Rye Neck Union Free School District
2024-25 Long Range Financial Plan
September 18, 2024

Rye Neck's Mission

Rye Neck is a close-knit school community that values local and global voices, and is committed to providing a learning journey that inspires an adaptive mindset where learners thrive academically and personally.

Eric Lutinski, Ed. D., Superintendent of Schools
Carolyn Mahar, CPA, Assistant Superintendent for Business and Finance

RyeNeckSchools

About Rye Neck

Our Community

The Rye Neck School District, located in Southern Westchester County, lies approximately 20 miles northeast of New York City. Bordering Connecticut and the Long Island Sound, the district serves a diverse group of students from both the City of Rye and the Village of Mamaroneck, largely residential areas that boast of picturesque settings. The district's close proximity to a major metropolitan area allows for unique learning opportunities and an exposure to a global culture.

Our District

The Rye Neck School District is comprised of two elementary schools – one servicing grades K-2 (Daniel Warren) and another for grades 3-5 (F.E. Bellows), as well as a middle school and high school, which share the same campus. Rye Neck High School and F.E. Bellows Elementary School have both been designated as National Schools of Excellence by the United States Department of Education. With a population of over 1,400 students, the Rye Neck School District is able to offer a personal education within a public school setting. The small population allows for close interaction between the students and faculty. The district strongly emphasizes a sense of opportunity and advancement to its students and continually challenges them to reach even higher levels of personal success.

Our Mission

Rye Neck is a close-knit school community that values local and global voices. We are committed to providing a learning journey that inspires an adaptive mindset and enables all learners to thrive academically and personally.

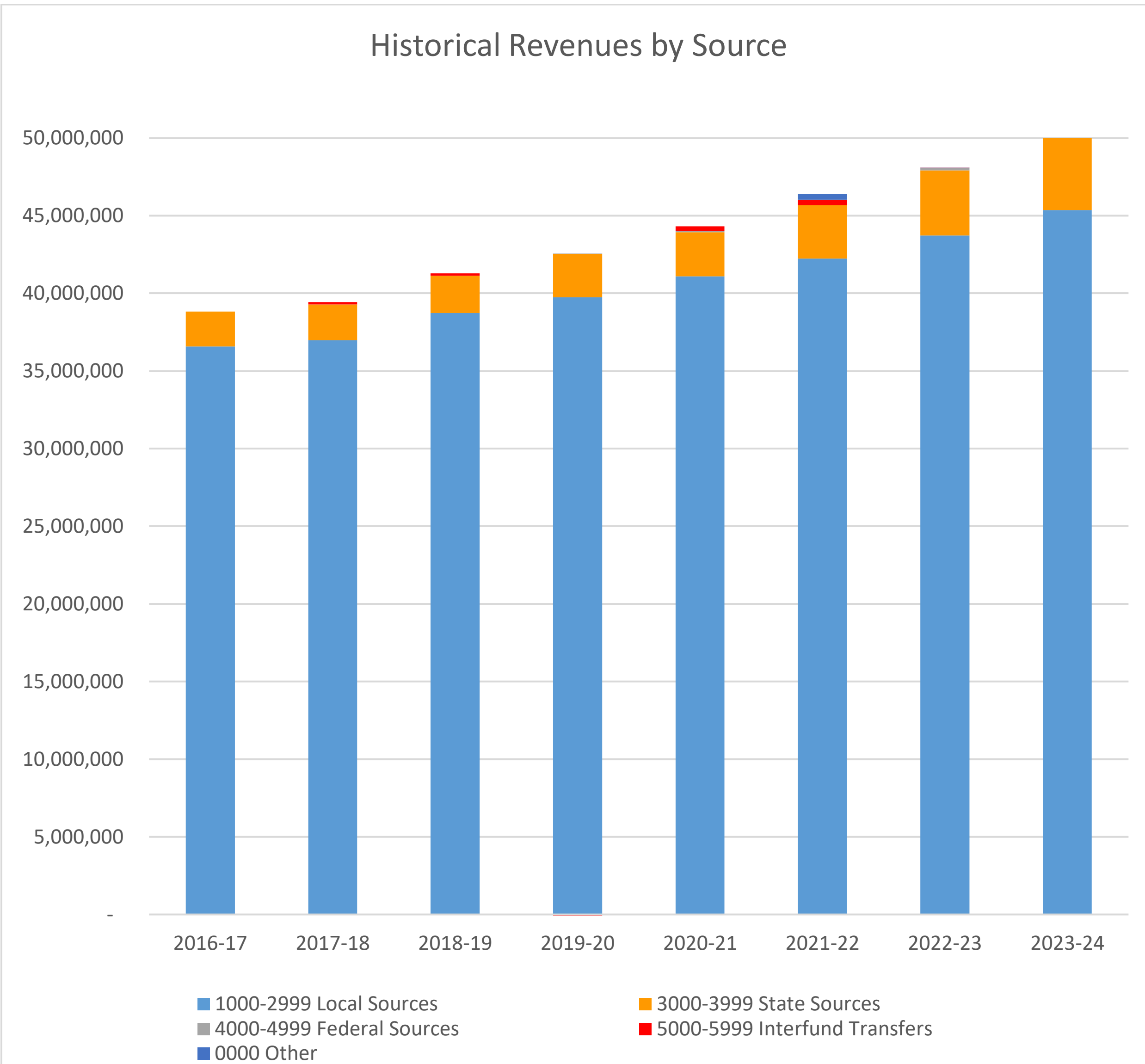
Purpose of Long Range Financial Planning

The success of a public school district relies heavily on sound financial planning. By creating and continuously updating a five-year financial plan, Rye Neck UFSD is able to gain insight into future budget years and this information helps to inform financial decisions made today.

Revenue History

Revenues by Source

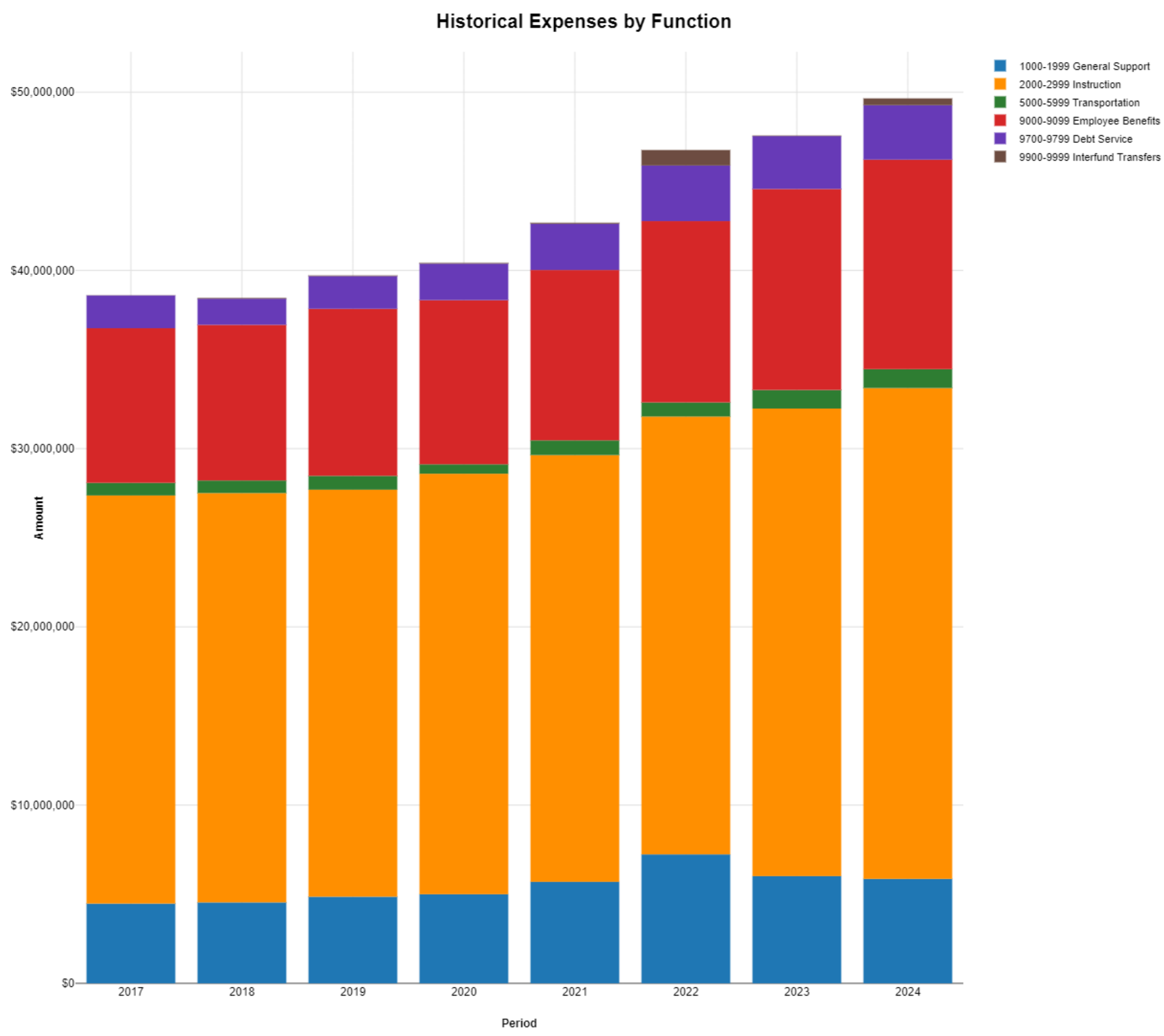
The following chart outlines Rye Neck's historic general fund revenue sources. As with most New York State school districts, the majority of revenue in each budget year comes from the tax levy, with the second largest category being state aid.



Expenditure History

Expenditure History by Function

The following chart shows Rye Neck's historical general fund spending by accounting function code. Instructional expenditures are consistently the majority of the budget as this code includes all instructional salaries (teachers, administrators, teaching assistants).



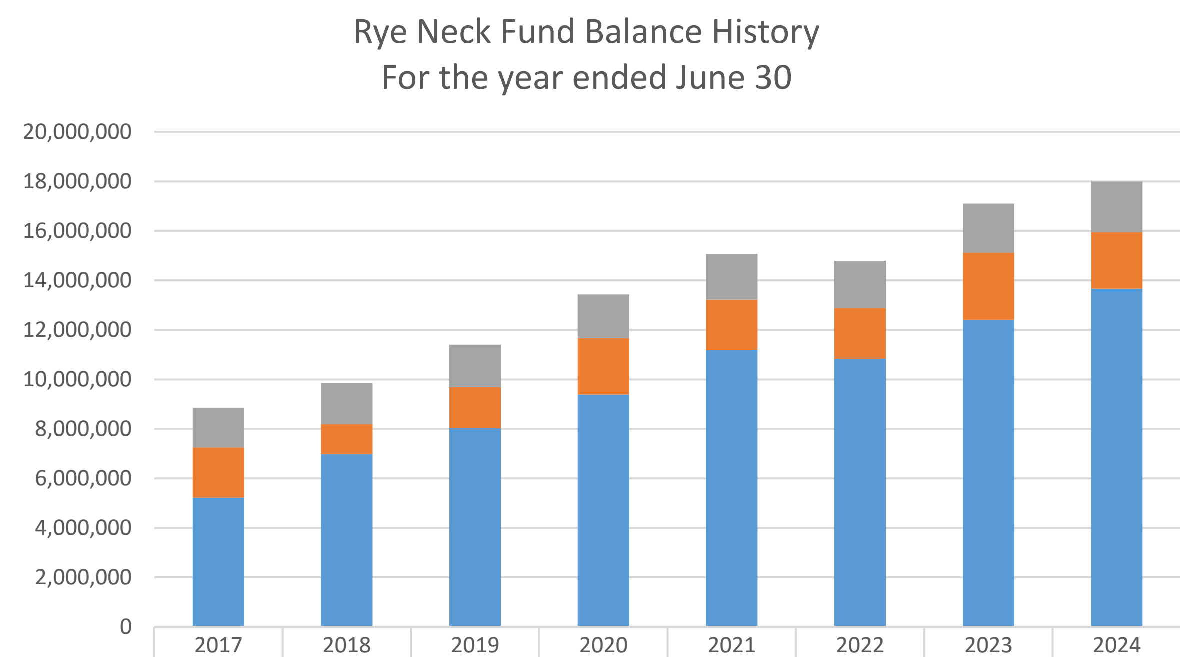
Fund Balance History

Fund balance and reserves are crucial pieces to a district's overall financial health. A school generates a fund balance through careful management of its revenues and expenditures. Fund balance represents the difference between what the school receives in funding (revenues) and what it spends (expenditures) in a fiscal year. In order for a school district to add funds to its reserves, a surplus must be generated.

Surpluses come from actual revenues higher than budget, or actual expenditures less than budget. In either scenario, districts have the ability to appropriate these savings in order to make funds available for specific purposes, such as future retirement contribution expenses, reserving funds for tax settlements and other state regulated purposes. Because a district must rely on a surplus to fund reserves, there must be careful consideration on the amount generated, especially when considering the impact on the tax levy. However, unexpected mid-year changes to the budget may also contribute to a surplus such as decreased tuition and transportation expenses when students placed outside of a district return to their home district, or stronger than predicted sales tax revenue is received.

Fund Balance History by Category

The following chart outlines the use of and additions to fund balance. For the past eight (8) years, the District has increased its fund balance position from under $10M in 2017 to just under $18M in 2024. The increase in fund balance represents the commitment of the Board of Education to create and fund new reserve funds in order to protect the District from future costs and unexpected expenses. Robust reserves also have a positive effect on the District's credit rating; a strong credit rating increases borrowing power for capital projects and decreases interest costs. While the purpose of reserves is to match their use against one-time expenses, reserves may be used to balance recurring expenses in annual budgets in order to maintain tax-cap compliance and stable tax rates for the community. However, a long-term reliance on reserve funds to balance the annual budget would draw down the District's savings account and this methodology is not sustainable and will result in adverse effects on the District's long-term financial health.

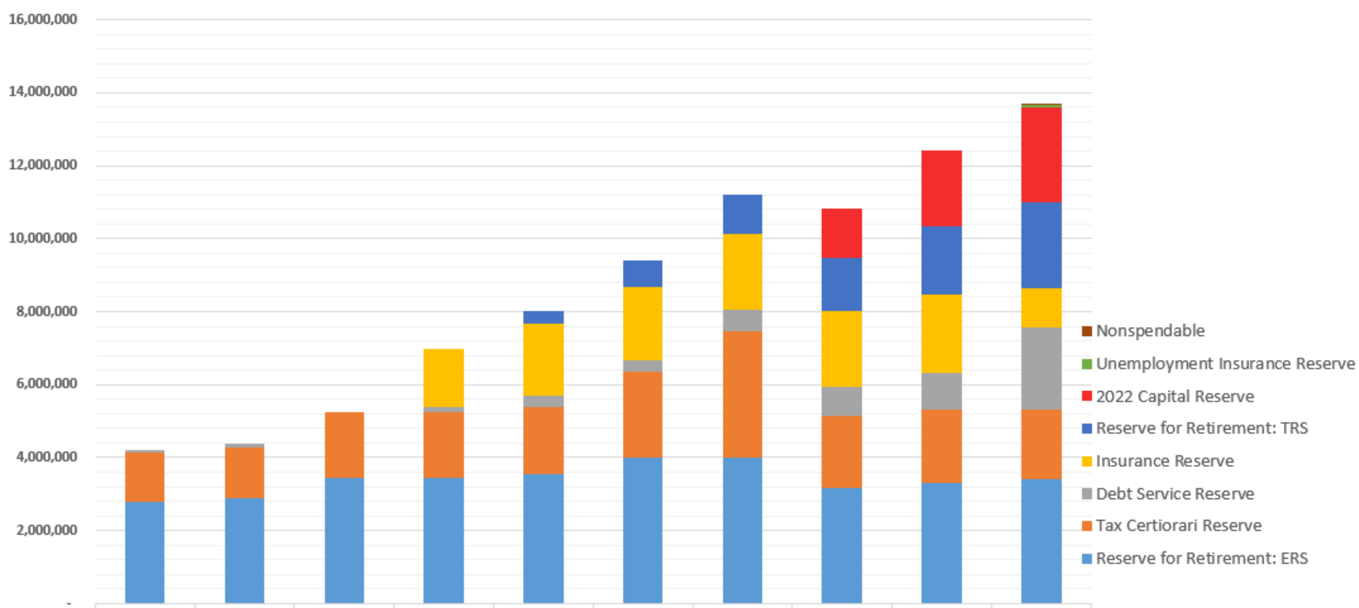


	2017	2018	2019	2020	2021	2022	2023	2024
Unassigned	1,604,800	1,654,968	1,723,635	1,781,832	1,842,799	1,902,807	1,986,061	2,045,089
Assigned	2,024,948	1,208,336	1,655,921	2,266,254	2,030,051	2,054,659	2,708,864	2,281,691
Restricted	5,230,668	6,983,912	8,027,230	9,389,444	11,202,249	10,833,950	12,407,975	13,666,383

Reserve Fund History

Ten-Year Reserve Fund Balance History by Fund

The following chart shows the makeup of Rye Neck's "restricted" fund balance, which are primarily funds kept in reserve funds. School district reserve funds are allocated for specific purposes and are subject to state regulations. Rye Neck is committed to maintaining adequate reserve fund balances in order to cover unexpected expenses and stabilize the annual budget.

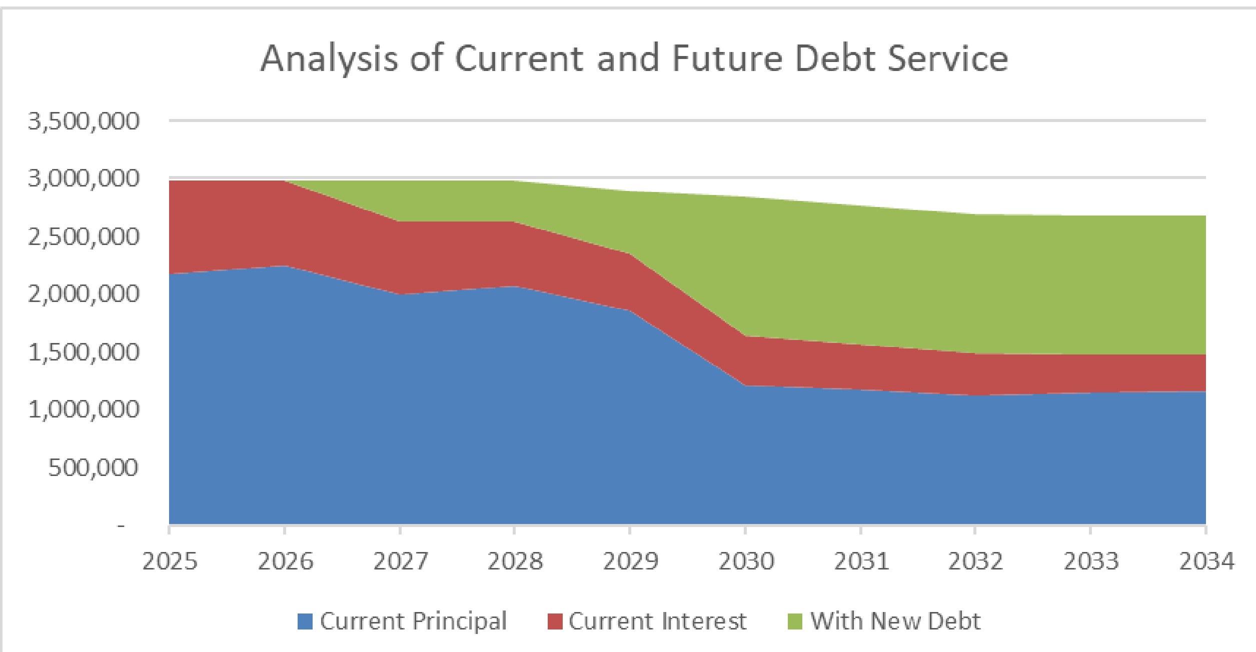


	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Nonspendable	-	-	-	-	-	-	-	-	-	7,631
Unemployment Insurance Reserve	-	-	-	-	-	-	-	-	-	50,000
2022 Capital Reserve	-	-	-	-	-	-	-	1,360,359	2,052,367	2,595,893
Reserve for Retirement: TRS	-	-	-	-	346,000	706,690	1,073,347	1,450,976	1,892,513	2,364,073
Insurance Reserve	-	-	-	1,603,244	1,998,044	2,025,125	2,065,768	2,069,436	2,150,533	1,077,235
Debt Service Reserve	95,216	95,216	-	150,000	295,453	299,458	603,147	821,436	991,435	2,266,135
Tax Certiorari Reserve	1,346,381	1,406,381	1,771,950	1,771,950	1,834,275	2,359,136	3,459,783	1,952,343	2,007,189	1,888,179
Reserve for Retirement: ERS	2,775,889	2,880,889	3,458,718	3,458,718	3,553,458	3,999,036	4,000,204	3,179,400	3,313,939	3,417,238
TOTALS	**4,217,486**	**4,382,486**	**5,230,668**	**6,983,912**	**8,027,230**	**9,389,444**	**11,202,249**	**10,833,950**	**12,407,975**	**13,666,383**

Debt Service

The term "debt service" refers to the amount of debt a school district has incurred as a result of financing capital construction projects. Similar to a residential mortgage, school districts oftentimes finance larger capital improvement projects through bonds and bond anticipation notes (BAN). Unlike a traditional mortgage, school districts receive additional state revenue known as Building Aid to help pay for these projects.

Each district in the State of New York has an assigned building aid ratio that determines how much state aid it will receive. In Rye Neck, the building state aid ratio is approximately 35% which means that for every dollar spent on qualifying capital work, the state will reimburse the district $0.35. As a result, if the District maintains its current debt service levels, future capital improvement work will not generate significant fluctuations in annual tax increases. This is depicted in the chart below. The blue area represents current principal payments and the red area represents current interest payments. The green area represents potential new debt, which is projected to be added as current debt fully matures. This would maintain the District's current debt levels and allow the district to perform additional capital work without the community incurring a tax rate increase.



Five Year Financial Plan

Key Factors

1. All assumptions made are at a single point in time. These factors <u>can and will change</u>, however they still provide a basis for financial decision-making.

2. First year (2025-26) projections are based primarily on the District's rollover budget, carrying forward current expenses while adjusting for known savings (unbudgeted 2024-25 retirements and resignations and savings from consolidating transportation routes are two examples).

3. The forecast of revenues and expenditures are for five years. While certain data in these years is assumed, anything beyond this timeframe is less reliable and increasingly speculative.

Revenue Projections

1. 1.56%-2.16% range of increases in the tax levy each year, while maintaining tax cap compliance. Capital exclusions (principal and interest on borrowings) have the largest impact on tax levy limit formula in each year. While the allowable levy growth factor is assumed to remain at the maximum 2% through 2026-27, we are assuming that this factor will dip below 2% beginning in 2027-28 due to softening market conditions.

2. The state is currently reviewing potential revisions to the Foundation Aid formula, which could have a significant impact on the amount of state aid that the district receives. The plan assumes a 2.5% increase annually in Foundation Aid, and 3.0% in all other aid categories (BOCES, materials, transportation, etc.). Excess cost aids are estimated based on known placements. Building aid is projected based on the assumption of new project work.

3. Sales tax has seen consistent increases in prior years, and is expected to continue to increase throughout the five-year plan.

4. Interest income is conservatively budgeted and remains stable throughout the plan. The district's methodology for budgeting for interest involves a strong level of conservatism in order to avoid future budget gaps if interest rates move significantly during the year. Future rate decreases could have downward pressure on the district's interest income levels.

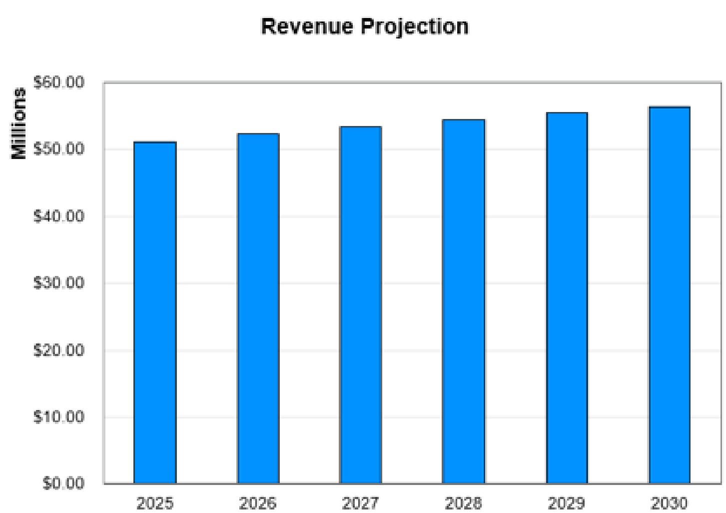
5. Appropriated fund balance remains stable at $575,000 each year. While fluctuations in appropriated fund balance can and will happen, maintaining stable year to year levels of appropriated fund balance ensures budget stability and does not place an overreliance on current budgets to fund future budget years.

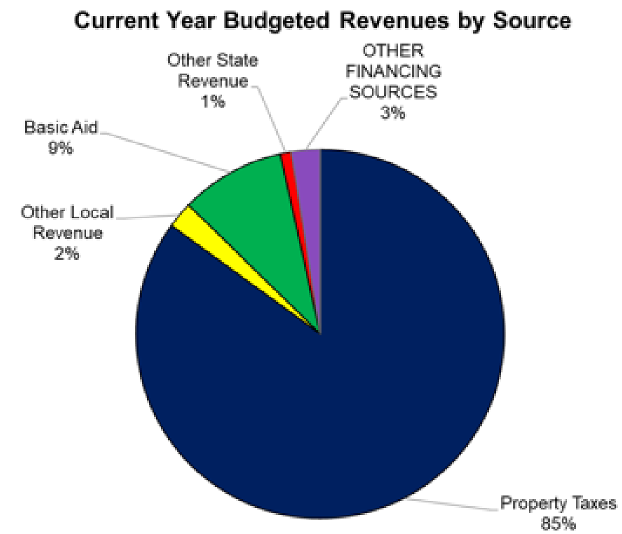
6. Use of reserve funds is stable and increases slightly throughout the plan to match estimated increases in pension expenses.

General (A) Fund | Revenue Analysis

Long Range Plan - September 2024

	BUDGET	REVENUE PROJECTIONS									
	2025	2026	%Δ	2027	%Δ	2028	%Δ	2029	%Δ	2030	%Δ
LOCAL											
Property Taxes	$43,459,590	$44,391,706	2.14%	$45,351,110	2.16%	$46,239,083	1.96%	$47,003,718	1.65%	$47,736,069	1.56%
Other Local Revenue	1,180,000	1,245,000	5.51%	1,270,000	2.01%	1,300,000	2.36%	1,325,000	1.92%	1,350,000	1.89%
TOTAL LOCAL REVENUE	**44,639,590**	**45,636,706**	**2.23%**	**46,621,110**	**2.16%**	**47,539,083**	**1.97%**	**48,328,718**	**1.66%**	**49,086,069**	**1.57%**
STATE											
Basic Aid	4,698,294	4,792,443	2.00%	4,844,892	1.09%	4,953,725	2.25%	5,188,887	4.75%	5,186,825	-0.04%
Other State Revenue	494,339	509,169	3.00%	524,444	3.00%	540,178	3.00%	556,383	3.00%	573,074	3.00%
TOTAL STATE REVENUE	**5,192,633**	**5,301,612**	**2.10%**	**5,369,336**	**1.28%**	**5,493,903**	**2.32%**	**5,745,270**	**4.58%**	**5,759,899**	**0.25%**
TOTAL FEDERAL REVENUE	**0**	**0**		**0**		**0**		**0**		**0**	
OTHER FINANCING SOURCES	**1,295,000**	**1,335,000**	**3.09%**	**1,360,000**	**1.87%**	**1,475,000**	**8.46%**	**1,355,000**	**-8.14%**	**1,425,000**	**5.17%**
TOTAL REVENUE	**$51,127,223**	**$52,273,318**	**2.24%**	**$53,350,446**	**2.06%**	**$54,507,986**	**2.17%**	**$55,428,988**	**1.69%**	**$56,270,968**	**1.52%**





Tax Levy Limit Projection

The Tax Levy Limit, commonly referred to as the "tax cap", imposes a limit on the amount of taxes a school district can levy in a given year without requiring a super-majority vote (60% or greater "yes" votes). Although 2% is most often associated with the cap, there are other factors, specifically exclusions that are part of the tax levy limit formula. Exclusions adjust the overall levy limit and can add or reduce the total potential amount levied as outlined below. For Rye Neck UFSD, the Capital Exclusion (principal and interest on debt) has a significant impact on the tax levy limit. Below is the current 2024-25 tax levy limit and the projected limit for the next five years. The model includes modest assumptions in both the Tax Base Growth Factor and assumes that the Allowable Growth Factor will be at the maximum 2% and, in all years, assumes tax cap compliance.

	BUDGET 2025	PROJECTIONS 2026	2027	2028	2029	2030
Tax Levy Limit (Cap) Before Exclusions						
Tax Levy Prior Year	$42,526,808	$43,459,590	$44,391,706	$45,351,110	$46,239,083	$47,003,718
Prior Year Reserve Offset	$0	$0	$0	$0	$0	$0
Reserve Amount	$0	$0	$0	$0	$0	$0
Tax Base Growth Factor	1.0025	1.0025	1.0025	1.0025	1.0025	1.0025
PILOTs Receivable Prior Year	$0	$0	$0	$0	$0	$0
Tort/ Judgement Exclusion Prior Year	$0	$0	$0	$0	$0	$0
Capital Tax Levy for Prior Year	$2,271,745	$2,284,995	$2,282,797	$2,286,824	$2,284,221	$2,228,131
Allowable Levy Growth Factor	1.0200	1.0200	1.0200	1.0180	1.0160	1.0140
PILOTS Receivable Current FYE	$0	$0	$0	$0	$0	$0
Available Carryover from Prior FYE	$0	$0	$0	$0	$0	$0
Total Levy Limit Before Exclusions	**$41,168,608**	**$42,108,909**	**$43,064,286**	**$43,954,862**	**$44,775,587**	**$45,521,600**
Exclusions						
Tax Levy Necessary for Expenditures Resulting from Tort Judgements Over 5%	$0	$0	$0	$0	$0	$0
Capital Levy for Current Year	$2,284,995	$2,282,797	$2,286,824	$2,284,221	$2,228,131	$2,214,469
ERS contribution increase greater than 2%	$3,621	$0	$0	$0	$0	$0
TRS contribution increase greater than 2%	$0	$0	$0	$0	$0	$0
Total Exclusions	**$2,288,616**	**$2,282,797**	**$2,286,824**	**$2,284,221**	**$2,228,131**	**$2,214,469**
Tax Levy Limit, Adjusted For Transfers, Plus Exclusions	**$43,457,224**	**$44,391,706**	**$45,351,110**	**$46,239,083**	**$47,003,718**	**$47,736,069**
Reserve Amount Used to Reduce Current Year Levy	$0	$0	$0	$0	$0	$0
Proposed Levy for Current Year, Net of Reserve $	$43,459,590	$44,391,706	$45,351,110	$46,239,083	$47,003,718	$47,736,069
OR Proposed Levy for Current Year, Net of Reserve %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	2025	**2026**	**2027**	**2028**	**2029**	**2030**
CURRENT FYE PROPOSED LEVY, $ entry	**$43,459,590**	**$44,391,706**	**$45,351,110**	**$46,239,083**	**$47,003,718**	**$47,736,069**
CURRENT FYE PROPOSED LEVY, % entry	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
CURRENT FYE PROPOSED LEVY, NET OF RESERVE %	2.19%	2.14%	2.16%	1.96%	1.65%	1.56%
TAX LEVY LIMIT %	**2.19%**	**2.14%**	**2.16%**	**1.96%**	**1.65%**	**1.56%**
DIFFERENCE BETWEEN TAX LEVY LIMIT AND PROPOSED LEVY	$0	$0	$0	$0	$0	$0
YEAR OVER YEAR CHANGE IN CURRENT FYE PROPOSED LEVY	$932,782	$932,116	$959,404	$887,973	$764,635	$732,351

Expenditure Projections

1. Annual salary increases by unit range from 2% to 4% as a result of percentage increases applied to steps and employee step movement each year. Contract negotiations may have an additional impact on future year salary increases. The teacher contract will expire on June 30, 2025, therefore all years in the plan estimate the future cost impacts of this contract, which is the district's largest. All other unit contracts will also expire at different dates in the plan, therefore the salary increases for employees in these units also include estimates. The district assumes retirement savings of $135,000 in 2025-26 (known) and retirement savings of $100,000 in the next two years. Beyond 2027-28, no other retirements are considered as a matter of conservatism. Retirements can have a significant savings impact on annual budgets. In addition, in the 2026-27 and 2027-28 school years, staffing is decreased by one full time position due to declining enrollment estimates (please refer to the enrollment page in this report).

2. Healthcare costs are projected to rise by an average of 9.0% each year. The plan also assumes health care buyout savings ranging from $200K to $300K per year beginning in year 2026-27. A healthcare buyout would need to be negotiated with the collective bargaining units.

3. Property and liability insurance premiums are projected to rise by average of 5.0% each year. The district carries various insurance coverages and has seen double-digit increases in rates over the past years. The district's insurance carrier has indicated that previous year large rate adjustments and changes in actuarial modeling will help to stabilize rates in future years.

4. Utilities have seen significant increases, however the plan includes modest increases each year. Weather, including temperature and precipitation can have a significant impact on annual utilities costs. The district is exploring energy upgrades that can maintain modest increases or even result in savings.

5. Supplies and services costs remain stable. Over the past year, the district has placed greater scrutiny on where supplies are purchased in order to realize the greatest discounts available for public school districts.

6. For building and grounds services and supplies, the plan assumes for modest increases and the maintenance of a transfer to capital through FY 2027 to support project work.

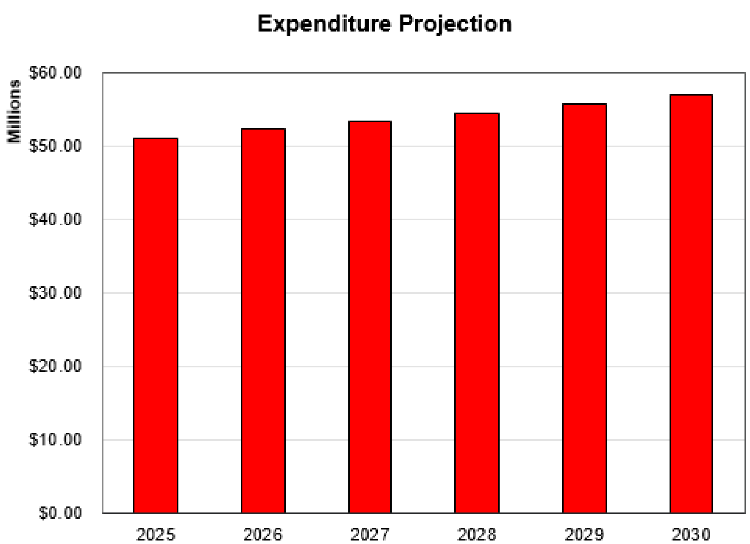
7. ERS contributions are estimated at 15.0% each year. TRS contributions are estimated at 10.0% each year. Both rates can vary as a result of market returns and other actuarial assumptions.

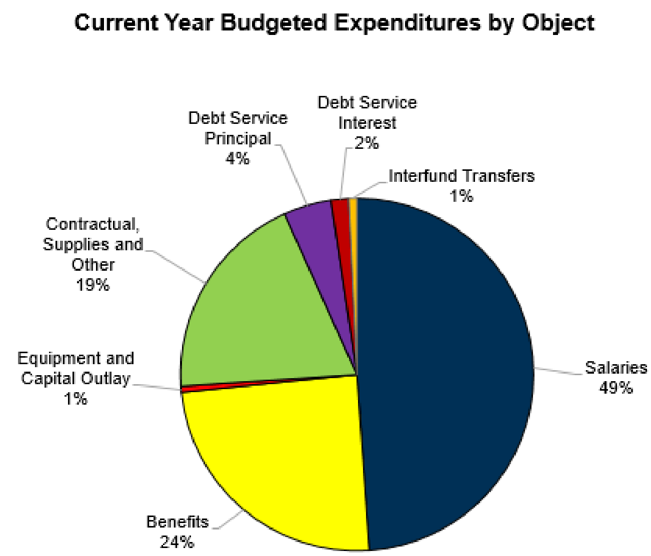
8. Debt service remains stable. New debt is assumed to replace maturing debt throughout the plan to maintain stable tax rates.

General (A) Fund | Expenditure Analysis

Long Range Plan - September 2024

	BUDGET	EXPENDITURE PROJECTIONS									
	2025	2026	%Δ	2027	%Δ	2028	%Δ	2029	%Δ	2030	%Δ
Salaries	$25,001,202	$25,637,223	2.54%	$26,260,114	2.43%	$26,727,610	1.78%	$27,216,405	1.83%	$27,722,523	1.86%
Benefits	12,522,449	13,333,832	6.48%	13,959,110	4.69%	14,548,251	4.22%	15,186,149	4.38%	15,821,644	4.18%
TOTAL SALARIES & BENEFITS	**37,523,651**	**38,971,055**	**3.86%**	**40,219,223**	**3.20%**	**41,275,861**	**2.63%**	**42,402,555**	**2.73%**	**43,544,168**	**2.69%**
Equipment and Capital Outlay	277,696	280,473	1.00%	283,278	1.00%	286,110	1.00%	288,972	1.00%	291,861	1.00%
Contractual, Supplies and Other	9,880,141	9,659,898	-2.23%	9,768,026	1.12%	9,932,697	1.69%	10,155,645	2.24%	10,352,830	1.94%
Debt Service Principal	2,243,639	2,248,326	0.21%	2,341,354	4.14%	2,414,566	3.13%	2,407,856	-0.28%	2,411,266	0.14%
Debt Service Interest	817,096	728,566	-10.83%	639,565	-12.22%	563,751	-11.85%	529,294	-6.11%	429,364	-18.88%
Interfund Transfers	385,000	385,000	0.00%	99,000	-74.29%	35,000	-64.65%	35,000	0.00%	35,000	0.00%
TOTAL ALL OTHER	**13,603,572**	**13,302,263**	**-2.21%**	**13,131,222**	**-1.29%**	**13,232,124**	**0.77%**	**13,416,766**	**1.40%**	**13,520,322**	**0.77%**
TOTAL EXPENDITURES	**$51,127,223**	**$52,273,318**	**2.24%**	**$53,350,446**	**2.06%**	**$54,507,986**	**2.17%**	**$55,819,321**	**2.41%**	**$57,064,490**	**2.23%**





Enrollment Projections

Enrollment projections are updated throughout the year based on current year enrollment information as well as historical “migration” rates. Cohort migration rates are the percentage of students from a specific cohort (e.g., students who started first grade in a given year) who continue to remain enrolled. Migration rates also include “move-ins” or new additions to the cohort. Kindergarten enrollments are estimated based on birth rate data prepared by BOCES.

	ACTUAL	BUDGET	ACTUAL		Seven Year	*ESTIMATED ENROLLMENT*				
Grade	**2023-24**	**2024-25**	**2024-25**	**% Migration**	**Avg. Migration**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
K	90	85	80			120	100	100	100	100
1	115	96	94	104.4%	105.2%	84	126	105	105	105
2	110	118	114	99.1%	101.4%	95	85	128	106	106
3	103	109	106	96.4%	100.0%	114	95	85	128	106
4	115	108	100	97.1%	102.3%	108	117	97	87	131
5	124	115	111	96.5%	99.4%	99	107	116	96	86
6	116	125	122	98.4%	98.5%	109	97	105	114	95
7	118	117	114	98.3%	99.6%	122	109	97	105	114
8	115	120	115	97.5%	98.9%	113	121	108	96	104
9	106	108	109	94.8%	95.4%	110	108	115	103	92
10	106	102	102	96.2%	95.1%	104	105	103	109	98
11	151	108	108	101.9%	99.0%	101	103	104	102	108
12	112	150	150	99.3%	99.9%	108	101	103	104	102
TOTAL	**1,481**	**1,461**	**1,425**			**1,387**	**1,374**	**1,366**	**1,355**	**1,347**

DW	**315**	**299**	**288**	**299**	**311**	**333**	**311**	**311**
FEB	**342**	**332**	**317**	**321**	**319**	**298**	**311**	**323**
MS	**349**	**362**	**351**	**344**	**327**	**310**	**315**	**313**
HS	**475**	**468**	**469**	**423**	**417**	**425**	**418**	**400**
TOTAL	**1,481**	**1,461**	**1,425**	**1,387**	**1,374**	**1,366**	**1,355**	**1,347**

General Fund Projection Summary

The General Fund Projection Summary shows the surplus or deficit as part of the five-year financial plan. In the current model, the next three budget years are balanced, and under the current assumptions, years 4 and 5 show slight deficits.

In order to eliminate the deficit, Rye Neck must increase revenues, decrease expenditures or a combination of both options. The District has the most control over its expenditures and must consider the projected deficits when supporting instruction, negotiating contracts and performing additional capital work. Deficits may also be reconciled by retirements, out of district students returning to in-district instruction, or other unknown factors.

General (A) Fund | Summary

Long Range Plan - September 2024

	BUDGET	REVENUE / EXPENDITURE PROJECTIONS									
	2025	2026	%Δ	2027	%Δ	2028	%Δ	2029	%Δ	2030	%Δ
REVENUE											
Local	$44,639,590	$45,636,706	2.23%	$46,621,110	2.16%	$47,539,083	1.97%	$48,328,718	1.66%	$49,086,069	1.57%
State	5,192,633	5,301,612	2.10%	5,369,336	1.28%	5,493,903	2.32%	5,745,270	4.58%	5,759,899	0.25%
Federal	0	0		0		0		0		0	
Transfers / Other	1,295,000	1,335,000	3.09%	1,360,000	1.87%	1,475,000	8.46%	1,355,000	-8.14%	1,425,000	5.17%
TOTAL REVENUE	**51,127,223**	**52,273,318**	**2.24%**	**53,350,446**	**2.06%**	**54,507,986**	**2.17%**	**55,428,988**	**1.69%**	**56,270,968**	**1.52%**
EXPENDITURES											
Salary and Benefit Costs	37,523,651	38,971,055	3.86%	40,219,223	3.20%	41,275,861	2.63%	42,402,555	2.73%	43,544,168	2.69%
Other	13,603,572	13,302,263	-2.21%	13,131,222	-1.29%	13,232,124	0.77%	13,416,766	1.40%	13,520,322	0.77%
TOTAL EXPENDITURES	**51,127,223**	**52,273,318**	**2.24%**	**53,350,446**	**2.06%**	**54,507,986**	**2.17%**	**55,819,321**	**2.41%**	**57,064,490**	**2.23%**
SURPLUS / DEFICIT	**$0**	**$0**		**$0**		**$0**		**($390,333)**		**($793,521)**