MULTI-YEAR FINANCIAL PLAN

Adopted by the Board of Education November 13, 2018

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Introduction

It is important to note that this plan should not be interpreted as a definitive financial forecast. The multiyear financial plan is requested of the New York State Office of the State Comptroller. The projections are estimates of increasing expenditures and limited expectations for increased revenues. The plan revenue is very hard to project and will likely be greater as years approach. The school district's annual budget is based on more factual, available, and short term data such as State Aid projections and expenditure increases that are known for the following next year.

According to the New York State Office of the State Comptroller a **multiyear financial plan** is an articulated plan of approach to project school district revenues and expenditures for several years into the future.

This plan is a **vital tool for the school district Board of Education**, especially during this era of difficult financial conditions for schools. Multiyear Finance Planning allows the School Board and Administration to set long-term priorities and work toward goals.

A plan could help our school community residents and Board Members see the impact of their fiscal decisions over time. They can then decide what program funding choices to make in advance, avoiding sudden tax increases or dramatic budget cuts.

Planning will provide **early identification of potential fiscal problems** and alleviate making decisions that will be detrimental to the fiscal well-being of the district. Considering the current trend of imbalances between revenues and expenditures, which will likely plague our budget cycles for the foreseeable future, it is imperative to look to the financial future.

The New York State Association of School Business Officials (NYSASBO) promotes multiyear planning as "**critical to maintaining sound fiscal health while maintaining educational programs** for students." The NYSASBO further asserts that, "A long-range financial plan can link multi-year budgets to show what decisions are necessary to maintain programs and fiscal stability over the long term. They can assist administrators and school boards in understanding the long-term impact of decisions made today. They take into consideration community priorities, anticipated student enrollment, curriculum mandates, technology needs of students, facility needs, contractual provisions, rapidly increasing cost items, anticipated state resources, property tax caps and use of reserve funds."

During the past ten years public schools across the state have faced turbulent economic and policy environments:

- Freezing and subsequent reduction of state education aid;
- Restrictions to local property taxes through a statewide Tax Cap;
- Creation of incentives, in the form of property tax rebates, to 'pressure' local governments to keep tax levy proposals within the limit established by the Tax Cap;
- Policy changes affecting teacher evaluation, assessment, data privacy and learning standards with school district compliance to these policy changes 'handcuffed' to expected increases in state aid allocations.

School districts need to use every resource and tool to ensure effective and efficient management of school resources. A Multiyear Finance Plan increases our ability to do just that. The Lyncourt Union Free School District promotes multiyear planning as a method of **maintaining efficient and effective management;** ensuring our District remains in a solid financial standing.

Assumptions

The District's largest contractual increases are active and retiree health insurance expenses, salary increases, and tuition and charter school costs.

- Health insurance annual increases average 8% or $115,000. per year
- Salary and additional pay item increases average $140,000 per year.
- Charter school costs continue to increase, currently $116,000 per year without reimbursement.

Lyncourt's enrollment has increased in the last three years. This adds costs to the district for staffing, transportation, special programs and special education. The state lags behind in funding this growth. In 2018 we began to see an increase in state aid. This increase has helped and it is our hopes this trend will continue. The Multi-Year Financial Plan takes a conservative approach to additional state aid coming our way. We have to plan on little or delayed revenue growth.

The District has two main revenue streams; property tax and state aid.

Tax levy limits and rebate stipulations not only prohibit tax revenue increases, but have proven to decrease the District's tax revenue.

Given the prohibitive tax revenue increase and state aid increases that do not cover even the typical large annual expense increases, preserving the District for long term solvency is a challenge but a must.

The permitted unrestricted fund balance is 4% of a District's projected budget. For Lyncourt that allowable amount is $428,000. Considering the calculated deficits the District could face should income restrictions continue, this permitted amount of fund balance could be depleted in two years.

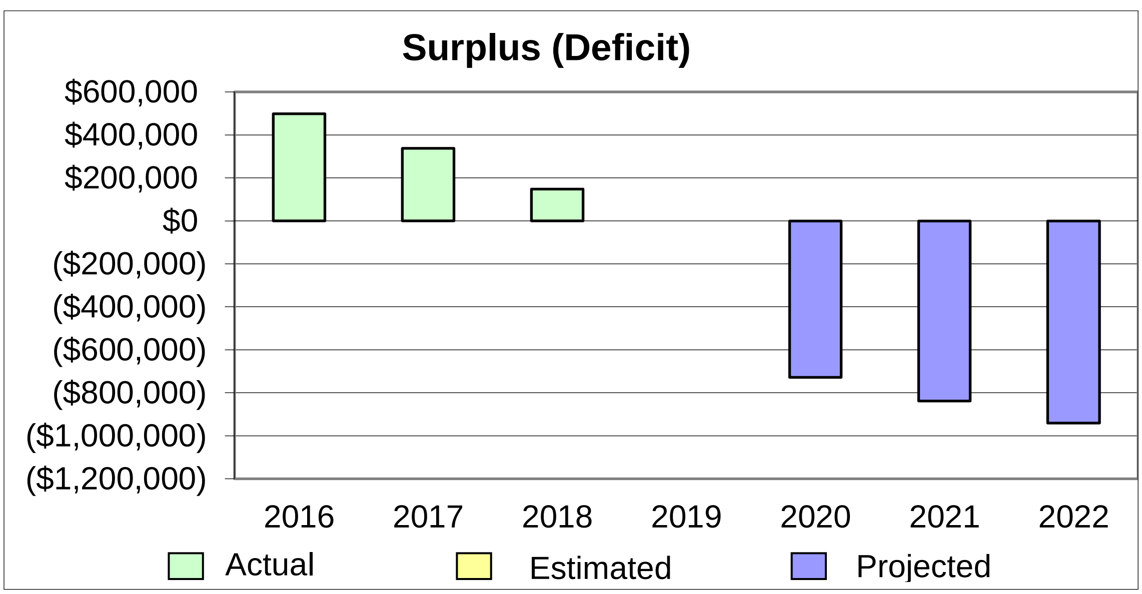
So long as the state continues to hold us to the tax limits, it is important to continue to be conservative with spending and maintain healthy reserves and fund balance amounts.

Grants such as E-Rate, Smart School Bond Act and Bullet Aid provide additional funding that has helped the district financially. These revenues are often unforeseen and short-lived and therefore are not built into the budget. These revenues do enhance our ability to provide programs and technology we would not otherwise afford.

We continue to strive to offer state of the art instruction, technology and environment. The District's goal is to remain solvent and fiscally sound for the future of our community, students and staff.

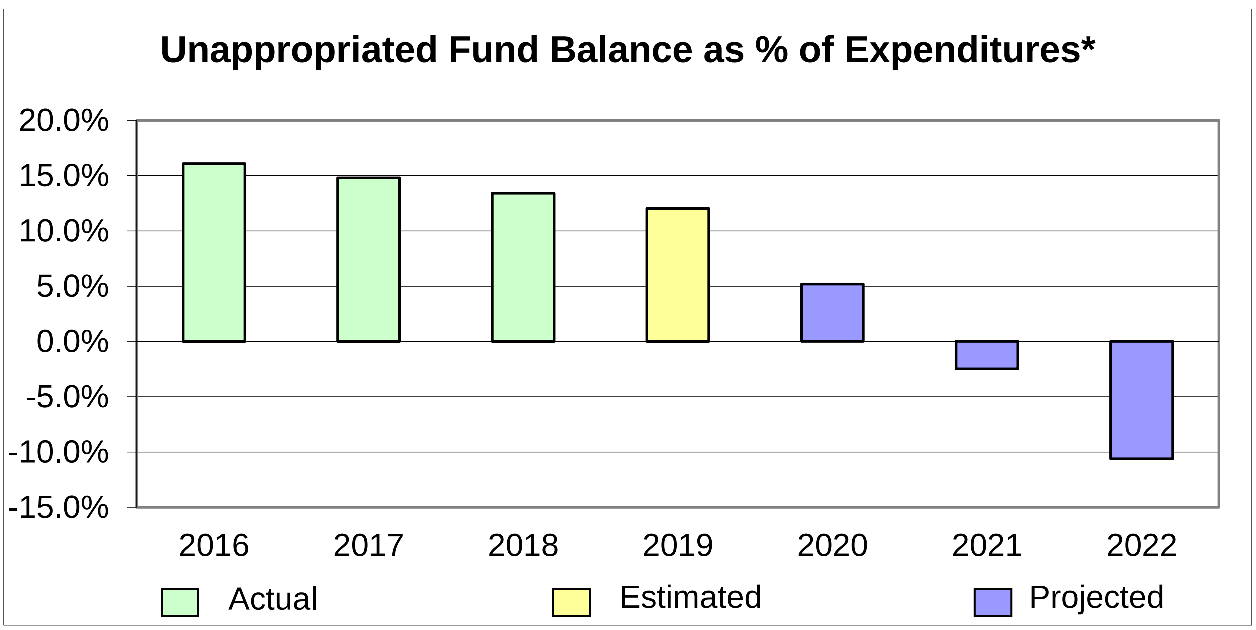
Lyncourt Union Free School District Projections

	Actual			Budgeted	Projections based on last Actual Year		
	2016	2017	2018	2019	2020	2021	2022
Estimated Revenues (without Appropriated Fund Balance)							
Real Property Tax (inc. STAR)	5,451,897	5,419,026	5,446,072	5,583,344	5,695,011	5,808,911	5,925,089
PILOT	442,633	503,718	567,504	563,318	602,757	643,559	685,761
Misc Income	112,120	151,662	170,139	102,477	140,000	145,000	150,000
State Aid	3,417,220	3,403,520	3,505,755	3,917,861	3,597,006	3,643,819	3,691,241
Federal Aid	17,018	31,278	26,776	18,000	25,000	20,000	25,000
Appropriated Reserves			39,699	40,000	40,000	40,000	40,000
Appropriated Fund Balance				485,000	$ -	$ -	$ -
Interfund Transfers	0	22,036	0				
Total Revenues and Other Sources	**$9,440,888**	**$9,531,240**	**$9,755,945**	**$10,710,000**	**$10,099,774**	**$10,301,289**	**$10,517,091**
Estimated Expenditures							
General Support	681,270	632,958	663,903	678,950	692,529	706,380	720,508
Operation of Plant	468,740	450,799	527,178	539,900	550,698	561,712	572,946
Instruction	4,522,849	4,633,319	4,952,691	5,540,927	5,651,746	5,764,781	5,880,077
Transportation	465,130	502,927	512,652	629,800	642,396	655,244	668,349
Community Svc	24,547	25,605	26,373	27,164	27,707	28,261	28,826
Employee Benefits	1,980,848	2,160,567	2,063,941	2,420,128	2,293,941	2,408,941	2,523,941
Debt Service (Principal and Interest)	774,331	764,775	703,883	743,131	743,538	735,681	733,713
One-time Capital Improvement Project			138,200	100,000	100,000	100,000	100,000
Special Education and Growth					100,000	150,000	200,000
Interfund Transfers	24,818	22,730	19,247	30,000	25,000	28,000	29,000
Total Expenditures and Other Uses	**$8,942,533**	**$9,193,680**	**$9,608,068**	**$10,710,000**	**$10,827,555**	**$11,139,000**	**$11,457,360**
Surplus (Deficit)	**$498,355**	**$337,560**	**$147,877**	**$0**	**($727,781)**	**($837,711)**	**($940,269)**



The effect of the deficit from the projections of the District's Fund Balance going forward

Budgetary Reserves	2016	2017	2018	2019	2020	2021	2022
Fund Equity, Beg. of Year					$1,288,442	$560,661	($277,050)
Fund Equity, End of Year (+/- of Surplus above)	Using Unrestricted FB to close gap going forward:				560,661	(277,050)	(1,217,319)
Fund Equity Breakdown:							
Nonspendable and Restricted Fund Balance	1,818,229	2,164,654	2,419,498	2,519,498	2,619,498	2,719,498	2,819,498
Unrestricted Fund Balance	**1,438,357**	**1,360,165**	**1,288,442**	**1,288,442**	**560,661**	**(277,050)**	**(1,217,319)**
Unappropriated Fund Balance as % of Expenditures	**16.1%**	**14.8%**	**13.4%**	**12.0%**	**5.2%**	**-2.5%**	**-10.6%**



Financial Plan

Continue to take advantage of the $100,000 Capital Outlay Projects. Maintenance of our building is costly, continuous and important. The state offers the ability to budget for one-time $100,000 capital improvement projects that will be aided the following year at the District's building aid rate. Our building aid rate is 80%. It is recommended the district continue to take advantage of this each year.

Continue to fund Capital Reserves. In the three year financial plan $100,000 in years 2019 and 2022 are figured in for reserve growth. It is important that we continue to increase the Capital Reserve whenever possible. Our building is in constant need of improvement and upgrades. This will ease the tax burden toward the next capital improvement project.

Maintain Unrestricted Fund Balance. It is estimated, given current trends, the District will begin to have deficits in 2021. It is important that reserves and fund balance are maintained until revenue restrictions are eased. Although our unrestricted fund balance is greater than the state allowable 4%, our Multi-Year Financial Plan supports maintaining a more comfortable balance. The projections indicate that revenues will continue to fall short of predicted expenditures. Unless we continue to have excess revenue from grants and short term aid our 12% level of Fund Balance could easily be depleted within two years. It is recommended the Unrestricted Fund Balance is maintained at a level the Board of Education is comfortable with.

Advocate for approval of more school district reserves. Reserves for fiscally volatile areas such as special education expenses and retirement costs would be helpful toward a balanced budget.

Seek out grant opportunities. Again, given the revenue restrictions imposed on public schools, it will be in the District's best interest to have the time and resources to seek out and take advantage of all grant opportunities possible.

Evaluate efficiencies. As our enrollment grows and expenses increase, continue to evaluate efficiencies in staffing and contracted services.

Share services when possible. Seek out shared service and program opportunities that may reduce costs.

Maximize State Aid. As part of developing the District's long range financial planning we will seek a state aid review and a review of our reserves and debt service plan by Fiscal Advisors.

Conclusion

The Multi-Year Plan is projected at a fixed point in time with many unknowns. Circumstances and estimates change almost immediately upon its adoption. It is ever changing.

The plan should not be interpreted as a definite financial forecast. The projections are estimates, while our annual budget is based on more factual available and short term data, such as State Aid projections and expenditure increases that are known for the following next year.

The plan revenue is very hard to project and will likely be greater as years approach.

The plan is a tool to assist the School Board of Education in sound decision making and fiscally responsible planning.

Our annual budget must balance: Revenues = Expenditures

Currently expenditures are always greater than our expected revenue. We fill this gap with appropriated fund balance and have been fortunate that additional short term funding comes through while our expenditures are less than anticipated.

The ultimate goal: to have budget stabilization, which would be: Revenues = Expenditures