



NORTH TONAWANDA

LUMBERJACKS

LONG RANGE FINANCIAL PLAN

2022

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A. INTERPRETATION AND USAGE

The purpose of this five-year long-range financial plan is to support the annual budget development process. Each budget process is unique and this results in many new budget items being considered by the District. This long-range financial plan concentrates on addressing program continuation expenses and does not reflect new district programs or the potential enhancement of existing programs. The objective of this plan is to show how annual budget increases impact future budgets.

B. FINANCIAL BACKGROUND INFORMATION

Financial Operation and Oversight

The North Tonawanda City School District operates under the supervision of the New York State Education Department as well as all applicable New York State Municipal Laws. In 2005, New York State enacted the Fiscal Accountability Legislation. This legislation required all school districts to establish an internal audit function, requires all Board of Education members to complete fiscal oversight training and mandates that the New York State Comptroller audit school districts once every five years. The last major provision of these laws requires each school district to establish an audit committee. This committee is responsible for reviewing all district audits. The North Tonawanda City School District has fully complied with this law since its inception. This long-range report explains why the District utilizes a conservative approach to the development of its annual budgets.

Auditing – Internal and External Audits

The Fiscal Accountability Legislation required that all districts establish an internal audit function. The purpose of internal audits are to review the District's internal controls and to verify that safeguards are in place over the District's assets. In response to this item, the District last issued a Request for Proposal (RFP) in 2018 to public accounting firms for these services. This law required that the District follow an open RFP process as a means to select an accounting firm for the performance of this internal audit function. Our RFP process has resulted in the Board of Education awarding services to the accounting firm of Lumsden & McCormick to meet this legislative requirement.

The internal auditor can be utilized to review the District's budget development process to provide a third-party review of the process for an objective evaluation of the practices being implemented by the District. The auditor's professional review and unmodified opinions on the District's budget development process provides the reader of this report with a level of assurance that the financial information herein is reasonable and pertinent to the current financial condition of the District.

The District must have an independent external audit firm complete an annual financial audit each year. The purpose of the external audit is to have a professional accounting firm complete an independent review of the District's financial statements. This review assures the Board of Education and the public sector that our financial statements fairly represent our financial condition. The Board of Education appointed the firm of Drescher and Malecki, LLP to complete the annual audit. In October 2020, the auditor stated to the Audit Committee and the Board of Education that the District is financially sound based on their review of the 2019-20 accounting records. Their message to the Board of Education emphasized that even though the District's current financial position is strong, it must recognize the annual uncertainty of New York State Aid as it plans future budgets to avoid fiscal challenges. In the current COVID pandemic, these challenges are numerous as future revenues are anticipated to decrease due to the financial crisis in NYS and across the country. While revenues are anticipated to decrease, contractual expenditures will continue to increase and it will be crucial during the budget process to identify opportunities to reduce expenditures without compromising programs. This long-range plan reviews ongoing financial issues that need to be monitored and addressed through strategic planning to maintain the District's current level of instructional programming.

Government Accounting Standards Board (GASB)

The District's accounting methods must follow all Government Accounting Standards Board (GASB) announcements. All GASB changes are influenced by a variety of external groups including the Internal Revenue Service, Federal Government, American Institute of Certified Public Accountants and Government Accounting Standards Board and Financial Accounting Standards Board. Over the past ten years, there have been some major changes in the District's financial reporting due to the implementation of many different GASB statements. There will continue to be new GASB pronouncements that will require modifications to the District's financial statements. These pronouncements will address such items as pension reporting, post-employment benefit reporting and tax abatement reporting. It is important to state that school districts must comply with these new standards. If the District did not comply with the GASB changes, it would receive an audit finding in the District's Audit Management letter.

Accounting Method

The District utilizes a modified accrual method of accounting for all revenue and expenses. This accounting principle requires that revenues and expenses are recorded in the period (fiscal year) they are received and/or incurred. For the most part the District operates on a cash basis but at the end of the fiscal year transactions can span two different fiscal years. In these cases, the District must accrue (account for) revenues and expenses related to the prior year in its accounting records. More detailed information on the accounting and budget code requirements for school districts may be found in the New York State Comptroller's "School Districts Accounting and Reporting Manual" which can be viewed at this website link:

https://www.osc.state.ny.us/files/local-government/publications/pdf/arm_schools.pdf

C. BUDGET BUILDING PROCESS – BALANCED BUDGETING REQUIREMENT

New York State law requires school districts to have a balanced budget. The definition of a balanced budget is that the expense budget must be fully supported by the revenue budget. Therefore, every expense increase requires an equal increase in the revenue budget or an equal reduction in the expense budget to create a balanced budget.

The District begins the budget development process with a projection of the maximum revenue increase that it may obtain from its tax levy under the tax cap calculation. It then adds all other revenues to obtain a total revenue number. The following revenue sections explain the significant impact of the New York State tax cap on the tax levy.

Impact of Tax Cap

New York State has advertised its tax cap law as a two percent (2%) cap on taxes. Although our residents hear this message, the law does not actually limit the tax levy increase to two percent. The law states that if the consumer price index (CPI) is two percent or greater, a district must use two percent in the tax cap calculation as it pertains to the change in the prior year levy. This two percent limit excludes levy increases for assessment growth and pertinent exclusionary expense calculations that are permitted in the tax cap calculation. The exclusionary items within the tax cap legislation allow school districts to issue tax levy increases that are greater than two percent of the prior year's levy. The exclusionary items include New York State Retirement System payments that are greater than a two percent percentage point increase of the prior year's rates, specific changes in payment in lieu of tax items, debt service changes, and payments for specific legal cases involving tort settlements. It is important to state that the law does not provide exclusions for contractual salary payments, utility/fuel expenses, health insurance increases and additional expenses attributed to New York State mandates that school districts are required to implement each year. If the CPI rate is below two percent, a school district will most likely have a levy increase under the two percent amount unless they have qualifying exceptions that raise their approved tax levy limit or if they wish to exceed the tax cap amount. If a school district's tax levy increase is under the tax cap amount, the District only needs to receive a simple majority of "yes" votes to approve the budget.

Tax Cap Override (Exceeding the Tax Cap)

The tax cap law provides no limit to a school district on the annual increase amount that they may seek from their tax levy. If a district chooses to exceed the tax cap number, it must receive at least sixty percent (60%) "yes" votes in order to approve the budget.

Tax Cap – (Budget Defeat)

An important change in the budget vote process under the tax cap law is that there are severe budget consequences for a defeated budget. Prior to the tax cap law, a district with a defeated budget could increase their prior year's budget by multiplying it by a calculated increase that considered the CPI rate for that year. Under the new law after two budget defeats, a district must use the same tax levy that it had in the previous school year which would result in a zero increase in the tax levy. This type of situation could result in financial difficulties for the district and program cuts.

Impact of the Tax Cap on Future Budget Development Cycles

Due to the tax cap law, the District cannot assume that reductions in one planning process will minimize or eliminate required budget reductions in future budget cycles. The opposite is true. The total revenue increase is the driving factor of the budget. If there is a low increase in revenue, this correlates with a need to have a larger expense reduction. The opposite is also true. If the District projects higher revenue estimates, it will be in a better position to minimize the amount of expense reductions that it must implement to balance the budget.

D. REVENUE INFORMATION

Historical State Aid Information

In the 2007-08 school year, New York State implemented a new state aid formula for public school funding. The new formula enacted was Foundation Aid and it replaced previous state aid formulas. The Foundation Aid calculation provided a major change from past formulas in that it estimated state aid amounts to all school districts for a four-year period-of-time. Even though this plan is going to be twelve years old, it is still relevant to the state aid equation because there has been recent discussions on the elimination and replacement or restructuring of Foundation aid. The elimination of this aid category is in contrast to other discussions regarding requests to fully fund the aid category. The most recent State level conversation on Foundation seem to indicate that fully funding Foundation Aid is far from becoming a reality. The increased volatility in the economics of NYS due to the COVID crisis will undoubtedly move the state further from fully implementing the Foundation Aid calculation to balance the state budget.

New York State School Aid Reductions

The Foundation Aid budget reduction occurred eleven years ago in 2009-10. It was referred to as the Deficit Reduction Assessment (DRA) or commonly called GEA. It is important to state that the revenue dollars lost between the 2009-10 school year and the 2016-17 school year were never recouped by the District. Additionally, the reduction in State Aid resulted in a lower base aid amount in each year and resulting in lower State Aid increases since the reduction. Given the current state of the economy, the state could enact a similar reduction in aid.

What Happened to New York School Aid in 2009-10 and 2010-11

When New York State and other states reduced school aid to school districts the federal government initiated the American Recovery and Reinvestment Act (ARRA) program to provide additional revenue for K-12 education programs. New York State informed school districts that they could expect to receive an allocation of funds from this program in their 2009-10 and 2010-11 school year budgets. Their plan changed due to the State's fiscal problems. The State used their Federal 2010-11 dollars to pay school districts their aid for the previous 2009-10 school year. Because of this action, the North Tonawanda City District did not receive the previously projected ARRA funds in the 2010-11 school year. These dollars were permanently lost to the District and many others across the state. To counter the way states allocated the Federal ARRA funds to school districts the Federal government implemented a grant program to districts in the 2010-11 school year. The program was called the Federal Education Jobs Funds. For the 2012-13 school year, the Federal Education Jobs Funds program expired resulting in a revenue reduction across the state. In 2016-17 the state budget process began the restoration of the state aid reduction. Based on the trends over the past several budget cycles, it is unlikely that the District will receive a large increase in state aid in future years. This will be an important factor to consider when developing future budgets.

The relevance of this historical state aid information to the development of the 2021-22 budget is that it is important to recognize that if New York State's economy were to falter, there will be an impact to the District's state aid budget. The loss of state aid combined with the New York State tax cap would require the District to reduce the expenditure budget to obtain a balanced budget. The potential for this budgetary situation to occur is the reason why sound financial decisions must be made each year. Sound budget practices require a balance between budgeting too little or too much in the District's budget codes.

Revenue Categories

Revenues are accounted for in specific revenue codes as defined by New York State law and the New York State Comptroller's Office. The District uses approximately forty different revenue codes on an annual basis. Of the forty revenue codes used by the District, there are seven significant categories.

1. State Aid

The governing bodies of New York State determine the District's annual state aid amount. Each year the state appropriates a portion of its budget to fund public school education. The state creates state aid formulas to allocate education aid to school districts. While the funding formulas have changed over the years, it is important to note that comparative funding levels by the geographic regions of New York State have remained relatively stable over time. This is important information for the community to understand because even when the Legislature and the Governor enact new state aid formulas, they attempt to maintain a stable allocation of state aid dollars throughout each region of the State. This concentrated effort results in minimal changes in the percentage of educational funding amounts to the different state geographic regions. This annual fact shows how political issues, regional cost factors, and educational lobby groups directly affect school funding levels. The importance of State Aid to the District cannot be underestimated. State Aid is a critical revenue that enables the District to maintain its educational programs as **the largest source of revenue** for the District.

2. Tax Levy

The District's tax levy is the second largest source of revenue for the District. New York State law authorizes the Board of Education to issue a tax levy. The original purpose of a school tax levy was to allow school district communities to levy taxes to enhance and support their educational programs. In this long-range plan, each tax levy estimate is estimated to be within the tax cap law using two percent as the measure.

3. Appropriated Fund Balance

The Board of Education authorizes the District to save funds from the prior year budget and apply them to balance future budgets by using appropriated fund balance. If the district expends its appropriated fund balance in a school year then in then there will be limited fund balance to draw upon for succeeding budget years to close a revenue gap. This scenario will create a revenue shortfall and need for deep cuts in expenditures. Mitigating future budget shortfalls, the District must plan budget surpluses and/or have equaling revenue and expenses in each year. This means that the District must end the prior year with a surplus that is equal or greater to the appropriated fund balance amount or have the actual revenues be equal or slightly greater than the actual expenses. Attaining these financial conditions allows for sustainable future budgets. In the 2020-21 budget, the District's appropriated fund balance was \$5,000,000. The goal is to reduce the amount of the appropriation in the 2021-22 budget to limit the exposure of fund balance as per the developed fund balance and reserve plan.

4. Appropriated Reserves

The District's appropriation of reserves in its revenue budget does not create a one-year funding gap because the appropriated reserve amounts will consider a long-range appropriation plan. The expenditure of the identified reserves is for one-time purchases and not meant to sustain a stream of revenue to fund programs over a long period of time. The use of a Debt service reserve is tied in specifically for retiring debt on projects that excess proceeds existed for project borrowing due to premiums on bonds. Again, the reserve is matched to an expense that will be retired and will not be maintained beyond the debt payments. These payments also reduce the interest expense by paying on the principal debt of the obligations.

There may be a future point in time when reserve appropriations will not be possible at present levels due to the depletion of the reserve balances when reserved are used to fund ordinary regular expenses in the budget. To address this financial position, it would be the District's goal to slowly decrease reserve appropriations in future budgets and decrease expenditures in kind to maintain balance in the budget. It is important to state that the district has several reserves that must be funded at responsible levels due to their need to support self-insured expense categories. The appropriate funding of reserves is detailed in the District's fund balance and reserve plan.

5. Payment in Lieu of Taxes (PILOT)

A business or corporation may engage in negotiations and submit to local, county or state Industrial Development Agencies an application to obtain a special agreement that removes their building and property from the tax roll within the governing laws of the region/locality. Per this agreement, the business follows a reduced property tax payment schedule for the number of years stated in the agreement. The total PILOT payment amounts move along a schedule each year in accordance with the agreement as the property eventually is fully added back onto the tax rolls. The school district has little if any control over these agreements. The intent of PILOT agreements is to foster

economic development and add jobs to the community. The New York State Comptroller has stated that PILOT agreements do not always achieve the economic goals that were stated in their applications. When this situation occurs, the benefit promised of the PILOT in the form of increased assessment value on the tax rolls does not translate into a lower tax burden on the taxpayers in the community. Ideally, at the end of a PILOT agreement, the entity would take on a significant portion of the tax levy but the PILOT can still be a success by bringing employment to the region and more residents to the community which will add to the tax rolls. Thereby, the PILOT is indirectly spreading the tax levy through growth in further residential or private development.

6. Interest Earnings

Interest earning revenue is based upon the amount of funds (available cash) held by the District at any given point in time. The District receives the most interest earning revenue after receipt of the tax levy at which time more cash may be available to invest in the legally eligible funds. This revenue category fluctuates annually based on the economy and the interest rate markets. In poor economic times, this revenue is not a significant source of income. This revenue stream can approach \$150,000 but in the context of an \$80 million-dollar budget, this figure is relatively insignificant and would be hard pressed to consistently earn anything above 1.5% interest given the type of investment products available to Districts.

E. EXPENSE INFORMATION

The long-range financial plan attached to this report has been developed by using expense projections that are based on forecasted future increases and decreases in expense categories. The financial projections are developed at a single point in time. This long-range plan will not be updated throughout the annual budget development process.

Development of Long-Range Budget Expenses

Budget information has been compiled by function code (major school expense category) for a horizontal analysis at the macro level of the budget over a period of five years. The objective of the analysis is to concentrate on large expense items that may increase within each budget area with some basic and simple assumptions. A more detailed model will be developed to drill down into each functional code to forecast for specific budget lines and items anticipated in future years in the budget development process with management. The detailed forecast provides information in each operational area so management can identify potential future budget reductions or necessary shifts in budgetary priorities or spending. Potential budget reductions or reallocation of funds are researched collaboratively with administration to determine if they are permanent and if they can be incorporated into the high-level long-range budget plan addressed in document. These revised projections are then baked into and become part of the base budget that is projected into future budget years.

The long-range budget development process must also consider specific budget increases in general budget areas. Examples of these increases are utility costs for electricity and natural gas. Normally, the District applies the Consumer Price Increase (CPI) rate to general expense items. In this 2021 long-range expense plan, CPI increases will be added to a select number of expenses.

F. LONG-RANGE FORECAST

a) HUMAN RESOURCES CATEGORIES

Human resource expense categories traditionally account for the majority of the District's budgetary increases. The chart below provides historical budgetary information for salary and benefit increases for the prior decade of budgets plus the 20-21 budget.

Year	Total Budget	Total Salary	Salary % of Budget	Total Benefits	Benefits % of Budget	Total Salary and Benefits	Salary & Benefits % of Total Budget
2012-13	\$ 64,752,895	\$ 30,151,503	46.56%	\$ 13,771,889	21.27%	\$ 43,923,392	67.83%
2013-14	\$ 65,740,756	\$ 29,839,533	45.39%	\$ 14,635,768	22.26%	\$ 44,475,301	67.65%
2014-15	\$ 68,423,968	\$ 30,168,050	44.09%	\$ 16,110,684	23.55%	\$ 46,278,734	67.64%
2015-16	\$ 70,548,964	\$ 30,997,671	43.94%	\$ 16,933,169	24.00%	\$ 47,930,840	67.94%
2016-17	\$ 72,315,050	\$ 30,756,410	42.53%	\$ 18,033,824	24.94%	\$ 48,790,234	67.47%
2017-18	\$ 73,491,613	\$ 32,040,657	43.60%	\$ 18,454,723	25.11%	\$ 50,495,380	68.71%
2018-19	\$ 77,887,449	\$ 32,524,895	41.76%	\$ 18,584,065	23.86%	\$ 51,108,960	65.62%
2019-20	\$ 79,431,300	\$ 33,477,102	42.15%	\$ 18,705,266	23.55%	\$ 52,182,368	65.69%
2020-21	\$ 81,016,940	\$ 34,461,500	42.54%	\$ 18,350,000	22.65%	\$ 52,811,500	65.19%
2021-22	\$81,854,500	\$36,060,654	44.05%	\$19,075,000	23.30%	\$55,135,654	67.36%
Percent Change over Period			-2.51%		2.04%		-0.47%
Average % of Budget			43.66%		23.45%		67.11%

Salaries

Although total salary budgets have increased, the salary category has decreased as a percentage of the total budget by 2.51 % over the past decade. This was primarily due to a combination of retirements, layoffs and program cuts in the budgets from 2012 through 2022. As state aid stabilized, so has programming and staffing. Although as a percentage of the budget these increases have fluctuated, since 2016-17, there has been a steady increase in salaries due to step movement and new negotiated contractual agreements for staff. If this trend continues, it may necessitate a cut in programs if revenue sources do not keep pace with the percentage increases in salaries.

Forecasted Salary Expenditures – It is anticipated with any new negotiated agreement will come with at a minimum an increase equal to CPI. At this time there is no significant expansion of educational programs to forecast.

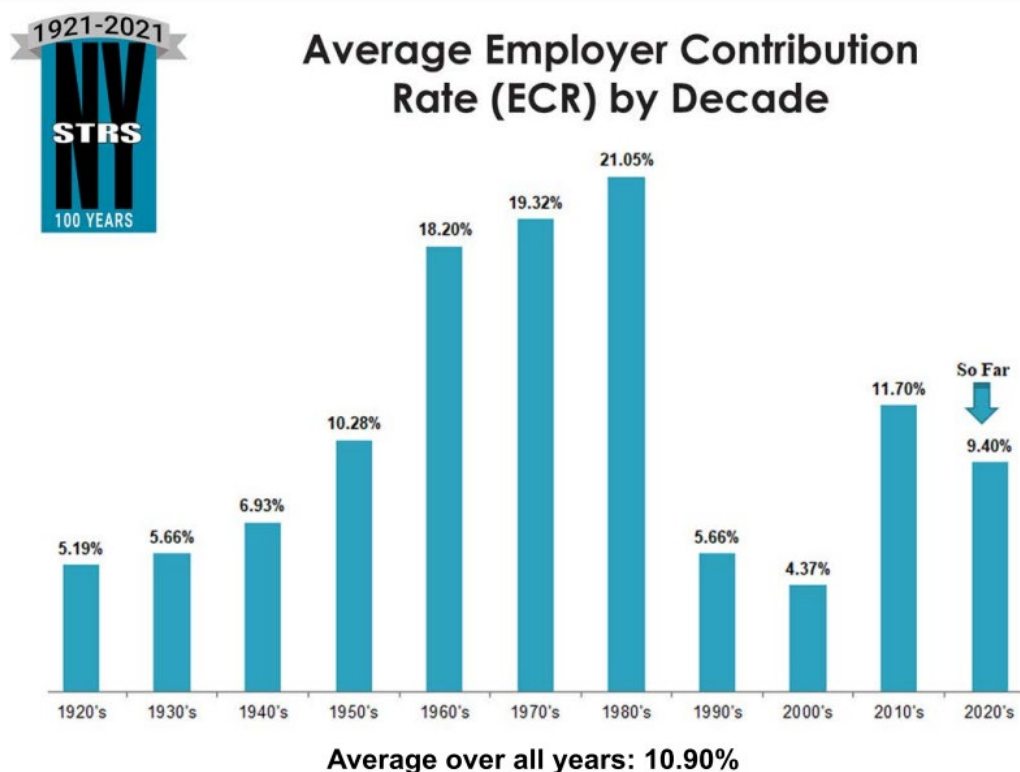
Benefits

The total benefit budget (as a percentage of the total budget) has increased 2.04 %. Employee benefit budgetary costs have continued to outpace inflation and the information in this table shows that the budget category has increased approximately 45.7% since the 2012-13 school year. During this same period-of-time, salaries increased by 18.5%. Actual benefit expenditures increased almost 25% more than actual salary expenditures. This trend underlines how the cost drivers associated with benefits have significantly outpaced salaries over this ten year period. It is important to note that the District manages a

self-funded health insurance program which accounts for some of the discrepancy between the budget and actual expenses in this category. Retirement system contributions are another benefit expenditure that can fluctuate significantly in a relatively short period of time. The District does have reserves that can be utilized to fund retirement system costs during economic cycles to smooth out volatility in the budget. Unfortunately, there is not a reserve for unexpected escalation in health care claims and high cost claimants in a bad budget year. It is therefore necessary for the District to carry a higher budgetary figure to manage the risk of exceeding the budgetary line for healthcare. As part of the reserve plan it is recommended the District investigate legal uses of reserves to have some mechanism in place for health insurance costs in addition the retirement reserves already in place. The next sections break down the major cost drivers in this category; NYSTRS/ERS and health insurance.

New York State Retirement System

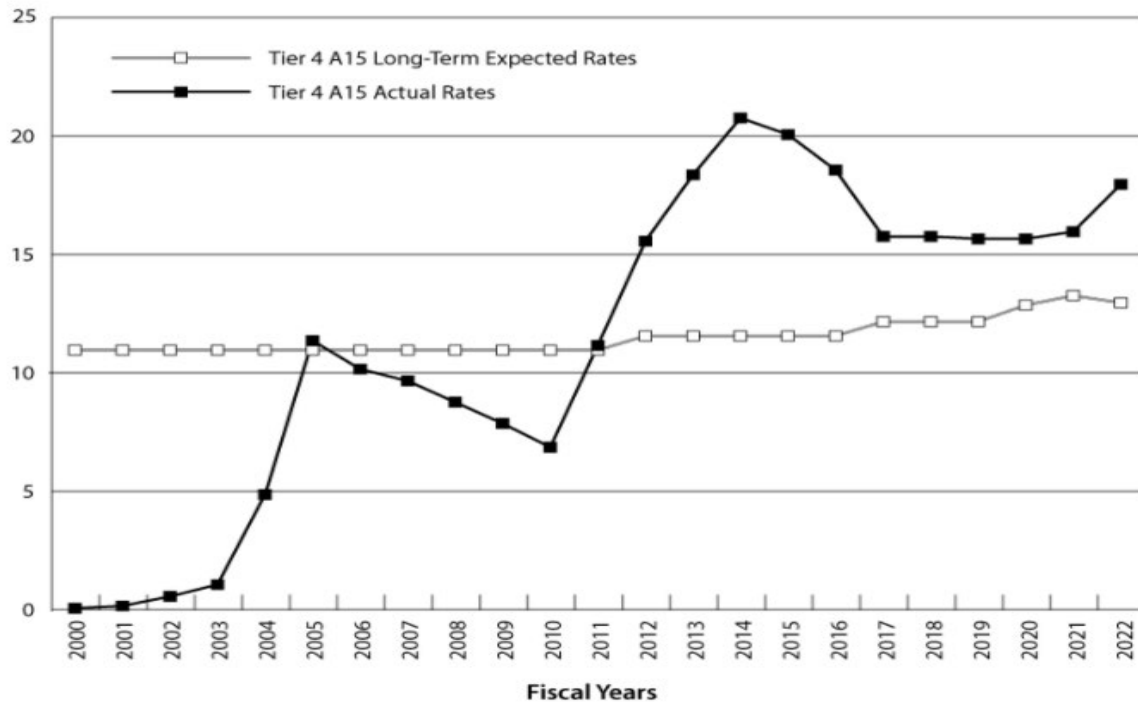
Expanding further on the topic of the NYS retirement system, it is important to recognize in the long-range plan that the District is required to fund payments to the New York State Retirement system each year based on employee membership in these systems. The Teachers Retirement System (TRS) is for certified personnel. The Employee Retirement System (ERS) is for noncertified personnel. Each retirement system is independent from the other system. The governing boards of these systems review their performance and they establish contribution rates that are applicable to salaries paid by the school district each year. The rates reflect the investment returns that these funds project to receive in the form of revenue as well the outflow of retirement payments to members. The recent contribution rates for both retirement systems have been decreasing due to strong investment returns from the equity markets. If the investment rate of return begins to decrease, it is likely that the contribution rates will increase. The charts illustrate the historical rate volatility that has occurred in both retirement systems.



Employees' Retirement System

Employer Contribution Rate History (2000 – 2022)

Long-Term Expected Rates vs. Actual Rates



Source: <https://www.osc.state.ny.us/retirement/employers/partnership/long-term-expected-contribution-rates>

To combat the volatility in the investment markets and economic downturns, it is the practice of the District to budget based upon actuarial experience and data that suggests maintaining a level of approximately 13%. This fiscally conservative practice is a measure in place to protect the long-term fiscal health of the District because it is extremely difficult to build enough fund balance in time to react to fluctuations in the employer contribution rate (ECR) related to stock market valuations. Likewise, for the ERS system it is recommended to maintain 16% of salaries.

Forecasted Retirement System Payments – The forecast will maintain 13% of certified staff salaries and 16% of classified staff.

Health Insurance

The percentage increases in this category are based on the projected health insurance claims that are expected to be paid in the upcoming year. The District's health insurance plan is self-funded, which means that it must pay for the actual expenses incurred by staff for health insurance matters. Additionally, the District pays premium expenses related to stop loss insurance to manage the risk associated with high cost claims on the plan. The self-funding of health insurance requires that the District budget for catastrophic claims each year. This results in a budget that will be greater than actual expenses to protect itself from the possibility that it will incur a catastrophic claim in excess of the stop loss coverage the District utilizes. This budgeting practice is recommended by the District's health insurance consultant. The District must follow this budget practice because New York State law does not allow a school district to have a reserve fund for medical health insurance.

Forecasted Health Insurance Payments

Due to the uncertainty of future employee illness, it is difficult to project increases for self-funded health insurance plans. The District's health insurance consultant advises the District to utilize health insurance industry data to project future expenses. The plan data is analyzed annually in January and February using trending data to set the budget and premium per member for the next fiscal year. Based on prior year experience and data gathered by the District's Health Insurance consultant, the forecast will utilize a yearly rate increase ranging from 6% to 10% to conservatively forecast out in the expense in this category.

b) FACILITY UTILITY PAYMENTS

The process for calculating future costs for electricity and natural gas is critical to a five-year long-range financial plan. Recently the District has benefited financially from an energy performance project which has yielded lower energy costs over the last several months. The facility improvements measures include a transition to LED lighting districtwide, upgraded HVAC controls districtwide, and the installation of high efficiency boilers at the Ohio elementary and the intermediate building. The District also participates in the School and Municipal Energy Cooperative of Western New York (SMEC) which fosters collaboration between municipal agencies and school districts to save taxpayers money on energy costs, reduce duplication of effort and administration, and explore new opportunities for collaboration between its members.

SMEC's aggregate approach to commodity purchasing for electric and gas reduces utility bills for its members. SMEC follows all state and federal regulations including New York State General Municipal Law Article 5-G and Section 119-o. The cooperative will complete a detailed energy study in the winter and develop a budget to forecast utility expenses for the next fiscal year trying to maintain some cost certainty of expenses.

Forecasted Utility Payments

The December Short-Term Energy Outlook (STEO) remains subject to heightened levels of uncertainty related to the ongoing recovery from the COVID-19 pandemic. Notably, the emergence of the SARS-CoV-2 Omicron variant raises uncertainty about the level of energy consumption throughout the world.

c) FACILITIES

The ability to maintain six school buildings, an administrative building, school athletic fields and their grounds requires constant maintenance and repairs. The facilities budget includes supplies for all school buildings. This includes cleaning solutions, paper products, pool chemicals, paint, heating system chemicals, plumbing supplies, electrical supplies and mechanical supplies. It also includes contractual expenses for mandated inspections, maintenance, fees and other required work.

Forecasted Facility Budget Increases

Specific supply and contractual service categories are increased by 2.0% to address inflation/cost increases. Presently, the District relies heavily on the general fund budget to address issues with building maintenance and operations. Recently we have moved these projects to small capital project work to generate state aid and have a more strategic plan to address building and maintenance issues. Over time this approach will yield more facility improvements in between larger capital projects. It has also been noted there was no functioning replacement plan for custodial and ground equipment. Unfortunately, equipment throughout the district is aging and in disrepair adding to expense to maintain old and outdated equipment. The current Director of Facilities is working on a long-term replacement plan to maintain operations. This plan will require funding to ensure the department is moving in the correct direction and the staff has the proper equipment and supplies. This will also reduce the money wasted on trying to maintain equipment that should be scrapped and recycled.

d) TRANSPORTATION

The District began the transition to an in-house transportation department in 2016-17 school year. Prior to bringing the in-district operations in-house a private school bus contractor was used for all of the District's primary school bus transportation needs. The District did maintain a limited fleet of small out of district buses in the period before the transition. In 2016-17 operations still required the utilization of a private contractor for approximately half of the total routes in place for student transportation inside and outside of the District. Since 2017-18, the District has been able to steadily reduce the reliance on outside contractors for transportation services. This transition has allowed the District to control costs in the department by negotiating union contracts and developing a comprehensive fleet replacement plan. At this point in the expansion, the department needs new facilities as the expansion of the department and transition plan developed in 2015-16 did not include the facilities in terms of maintaining the fleet of buses as they age. This cost will be in the form of a large capital project, so the impact on the long-range forecast will be in terms of debt service. The District needs to maintain a level amount of debt in the budget so this project should not negatively impact the general fund budget as any future debt coming off the books will be replaced by a project that will address the transportation garage. Long range planning can also be done to fund a capital reserve to finance the local share of the project in order to keep the tax levy low.

Forecasted Transportation Budget Increases – The contractual increase for private contractors will be established by the New York State Education Department in the spring. Typically, this increase generally follows the increase in CPI. For simplicity, a 2% measure will be used. For in-house operations, the District will be following the long-range fleet plan for capital expenditures which will be updated in February. As for the basic forecast in general a 2% increase will capture the operational expenses that align with the parameters utilized by the District. In addition, the model captures the purchase of buses in the 20-21 budget that is offset by the use of reserves to fund the related expense. In the 21-22 school year, following the long-term fleet replacement plan, the purchase of buses is reduced by \$500,000 as the spend is stepped down to a level amount in this budget category going forward from 22-23 to the end of the ten-year plan. A more precise model will be used to project staff costs in accordance with contractual agreements.

G. DEVELOPMENT OF THE LONG-RANGE REVENUE BUDGET

The major revenue assumptions that are included in the long-range revenue plan address the District's major funding streams. The items include state aid, federal funding, sales tax receipts, payments in lieu of tax payments, interest earnings and the use of reserves and fund balance appropriations.

A. State Aid

The District's State aid amounts are reviewed at multiple times throughout a school year. North Tonawanda state aid allocation is based on formulas created by New York State. Generally, these formulas consider the wealth of the District's community, enrollment, and the actual expenses reported to the State from the previous school year.

The District's State Aid payment is the result of multiple aid categories that combine to equal the total aid payment. The major State Aid categories are:

Foundation Aid – This is the largest aid category supporting public school district expenditures in New York State. The underlying principle for this aid is that school districts are expected to provide a minimum local contribution amount toward their educational cost. The State provides a per pupil amount of aid to assist districts with the costs associated with their educational program. The main components of the Foundation aid calculation consider district taxpayer wealth, taxpayer property wealth, number of students who qualify and/or receive free and reduced lunches and school enrollment.

Excess Cost Aid – This aid is for students who are receiving special education services. The amount of aid received is based on the type of services provided to each student. This is an expense driven aid.

Transportation Aid – This aid is for qualifying expenses paid by the District that are for school bus operations. Aid is not paid for athletic trips and field trips. There are restrictions on the payment of aid for minimum mileage distances between a school and a student's address. This is an expense driven aid.

BOCES (Board of Cooperative Education Services) Aid – The District purchases services from BOCES each school year. The use of BOCES services allows the District to participate in cooperative service sharing programs for specific items that would have a higher cost if they were purchased directly by the district. The State provides aid to the District for a portion of the cost of the BOCES services. This is an expense driven aid.

Categorical Aids – Aid is paid for software, textbooks, library supplies, and technology hardware. The State sets a per pupil aid amount for each category. The total aid paid for each category is limited by total student enrollment and the actual expenses incurred in each aid category.

Building Aid – The District receives building aid after it has completed a community approved capital construction project. The State reviews all project expenses and calculates an aid payable amount that is provided to the school

district over a fifteen-year period-of-time. The annual building aid amount will fluctuate each year based on changes in the aid payment timelines for each capital project. This is an expense driven aid.

Forecasted State Aid – Typically, the forecast provides for a two percent (2%) increase in Foundation Aid each year. Due to the COVID-19 pandemic and economic distress across the nation and the globe, it was expected that state aid could see a significant decrease in 2021. At one point before federal aid was provided to state budgets, the possibility of a 20% reduction in school aid was a reality in 2020. 2021 also found a change in leadership in NYS and a renewed sense of a need to fully fund school districts. At the time of the development of this plan it is extremely difficult to determine how NYS will address the funding of schools given recent federal bills aiding states. The aid certainly helps but the state, nation, and globe are still in the midst of the pandemic at this time and uncertainty around the future remains.

For this model the conservative but optimistic prediction would have state aid at a modest increase of approximately 2% in the 22-23. Federal aid should stabilize the NYS budget but it is still uncertain how the prolonged pandemic will impact state revenue. Most indicators do not point towards a pandemic recession but as inflation and logistics log jams persist there could be a significant negative impact on the economy that will take years to rebalance. Given these factors, any long-range model would continue to reflect a moderate 2% increase in aid from year to year.

B. Federal Grant Funding

The District's grants totaled \$1,895,622 in Federal funding for the 20-21 school year.

Forecasted Federal Grant Funding – This forecast does not consider a scenario where the District loses Federal Grant Funding.

C. Interest Earnings

The United States Federal Reserve Bank's interest rate policy impacts the interest rates paid by banks on their deposit balances. In 2020, interest rates plummeted and the funds legally utilized by the District are limited to investing in mostly treasuries which at this time have a very minimal yield. These rates are expected to climb in future but may take an extended time to recover. In general, this is not a significant source of revenue to the District so the forecast will be very conservative given in the period from July 2020 to November 2020 the interest earned on investments was only \$5,217 for a five-month period.

Forecasted Interest Earnings – Interest earnings do not change in the forecast. This revenue is budgeted at approximately 1.0% interest rate.

D. Appropriated Reserves/Fund Balance

The usage of appropriated reserves and fund balance in school district budgets is difficult to understand because their use normally generates surplus at the end of the fiscal year. The New York State Comptroller's comments on these surpluses further complicates the purpose and relationship for these very important financial items. The term fund balance may be defined as the total amount of revenue that exceeds the total expenses incurred by a district in a fiscal year. Fund balance may be allocated to various reserves and accounts based on New York State laws. When fund balance and reserves are appropriated as a revenue in the operating budget, it is done with an understanding that they are considered temporary revenues. In other words, once expended, there is no guarantee that the District will be able to provide the same amount of revenue from fund balance/reserves in future budgets. With this basic understanding of fund balance, it is important to answer the question as to why the District includes these items in its revenue budget? The use of reserves and fund balance in the District's budget allows total revenues to equal total expenses and creates a balanced budget. As stated elsewhere in this report, at the end of each fiscal year the final revenues are reduced by final expenses. The calculation determines whether it has a surplus or a deficit. If the District has completely expended the appropriated reserve and fund balance amounts, it has created a deficit in its revenue budget for the next budget cycle. At this point in time, the District's choices are to either address this situation by reducing expenses equal to the loss of the fund balance/appropriated reserve revenue or add new revenue from a new source.

The fund balance and reserve plan implemented in the North Tonawanda budget allows these items to become appropriated as revenues with an understanding that the District will receive expenditure savings that will at least equal these appropriations each year. This process allows the District to meet unexpected expenses while stabilizing the revenue budget. This budgeting practice eliminates a revenue deficit situation from occurring when appropriating fund balance/reserves in its revenue budget. With this information it is important to answer the question: Why are fund balance and reserves appropriated in the budget? In addition to the potential for unexpected expenses due to winter weather, storm damage, student needs, and as in 2020 a natural disaster in the form of a pandemic, the District must recognize that it could see a reduction in State Aid during a school year. This situation has occurred in the past, and is still a possibility in the 2022-23 budget. The 2021-22 budget appropriated \$ 4,750,000 in fund balance and \$700,000 in reserves to retire debt which is used to offset a loss of aid. The availability and use of these dollars safeguard the continuation of educational programs in the year of an aid reduction and allow the District to complete a detailed financial plan to address a revenue shortage in a subsequent budget year.

Forecasted Appropriated Fund Balance and Reserves

The financial plan continues to appropriate reserve amounts to support the revenue budget. The plan reduces the reserve appropriations and the fund balance appropriation over the time-period of the plan. The sustainability of the fund balance and reserve plan must be reviewed annually in order to address changing financial conditions and other economic pressures that are placed on the District's finances.

E. Tax Levy

The tax levy forecast does not exceed the projected tax cap amount in any year of the forecast.

Forecasted Tax Levy – The 2022-23 tax levy increase is projected to be a 2% increase of the 2021-22 levy for the purposes of this model. 2% is based on the general tax cap formula framework.

H. WHAT THE FORECAST SHOWS

The revenue forecast shows an average annual increase of approximately 1% in actual tax levy and 3.3% in actual state aid from 2018 – 2021. The forecast utilizes a 2% increase in these revenue streams based up the 2% tax cap metric for the levy and the decreasing state aid trend. State aid has steadily decreased since 2019 from approximately an 8% increase in 2019 due to the removal of the gap elimination adjustment (GEA) to a decrease in state aid of (3%) in 2021 due to the pandemic. The model illustrates the extreme volatility in state aid over the past four years, hence the moderate assumption of 2% for state aid. At the time of the creation of this model, the preliminary estimate for 2022 is a modest budget surplus of approximately \$250,000 which aligns with the moderate actual budget loss in 2021 of (\$134,904). Unfortunately, the true state of the NYS economy is still very much in question due to a prolonged pandemic event and rising inflationary metrics in the global economy. Other aid categories that make up total state aid will be analyzed in the more detailed models developed as the budget process plays out and a more refined figure is developed in the spring for the final budget. Many other state aid categories at this time are expense driven like transportation, BOCES, instructional materials, and technology. The state has mentioned a “fully funded” foundation aid formula in recent months but the North Tonawanda City School District is already fully funded using the foundation aid formula. If the state follows through with fully funding foundation aid, the District would not see a dramatic change in state aid this year like some other local districts may experience that are not yet fully funded since the GEA. This continues to make it increasingly difficult to project or calculate these state aid in long range planning. The District may also look to move more salaries and benefits to grant funding by reducing or eliminating the funding of contractual, supplies, and materials in the grant projects to maintain programs supported by grant funding. The tax levy increase is assumed at 2 % each year but at this time given the tax cap calculation this figure could be higher or lower once the growth factor, CPI, and exclusions are calculated for each year. At this time, the District tax cap appears to be stable at around 2% each year on long range models currently in place. The total projected revenue for 2022-23 budget year is forecasted at \$77,910,177 at a 2% increase in both tax levy and state aid based upon BUDGETED 2022 estimates without consideration of appropriated fund balance or use of reserves.

The expense forecast of the simplified long-range model utilizes at this time a very basic set of assumptions. Generally, the model is following the trend analysis since 2018 to estimate future expenditures before any budgetary reductions implemented during the more detailed budget analysis and development. The purpose again of this

initial model is to provide context in the budget development process with a long-range forecast illustrating how current year budget decisions impact the long-term financial health of the District. The projected expenses for 2022-23 is forecasted at \$79,474,724. The assumptions used in this model forecast a 2% increase in general support, 3% increase in instruction, 2% increase in transportation, 2% increase in benefits, and the actual debt service schedules currently in place.

The 2022 long range model based on figures as of January 1, 2022 forecasts a budget deficit situation of \$1,564,546. To balance the budget the District will need additional revenue or a reduction in the expense budget. This projection does not consider any budget reductions the District may achieve with breakage due to staff retirements, reductions to BOCES services, energy savings from the energy performance project, or other reductions identified in the budget process.

Any reduction amount in achieved in the budget development process in 22-23 will provide relief in each year of the forecast going forward as a cumulative change to the forecast. If the budgets are balanced each year, there will be budget reductions occurring annually to address the deficits. These reductions are to be reduced from the cumulative deficit number in each future year of the forecast to arrive at that year's actual deficit.

The most important concept in this long-range plan is to determine whether future District budgets can be financially stable based on the projected receipt of new revenues against the projected increase in expenses. The closer the required budget reductions are to zero, the closer the district is to having a balanced budget each year. If the budget decreases are relatively small amounts, then the District is in a good financial position to support our education program in the future. It is important to emphasize that the forecast only includes program continuation expenses. The forecast and long-range plan does not include any program enhancements.

I. ANNUAL BUDGET DEVELOPMENT

The District begins the budget development process each year in October when the Board of Education approves the budget development calendar. The budget development process includes a review of historical budget additions/reductions, presentations of the District's financial condition, presentation of appropriated reserves/fund balance, presentation of reserve/fund balance planning, and the presentation of program increase items for the budget cycle.

The District will present the first program continuation/required expense increase or long-range projection report to the Board of Education at a January meeting. The purpose is to project the expense increases that are associated with maintaining the District's current educational programs. The Board of Education and the community receive updates to this report throughout the budget development process. Program enhancement presentations are then prepared and provided by program/departments program directors detailing expense increases that are for new program initiatives or enhancements to existing programs. When the revenue budget is less than the expenditure budget, it is necessary to prepare a list of potential expense reductions. This process is critically important to the development of the proposed budget. In order to comply with New York State law, the Board of Education must finalize and approve a proposed budget in April of each school year. Following this approval, school districts across New York State must vote on their school budgets on the third Tuesday of May each year. Once the budget is approved by the voters in the community, the Board of Education may adopt the budget allowing it to be implemented for use in the next school year.

J. North Tonawanda Budgeting Practices

The District's budgeting process aligned with the development of comprehensive fund balance and reserve plan is directly responsible for protecting instructional programs and employment positions for the District if New York State reduces state aid to the District. If state aid is not reduced to the District and if the District removed the use of reserves and fund balance in its budget, there would be no impact to the District's tax levy. The allocation of fund balance and use of reserves in the revenue budget do not result in the District over-taxing its community.

The District must continue to recognize the fiscal reality that state budget reductions will occur in the future. This is especially true given the volatility in the NYS revenue budget during the COVID-19 pandemic. This type of economic turbulence is not an isolated event and has happened multiple times in the past and maintaining fund balance is the only available option that will protect the District's core instructional programs. The other funding issue that the North Tonawanda City School District must be cognizant of is the potential change in the Foundation Aid calculation. This aid is being reviewed and it is possible that any changes made to the aid formulas may not benefit the District. The District could potentially see further aid reductions in expense driven categorical aid rather than the increases that are projected in the more detailed long-range financial plan.

All of the items in this forecast are meant to highlight future budget scenarios. Utilizing the trended actual budget performance from the previous four years to project out future budgets provides a more reliable framework for forecasting. As a result, the forecast reflects past, present, and potentially future budget performance. This report may be used as a reference tool during the budget development process but it is important to remember forecasts are subject to unpredictability based upon assumptions that are very general in nature.

K. ESSA REPORTING BUILDING BUDGETS

Building-level financial transparency under ESSA will help those interested in education learn more about the equity and effectiveness of our federal, state, and local educational resources. It is critical that we maximize every dollar to provide the best opportunities and improve outcomes for our students. Fiscal transparency reports outline how much each school is spending per student and the source of the funds. These fiscal transparency reports were issued for the first time in 2020 for the 2018-19 school year, and annual releases will be available after April 1st in each subsequent year. At the district level, they will inform conversations within districts about whether equitable resources are being provided at the school level. At the state level, these reports will help inform future Board of Regents State Aid requests and other policymaking decisions.

2020 New York State School Funding Transparency

Beginning with the 2018-19 school year, Education Law §3614—which was passed by the Legislature and became law as Chapter 59 of the Laws of 2018—requires school districts to “annually submit to the commissioner [of the State Education Department] and the director of the budget ... a detailed statement of the total funding allocation for each school in the district for the upcoming school budget year” in a “form developed by the director of the budget, in consultation with the commissioner [of the State Education Department].” The New York State School Funding Transparency Form is the outcome of this process.

Based on existing financial information that school districts already report to the State Education Department on a district-wide basis, the form seeks to capture school districts’ methodologies and/or rationales for school-level funding determinations, including funding from State, local, and federal sources. In addition, the form surveys school districts projected centralized district costs, school-level student and staff information, school-level allocations for various programs, and —if applicable— school-level allocations under any locally implemented funding formula.

ESSA Financial Transparency Report - School Level Actual Expenditures

School-Level Spending

08 Spruce Elementary

* Amount Spent	
Instruction	
A1. Classroom Salaries	\$2,757,474.19
A2. Other Instructional Salaries	\$168,103.96
A3. Instructional Benefits	\$1,255,142.26
A4. Professional Development	\$0.00
A. Instruction Total	\$4,180,720.42
Administration	
B1. School Administrative Salaries	\$163,079.71
B2. School Administrative Benefits	\$69,965.05
B3. Other School Administrative Expenditures	\$972.68
B. Administration Total	\$234,017.44
All Other Spending	
C1. All Other Salaries	\$235,328.47
C2. All Other Benefits	\$100,961.48
C3. All Other Non-Personnel Expenditures	\$344,971.05
C. Total of All Other Spending	\$681,261.01
Total	
D. Total School Level	\$5,095,998.86

School Level Local/State Spending

* Amount Spent	
Local/State Spending	
J. Total Local/State	\$4,752,330.67
Federal Spending	
K1. Federal Title I Part A	\$0.00
K2. Federal Title II Part A	\$106,501.49
K3. Federal Title III Part A	\$1,202.71
K4. Federal Title IV Part A	\$4,064.40
K5. IDEA	\$79,801.59
K6. All Other Federal	\$0.00
K7. CARES, CRRSA, and ARP	\$152,098.00
K. Total Federal Spending	\$343,668.19
Total	
Total School Spending	\$5,095,998.86

School-Level Program Detail Areas

* Amount Spent	
O. Special Education	\$1,709,112.56
P. ELL/MLL Services	\$0.00
Q. Pupil Services	\$212,976.78
R. Community Schools Programs	\$0.00
S. BOCES Services	\$14,065.64
T. Prekindergarten	\$0.00

ESSA Financial Transparency Report - School Level Actual Expenditures

School-Level Spending

11 Ohio Elementary

Instruction	
A1. Classroom Salaries	\$2,002,845.96
A2. Other Instructional Salaries	\$219,325.59
A3. Instructional Benefits	\$953,364.19
A4. Professional Development	\$0.00
A. Instruction Total	\$3,175,535.74
Administration	
B1. School Administrative Salaries	\$137,329.01
B2. School Administrative Benefits	\$58,917.40
B3. Other School Administrative Expenditures	\$1,034.24
B. Administration Total	\$197,280.65
All Other Spending	
C1. All Other Salaries	\$127,881.75
C2. All Other Benefits	\$54,864.30
C3. All Other Non-Personnel Expenditures	\$301,306.17
C. Total of All Other Spending	\$484,052.22
Total	
D. Total School Level	\$3,856,868.61

School Level Local/State Spending

* Amount Spent	
Local/State Spending	
J. Total Local/State	\$3,496,256.65
Federal Spending	
K1. Federal Title I Part A	\$0.00
K2. Federal Title II Part A	\$0.00
K3. Federal Title III Part A	\$13,279.33
K4. Federal Title IV Part A	\$0.00
K5. IDEA	\$289,026.62
K6. All Other Federal	\$0.00
K7. CARES, CRRSA, and ARP	\$58,306.00
K. Total Federal Spending	\$360,611.96
Total	
Total School Spending	\$3,856,868.61

School-Level Program Detail Areas

* Amount Spent	
O. Special Education	\$671,635.57
P. ELL/MLL Services	\$74,374.00
Q. Pupil Services	\$267,220.62
R. Community Schools Programs	\$0.00
S. BOCES Services	\$14,955.87
T. Prekindergarten	\$0.00

ESSA Financial Transparency Report - School Level Actual Expenditures

School-Level Spending

10 Drake Elementary

Instruction	
A1. Classroom Salaries	\$1,945,496.62
A2. Other Instructional Salaries	\$101,556.13
A3. Instructional Benefits	\$878,234.08
A4. Professional Development	\$0.00
A. Instruction Total	\$2,925,286.84
Administration	
B1. School Administrative Salaries	\$167,415.43
B2. School Administrative Benefits	\$71,825.18
B3. Other School Administrative Expenditures	\$837.24
B. Administration Total	\$240,077.85
All Other Spending	
C1. All Other Salaries	\$131,477.07
C2. All Other Benefits	\$56,406.77
C3. All Other Non-Personnel Expenditures	\$282,378.69
C. Total of All Other Spending	\$470,262.53
Total	
D. Total School Level	\$3,635,627.22

School Level Local/State Spending

* Amount Spent	
Local/State Spending	
J. Total Local/State	\$3,243,046.90
Federal Spending	
K1. Federal Title I Part A	\$97,165.81
K2. Federal Title II Part A	\$0.00
K3. Federal Title III Part A	\$1,018.07
K4. Federal Title IV Part A	\$3,498.47
K5. IDEA	\$235,824.98
K6. All Other Federal	\$0.00
K7. CARES, CRRSA, and ARP	\$55,073.00
K. Total Federal Spending	\$392,580.32
Total	
Total School Spending	\$3,635,627.22

School-Level Program Detail Areas

* Amount Spent	
O. Special Education	\$1,137,171.25
P. ELL/MLL Services	\$0.00
Q. Pupil Services	\$141,613.66
R. Community Schools Programs	\$0.00
S. BOCES Services	\$12,107.14
T. Prekindergarten	\$0.00

ESSA Financial Transparency Report - School Level Actual Expenditures

School-Level Spending

18 Intermediate

Instruction	
A1. Classroom Salaries	\$4,945,032.21
A2. Other Instructional Salaries	\$223,838.85
A3. Instructional Benefits	\$2,217,568.01
A4. Professional Development	\$0.00
A. Instruction Total	\$7,386,439.07
Administration	
B1. School Administrative Salaries	\$280,220.22
B2. School Administrative Benefits	\$120,221.10
B3. Other School Administrative Expenditures	\$2,065.41
B. Administration Total	\$402,506.73
All Other Spending	
C1. All Other Salaries	\$251,680.45
C2. All Other Benefits	\$107,976.87
C3. All Other Non-Personnel Expenditures	\$668,405.82
C. Total of All Other Spending	\$1,028,063.14
Total	
D. Total School Level	\$8,817,008.94

School Level Local/State Spending

* Amount Spent	
Local/State Spending	
J. Total Local/State	\$8,001,507.95
Federal Spending	
K1. Federal Title I Part A	\$291,919.86
K2. Federal Title II Part A	\$0.00
K3. Federal Title III Part A	\$2,435.19
K4. Federal Title IV Part A	\$8,630.42
K5. IDEA	\$304,395.52
K6. All Other Federal	\$0.00
K7. CARES, CRRSA, and ARP	\$208,120.00
K. Total Federal Spending	\$815,500.98
Total	
Total School Spending	\$8,817,008.94

School-Level Program Detail Areas

* Amount Spent	
O. Special Education	\$2,338,960.48
P. ELL/MLL Services	\$52,428.00
Q. Pupil Services	\$296,738.58
R. Community Schools Programs	\$0.00
S. BOCES Services	\$29,867.24
T. Prekindergarten	\$0.00

ESSA Financial Transparency Report - School Level Actual Expenditures

School-Level Spending

22 Middle

Instruction	
A1. Classroom Salaries	\$4,054,365.21
A2. Other Instructional Salaries	\$616,347.07
A3. Instructional Benefits	\$2,003,846.10
A4. Professional Development	\$0.00
A. Instruction Total	\$6,674,558.37
Administration	
B1. School Administrative Salaries	\$302,240.03
B2. School Administrative Benefits	\$129,668.13
B3. Other School Administrative Expenditures	\$1,505.19
B. Administration Total	\$433,413.35
All Other Spending	
C1. All Other Salaries	\$266,061.49
C2. All Other Benefits	\$114,146.67
C3. All Other Non-Personnel Expenditures	\$524,622.66
C. Total of All Other Spending	\$904,830.82
Total	
D. Total School Level	\$8,012,802.55

School Level Local/State Spending

* Amount Spent	
Local/State Spending	
J. Total Local/State	\$7,628,529.10
Federal Spending	
K1. Federal Title I Part A	\$181,579.85
K2. Federal Title II Part A	\$0.00
K3. Federal Title III Part A	\$1,768.09
K4. Federal Title IV Part A	\$6,289.53
K5. IDEA	\$98,058.97
K6. All Other Federal	\$0.00
K7. CARES, CRRSA, and ARP	\$96,577.00
K. Total Federal Spending	\$384,273.45
Total	
Total School Spending	\$8,012,802.55

School-Level Program Detail Areas

* Amount Spent	
O. Special Education	\$1,601,018.41
P. ELL/MLL Services	\$46,667.84
Q. Pupil Services	\$780,402.15
R. Community Schools Programs	\$0.00
S. BOCES Services	\$21,766.14
T. Prekindergarten	\$0.00

ESSA Financial Transparency Report - School Level Actual Expenditures

School-Level Spending

30 High

Instruction	
A1. Classroom Salaries	\$7,926,511.17
A2. Other Instructional Salaries	\$953,519.39
A3. Instructional Benefits	\$3,809,743.27
A4. Professional Development	\$0.00
A. Instruction Total	\$12,689,773.83
Administration	
B1. School Administrative Salaries	\$627,043.80
B2. School Administrative Benefits	\$269,016.63
B3. Other School Administrative Expenditures	\$90,182.86
B. Administration Total	\$986,243.29
All Other Spending	
C1. All Other Salaries	\$460,347.47
C2. All Other Benefits	\$197,499.96
C3. All Other Non-Personnel Expenditures	\$1,201,367.51
C. Total of All Other Spending	\$1,859,214.94
Total	
D. Total School Level	\$15,535,232.06

School Level Local/State Spending

* Amount Spent	
Local/State Spending	
J. Total Local/State	\$15,161,564.14
Federal Spending	
K1. Federal Title I Part A	\$97,064.26
K2. Federal Title II Part A	\$17,027.00
K3. Federal Title III Part A	\$3,742.67
K4. Federal Title IV Part A	\$13,067.81
K5. IDEA	\$38,259.14
K6. All Other Federal	\$0.00
K7. CARES, CRRSA, and ARP	\$204,507.04
K. Total Federal Spending	\$373,667.92
Total	
Total School Spending	\$15,535,232.06

School-Level Program Detail Areas

* Amount Spent	
O. Special Education	\$3,924,473.60
P. ELL/MLL Services	\$89,915.00
Q. Pupil Services	\$1,361,273.57
R. Community Schools Programs	\$0.00
S. BOCES Services	\$45,223.72
T. Prekindergarten	\$0.00

SUMMARY

It is important that the Board of Education, superintendent, and the community understand the methodology that supports this long-range plan. There are inherent difficulties in developing a financial report that attempts to project the future revenues and expenses of a school district. This report has highlighted the fact that the District has limited control over the amount of revenue increases it receives each fiscal year. Although the District controls the tax levy, it must adhere to the New York State tax cap calculation. Essentially, the tax cap calculation establishes the District's tax levy each school year.

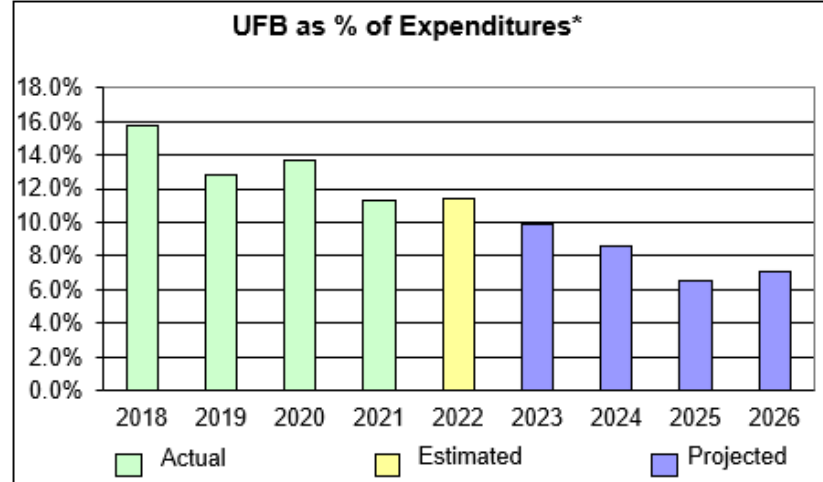
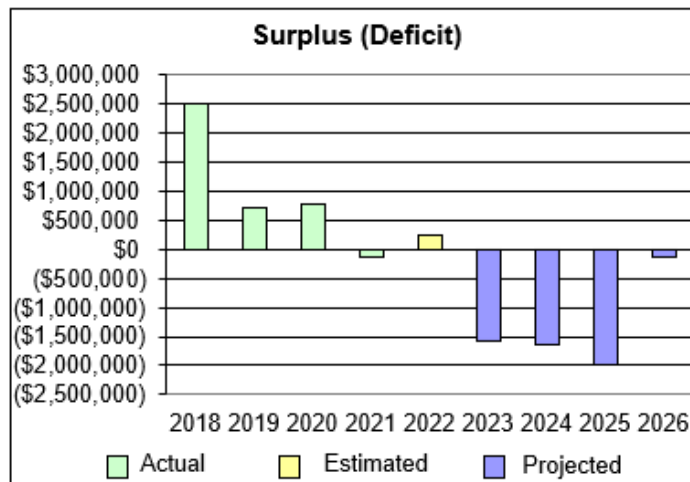
On the expense side of the budget, we have seen that the greatest budget category is in the area of human resources. The ability for the District to control these expenses is limited to making decisions on continuing programs or reducing programs. New labor agreements do provide some opportunity to reduce budgets, however, bargaining units are not easily convinced that they should concede salary and benefit changes to the District. The District does review revenue challenges with bargaining units during contract negotiations and this information will continue to be a focal point of current and future labor-management discussions. The District does obtain cost savings throughout the budget by reviewing all budget categories. These reductions are normally minor compared to the total amount of salary and benefit increases that occur each year.

The purpose of this report is to recognize that there are opportunities to gradually impact future budget development while understanding the interrelationship between the current budget cycle and future budget cycles. This is important because the decisions made during the budget development process do affect future budgets. The District does not want to add an item in one budget cycle only to reduce the same item in the next budget cycle. Additionally, it is important to differentiate between an added expense that will grow over time like salary and benefits compared to the addition of a fixed amount for the purchase of a specific item or capital improvement. Since the forecast does show that reductions must occur to balance future budgets, the District must select budget increases and decreases carefully.

In summary, this long-range plan shows that if the District continues to proactively plan for changes in major expense categories, it will be able to create a balanced budget situation that will protect educational programs, staff employment, and facility infrastructure resulting in a fiscal equilibrium that will be supported by the North Tonawanda City School District's community.

NORTH TONAWANDA CITY SCHOOL DISTRICT
Four Year Financial Plan, Fiscal Year 2023-2026
General Fund

	Actual				Estimated	Projected			
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenues									
Real Property Tax Items	21,771,002	22,831,301	23,364,884	23,873,910	24,700,750	25,194,765	25,698,660	26,212,634	26,736,886
Other Tax Items (includes STAR)	6,592,755	6,240,136	5,877,617	5,429,768	5,044,522	5,145,412	5,248,321	5,353,287	5,460,353
Non-Property Tax Items	570,757	817,563	682,039	325,258	435,974	435,974	435,974	435,974	435,974
Charges for Services	223,880	285,795	125,175	150,384	168,260	168,260	168,260	168,260	168,260
State Aid	38,235,551	41,467,699	43,345,717	42,060,649	44,305,183	45,191,287	46,095,112	47,017,015	47,957,355
Federal Aid	368,947	520,978	352,506	933,970	300,000	300,000	300,000	300,000	300,000
Other (includes Sale of Property, Misc.)	1,792,960	1,689,691	1,119,747	1,692,498	1,233,411	1,258,079	1,283,241	1,308,906	1,335,084
Interfund Transfers	274,748	313,864	133,647	45,289	216,400	216,400	216,400	216,400	216,400
Total Revenues and Other Sources	\$69,830,600	\$74,167,027	\$75,001,332	\$74,511,726	\$76,404,500	\$77,910,177	\$79,445,968	\$81,012,475	\$82,610,312
Expenditures by Function									
General Support	6,309,794	7,151,311	6,742,954	6,977,242	7,169,651	7,313,044	7,459,305	7,608,491	7,760,661
Instruction	40,927,596	42,410,180	42,728,983	42,143,533	43,031,668	44,322,618	45,652,297	47,021,865	48,432,521
Pupil Transportation	2,498,982	3,231,156	3,075,397	3,520,196	3,527,276	3,597,822	3,669,778	3,743,174	3,818,037
Community Service	0	0	0	0	0	0	0	0	0
Employee Benefits	13,527,817	13,654,737	14,562,920	15,172,924	15,575,000	15,886,500	16,204,230	16,528,315	16,858,881
Debt Service (Principal and Interest)	3,897,561	5,507,434	5,538,344	5,129,523	5,334,154	6,847,240	6,603,879	6,603,079	4,355,629
Interfund Transfers	150,755	1,507,724	1,562,308	1,703,212	1,507,500	1,507,500	1,507,500	1,507,500	1,507,500
Total Expenditures and Other Uses	\$67,312,505	\$73,462,542	\$74,210,906	\$74,646,630	\$76,145,249	\$79,474,724	\$81,096,988	\$83,012,424	\$82,733,229
Surplus (Deficit)	\$2,518,095	\$704,485	\$790,426	(\$134,904)	\$259,251	(\$1,564,546)	(\$1,651,020)	(\$1,999,949)	(\$122,917)
Budgetary Reserves									
Fund Equity, Beg. of Year	\$14,481,792	\$16,999,887	\$17,704,372	\$18,494,798	\$18,359,894	\$18,619,145	\$17,054,599	\$15,403,578	\$13,403,630
Fund Equity, End of Year	16,999,887	17,704,372	18,494,798	18,359,894	18,619,145	17,054,599	15,403,578	13,403,630	13,280,712
Nonspendable and Restricted Fund Balance	6,400,445	8,253,786	8,370,358	9,960,593	9,960,593	9,210,593	8,460,593	7,960,593	7,460,593
Unrestricted Fund Balance	10,599,442	9,450,586	10,124,440	8,399,301	8,658,552	7,844,006	6,942,985	5,443,037	5,820,119
UFB as % of Expenditures*	15.7%	12.9%	13.6%	11.3%	11.4%	9.9%	8.6%	6.6%	7.0%



Calculation work:
 Unrestricted Fund
 -Appropriated Fund
 -Other Adjustments
 Adjusted Unrestricted
 to 4% restriction
 AUFB as a % of
 expenditures)

** *Other Adjustments include: circumstances included in committed and assigned fund balances, amounts reserved for insurance recovery, and amounts reserved for tax reduction.