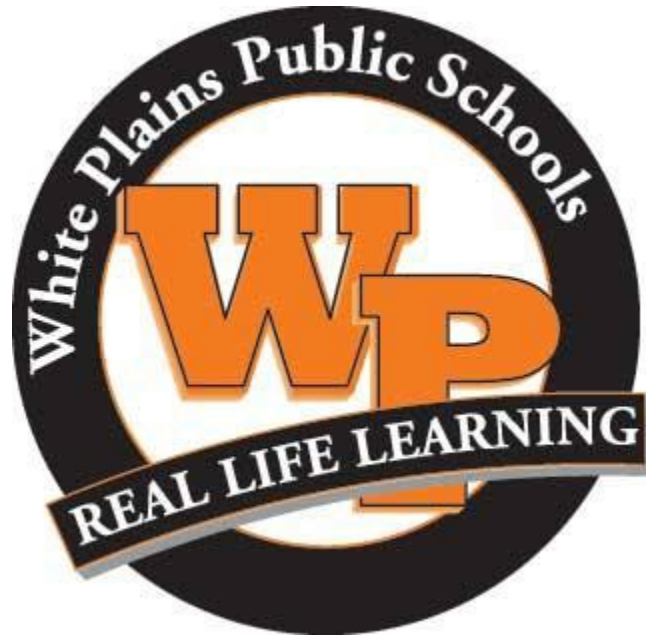


WHITE PLAINS CITY SCHOOL DISTRICT
FUND BALANCE RESERVES REPORT
JUNE 30, 2023



New York State requires School Districts to adopt annually, through Board of Education resolution, the District's Fund Balance Reserve Plan

Overview

Fund Balance Reserves are created to satisfy legal restrictions, plan for the future expenditures or relate to resources that are not available for general use or appropriation.

The Board of Education recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the school district. In addition, it is fiscally advantageous for both the District and the Taxpayer in that it helps mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and assists in ensuring stable tax rates, which is vital to the district's long-term financial planning.

New York State Comptroller (Local Management Guide - Reserve Funds, 2010):

Saving for future projects, acquisitions, and other allowable purposes is an important planning consideration for local governments and school districts. Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements. Reserve funds can also provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions. In uncertain economic times, reserve funds can also provide officials with a welcomed budgetary option that can help mitigate the need to cut services or to raise taxes. In good times, money not needed for current purposes can often be set aside in reserves for future use (Pg.1).

In addition, the Government Finance Officers Association (GFOA) states that not only is fund balance crucial to an entity's long-range planning, but also important to how credit agencies evaluate a government's continued creditworthiness. Typically, the GFOA recommends governments to have 15% unreserved fund balance. Unfortunately, school districts have a statutory limit of 4%.

RESTRICTED FUND BALANCES

Restricted Fund Balances includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Reserve for Tax Certiorari (A864)

Authorized by Education Law Section 3651 (1-a)

Creation – This reserve has been in existence prior to 1993 and was established by Board Resolution.

Purpose – To pay judgments and claims in tax certiorari proceedings in accordance with Article seven of the Real Property Tax Law, without approval of the qualified voters of the district. The total of the monies held in such reserve fund shall not exceed that amount which might reasonably be deemed necessary to meet anticipated judgements and claims arising out of such tax certiorari proceedings.

Funding Methods – This reserve is funded from excess fund balance.

Use of Reserve – The reserve is used to pay settlements, judgements, and claims in tax certiorari proceedings. Upon recommendation by legal counsel and authorization by the Board of Education, funds from the reserve are appropriated in order to pay such claims.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business. Each year, legal counsel provides a detailed analysis of tax certiorari filings, listing the district's potential exposure, as well as an estimate of any potential refunds (liability).

Funding Level – Each year the reserve should be sufficient to fund the estimated liability as indicated by legal counsel.

6/30/22 Actual Balance: \$61,076,436

Funds Estimated to be used as of 6/30/23: \$3,984,318

Balance (prior to adjustments for year-end and accrued interest of \$2,180,971) = \$57,092,118

Recommendation: Replenish the reserve by \$3,726,911 to a balance of \$63,000,000 per legal counsel's estimate of pending tax certiorari claims at June 30, 2023.

Reserve for Retirement Contributions ERS (A827)

Authorized by General Municipal Law Section 6-r (11)

Creation – This reserve was created effective June 10, 2019 and was established by Board Resolution with an initial deposit of \$100,000.

Purpose – For the purpose of financing retirement contributions to New York State and Local Employees' Retirement System.

Funding Methods – This reserve is funded from unappropriated unreserved fund balance.

Use of Reserve – The reserve is used to pay obligations to the New York State and Local Employees' Retirement System. Upon authorization by the Board of Education, funds from the reserve are appropriated in order to pay such costs.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – The District annually will calculate using the guidance of 2% of member (ERS) salaries for the preceding year, the amount that could be reasonably funded to support future increases in pension expenses.

6/30/22 Actual Balance: \$896,298

Funds used as of 6/30/23: \$-0-

Balance (prior to adjustments for year-end and accrued interest of \$21,026) = \$896,298

Recommendation: Based on NYERS pension earnings and the contribution rates for 2022-23, the recommendation is not to make an additional deposit into the reserve. The estimated reserve balance at June 30, 2023 is \$917,324.

Reserve for Retirement Contributions Sub – Fund TRS (A827.1)

Authorized by General Municipal Law Section 6-r (11)

Creation – This reserve was created effective June 10, 2019 and was established by Board Resolution with an initial deposit of \$500,000.

Purpose – For the purpose of financing retirement contributions to New York State Teachers’ Retirement System and/or to offset all or a portion of the amount deducted from the moneys apportioned to the District from the State for the support of schools pursuant to Section 521 of the Education Law.

Funding Methods – This reserve is funded from budgetary appropriation or from excess fund balance. The funds may be transferred from reserves authorized by GML 6-c, 6-d, 6-e, 6-f, 6-g, and Education Law Section 3651.

Use of Reserve – The reserve is used to pay obligations to the New York State Teachers Retirement System. Upon authorization by the Board of Education, funds from the reserve are appropriated in order to pay such costs.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – The moneys contributed annually to the Reserve Sub-Fund for TRS shall not exceed 2% of the total compensation or salaries of all teachers (as that term is defined in Education Law §501[4]) employed by the White Plains City School District who are members of TRS paid during the immediately preceding fiscal year.

6/30/22 Actual Balance: \$5,639,692

Funds used as of 6/30/23: \$-0-

Balance (prior to adjustments for year-end and accrued interest of \$132,448) = \$5,639,692

Recommendation: Based on the NYSTRS pension earnings and the contribution rates for 2022-23, the recommendation is not to make an additional deposit into the reserve. The estimated reserve balance at June 30, 2023 is \$5,772,140.

Reserve for Employee Benefits and Accrued Liabilities (A867)

Authorized by General Municipal Law Section 6-p

Creation – This reserve was created by Board Resolution on June 30, 2016.

Purpose – This reserve is used to pay for unused accumulated leave time contractually provided to certain groups of employees. This typically includes payment for unused sick and vacation pay. This fund cannot be used to pay for items such as retirement incentives and retiree health insurance.

Funding Methods – This reserve is funded from excess fund balance.

Use of Reserve – This reserve is used when an employee separates from the district and payment of accumulated leave is required. These transactions flow through the budget via a budget revision with the offsetting revenue coming from a drawdown of this reserve. This reserve will continue to be used in this manner to make these payments.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business. Each year, a detailed analysis of the liability is computed and is used to support the funding of this reserve.

Funding Level – The reserve funds a portion of the accrued liability for unused accumulated leave time.

6/30/22 Actual Balance: \$3,804,862

Funds estimated to be used as of 6/30/23: \$526,777

Balance (prior to adjustments for year-end and accrued interest of \$20,293) = \$3,278,085

Recommendation: Replenish the reserve by \$506,484 to maintain a similar level to the previous years of \$3,804,862. Based on final attendance records and analysis, the reserve will be adjusted accordingly.

Capital Reserve (2019) (A878)

Authorized by: Education Law Section 3651(1)

Creation – Funding of this reserve up to \$25,000,000 was authorized by the voters on May 21, 2019.

Purpose – This reserve is used to pay for future capital improvements.

Funding Methods – This reserve is funded from excess fund balance. Funds placed in this reserve are restricted for use for specific voter-authorized capital improvement projects.

Use of Reserve – Expenditure of funds from this reserve requires pre-approval by the voters. On June 16, 2020, voters authorized the expenditure of \$397,639 from the reserve in 2020-21. On May 17, 2022, voters authorized the expenditure of \$11,400,000 and \$12,650,000. On May 16, 2023, voters authorized the reserve to be exhausted for \$940,230, inclusive of interest, as part of an overall authorization of \$13,500,000.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business. Detailed records will be maintained to support the amounts in this reserve.

Funding Level – This reserve was created with a maximum funding of up to \$25,000,000 plus interest to be accumulated over a ten-year period of time.

6/30/22 Actual Balance: \$24,687,527

Funds used as of 6/30/23: \$24,990,230 (Authorization: 2022 \$25,050,000 and 2023 \$940,230, inclusive of interest)

Balance (prior to adjustments for year-end and accrued interest of \$302,703) = \$637,527

Recommendation: None, the reserve has reached its maximum allowable deposits of \$25,000,000 and the balance, including interest at June 30, 2023, is estimated at \$0.00.

Capital Reserve (2022) (A878)

Authorized by: Education Law Section 3651(1)

Creation – Funding of this reserve up to \$50,000,000 was authorized by the voters on May 17, 2022.

Purpose – This reserve is used to pay for future capital improvements.

Funding Methods – This reserve is funded from excess fund balance. Funds placed in this reserve are restricted for use for specific voter-authorized capital improvement projects.

Use of Reserve – Expenditure of funds from this reserve requires pre-approval by the voters. On May 16, 2023, voters authorized the use of the reserve for \$12,559,770, as part of an overall authorization of \$13,500,000.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business. Detailed records will be maintained to support the amounts in this reserve.

Funding Level – This reserve was created with a maximum funding of up to \$50,000,000 plus interest to be accumulated over a fifteen-year period of time.

6/30/22 Actual Balance: \$15,628,077

Funds used as of 6/30/23: \$12,559,770

Balance (prior to adjustments for year-end and accrued interest of \$741,746): \$3,068,307

Recommendation: Based on current Fund Balance Projections, the recommendation is to make a deposit into the reserve after all other obligations of the district has been satisfied, as per the district's fund balance policy. As of this writing, the estimated deposit into the Capital Reserve – 2022 is \$14,746,070, for an estimated balance at June 30, 2023 of \$18,556,123.

Mandatory Reserve for Debt - (A884, V884 – resides in the Debt Service Fund)

Authorized by: General Municipal Law Section 6-1

Creation – Reserve is mandatory.

Purpose – The reserve must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale.

Funding Methods – The funding of the reserve is from the proceeds of the sale of District property or capital improvement, unexpended balances remaining after a close of a capital project financed by obligations that still remain outstanding and available funding from the operating fund to pay future outstanding obligations.

Use of Reserve – The reserve may be used to retire the obligations issued to finance the capital improvement sold or for which state or federal aid is received or other obligations of at least equal weighted average life. The district uses the reserve to assist in the annual payment of outstanding obligations in an effort to reduce the District’s Tax Levy (Capital Exclusion). In 2018-19 the District used \$700,000, 2019-20 used \$1,500,000, 2020-21 used \$2,118,279, 2021-22 used \$2,118,279 and in 2022-23 used \$2,118,279.

Monitoring of Reserve – This reserve will be monitored by the Assistant Superintendent for Business. Detailed records will be maintained to support the amounts in this reserve.

Funding Level – This reserve is funded from proceeds from the cash sale of a capital improvement that was financed by obligations that remain outstanding at the time of the sale; State and federal aid received for a capital improvement financed by obligations that are outstanding at the time the aid is received; unexpended balance remaining after a close of a capital project financed by obligations that are still outstanding and; savings from operating budget used to pay outstanding obligations.

6/30/22 Actual Balance: \$11,355,199

Funds used as of 6/30/23: \$2,118,279

Funds Deposited: Per March 2023 Fund Balance Projections, \$1,055,182 was transferred per Board Resolution 3/13/2023 into the Debt Service Reserve Fund to support Master Planning Funding Strategy to maintain local share of debt service as tax neutral.

Balance (prior to adjustments for year-end and accrued interest of \$375,288) = \$10,667,390

Recommendation: None, the estimated balance at June 30, 2023 is \$10,667,390. The reserve will continued to be used, as per the district’s fiscal advisor, to offset the local share of debt service to maintain a tax neutral status.

The following items are not reserve accounts but are equally as important to planning revenues for the District.

ASSIGNED FUND BALANCE

Assigned Fund Balances includes amounts that are constrained by the school district's intent to be used for specific purposes as established by the Board of Education or by their designated official(s).

Assigned Appropriated Fund Balance (A914)

Creation – These funds are those funds in available fund balance which have been set aside for a particular purpose, namely to reduce the tax levy required to support an ensuing years budget.

Purpose – These funds are set aside and returned to the community by lowering the required tax levy to support the district's budget.

Funding Methods – These funds are assigned from fund balance to offset the next year's tax levy.

Use of Funds – It is recommended that the practice of returning these funds be reduced as much as possible, as budgets permit. As we develop tighter budgets, the amount of excess funds that will be available at year-end is restricted. This makes it more difficult to guarantee that funds will be available to be returned in a subsequent year.

Monitoring of Balance – The balance and use of these funds are monitored by the Assistant Superintendent for Business.

Funding Level – Over time, it is recommended that the planned amount of assigned fund balance included as a revenue source in future budgets be limited.

6/30/22 Actual Balance: \$-0-

Per 2023-24 Adopted Budget recommendation is \$-0-

Assigned Unappropriated Fund Balance (A915)

Appropriation of Fund Balance – PPE related to COVID/Pandemic:

This reserve was established June 30, 2020 and maintained during 2021-22 for \$4.5m in response to the global pandemic to be used to fund unbudgeted expenditures that were anticipated in order to comply with the various State and Federal Government regulations as the district reopen and return all students to in-person instruction. For 2022-23 it is again recommended that we set aside some funds, \$1m to deal with the unbudgeted expenses that may be incurred due to the ongoing pandemic. Although, the District will receive reimbursement from various Federal and State sources (CARES/FEMA/CRRSA/ARP) it is advisable to have this flexibility for the outlay of cash and expenses that do not qualify for reimbursement. For 2023-24 since the pandemic is no longer a public health emergency there is no longer a need to set-a-side funds for extraordinary measures at June 30, 2023.

6/30/22 Actual Balance: \$1,000,000

Funds estimated to be used from 7/1/2022 through 6/30/23: \$33,968

Balance = \$966,032

Recommendation: Reduce the appropriation to zero at June 30, 2023.

Appropriation of Fund Balance – Unanticipated Inflationary Costs:

The inflationary rate has continued to increase above the projections used for the 2022-23 budget for utilities, construction materials, associated labor costs, etc. As a result, it is being recommended that \$1m in funds be set aside as a precaution to deal with the uncertainty of the economy. For 2023-24 monthly inflationary increases are decreasing and estimates for 2023-24 include increased costs related to the economy. Therefore, it does not appear necessary to set-aside funds at June 30, 2023.

6/30/22 Actual Balance: \$1,000,000

Funds used as of 6/30/22: \$-0-

Balance = \$1,000,000

Recommendation: Reduce the appropriation to zero at June 30, 2023.

Reserve for Encumbrances

The Purchasing Agent for the district has been designated the authority to issue purchase orders on behalf of the district and these purchase orders are an assignment of fund balance.

UNASSIGNED FUND BALANCE (A917)

Unassigned Fund Balance represents the residual classification for school district's general fund and could report a surplus or deficit.

Authorized by: New York State Real Property Tax Law §1318

Creation – Retention of these funds are allowed by law.

Purpose – These funds are unrestricted and may be used for any valid purpose.

Funding Methods – These funds have been accumulated from excess fund balance.

Use of Funds – It is recommended that these funds not be used except for an emergent, unanticipated expense, or revenue shortfall, that cannot be handled either in the budget or with other available reserves.

Monitoring of Balance – These funds are monitored by the Assistant Superintendent for Business.

Funding Level – The maximum statutory limit is recommended (4% of the ensuing budget).

6/30/22 Actual Balance: \$9,793,870

Recommendation for 6/30/23: Maximum statutory limit, 4% of 2023-24 Adopted Budget (\$256,645,394) or \$10,265,816.

NONSPENDABLE FUND BALANCE (A806)

Nonspendable Fund Balance consist of assets that are inherently Nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale and principal of endowments.

Creation – This reserve stems from a 2006 pledge of \$1 million for the Loucks complex by Louis R. Cappelli Foundation, Inc. Based on a new agreement, the district is schedule to receive \$50,000 each year until the pledge is paid in full.

6/30/22 Actual Balance: \$100,000

Balance at 6/30/2023: \$50,000