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# Pittsford Schools

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**2018 – 2019 BUDGET WORK SESSION #3**

**Report: Undistributed Budget Section**

**March 12, 2018**





# 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.

- This premise, 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

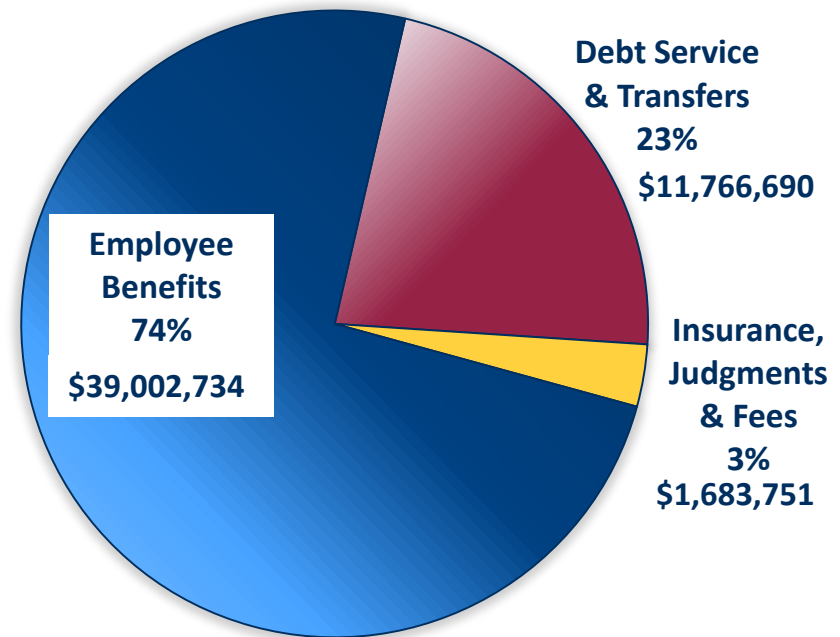
1. Debt Service & Interfund Transfers
2. Insurance, Judgments & Fees
3. Employee Benefits

## Total of all three buckets:

- \$52,453,175
- 38% of the Total District Budget

## UNDISTRIBUTED COMPOSITION

As Percent of Total Undistributed Budget

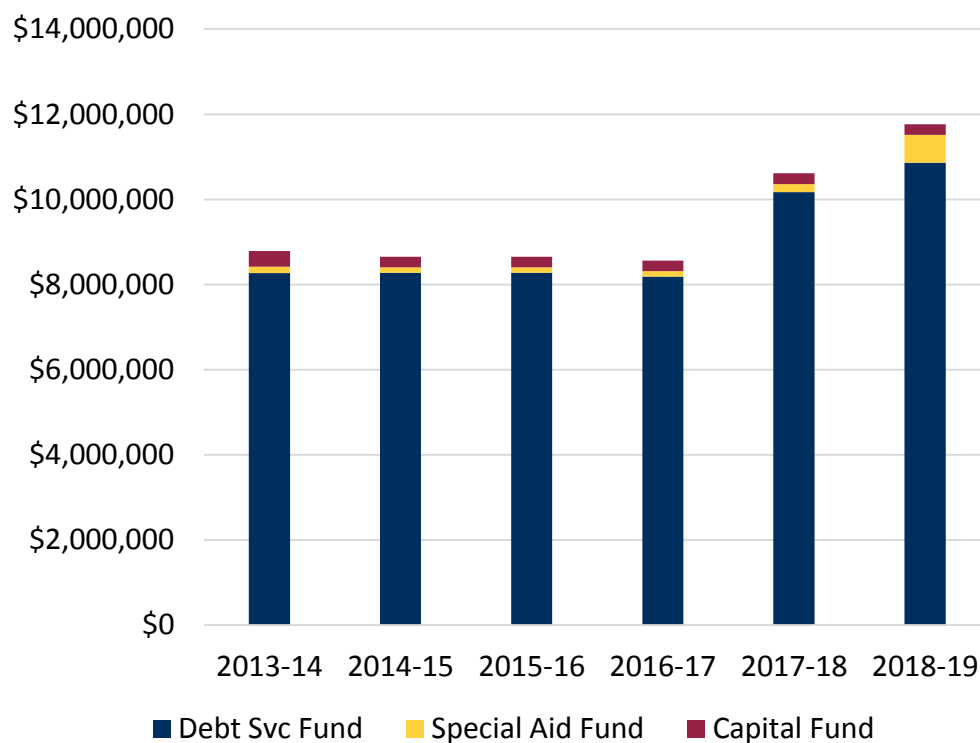




# 1. Debt Service & Interfund Transfers

- 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
- 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
      - Governor's budget proposes a NYS Funding reduction, increasing the District cost by \$463,000
    - Debt Service
    - Capital – to fund minor maintenance and repair projects and emergency repairs and replacements

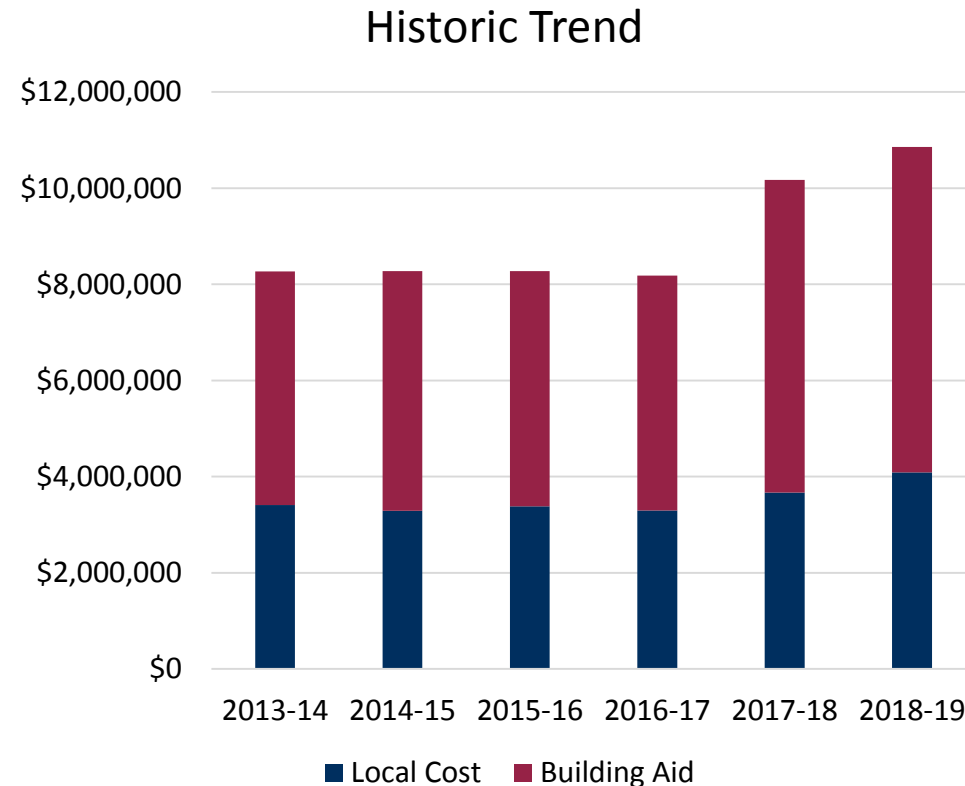
Historic Trend





# 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

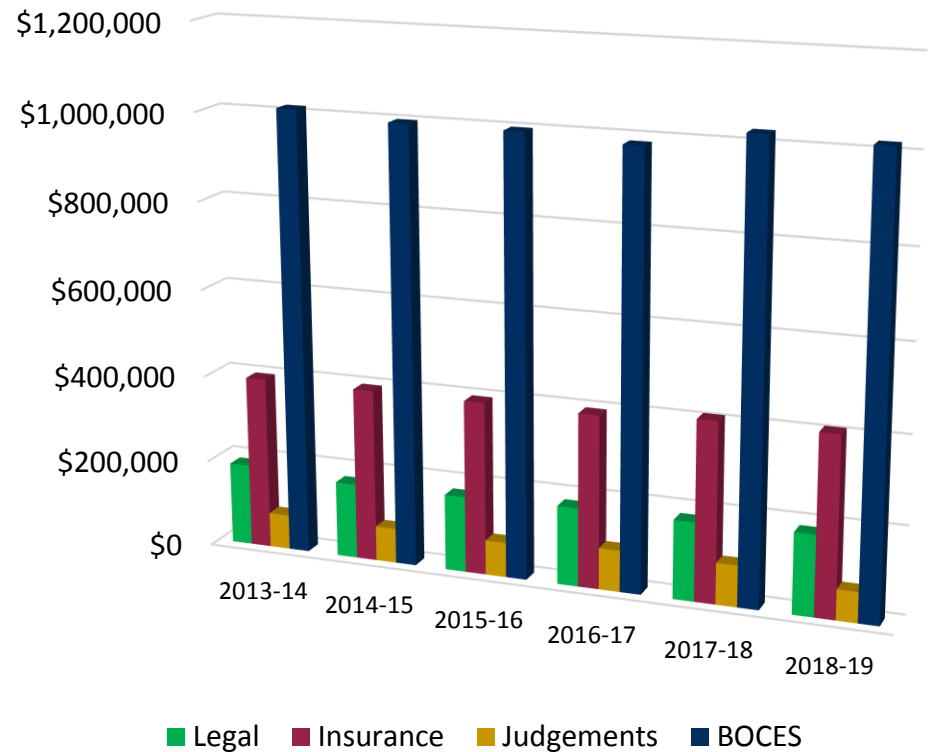




## 2. Insurance, Judgments & Fees

- Legal Fees
  - Defense and process
- Property Insurance
  - Liability & Property
  - Student Accident (not required by law)
- Judgments and Assessments
  - Court proceedings
  - Various Governmental fees
- Board Of Cooperative Education Services (BOCES) Administrative Costs
  - Certain administrative and retiree costs are prorated to the component (shareholder) districts

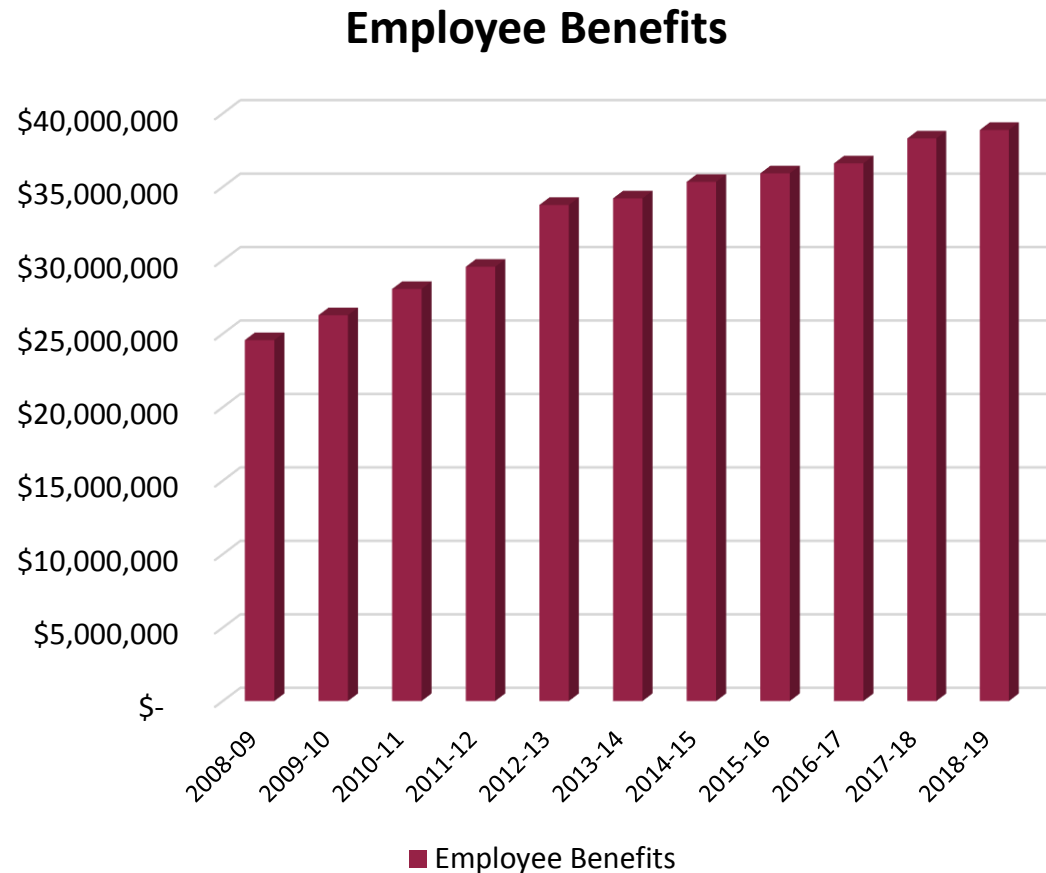
**Level Debt v. Non-Level Example**





# 3. Employee Benefits

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



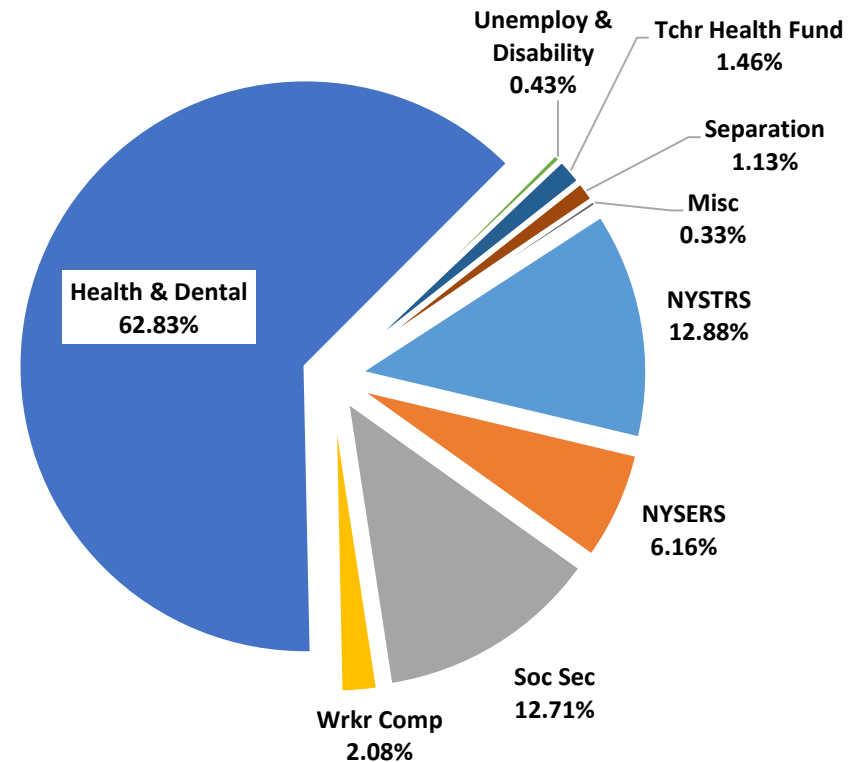




# 3. Employee Benefits – Curbing the Growth

- 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 29%
- The retirement systems have had the most volatile changes, from 0.43% to 22% of teacher pay
- Health Insurance has ranged from 4% to 13% with an average of 7%
  - Far below the community rated plans and from the onset the plan costs less

Employee Benefits \$39,002,734



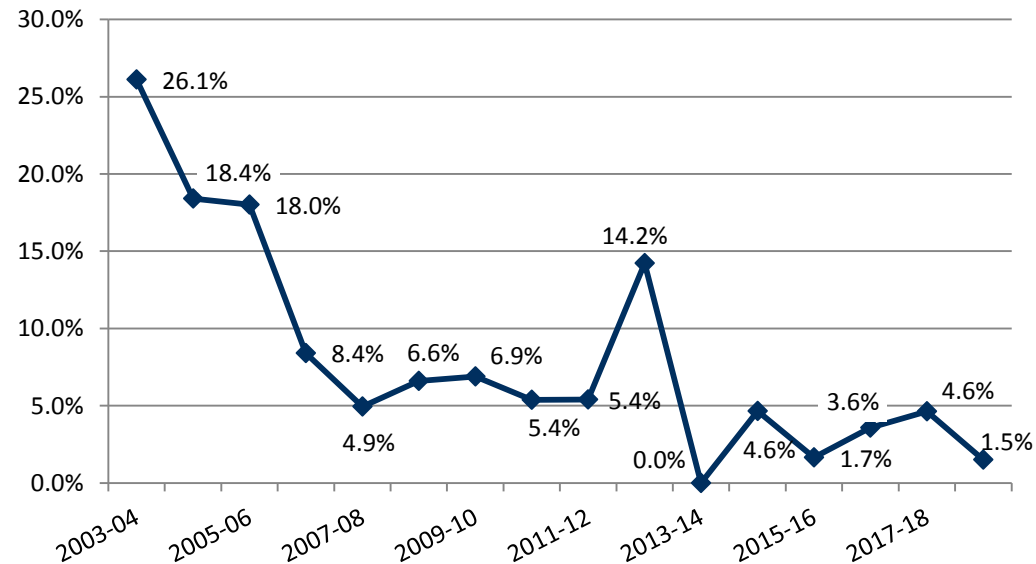




# 3. Employee Benefits – Controlling the Growth

- 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





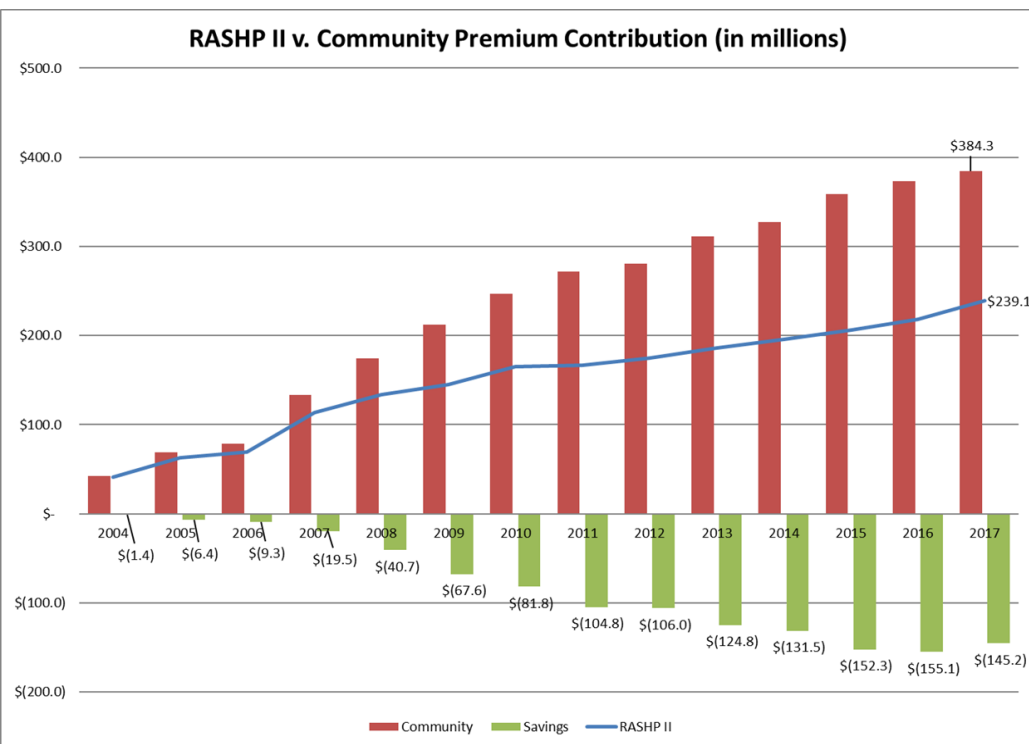
# The Rochester Area Schools Health Plan (RASHP)

- 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
- Provide 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%



# Undistributed Budgets - Conclusion

## Accomplishments

- The health and worker's comp consortiums are operating effectively and provide cost relief
- Labor contract concessions share costs
- RASHP making 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

## Challenges

- While lower than could be, the increase is on a large number and is a significant driver
- 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
  - Highest Bond (credit) rating a school can have
  - Favorable comments from investors on financial management = pay premiums to hold our notes (loans)
  - On 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
- Compounded by some Governor’s Budget Proposals
  - Capping retroactively NYS Building Aid. It would be going backward on a promise.
- Numerous code, program and current events that place unplanned and unfunded demands on our facilities



# Compiling the Budget - Appropriations

Budget Program Area	2017-18 Adopted Budget	2018-19 Draft Budget	\$ Change	% Change	
Schools	\$ 50,332,493	\$ 51,108,490	\$ 775,997	1.54%	Retirements
Elementary	\$ 17,306,310	\$ 17,522,657	\$ 216,347	1.25%	
Middle	\$ 13,729,601	\$ 14,020,986	\$ 291,385	2.12%	
High	\$ 19,296,582	\$ 19,564,847	\$ 268,265	1.39%	
Central Student Svcs	\$ 9,559,083	\$ 9,867,727	\$ 308,644	3.23%	
Curriculum & Instruct	\$ 3,693,416	\$ 3,859,611	\$ 166,195	4.50%	Online Testing Req
Support Services	\$ 14,670,195	\$ 15,104,616	\$ 434,421	2.96%	Fuel & Spec Ed
Central Admin	\$ 1,084,364	\$ 1,168,890	\$ 84,526	7.79%	H.R. & Pub Comm Staffing
Undistributed	\$ 50,724,967	\$ 52,453,175	\$ 1,728,208	3.41%	Gov Cost Shift
<b>Total</b>	<b>\$ 130,064,518</b>	<b>\$ 133,562,509</b>	<b>\$ 3,497,991</b>	<b>2.69%</b>	



# Compiling the Budget - Revenues

Revenue	2017-18 Adopted Budget	2018-19 Draft Budget	\$ Change	% Change
<b>State Aid - Operating</b>				
Foundation	\$ 8,901,636	\$ 8,924,022	\$ 22,386	0.25%
Excess Cost - Spec Ed	\$ 938,568	\$ 886,996	\$ (51,572)	-5.49%
Transportation	\$ 3,044,000	\$ 3,184,507	\$ 140,507	4.62%
BOCES	\$ 2,632,896	\$ 2,206,541	\$ (426,355)	-16.19%
Instruct Matls	\$ 588,761	\$ 589,219	\$ 458	0.08%
<b>Total Operating Aid</b>	<b>\$ 16,105,861</b>	<b>\$ 15,791,285</b>	<b>\$ (314,576)</b>	<b>-1.95%</b>
<b>Categorical Aids</b>				
Building Aid	\$ 6,500,330	\$ 6,770,425	\$ 270,095	4.16%
Urban/Suburban Aid	\$ 1,071,629	\$ 923,287	\$ (148,342)	-13.84%
<b>Total State Aid</b>	<b>\$ 23,677,820</b>	<b>\$ 23,484,997</b>	<b>\$ (192,823)</b>	<b>-0.81%</b>
Misc. Other	\$ 6,264,590	\$ 6,387,465	\$ 122,875	1.96%
Fund Bal & Reserves	\$ 2,247,000	\$ 2,247,000	\$ -	0.00%
Property Tax Levy	\$ 97,875,108	\$ 100,710,026	\$ 2,834,918	2.90%
<b>Total Revenues</b>	<b>\$ 130,064,518</b>	<b>\$ 132,829,488</b>	<b>\$ 2,957,793</b>	<b>2.27%</b>
<b>Total Appropriations</b>	<b>\$ 130,064,518</b>	<b>\$ 133,562,509</b>	<b>\$ 3,497,991</b>	<b>2.69%</b>
<b>Surplus / (Deficit)</b>	<b>\$ -</b>	<b>\$ (733,021)</b>		

At Tax Cap





# 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 2018-19 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*



# Work Session To Do's

- March 15 – District Planning Team (DPT)
- March 26 – Regular BOE Meeting
- April 16 – Board Adopts Superintendent's Budget
- April 19 – District Planning Team (DPT)
- May 7 – Public Budget Hearing
- May 15 – Budget Vote and Board Election