



Multi-Year Financial Plan

December 3, 2018

Board of Education Meeting



Multi-Year Financial Plan Overview

- **Past 5 years of expenses and revenues**
- **Major drivers, and volatility, of expenses and revenues**
- **Assumptions for the next 5 years**
- **Projections for the next 5 years**
- **What if..... assumptions change**
- **Impact of Foundation Aid, past and future**
- **What do we know for 2019-20?**
- **Where do we go from here?**



What did the last 5 years look like?

	2013-14*	2014-15*	2015-16*	2016-17*	2017-18	2018-19 Projected
Revenue	\$43,769,533	\$44,830,657	\$46,278,285	\$46,744,421	\$49,737,774	\$51,400,000
Expenses	\$43,664,911	\$44,310,166	\$45,825,780	\$46,867,973	\$50,579,983	\$52,250,000
Net Position	\$104,622	\$520,491	\$452,505	-\$123,552	-\$842,209	-\$850,000

*Included GEA restoration





Volatility of Major Budget Components District Expenses

Year	TRS		Health Insurance	
	Dollar Change	Percent Change	Dollar Change	Percent Change
2013-14	\$881,896	42.28%	\$591,258	13.57%
2014-15	\$61,385	2.07%	\$265,374	5.36%
2015-16	-\$543,969	-17.96%	\$155,175	2.98%
2016-17	-\$182,327	-7.34%	\$179,357	3.34%
2017-18	-\$277,747	-12.06%	\$580,823	10.47%
2018-19	\$254,982	12.59%	\$637,476	10.40%





Health Insurance Costs

Why is there such a large increase in health insurance costs?

Two Main Components

1. Medical Costs

- The medical portion of the District's costs are almost \$5,000,000 in 2018-19, approximately 70% of the overall cost of health insurance.
- Medical rates have been relatively stable for the past 5 years, averaging 4-5 percent per year.

2. Prescription Drug Costs (self-insured)

- Prescription costs are about \$2,000,000 in the 2018-19 budget, approximately 30% of the overall cost of health insurance.
- Prescription rates have been much more volatile over recent years. The past two years have seen increases of 23.7% and 30%, while 3 of the prior 5 years there were 0% increases.





Prescription Costs

Wouldn't it be better if the District were not self-insured for prescription drug costs?

Although costs have increased significantly the past two years, the District has had very low rates prior to that by being self-insured for prescription drugs. The chart below is related to other districts in CASHIC (Capital Area School Health Insurance Consortium), but rates are also below the average for other school districts.

Year	Low Rate	High Rate	Average Rate	Mohon Rate	Percent Below Average Rate
2016-17	\$121.97	\$247.65	\$176.53	\$109.21	38%
2018-19	\$121.97	\$297.34	\$212.79	\$174.20	18%

*Rates shown are for individual coverage





Prescription Costs - Continued

Generic Drugs, CanaRx (Mohon Meds) and Mail Order

- The District is currently effectively using these lower cost options, but we can still improve. Increased use will result in small savings (1% - 2%), but will not significantly impact the large premium increases we have seen the past two years.

Specialty/Name Brand Drugs

- A small number of prescriptions can have a major impact on cost. For example, last year 6 prescriptions cost a total of \$300,000 for the year, over 15% of the total for all prescriptions.





Volatility of Major Budget Components “True” Revenues

Year	Taxes*		State Aid*	
	Dollar Change	Percent Change	Dollar Change	Percent Change
2013-14**	\$517,263	2.25%	\$307,000	2.21%
2014-15**	\$461,837	1.93%	\$996,000	7.02%
2015-16**	\$489,256	2.00%	\$1,375,000	9.05%
2016-17**	\$170,000	0.72%	\$709,000	4.28%
2017-18	\$525,000	2.07%	\$339,000	1.96%
2018-19	\$625,000	2.42%	\$364,000	2.07%

*without capital exclusion or building aid

** GEA restoration





State Aid – A Deeper Look

Year	Year to Year Changes		Major Components	
	Total Dollar	Percent	GEA Restoration	Foundation Aid Increase
2013-14	\$307,000	2.21%	\$375,000	\$37,000
2014-15	\$996,000	7.02%	770,000	\$177,000
2015-16	\$1,375,000	9.05%	\$1,170,000	\$46,000
2016-17	\$709,000	4.28%	\$660,000	\$75,000
2017-18*	\$339,000	1.96%	\$0	\$353,000
2018-19*	\$364,000	2.07%	\$0	\$351,000

*average increase in foundation aid the past two years is 2.7%





Foundation Aid History

Year	Foundation Aid Received	Full Phase-In Formula Foundation Aid	Amount Underfunded
2012-13	\$12,561,189	\$16,981,128	\$4,419,939
2013-14	\$12,598,712	\$16,861,887	\$4,263,175
2014-15	\$12,775,793	\$16,707,342	\$3,931,549
2015-16	\$12,822,430	\$15,709,052	\$2,886,622
2016-17	\$12,898,380	\$15,341,231	\$2,442,851
2017-18	\$13,251,691	\$15,717,416	\$2,465,725
2018-19	\$13,602,225	\$16,701,859	\$3,099,634
		Average	\$3,358,499





Looking Forward - Assumptions

Projected Average Expenses

TRS Contract Salaries (Admin, Teacher, TA) – Increase 2.75% per year

ERS Contract Salaries (Transportation, Facilities, Other Support Staff) – Increase 2.75% per year

Pensions – Increase 2.75% per year due to salary increases, contributions rate flat

Utilities – Increase 2% per year

Special Education Placements – Increase 2% per year

BOCES – Increase 3% per year

Health Insurance – Increase 7.5% per year

Other Insurance and Benefits – Increase 2.5% per year



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Looking Forward - Assumptions

Projected Average Revenue

Tax Levy

- Will increase by 2.5% per year based on growth factors only

State Aid

- 2.7% increase per year in Foundation Aid
- 2% for expense driven aids (transportation, excess cost and BOCES)

Rental

- 2% increase per year, based on use of space and current rental agreements

Other

- All other revenues will increase by 1% per year



Looking Forward – Projections

Current Assumptions

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue	\$51,400,000	\$52,465,000	\$53,775,000	\$55,015,000	\$56,285,000	\$57,535,000
Expenses	\$52,250,000	\$53,815,000	\$55,440,000	\$57,130,000	\$58,800,000	\$60,750,000
Net Position	-\$850,000	-\$1,350,000	-\$1,665,000	-\$2,115,000	-\$2,615,000	-\$3,215,000

*Total revenue increases by approximately 2.3% while expenses increase by about 3% per year. This creates a wider gap each year.



What if.....

Revenue – The Tax Levy average increase was 3.0% per year instead of 2.5% and the Foundation Aid average increase was 3.5% per year instead of 2.7%

Expenses – Health insurance increased by an average of 5% per year instead of 7.5% and pension contributions remained flat instead of increasing an average of 2.75% per year.

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue	\$51,400,000	\$52,575,000	\$54,135,000	\$55,640,000	\$57,190,000	\$58,762,000
Expenses	\$52,250,000	\$53,560,000	\$54,900,000	\$56,290,000	\$57,720,000	\$59,200,000
Net Position	-\$850,000	-\$985,000	-\$765,000	-\$650,000	-\$530,000	-\$438,000

These **are not** predictions of future aid, tax revenue or expenses, but simply illustrate the impact of changing assumptions.





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		Average	\$3,358,499





What would the next 5 years look like with full Foundation Aid?

	2019-20	2020-21	2021-22	2022-23	2023-24
Original Assumptions	-\$1,350,000	-\$1,665,000	-\$2,115,000	-\$2,615,000	-\$3,215,000
Full Foundation Aid	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
<i>Change in Net Position</i>	\$1,650,000	\$1,335,000	\$885,000	\$385,000	-\$215,000



What we know and don't know for 2019-20?

Major Revenue Factors

Tax Levy - we have both growth factors, state and local, and they total 3.14%, the largest increase we have had in the tax cap era.

State Aid - we will not know state aid until later in the budget season. Our average increase in Foundation Aid has been 2.7% the past two years.

Major Expense Factors

TRS – the rate range has been released and will be a decrease from last year. It is estimated to be between 8.5% and 9.5%, down from 10.63% in 2018-19.

Health Insurance – we know that prescription costs have continued to rise, but will not have final rates until February/March.

Reserves

The District has continued to use reserves and fund balance to try and smooth the volatility of various budget factors. Use of reserves will be discussed throughout the budget process.





Where do we go from here?

Advocate

- We **MUST** advocate with legislators to fully fund Foundation Aid
- Advocate the tax levy limit calculation uses a true 2% regardless of the CPI (4 of the past 6 years have been below 2%)

Apply for Grants

- Continue to apply for competitive grants

Operate Efficiently

- Continue to work with other districts to share ideas and find savings
- Continue to explore cost savings for Health Insurance through work with CASHIC and our bargaining units





Questions and Discussion

