



# 2022-23 Budget Fund Balance & Reserves January 11, 2022

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# Fund Balance

- Definition: End of year surplus in the General Fund due to lower expenditures than anticipated and/or greater revenues than projected that may accumulate over time resulting in savings.
- Legally, the maximum amount of unassigned fund balance in a given fiscal year should not exceed 4% of the following year's budget.
- Some or all may be "appropriated" as a source of revenue in the development of the annual budget.

# Parallel Example to Fund Balance

A financial advisor's recommendation to maintain an emergency fund to cover three to six months of expenses in the event of unforeseen job loss or other catastrophic event.



# Categories of Fund Balance

- a) Assigned – set aside to pay year end bills
- b) Appropriated – designated amount to lower property taxes
- c) Restricted – set aside to pay for legally allowed types of expenses (reserve funds)
- d) Unassigned – contingency for emergencies; subject to the 4% limit



# Reserve Funds

- Amounts that may be set aside from year end operating surpluses to fund one or more of 13 legally permissible, reasonably anticipated expenses.
- Specific rules govern the mechanism by which each reserve fund is established, funded, spent, and closed. In some instances, voter approval is required.
- May be “appropriated” as a source of revenue in the development of the annual budget.

# Parallel Example to Reserve Funds

Establishing a college savings account to set aside money to meet a specific future need.



# Advantages of Fund Balance and Reserve Accounts

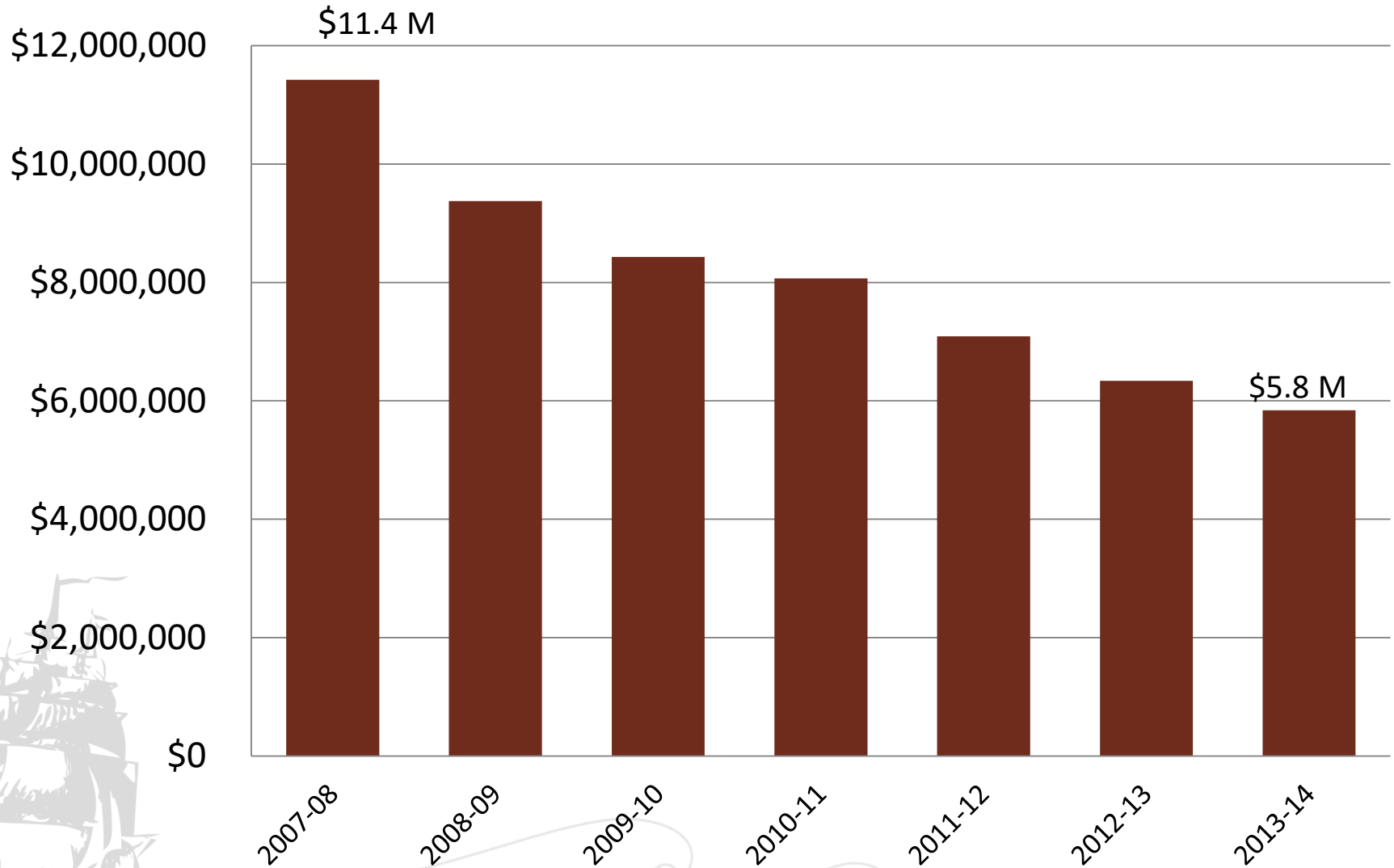
- Provides flexibility to weather short term financial instability
- Cash readily available to meet both unanticipated and likely needs; no need to borrow and pay fees and interest
- Large cash reserves result in a higher credit rating leading to lower rates when borrowing thereby saving money, especially over the long term
- Contributes to yearly budget and tax rate stability

# Pitfalls in using Fund Balance and Reserve Accounts to balance budget

- Cannot be sustained as a reoccurring source of revenue. Continued use over time will create a revenue gap that will require cuts to balance the budget.
- Unanticipated increases in expenditures or loss of revenues may need to be funded through borrowing or a budget freeze
- Use of fund balance and reserves to balance the budget must be **carefully managed** in the short-term to avoid long-term negative consequences



# GCSD Use of Fund Balance and Reserves 2007-2009 Great Recession Impact



# Impact on GCSD from lowered fund balance and reserves

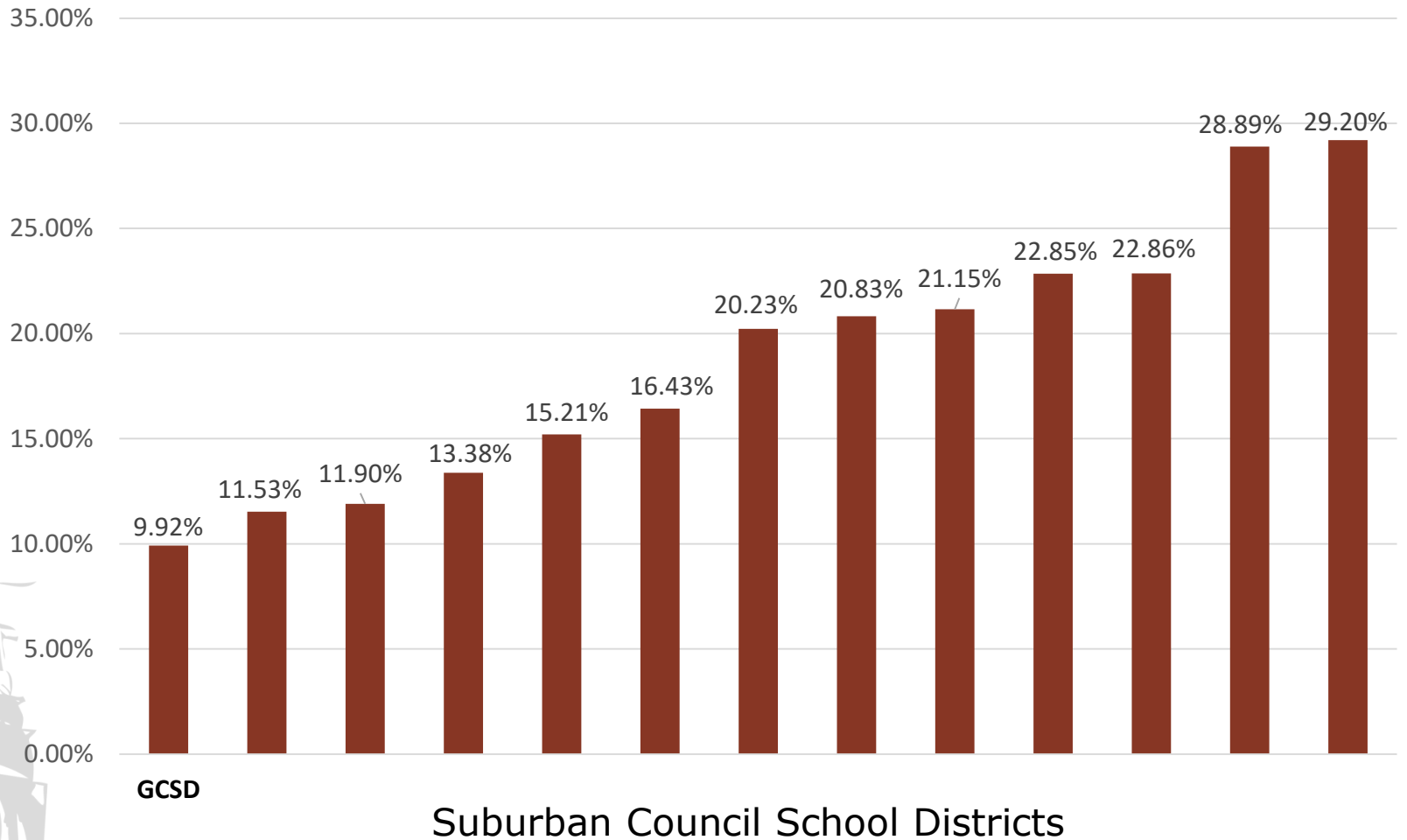
- OSC “Susceptible to Fiscal Stress” Designation for fiscal years 2012-13 and 2013-14
- Lower Bond Rating = Higher Borrowing Costs
  - 2015: District’s Bond Rating Lowered from “Aa3” to “A1”
- Less options for balancing the budget. Property tax levy growth is capped at the lesser of the CPI or 2% limiting options to compensate for revenue loss in other areas, forcing budget expenditure reductions.

# Guilderland CSD

## Fund Balance & Reserve Amounts

Assigned Fund Balance (Lower Taxes)	\$0
Unassigned Fund Balance (4% Limit)	\$4,199,183
Restricted Fund Balance (Reserves)	
Capital	\$71,505
Employee Benefit Liability	\$911,088
Tax Certiorari	\$932,446
Unemployment	\$62,162
Retirement Contribution	\$5,087,322
Workers' Compensation	\$588,019
Repairs	\$58,291
Total Restricted Fund Balance	\$7,710,833

# Fund Balance as a Percentage of Expense 2020



# Why is maintaining an adequate level of fund balance so important?

- Ability to smooth out year-to-year budget fluctuations to maintain a strong, varied, and robust educational program over time
- Stability to avoid repeated cycles of budget and staffing reductions, class size increases, limited options for extracurricular activities including music and the arts, field trips, clubs, sports, etc.
- Flexibility to address the 2% or less NYS cap on tax levy increases despite rising costs / inflation
- Maintain a strong tax base leading to a vibrant community with rising property values

# 2022-23 Budget Development Next Steps

- NYS Executive Budget Proposal  
Date – TBD
- Continued Budget Development Work
- Community Input
- Legislative Advocacy
- Superintendent's Draft Budget Proposal  
March 8, 2022