

Frontier Central School District
Finance & Budget Committee Meeting
MINUTES
December 1, 2015

Present: Bret Apthorpe, Tom Best, Dave Patton, Myra Pinker, Janet Plarr, and Carolyn Robertson

1. Review of 2016-17 budget guidelines

- a. Carolyn reviewed the updated guidelines that included the edits from the previous meeting
- b. Group reaffirmed the importance of not formally committing to staying below the tax cap given the prediction of it being 0%

2. Fund Balance Plan

- a. Carolyn and Bret introduced different type of fund balances and reserves
- b. Group discussed the importance of using reserves to offset and minimize district future liabilities involving facilities
- c. Group will review the consideration listed on the fund balance document

*Action – Next meeting the group will determine factors that will decide which funds should be financed first, and to what degree, under a district fund balance plan.

3. Interest Based Bargaining (IBB)

- a. Bret introduced the concept of IBB and explained why he wants to try this with the teachers' unit.
- b. Bret explained that this contract negotiation is so important for the future of the school culture and climate

12/1/15

**FRONTIER CENTRAL SCHOOL DISTRICT
2015-2016 FUND BALANCE PLAN**

Items for Consideration during 2015-2016:

- Consider transferring funds from the Workers Compensation and Employee Benefit Accrued Liability Reserves to fund ongoing expenditures throughout the year.
- Consider replenishing funds in the Employee Benefit Accrued Liability Reserves at year-end if excess funds are available.
- ~~• If funds are available at year end, consider transferring an additional amount to the Retirement Contribution to bring it closer to its full funding capacity.~~
- Consider establishing a \$XXXX Capital Reserve in May 2016 to cover the local share of future building projects.
- Consider establishing a Retirement Contribution Reserve in July 2016 to cover fluctuations in ERS rates in future years.
- If funds are available at year end, consider transferring a portion of fund balance to the Capital Reserve.

COMPONENTS OF FUND BALANCE:

Unassigned Fund Balance

6/30/15 Actual Balance: \$2,257,499.39

Creation – Retention of these funds are allowed by law with no other approval required.

Purpose – These funds are unrestricted and may be used for any valid purpose.

Funding Methods – These funds have been accumulated from excess fund balance.

Use of Funds – It is recommended that these funds not be used except for an emergency, unanticipated expense, or revenue shortfall, that cannot be handled either in the budget or with other available reserves.

Monitoring of Balance – These funds are monitored by the Assistant Superintendent for Business.

Funding Level – The maximum legal limit is 4% of the ensuing budget. Board Policy 5513 establishes that the level of funding be maintained between 3% and 4% of the subsequent year's budgeted expenses. That range would be between \$2,310,970 and \$3,081,293 as of June 30, 2016.

Assigned Appropriated Fund Balance**6/30/15 Actual Balance: \$803,650.00**

Creation – These funds are fund balance that have been set aside for a particular purpose, namely to reduce the tax levy required to support an ensuing year's budget.

Purpose – These funds are set aside and returned to the community by lowering the required tax levy to support the district's budget.

Funding Methods – These funds are fund balance that are assigned for a particular purpose.

Use of Funds – It is recommended that the practice of appropriating funds continue each year, as budgets permit. In the future, tighter budgets may restrict the amount of excess available to be appropriated to a subsequent year.

Monitoring of Balance – The balance and use of these funds are monitored by the Assistant Superintendent for Business.

Funding Level – It is recommended that the planned amount of assigned appropriated fund balance included as a revenue source in future budgets be limited to the amount of contingency included in the expenditure budget.

Assigned Unappropriated Fund Balance**6/30/15 Actual Balance: \$127,085.65****(Reserve for Encumbrances)**

Creation – These funds are fund balance that have been set aside for a particular purpose, namely to pay for outstanding encumbrances remaining at the end of a school year.

Purpose – These funds are used to pay for outstanding encumbrances remaining at the end of a school year.

Funding Methods – These funds are fund balance that are assigned for a particular purpose.

Use of Funds – These funds will be expended during the subsequent year for the purpose for which they were encumbered. It is recommended that the practice of assigning fund balance for the purpose of carryover encumbrances continue each year. This practice appropriately matches revenue with the appropriations that it was intended to support.

Monitoring of Balance – The estimating and recording of these funds is monitored by the Assistant Superintendent for Business.

Funding Level – The funding level should be minimal as most expenses attributable to a particular year are appropriated in that year.

Nonspendable Fund Balance**6/30/15 Actual Balance: \$344,493.30**

Creation – These funds are fund balance that are inherently nonspendable in the current period because of their form, specifically this is the current cash value of life insurance policies on former employees.

Purpose – These funds will be used to reduce life insurance expense each year as the cash value increases or the cash value on a policy is received.

Funding Methods – These funds are fund balance that are inherently nonspendable in the current year.

Use of Funds – These funds will not be expended during the year, but will be adjusted at the end of each year to the current cash value of life insurance.

Monitoring of Balance – The calculating and recording of these funds is monitored by the Assistant Superintendent for Business.

Funding Level – The funding level is 100% of the cash value of life insurance at the end of each year.

Employee Benefit Accrued Liability Reserve**6/30/15 Actual Balance: \$1,382,998.56**

Creation – This reserve was created on xx/xx/xxxx.

Purpose – This reserve is used to pay for accrued benefits due to employees upon termination of service for vacation, sick leave and personal leave. This fund cannot be used to pay for items such as: retirement incentives, FICA and Medicare payments and retiree health insurance.

Funding Methods – Funds are placed in this reserve from budgetary appropriations or excess fund balance.

Use of Reserve – This reserve is used when an employee separates from the District and payment of accumulated leave is required.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business. At the end of each fiscal year the estimated compensated absences accrual is calculated to support the funding of this reserve.

Funding Level – This reserve can be funded at a level up to 100% of the accrued liability for unused accumulated leave time (compensated absences), which was \$2,269,482 on June 30, 2015.

Workers' Compensation Reserve**6/30/15 Actual Balance: \$2,125,396.00**

Creation – This reserve was created on xx/xx/xxxx.

Purpose – This reserve may be used for workers compensation expenses, related medical expenses and self-insurance administrative costs.

Funding Methods – Funds are placed in this reserve from budgetary appropriations or excess fund balance.

Use of Reserve – This reserve would be used to pay any allowable costs, as described in the purpose for this reserve.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – This reserve can be funded up to the estimated amount of all outstanding claims as of the end of each year. Auditors have recommended that the District obtain an actuarial valuation to determine an appropriate estimate of this amount each year. There is no plan to contribute additional funds to the reserve at this time.

Proposed Capital Reserve- 2015**6/30/15 Actual Balance: \$0.00**

Creation – This reserve is anticipated to be created on May 17, 2016 via voter approval.

Purpose – This reserve may be used to fund the cost of any object or purpose for which bonds may be issued.

Funding Methods – Voter approval is required to establish and fund this reserve. In accordance with the approved proposition, this reserve is funded from budgetary appropriations or excess fund balance as approved by voters. At the end of each fiscal year, consideration will be given to transferring additional funds to this reserve for subsequent capital projects.

Use of Reserve – Use of this reserve requires voter approval. Consideration will be given to use of the balance of these funds for subsequent capital projects.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – This reserve may be funded as stated in an approved proposition. This reserve is anticipated to be created with a maximum limit of \$xxxx. Transfer of funds into this reserve must cease at the earlier of reaching \$xxxx or June 30, 2026.

Proposed Retirement Contribution Reserve

6/30/15 Actual Balance: \$0.00

Creation – This reserve will be created on xx/xx/xxxx.

Purpose – This reserve is used to pay for district expenses to the NYS Employees Retirement System only. Payments to the Teachers Retirement System are not allowed from this reserve.

Funding Methods – Funds are placed in this reserve from budgetary appropriations or excess fund balance.

Use of Reserve – This reserve can be funded as funds become available from excess fund balance.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – The plan is to fund this reserve up to a maximum of approximately five years of estimated NYS Employees Retirement System expense. At current rates, that level is approximately \$xxxx.

12/11/15
FEB
Committee

FRONTIER CENTRAL SCHOOL DISTRICT
2016-2017
Budget Development Goals and Guidelines

2.1

DRAFT

BUDGET GOALS

1. *Focus on student achievement*
2. *Include public and district stakeholders in the development of the budget*
3. *Reflect long-term financial and facilities planning*
4. *Implement reserve planning*

BUDGET GUIDELINES

The budget guidelines in this document were established by the Board of Education in a strategic effort to guide District Administrators in the budget development process. The development of the 2016-17 Frontier Central School District budget, the preparation of preliminary budget information by administration, its deliberation by the Board of Education, its presentation to the public and the budget vote on May 17, 2016 shall be guided by the following criteria.

Considerations impacting guidelines:

- State aid— extent of GEA restoration and foundation aid increase is unknown; will get an indication when the Governor's budget proposal is released; not finalized until Legislative budget is approved
- Tax cap – CPI is expected to be close to 0%; do not anticipate any ERS or TRS exclusions; need to determine impact of capital exclusion
- Contractual obligations – all employment contracts expire on June 30, 2016, so 2016-17 wage and benefit estimates will be somewhat unpredictable
- Current financial position of the District – fund balance has declined significantly in recent years and is negatively impacting the District's bond rating and could impact future cash flow needs
- NYS has released estimated TRS rates at a 1.5 percentage point decrease from prior year

Guidelines for budget decisions:

The extent to which each of these guidelines is considered will be dependent upon the anticipated gap between expenditures and revenues throughout the budget process.

1) EDUCATIONAL PROGRAMS AND SERVICES

- a) **Class size** – consideration will be given to reducing class sizes in areas where it is determined to be educationally beneficial and financially feasible
- b) **Staffing** - staffing levels included in the budget will be based on student achievement initiatives, response to intervention, and enrollment projections
- c) **Technology plan** – all hardware, software and infrastructure needs included in the budget will be part of a long-term technology plan
- d) **Maintenance of facilities and equipment** – the budget will include an adequate allocation of funds to maintain facilities and equipment in support of health and safety and a learning environment conducive to student achievement; budget will be coordinated with long-term facilities planning

- e) **Student programs** – maintain and/or enhance student programming, including extracurriculars, at current levels
 - f) **Staff development**-Provide quality staff development opportunities for all staff
- 2) **TAX LEVY AND ANNUAL INCREASE IN TOTAL BUDGET**
- a) **Tax levy** – the goal of the Board of Education is to budget for a tax levy that is within the tax levy limit calculated under NYS Property Tax Cap regulations. Any consideration of exceeding the tax levy limit would be discussed with the full Board of Education.
 - b) **Total budget increase/decrease** – the overall budget will not be based on a predetermined percentage increase or decrease but rather on the needs of the District for the upcoming year and restrictions imposed by anticipated revenue sources
- 3) **FUND BALANCE/RESERVES**
- a) **Fund Balance** – any funding of, or use of, fund balance included in the budget will be consistent with the Fund Balance Plan approved by the Board of Education *- Board Policy*
 - b) **Reserves** - the establishment, funding and use of reserves will be consistent with the Fund Balance Plan approved by the Board of Education

Public involvement and communication:

- Consideration will be given to the list of suggestions from the 2015 solicitation of budget input from stakeholders
- Community input will be solicited and welcomed throughout the 2016-17 budget development process
- Public presentations
 - Updates on the budget development process will be provided at Board of Education workshop meetings throughout the fall and winter
 - The final budget proposal will be presented at the budget hearing on May 3, 2016 and community feedback and comments will be acknowledged
 - Numerous public presentations in the community
- Publication of documents
 - The budget calendar will provide a detailed timeline for the budget development process and will be posted on the District website on or about November 17, 2015
 - All minutes and supporting documentation from Budget and Finance Committee meetings, and presentations from Board of Education meetings, will be posted on the District website
 - Complete budget document – contents will be in accordance with NYS requirements and will be posted on the District website and available in all District buildings on or about April 26, 2016
 - Budget newsletter - will contain descriptive information regarding the 2016-17 budget and will be distributed to all taxpayers on or about April 28, 2016
 - Budget postcard – will contain all information required by NYS Education Department and will be distributed to all taxpayers on or about May 6, 2016