

2024-25 Budget Fund Balance & Reserves January 9, 2024

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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

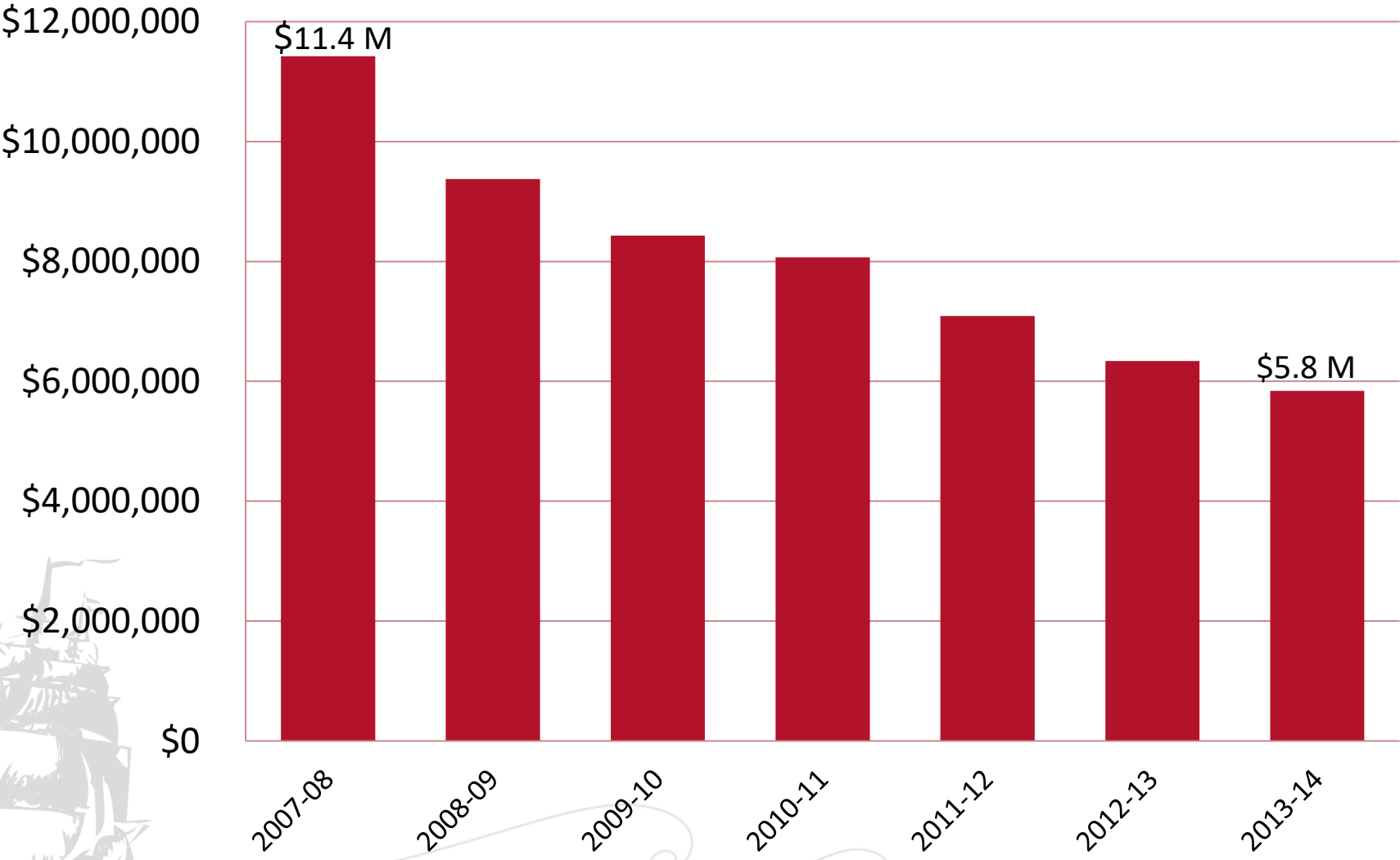
Advantages of Fund Balance and Reserve Accounts

- 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 recurring 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: 2024-25 Fund Balance and Reserves Powerpoint (2024-25



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

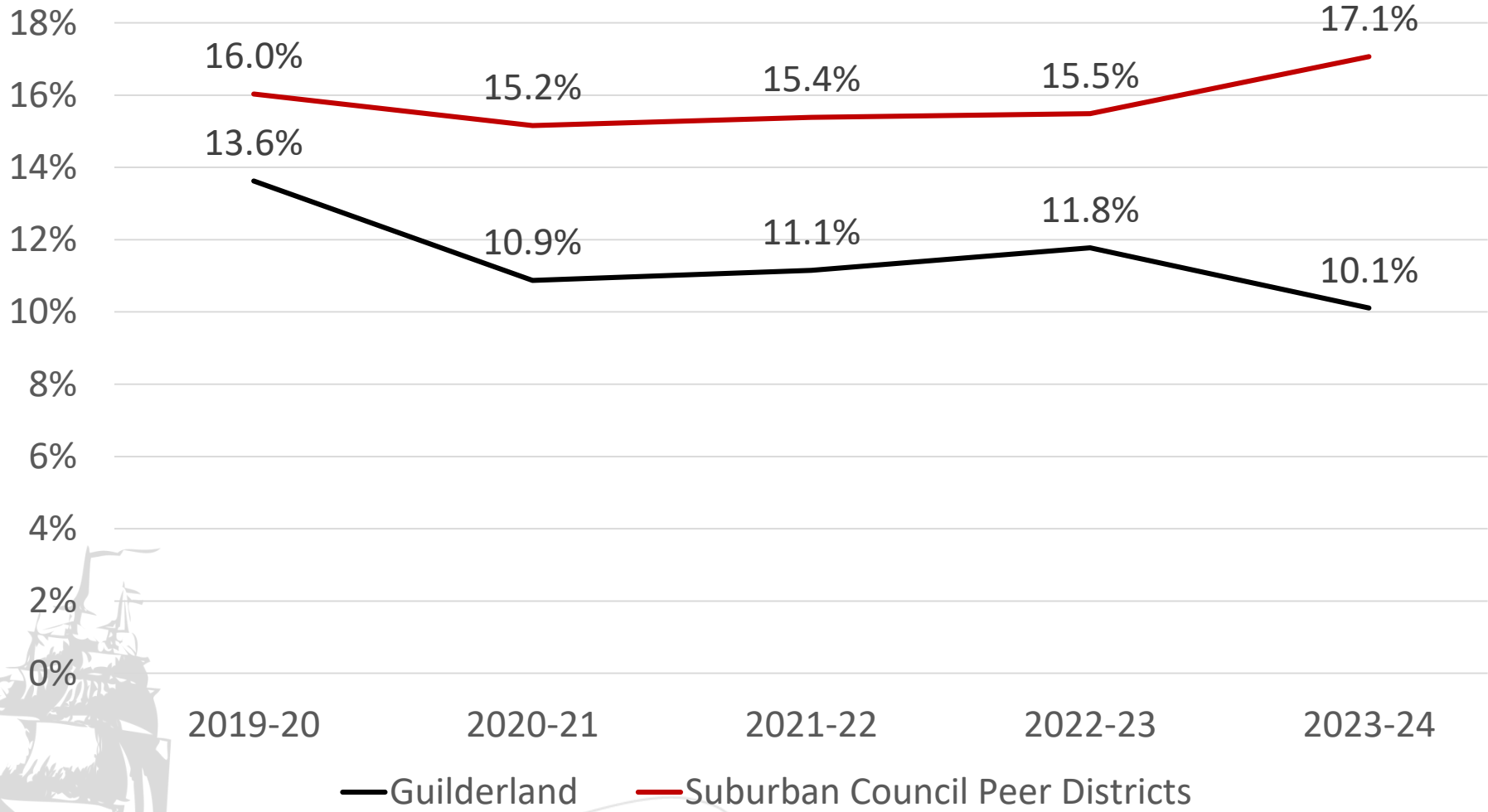
Fund Balance & Reserve Amounts

Assigned Fund Balance (Lower Taxes)	\$169,683
Unassigned Fund Balance (4% Limit)	\$4,790,887
Restricted Fund Balance (Reserves)	
Capital	\$74,322
Employee Benefit Liability	\$130,492
Tax Certiorari	\$0
Unemployment	\$64,611
Retirement Contribution	\$5,263,897
Workers' Compensation	\$611,182
Repairs	\$60,588
Total Restricted Fund Balance	\$6,205,092

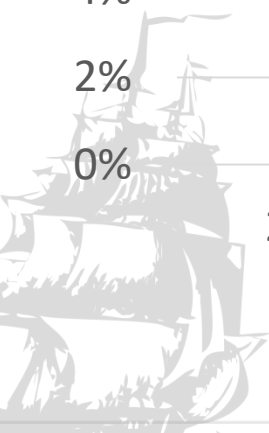
Attachment: Attachment: 2024-25 Fund Balance and Reserves Powerpoint (2024-25



Fund Balance as Share of Budget 2019-20 to 2023-24

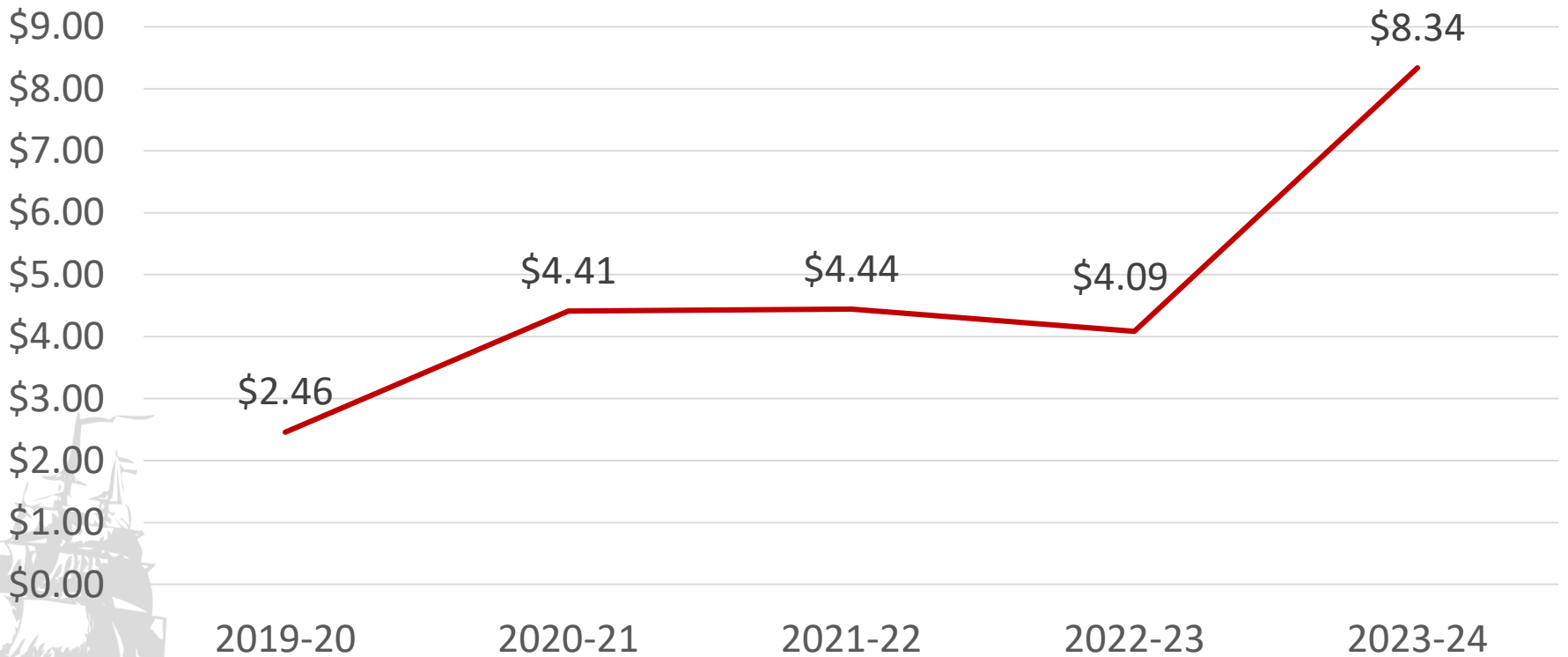


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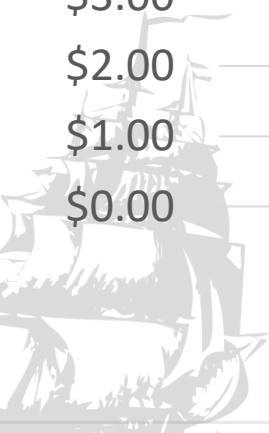


Fund Balance "Gap" (in millions)

Difference between Guilderland's current fund balance as a share of budget and what fund balance would be if it was the overall rate of peer Suburban Council Districts



Attachment: 2024-25 Fund Balance and Reserves Powerpoint (2024-25)



Factors Impacting Fund Balance Trends

- General Factors Affecting Many Districts
 - Covid operational impact
 - Federal stimulus
 - Foundation Aid phase-in
 - Inflation
 - Increased transportation and health care costs
- Guilderland Specific Factors
 - Tax certiorari claims
 - Over the past three years, paid out \$5.7M in refunds
 - When finalized, the Crossgates refund will continue the financial challenge

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

2024-25 Budget development next steps

- NYS Executive Budget Proposal
- Continued Budget Development Work
- Community Input
 - January 16, 2024 Thoughtexchange Survey available for all stakeholders
- Legislative Advocacy
- Superintendent's Draft Budget Proposal
March 5, 2024

