



# 2023-24 Budget Fund Balance & Reserves January 10, 2023

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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.

# 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.

# Fund Balance parallels in personal finance

- **Unassigned:** 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.
- **Reserves:** Saving up over time for a specific purpose
  - 529 Plan for college expenses
  - Saving for a down payment on a home purchase
  - Retirement plan

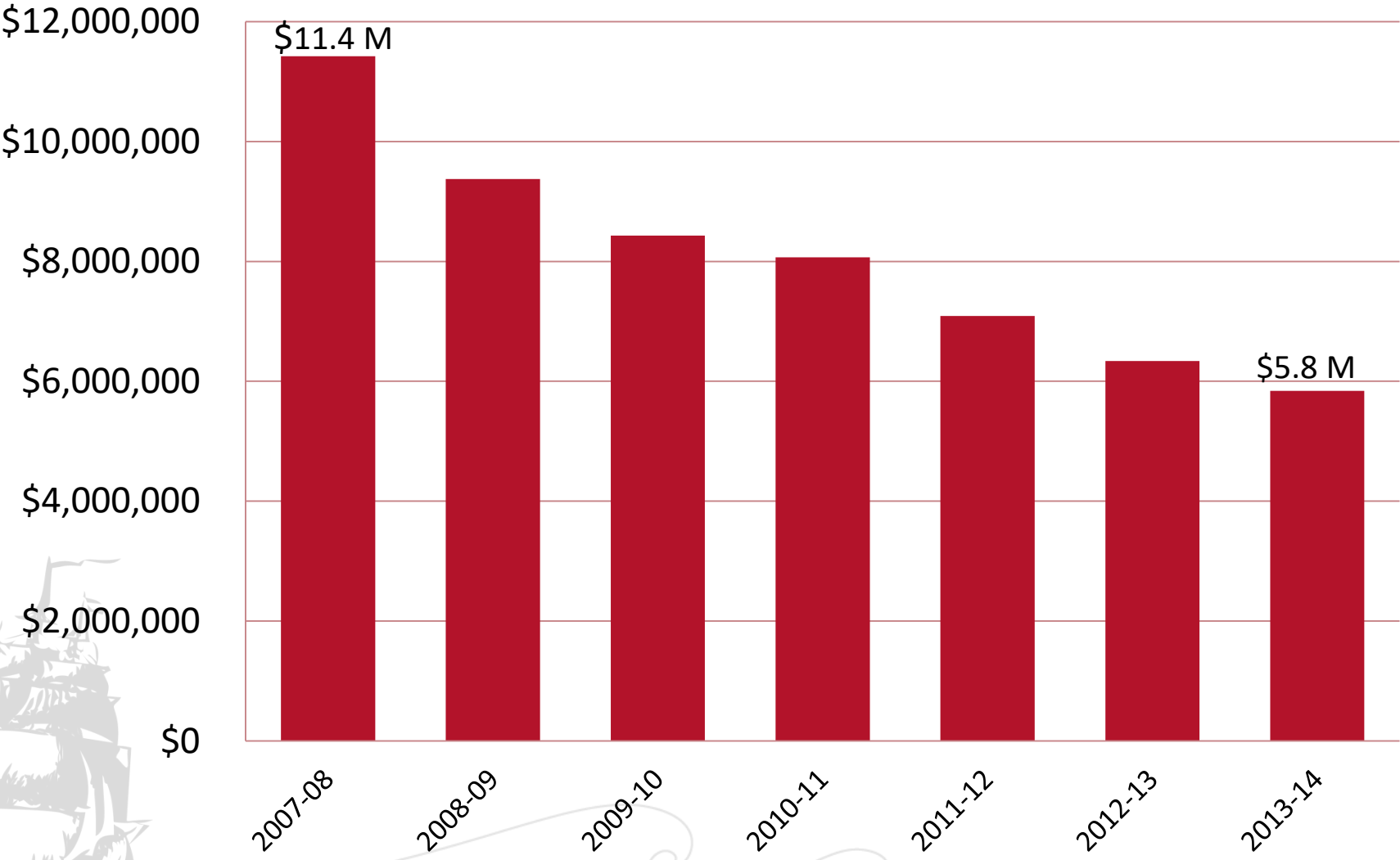
# Advantages of Fund Balance and Reserve Accounts

- 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



Attachment: Attachment: 2023-24 Fund Balance and Reserves Power Point (2023-24





# Impact on GCSD from lowered Fund Balance and Reserves

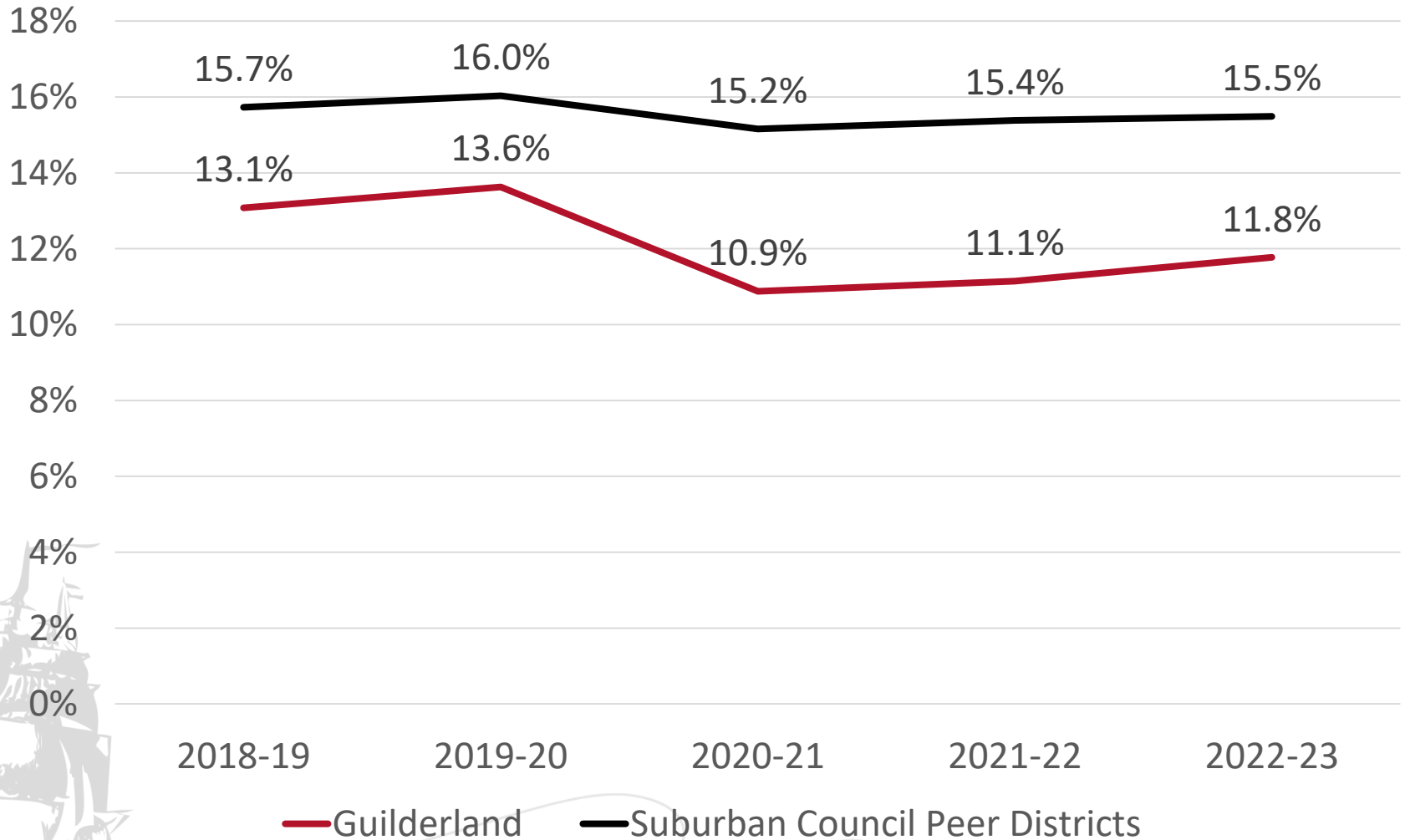
- OSC “Susceptible to Fiscal Stress” Designation for fiscal years 2012-13 and 2013-14
- Lower Bond Rating = Higher Borrowing Costs
  - 2015: District’s Bond Rating Lowered from “Aa3” to “A1”
- Fewer options for balancing the budget. Property tax levy growth is capped at the lesser of the CPI or 2% limiting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

# Guilderland CSD

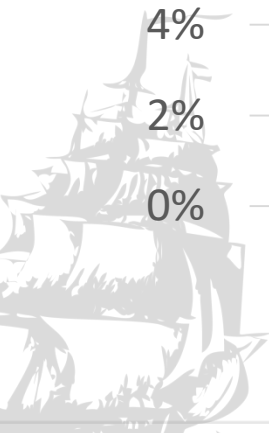
## Fund Balance & Reserve Amounts

Assigned Fund Balance (Lower Taxes)	\$0
Unassigned Fund Balance (4% Limit)	\$4,395,511
Restricted Fund Balance (Reserves)	
Capital	\$71,622
Employee Benefit Liability	\$497,191
Tax Certiorari	\$0
Unemployment	\$62,264
Retirement Contribution	\$5,093,239
Workers' Compensation	\$588,983
Repairs	\$58,387
Total Restricted Fund Balance	\$6,371,686

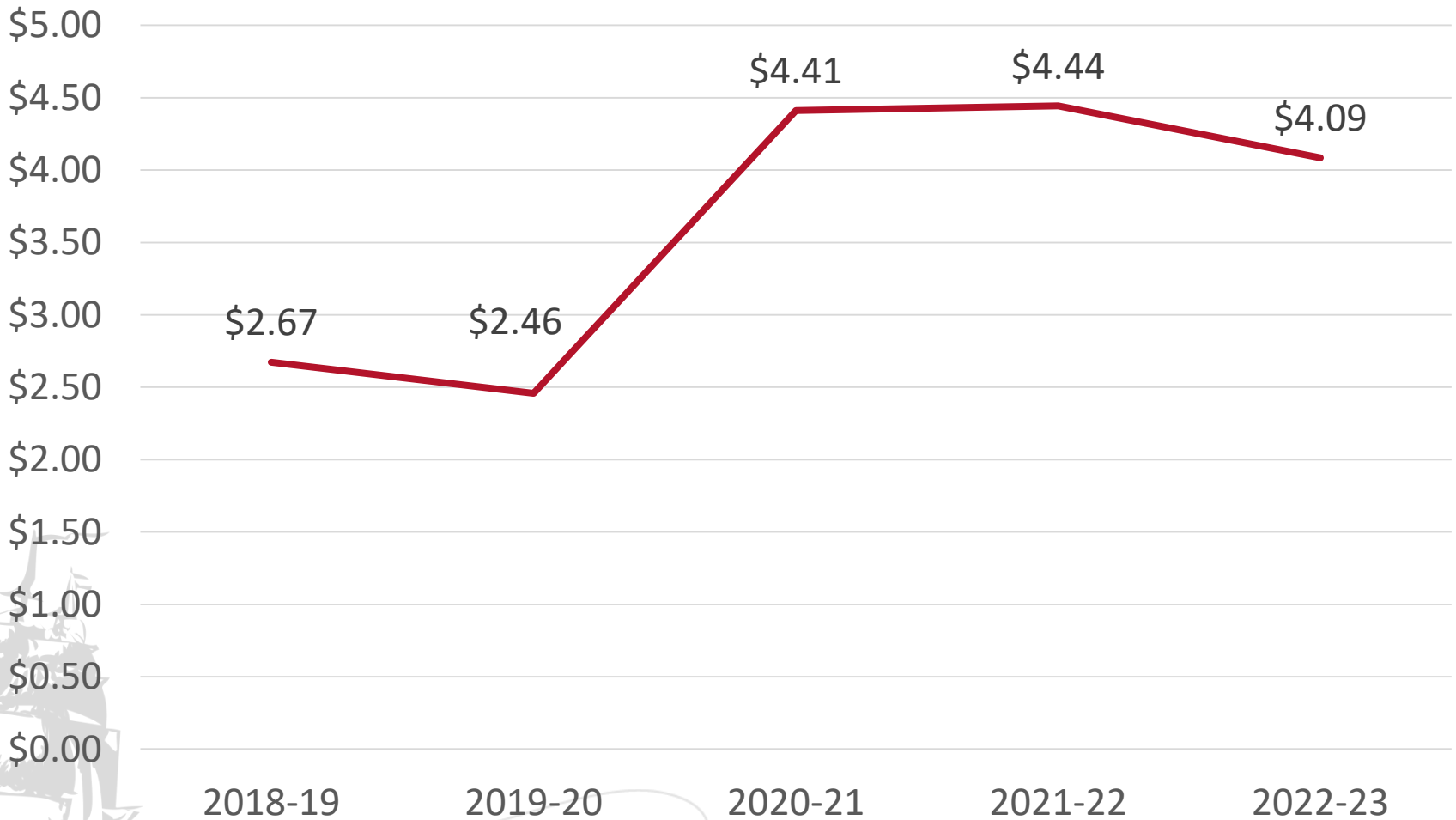
# Fund Balance as Share of Budget 2018-19 to 2022-23



Attachment: Attachment: 2023-24 Fund Balance and Reserves Power Point (2023-24)



# Fund Balance “Gap” (in millions)



Attachment: Attachment: 2023-24 Fund Balance and Reserves Power Point (2023-24)



# 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

# 2023-24 Budget development next steps

- NYS Executive Budget Proposal  
Date – TBD
- Continued Budget Development Work
- Community Input
- Legislative Advocacy
- Superintendent's Draft Budget Proposal  
March 7, 2023

