Kenmore - Town of Tonawanda Union Free School District Long Range Financial Plan

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District Summary

The Kenmore-Town of Tonawanda Union Free School District, commonly shortened to "Ken-Ton," is located in northern Erie County along the Niagara River shoreline. Ken-Ton has a population of approximately 75,000 residents and a student population of approximately 7,000 students, making it the third largest school district west of Rochester and among the largest school districts in Upstate New York. The District encompasses the vast majority of the Town of Tonawanda and the historic Village of Kenmore, which has won numerous distinctions including identification as "One of the Top 10 Great Neighborhoods" in the United States by the American Planning Association and as the highest-rated community in Western New York by "Business First."

The District operates five elementary schools, two middle schools, and two high schools. The District's two high schools, Kenmore East and Kenmore West, are two of only four International Baccalaureate (IB) schools in the eight counties of Western New York. Ken-Ton is also well known for its high school Career Academies, its exceptional art and music programs, and other innovative program offerings.
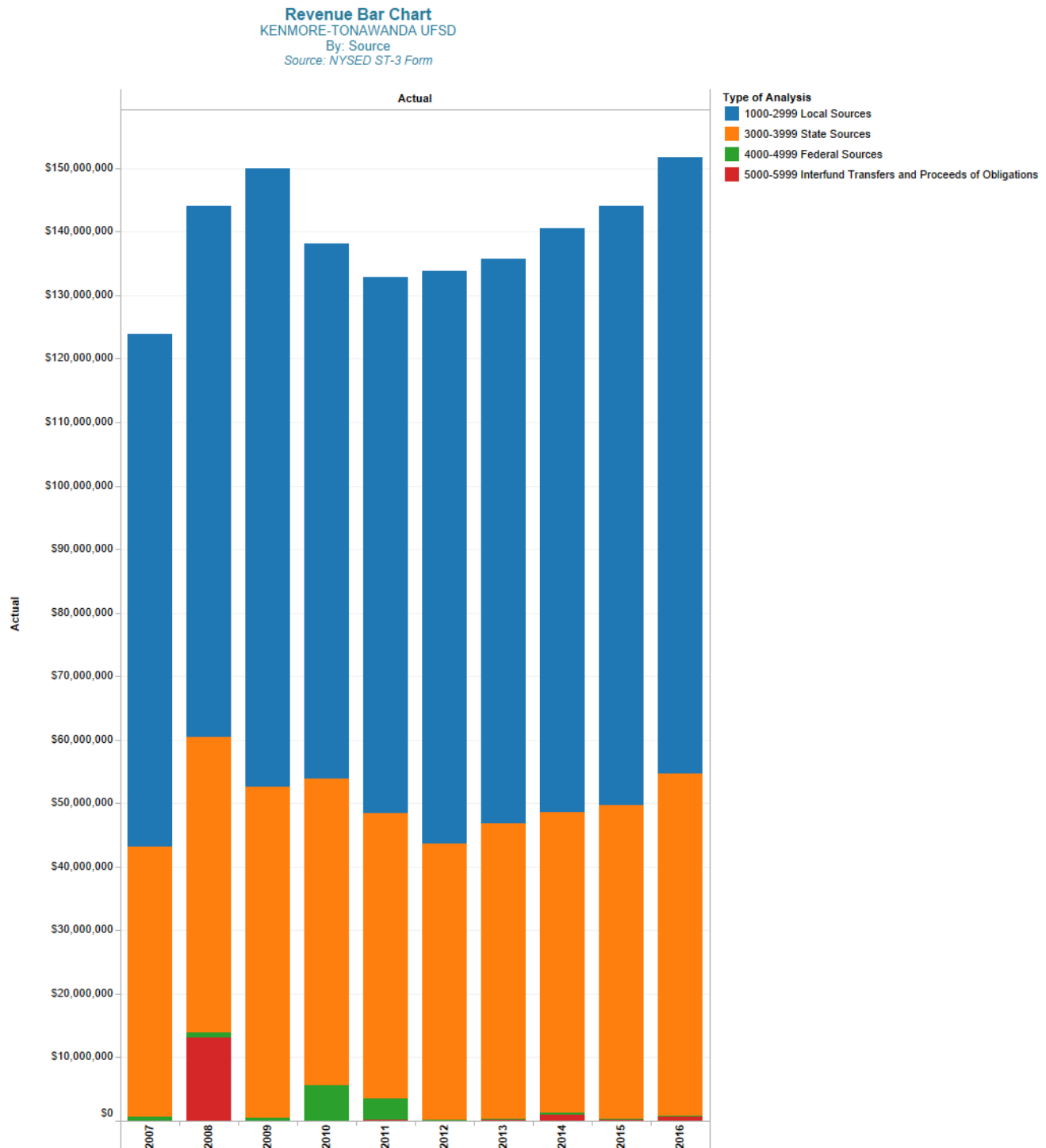
Purpose of Long Range Financial Planning

Fiscal responsibility is one of the most important aspects to ensuring the success of any school district. By creating and updating a five year financial plan, Ken-Ton is able to have a clearer picture of how decisions that are made today can affect our financial health in the future. More importantly, financial planning allows the District to sustain and add to our instructional programming. Factors such as instructional mandates, salaries, benefits, utilities and technology are just some of the areas that are built into Ken-Ton's financial planning. Some of these costs are more accurately predicted than others, but using modest assumptions will allow for a clearer financial picture as the District evolves alongside public education.

Revenue History

Revenue History by Source

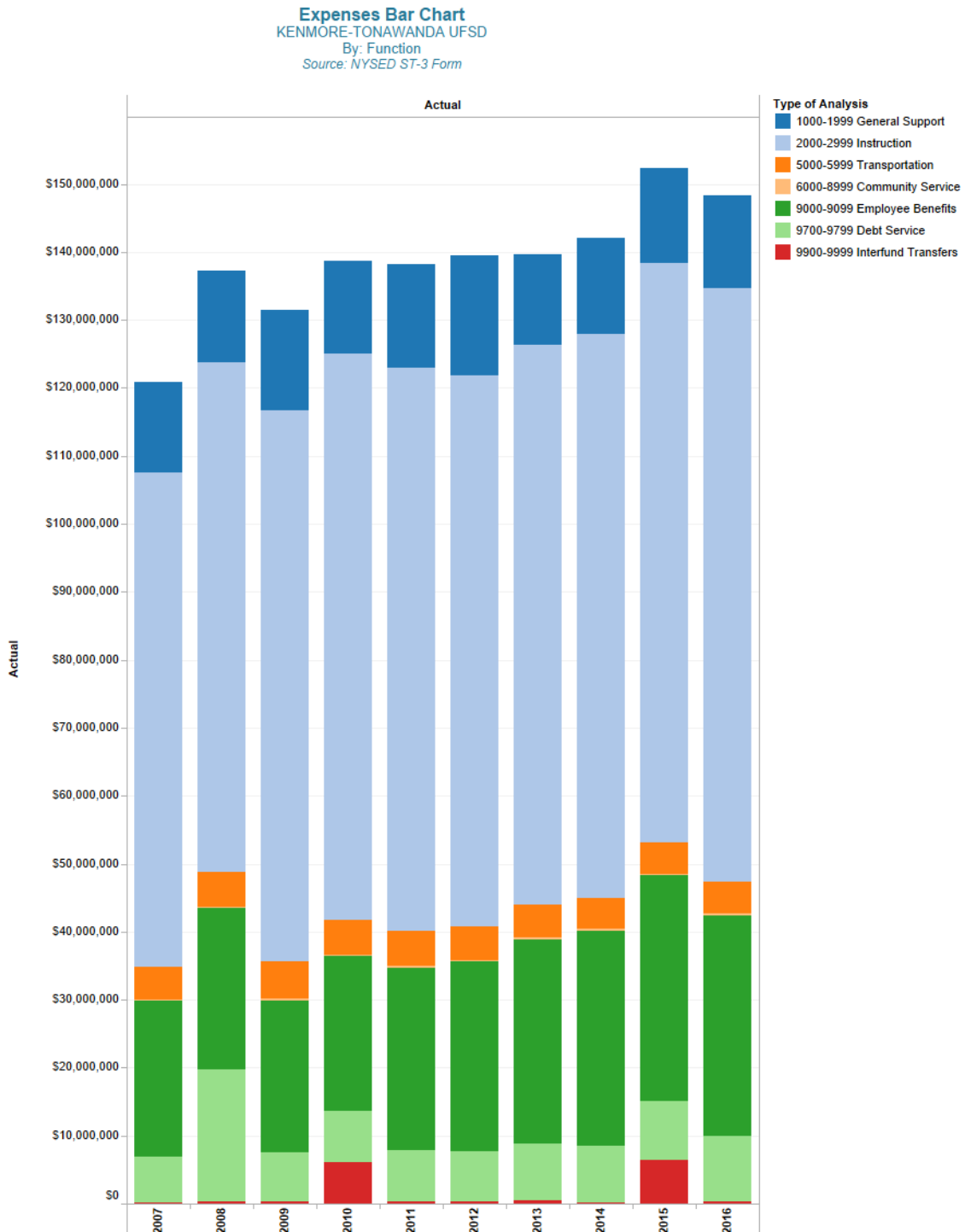The following chart outlines Ken-Ton's historic revenue sources. As with most New York State school districts, the majority of revenue in each budget comes from local sources (tax levy).

Revenue Bar Chart
KENMORE-TONAWANDA UFSD
By: Source
Source: NYSED ST-3 Form

Type of Analysis
- 1000-2999 Local Sources
- 3000-3999 State Sources
- 4000-4999 Federal Sources
- 5000-5999 Interfund Transfers and Proceeds of Obligations

Expenditure History

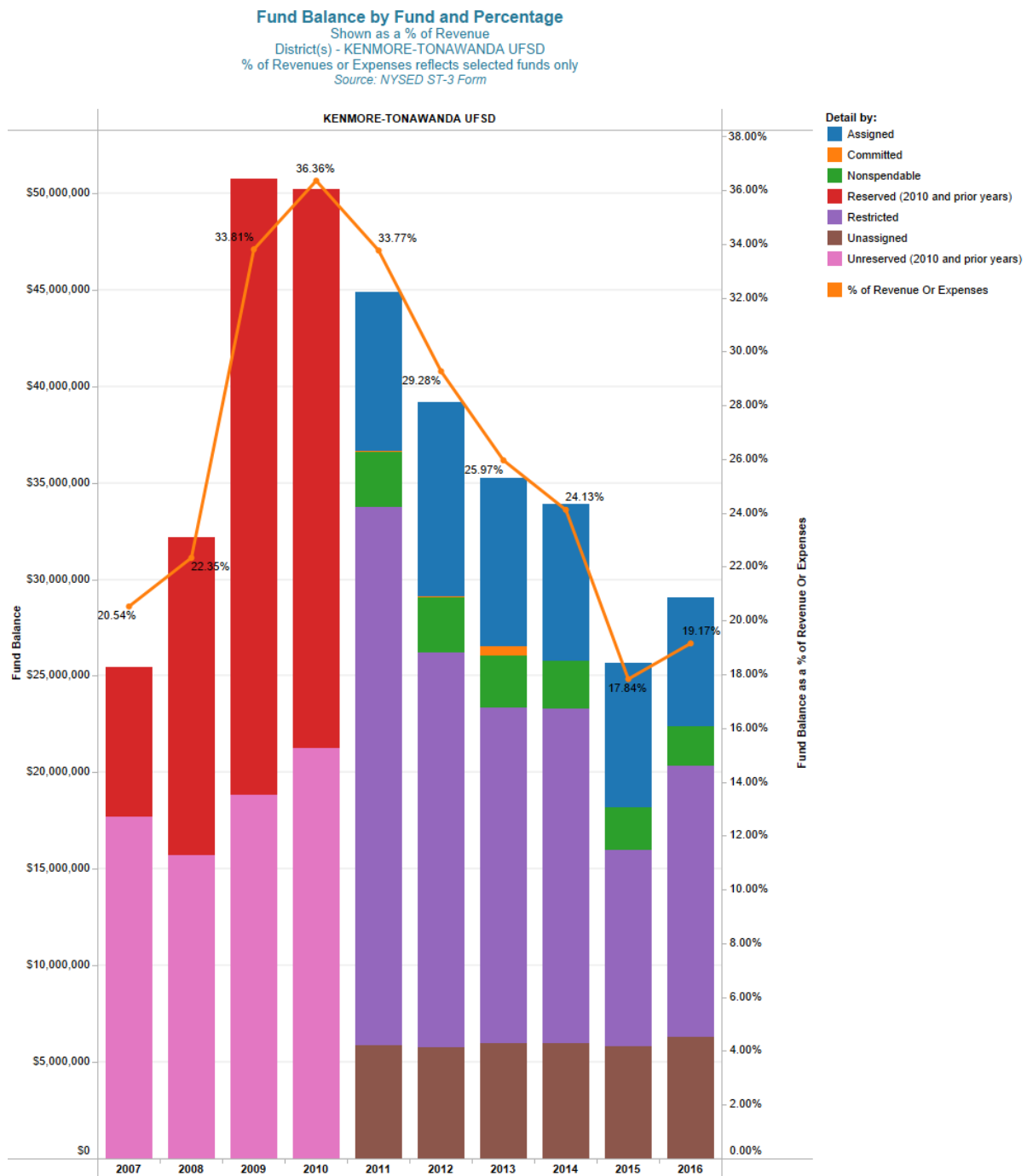## Expenditure History by Function

The following chart outlines Ken-Ton's expenditure history. Instructional expenditures are the majority of the budget, which include instructional salaries.

Fund Balance History

Fund Balance History by Category

The following chart outlines the use and additions of fund balance. Since the 2015-16 fiscal year, the District has been in a financial position to add back to reserves, not having to heavily rely on reserve appropriations to balance previous budgets.

Fund Balance by Fund and Percentage
Shown as a % of Revenue
District(s) - KENMORE-TONAWANDA UFSD
% of Revenues or Expenses reflects selected funds only
Source: NYSED ST-3 Form

Five Year Financial Plan

Key Factors

- All assumptions made are at a single point in time. These factors can and will change over the upcoming years, but provide a basis for financial decision making.

- Major initiatives as a result of Ken-Ton's Strategic Planning are not considered in the current model. Projected costs and implementation timelines have not yet been established, but costs are anticipated to be made up primarily of salary, benefits, professional development and technology.

- The forecast of revenues and expenditures are for five years. Anything beyond this time frame is less reliable and increasingly speculative.

Revenues

- Average of 1.5% increase in state aid. State aid has been predicted to increase on average 2% per year, but historical data for Ken-Ton shows closer to 1.5%.

- 2% average increase of tax levy. 2% is based on the tax levy limit formula but capital and PILOT exclusions will have an affect on this each year.
    - PILOT revenue decreases by .5% each year based on agreement terms.

- BOCES aid increase by 1% each year as the District purchases more equipment and services

- Decreased appropriation of fund balance and reserves
    - $1,000,000 appropriation of Debt Service Reserve to match increased local share debt payment in 2018-19

- Sales tax increase of $50,000 per year

- Electric Generation Cessation Mitigation Program revenue is not factored into long term planning due to the uncertainty of funding in future years. This fund is a first come, first serve program and is not guaranteed to be included in future New York State budgets.

Expenditures

- Consolidation savings have been recognized as of the 2016-17 and 2017-18 fiscal years. Any increases to salary and benefits are due to existing staff percentage increases and health care costs.

- Salary increases range from 2.5% - 4.2% as a result of percentage increases applied to steps and employee movement to higher steps.

- Healthcare increases estimated at 5%. The past two years have shown strong performance, yielding smaller increases as compared to the industry average of 8%.

- No change in utilities

- ERS contributions to increase to 15.1% in 2018-19 and steadily decrease by .05% per year.

- TRS contributions to increase to 11.15% in 2019-20 and steadily decrease by .05% per year.

- 2019 Capital Project Referendum
    - $66,000,000 project
    - Building Aid Ratio remains at 76%
    - Debt service payment for interest starts in 2021 with aid starting in 2022
    - $6,000,000 Capital Reserve usage
    - Keeps local share obligation at 2016-17 levels
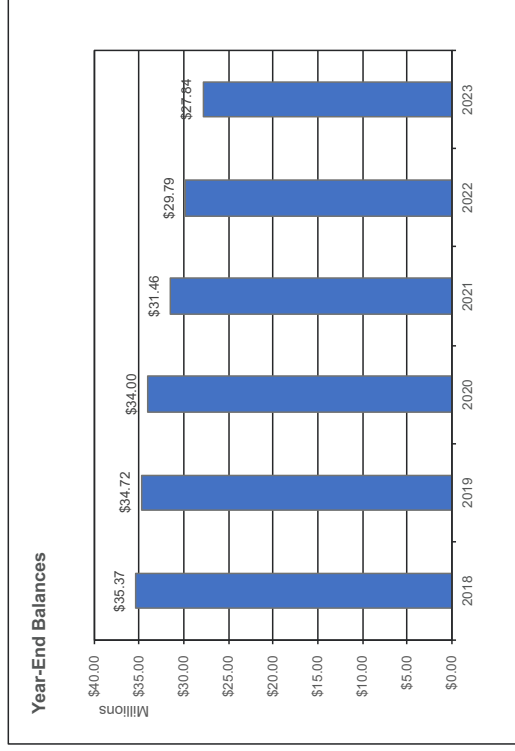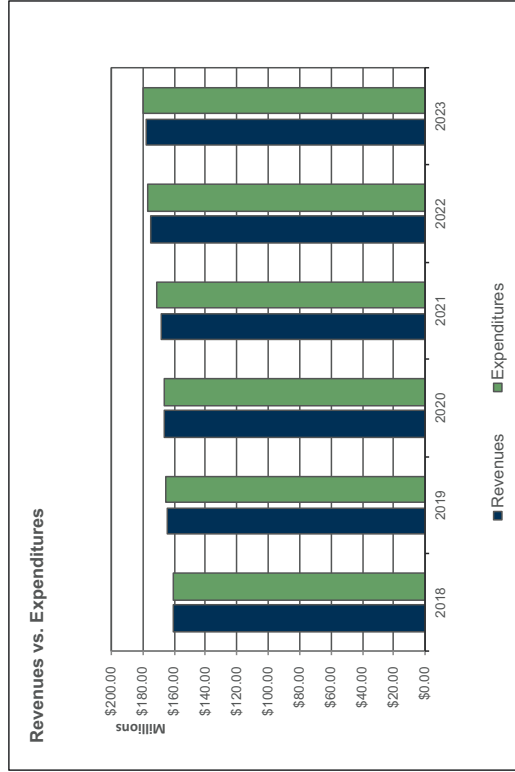
General Fund Projection Summary

The General Fund Projection Summary shows the surplus or deficit as part of the five year financial plan. A graphical representation of Revenues vs. Expenses is included as well as projected year end fund balances. In the current model, each year adds to an increasing deficit but at a slower rate than previously predicted. This is in part due to older capital projects coming off of debt service and expenses other than salaries, benefits and equipment remaining constant.

In order to eliminate the deficit, Ken-Ton must either increase revenues, decrease expenditures or a combination of both options. The District has the most control over its expenditures and must consider the projected deficits when supporting instruction, negotiating contracts and performing additional capital work.

LRFP 1-3-18 2019 Capital Project

REVENUE / EXPENDITURE PROJECTIONS

	BUDGET 2018	2019	%Δ	2020	%Δ	2021	%Δ	2022	%Δ	2023	%Δ
REVENUE											
Local	$101,726,978	$104,501,400	2.73%	$105,201,900	0.67%	$106,911,041	1.62%	$108,654,495	1.63%	$110,432,950	1.64%
State	$58,670,000	$59,517,025	1.44%	$60,376,588	1.44%	$61,248,875	1.44%	$66,099,420	7.92%	$66,997,726	1.36%
Federal	$160,000	$160,000	0.00%	$160,000	0.00%	$160,000	0.00%	$160,000	0.00%	$160,000	0.00%
Transfers / Other	$100,000	$100,000	0.00%	$100,000	0.00%	$100,000	0.00%	$100,000	0.00%	$100,000	0.00%
TOTAL REVENUE	**$160,656,978**	**$164,278,425**	**2.25%**	**$165,838,487**	**0.95%**	**$168,419,916**	**1.56%**	**$175,013,915**	**3.92%**	**$177,690,675**	**1.53%**
EXPENDITURES											
Salary and Benefit Costs	$117,731,430	$120,917,855	2.71%	$124,282,532	2.78%	$127,736,609	2.78%	$130,769,518	2.37%	$133,727,276	2.26%
Other	$42,925,548	$44,012,270	2.53%	$42,270,710	-3.96%	$43,222,870	2.25%	$45,915,082	6.23%	$45,909,818	-0.01%
TOTAL EXPENDITURES	**$160,656,978**	**$164,930,124**	**2.66%**	**$166,553,242**	**0.98%**	**$170,959,479**	**2.65%**	**$176,684,600**	**3.35%**	**$179,637,094**	**1.67%**
SURPLUS / DEFICIT	**$0**	**($651,699)**		**($714,755)**		**($2,539,563)**		**($1,670,685)**		**($1,946,419)**	
BEGINNING FUND BALANCE	$35,367,102	$35,367,102		$34,715,403		$34,000,649		$31,461,085		$29,790,400	
PROJECTED YEAR END BALANCE	**$35,367,102**	**$34,715,403**		**$34,000,649**		**$31,461,085**		**$29,790,400**		**$27,843,982**	
FUND BALANCE AS % OF EXPENDITURES	22.01%	21.05%		20.41%		18.40%		16.86%		15.50%	
FUND BALANCE AS # OF MONTHS OF EXPEND.	2.64	2.53		2.45		2.21		2.02		1.86	

Year-End Balances

2018: $35.37 | 2019: $34.72 | 2020: $34.00 | 2021: $31.46 | 2022: $29.79 | 2023: $27.84

Revenues vs. Expenditures

Legend: Revenues, Expenditures

Reserve Summary and Projection

The following chart shows the District's reserve balances as of the close of the latest fiscal year. The projected balances are based off of individual restrictions on each reserve and New York State Comptroller Audit recommendations. Many of the reserve balances are intended to match or exceed their general fund budgeted amount in order to sustain education programming in the event of unexpected expenditure increases or revenue shortfalls.

The following reserve usage assumptions have been made as part of the overall long range financial projection:

- Reserve appropriation for "one-time" unexpected expenses/revenues shortfalls and not a means of balancing the budget
- Use of $6,000,000 from the Capital Reserve for 2019 Capital Project Referendum
- Fund employee retirement reserve while rates are declining/stable
- Maintain Unassigned Fund Balance at 4% of budget

Kenmore - Town of Tonawanda Reserve Balances			
	6/30/17	**2022-2023**	**Difference**
Worker's Compensation	$965,786	$950,000	-$15,786
Unemployment	$383,063	$385,000	$1,937
Retirement Contribution	$2,896,934	$4,500,000	$1,603,066
Tax Certiorari	$1,701,658	$900,000	-$801,658
EBALR	$3,964,299	$2,750,000	-$1,214,299
Capital Reserve	$5,594,948	$1,000,000	-$4,594,948
Repair Reserve	$1,474,600	$1,500,000	$25,400
Debt Reserve	$2,566,770	$1,400,000	-$1,166,770
Nonspendable	$2,005,000	$2,005,000	$0
Unassigned	$6,428,386	$7,107,627	$679,241
	$27,981,444	**$22,497,627**	**-$5,483,817**