

**A Review of Operations and
Fiscal Improvement Plan for the
Wyandanch Union Free School District**

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November 2020**

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Presented for your review is an examination of operations and a proposed Fiscal Improvement Plan for the Wyandanch Public Schools. This report is organized into several sections.

Section 1 of the report is an overall introduction and background of the Wyandanch Public Schools.

Section 2 details the appointment of the Fiscal Monitor and the responsibilities and duties encompassed in that position.

Section 3 describes the processes that were used to conduct the review of the school district.

Section 4 summarizes the State Monitor's general findings regarding the financial operations of the school district and provides the specific findings and recommendations for each of the sections addressed under Section 5.

Section 6 addresses open issues in the relationship between the Wyandanch Public Schools and the Wyandanch Public Library.

Section 7 discusses findings with regard to outside entities working with the school district.

Section 8 reviews the accomplishments/advancements that have taken place in accordance with stated goals of the legislation.

Section 9 is the Long Range (5 Year) Fiscal Plan for the District.

Section 10 addresses conclusions as well as the next steps to be taken in the monitoring and assistance process.

Organization of the Report

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Section 1: Introduction

Background Information on the Wyandanch Schools

The Wyandanch Union Free School District is located in southwestern Suffolk County, Long Island, and serves 2,734 students as of the opening of school in September 2020. The school district encompasses approximately 5 square miles, and is primarily residential, with one and two-family homes being the norm. The District has little commercial or industrial business, contributing to its designation as the poorest school district on Long Island, as measured by the Combined Wealth Ratio (see below for definition). The population of the school district is comprised almost entirely of students of color, with Hispanic / Latino students making up 57% of the student population and Black students comprising 43%. The trend over the last several years is one of an increasing Hispanic / Latino student population, and that trend is expected to continue.

Other statistics relevant to the Wyandanch student population are:

- English Language Learners -908 (33%)
- Special Education students – 512 (19%)
- Students in Temporary Housing – 176 (6%)
- Spending per student 2018-19 – General Education \$11,241, Special Education \$43,209

Combined Wealth Ratio: Under New York State’s system of distributing school aid, a district wealth measure known as the Combined Wealth Ratio (CWR) is used as a proxy for the capacity of a school district to provide local support for its schools. It is an index that combines a comparison of a district’s property wealth per pupil and the personal income per pupil to the state averages of property wealth and income per pupil. A district that matches the average for both property wealth and income per pupil has a CWR of 1.000. Wyandanch’s CWR is only .259. The state uses this metric so that districts with higher need (i.e., lower CWR’s such as for Wyandanch) will receive more State Aid per student, while wealthier school districts, which can have CWRs many times higher than that of Wyandanch’s and are in a better position to support their educational system, receive less aid per student.

The Wyandanch Public Schools are highly reliant on State Aid, which supports an estimated 65% of the District’s 2020-21 school year budget. The District was scheduled to receive an estimated \$46.6 million in State Aid for the 2020-21 school year. However, due to the COVID-19 pandemic and the State’s fiscal issues the State’s enacted budget for the 2020-21 fiscal year includes a provision that allows for a

reduction in state aid. Currently, portions (20%) of some state aid payments are being withheld/deferred. Should the withholding become a permanent reduction, the potential impact of the 20% deferral of the District's State Aid could exceed \$9 million.

During the 2017-18 and 2018-19 school years, the Wyandanch UFSD incurred a deficit totaling nearly \$3.1 million, arguably as a result of overspending, over-projection of revenues, and inadequate management of resources. During the 2019-20 school year, the school district operated on contingency, due to the rejection of its budget by voters, and was forced to reduce its budget from a total of \$71.32 million in the 2018-19 school year to \$69.07 million in the 2019-20 school year.

For the 2019-20 school year, the Wyandanch UFSD is anticipated to end the year with an operating surplus in the range of \$6.3 million, due largely to the curtailment of school resulting from the COVID - 19 pandemic that occurred during the period from March through June 2020. The closure of schools contributed to cost savings being realized in a number of areas, such as transportation and special education services. More stringent expenditure controls, as instituted by the new Superintendent of Schools, also played a contributing role in generating the surplus.

Section 2: Appointment of a Fiscal Monitor

The appointment of a State Fiscal Monitor for the Wyandanch Public Schools was made possible by the passage of Chapter 18 of the Laws of 2020, signed into law by Governor Andrew Cuomo on January 22, 2020. The legislation outlines the roles and responsibilities of the Monitor, who is appointed by the Commissioner. These are as follows:

- Provide oversight, guidance, and technical assistance related to the fiscal policies, practices, programs, and decisions of the school district;
- Serve as a non-voting ex-officio member of the board entitled to attend all BOE meetings, including executive sessions;
- Work with the Board of Education ("BOE") to establish a Conflict of Interest policy;
- Develop a Long-Range Fiscal Improvement Plan by November 1, 2020;
- Provide continuous fiscal and operational oversight to the school district. The Board of Education shall annually submit the proposed budget to the Monitor no later than March 1. The Monitor shall review for balance and conformance with the long-range financial plan, and submit findings to the BOE and the Commissioner no later than 45 days prior to the school district budget vote. The Commissioner shall require the BOE to make any changes consistent with recommendations of the Monitor.
- Assist the school district in obtaining necessary financing to eliminate the accumulated deficit of \$3.1 million;
Provide semi-annual reports to the Commissioner, Board of Regents and the legislature on the status of the school district.

The appointment of the State Fiscal Monitor for the Wyandanch schools became effective on May 1, 2020, and as such, left little opportunity for the Fiscal Monitor to have meaningful input into the development of the 2020-21 school district budget. However, the Office of the State Comptroller (OSC)

undertook a review of the detailed budget for accuracy and thoroughness, that review having taken place from May to June 2020. The OSC findings, as well as the school district's response, are contained as Appendix 2 to this report.

Section 3: Process and Methodology

To develop his plan, the Fiscal Monitor has taken the following actions:

- Conducted interviews with District leaders as well as support staff for the purpose of understanding the roles of key individuals and how those individuals contribute to the overall operation and benefit of the schools. Those individuals included, but have not been limited to, the Superintendent of Schools, Assistant Superintendent, Assistant to the Superintendent, Business Administrator, Treasurer, Accountant, Pupil Personnel Director, and Facilities Director. Follow-up meetings are conducted weekly with many of those same staff, for both the purpose of understanding District procedures and processes and to bring about improvements where needed. The Monitor continues to meet with the Superintendent, Assistant Superintendent and Assistant to the Superintendent. Most of these meetings are held on an 'as needed' basis. These meetings often do not have set agendas but are invaluable in terms of pulling together valuable information as to the workings of the school district.
- Attended Cabinet Meetings on occasions when the Superintendent felt that information would be provided that would be useful to the Monitor, which were mainly those meetings at which budget or staffing matters were discussed.
- Interviewed the District's Independent Auditors, Internal Auditors and Claims Auditor, as well as the Fiscal Advisor (for borrowings). Follow-up interviews/discussions are held as warranted.
- Held discussions with the prior Business Administrator, the consultant who worked with the Business Administrator from December 2019 through April 2020, as well as BOCES officials (Superintendent of Western Suffolk BOCES, and Chief Operations Officer, Western Suffolk BOCES), who continue to provide assistance to the school district.
- Interacted with the OSC regarding past and current involvement in reviewing the finances of the Wyandanch Public Schools.

The Monitor also:

- Attends all meetings of the Board of Education, including executive sessions and special meetings. The Monitor has also met individually with the President of the Board of Education for both the 2019-20 and the 2020-21 school years.
- Meets regularly with the Business Administrator and Business Office staff, primarily the staff accountant and Treasurer. Meetings are informal and deal with specific issues having to do with the Business Office. Often, the Monitor is asked to provide recommendations regarding procedural matters. This is done almost daily.

- Speaks regularly with the Facilities Director. These meetings are largely ad-hoc and deal with current issues that concern staffing and the provision of necessary resources to the schools.
- Meets, both formal and informal, with the Director of Special Education. As a result of these meetings, the Fiscal Monitor has gained a great deal of insight into the school district’s ongoing issues concerning specific populations, placements of students, and the levels of auxiliary support (aides, teaching assistants, and itinerant services) provided to students in the Wyandanch UFSD.

Various documents and records of the school district were, and continue to be, examined in detail. Audit reports, both from independent auditors and OSC, have been examined and discussed with the originators.

The Monitor has substantially relied on data from the District’s financial and personnel management system, WinCap, using such data to develop the line-by-line five-year fiscal plan that is included within this document. Budget appropriation status reports are reviewed regularly to determine whether obligations are being reflected timely, and revenue projections and cash flow are reviewed with the Treasurer several times monthly.

Two public hearings were held in June 2020 by the Fiscal Monitor. Due to Covid-19, the meetings were conducted by teleconference and were sparsely attended. The legislation establishing the position of the Fiscal Monitor delineated the areas to be covered during these hearings. The first of the two hearings centered around the existing statutory and regulatory authority of the Commissioner, Board of Regents and the New York State Education Department (“SED”) regarding school district governance and intervention, including Section 306 of the Education Law, providing detail on the circumstances under which outside intervention in a school district may occur. The second hearing was conducted for the primary purpose of explaining the role of the Fiscal Monitor as it pertains to the Wyandanch Public Schools and to solicit public comment on the fiscal performance of the district.

The following external partners of the school district have been or will be interviewed (indicated by TBD, to be determined):

NYS Office of the State Comptroller	Long Island Regional Office	Ira McCracken John Oross
Financial Consultant to WUFSD through Western Suffolk BOCES		Richard Daddio
Prior Business Official, WUFSD		Idowu Ogundipe
District Superintendent	Western Suffolk BOCES	Dr. Angelique Johnson-Dingle - ongoing
Chief Operating Officer	Western Suffolk BOCES	Michael Flynn - ongoing
Independent Auditors	RS Abrams	Marianne Van Duyne
Internal Auditors	Nawrocki Smith, LLP	Ernest Patrick Smith

Claims Auditors	John Dennehy, CPA	John Dennehy
Wyandanch Teachers Association	Teachers Union	Scott Curci-O'Brien and other teachers – held Oct 6
Wyandanch Assoc. of Support Personnel	Clerical and support staff	Sharin Wilson and other support staff – held Oct 22
Wyandanch Administrators Association	School Leaders / Admin Union	TBD
NAACP	Wyandanch area	Christine Waters - TBD
Local Clergy		TBD
Wyandanch / Wheatley Heights Lions Club	Civic group	Douglas Marange - TBD
Haitian American Families of Long Island	Community-Based Organization	TBD
Family Life Center (Wyandanch Youth Center)	Community-Based Organization	TBD
Long Island Latino Teachers Association		Dafny Irizarry – TBD
YAM Resource Center (Haitian outreach)	Community-Based Organization	Ginette Rows - TBD
Housing Help, Inc	Community-Based Organization	Pilar Moya - TBD
Wyandanch PTA	Parent Group	TBD
Wyandanch Concerned Citizens Civic Association	Civic group	TBD
Farmingdale College	Higher Education	TBD
Public Hearings	Community – June 10 & 17, 2020	Done

In addition, the following are among the financial source documents of the Wyandanch UFSD that were reviewed. A number of documents generated by external parties were also reviewed in detail as a means of assembling additional information and insight about the District and its operations.

NYS Office of the State Comptroller	Wyandanch UFSD – Budget Review, July 2020 Wyandanch UFSD – Budget Review, March 2019 Wyandanch UFSD – Professional Services etc., August 2018	As background
Wyandanch UFSD	Board of Education Minutes, May 2019 through April 2020	As background
Wyandanch UFSD	Budget Status Reports	ongoing
Wyandanch UFSD	Treasurers Report	ongoing
Wyandanch UFSD	Contracts w outside parties	ongoing
Wyandanch UFSD	Employment contracts – union and individual	

Section 4: General Findings

It is evident that the Wyandanch Union Free School District has suffered from inadequate fiscal and operational management, particularly in the last few years, when deficits were incurred in 2017-2018 and 2018-19. There was a three-month vacancy in the Business Administrator position during 2019-20, which hampered efficient operation within the Business Office. Prior to 2019-20, budgetary limitations were often ignored, resulting in shortfalls in various codes, including Transportation. Early evidence strongly suggests that the current Administration is making a concerted effort in terms of fiscal and operational responsibility and is committed to moving forward in a positive direction. The motto of the Wyandanch Public Schools is "We Are Rising," and it is apparent that the District is indeed rising from the low point that it was at less than two years ago. The challenge will be to continue unabated along that path.

The Board of Education, comprised of seven members, including two new members who took office as of July 2020, held a two-day retreat at the District Offices in late July 2020 to strategize about how to move the school district forward both academically and fiscally. In the short term, the retreat appeared to have been a success, but the Board has displayed a tendency to delve into areas that normally would be considered as appropriate for administrative decision-making rather than as a focus for the board's policy-making responsibilities. A contributing reason for this may be due to the lack of current policies, as most policies have not been updated since 2006. New board members are required by state law to undergo board member training. These new board members should be able to bring the best practices they learn in the mandatory training to their engagement with their colleagues. The Board of Education should strive to keep their focus on the students and schools, and attempt to avoid advocating for issues that are more individualized in nature.

The administration is led by a new Superintendent, Dr. Gina Talbert, a long-time District administrator, who served during the 2019-20 school year as Acting Superintendent. Because the Board assessed that she had performed well during a year that the schools operated under a contingency budget, she was appointed to the position of Superintendent of Schools effective July 1, 2020, and was granted a three-year contract.

The Superintendent appears to be fully invested in improving the finances of the District. She displays a desire to raise the academic achievement of all students and has assembled a team of administrators who seem to share the same vision. The Superintendent is hands-on and is in constant contact with her administrators, meeting weekly with Cabinet members as a group to ensure that everyone is current on prevailing issues affecting the Wyandanch Schools. The administrative cabinet seem to be 'in the loop', making them better positioned to make decisions that consider appropriately the effects any decisions may have on other parts of the organization.

The Wyandanch Public Schools have been financially troubled, and the poor management of resources only has served to compound the problem. The school district is high need, as measured against its Long Island neighbors, and finds it difficult to compete for top talent to work in the classroom. Salaries for teaching staff are in the lowest range of those in Suffolk County and in the lowest percentiles for all of Long Island. Nonetheless, the majority of teachers and administrators are enthusiastic and project a very positive tone about the schools.

Section 5: Specific Findings and Recommendations

The following section details the areas that the Fiscal Monitor has reviewed and analyzed. Each topic is presented first with a general description as to its relevance and importance in the operation of the school district, followed by specifics that demonstrate either good management, the need for improvement, or a combination of both.

Governance and Programmatic Decision Making

State Education law and Commissioner's Regulations task boards of education with establishing policy and superintendents of schools with implementing them. While the Wyandanch Board of Education has received training from both an outside consultant and its General Counsel on the appropriate role of school boards in school governance, the Board continues to grapple with establishing the appropriate balance between policy development and administrative oversight. For example, the Superintendent recently failed to secure support of the board for a personnel recommendation that would have consolidated a number of functions under fewer individuals, which would likely have increased efficiency while reducing costs. Based on statements made by board members, the failure to support the Superintendent's recommendations seemed to be based in least in part on factors regarding control over personnel decisions and perceptions of personalities rather than on whether the recommended reorganization would have made the district more efficient and effective.

The school board has set up committees to address certain areas, such as Educational Direction and Leadership, Personnel, Financial Management, Facilities, Community Relations, Management Functions, Policy, and Audit, but to date has not convened meetings of any of these committees. Only several weeks after the establishment of these committees was the Fiscal Monitor able to obtain a detailed list of individual committee membership.

The school board has also agreed to meet with the Fiscal Monitor regularly to discuss budget and general financial issues. Dates for such quarterly meetings have been established. The Fiscal Monitor has also offered to meet with the Board of Education whenever it was felt necessary.

The Board of Education is required to devote one meeting during the months of October or November to an evaluation in executive session of the Superintendent's performance and working relationship with the that body. The evaluation shall be based upon performance criteria developed and agreed upon by the Board of Education in consultation with the Superintendent and presented in a form developed by the Board of Education in consultation with the Superintendent. As the applicable period for this evaluation extends beyond the release date for this report, it cannot be determined whether a timely evaluation will take place, although it is expected that this meeting will occur.

Under the Superintendent's contract, the Board of Education is required to conduct a general discussion in executive session during May or June with the Superintendent regarding her performance and working relationship with the Board. This will assumedly take place in the Spring of 2021.

During his initial months in office, the Fiscal Monitor has had firsthand experience of incidents in which at least one meeting (board retreat) was conducted without appropriate notice being provided to the Monitor and at another meeting an agenda item regarding a consultant contract was added to the Board agenda without proper notification. These actions undermine the Board's effort to improve transparency and increase community engagement.

In other matters, the Superintendent shared her goals for the Wyandanch UFSD with the school board during an October meeting. Those goals include the following:

- (1) Academic and Student Success
 - a. Improving the graduation rate
 - b. Reducing chronic absenteeism
- (2) Creating a socially-just curriculum
- (3) Safe and Secure Learning Environments
 - a. Improve reciprocal parent and community engagement
 - b. Address adverse trauma among student population
 - c. Improve buildings and facilities
- (4) Recruiting and Maintaining a Quality Workforce
- (5) Implement Fiscally Sound Planning and Budgeting

Recommendations:

(1) The Board of Education should arrange to obtain additional outside training, perhaps provided by the New York State Schools Board Association, to help board members more clearly define Board/Administration domains. This is needed so that the Board/Superintendent relationship can function in a more cohesive manner. The Board of Education should seek to distinguish policy-making versus administrative oversight.

(2) The Board should initiate meetings of its designated committees and do so with some regularity. This may not only make these committees meaningful but also avoid unnecessary discussion during Board meetings. Issues can be settled in committee and policy set, thereby avoiding lengthy discussion during work sessions and public meetings. Committee meetings have recently begun to take place. Detailed information regarding committee meetings is available through the District Clerks' office.

(3) All Board of Education meetings, except those executive sessions held to discuss the job performance of the Superintendent, shall include the Superintendent. All meetings of the Board of Education, be they public sessions, executive sessions, or retreats, shall allow for the Fiscal Monitor's attendance. Any retreat that involves a quorum of the Board shall include the Fiscal Monitor. This practice needs to be implemented immediately.

(4) The Board of Education should make every attempt to avoid the practice of adding 'walk-in' resolutions that are not shared in advance with the full Board. Such actions are contrary to the responsibilities of the school board and their obligations to the students and community. Where last minute resolutions are absolutely necessary, such resolutions must be clearly explained to the full Board as well as community members who may be present.

(5) The Board of Education must fulfill its obligations pursuant to the Superintendent's contract by meeting with the Superintendent and conducting annual performance reviews and goal-setting meetings. Doing so is a necessary protection for the Board of Education. Written evidence of this evaluation shall be presented to the Fiscal Monitor by no later than December 15th of each year.

Organizational Structure and Internal Operational Efficiency

The current Organizational Chart for the Wyandanch UFSD is attached as Appendix 1.

The Assistant Superintendent for Human Resources maintains a comprehensive database of all positions in the school district, inclusive of vacancies. In developing the long-range financial plan for the Wyandanch schools, the Fiscal Monitor met numerous times with the Assistant Superintendent to review staffing and found that there was agreement with the Fiscal Monitor's assessment as to the number of positions, location of staff, and subject area staffing. It appears that staffing data available to the school district is very comprehensive and that proper checks are done in terms of vacancies prior to the filling of any position.

Recommendation:

(1) It would benefit the school district for Human Resources to share proposed personnel changes with the Fiscal Monitor prior to Board approval. This will help to avoid the possibility of staff being hired before it is clear that vacancies and funding exist for individual positions.

Budget Development

Well-thought out budget development is the key to the successful day-to-day operation of every school district. This is the point at which priorities are set, "wish lists" considered, and the path to future programmatic goals laid out. Budget development must be done with the academic goals of the school district first and foremost, so that such goals can be achieved even though it may take a number of budget cycles to get there. A school district budget reflects, in dollars, the academic priorities of the district, and the budget itself should be comprehensible in the sense that it allows the reader to understand those priorities. The inclusion of new or improved programs are made more difficult for a school district under austerity, but small steps need to be taken nonetheless.

Under the Superintendent of Schools, the District set out to involve the community in the budget development process. Starting in the late Winter 2020, the Superintendent held several focus group meetings with community members as a means of explaining how the school district budget is constructed and what the budget contains in terms of services. The District sought input into the priorities of community members for administrative, programmatic, and capital needs. These focus group meetings were held with the thought that the groups, now armed with a greater sense of the goals, requirements and needs within the budget, would then serve as "budget ambassadors" who could disseminate the facts about the proposed budget. In turn, this would help to build support within the community, with the ultimate goal being a successful budget passage in the Spring. *(Note: The school district ultimately proposed a 3.3% tax increase, which exceeded its tax cap. The budget was passed by a super-majority of the vote and is now in effect.)*

The 2020-21 budget, by all measures, is one which simply stays the course. The increase to the budget over that of the prior year, with few exceptions, went to maintaining the level of services that were available in the 2019-20 school year, when the school district operated under contingency restrictions. *(Funds for Athletics and limited Co-Curricular activities were restored in the 2020-21 school year).* In the 2019-20 school year many services were slashed out of necessity, and approximately 60 positions were eliminated. The 2020-21 budget does not restore services or positions lost in the prior year, but essentially maintains the District at approximately the same service level as the previous year.

A budget calendar was presented to the school board and approved in February 2020 but it does not appear that the district adhered to the timelines. The onset of the Covid-19 pandemic was a large factor

in the inability to maintain timelines. A revised budget calendar was approved in May 2020, presumed to reflect what had actually occurred.

It should be noted that the previous Business Administrator left the District in June 2019 and was not replaced until October. The lack of continuity in the position had an adverse effect on the quality and timeliness of budget development.

It appears that the construction of the budget for the 2020-21 school year was largely a mechanical exercise. Salary amounts budgeted for the 2020-21 school year appear to have been extended along particular budget lines. These estimates appear to be accurate. Most non-personnel lines were simply increased by a flat 3%. The Monitor did not find that an effort was made to analyze past trends and expenditure patterns and to use such analyses to set specific-line budget amounts for the current school year. Debt service schedules in the budget were not adjusted to reflect the changing amounts of principal and interest, and the cost of deficit financing was not included in the budget. Revenue projections, including State Aid, appear to be reasonable, but do not factor in possible mid-year cuts that the NYS Comptroller, Budget Director, and Governor have indicated may need to be implemented.

Wyandanch, due to the small tax base of the community, is generally unable to improve academic achievement through the introduction of new programs or the hiring of additional staff, except by making offsetting savings in other areas. The 2020-21 budget increased taxes by 3.3%, yet only produced additional tax revenue of approximately \$722,000. This means that a one percent increase in taxes currently increases revenues by less than \$219,000, or approximately \$80 per student. Assuming the maximum 2% tax cap, a simple majority budget approval will only result at most in additional taxes of \$438,000, hardly enough to cover even the normal "step increases" paid to staff as they accrue years of service. The school district faces significant challenges in ensuring that its students meet State standards due to the lack of financial resources. While the District appears to do a very good job of utilizing grant monies to cover gaps, those grants are increasingly being stretched thin, while student needs continue to increase.

The budget hearing lacked clarity, and it appeared that members of the Board of Education and the public were not able to have their questions fully and accurately answered.

New York State's Local Finance Law requires that local governments, including school districts, that engage in deficit financing present their budgets to the Office of State Comptroller for review. Thus, the district's 2020-21 proposed budget was reviewed by OSC. A late response by the district to the Comptroller's request for additional information led to the publication of a report that contained observations and recommendations that may have been avoided had timely information been provided to OSC.

Recommendations:

(1) Future proposed budgets shall consider the programmatic short and long-range goals of the School District as a major factor in development of the budget. Budget development cannot be a mechanical process with changes made on the fly. The Business Administrator needs to have a full and comprehensive grasp of each aspect of the budget and must base the proposed budget on a working knowledge of the District's plan for the future. This must begin with the development of the 2021-22 proposed budget.

(2) The continued inclusion of the community, through focus groups or other means, will serve to keep people informed and perhaps increase support for the school budget. Consideration shall be given to having a number of meetings for Spanish-speaking residents, as their children now constitute a majority of the school population. This action needs to take place with the commencement of the 2021-22 budget discussions with the community.

(3) Board of Education members who have had their queries answered to their satisfaction should continue to seek responses to their questions, which will allow them individually to better respond to the community in an informed manner.

(4) The Board of Education shall also have the opportunity for ongoing budget training. As previously stated, the Fiscal Monitor has offered to provide continual training, which the Board has accepted. This will provide an informal opportunity for discussion and information-gathering. Four quarterly dates for training have been set, beginning in November 2020.

Grants

The Wyandanch UFSD received over \$4.1 million in Federal, State and private-entity grants during the 2019-20 school year and is expected to receive approximately the same amount of grant funds in the 2020-21 school year. These grants have been critical to the operation of the schools. The Assistant to the Superintendent, who has operational responsibility for grants, has been innovative in maximizing their use to address critical needs while adhering to grant requirements, and in the 2019-20 school year, which saw a dramatic reduction of services, that individual was able to re-direct grant funding to close gaps that occurred due to austerity.

The District also employs a part-time contracted grant writer, with that individual assisting the District with grant applications.

Recommendations:

(1) The Wyandanch UFSD should continue to explore any and all grant opportunities, from mini-grants provided to teachers by the private sector, to the largest grants available from the Federal and State governments, prioritizing its grant-seeking efforts to those that can yield the greatest results and that match up with the District's specific areas of need, such as services for ELLs, homeless, special education students and teacher development.

(2) The District shall ensure that the use of all grants is in conformance with the parameters set forth by the issuing party, such as the State education Department or Federal government. This shall begin immediately so that funding is not jeopardized.

Cash Flow /Treasury

The District Treasurer maintains the cash flow documents for the District. This individual, along with the accountant, is very knowledgeable in terms of roles and responsibilities. The Treasurer is diligent in maintaining and updating cash flow documents, doing so weekly. This frequency of the updating of the cash flow and providing it to the Board of Education is extraordinary, but a welcome necessity given past fiscal issues. All relevant financial documents are provided to the Board of Education monthly. Copies of bank statements, inclusive of bank account numbers on the statements, are also provided to the BOE.

The Treasurer is the key staff person in terms of District borrowings (Tax Anticipation Notes and Deficit Financing) as well as tracking the timing and amounts of State Aid and Town tax levy receipts. The

amount borrowed under the Tax Anticipation Note for the 2020-21 school year recognizes that the payment of tax levy funds from the Town of Babylon to the school district occurs primarily in the second half of the school year. This receipt schedule, coupled with the District historically having no reserves, results in borrowing that approximates nearly one-quarter of the District's annual budget.

Recommendations:

(1) All signs point to a well-maintained cash flow for the school district. With interest rates being so low, keeping interest and earnings at a minimum, the District should, from time to time, reach out to the banks to ascertain whether better rates of return on idle cash can be achieved. Likewise, should the District continue to end future years with a meaningful fund balance, it may be able to reduce the amount of its annual Tax Anticipation Note (TAN) borrowings.

(2) Bank account numbers shall be redacted from bank statements provided to the Board or staff members. There is always the possibility that such information could fall into the wrong hands, leading to a possible compromising of school district banking data. This recommendation shall be implemented immediately for the protection of District bank accounts.

Expenditure Controls

The Wyandanch schools appear to have adequate controls in place on over-expensing budget lines. All salary lines, including those of teaching staff (which will not begin to be expensed until September) are encumbered in early July, so that the District is able to ascertain whether individual expenditure lines were budgeted sufficiently for the estimated expense to be incurred during the year. The Fiscal Monitor has spent a considerable amount of time developing a comprehensive staffing database as a means of determining whether budgeted amounts for personnel are sufficient and in line with individual budgets where those staff are charged. It appears that individual budget lines are largely aligned with anticipated expenditure levels. The use of a position-control system by the Human Resources Office is of significant value in ascertaining whether or not vacancies exist in given positions, and thus serves as a control on the addition of new staff without budgetary authorization.

The Fiscal Monitor has provided the Business Administrator with a comprehensive staffing list, due to the fact that the Business Office did not maintain such a database. Budget transfers, for both personnel and non-personnel codes continue to be very numerous, which is indicative of the need for additional trend analysis in budget planning. Comprehensive analyses as part of the budget planning process would better ensure that individual lines are budgeted correctly, which in turn would minimize the number of budget transfers during the year; there would be exceptions when unanticipated expenses arise. The Fiscal Monitor has seen a number of examples during the 2019-20 school year where a budget transfer moves money out of a particular code, only to have another transfer move money back into that same code later in the school year because the original code is later discovered to be short of funds. Such actions should only occur in the rarest of circumstances. Additionally, during the 2019-20 school year, budget transfers consisted of amounts transferred down to the penny, which is not only unnecessary but also more likely to cause a computational error.

District policy requires that any individual budget transfers of \$5,000 and above be formally approved by the Board of Education at a public meeting. Transfers below this amount are approved by the Superintendent. This is a reasonable policy, one to which there has been faithful adherence.

Recommendations:

(1) The Business Office should make transfers among personnel budget lines as early in the fiscal year as possible to ensure that all codes are sufficiently covered, rather than waiting until later in the year when these budget lines are close to exhaustion. This will greatly assist the District in knowing whether shortages exist overall in the District's largest area of expenditure (Personnel) and, therefore, permit adjustments to be made sooner. This recommendation is already being implemented.

It is further recommended that the Business Administrator analyze individual budget lines for future need prior to transferring funds out of specific lines. A request for a purchase does not always indicate that a budget transfer is necessary; discretion should be used in determining whether the purchase is necessary, or should be denied based on the fact that the original budget line has been exhausted.

In terms of the transfers themselves, the Fiscal Monitor has recommended that the Business Administrator round up all transfers to the most reasonable multiple of dollars. This recommendation is being implemented beginning with the 2020-21 school year.

(2) As stated, the Fiscal Monitor has spent considerable time assembling a comprehensive staffing spreadsheet that includes all salaries, stipends, and longevity payments for annualized staff. This listing, by function code, can be tied back to the budget to determine whether sufficient funds exist, as well as pinpointing vacancies within the organization. This spreadsheet has been shared with the Business Administrator, but in order to be meaningful, should be updated after every Board action to reflect retirements and resignations (vacancies) as well as replacement staff information. This allows the Business Office to have current data on all personnel costs and can easily be updated for the following year for budget development. If this listing is not kept up-to-date, it will shortly become useless and deprive the organization of a critical data source.

Purchasing

Purchase requisitions are initiated by the building or office requesting materials or services. The requisitions are reviewed in the Business Office by the Purchasing Agent, and those having to do with the Superintendent's Office are subsequently approved by the Board President prior to being converted into purchase orders. In all cases, the existence of sufficient funding, through a pre-encumbrance into the District's financial system, is established. Where sufficient funding does not exist, a budget transfer may be requested by the school/office.

The District has experienced problems with confirming purchase orders, which are done in cases where items have been previously ordered, with a purchase order being issued after the fact. The use of confirming purchase orders is troublesome in that the school district cannot be confident that funds exist to pay for the purchase, thus causing budget over-expenditures. The incidences of confirming purchase orders has decreased significantly in the last year, but still must be watched. In a sampling of purchase orders, the external auditors did not uncover any confirming purchase orders, although staff admitted that they exist in greater numbers than they would like.

Encumbrances for such items as Special Education tuitions and health and welfare services historically have not taken place in a number of cases until bills have been received. These occurrences can be highly problematic in that the lack of a timely encumbrance prevents the school district from accurately assessing its financial condition.

Recommendations:

(1) The District shall continue to impress upon all staff that confirming purchase orders will not be honored and that any receipt of goods or services using confirming purchase orders may be considered as unauthorized and could potentially become the personal responsibility of the individual making the purchase.

(2) Encumbrances for tuitions, health and welfare services, and other large expenses shall be undertaken as soon as it is known by the Office of Special Education that a child is attending a particular out of district school or school district. Although it may not be possible to determine exact amounts, it is feasible to encumber estimated amounts based on past expenses incurred with the particular school or district. This action shall be implemented within 30 days of a student being enrolled in an out-of-district program to ensure that all expenditures are accounted for as soon as they can reasonably be ascertained.

Internal Controls

The school district appears to have sufficient internal controls in terms of the Business function, despite the fact that the office staff has been reduced due to austerity reductions imposed in the 2019-20 school year. Although this is an area that the Fiscal Monitor intends to investigate more thoroughly in the future, there are no apparent instances of staff carrying out any particular function from start to finish, which would result in duties conflicts.

A larger problem can exist in terms of a small Business Office staff, which does not in all cases allow for backup of all Business Office functions. Without adequate backup, it could be difficult to have a function, such as Payroll, continue without some level of disruption when the one person responsible for that function is absent for an extended period of time without another person in the office being intimately familiar with running that function. Wyandanch does have designated personnel who can serve as backups for its payroll, payables and accounting functions. Under a proposed organizational change, there would also be an individual who could serve as a backup to the Treasury position.

Recommendation:

(1) Although backup staff exist for most Business Office functions, those individuals who serve as backup may be out of practice in the particular backup function. It is recommended that the backup staff meet with those primarily responsible for the particular function for a reasonable amount of time on at least a yearly basis, as a refresher, should the backup person be called upon to perform that duty. This is of particular importance in the area of Payroll. This recommendation should be implemented by no later than June 30, 2021.

Reimbursement Claiming Process

Grant Reimbursement

As previously stated, the district is the recipient of approximately \$4.1 million in Federal, State, and local grants each year.

The grants are largely managed by the Assistant to the Superintendent, who has done a good job of maximizing the use of grants to provide personnel and services that the school district would otherwise not be in a position to afford, but which are vital to its continued operation. The IDEA grant is managed by the Director of Special Education. Both the Assistant to the Superintendent and the Business Office

confirmed that the school district is drawing down regularly any available funds from grants throughout the year, rather than waiting until the end of the year to seek a reimbursement of funds.

Recommendations:

(1) None at this time. The District is claiming grant funds regularly throughout the year. Doing so assists in maintaining adequate cash flow.

Medicaid Reimbursement

Medicaid reimbursement is timely. The school district utilizes the assistance of an outside vendor to collect and aggregate the necessary service data to document the claims. The Fiscal Monitor has spoken with vendor staff assisting with the Medicaid claiming and has been able to verify that data is readily available from the District and claims are being processed completely and timely. Medicaid claims totaled \$309,000 in the 2019-20 school year.

Recommendations:

(1) None at this time.

State Aid Claiming and Reporting

The timely submission of claims data to NYSED’s Bureau of State Aid has been an ongoing issue. Partial attribution of this problem lies with the turnover of the Business Administrator position, which has seen three individuals in the position over the last three school years. Such turnover ultimately results in a lack of continuity, with implications for judgments made about data reasonableness, particularly in being able to ascertain that data is consistent from one year to the next, given changing demographics for populations such as special education and ELL students.

NYSED data submissions pertaining to the projection and receipt of State Aid, which are generally due from school districts by September 1 and October 1, respectively, have been late and/or incomplete. Late or incomplete data can result in a school district not having its information show up in State databases, undermining the accuracy of aid projections. NYSED data requests, which consist of both student and financial information, are overwhelmingly consistent from year to year and. Therefore, the District should be able to anticipate the information it is expected to gather prior to the issuance of official NYSED data requests. Yet data are not requested in advance from responsible parties, as could be the case.

Because there had been no follow-up after the previous Business Administrator’s departure, the NYS School Transparency Report, due to the New York State Division of Budget during the Summer of 2019, had not been finalized, resulting in the temporary withholding of funds from Wyandanch UFSD. Only recently was this form submitted, and the funding that had been held was restored.

In terms of the accuracy of State Aid and fiscal accountability submissions, the Fiscal Monitor is not in a position to ascertain whether the data submitted is accurate, particularly in the case of pupil counts and categories. Financial data would appear to be correct, largely because the data generated by the school district is audited annually by an independent auditing firm, and this financial data, particularly on Form ST-3, must agree with the official financial statements. While there are some minor concerns about expenditures being classified correctly within the school district’s budget, it appears that overwhelmingly costs have been expensed correctly and, therefore, the financial data appearing on the ST-3 as well as audit reports is correctly stated.

Recommendations:

(1) The submission of required data to the State Budget Division and the NYS Education Department is critical. Timely submission allows for quicker review and, therefore, results in updated State Aid runs being produced earlier in the school year. This in turn allows the School District to make adjustments internally, particularly if a shortfall in aid results. The Business Office is generally aware of NYSED’s annual data submission timelines and should begin the process of requesting the information from other parties prior to the end of the school year, as not all staff providing data may be working during the summer months. Required data shall be submitted to NYSED by the specified due dates.

(2) Data being considered for submission needs to be tracked against previously submitted data for consistency or a rationale for deviation. The NYSED forms do a good job of flagging year-to-year changes that appear abnormal, but it is incumbent upon the District to provide the rationale for discrepancies. Where possible, an individual, or perhaps a small group of the Administrative team, should review proposed data submissions for reasonableness prior to their finalization. It is recommended that this begin with the submission of data for the 2021-22 aid projections.

Revenue Outlook

The Business Office has not engaged in any revenue projections beyond the current year. Current year revenue projections appear to be reasonable. The review of revenue projections needs to be an ongoing process, and specific areas should be revisited whenever there is a change in conditions affecting that area – for example, evaluating the effect of New York State’s potential 20% State Aid withholding, which may become a permanent cut. At the time of budget development, it was not anticipated that there would be substantial reductions in State Aid, and so the revenue budget was developed under a ‘normal year’ concept.

Recommendation:

(1) The Business Office shall re-evaluate its current year revenue projections on a quarterly basis. Such revenue projections must be based not only on trends and expectations, but facts that should be known about each revenue source. The Business Office shall re-evaluate its revenue projections for the current year by early-January of each year, so as to be in a position to make expenditure adjustments prior to the second semester of the school year, should such adjustments be necessary. The Board of Education shall be presented with the quarterly report at a public meeting within 30 days of its submission to the Office of the State Comptroller and any changes explained. This process shall begin effective with the first quarterly report provided by the school district to OSC.

PILOT Payments

New businesses are often convinced to come into the community through the granting of Payments on Lieu of Taxes (PILOTs) through the Town of Babylon Industrial Development Agency (IDA), which provides reduced annual tax payments in exchange for the business coming into the community and possibly providing additional jobs for community residents.

The Wyandanch UFSD is the recipient of numerous PILOT payments. The 2020-21 school budget lists PILOTs as providing nearly \$1.5 million in revenue. Despite the number of such payments, the Business Office does not have individual payment schedules for these PILOTs, which makes revenue projections from this source extremely difficult.

Recommendations:

(1) The school district shall obtain payment schedules for each of its PILOT payments, and input these into a comprehensive database, which will allow the Business Office to project future revenue streams from this source. Given the magnitude of this revenue stream (\$1.5 million), accuracy is paramount. This needs to be done prior to the finalization of the school year 2021-22 proposed budget and each subsequent year thereafter.

(2) The Board of Education should evaluate proposed PILOTs to determine whether the best interests of the Wyandanch Schools are being served and seek to make their opinions known to Town and other local officials.

Human Capital Needs, Policies and Trends

The Wyandanch Public Schools have found it increasingly difficult to attract and retain qualified staff. Given that the school district operated under a contingency budget last year and reduced staffing by approximately 60 individuals, compounded with an accumulated deficit of \$3.1 million, it is unlikely that recruitment and retention patterns will improve, at least near term. Salaries are low relative to other districts on Long Island, and the schools are in need of physical upgrades. Wyandanch continues to be the recipient of increased in-migration from Central and South America. These students often arrive with interrupted formal education and limited English-proficiency, which further challenges District resources.

Despite these concerns, the instructional staff and administrators at Wyandanch appear to be largely upbeat and positive. Their collective attitude is to be commended.

Most collective bargaining units are still under contract for the 2020-21 school year. The Wyandanch Teachers Association collective bargaining agreement is in effect through June 2022, while the teacher assistants and aides, support staff (clerical), and custodial and food service staff are under contract through June 2021. Administrators (principals, assistant principals, directors, etc.), are working under contracts that expired in June 2019.

Security staff, who may be replaced by a contracted service starting next year, are working under a contract that expired in June 2019.

The school district has the latitude in policy to pay for experienced personnel and is not limited to offering entry-level salaries to those with prior experience. While this latitude is helpful, it must continue to be used with discretion, primarily to be used when attempting to recruit for hard-to-fill subject areas.

There are minimal seasonal personnel. The school district did not operate summer school in either summer 2019 or 2020, with the exception of an extended year Special Education program. This program ran in a combination of in-district, BOCES and private facility settings.

Recommendations:

(1) None at this time.

Other Major Expenditure and Enrollment Trends

There is a need for the school district to undertake long-range enrollment projections, so as to formulate a strategy that incorporates both academic and fiscal needs into a comprehensive plan for the

future. Individual population categories, such as Special Education, English as a Second Language (ESL) learners, and gifted students, must be included in any such projections.

This is a significant need that must be addressed if the school district is to get a better handle on its future requirements.

Recommendation:

(1) In Wyandanch, which historically has had a large in-migration of students from other countries, and which has a substantial homeless population, it is critical that the latest and best demographic data projections be available. Advance estimates of individual student populations will increase the effectiveness of current and future staffing levels and program services. A demographic study should be conducted in conjunction with the District’s planning for facilities improvements. Projection services are often available as an aided service through one of the Statewide BOCES. It is recommended that the administration contact BOCES by March 2021 as to how such a demographic study can best be accomplished.

Long Term Planning - General

In late Winter 2020, the Superintendent led a series of focus groups addressing the school district budget. Such an outreach had not been conducted for several years. The focus groups included parents, alumni, and PTA and community members. Meetings focused on providing participants with a better understanding of the school district budget, as well as discussions about the particular problems faced by Wyandanch. Long-term planning for the District was also addressed.

In recent years, the District has not engaged in long-term financial planning. The close of the 2019-20 fiscal year left the school district with an estimated total of \$6.3 million in fund balance. Prior to that, the school district fund balance was relatively minimal each year.

As stated previously, it is anticipated that the fund balance from 2019-20 school year operations may need to be used to mitigate anticipated State Aid reductions during the current school year.

Recommendation:

(1) It will be important for the school district to utilize any operational fund balances judiciously where possible. Some portion of fund balance should be allocated to assist the District in addressing potential deficits that could occur over the next several years. A written plan shall be created for the allocation of fund balance over the next several years. This can be accomplished by working with the District’s independent auditors, as such a plan is required. By December 31, 2020 the Superintendent shall provide the Board of Education with an analysis of existing fund balances and recommendations for how such fund balances shall be apportioned. This shall also be done in June of each year, when the Board of Education shall adopt a plan for the disposition of fund balances anticipated for the year ending June 30th.

The school district should utilize a small portion of its 2019-20 balance to reduce the tax impact in future years, and that assumption has been incorporated into the long-range financial plan.

Long Term Planning – Physical Plant and Learning Environment

As part of the long-range plan, the Fiscal Monitor has spoken with both the Board of Education and Administration about having the school district propose a bond referendum within the next 3-4 years, for the purpose of upgrading its infrastructure, adding instructional space to allow for the return of Pre-

K and Kindergarten classes to the District (now housed in vacant space in the Half-Hollow Hills CSD), and making other needed physical improvements. Given that the school district has a current Building Aid ratio of .98 for approved expenses, embarking on a series of well-planned and economical capital projects under a bond could result in virtually no cost to the taxpayers of Wyandanch.

The Board President and Superintendent recently instituted a series of meetings to garner direction for a large Districtwide project to provide improvements and possibly new facilities for Wyandanch students. Both the BOE and Superintendent are in agreement that a master plan will take a few years to fully develop, one that will require input from students, staff, parents, and community members. The BOE has also begun outreach to local legislators and District benefactors to share their vision for upgraded facilities for the school district.

Recommendations:

(1) The Wyandanch Public Schools have started out on a good course in terms of planning for the future of its facilities. Both the BOE and the administration realize that a large part of their strategy in garnering community support will be to first regain the confidence and trust of the community, so that it can be assured that local tax money will be used wisely. The District must continue these discussions with all stakeholders and make sure that its efforts do not get bogged down. Methodical steps must be taken in this regard, by securing the services of an architect and engineer, forming Districtwide planning groups and subgroups as needed, and sharing information regularly with the community so that a future bond referendum does not come as a surprise. The full development of this plan will take time, but benchmarks must be developed by the end of March 2021 and presented at a public meeting to set forth the steps to be taken over the next few years.

(2) The lease on the Pre-K / Kindergarten space at Half Hollow Hills will expire in June 2023. As it cannot be anticipated that new space will be constructed or otherwise located by that time, it would be wise to initiate discussions with the Half Hollow Hills CSD for the purpose of extending the lease for a reasonable time period. Discussions should begin no later than June 2021.

Indebtedness of the School District

Attached as Appendix 3 is a chart detailing the current total indebtedness of the Wyandanch Public Schools.

The total indebtedness of the Wyandanch UFSD, as of July 2020, (both principal and interest) is \$19.84 million, of which \$2.48 million will come due during the current fiscal year. The \$19.84 million includes the deficit financing, which closed this past July, and which contributes \$3.291 million towards the aggregate. It should be noted that the school district's debt service will drop from an annual level of \$2.811 million in 2021-22 to \$2.114 million in 2024-25 (a net annual reduction of \$697,000). This would present an opportune time for the school district to assume additional debt in support of much-needed improvements.

Recommendation:

(1) As is customary for many school districts, the school district should time its financing of new debt to coincide with the retirement of older debt, so that it can support facilities improvements while minimizing the impact on taxpayers. This assumption has been incorporated into the Monitor's development of the fiscal plan. Careful planning will be required to avoid spikes in the tax rate when assuming additional debt. A timeline for this is best achieved by working with the District's financial advisors and bond counsel.

Facilities and Transportation Status

Facilities

The Director of Facilities oversees operation of the physical plant, and does so with limited resources, both in terms of staffing and funding for maintenance and repair. Given the limitations faced, it appears that the work is able to get done, although the school district remains one major incident away from a financial crisis. In discussions with the Director, it is evident that there was little communication between the Business Administrator and himself as to the facilities needs for the 2020-21 budget.

Recommendation:

(1) In light of the current pandemic, it is critical that the Facilities Director have input into the budget-making process. This is particularly important given the myriad of health and safety needs that now need to be considered. While it may be difficult for the school district to supply the resources to get all tasks accomplished, the District must be aware of those needs and every attempt made to make inroads, even in very small increments. By doing things such as adding funding for a limited number of minor classroom improvements each year (for example, ceilings and floors), over time, and over a number of budget years, there can be a major impact.

Transportation

Cost overruns and inadequate management in transportation have plagued the Wyandanch Schools for a number of years. Until the 2019-20 school year, the District operated an in-district bus operation with approximately 27 buses and employed its own drivers and bus monitors. It also used outside contractors where necessary. Under that system, additional bus routes were routinely added without checking for the availability of funds. As a result, costs skyrocketed.

In developing the 2019-20 budget under austerity, the decision was made by the Board of Education to outsource Transportation services, utilizing Eastern Suffolk BOCES to assist in the endeavor. District bus staff were terminated and vehicles sold. While it is difficult to ascertain whether there were any savings (due to COVID-19 interruption of the school year), by all accounts it appears that the operation is running more smoothly and within budget. An outside consultant assists District staff in formulating efficient routing schemes.

Over the past few years, routing has changed, and there is a real possibility that the aidable miles of the school district has increased. An increase in the aidability can only help the schools financially. With Kindergarten students travelling to the Half Hollow Hills CSD for their classes, it is possible that there could be an increase in the aidability for the school district overall due to a favorable change in the non-aidable pupil decimal.

Recommendations:

(1) The school district should continue to utilize the services of the consultant in developing efficient and cost-effective bus routes.

(2) The Wyandanch UFSD should work with Eastern Suffolk BOCES and its transportation provider to re-compute its non-allowable pupil decimal as of early March 2020 if possible (pre-COVID), to determine if it is entitled to more Transportation Aid.

Resource Planning to Support Academic Needs

It has been extremely difficult to fully meet the academic needs of the students in the Wyandanch UFSD. The school district demographics have been detailed in a previous section of this report, and a review of those show the depth of the need.

Recommendations:

(1) None at this time. However, as the school district gains greater knowledge of its budget trends, it should make every attempt to study whether resources can be allocated in a manner that can more effectively meet the needs of District students.

6 - Other Items

Library - Borrowings

For the last several years, the Wyandanch Public Library (“library”) has requested loans of between \$500,000 to \$1 million to support the cash flow of that entity. During the last three years (including the current year), that borrowing has been \$1 million. As with the school district, the library receives the bulk of its tax levy funds during the second half of the fiscal year, presumably leaving it short in terms of available cash from July to December. While the borrowing may well be appropriate, the library has never submitted a cash flow projection to back up its requests, nor has the school district asked for documentation prior to lending the funds to the library.

In addition, no contract or memorandum of understanding currently exists between the two parties regarding the repayment of those funds, although the district can document that in recent years, the funds have been repaid each year by June 30th. A draft memorandum between the parties is presently circulating and, hopefully, will be finalized and signed within a short period of time.

Recommendation:

(1) The District should seek to obtain a separate TAN for the Wyandanch Public Library, and not include the needs of the library in the school district’s borrowing. A separate TAN will require proof of need, which can only be provided through the library. The school district should not continue to lend funds to the Library without any documentation demonstrating need. This shall take place as soon as borrowing decisions are made In June 2021.

Library – Payments to NY State and Local Retirement System (NYSLRS)

Currently, the Wyandanch Public Library does not possess a client number with the NYSLRS, and so it submits its retirement system collections through the school district. Each month, the library submits the funds it collects from its employees to the school district, which in turn remits the amounts to NYSLRS. However, the library does not remit the employer share of the required contribution. Because of this, the school district has been paying the required retirement contributions of the library, which have totaled over \$239,259 from the period from 2016-17 through 2018-19. In addition, there is an estimated \$80,000 that is owed for the year ended June 30, 2020. The school district has been unable to get the library to pay this cost. Further investigation is required as to the legality of the school district paying for the library obligation, which effectively constitutes an additional tax on the District. A draft agreement to rectify this problem currently is circulating between District legal counsel and that of the Wyandanch Public Library. Recently, talks were initiated among the Library, school district and ERS staff about the Library securing its own client number, which ERS believes is possible.

Recommendation:

(1) The Library should be compelled to obtain its own retirement system client number and submit all of its' required payments itself. The school district should continue its' efforts for this to get done. This will require actions on the part of the Library and the NYSLRS. As such, no timeline can be presently established.

7 - Discussions with Interested Parties

At this point, discussions have been held with a number of interested parties, consisting of those with financial responsibilities (auditors and financial advisors). The purpose of these interviews/discussions was to assess, from their individual viewpoints, the status of the school district, as well as any recommendations that they feel should be implemented as a means of improving financial conditions in the Wyandanch schools.

For the financial parties, the discussions were limited to fiscal matters and the financial operations of the school district. The monitor will meet with school-based and community groups during the entire effective period of the legislation and will report on these meetings in subsequent reports.

Independent (External) Auditors

The first of the outside parties with whom financial issues were discussed were the independent auditors. The firm of R.S. Abrams has served as external auditors to the Wyandanch Public Schools since 2015. The principal of that firm, which is one of the major auditing firms working with school districts on Long Island, is Marianne Van Duyne, CPA. Ms. Van Duyne was of the opinion that the school district, having had a substantial amount of turnover in the Business Office, lacked continuity of leadership, with three business officials in the last three years. Austerity during the 2019-20 school year, which resulted in the elimination of over 60 positions, also affected Business Office operations through staff reductions.

Recommendations:

(1) None at this time.

Internal Auditors

The firm of Nawrocki Smith has performed the internal audit function for the Wyandanch Public Schools for a number of years. Ernest Patrick Smith is the partner handling the account. Mr. Smith expressed many of the same concerns as Ms. Van Duyne of R.S. Abrams. Mr. Smith stressed the inexperience of school business administrators hired by the District as being one of the critical factors in the school district's operating at a deficit during the 2017-18 and 2018-19 school years.

It was emphasized that the Business Administrator needs to be able to do a projection of year-end spending levels some six months ahead of the actual close of the school year. In the recent past, this was neither done to a sufficient degree nor in a timely manner and, therefore, did not allow the District to make mid-year corrections, which would have possibly permitted it to greatly reduce or possibly eliminate the deficits that totaled nearly \$3.1 million over two years.

Mr. Smith had some concerns about staffing in the Business Office and felt that staffing may be insufficient. It should be noted that recently an additional staff member was added to the Business Office. That addition should lead to a better distribution of workload among the staff.

Recommendation:

(1) The District should continue to utilize the services of the Internal Auditors to assist the Business Office in achieving greater operational efficiency. The school district should meet with the Internal Auditors as soon as feasible and decide upon specific areas of concentration for its next review. Preliminary discussions with the Internal Auditor have taken place and areas of concentration, to be discussed with the Board of Education have been suggested. Finalization of planned activities should take place no later than November 30, 2020.

Claims Auditors

For a number of years, the Wyandanch Public Schools utilized a school district employee as the Claims Auditor. In 2019, the school district brought in the firm of John F. Dennehy CPA to assume the claims auditing function. When asked about the correctness of claims and inclusion of documentation, Mr. Dennehy stated that issues were very similar to that which he encounters in any other school district. He did not feel that there was anything out of the ordinary and that documentation of expenses was sufficient. He also noted that he has seen an improvement in the accuracy of claims over the past year.

In Wyandanch, the claims auditor also reviews each payroll prior to it being finalized. That audit concentrates mainly on hourly and part-time staff, since it is that part of the payroll that will be most prone to errors, either in the rate of pay or the number of hours paid. Mr. Dennehy reviews the source documentation and compares it against the preliminary payroll. He stated that when he originally started working in the District, he found numerous errors in amounts to be paid but that the accuracy of computation and hours documented has greatly improved.

It should be noted that although payroll errors are found from time to time, such errors do not result in mis-payment to individuals since errors are flagged by the auditor and corrected prior to the finalization of payroll.

Recommendations:

(1) None at this time.

Financial Advisors

The District utilizes the services of Capital Market Advisors (CMA), a Long Island-based firm that works with school districts and municipalities in securing various type of financing, from Tax and Revenue Anticipation Notes to bonds. The firm most recently worked with the school district in securing both its annual TAN, as well as the deficit financing approved as part of the monitoring legislation. Alex Kerr, a Vice-President at CMA was very complementary of the school district in that he has never had an issue obtaining timely and accurate information from the District Treasurer. Mr. Kerr is eager to assist the school district, stating that better borrowing rates can be achieved by Wyandanch as the financial picture grows more positive and improved fiscal controls are put into place. Better borrowing rates will be an issue as the school district begins its preliminary investigation into issuing a bond for the improvement of school facilities.

8 - Legislative Requirements Accomplished to Date

Much has been accomplished during the past six months to move the Wyandanch Public Schools forward towards fiscal improvement. Significant among these accomplishments are:

Public Hearings – As required by the legislation, two public hearings were held, the first concentrating on State responsibilities and obligations and the second focusing on the role of the Fiscal Monitor. The hearings were held virtually due to the Covid-19 pandemic, and those individuals who could not attend were provided with an email address to submit questions.

Conflict of Interest Policy – A second requirement under the Fiscal Monitor legislation is the establishment of a comprehensive Conflict of Interest policy. In conjunction with the school district’s General Counsel, such a policy was developed, approved by NYSED, and presented to the school board for adoption. The policy has since been adopted and provides clear guidance to both the Board of Education and District employees as to acceptable conduct.

Deficit Financing - The legislation permits the Wyandanch Public Schools to borrow a sum of money, as certified by the Office of the New York State Comptroller, to cover the deficits incurred during the 2017-18 and 2018-19 school years. Upon urging of the Monitor, the Board of Education approved a resolution to borrow approximately \$3.1 million, to be repaid over the course of ten years. The borrowing effectively erases the accumulated debt of the school district and allows it to proceed with a clean financial slate.

Advance of Lottery Aid – Starting with 2019-20 through 2048-49 school year, the district can, no earlier than mid-June, request an advance of Lottery Aid, upon application to the Commissioner, with aid payable prior to June 30th. The school district applied for this advance in mid-June and has received the funds, in the amount of \$1 million.

Development of Long-Range (Five Year) Financial Plan – The section that follows goes into detail in regard to the development of a five-year financial plan for the Wyandanch UFSD. The Fiscal Monitor, working in conjunction with the Administration, has developed a line-by-line financial plan for the school district. This document will serve as a roadmap for the District, but it is not intended to serve as its budget for the next five years.

9 - Long-Range Fiscal Plan for the Wyandanch UFSD

As specified in the legislation, the Fiscal Monitor is charged with the development of a five-year financial plan for the Wyandanch Public Schools. This plan was not intended to be developed in isolation, but rather in conjunction with the Board of Education. The Monitor is the primary author of this plan but has received considerable assistance from Human Resources in terms of staffing data, as well as from the Business Administrator, Treasurer and Accountant to clarify particular items of concern. The Monitor met on several occasions with the Administrative Cabinet to go through the plan line-by-line and obtain the input of those individuals, making adjustments to the plan based on the feedback received.

The booklet, “Multiyear Financial Planning,” developed by the Office of the NYS Comptroller, was of considerable assistance in setting up parameters for the development of the fiscal plan.

The five-year plan begins with the current (2020-21) school year budget, and sets into place a financial framework through the 2024-25 school year. It is critical that this document not be viewed as a budget, but rather as a planning document for the school district and a set of guideposts and considerations for future decision-making.

Expense Projections

As previously stated, the 2020-21 budget was developed by the Business Administrator by adding 3% to nearly all non-personnel lines. Prior year expenditure trends were generally not used as a means of estimating the level of expense that should have been included in the proposed budget, and a number of budget lines that had not been used in several years were included in the budget and incremented by 3%, even though those funds may have better been used to supplement other expense lines that were badly underfunded. For these reasons, the Fiscal Monitor decided to start from scratch in developing a financial plan through 2025. While the 2020-21 budget is set, the figures used for subsequent years may vary considerably due to the Fiscal Monitor's analysis of the trends for various items of expense.

The expense side of the school budget was initially assembled by reviewing each individual line of the current budget and going back five years to ascertain trends and patterns of expenditure. Since staffing is the single largest part of a very complex budget, all individual staff positions were checked against existing budget lines to determine whether sufficient funding existed for those staff. By and large, the budgeted amounts for 2020-21 were in line with actual staff being paid for on those lines, although there will be the need to make some budget transfers to cover salaries for the year.

All staffing was compared with data from the Human Resources Office, and reconciliations were made with the Assistant Superintendent.

The Monitor projected salaries for the years through 2025, using the current salary schedules and projecting employee step movement each year. No projection of salary increases due to an individual changing degree status, known as column movement, was included, as the level of activity varies greatly from year-to-year and can often be offset through savings achieved through retirements or resignations. Staffing levels themselves were kept as is, meaning that no additional staff were included in future year budgets. This was done out of concern for the tax cap; as even without any additional staff there are years in this plan where even an assumed 2% maximum levy increase under the tax cap does not raise sufficient funds to cover anticipated expenditures. It is estimated that the increases in staffing costs without inclusion of salary increases is between \$450,000 to \$485,000 a year. When measured against the tax levy, these increases alone represent a tax increase of 2.13% to 2.30%, which is above the maximum 2% tax levy cap.

Expenditure levels for all benefits were reviewed thoroughly. Estimates of health insurance costs were increased by approximately 10% a year, except for 2022, as there is an anticipated surplus for the current year that will significantly mitigate the needed increase for the year ending June 2022. Teacher Retirement System costs were estimated at 12% of applicable payroll, while Employee Retirement System expenses were estimated at 15%. Other benefit lines were adjusted in accordance with trend data.

Debt service schedules were accumulated into a master schedule and incorporated into the fiscal plan. This review of debt service payments was a large consideration in the decision as to when the District should seek to take on new debt, in the form of a school improvement bond. New bond debt was estimated at \$30 million for this analysis, with a gradual assumption of debt beginning in the 2023-24 school year.

Revenue Projections

In terms of revenue, each major revenue source was examined, and five years of trend data was taken into account in setting an estimate. After all other revenue sources are estimated, the tax levy becomes

the “plug” number, or the remainder of the budget that must be filled through tax collections from the community.

State aid increases were assumed at the level of 3.0% annually. Other revenue sources were estimated based on trend data and in consultation with the District Treasurer.

One area that could not be estimated with a desirable degree of certainty is that of Payments in Lieu of Taxes (PILOTs). As discussed in the PILOT section of this report, the school district is the recipient of a number of PILOT payments, each with a different payment schedule that changes from year-to-year. Despite repeated requests of the Business Office to obtain the actual schedules for each PILOT from the Suffolk County IDA, this has not occurred. Therefore, the budgeted amount for 2020-21 was carried forth into future years as a best estimate.

Due to the fact that the District will realize a surplus from the 2019-20 school year, the Fiscal Monitor is recommending that the fiscal plan include a fund balance return to taxpayers in each year of the plan of \$200,000. Over the four future years, this will total \$800,000, but will serve to keep taxes down and better assure budget passage. A \$200,000 appropriation of fund balance will effectively reduce the annual tax impact by 1% each year.

In each year of the plan, the projection was done with keeping tax levy increases to a maximum of just under 2%, in accordance with the State 2% tax cap. Because the expenditures and revenues could not be brought to balance in the years 2021-22 through 2024-25, it was necessary to include “a below-the-line” reduction in those years. This lump sum reduction, absent any unanticipated increases in revenue sources, becomes the amount of expenditure reductions that the Board of Education will be required to make to find savings in preparing that year’s budget prior to its need to present the proposed budget to the Fiscal Monitor and OSC. There is no assumption of exceeding the tax cap in any of the years of the five-year plan.

The details of the long-range fiscal plan are included in this document as Appendix 4a and 4b.

Although the plan makes the above-referenced assumptions in terms of revenues and expenditures, scenarios have also been developed which make changes to both the tax cap and State Aid. This is presented as Appendix 4c, ‘Alternate Assumptions’. This chart shows the effects of the originally-developed fiscal plan (Scenario 1), along with added Scenarios 2, 3, and 4, which alter assumptions in regard to State Aid, the NYS Tax Cap, and the need for changes in expenditure reductions.

A cash flow document related to the Five-Year Plan is attached as Appendix 4d.

Recommendation:

(1) Annually, by September 1 each year, the District shall submit to the monitor an updated five-year financial plan such that for each school year the annual aggregate operating expenses do not exceed annual aggregate operating revenues and the major operating funds of the District are balanced in accordance with generally accepted accounting principles. The financial plan shall include statements of all estimated revenues, expenditures, and cash flow projections of the District

10 - Conclusions and Next Steps

There remains much to be done in the Wyandanch UFSD. Financial and operational systems will continue to be examined, many in far greater detail, in the months and years ahead. Discussions about current procedures and practices as well as recommended changes will continue to be held weekly with staff, Administration, and the Board of Education. This is an ongoing and evolving process, one requiring the input of and a dedication to improvement by all stakeholders.

During the next phase of the Fiscal Monitor's work with the District, there will be numerous meetings with stakeholder groups, both within the school district community as well as with the greater Wyandanch community and others who work closely with the Wyandanch UFSD. Their input will undoubtedly play a significant role in the recommendations for the school district as it moves forward. During the next several months the Monitor will concentrate on specific areas of expenditure analysis, staffing requirements, and the reallocation of funds as necessary.

The school district is now in the beginning phases of budget development for the 2021-22 school year. The budget being developed cannot continue to be done on "auto pilot," but must reflect true consideration of the needs of the District both currently and as building blocks for the future, even if the facts show that incorporating such wish lists may not be possible due to fiscal considerations. Funding shortages will undoubtedly make this process all the more difficult, but the process must take place nonetheless. It is primarily because of a lack of funds that the concept of long-range planning takes on a greater importance. If funds for the school district existed in sufficient amounts to enact immediate change, long-range planning would not be of such necessity, but that is not the case. It will be paramount for the school district to maximize the use of its existing resources, while seeking out increased dollars from current funding streams as well as looking for new potential sources of revenue.

The Board of Education, despite having several members with years of experience, continues to clarify its role vis-a-vis Administration. The greater portion of the District policy manual has not been updated since 2006, and therein leads to occasional disagreements and lack of clarity in roles and responsibilities of each party. There is a tremendous need for the Board policy committee to begin a full review of all policies, so as to create clear reference points in determining appropriate roles and responsibilities throughout the organization. The Board of Education must begin the process of reviewing its entire policy book. It is understood such a review and update may extend over several years, due to the fact that the number of policies that have not been updated in many years are extensive. It is anticipated that the committee will begin their work shortly, in conjunction with school district counsel and the Erie I BOCES, which assists school districts with policy formulation.

There is optimism that the Board of Education, Superintendent, and Administration will continue the engagement of the community, as it did last year and that such engagement will transcend budget season, creating ongoing dialogues throughout the year.

I wish to thank the Wyandanch Board of Education, the Superintendent of Schools, Administration, and office staff for the cooperation and assistance that I have been afforded over the last six months. In addition, both the District Superintendent and Chief Operating Officer of Western Suffolk BOCES have been invaluable resources in providing context and direction to me.

I have been granted unfettered access to any and all financial and contractual documents, participated as an ex-officio member of the Board of Education, and have been included in Administrative Cabinet meetings whenever I believed there was a need or when the Superintendent felt it would be beneficial

to do so. For all these reasons, it has made my job easier and has allowed for the development of an unbiased assessment of the Wyandanch Public Schools. I look forward to continuing to work with all school district parties, as well as other stakeholder groups, in the improvement of the Wyandanch Public Schools, in both fiscal and operational matters.

11 - APPENDICES

- 1- Organization Chart of the Wyandanch UFSD
- 2- OSC Report and District Response
- 3- School District Debt Service Schedule
- 4- Long-Term Fiscal Plan
 - a. Revenues
 - b. Expenditures- Summary and Detail
 - c. Alternate Assumptions Regarding the School District Fiscal Plan
 - d. Cash Flow Projections related to Five Year Plan

END OF REPORT