

Rome City School District

Multiyear Planning

DECEMBER 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Rome City School District

Audit Objective

Determine whether Rome City School District (District) officials established comprehensive multiyear financial and capital plans.

Key Findings

Officials did not develop comprehensive written multiyear financial or capital plans. While officials have some information needed to develop the plans, additional information and analysis is needed. For example, officials:

- Reviewed historical trends to project future revenues and expenditures but did not calculate the projected annual operating deficits in future fiscal years or assess the impact of the operating deficits on fund balance and reserves.
- Maintained asset inventory lists, replacement schedules and conducted periodic building condition surveys but did not incorporate the information into a comprehensive capital plan to prioritize and fund capital projects and purchases.

In addition, the District's preliminary plan for using American Rescue Plan Act (ARPA) funds includes using about \$11.2 million to pay for recurring operational expenses, resulting in a projected budget gap of about \$3 million in 2025-26. A comprehensive multiyear financial plan would help decision makers fully evaluate the long-term impacts and sustainability of using ARPA funds.

Key Recommendations

- Develop and adopt comprehensive written multiyear financial and capital plans.

District officials agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments to issues raised in the District's response.

Background

The District, located in the City of Rome and Towns of Annsville, Lee, Verona and Western in Oneida County, is governed by the Board of Education (Board), which includes nine elected members. The Board is responsible for the general management and control of the financial and educational affairs.

The Superintendent of Schools (Superintendent) is the District's chief executive officer, and is responsible, along with other administrative staff, for day-to-day management under the Board's direction.

The Assistant Superintendent for Operations and Management oversees the District's financial and operational functions and assists the Superintendent and Board with planning and policy development.

The Director of Business and Finance (Director) is responsible for financial activities, including developing the annual budget.

Quick Facts

2021-22 Appropriations	\$123 million
2020-21	
Student Enrollment	5,472
Employees	1,380
Buildings and Facilities	14

Audit Period

July 1, 2019 – July 12, 2021

Multiyear Planning

Why is Multiyear Planning Important?

It is important for school district officials to develop comprehensive written multiyear financial and capital plans to estimate the future costs of ongoing services and capital needs. Effective multiyear plans project operating and capital needs and financing sources over a three-to five-year period. They also allow decision makers to set long-term priorities and work towards goals, rather than making choices based on the needs of the moment.¹

Multiyear financial planning enables school district officials to:

- Identify revenue and expenditure trends,
- Establish long-term priorities and goals,
- Consider the impact of short-term budgeting decisions on future fiscal years, and
- Assess the merits of alternative approaches (such as using surplus funds or establishing, funding and using reserves) to finance operations.

Multiyear capital planning enables school district officials to:

- Identify all capital and major equipment needs,
- Establish a maintenance cycle to sustain current assets, and
- Develop a process for prioritizing and financing capital projects and equipment purchases.

Multiyear (long-term) plans work in conjunction with board-adopted policies and procedures to provide guidance on the financial and capital goals set by school district officials. These plans should be monitored and updated on an on-going basis to help ensure that decisions are made using the most accurate information available. The plans help officials decide what funding choices to make in advance, while avoiding sudden tax increases or dramatic budget cuts and accumulating excessive fund balance.

Officials Did Not Develop Comprehensive Written Multiyear Plans

Officials did not develop comprehensive written multiyear financial and capital plans. Although certain financial projections, inventory lists and replacement schedules were available, these were not used to adequately project the District's operating and capital needs in future years, nor were these incorporated into formal long-term written plans.

Multiyear (long-term) plans work in conjunction with board-adopted policies and procedures to provide guidance on the financial and capital goals set by school district officials.

¹ Refer to our multiyear financial planning resources available at: <https://www.osc.state.ny.us/localgov/planbudget/index.htm>

Multiyear Financial Plan – The Director maintains spreadsheets to track detailed revenues and expenditures for the last five completed fiscal years. This information is used to assess historical trends over this period, including calculating the average annual increase or decrease for various expenditures and revenues. The Director also uses this historical data when developing the annual budgets. He then develops separate spreadsheets with high level projections of the District’s expenditures and revenues for the next seven fiscal years.

The Director shares these spreadsheets with the Superintendent, who then uses the spreadsheets to develop worksheets. The Superintendent gives the worksheets to the Board during its annual workshops to prepare the annual budget. While these spreadsheets are a useful tool in annual budget preparation and may provide a useful starting point for developing a multiyear financial plan, they are missing some key elements for effective long-term planning. For example, the spreadsheets do not include a comparison of the projected revenues and expenditures for each year, which would show the estimated annual operating deficits, or budget gaps. The spreadsheets also do not show the impact of future revenue and expenditure projections on fund balance or the planned funding and use of reserve funds. Officials have not established or outlined goals for improving the District’s long-term financial condition, nor have they considered the potential future actions required to help achieve those goals. In addition, officials have not established performance measures to help evaluate the progress of meeting established goals going forward.

Recently, the District has benefitted from federal government legislation enacted to address the economic and health impact of the COVID-19 pandemic. The Elementary and Secondary School Emergency Relief (ESSER) Fund provides multiple forms of federal stimulus funding to school districts. This includes the ARPA, enacted in March 2021. The District was allocated \$15.3 million in ARPA funding, and officials have solicited community and staff input on the proposed use of these funds. During our audit fieldwork, District officials were working to develop and refine an ESSER plan to spend these funds over a four-year period, from 2021-22 through 2024-25.

According to a working copy of the draft ESSER plan, dated September 19, 2021, the District is considering using about \$4.1 million to cover the costs of one-time expenditures with the remaining \$11.2 million of the ARPA funds being used for recurring expenditures, including creating several new teaching and support positions in 2021-22 that would continue in subsequent years.

This source of emergency funding is considered a non-recurring revenue stream, and can impact future District operations, because the revenue will not be repeated in future years. As such, where and when possible, this “one-time” revenue should be used to first fund non-recurring expenditures. While these funds are not prohibited from being used for recurring expenditures, District

officials should be mindful that budget gaps will be created when this revenue source is no longer available.

Although subject to change, the current ESSER plan projects the District would need to fill a budget gap of about \$3 million in 2025-26 to maintain the proposed additional staffing levels after the ARPA funds are fully spent.

To close these anticipated budget gaps, the District would need to consider spending reserve funds (for the authorized purposes), using unrestricted fund balance, increasing taxes, reducing programs and/or services or using a combination of these approaches. This highlights the importance of developing a comprehensive written multiyear financial plan. The plan can be used as a tool for decision makers to fully evaluate the long-term impacts of these proposed initiatives on the District's overall finances, and whether they would be sustainable for taxpayers.

Multiyear Capital Plan – Various department managers, including those that oversee operations and maintenance, information technology and transportation, maintain asset inventory lists. Replacement schedules are also available for assets maintained by the operations and maintenance and transportation departments. However, these asset inventory lists and replacement schedules were not incorporated into a comprehensive written capital plan and not reviewed by the Board or other key decision makers for future planning purposes.

District officials conduct building condition surveys every five years as required by the New York State Education Department and initiate capital projects based on the survey results. However, these surveys do not include a review of vehicles and other major equipment owned by the District. They are not a substitute for a multiyear capital plan that prioritizes future capital projects and equipment purchases and addresses the planned financing and budgetary impacts of future capital costs.

In December 2019, District voters approved the establishment of a capital reserve fund not to exceed \$5 million. The purpose of the reserve is to set aside funds for future capital projects and improvements. Specifically, the reserve will be used for renovations and additions to District facilities, including various equipment purchases for classrooms and school infrastructure, technology upgrades, site development, athletic fields, storm and sanitary sewers, driveways and parking lots. This reserve will be funded with an initial \$1 million, which has been included in the District's 2021-22 budget.

However, the lack of a written multiyear capital plan inhibits officials' ability to adequately assess future capital needs, prioritize capital projects and purchases, and make informed decisions regarding the specific use of the newly created capital reserve fund.

...[T]he lack of a written multiyear capital plan inhibits officials' ability to adequately assess future capital needs, prioritize capital projects and purchases, and make informed decisions regarding the specific use of the newly created capital reserve fund.

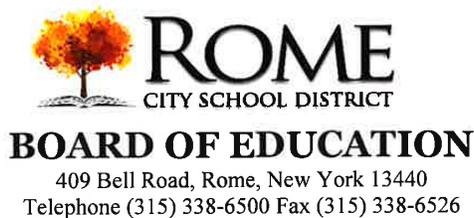
Well-designed multiyear plans that include specific estimates for revenues, expenditures, reserves, fund balance and long-term capital needs can assist the Board and District officials in effectively managing the District's finances, including fund balance and planning for the funding and proper use of reserve funds.

What Do We Recommend?

The Board and District officials should:

1. Develop and adopt a comprehensive written multiyear financial plan that:
 - a. Compares projected revenues and expenditures each year to determine the estimated annual operating results,
 - b. Shows the District's planned use of unrestricted fund balance and the funding and use of reserve funds,
 - c. Establishes goals for improving the District's long-term financial condition and outlines the potential future actions required to help achieve those goals, and
 - d. Includes performance measures to help evaluate the progress in meeting established goals.
2. Develop and adopt a comprehensive written multiyear capital plan that:
 - a. Incorporates asset inventory lists and replacement schedules to help identify capital and major equipment needs,
 - b. Prioritizes future capital projects and equipment purchases, and
 - c. Addresses the planned financing of future capital costs and associated budgetary impacts.
3. Periodically review and update the multiyear plans to provide a reliable framework for preparing future budgets and help ensure the information used to guide decisions is current.

Appendix A: Response From District Officials



Members

John Nash, President * Tanya Davis, Vice President * Karen Fontana, Clerk
Craig Ferretti, Paul Hagerty, Lisa Herbowy, Anna Megerell, Joseph Mellace, Elena Reddick

November 15, 2021

Via E-Mail: muni-syracuse@osc.state.ny.us
&First Class Mail

Rebecca Wilcox, Chief Examiner
Office of State Comptroller
Syracuse Regional Office
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428

Dear Ms. Wilcox and the Taxpayers of the Rome City School District:

The Rome City School District is in receipt of the Draft Audit Report titled *Multiyear Planning* for the period of July 1, 2019 through July 1, 2021 prepared by the Office of the State Comptroller. During the course of this audit, the Comptroller's Office conducted a comprehensive examination of the District's financial practices. We are pleased that no fraud, waste or abuse was identified by this examination. On behalf of the Board of Education and the District Administration, we would like to thank the Comptroller's staff for their professionalism and courtesy in conducting their duties associated with this audit.

See
Note 1
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See
Note 2
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The Board of Education and the District Administration strive to maintain the highest standard of fiscal management, balancing the needs of the instructional program with the community's desires, aspirations and ability to pay.

We agree with the key findings within the audit report. We will be following up with a complete Corrective Action Plan to address the report's recommendations listed below:

1. Develop and adopt a comprehensive written multiyear financial plan that:
 - a. Compares projected revenues and expenditures each year to determine the estimated annual operating results,
 - b. Shows the District's planned use of unrestricted fund balance and the funding and the use of reserve funds,
 - c. Establishes goals for improving the District's long-term financial condition and outlines the potential future actions required to help achieve those goals, and
 - d. Includes performance measures to help evaluate the progress in meeting established goals.

2. Develop and adopt a comprehensive written multiyear capital plan that:
 - a. Incorporates asset inventory lists and replacement schedules to help identify capital and major equipment needs,
 - b. Prioritizes future capital projects and equipment purchases, and
 - c. Addresses the planned financing of future capital costs and associated budgetary impacts.

3. Periodically review and update the multiyear plans to provide a reliable framework for preparing future budgets and help ensure the information used to guide decisions is current.

 John Nash
Board of Education President

 Peter Blake
Superintendent of Schools

Appendix B: OSC Comments on the District's Response

Note 1

The audit period for this audit was July 1, 2019 – July 12, 2021.

Note 2

The audit scope was limited to determining whether officials established comprehensive multiyear financial and capital plans. While we performed an initial risk assessment of various District's operations to focus our audit scope, our audit report draws no conclusions on any areas that were outside the scope of our audit.

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution, and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials to determine whether:
 - A written multiyear financial plan and capital plan had been developed,
 - Officials reviewed trends in revenues and expenditures, and made future projections for each,
 - Officials reviewed trends in annual operating results, and whether officials determined the reasons for the operating deficits/surpluses identified,
 - Officials reviewed funding levels within established reserves and assessed the amounts for adequacy and reasonableness, and
 - Asset inventory lists and replacement schedules were available.
- We reviewed the District's draft ESSER plan, dated September 19, 2021, to determine how officials were planning to use the funds and the potential impact on future years' budgets.
- We reviewed the District's last building condition survey and interviewed officials to gain an understanding for how they prioritize and undertake capital projects.
- We reviewed Board minutes, resolutions and financial records to determine the balance of the District's capital reserve fund, whether the reserve was properly established and whether plans had been developed that communicate the objective for the reserve, the maximum targeted funding level and the conditions for the use and replenishment of the reserve.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The CAP should be posted on the District's website for public review.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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