

GALWAY CENTRAL SCHOOL DISTRICT

Financial Position Update and
Factors Impacting Future Budgets

December 2018

Presentation Overview

This presentation is a report on the financial position of Galway Central School District at the start of this 2018-19 school year, based upon the audited financial statements. Data on the fund balance, and trends of budgets, state aid and tax levy, will be detailed.

The second part of the presentation will focus on factors that may impact the development of the 2019-20 budget and a few ensuing school years.

Financial and Educational Goal

The challenge is to maintain excellence in our education programs despite external pressures on the national, state and local economies, which had not so long ago led to steep declines in state aid and dramatic hikes in mandated pension contribution costs.

We believe we are meeting that challenge in a fiscally responsible and educationally sound manner.

Allocation of Fund Balance

As of 7-1-18, the reserved fund balance was \$ 1,411,716.

Following are the reserve accounts and amounts:

- Employee Benefit Reserve: \$38,968 (Compensated Absences)
- Retirement Contribution Reserve: \$300,000 (Employees' Retirement)
- Unemployment Insurance Reserve: \$75,000
- Debt Service Reserve: \$0
- Repair Reserve: \$130,000

For 2018-19, the amount of fund balance appropriated to offset the tax levy is \$1,400,000.

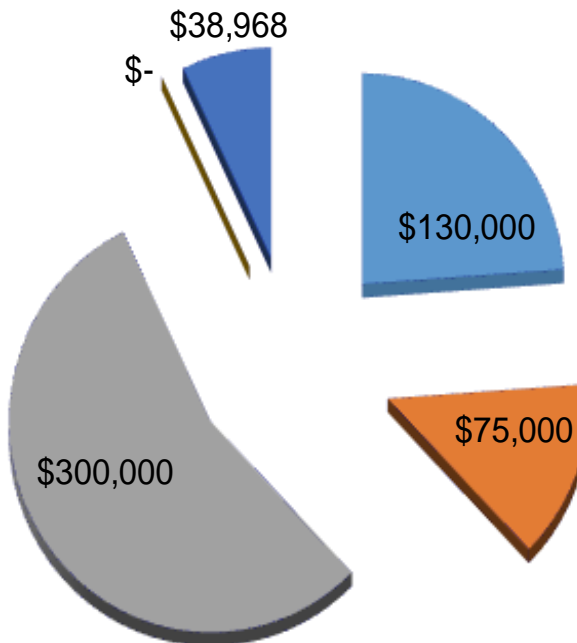
The remainder of the fund balance of the General Fund is the amount of \$3,224,844. Options regarding future designation of the unassigned balance are being reviewed. There are other reserve accounts that can be established and funded in order to properly account for the financial foundation of the school district.

Assigned Fund Balance Chart

GALWAY CENTRAL SCHOOL DISTRICT

As of July 1, 2018

Repair Reserve	\$ 130,000
Unemployment Reserve	\$ 75,000
Retirement System Reserve	\$ 300,000
Debt Service Reserve	\$ -
Employee Benefit Liability Reserve	\$ 38,968



Status of Fund Balance

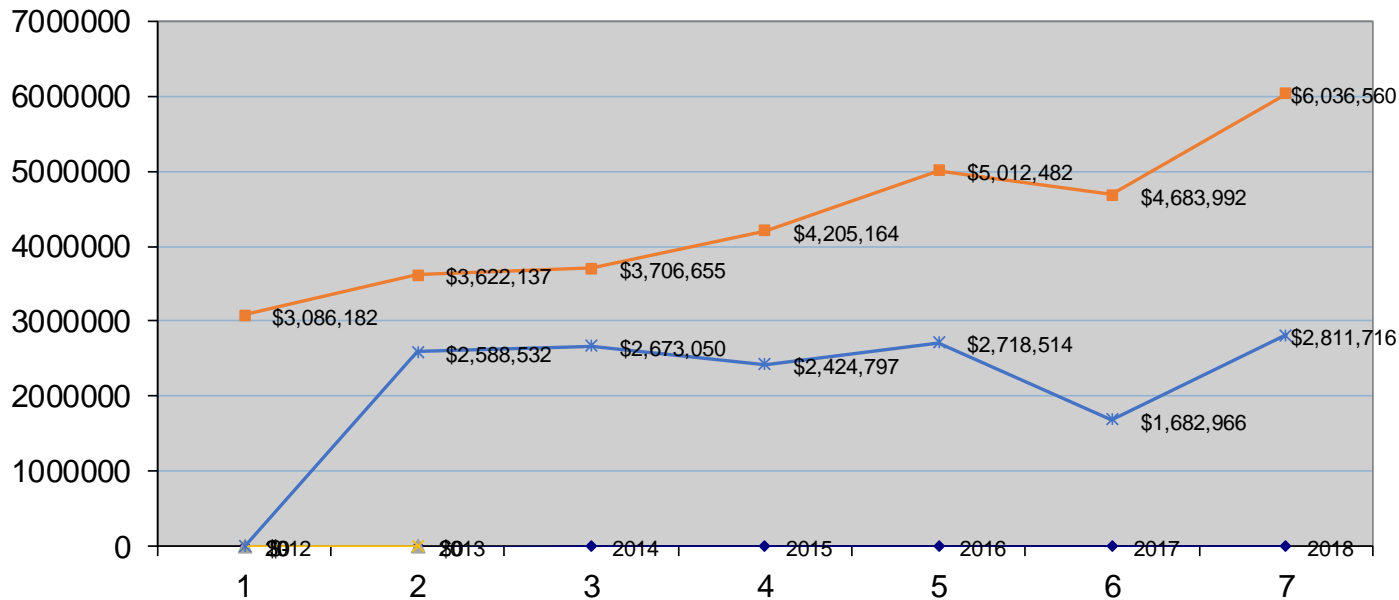
The total fund balance at 7-1-18 was \$6,036,560.

On the next slide is data that shows recent fund balance trends.

As is charted, the total fund balance has increased by approximately \$3.0 million over the amount of 6 years ago.

Fund Balance Trend Chart

School Year	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Fund Balance	\$ 3,086,182	\$ 3,622,137	\$ 3,706,655	\$ 4,205,164	\$ 5,012,482	\$ 4,683,992	\$ 6,036,560
Assigned Fund Balance		\$ 2,588,532	\$ 2,673,050	\$ 2,424,797	\$ 2,718,514	\$ 1,682,966	\$ 2,811,716



Tax Levy and Tax Rate Trends

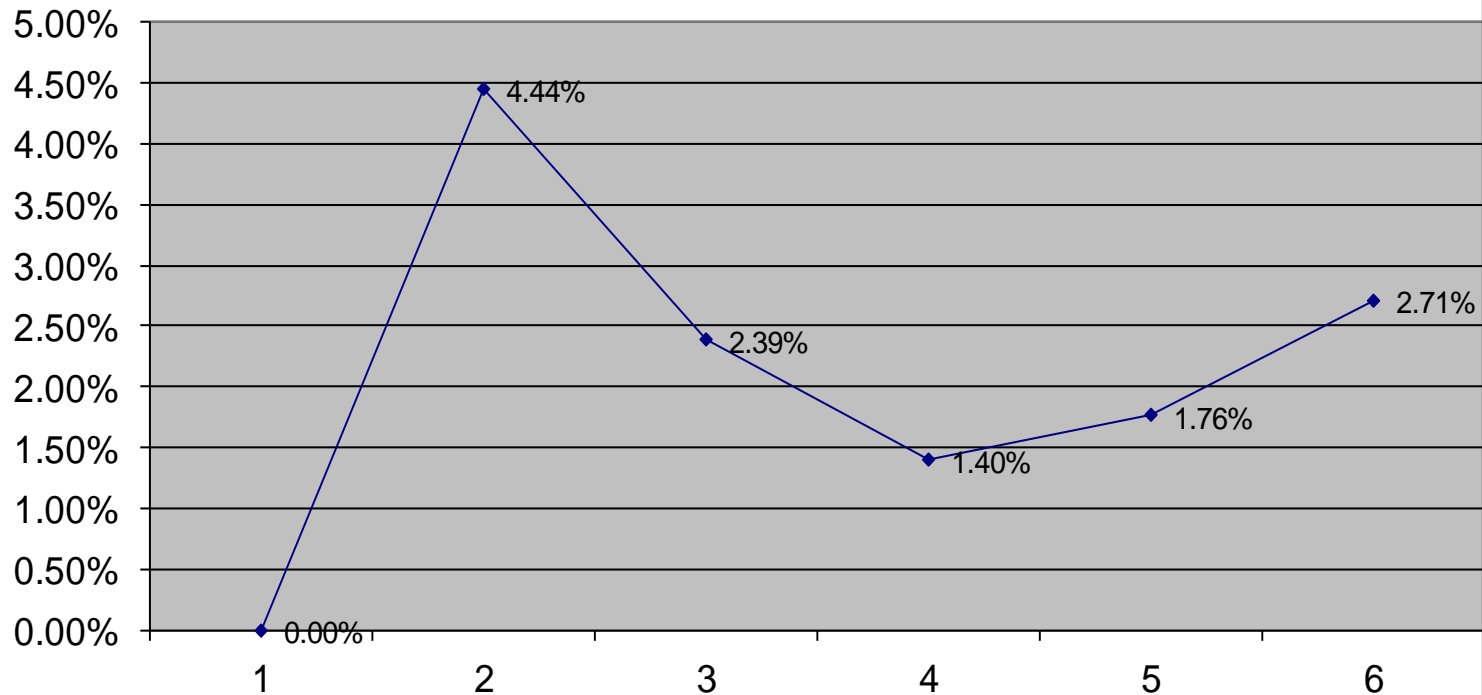
The next slide shows the trends of the tax levy and the assumed districtwide average tax rate per \$1,000 of assessed valuation (on equalized value).

The value of the fund balance that was allocated for 2018-19 in order to hold rates in line with the tax levy limitation requirement was 14.96% of the tax levy (net of the STAR benefit): \$1,400,000: \$9,360,377, meaning that the levy would have been \$1.4 million more were it not for the allocation from fund balance.

The average tax rate per \$1,000 of valuation for 2018 is 18.4 percent over what it was in 2012; an average annual change of 2.63 percent.

Tax Levy and Tax Rate Trend Chart

	<u>2012-13</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Tax Levy Amount	\$ 9,556,696	\$9,750,258	\$9,929,769	\$10,066,021	\$10,350,093	\$10,621,234
Tax Levy Change		2.03%	1.84%	1.37%	2.82%	2.62%
Tax Rate Avg.	\$ 24.08	\$ 25.15	\$ 25.75	\$ 26.11	\$ 26.57	\$ 27.29
Tax Rate Change		4.44%	2.39%	1.40%	1.76%	2.71%



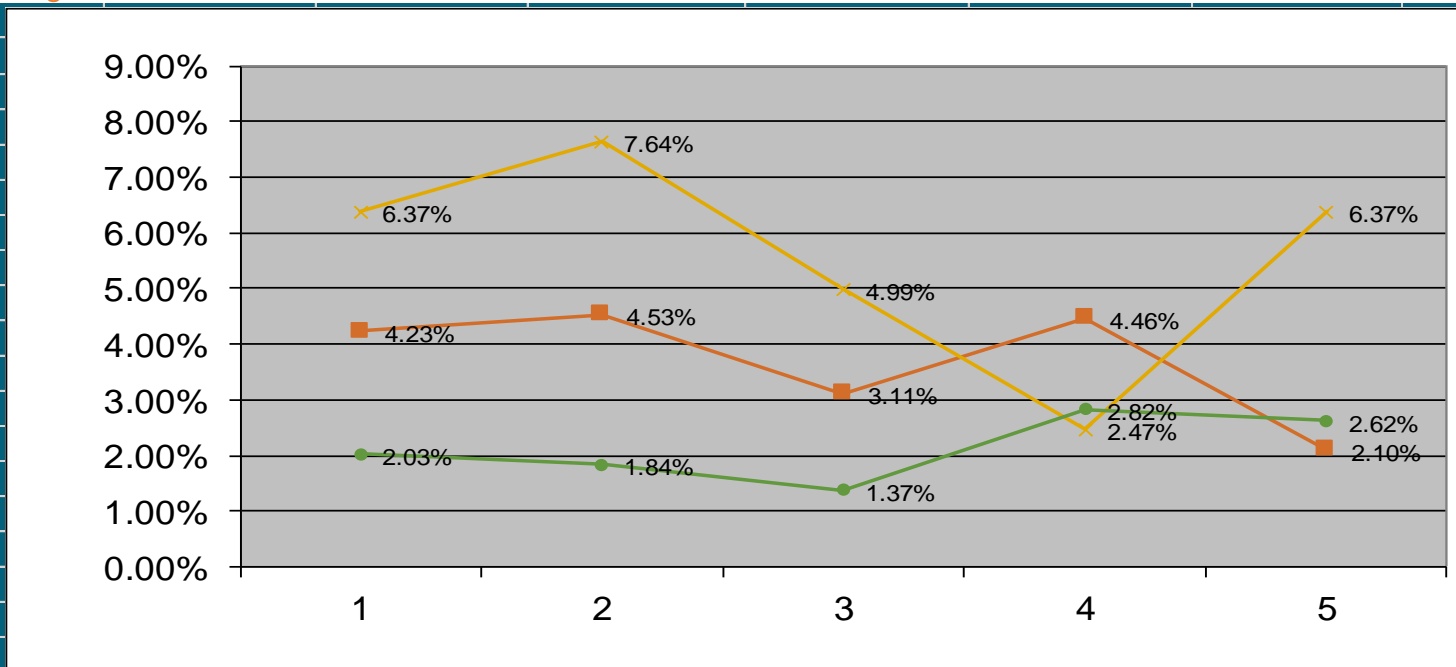
Budget, Tax Levy, State Aid Trends

The next slide shows the trends of the adopted budget, state aid, and tax levy for the past five years and for the current school fiscal year.

Budget, State Aid and Tax Levy Trend Chart

GALWAY CENTRAL SCHOOL DISTRICT

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Budget	\$17,944,933	\$18,704,120	\$19,551,380	\$20,159,607	\$21,058,918	\$21,500,481
change		4.23%	4.53%	3.11%	4.46%	2.10%
State Aid	\$ 7,027,952	\$ 7,475,864	\$ 8,047,104	\$ 8,448,434	\$ 8,656,758	\$ 9,208,558
change		6.37%	7.64%	4.99%	2.47%	6.37%
Tax Levy	\$ 9,556,696	\$ 9,750,258	\$ 9,929,769	\$ 10,066,021	\$ 10,350,093	\$ 10,621,234
change		2.03%	1.84%	1.37%	2.82%	2.62%



What Do These Charts Tell For “The Big Picture?”

At present, Galway Central School District has enough fund balance to withstand a possibility of: (1) “flat” state aid change compared to the prior year; and (2) tax levy changes not exceeding 2% (base tax levy limitation); for possibly up to three ensuing school year budgets.

“Normal” budget growth can still be accommodated without lessening program and services.

This represents fiscal stability.

Factors Impacting the 2019-20 Budget (and Beyond)

2019-20 will be the eighth year that school districts (and other local municipalities in the state) need to comply with the tax levy limitation requirement.

We are working through the numbers to calculate what the estimated tax levy limitation will be for the 2019-20 budget cycle. Please remember that debt service payments are excluded from the limitation formula.

Factors Impacting the 2019-20 Budget (continued)

The baseline (or rollover) budget for each of the next few years is projected to increase annually in the range of 2.75 percent to 4.25 percent (per trends), to provide the necessary instructional programs and support operations.

Traditionally, there is uncertainty with the state aid component of the financial picture. This unknown complicates long-range planning. We need to be conservative with forecasts regarding state aid increases. State aid represents 42.83% of the budgeted revenues for 2018-19.

Factors Impacting the 2019-20 Budget (continued)

All line items in the current budget will continue to be thoroughly examined to ensure that resources remain properly allocated and are sufficient to meet the goals of the Board of Education.

Approximately two-thirds of the budget is comprised of the major cost centers of employee salaries and benefits: health / medical / prescription insurance; contribution to retirement systems; employer portion of payroll taxes of Social Security and Medicare.

Factors Impacting the 2019-20 Budget (continued)

During a January Board of Education meeting, there will be a presentation of the Long-Range Financial Forecast, using the latest data of the 2018-19 budget and the projected amounts for the 2019-20 “rollover” budget.

We will continue to strive to maintain financial sensitivity to the needs of property owners in the district and provide fiscal excellence and stability.

Galway Central School District

This has been a Presentation of the Financial Position Update
and Factors Impacting Future Budgets

Thank you for your attention.