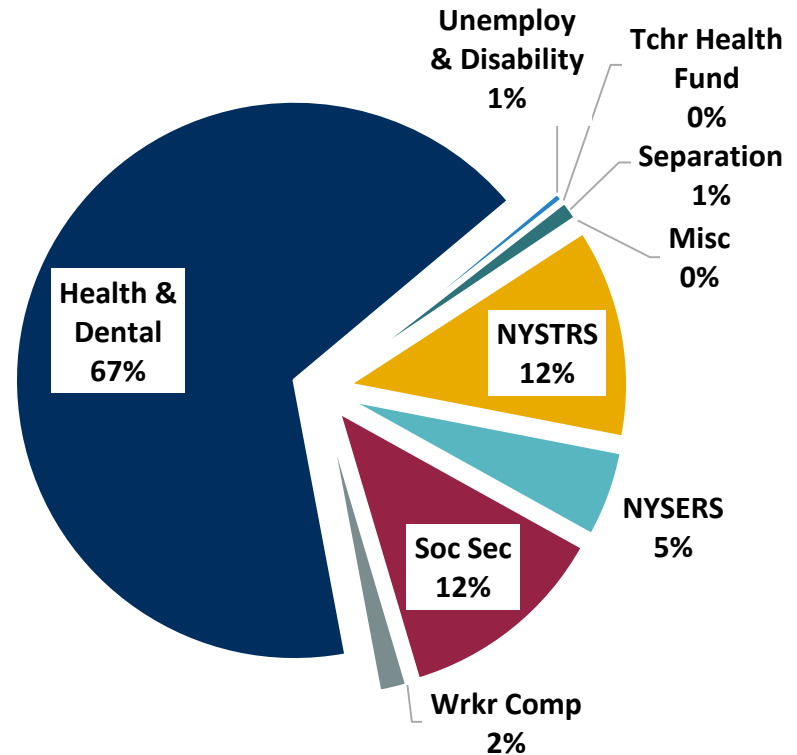




# 3. Employee Benefits – Curbing the Growth

- Benefits are a driving force in annual budget growth
- In ten years, benefits have gone from being 24% of the total General Fund Budget to 30% and almost ½ the total budget increase
- Over recent years, the retirement systems have had the most volatile changes, from 0.43% to 22% of employee pay
- Health Insurance general increase has ranged from 1% to 13% with an average of 6%
  - Far below the community rated plans and from the onset the plan costs less

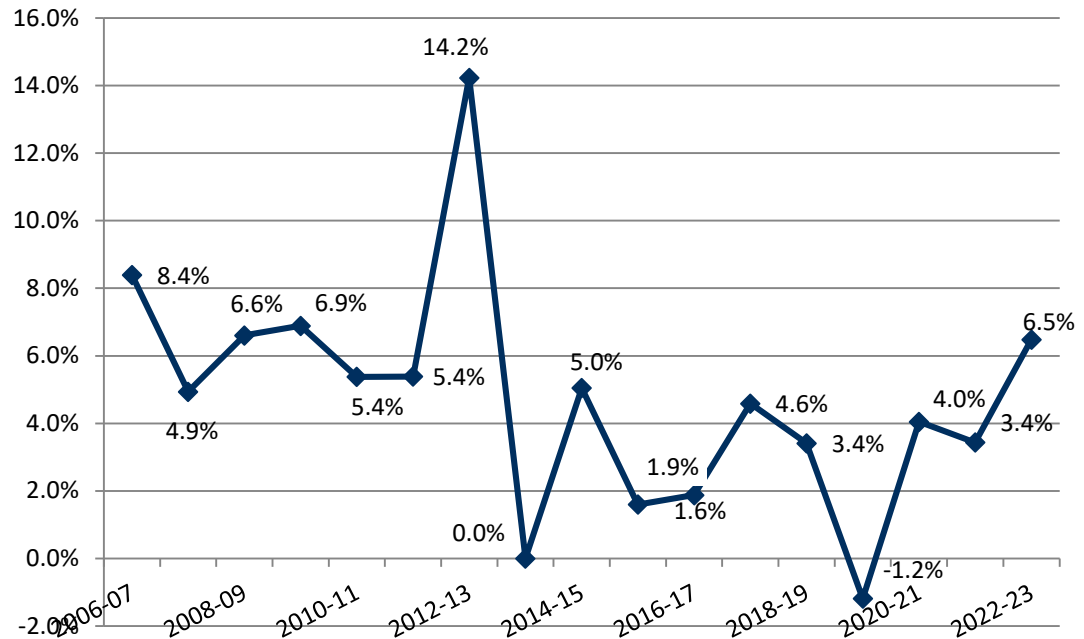
Proposed 2022-2023 Budget Increase  
\$2,738,049 (6.5%)



# 3. Employee Benefits – Controlling the Growth

- Some factors are outside District control (retirement systems), some we have significant influence (health fund) and others we have some influence (health insurance)
  - Negotiated labor agreements with increased employee cost sharing and lower cost base plans
  - Belong to county consortiums that have better than market experience ratings and lower costs per plan
  - The Health Consortium went from minimum premium to self-funded to avoid the Affordable Care Act employer tax
- The measures are having a favorable impact, but it's still growth
  - “Any growth on almost one third of your costs, will be felt on your total budget”

**Benefits Annual % Change**

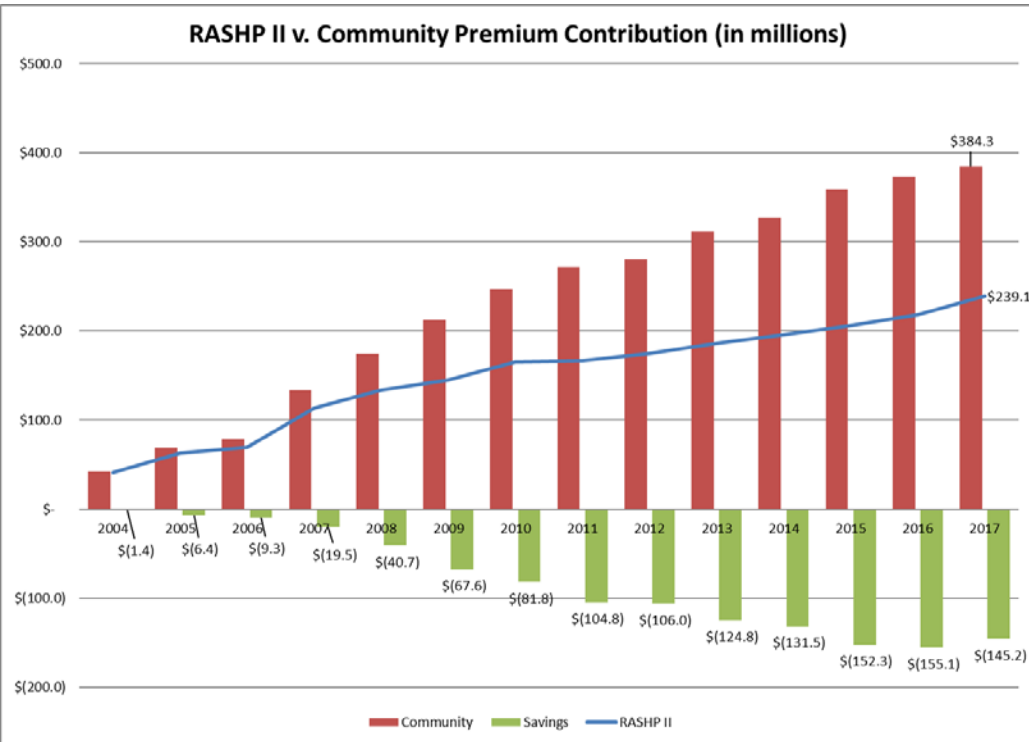


# The Rochester Area Schools Health Plan (RASHP)

- Implemented January 1, 2004
- Membership
  - Seventeen Monroe County schools & two BOCES
  - 15,000 contracts and 40,000 lives covered by the these plans
- Board of Directors
  - One representative from each District
  - Five union seats
- Provides coverage to school employees at lower cost than similar “Community Rated Plans”
- RASHP was a Minimum Premium Experience Rated Plan
- January 2018 received NYS Dept. of Finance approval to be Self-Funded
  - Assured adequate reserves and stop-loss insurance to minimize risk of high cost claims

# RASHP 2 Plan Performance Compared to the Community

## Savings to Monroe County Schools



## Trend Comparison – composite rate increases

Year	RASHP 2	Excellus	Nation
2013	8.5%	10.1%	6.4%
2014	6.6%	10.3%	8.4%
2015	6.6%	10.6%	8.0%
2016	7.3%	10.0%	8.8%
2017	8.4%	10.0%	8.5%
2018	6.8%	9.8%	8.4%
2019	4.0%	9.4%	10.8%
2020	1.2%	8.8%	9.4%
2021	4.0%	9.4%	11.1%

# Undistributed Budgets - Conclusion

## Accomplishments

- The health and worker's comp consortiums are operating effectively and provide cost relief
- Improved market has lowered retirement system rates, however that is changing rapidly
- RASHP successfully made it through a long and arduous process to obtain NYSDFS approval is a testament to the financial viability of the plan and providing additional savings into the future

## Challenges

- While lower than could be, the increase is on a large number and is a significant driver to the total budget
- The overall Benefits growth can potentially exceed the NYS imposed Property Tax Cap
- Labor concessions normally lower the Base cost, but still subject to annual incremental increase in insurance
- Balancing pressures for lower premium with long-term sustainability of the plan

# Undistributed Budgets - Conclusion

## Accomplishments

- Our debt outlook is more favorable than anticipated in 2012
  - We have the highest bond (credit) rating a school can have
  - Favorable comments from investors on financial management = pay premiums to hold our notes (loans)
  - The Pandemic moved the target to maintain the “level debt concept”
  - Debt Schedule coincides with State Aid
- Much improved facilities status and planning than ten plus years ago

## Challenges

- Various changes in Federal accounting practices without commensurate changes in NYS Ed Law is making schools less attractive to investors
- Reliance on “one shots” – Federal Stimulus
- Numerous building codes, program and current events that place unplanned and unfunded demands on our facilities

# Final Stretch “To Do’s”

- Obtain BOCES updated Unit Costs and review, verify and amend PCSD Service Requests — *Business Office & Districtwide*
- Department administrators update the program services narratives and review their respective projected budgets — *Districtwide and Business Office*
- Teacher and Paraprofessional Sectioning and Staffing based on current and 2022-23 Projected Enrollment — *Human Resources/Buildings*
- Receive, evaluate and implement an Enacted NYS Budget — *Business Office and others as needed*
- Amend the Proposed Budget for all of the above and present to the Board of Education for Adoption — *Superintendent*



# Upcoming Meetings

March 17 – District Planning Team (DPT)

April 5 – Board Adopts Superintendent’s Budget

April 14 – District Planning Team (DPT)

April 26 – Regular BOE Meeting

May 10 – Public Budget Hearing

May 17 – Budget Vote and Board Election



# End of Presentation



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