



FY 2020 Recommended Budget Budget Question

Board Question #: 25

BUDGET QUESTION: Please answer Ms. Shelley's question in reference to the difference between the projection of the FY 2020 local transfer to Schools included in the five-year forecast that was printed in the FY 2016 Budget and the local transfer included in the County Administrator's FY 2020 Recommended Budget. How is the out-year forecast for the transfer to Schools made? What is the value of the forecast?

RESPONDING DEPARTMENT/OFFICE: Finance

RESPONSE: The forecast for the FY 2020 local transfer to Schools which appeared in the FY 2016 Budget was \$140.0M and was prepared beginning with the budget adopted for FY 2016. To each out year, Finance staff added an assumed 2% step, an assumed 2% COLA, and an assumed 1.8% CPI. The forecast was based on the Schools' forecasted enrollment for FY 2020 at the time ... 25,166 students.

Attachment 1 provides a comparison of the local transfer projected for FY 2020 in each budget since FY 2016. Please note:

- the change in the assumed step from 2% in the FY 2016 column to 0% in the FY 2017 column;
- the changes (overall decrease) in the Schools' enrollment forecasts in those years; and
- the change in the transfers projected for FY 2020 ... from \$140.0M in the FY 2016 column to the \$128.2M in the FY 2020 Budget column.

The difference from the \$140.0M projected for FY 2020 as part of the FY 2016 Budget and the \$128.2M recommended by the County Administrator for FY 2020 is a reduction of \$11.8M. Major drivers of this \$11.8M difference are as follows:

- The FY 2020 enrollment projections made by the Schools' staff as part of the Schools' FY 2016 CIP totaled 25,166. Current enrollment projections for FY 2020 total 24,009 – a 1,157 student decrease in projection. The forecast for the transfer is based on a cost per pupil calculation. All else being equal, a decrease in projected enrollment will decrease the forecasted transfer.
- As noted above, the forecast in the FY 2016 Budget assumed a 2% step and a 2% COLA for each out-year. However, beginning with the FY 2017 Budget, Finance staff stopped assuming steps in the forecast because we simply had not been funding/adopting both a step and COLA for either the County or the Schools.
- If we were to remove from the FY 2016 Budget forecast the assumption of steps and change the FY 2020 enrollment within that forecast to the 24,009 students now expected vs. the 25,166 students that were projected at that time, the forecast for FY 2020's transfer would be \$127.8M – just \$0.4M less than the \$128.2M currently budgeted in the County Administrator's FY 2020 Recommended Budget.

Finance staff is unable to replicate the \$45.5M reduction referenced by Ms. Shelley.

FY 2020 Recommended Budget

Budget Question

How is the out-year forecast of the transfer to Schools made? It is the responsibility of the Finance staff to prepare the five-year forecast. We begin with the budget we are working on. Using the budget as recommended (or adopted, whichever the case may be for the most current budget), the breakdown of that budget by category as received from the Schools' Finance staff, and projected enrollment from the Schools' CIP, we estimate for the current budget year (FY 2020 in this year) the local transfer cost per pupil (CPP) for personnel and the local transfer CPP for non-personnel other than debt service. Then, as we do for the County's out-year budget forecast, we make educated estimates of out-year COLAs and CPIs and apply those estimates to the out-year local transfer CPP. The out-year projected CPPs for personnel and for non-personnel are then added together for a total estimated local transfer CPP for each out-year which we then multiply by the projected enrollment from the Schools' CIP. To that total, we add the projection of each year's debt service which is entirely driven by existing debt service plus the new debt service arising from the Schools' CIP. The calculation of the forecast appearing in the FY 2020 Recommended Budget is included as Attachment 2.

What value is the forecast? The practice of forecasting operating revenues and expenditures over several years to anticipate budget imbalances is considered a best practice within the government finance profession. The Government Finance Officers Association (GFOA) recommends that multiyear forecasts look no fewer than five years into the future. The budget year is Year 1 of our forecast with Years 2 – being the projected cost over the next four years of the budget year budget. The value of the forecast is to inform the Board, staff, and public of projected budgetary deficits or surpluses in advance of working on the budgets for those particular years. The forecast and the subsequent refinements thereof – and there are necessary refinements made each year – help set the tone for each budget year as County staff begins and implements the budget and CIP process. The forecast is made using broad assumptions and is not the budget, of course, as each year's budget is necessarily more detailed and is developed on an account by account basis with item-specific assumptions instead of broad assumptions being made.

ESTIMATE OF STAFF TIME SPENT ON RESPONSE: 2.5 hours

Forecasted Transfer for FY 2020 Compared to FY 2020 Budgeted Transfer

From Which Budget Document?	FY 2020 Forecasted Transfer Cost Per Pupil (CPP)				
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 Budget
Out-Year Input Assumptions					
Step %	2.0%	0.0%	0.0%	0.0%	n/a
COLA %	2.0%	2.0%	2.0%	2.0%	n/a
CPI %	1.8%	1.4%	1.0%	1.3%	n/a
Forecasted Enrollment	25,166	23,982	23,834	24,078	24,009
Change in Forecasted Enrollment		(1,184)	(148)	244	(69)
Personnel CPP	\$3,905.42	\$3,718.92	\$3,811.25	\$3,829.19	\$3,655.70
Other CPP	<u>\$571.29</u>	<u>\$553.37</u>	<u>\$531.48</u>	<u>\$497.85</u>	<u>\$523.24</u>
Total CPP (other than debt service)	\$4,476.71	\$4,272.29	\$4,342.73	\$4,327.04	\$4,178.94
Forecasted Debt Service	\$27,347,917	\$26,801,623	\$26,804,527	\$27,876,242	\$27,849,361
Projected Transfer Calc:					
CPP	\$4,476.71	\$4,272.29	\$4,342.73	\$4,327.04	\$4,178.94
x Schools' Enroll Forecast	<u>25,166</u>	<u>23,982</u>	<u>23,834</u>	<u>24,078</u>	<u>24,009</u>
	\$112,660,884	\$102,458,059	\$103,504,627	\$104,186,469	\$100,332,055
+Forecasted Debt Service	<u>\$27,347,917</u>	<u>\$26,801,623</u>	<u>\$26,804,527</u>	<u>\$27,876,242</u>	<u>\$27,849,361</u>
Projected Transfer	\$140,008,801	\$129,259,682	\$130,309,154	\$132,062,711	\$128,181,416
Yr to Yr Change		-\$10,749,119	\$1,049,472	\$1,753,557	-\$3,881,295
Total change FY16 - FY20					-\$11,827,385

Bonnie Jewell:

I understood Ms. Shelley to reference the difference as a reduction of \$45.5M. I'm not able to replicate that figure.

n/a = not applicable - because FY 2020 is the current year (not future out-year) for FY 2020's budgeted transfer

Major drivers of the difference between the FY 2020 projection in the FY 2016 Budget and the Recommended FY 2020 Budget

- Enrollment is projected by the Schools' staff at 1,157 students fewer than what was projected by the Schools' staff for FY 2020 in the FY 2016 CIP.

- Prior to FY 2017's budget, the forecast for both the County and the Schools assumed a step and a COLA every year. We stopped assuming steps in the forecast beginning with the FY 2017 Budget, because we simply hadn't been funding both for either entity.

- If we were to remove from the forecast that was in the FY 2016 Budget the assumption of steps and change the FY 2020 enrollment to the 24,009 students now expected vs the 25,166 students that were projected at the time, the forecast for FY 2020's transfer would be \$127.8M ... slightly less than the \$128.2M currently budgeted in the County Administrator's Recommended Budget.

