BATAVIA PUBLIC SCHOOL DISTRICT 101

Five-Year Financial Forecast

Fiscal Years 2022 through 2026

December 15, 2020

Section 1: Background

1.1 Purpose

The District maintains a five-year financial forecast to facilitate the effective and efficient application of financial resources to fluctuating enrollments and evolving needs. The purpose of this report is to model financial scenarios so that the Board of Education and its stakeholders may anticipate, plan for, and meet the needs of students in the best way possible.

The information presented in this financial forecast is at the recommendation of the Resource Responsibility Advisory Council, a collaborative group of stakeholders that monitors the alignment of resources to the District's strategic plan.

1.2 Key Assumptions

- Level state funding on average (Section 4.4)
- Local property taxes: annual EAV 3% based on historical 3-year average; annual CPI 1.8% reflecting historical 10-year average; and new construction of $5 M based on historical trends, except for Batavia TIF #1 expiration in 2025 (Section 4.1)
- Increasing commitment to capital projects 10% annually (Section 4.1)
- Medical insurance increasing at 3% annual average (Section 5.2)
- Salaries increasing at: 2.5% for BEA until contract ends in 2023, then CPI; tapering 4% for BESPA until contract ends in 2025, then CPI; average CPI for exempt and administrative staff (Section 5.1)

1.3 Factors Bearing on the District's Future

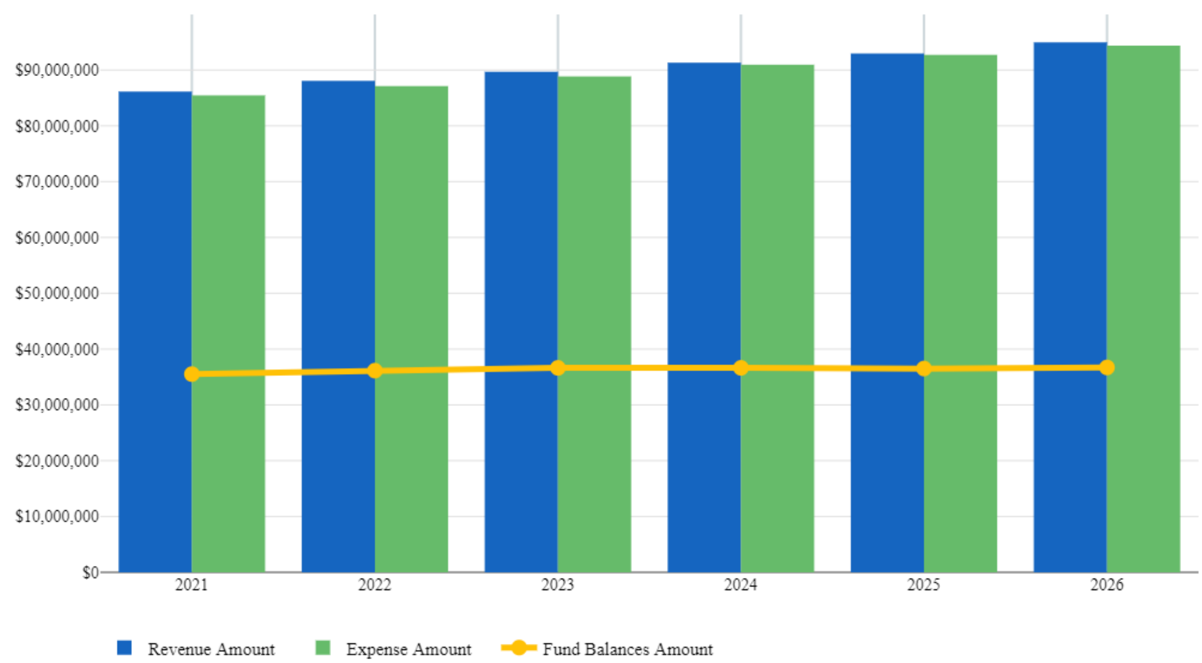
- Student enrollment is likely to return to its pre-pandemic projection and trajectory in 2022, with lower birth rates continuing to drive a 2% annual decline for the forecast periods.
- Funding from State sources is expected to remain level on average throughout the forecast periods due to the State's fiscal health, declining enrollments, and the District's current proximity to funding adequacy in the Evidence Based Formula.
- The fulfillment of outlet mall tax rebate in 2022 will result in an annual savings of $450k in 2023.
- The expiration of Batavia TIF #1 is estimated to generate approximately $650k in new property tax revenue in 2025.
- The current collective bargaining contract for teachers (BEA) ends in 2023 and for support staff (BESPA) ends in 2025.
- The District will pay off of all outstanding bonded debt in 2026.

Section 2: Summary

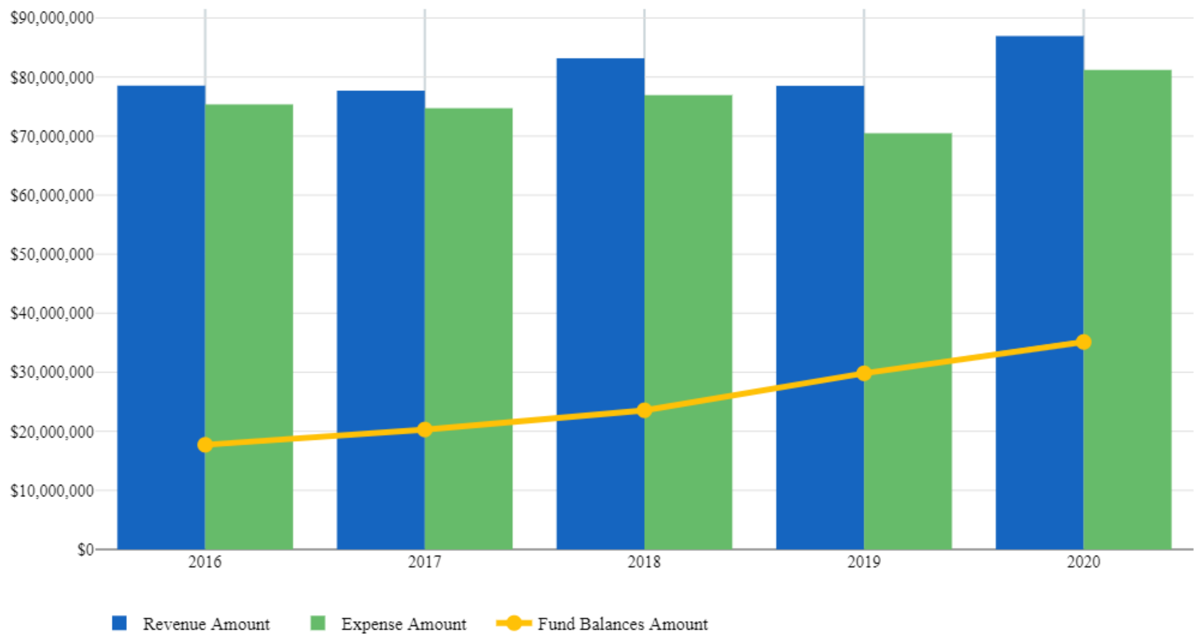
2.1 Key Facts

- This forecast contemplates only the District's operating funds, which consist of the Education, Operations & Maintenance, Transportation, Municipal Retirement, and Working Cash funds.
- For the current fiscal year period 2021, a favorable surplus condition is expected with revenues exceeding expenses by $0.7 million. **Based on the current year conditions and the assumptions for the forecast periods ending in 2026, this favorable condition will continue with a recognized surplus of $0.6 M in 2026.**
- The cumulative change from the current year and forecasted periods ending in 2026 is a cumulative surplus of $3.6 M. This implies a structurally balanced budget with recurring revenues exceeding recurring expenditures over these periods.
- Based on the assumptions for the forecasted periods (2022–2026), total revenues are expected to increase consistently with an average yearly increase of 2.0%. Over the same period, total expenses are expected to increase consistently with an average yearly increase of 1.7%.
- For the historical periods (2016–2020), total revenues increased by 2.6% per year on average, with some variability year to year. Total expenses increased by 1.9% per year on average, aslo with some variability.

2.2 Projected Financial Summary



2.3 Historical Financial Summary



Section 3: Outlook and Recommendation

3.1 Financial Outlook

The District's financial outlook continues to be stable:

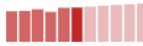
- The District may continue to expect balanced budgets if finances are prudently managed and staffing is reduced relative to anticipated enrollment declines.
- Fund balances and days cash on hand have significantly improved in recent years; the District is no longer forced to issue tax anticipation warrants to maintain adequate cash flow.

3.3 Recommendation

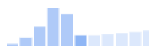
The Resource Responsibility Advisory Council recommends that the Board:

- Proportionately manage staffing relative to student enrollment declines. To fulfill the expenses portrayed in this forecast and maintain a balanced budget each year, teaching staff must be reduced by approximately 4.0 full time equivalents (FTE) and support staff by 2.0 FTE annually.

Section 4: Revenues

4.1 Ad Valorem Taxes 

- Ad Valorem Taxes include property taxes collected from local sources.
- The current year (2021) plan amount for Ad Valorem Taxes is $70,251,768, a 0.6% increase over the prior year.
- Over the next 5 years (2022–2026) this amount is projected to increase by 2.4% per year on average.
- Over the past historical periods (2016–2020) Ad Valorem Taxes increased by 2.7% per year on average, with some variability year to year, primarily due to prepayments in response to changes in federal income taxes.

4.2 Earnings on Investments 

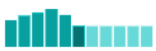
- Earnings on Investments is interest received from the investment of cash assets.
- The current year plan amount for Earnings on Investments is $156,900, a -67.9% decrease over the prior year.
- Over the next 5 years this amount is projected to increase by 10.0% each year except for an increase of 0% in 2022 caused by low Federal Reserve borrowing rates in response to the economic impacts of the pandemic.
- Over the past historical periods Earnings on Investments increased by 107.8% per year on average, with significant variability year to year including a decrease of -16.4% in 2020, and an increase of 361.1% in 2017 due to Federal Reserve borrowing rates and cash on hand available for investment.

4.3 Unrestricted Grants-in-Aid 

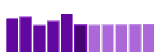
- Unrestricted Grants-in-Aid consists of grants provided by the State for any legal purpose by the District without restriction (e.g., General State Aid, Evidence Based Funding).
- The current year plan amount for Unrestricted Grants-in-Aid is $5,535,000, a -1.6% decrease over the prior year.
- Over the next 5 years this amount is projected to stay unchanged; the State's financial health, declining enrollments, and the District's funding adequacy make increases in this funding stream improbable.
- Over the past historical periods Unrestricted Grants-in-Aid increased by 7.7% each year on average except for an increase of 60.8% in 2018 when the new Evidence Based Funding (EBF) formula was implemented and some restricted grants-in-aid were consolidated into this funding stream.

4.4 Restricted Grants-in-Aid 

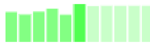
- Restricted Grants-in-Aid consists of grants by the State which must be used for a categorical or specific purpose (e.g., transportation, special education, food service).
- The current year plan amount for Restricted Grants-in-Aid is $2,865,139, a -13.7% decrease over the prior year.
- Over the next 5 years this amount is projected to stay unchanged and is assumed to remain level on average; the State's financial health and declining enrollments make this funding stream unpredictable.
- Over the past historical periods Restricted Grants-in-Aid decreased by -12.4% per year on average, with significant variability year to year including a decrease of -36.5% in 2017, and an increase of 14.8% in 2018, primarily due to the consolidation of some grants into the EBF (Section 4.3). The 2016 amount of $5,632,502 was noticeably larger compared to the remaining historical periods, attributed mostly to the recovery of special education and transportation funding after the Great Recession.

4.5 Food Services 

- Food Services revenue are monies collected from students and staff for meals.
- The current year plan amount for Food Services is $554,721, a -34.1% decrease over the prior year.
- This funding stream is considered to be immaterial to the forecast as Food Services revenues and expenses generally offset annually. As such, this amount is assumed to stay unchanged for the forecast period.
- Over the past historical periods Food Services increased by 4.4% per year on average, with significant variability year to year including a decrease of -16.8% in 2020 caused by the pandemic.

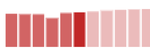
4.6 Tuition, Fees, Other 

- Tuition, Fees, Other consists of tuition paid by other government agencies, student fees, supplies, and activities, and other income not otherwise classified, including TIF surpluses and building rentals.
- The current year plan amount for Tuition, Fees, Other is $2,892,918, a -28.5% decrease over the prior year.
- Over the next 5 years this amount is projected to increase by 0.5% each year, pressured by declining student enrollment and limited tolerance for student fees.
- Over the past historical periods Tuition, Fees, Other increased by 3.2% per year on average, with significant variability year to year primarily due to changes in local and State policies on student activity and fiduciary funds.

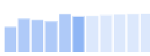
4.7 Federal Aid 

- Federal Aid includes restricted grants from the U.S. government for low-income/ at risk populations (Title I), limited English language instruction (Title III), teacher quality (Title II), vocational education, and special education (IDEA).
- The current year plan amount for Federal Aid is $3,878,460, a 40.4% increase over the prior year.
- Over the next 5 years this amount is projected to increase by 0.2% on average except for a decrease of -6.5% in 2022 attributed mostly to delayed expenditures that were carried over as a result of the pandemic. While Federal Aid is expected to increase over the forecast period, it will likely be tempered by declining enrollment and low income rates.
- Over the past historical periods Federal Aid decreased by -2.3% per year on average, with significant variability year to year due to carryover funds.

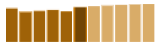
Section 5: Expenditures

5.1 Salaries 

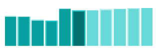
- Salaries include amounts paid to permanent, temporary, or substitute employees on the District's payroll.
- The current year (2021) plan amount for Salaries is $47,160,383, a 1.9% increase over the prior year.
- Over the next 5 years (2022–2026) this amount is projected to increase consistently with an average yearly increase of 2.1%.
- Over the past historical periods (2016–2020) Salaries increased by 0.5% per year on average, with variability year to year primarily due to staffing ratios and the implementation of union contracts.

5.2 Benefits 

- Benefits include amounts paid by the District on behalf of employees that are not included in gross salary, including medical insurance, pension contributions, and income taxes.
- The current year plan amount for Benefits is $12,774,973, a -7.3% decrease over the prior year.
- Over the next 5 years this amount is projected to increase consistently with an average yearly increase of 1.9%, driven primarily by medical insurance costs at an average increase of 3.0% per year.
- Over the past historical periods Benefits increased by 10.9% per year on average, with significant variability year to year including an increase of 32.3% in 2017, and a decrease of -4.9% in 2019.

5.3 Purchased Services 

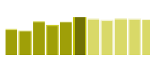
- Purchased Services include amounts paid for services provided by companies or rendered by individuals who are not on the District's payroll.
- The current year plan amount for Purchased Services is $11,595,733, a 13.4% increase over the prior year.
- Over the next 5 years this amount is projected to increase by 1.8% each year, except for an increase of 3.1% in 2022 in anticipation of new pupil transportation contracts.
- Over the past historical periods Purchased Services decreased by -2.3% per year on average, with some variability year to year including a decrease of -10.6% in 2017, and an increase of 3.4% in 2019.

5.4 Supplies 

- Supplies include amounts paid for material items of an expendable nature that are consumed, worn out, or deteriorated in use.
- The current year plan amount for Supplies is $3,538,531, a -5.8% decrease over the prior year mostly related to pandemic-limited student athletics and activities.
- Over the next 5 years this amount is projected to increase by 1.8% each year.
- Over the past historical periods Supplies increased by 5.9% per year on average, with significant variability year to year, driven primarily by changing policies on student activity and fiduciary accounts, including an increase of 47.8% in 2020 attributed mostly to pandemic response.

5.5 Capital Outlay 

- Capital Outlay includes acquisition, maintenance, or repair of capital assets that exceed $5,000 and are expected to be in use longer than 12 months. Note: historical transfers for Capital Outlay are not accurately reflected in the graphic above.
- The current year plan amount for Capital Outlay is $2,865,200, a 10% increase over the prior year.
- Over the next 5 years, allocations to Capital Outlay are projected to increase by 10% annually to $4,051,000 in 2026.
- Over the past historical periods Capital Outlay has increased by approximately 10% annually.

5.6 Other Objects 

- Other Objects include debt payments, dues and fees, tuition, contingency, and other expenses not otherwise classified.

- The current year plan amount for Other Objects is $7,520,286, a 14.9% increase over the prior year.
- Over the next 5 years this amount is projected to decrease by -1.4% per year on average, primarily driven by the fulfillment of the outlet mall tax rebate.
- Over the past historical periods Other Objects increased by 6.4% per year on average, with significant variability year to year including an increase of 37.7% in 2018, and a decrease of -10.5% in 2019.