

FISCAL STRESS DESIGNATION

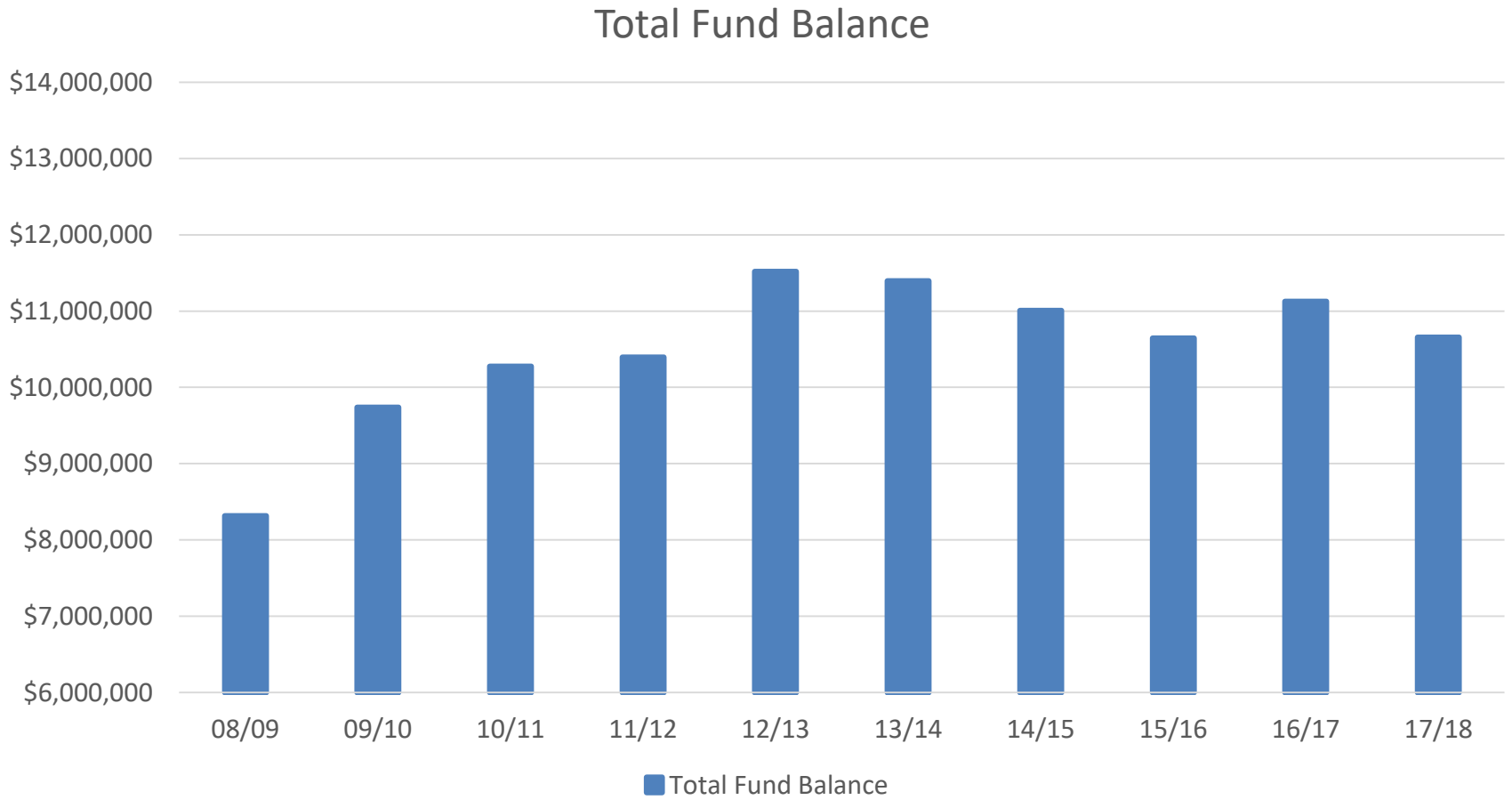
Rockville Centre UFSD

February 6, 2019

Fiscal Stress Discussion

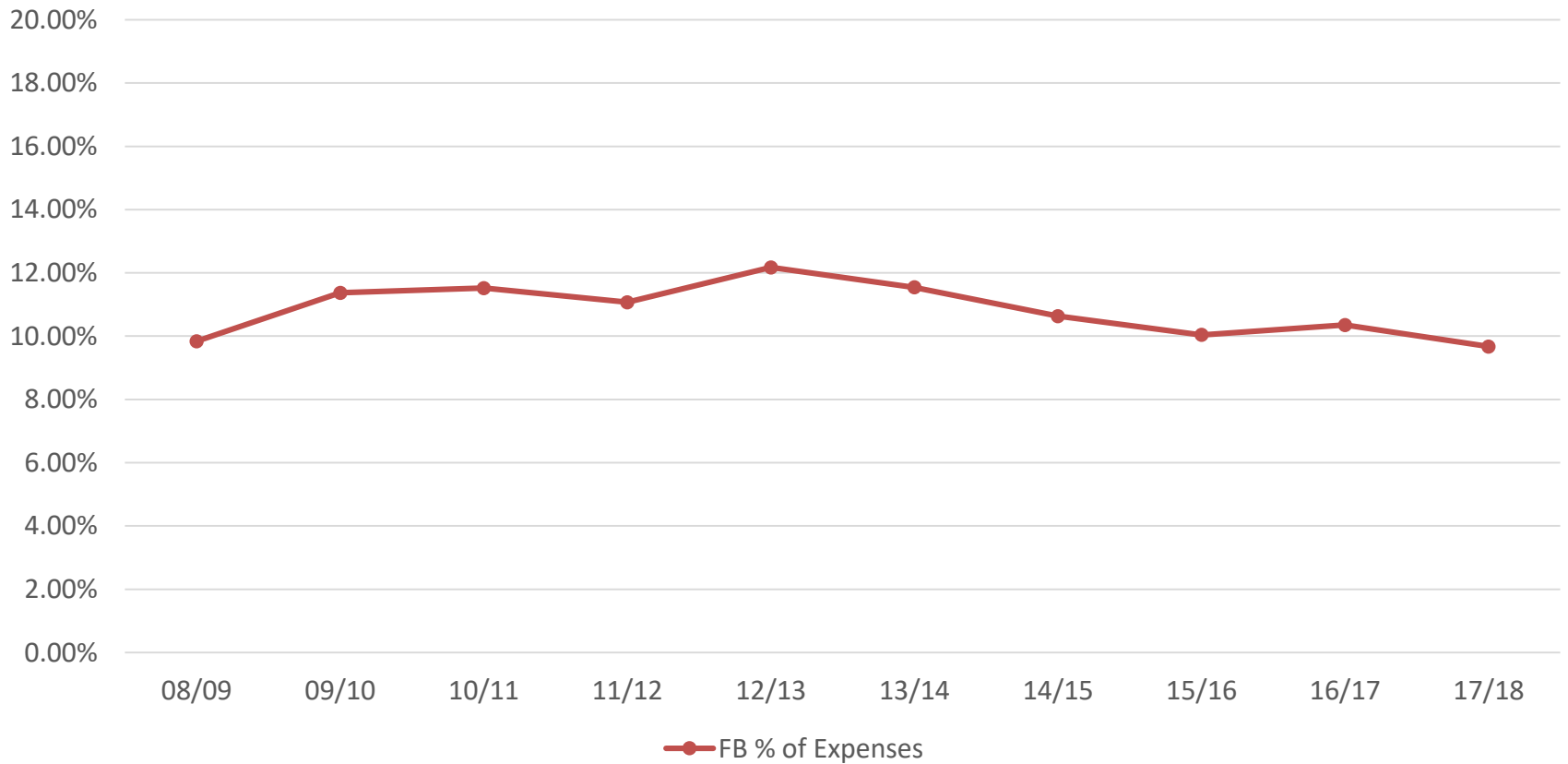
- RVC is in healthy fiscal condition
- District is financially stable - finances are where they were planned and strategically managed
- Fund Balance is managed carefully - RVC has always had a relatively low fund balance as a % of budget
- Have used reserves to help balance budget and maintain programs
- History of being fiscally conservative – not overtaxing to build reserves, even before the tax cap
- Budget year to year, trying to closely match revenues and expenses so there is not a large fluctuation in fund balance
- The key number was the increase in the TAN's, but still not as high as prior years
- No financial condition concerns raised by either internal or external auditors
- Most importantly – THIS DESIGNATION HAS NO IMPACT ON TAXES! Each budget stands alone and is subject to the tax cap

Fiscal Stress Discussion



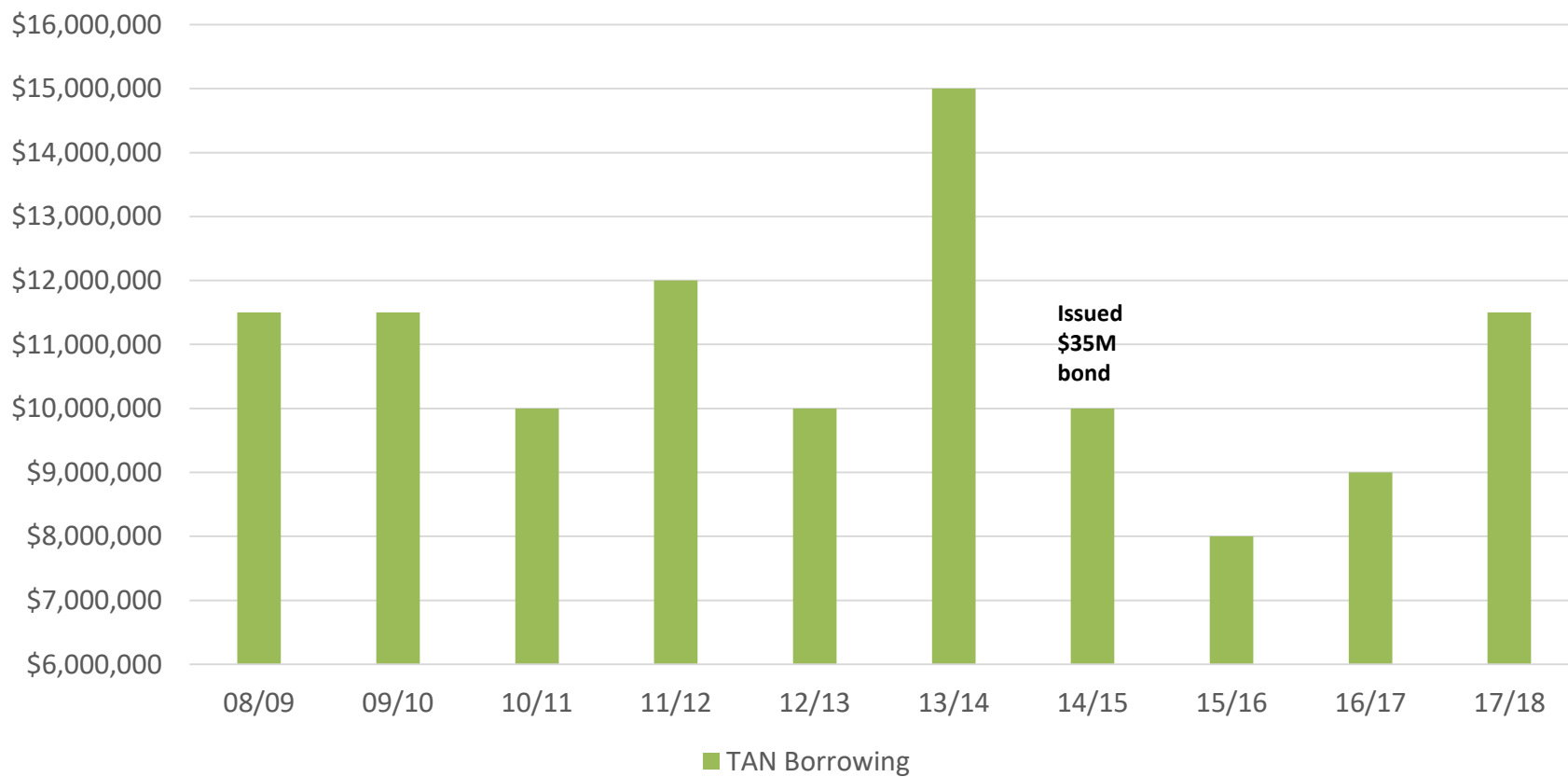
Fiscal Stress Discussion

Total Fund Balance as a % of Expenditures



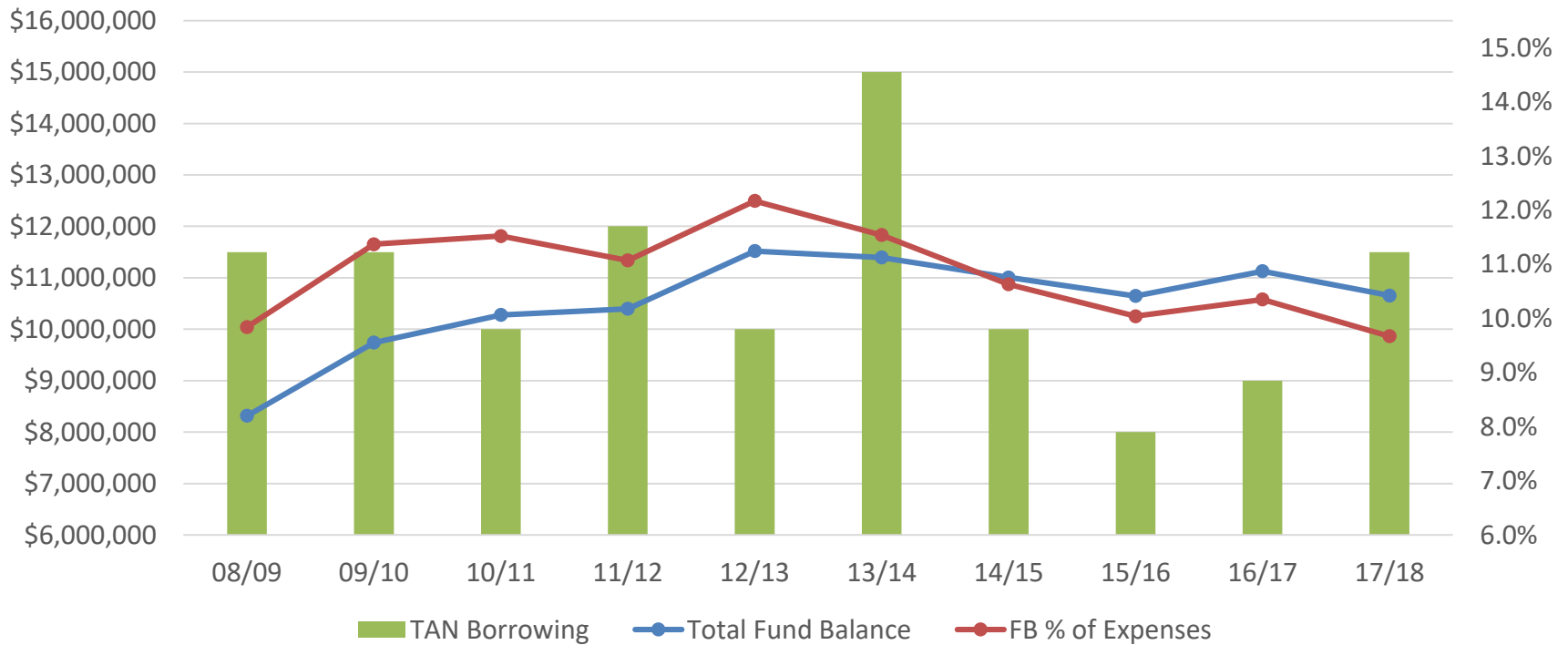
Fiscal Stress Discussion

Short Term Borrowings (TANs)



Fiscal Stress Discussion

Total Fund Balance
Vs
Fund Balance as a % of Expenditures



Overview of Designations

- Ratings generated by Office of the State Comptroller
- Based on certain financial conditions:
 - Year End Fund Balance (Unassigned and Total)
 - Operating Deficit (Revenue vs Expenditures)
 - Cash Position (Cash vs ST Liability and Avg monthly expenditures)
 - Reliance on Short Term Cash Flow

Overview of Designations

- Each category is assigned a point value
 - Unassigned Fund Balance up to 25 points
 - Total Fund Balance up to 25 points
 - Operating Deficit up to 20 points
 - Cash Ratio vs current liability up to 10 points
 - Cash % of monthly expenses up to 10 points
 - Short term cash flow debt up to 10 points
 - Total 100 points

Overview of Designations

- Point Range Ratings
 - 65 – 100 Significant Fiscal Stress
 - 45 – 64.9 Moderate Fiscal Stress
 - 25 – 44.9 Susceptible Fiscal Stress
 - 0 – 24.9 No Designation

Year End Fund Balance

- Unassigned Fund Balance Calculation
 - Unassigned FB / Gross Expenditures
 - If $> 3\%$ 0 points
 - If $> 2\%$ but $< 3\%$ 8.33 points
 - If $> 1\%$ but $< 2\%$ 16.67 points
 - If $< 1\%$ 25 points
- Total Fund Balance Calculation
 - Total FB / Gross Expenditures
 - If $> 10\%$ 0 points
 - If $> 5\%$ but $< 10\%$ 8.33 points
 - If $> 0\%$ but $< 5\%$ 16.67 points
 - If $< 0\%$ 25 points

Operating Deficit

- Operating Deficit Calculation
- Calculated for last 3 fiscal years
 - $(\text{Gross Revenue} - \text{Gross Expense}) / \text{Gross Expense}$
 - Deficit $< -1\%$ in 0/3 last fiscal years 0 points
 - Deficit $< -1\%$ in 1/3 last fiscal years 6.67 points
 - Deficit $< -1\%$ in 2/3 last fiscal years 13.33 points
 - Deficit $< -1\%$ in 3/3 last fiscal years 20 points

Cash Position

- Cash Ratio Calculation
 - Cash / Net Current Liability
 - If $> 100\%$ 0 points
 - If $> 75\%$ but $< 100\%$ 3.33 points
 - If $> 50\%$ but $< 75\%$ 6.67 points
 - If $< 50\%$ 10 points
- Cash % of Monthly Expense Calculation
 - Cash / Avg Monthly Gross Expense
 - If $> 100\%$ 0 points
 - If $> 66.67\%$ but $< 100\%$ 3.33 points
 - If $> 33.33\%$ but $< 66.67\%$ 6.67 points
 - If $< 33.33\%$ 10 points

Reliance on Short Term Cash Flow Debt (Tax Anticipation Notes TANs)

- Short Term (ST) Cash Flow Debt Calculation
 - $(\text{Current Year ST Debt} - \text{Prior Year ST Debt}) / \text{Prior Year ST Debt}$
 - If $< 3.33\%$ 0 points
 - If $> 3.33\%$ but $< 6.67\%$ 3.33 points
 - If $> 6.67\%$ but $< 10\%$ 6.67 points
 - If $> 10\%$ 10 points

Year End Fund Balance Rockville Centre

- Unassigned Fund Balance Calculation

– Unassigned FB / Gross Expenditures		FYE2017	FYE2018
• If > 3%	0 points	3.05%	
• If > 2% but < 3%	8.33 points		2.26%
• If > 1% but < 2%	16.67 points		
• If < 1%	25 points		

- Total Fund Balance Calculation

– Total FB / Gross Expenditures			
• If > 10%	0 points	10.35%	
• If > 5% but < 10%	8.33 points		9.67%
• If > 0% but < 5%	16.67 points		
• If < 0%	25 points		

Operating Deficit Rockville Centre

- Operating Deficit Calculation
- Calculated for last 3 fiscal years

- $(\text{Gross Revenue} - \text{Gross Expense}) / \text{Gross Expense}$
 - Deficit < -1% in 0/3 last fiscal years 0 points
 - Deficit < -1% in 1/3 last fiscal years 6.67 points
 - Deficit < -1% in 2/3 last fiscal years 13.33 points
 - Deficit < -1% in 3/3 last fiscal years 20 points

FYE2017	FYE 2018
0/3	0/3

- FYE2015 -0.37%
- FYE2016 -0.34%
- FYE2017 0.92%
- FYE2018 0.30%

Cash Position

Rockville Centre

- Cash Ratio Calculation

- Cash / Net Current Liability

- If > 100% 0 points
 - If > 75% but < 100% 3.33 points
 - If > 50% but < 75% 6.67 points
 - If < 50% 10 points

FYE2017 FYE2018

113.82%

85.43%

- Cash % of Monthly Expense Calculation

- Cash / Avg Monthly Gross Expense

- If > 100% 0 points
 - If > 66.67% but < 100% 3.33 points
 - If > 33.33% but < 66.67% 6.67 points
 - If < 33.33% 10 points

100.90%

70.81%

Reliance on Short Term Cash Flow Debt (Tax Anticipation Notes TANs) Rockville Centre

- Short Term (ST) Cash Flow Debt Calculation

— (Current Year ST Debt – Prior Year ST Debt) / Prior Year ST Debt		FYE2017	FYE2018
• If < 3.33%	0 points		
• If > 3.33% but < 6.67%	3.33 points		
• If > 6.67% but < 10%	6.67 points		
• If > 10%	10 points	12.5%	27.78%

Total Points - Designation

Rockville Centre

•	FYE2017	FYE2018
• Unassigned Fund Balance	0.00	8.33
• Total Fund Balance	0.00	8.33
• Operating Deficit	0.00	0.00
• Cash Ratio	0.00	3.33
• Cash % of Monthly Expense	0.00	3.33
• ST Cash Flow Debt	<u>10.00</u>	<u>10.00</u>
– Totals	10.00	33.33
– Fiscal Stress Designation	None	Susceptible

Overview

Rockville Centre

- Point Range Ratings

FYE2017 FYE2018

- 65 – 100 Significant Fiscal Stress
- 45 – 64.9 Moderate Fiscal Stress
- 25 – 44.9 Susceptible Fiscal Stress
- 0 – 24.9 No Designation

33.33
10.00

Discussion of Options/Solutions

- Year End Fund Balance
 - Undesignated
 - Do not replenish Retirement Contribution (ERS) Reserve
 - Limit funding of Accrued Liabilities (EBALR) Reserve
 - Increase undesignated to over 3%
 - Total
 - Hold back on any non-essential expenses
 - Increase revenues
 - Reduce staffing levels when possible within budget

Discussion of Options/Solutions

- Operating Deficit
 - Watch budget to keep expenses less than revenues
- Cash Position
 - Function of Fund Balance – higher FB, higher cash
 - Reduce designated reserves
- Cash % of Monthly Expense
 - Function of Fund Balance – higher FB, higher cash
 - Reduce designated reserves
- Short Term Cash Flow Debt
 - Keep Borrowings flat or nominal increase

Projections for FYE2019*

Rockville Centre

•	FYE2019 *	Points
• Unassigned Fund Balance	2.75% to 3.25%	0 to 8.33
• Total Fund Balance	9.25% to 9.75%	8.33
• Operating Deficit	-0.50% to 0.50%	0.00
• Cash Ratio	100% to 125%	0.00
• Cash % of Monthly Expense	85% to 110%	0 to 3.33
• ST Cash Flow Debt	8.70%	<u>6.67</u>
— Totals		15 to 26.66
— Fiscal Stress Designation		None to Susceptible

* Very early projections, these numbers can still vary outside the estimated ranges

Moody's Rating

- New Annual Comment issued Feb 4, 2019
- Credit Overview – “Rockville Centre UFSD has a very high quality credit position, and its Aa2 rating slightly exceeds the median rating of Aa3 for school districts nationwide”
- Finances – “The financial position of the district is healthy overall and is comparable to the assigned rating of Aa2”
- Rating system Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2, Baa3, Ba1, Ba2, Ba3, B1, B2, B3, Caa1, Caa2, Caa3, Ca, C