



# POUGHKEEPSIE CITY SCHOOL DISTRICT

FINANCIAL UPDATE

MARCH 4, 2020



# AGENDA

- Selected Follow-up Items from the Last Meeting
- Tax cap for 2020-21
- Projected State Aid 2020-21
- Preliminary Look at the Revenue Picture 2020-21
- Funding for General Fund Operations vs. Capital Projects
- Next Steps

## SELECTED FOLLOW-UP ITEMS

**1) OCFS outstanding grant of approximately \$3 million**

-Subsequent discussions, contract amendment provided at this meeting to facilitate payment.

**2) Make reductions in discretionary spending where possible this year**

-Issued communication to staff and making reductions where possible this year.

**3) Determine if the \$925,000 transfer to Capital can be reduced this year**

-Monitoring, approximately \$600,000 known, will try to cap expense at \$675,000 (\$250,000 savings).

**4) Obtain the updated State aid runs when released in late February**

-Slide provided in this presentation

## SELECTED FOLLOW-UP ITEMS

### **5) Create the district budget**

-In progress, **2020-21** salaries being updated this week, projections being done in health, retirement, and other areas.

### **6) Building-by-building cost reporting due to SED March 1<sup>st</sup>**

-Report filed on time, may be some revisions which are allowable.

### **7) Tax Cap reporting due March 1<sup>st</sup>**

-Filed on time

# TAX CAP IMPLICATIONS

The tax cap simply determines the number of votes needed to pass a school budget.

- If a school district increases the taxes less than or equal to the tax cap, then only a simple majority (50% plus 1 vote) of votes are needed to pass the budget.
- If a school district increases the taxes above the tax cap, then a super majority (60%) of votes are needed to pass the budget.

# TAX CAP FORMULA IS COMPLEX

- The factors for calculating the tax cap are:
  - Current year tax levy
  - Tax base growth factor
  - Current year PILOTs
  - Less exemptions
    - Capital tax levy, court orders, judgments, pension increases
  - Levy growth factor (CPI)
  - Next year PILOTs
  - Available carryover from prior year
  - Tax-levy limit (prior to exemptions)
  - Final tax-levy limit

## 2020-21 TAX CAP FOR PCSD

The tax cap is 6.072% for the 2020-21 fiscal year. This allows for a tax increase of up to \$ 1,794,478 with a simple majority of positive votes.

The primary items driving the tax cap include the reduction of building aid (\$1.7M) and PCSD's share of the BOCES capital project (\$611,300 net expense after related building aid).

*Disclaimer: The tax cap formula is complex and does contain several estimates. Additionally, for the first time this year BOCES capital expenditures must also be considered in the formulas. Guidance has not been finalized on all aspects of the BOCES implication to date.*

## 2020-21 PROJECTED STATE AID FOR PCSD

<b>STATE AID PROJECTIONS</b>	<b>2019-20 Budget</b>	<b>2020-21 Preliminary Budget</b>
State Aid	\$70,167,885	\$ 70,167,885

PCSD would have realized approximately \$2.1 million of additional funding in the Governor's proposed budget in January, 2020 but will not because:

- 1) Building aid is decreasing by \$1.7 million on projects no longer eligible for aid
- 2) Excess cost aid (related to reimbursements in special education programming) is decreasing by \$375,000.

## 2020-21 PROJECTED STATE AID FOR PCSD

- State aid represents approximately 67% of PCSD's revenue sources.
- Having no increase in State aid for 2020-21 unfortunately limits the ability to increase revenues to the other 33% of the budget which is primarily school taxes (28.11%)
- The State aid picture may improve in the final State budget adopted in March or on April 1st.
- Grants typically require additional spending and are not used to supplant existing costs.

# PRELIMINARY LOOK AT THE REVENUE PICTURE 2020-21

**For illustration only**

**Special Note:** Tax Levy not determined at this time

<b>REVENUES</b>	<b>2019-20 Budget</b>	<b>2020-21 Draft</b>
Budgeted/Projected Revenues	\$ 102,246,021	\$ 100,600,000
Appropriated Fund Balance/State Aid	2,500,000	500,000
Insurance Proceeds	400,000	-
* Tax Levy Increase (example at 5.92% inc.)		1,750,000
<b>Total Revenues</b>	<b>\$ 105,146,021</b>	<b>\$ 102,850,000</b>

Difference between projected revenues next year and current budget. \$ (2,296,021)

# FUNDING FOR GENERAL FUND OPERATIONS VS. CAPITAL PROJECTS

Given that the PCSD is considering a capital project to improve the learning environment for students, it is prudent to review how the funding process works.

- All funding for capital projects must be approved by the community via a separate referendum. These funds can only be used for the capital project. The voter authorization includes the authority to tax for the project (school districts tax the remaining amount after the building aid generated on the project is applied).
- The funds to operate the district on a daily bases are budgeted in the General Fund and voted upon annually by the community in May of each year. These funds support operations that include the cost of educational programming, buildings, transportation, insurance, equipment, and staffing.

## Next steps

1. Monitor the cash flow and update monthly
2. Forecast revenues in detail for 2020-21
3. Forecast salaries and all other expenses for 2020-21
4. Develop complete 1<sup>st</sup> Draft of the 2020-21 Budget
5. Develop cost reduction plans to bring the 2020-21 budget into balance
6. Review the status of SED filings

# Questions/Remarks

