

EAST ROCKAWAY SCHOOL DISTRICT

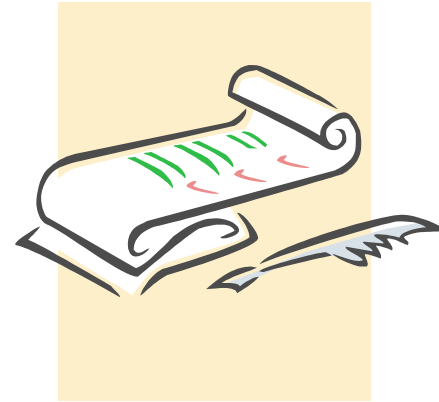
BUDGET HEARING

MAY 13, 2014

7:00

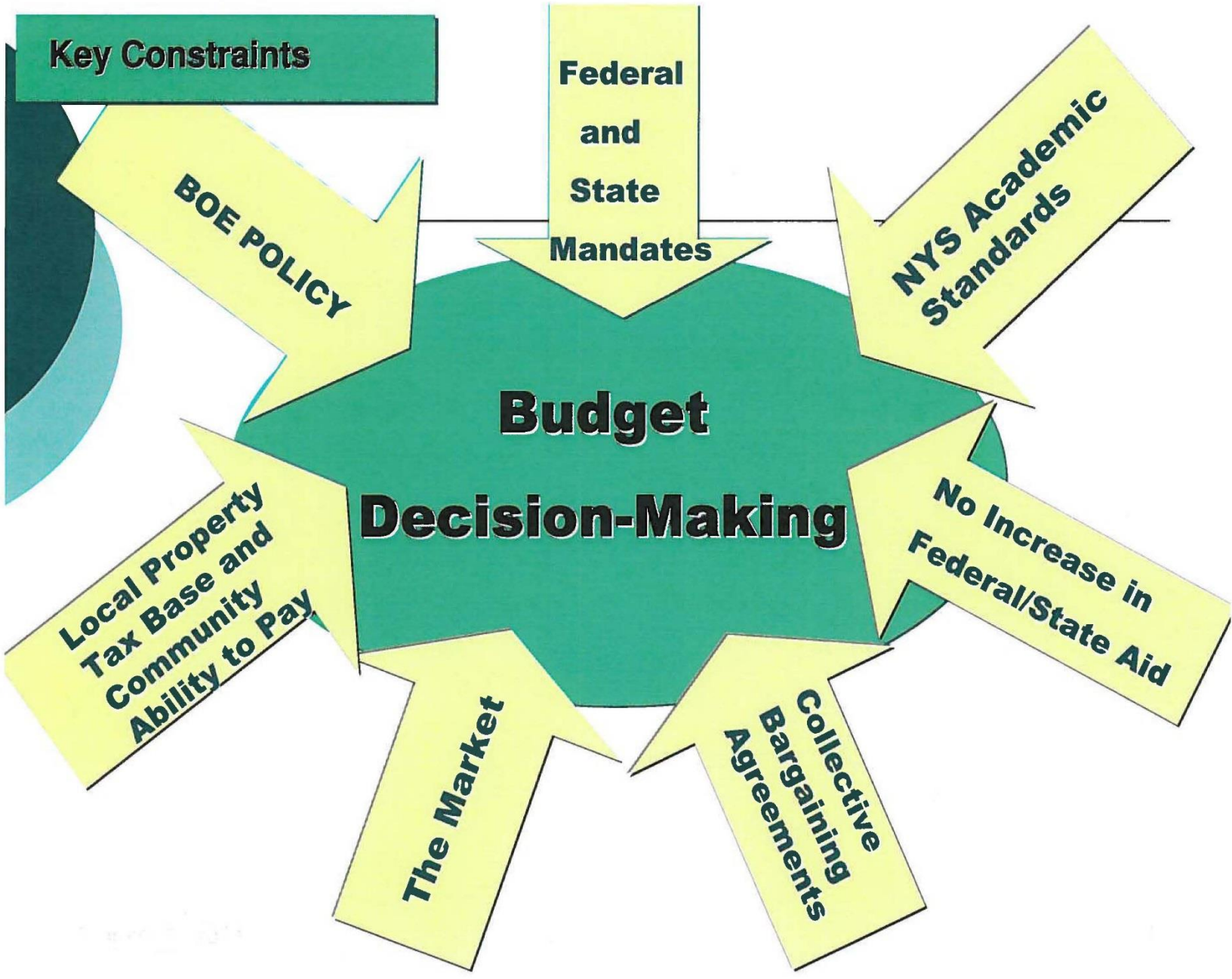
BUDGET HEARING AGENDA

- BUDGET PROCESS
- THE TAX LEVY CAP
- BALANCING THE BUDGET
- FUND BALANCE MANAGEMENT
- EXPENDITURES EXPLAINED
- 3 COMPONENT BUDGET
- TAX LEVY / PROPERTY TAX
- CAPITAL RESERVES
- CONTINGENCY
- QUESTIONS



BUDGET PROCESS:

- Starts in the fall
- Draft budget to Board of Education in February
- Budget Advisory Committee met four times to provide community input
- Adopted by the Board of Education in April
- Will be voted on May 20, 2014



Key Constraints

BOE POLICY

**Federal
and
State
Mandates**

**NYS Academic
Standards**

**Budget
Decision-Making**

**No Increase in
Federal/State Aid**

**Local Property
Tax Base and
Community
Ability to Pay**

The Market

**Collective
Bargaining
Agreements**

**Tax
Cap**

Key Constraints

**Federal
and
State
Mandates**

**NYS Academic
Standards**

**Budget
Decision-Making**

**No Increase in
Federal/State Aid**

**Collective
Bargaining
Agreements**

The Market

**Local Property
Tax Base and
Community
Ability to Pay**

BOE POLICY



THE TAX LEVY CAP

- Enacted June 24, 2011
- Establishes a Tax Levy Cap or Limit on all local governments and school districts
- Began with the 2012-2013 budget
- Expires June 15, 2016 unless rent control is extended
- Current contingency budget requirements and restrictions remain in place

THE TAX LEVY CAP.....

- **....IS NOT A CAP ON AN INDIVIDUAL'S PROPERTY TAX**
- **...limits the growth in the total levy set by local governments and schools to 2% or the rate of inflation – whichever is less.**
 - The rate of inflation is 2.1%
 - It does not cap the assessed value of a property or the tax rate.
- **...is calculated by each district and will vary by district**

THE TAX LEVY CAP

- If the tax levy is at or below the tax levy cap, a simple majority (50% + one vote) is needed for budget approval
- If the tax levy exceeds the tax levy cap, the support of a supermajority (60 percent or more) of voters is required for budget approval
- By law, a budget that requires a tax levy above the tax levy cap must include a statement on the ballot indicating this to voters

TAX LEVY LIMIT

$$\begin{aligned} & \text{Prior year tax levy} \\ & \quad \times \\ & \text{Tax base growth factor} \\ & \quad + \\ & \text{PILOT receivables prior year} \\ & \quad - \\ & \text{Taxes levied for exemptions during the prior year (capital levy and} \\ & \quad \text{court orders, not ERS \& TRS)} \\ & \quad = \\ & \quad \mathbf{ADJUSTED PRIOR YEAR TAX LEVY} \\ & \quad \times \\ & \text{Allowable levy growth factor (lesser of 2\% or CPI)} \\ & \quad - \\ & \quad \text{PILOT receivables coming year} \\ & \quad + \\ & \text{Available carryover, if any (none for 14-15)} \\ & \quad = \\ & \quad \mathbf{TAX LEVY LIMIT} \end{aligned}$$

EAST ROCKAWAY SCHOOLS TAX LEVY LIMIT

Prior Year Tax Levy		\$28,272,138	
Times Tax Base Growth Factor		1.0016	
		\$28,317,373	
Add: PILOT Receivables		\$95,000	
		\$28,412,373	
Minus: Capital Levy	2013-14	\$1,078,719	
Adjusted Prior Year Tax Levy		\$27,333,654	
Allowable Growth Factor		1.0146	
		\$27,732,726	
Subtract: PILOT Receivable		\$95,000	
		\$27,637,726	
Carryover		\$0	
Tax Levy Limit		\$27,637,726	
EXEMPTIONS			
Add: Capital Levy	2014-15	\$1,122,904	
ERS DEDUCTION		\$0	
TRS DEDUCTION		\$0	
Maximum Allowable Tax Levy		\$28,760,630	
Maximum Tax Levy Increase			\$488,492
Percentage increase in tax levy			1.73%

WHAT IS NOT EXCLUDED FROM THE CAP?

- Unfunded mandates such as the new APPR legislation and Common Core Curriculum requirements
- Tax certioraris
- Health care costs



BALANCING THE BUDGET



2014-15 Budget Evolution

	BUDGET	PERCENT INCREASE	TAX LEVY CAP	Budget Incr
2013-2014 Adopted Budget	36,843,425			
First Draft to BOE 2.8.14	38,042,620	3.25%	28,760,630	1,199,195
Second Draft 03.14.14	37,900,320	2.87%	28,760,630	1,056,895
Third Draft 3.24.2014	37,563,507	1.95%	28,760,630	720,082
Final Draft to BOE 4.8.2014	37,295,028	1.23%	28,760,630	451,603

BUDGET MODIFICATIONS

- Staff Retirements/Leave Replacements
- Restructure of Reading Program in order to provide more targeted instruction
- Reduction in Costs for Affordable Care Act
- Fund Replacement Computers Through Technology Reserve
- Community Service After-School Program/Scope



BALANCING THE 2014-2015 PROPOSED BUDGET

- Use of Additional Reserves
 - \$1,032,283 from Retirement Reserve



FUND BALANCE



WHAT IS A FUND BALANCE AND HOW IS IT CREATED?

- A fund balance occurs because a budget is an estimate of expected expenditures and revenues and not an exact prediction of the future
- A fund balance is created when:
 - Revenues are higher than what was budgeted
 - Expenses are less than what was budgeted
- It occurs because the estimate for both revenues and for expenditures was conservative, as it should be
- By law, the Unassigned Fund Balance is limited to 4% of the upcoming year's budget

WHY DO WE NEED A FUND BALANCE AND WHAT IS ITS VALUE?

- To assure the public that the budget plan will tolerate a certain amount of unexpected adversity without forcing a crisis
- To meet unanticipated expenses and to provide for “rainy day” emergencies
- A stable fund balance is an indicator of good money management

WHY DO WE NEED A FUND BALANCE AND WHAT IS ITS VALUE?

- A stable fund balance results in a good credit rating which leads to lower interest costs for long and short term borrowing
- An assigned fund balance promotes stability in the tax rate

FUND BALANCE MANAGEMENT

- Managing fund balance is one of the most difficult tasks of the budgeting process, since budgets are only estimates of expenditures and anticipated revenues
- Spending fund balance monies on the district's regular operations is **not** sound financial management and should be avoided

A cautionary example: What would be the effect if a district did not plan for the appropriation of the fund balance?

Fund Balance Example

	6/30/2012	6/30/2013	6/30/2014
Revenue	\$107,000,000	\$109,000,000	\$111,000,000
Expenditures	<u>102,000,000</u>	<u>105,500,000</u>	<u>109,000,000</u>
Fund Balance	5,000,000	3,500,000	2,000,000
Assigned for Taxes	<u>4,000,000</u>	<u>4,000,000</u>	Now What?
Unassigned Fund Balance	1,000,000	500,000	

- The District must increase the 2014 tax levy by at least \$1,500,000 in order to make up for the shortfall in Assigned Fund Balance.
- If the District assigns the full \$4,000,000 they will have \$-0- for emergencies.

EXPENDITURES:

Major Function Areas as required by the Uniform System of Accounts

- **Function 1000:**

- Includes Board of Education, Superintendent, Business Office, Auditing, Personnel, Treasurer, Legal, Purchasing, District Clerk

FUNCTION	2013/2014	2014/15	CHANGE +/-
1000	4,262,177	4,378,648	2.73%

EXPENDITURES:

- **Function 2000:**

Includes Teaching General, Summer, and Students with Disabilities, Occupational Ed., Guidance, Health Services, Social Work Services, Psychological Services, Library and A.V., Athletics, and Co-Curricular Activities

FUNCTION	2013/2014	2014/2015	CHANGE +/-
2000	20,098,525	20,105,327	0.03%

EXPENDITURES:

- **Function 5000:**

Includes all Transportation Services such as Contractual, Private, and Athletic

FUNCTION	2013/2014	2014/2015	CHANGE +/-
5000	867,746	882,164	01.66%

EXPENDITURES:

- **Function 7000:**

Includes all expenses associated with the Before and After School Programs which were expanded to include Rhame. These expenses are offset by revenue.

FUNCTION	2013/2014	2014/2015	CHANGE +/-
7000	66,500	-0-	-100%

EXPENDITURES:

- **Function 9000:**

Includes Employee Benefits, Debt Service, Tax Anticipation Notes, “5 Year Building Plan” / Transfer to Capital

FUNCTION	2013/2014	2014/2015	CHANGE +/-
9000	11,548,480	11,928,889	3.29%

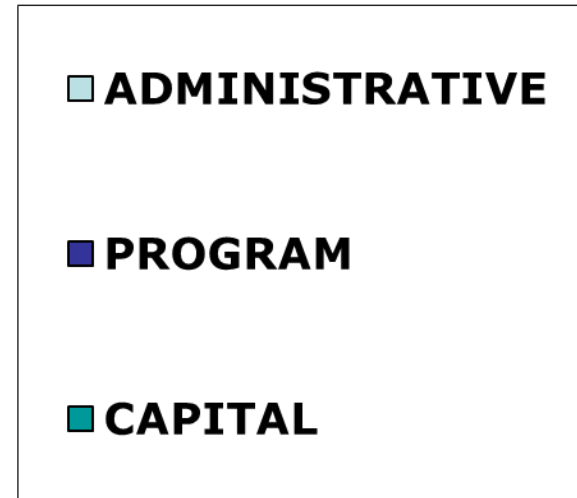
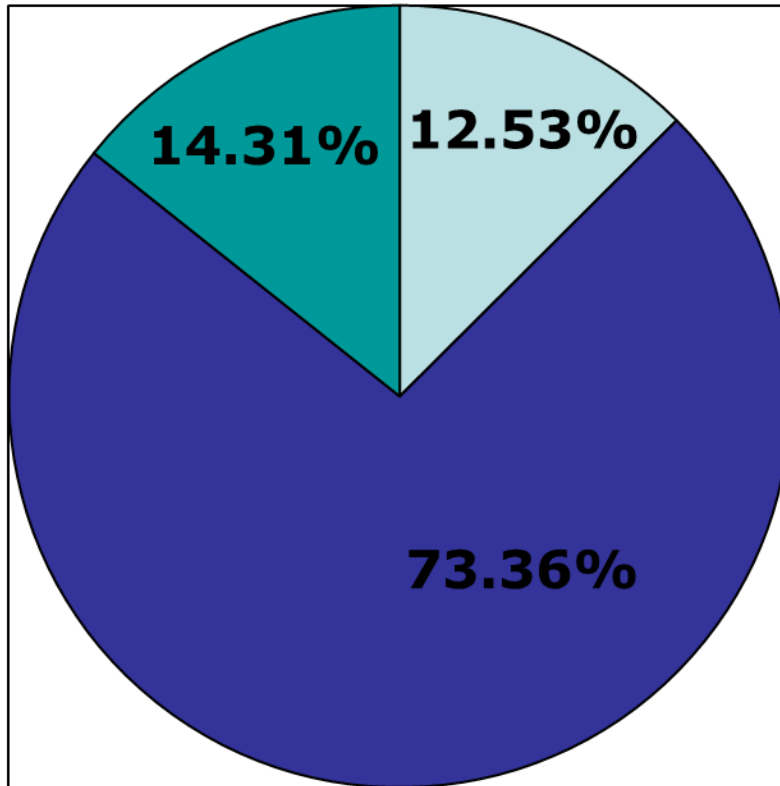
PROPOSED 2014/2015 BUDGET BY FUNCTION:

FUNCTION	2013/2014	2014/2015	CHANGE +/-
1000	4,262,177	4,378,648	2.73%
2000	20,098,525	20,105,327	0.03%
5000	867,746	882,164	1.66%
7000	66,500	-0-	-100%
9000	11,548,480	11,928,889	3.29%
TOTAL	36,843,428	37,295,028	1.23%

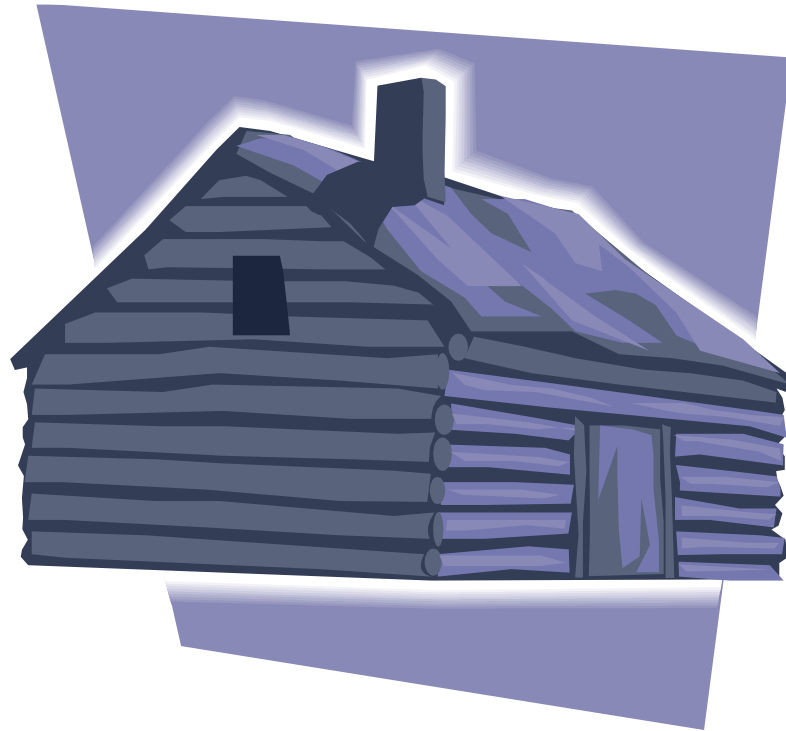
DEBT SERVICE 2013-2014

Debt Service Principal & Interest:	2012/2013	2013/2014	2014/2015
Rhame Ave.	175,565	0	0
Bond 2012 (Refinance of Rhame Av. Bond)	0	169,950	169,750
Bond 2006	1,333,925	1,328,088	1,325,563
Bond 2007	415,538	419,482	417,882
Bond 2010 (Refinance of 2010 Bond)	329,100	328,200	334,200
TOTAL	2,254,173	2,245,720	2,247,395

THREE COMPONENT BUDGET 2014-2015

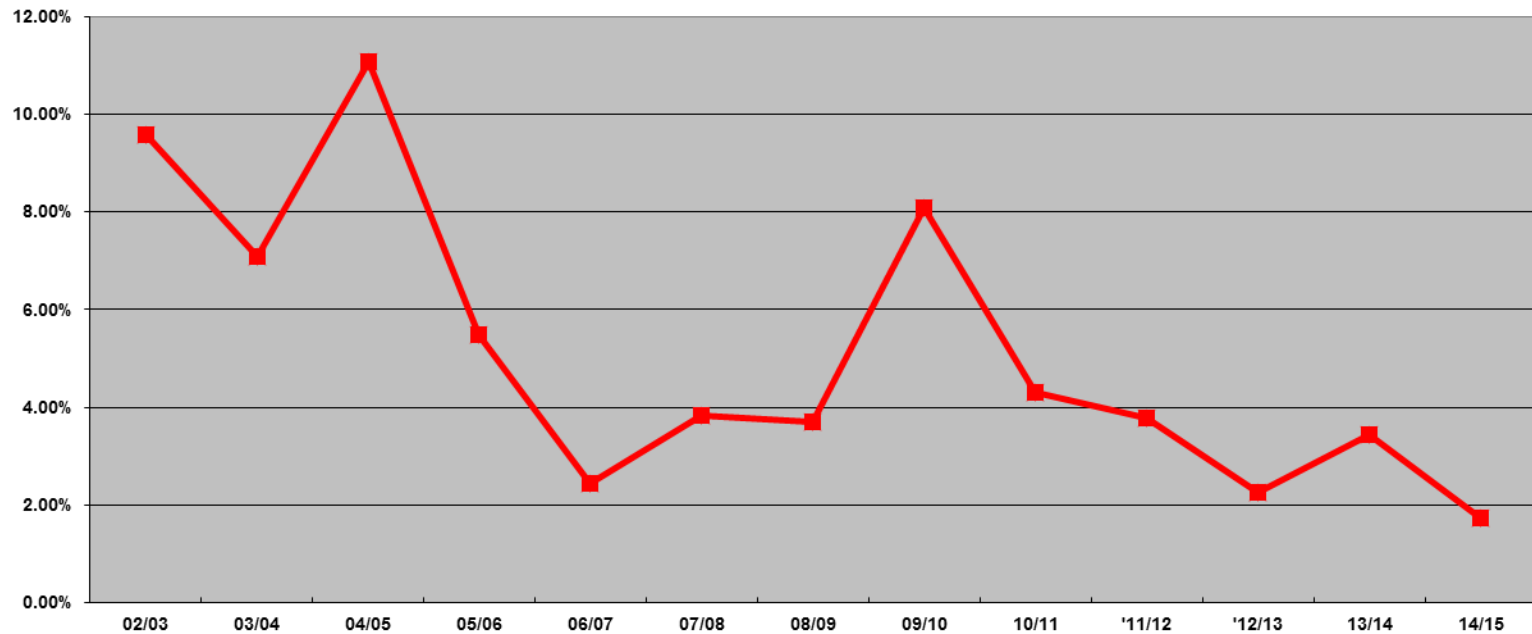


TAX LEVY AND PROPERTY TAXES



TAX LEVY INCREASES: Past 14 years

**THE PROPOSED TAX LEVY INCREASE FOR THE
2014/2015 SCHOOL YEAR IS 1.73 %**



WHAT FACTORS AFFECT MY PROPERTY TAXES?

- Factors that determine the amount of the property tax:
 - The State of New York determines the **TAX BASE** by setting the boundaries of the school district
 - The State of New York controls the **STAR REBATE**
 - Nassau County determines the **ASSESSMENT PRACTICES** and the percentage of market value applied to the property to be taxed
 - East Rockaway School District sets the **TAX LEVY** – the amount of money needed by the school district to fund its educational program

What is the Adjusted Base Proportion and how does it affect the amount of taxes each resident pays?

- There are 4 classes of property in Nassau County:
 - CLASS I RESIDENTIAL PROPERTIES
 - CLASS II CONDOMINIUMS AND CO-OPS
 - CLASS III UTILITIES
 - CLASS IV COMMERCIAL PROPERTIES

What is the Adjusted Base Proportion and how does it affect the amount of taxes each resident pays?

- **The ABP is the mechanism used to shift the tax levy from one class to another**
- **For many years Nassau County assessed commercial property more heavily than it did residential property**

What is the Adjusted Base Proportion and how does it affect the amount of taxes each resident pays?

- In the reassessment, all types of property were reassessed using new formulas 'adjusting' (shifting) the base proportion from Class IV Commercial to Class I Residential
- Each year there is a shift of the portion of the tax levy between the four classes, though not as much as in years past

What is the Adjusted Base Proportion and how does it affect the amount of taxes each resident pays?

CLASS	ADJUSTED	East Rockaway	TOTAL TAX LEVY	SCHOOL
	BASE	ASSESSD VALUE	East Rockaway	TAX RATE
	PROPORTION	A/O April '12		PER 1000
1	71.06811	2,216,660	19,426,904	876.404
2	6.52138	356,604	1,782,659	499.899
3	8.89031	326,662	2,430,221	743.956
4	13.52020	710,226	3,695,830	520.374
TOTAL	100.00	3,610,152	27,335,613	

What happens to the tax rate if there is a shift in the ABP?

CLASS	ADJUSTED	East Rockaway	TOTAL TAX LEVY	SCHOOL
	BASE	ASSESSD VALUE	East Rockaway	TAX RATE
	PROPORTION	A/O April '12		PER 1000
1	72.06811	2,216,660	19,700,260	888.736
2	6.52138	356,604	1,782,659	499.899
3	8.89031	326,662	2,430,221	743.956
4	12.52020	710,226	3,422,473	481.885
TOTAL	100.00	3,610,152	27,335,613	

What happens to the tax rate if the assessed value is lowered?

CLASS	ADJUSTED	East Rockaway	TOTAL TAX LEVY	
	BASE	ASSESSED VALUE	East Rockaway	TAX RATE
	PROPORTION	A/O April 2012		PER 1000
1	71.06811	2,051,155	19,426,904	947.120
2	6.52138	297,962	1,782,659	598.284
3	8.89031	368,433	2,430,221	659.610
4	13.52020	635,149	3,695,829	581.884
	100.00000	3,352,699	27,335,613	

CAPITAL RESERVES



USE OF CAPITAL RESERVE FUNDS

- **What is a Reserve fund?**
 - A “savings account” separate from the operating budget used to finance various projects or expenses
 - Expenditures for specific purposes authorized by the voters
 - The money can only be used for the reasons explained in the establishment of the funds, such as technology replacement and building improvements and repairs

HOW ARE THE RESERVES DIFFERENT FROM THE OPERATING BUDGET?

- The money cannot be used to reduce the tax levy
- Any expenditure from the reserve funds must be approved by the voters
- For the past three years the voters approved projects to be funded through the Capital Reserve for Building Improvements and Repairs and the Capital Reserve for Technology

HOW DO THE RESERVES HELP THE DISTRICT AND COMMUNITY?

- The money in the reserves is not a request for new or more money from the community
- Using money from the reserves keeps the budget to budget increase lower, as the health and safety items would have to be included in the operating budget

Capital Funds

- **RESERVE FOR BUILDING IMPROVEMENTS**
 - Capital Reserve Established in 2008 designating \$200,000 for 5 years
 - Projects usually span several fiscal years
 - Projects may need SED Approval and thus can be delayed until the following fiscal year
- **RESERVE FOR TECHNOLOGY**
 - Capital Reserve Established in 2008 designating \$200,000 for 5 years
 - Usually completed in the fiscal year
- **CAPITAL TRANSFER (\$60,000 Annually)**
 - Usually smaller building projects completed in the fiscal year

Capital Reserve

Building Improvements and Repairs

\$200,000 (+156,000 balance in account)

Work in the 2014/2015 Capital Improvement program will include:

- District wide heating, ventilating and temperature control reconstruction
- District wide asphalt paving, concrete curb and sidewalk replacement
- Interior reconstruction to existing Technology Building:
The technology building shall include, but not be limited to structural concrete slab replacement and reconstruction, electrical replacement and interior finishes.



Capital Reserve for Technology

\$200,000 + (\$120,000 balance in account)

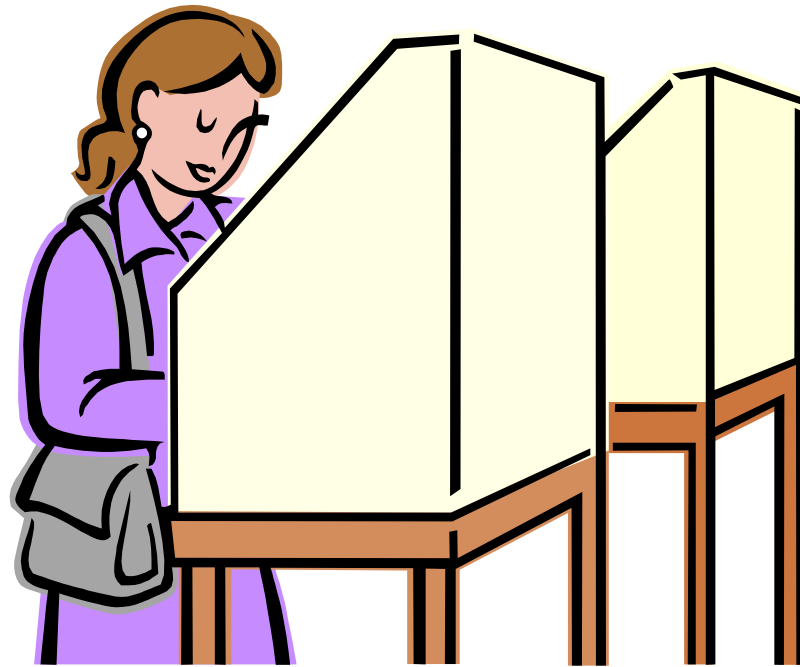
- SMART technology installation—continuing to outfit instructional spaces with interactive whiteboards to engage students and enhance teaching and learning
- Computer hardware upgrades
- Server and Network upgrades or replacements
- Software licensing
- Data Backup and Email Upgrade
- Technology lab upgrades



Establishing New Reserves

- Reserves established in 2008 were 5-Year reserves and therefore can no longer be funded after May of 2013
- For the past several years the voters approved projects to be funded through the Capital Reserves
- It is more prudent to establish the new reserves for a 10-year period
- The money in the reserves is not a request for new or more money from the community
- Using money from the reserves keeps the budget to budget increase lower, as the health and safety items would have to be included in the operating budget if the district did not establish the reserves
- Propositions on the ballot request establishing:
 - Reserve for Technology for \$200,000 for 10 years
 - Reserve for Building Improvements for 10 years

CONTINGENCY



WHAT HAPPENS IF THE BUDGET IS NOT APPROVED BY THE VOTERS?

- The Board of Education has the option of putting the same or a revised budget up for a revote, or adopting a contingent budget
- If a proposed budget is defeated twice, the district must adopt a contingent budget that prohibits spending in non-contingent areas

WHAT HAPPENS IF THE BUDGET IS NOT APPROVED BY THE VOTERS?

- A district that adopts a contingent budget may not increase its current tax levy by any amount – which would impose a zero percent cap.
- This means \$488,492 in programs and services would be eliminated from the budget

PROGRAMS AND SERVICES THAT MAY BE REDUCED OR ELIMINATED UNDER A CONTINGENT BUDGET

**IN ADDITION TO THE REDUCTIONS
MANDATED BY LAW:**

- Math and reading academies
- Additional occupational education placements
- Enterprise program
- Extracurricular clubs
- Full day kindergarten
- Grade 4 strings & band

PROGRAMS AND SERVICES THAT MAY BE REDUCED OR ELIMINATED UNDER A CONTINGENT BUDGET

- High School theater production
- Parochial School late bus
- Reading teacher
- Sports
- Teaching Assistants
- Other non-contingent items as necessary to balance the budget

SUMMARY

- **The 2014-15 Budget to Budget increase is 1.23%**
- **The 2014-15 Proposed Budget stays within the tax levy cap of 1.73% requiring a simple majority vote**
- **Contingency budget –would remove an additional \$488,492**
- **Five propositions on the 2014-15 ballot:**
 - **2014-2015 Proposed Budget**
 - **Expenditures for Building Improvements and Repair**
 - **Expenditures for Technology**
 - **Establishment of 10 year Capital Reserve for Building Improvement**
 - **Establishment of 10 year Capital Reserve for Technology**

SUMMARY

- Election for two seats on the Board of Education
- Presentation is on the district website



SUMMARY

- **Budget Vote & Trustee Election is May 20, 2014 at East Rockaway High School Large Gym**
- **Polls open at 6:30 a.m. and close at 9:30 p.m.**

