



# Sag Harbor UFSD

**Fund Balance Update**

**Reserves' Plan and Recommendations**

**January 11, 2021**

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# Reserve Funds

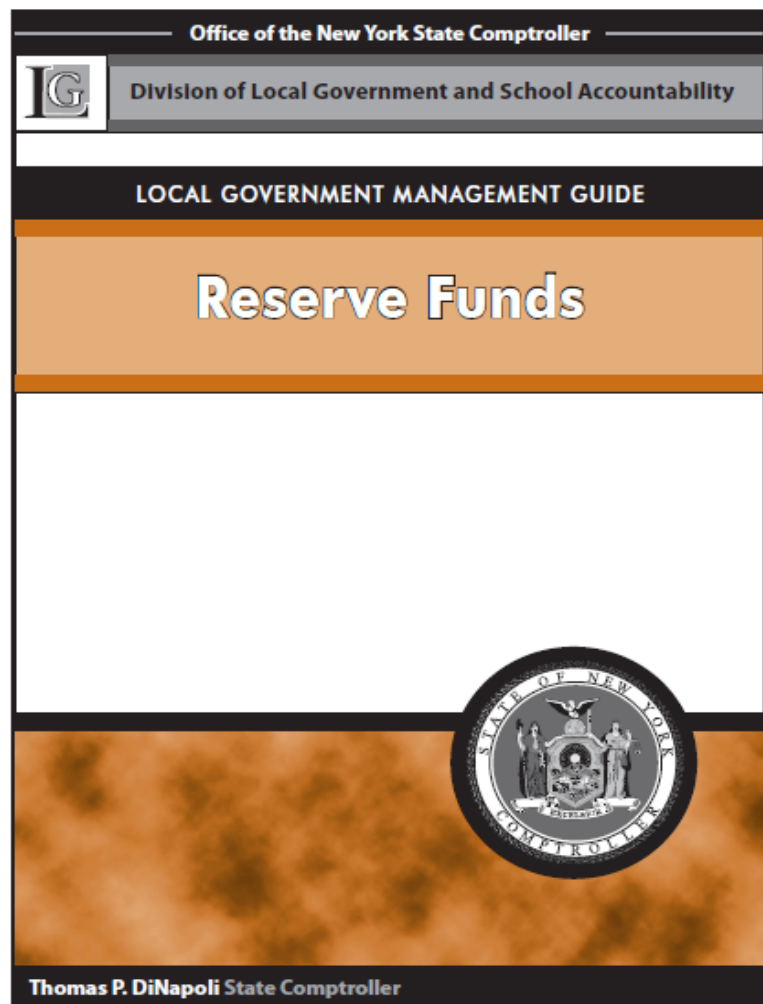
Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on the annual operating budget. Certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown risks (a major storm or pandemic).

Establishing and funding allowable reserve funds for a clear purpose can also help smooth out spikes in the annual budget and in the real property tax levy.

In addition, reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other types of expenses and reduce our reliance on borrowing and other costs associated with debt issuances to finance capital projects and acquisitions.



# Reserve Funds' Plan



According to the State Comptroller's Office, *"An important concept to remember is that a reserve fund should be established with a clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve. Reserve funds should not be merely a "parking lot" for excess cash or fund balance. School districts should balance the desirability of accumulating reserves for future needs with the obligation to make sure taxpayers are not overburdened by these practices. There should be a clear purpose or intent for reserve funds that aligns with statutory authorizations."*

# Reserve Funds' Plan

Some of the NYS Comptroller's Office recommendations made to school Boards and District Officials have been the following:

- The Board should routinely review reserve fund balances and determine if reserves are funded at appropriate levels and in accordance with statutory requirements and Board policy.
  - The Board and District officials should develop a formal plan indicating how much money will be reserved, how each reserve will be funded and when the balance will be used.
  - The Board and District officials should review the reserves at least annually to determine if the amounts reserved are necessary and reasonable. To the extent that they are not, reserves should be reduced to levels in compliance with statutory restrictions.
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# Historical Fund Balance and Reserves

## Sag Harbor Union Free School District

Fund Balance History	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Assigned:</b>												
Reserved for Encumbrances (Unappropriated Fund	\$ 7,846	\$ 7,978	\$ 87,825	\$ 232,755	\$ 129,485	\$ 178,449	\$ 549,860	\$ 708,908	\$ 228,181	\$ 1,417,114	\$ 2,085,908	\$ 447,257
<b>Reserved for:</b>												
Employee Benefit Accrued Liability Reserve (EBALR)	\$189,953	\$118,711	\$ 118,884	\$ 250,015	\$ 310,358	\$ 310,496	\$ 360,586	\$ 360,784	\$ 361,325	\$ 361,866	\$ 448,544	\$ 449,135
Retirement Contribution Reserve (ERS)	\$ -	\$ -	\$ 700,000	\$1,000,272	\$2,193,061	\$3,195,599	\$3,017,086	\$ 2,608,993	\$ 2,166,350	\$ 1,815,426	\$ 1,319,430	\$ 1,338,766
Retirement Contribution Reserve (TRS)											\$ 358,859	\$ 692,890
Facilities Capital Reserve	\$ -	\$ -	\$ 500,000	\$1,000,194	\$ 628,227	\$1,128,822	\$1,629,601	\$ 2,130,693	\$ 2,632,143	\$ 1,934,731	\$ 2,439,053	\$ 2,943,535
Transportation Fleet Capital Reserve	\$ -	\$ -	\$ -	\$ 190,000	\$ 390,142	\$ 400,575	\$ 400,931	\$ 401,223	\$ 1,901,522	\$ 2,003,539	\$ 1,829,778	\$ 1,777,271
Insurance Reserve	\$ -	\$ -	\$ -	\$ -	\$ 33,000	\$ 184,403	\$ 217,490	\$ 1,410,780	\$ 1,494,127	\$ 1,496,110	\$ 1,499,747	\$ 1,508,586
Unemployment Reserve	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,075	\$ 100,243	\$ 100,333	\$ 100,406	\$ 100,494	\$ 100,644	\$ 100,889	\$ 101,080
Worker's Compensation	\$ -	\$ -	\$ -	\$ -	\$ 245,000	\$ 500,186	\$ 500,503	\$ 500,868	\$ 501,240	\$ 501,915	\$ 763,125	\$ 854,506
Repair Reserve							\$ 750,000	\$ 752,465	\$ 1,502,673	\$ 1,753,673	\$ 1,757,694	\$ 1,761,152
<b>Non-Spendable Reserves:</b>												
Advances (to School Cafeteria	\$ 91,121	\$117,697	\$ 118,537	\$ 124,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Unreserved - Designated for Subsequent Year Expenditures:</b>												
Appropriated Fund Balance	\$505,000	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 405,961	\$ 271,622	\$ 581,182	\$ -	\$ 1,591,783
<b>Unreserved - Undesignated:</b>												
Unassigned Fund Balance	\$ 65,818	\$308,015	\$1,324,710	\$1,366,386	\$1,420,345	\$1,474,779	\$1,502,104	\$ 1,550,960	\$ 1,596,281	\$ 1,675,235	\$ 1,715,384	\$ 1,773,297
<b>Annual Year End Totals:</b>	<b>\$859,738</b>	<b>\$552,401</b>	<b>\$2,849,956</b>	<b>\$4,764,247</b>	<b>\$5,949,693</b>	<b>\$7,973,552</b>	<b>\$9,528,495</b>	<b>\$10,932,041</b>	<b>\$12,755,958</b>	<b>\$13,641,435</b>	<b>\$14,318,411</b>	<b>\$15,239,258</b>

## February 2016 – Moody's Upgrades Credit Score from Aa3 to Aa2.

**MOODY'S**  
INVESTORS SERVICE

### Sag Harbor Union Free School District, NY

New Issue - Moody's Upgrades Sag Harbor UFSD, NY's GO to Aa2

#### CREDIT OPINION

10 February 2016

#### New Issue

#### Contacts

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#### Summary Rating Rationale

Moody's Investors Service has assigned a Aa2 rating to Sag Harbor Union Free School District, NY's \$9 million School District Serial Bonds - 2016. Concurrently, Moody's has upgraded to Aa2 from Aa3 the rating on the district's \$6 million of general obligation (GO) debt outstanding. The upgrade to Aa2 reflects the district's continued practice of conservative fiscal management, resulting in increased reserves and liquidity. The Aa2 rating also incorporates the district's sizeable and wealthy tax base, modest debt burden, and manageable pension liability.

#### Credit Strengths

- » Sizeable and wealthy tax base
- » Healthy reserves
- » Modest debt burden

#### Credit Challenges

- » Tax levy cap limits revenue-raising flexibility
- » Seasonal tax base

#### Rating Outlook

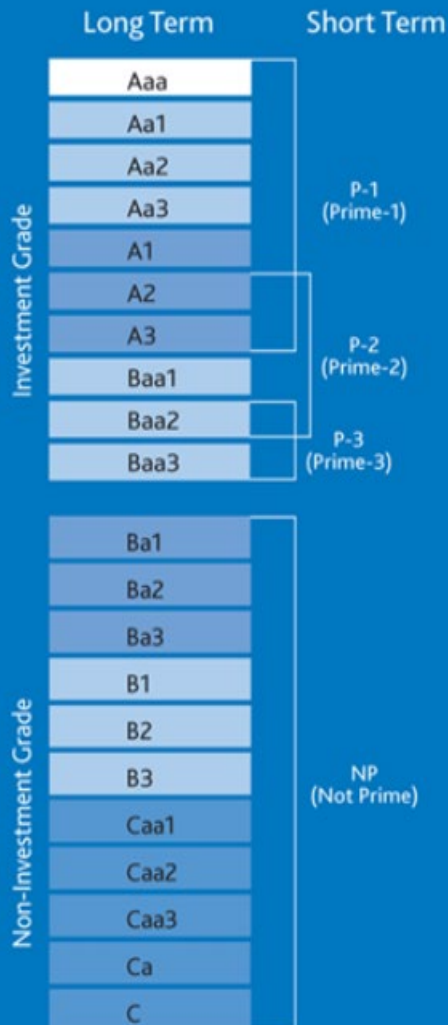
Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

#### Factors that Could Lead to an Upgrade

- » Significant increase in reserves and liquidity
- » Substantial tax base growth

#### Factors that Could Lead to a Downgrade

- » Deterioration of reserves and liquidity
- » Material tax base declines



## May 2020 – Moody's Upgrades Credit Score from Aa2 to Aa1.

Quote from The District's Financial  
Advisor:

*"The District's long term,  
underlying credit rating with  
Moody's Investors Service was  
upgraded today from Aa2 to Aa1,  
just one notch below the highest  
rating of Aaa. As the District's  
Financial Advisor, I know that the  
improved credit rating will result  
in lower interest rates on any  
future debt offerings by the  
District including its annual cash  
flow borrowing and the debt to  
be issued to redeem your  
outstanding bond anticipation  
notes on July 31st."*

### CREDIT OPINION

15 May 2020

✓ Rate this Research

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Japan	81-3-5408-4100
EMEA	44-20-7772-5454

## Sag Harbor Union Free School District, NY

### Update to credit analysis

#### Summary

Sag Harbor Union Free School District (Aa1) benefits from a large and rapidly improving tax base, strong resident wealth indicators and increasing home values. The district has maintained robust reserves and liquidity over several years which are anticipated to remain stable as the district's primarily locally sourced revenue structure insulated from reductions in state aid funding. Long term liabilities and fixed costs are manageable and its debt burden is very low.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. We do not see any material immediate credit risks for Sag Harbor Union Free School District. However, the situation surrounding Coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of Sag Harbor Union Free School District changes, we will update our opinion at that time.

#### Credit strengths

- » Large, growing tax base and high resident wealth indicators
- » Over 90% of operating revenues derived from property taxes which are guaranteed in full by Suffolk County
- » Healthy reserves and liquidity maintained over several years
- » Manageable fixed costs

#### Credit challenges

- » Slightly elevated long term liabilities in proportion to operating revenues
- » Median family income lower than Aa1 New York school district median

#### Rating outlook

Moody's typically does not assign outlooks to local government issuers with this amount of debt outstanding.

#### Factors that could lead to an upgrade

- » Amortization and reduction of outstanding long term liabilities
- » Significant increase in reserves and liquidity

## Sag Harbor UFSD Results of Operations - 2019/2020

Expenditure Budget:	\$	42,885,375
Actual Expenditures:	\$	41,716,257
	Expenditure Variance:	\$ 1,169,118
Revenue Budget (Includes \$407,000 Appropriated FB & Reserves):	\$	42,885,375
Actual Revenue:	\$	42,637,104
	Revenue Variance:	\$ (248,271)
<b>Total Positive Budget Variance:</b>		<b>\$ 920,847</b>
	Use of Reserve:	\$ (553,068)
	Increase in Reserves:	\$ 1,442,587
	Increase in Reserves (Interest Earned):	\$ 20,283
	Increase in Unassigned FB (Limited to 4%):	\$ 57,913
	Increase (Decrease) in Year-end Encumbrances:	\$ (1,638,651)
	Increase (Decrease) in Appropriated Fund Balance:	\$ 1,591,783
<b>Total Allocation of Positive Budget Variance:</b>		<b>\$ 920,847</b>
	Fund Balance - Beginning of the Year:	\$ 14,318,411
	Fund Balance - End of the Year:	\$ 15,239,258
<b>Net Change in Fund Balance:</b>		<b>\$ 920,847</b>



# Fund Balance and Reserves @ 6/30/2020

Sag Harbor Union Free School District							
	Fund Balance	Balance @ June 30, 2019	Interest Earned & Δ in Encumbrances 2019/2020	Use of Reserves 2019/2020	Balance @ June 30, 2020 Before Transfers to Reserves	Deposits from 2019/2020 Surplus Funds	Balance @ June 30, 2020
<b>Assigned:</b>	Reserved for Encumbrances (Unappropriated Fund Balance)	\$ 2,085,908	\$ (1,638,651)	\$ -	\$ 447,257	\$ -	\$ 447,257
<b>Reserved for:</b>							
	Employee Benefit Accrued Liability Reserve (EBALR)	\$ 448,544	\$ 591	\$ -	\$ 449,135	\$ -	\$ 449,135
	Retirement Contribution Reserve (ERS)	\$ 1,319,430	\$ 2,716	\$ (470,000)	\$ 852,146	\$ 486,620	\$ 1,338,766
	Retirement Contribution Reserve (TRS)	\$ 358,859	\$ 1,164		\$ 360,023	\$ 332,867	\$ 692,890
	Facilities Capital Reserve	\$ 2,439,053	\$ 4,482	\$ -	\$ 2,443,535	\$ 500,000	\$ 2,943,535
	Transportation Fleet Replacement Reserve	\$ 1,829,778	\$ 3,561	\$ (56,068)	\$ 1,777,271		\$ 1,777,271
	Insurance Reserve	\$ 1,499,747	\$ 2,839	\$ (27,000)	\$ 1,475,586	\$ 33,000	\$ 1,508,586
	Unemployment Reserve	\$ 100,889	\$ 191	\$ -	\$ 101,080	\$ -	\$ 101,080
	Worker's Compensation Reserve	\$ 763,125	\$ 1,281	\$ -	\$ 764,406	\$ 90,100	\$ 854,506
	Repair Reserve	\$ 1,757,694	\$ 3,458	\$ -	\$ 1,761,152		\$ 1,761,152
<b>Unreserved - Designated for Subsequent Year</b>							
	Appropriated Fund Balance	\$ -	\$ -		\$ -	\$ 1,591,783	\$ 1,591,783
<b>Unreserved - Undesignated:</b>							
	Unassigned Fund Balance (Limited to 4%)	\$ 1,715,384	\$ -	\$ -	\$ 1,715,384	\$ 57,913	\$ 1,773,297
	<b>Year End Totals:</b>	\$ 14,318,411	\$ (1,618,368)	\$ (553,068)	\$ 12,146,975	\$ 3,092,283	\$ 15,239,258

<b>Year to Year Change in Fund Balance:</b>	\$ 676,976	<b>2019/2020:</b>	\$ 920,847
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# **Unemployment Reserve (GML §6-m)**

***Creation*** – This reserve was created by a resolution of the Board of Education on June 4, 2012. A referendum is not required either to create or expend moneys from the reserve.

***Purpose*** - To reimburse the State Unemployment Insurance Fund for payments made to claimants where the municipality has elected to use the “benefit reimbursement” method. This method is in lieu of paying New York State a fixed insurance premium for unemployment insurance coverage.

***Monitoring of Reserve*** - This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the School Business Administrator for adequacy and use.

***Funding Level*** - The initial funding level approved by the Board of Education on June 4, 2012 was \$100,000.

# Unemployment Reserve Continued

***Funding Methods*** – This reserve can no longer be funded unless the funding level is increased by the Board of Education at a future date. If the funding level is increased, future funding of this reserve will be authorized by the Board of Education through budgetary appropriations or year-end surplus.

***June 30, 2020 Actual Balance*** - \$101,080 (includes interest).

***June 30, 2021 Recommended Balance*** – \$101,080 plus interest. Based on historical actual expenditures and the current year-to-date expenses, the funding level could be increased to minimize the effect of future spikes in unemployment costs in upcoming years.

- *Historical Unemployment Costs:*

Unemployment	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Expense	\$28,969.97	\$22,388.00	\$1,826.37	\$14,367.99	\$11,726.66	\$10,078.65	\$2,670.74	\$1,355.00	\$45,934.76

- The 2020-2021 year to date unemployment expense is \$56,171.68.



# **Insurance Reserve (GML §6-n)**

***Creation*** - This reserve was created by a resolution of the Board of Education on September 30, 2013 to have a maximum cash balance of \$750,000. On October 4, 2016, the Board of Education amended the Insurance Reserve Fund to eliminate the cash balance maximum. A referendum is not required either to create or expend moneys from the reserve.

***Purpose*** - To fund certain uninsured losses, claims, actions, or judgments with a number of exceptions. An insurance reserve fund may also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, or judgments.

Based on the flexibility of the Insurance Reserve, it is prudent to have additional funds set aside to pay for uninsured claims, legal expenses, and investigations, and settlements.

***Monitoring of Reserve*** - This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the School Business Administrator.

# **Insurance Reserve Continued**

***Funding Level*** - On October 4, 2016, the Board of Education amended the limitations on the Sag Harbor Insurance Reserve Fund to eliminate the cash balance maximum.

***Funding Methods*** – According to GML §6m, the amount paid into this reserve fund, during any fiscal year, may not exceed the **greater** of \$33,000 or 5% of the total budget of the fiscal year. Future funding of this reserve will be authorized by the Board of Education through budgetary appropriations or year-end surplus.

***June 30, 2020 Actual Balance*** - \$1,508,586

***June 30, 2021 Recommended Balance*** – \$1,541,586 plus interest. At the end of the year, if surplus funds are available, this reserve should be increased by the \$33,000 maximum contribution. At that time, a recommendation will be made to the Board to increase this reserve and any interest earned will also be added to the reserve balance.

# **Workers' Compensation Reserve (GML §6-j)**

***Creation*** - This reserve was created by a resolution of the Board of Education on June 28, 2012 with the maximum level of funding set at \$200,000. On September 30, 2013, the Board of Education increased the maximum level of funding to \$500,000. On June 17, 2019, the Board of Education increased the maximum level of funding to \$850,000. A referendum is not required either to create or expend moneys from the reserve.

***Purpose*** - To pay for compensation and benefits, medical, hospital, or other expenses authorized by Article 2 of the Workers' Compensation Law and to pay the expenses of administering a self-insurance program.

***Monitoring of Reserve*** - This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the School Business Administrator for adequacy and use.

***Funding Level*** - The funding level approved by the Board of Education on June 17, 2019 was \$850,000.



# **Workers' Compensation Reserve Continued**

***Funding Methods*** - This reserve can no longer be funded unless the funding level is increased by the Board of Education at a future date. If the funding level is increased, future funding of this reserve will be authorized by the Board of Education through budgetary appropriations or year-end surplus.

***June 30, 2020 Actual Balance*** - \$854,506 (includes interest)

***June 30, 2021 Recommended Balance*** - \$854,506 plus interest. According to our recently audited financial statements, the district's share of the total undiscounted worker's compensation liability for incurred but unpaid claims and incurred but not reported claims is \$288,479. Based on historical actual expenses, the current balance seems reasonable to cover future worker's compensation costs unless the district experiences a catastrophic event.

# **Repair Reserve (GML §6-d)**

***Creation*** –The Repair Reserve fund was created after it received voter approval on May 19, 2015.

***Purpose*** - To pay for certain repairs to capital improvements or equipment. The type of repairs must not recur annually or at shorter intervals. A resolution appropriating moneys from a repair reserve fund is subject to a public hearing and at least five days must elapse between the publication of the notice of hearing and the date specified for the hearing. In an emergency, moneys in a repair reserve fund may be expended without giving notice and without holding a public hearing. To make such an emergency expenditure, the governing board must pass a resolution approved by at least a two-thirds vote. In addition, at least one-half of the expenditure must be repaid in the next fiscal year and the balance repaid by the end of the fiscal year after that.

***Monitoring of Reserve*** - This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the School Business Administrator.

# **Repair Reserve Continued**

***Funding Level*** - The funding level approved by the voters on May 19, 2015 was \$2.5 million.

***Funding Methods*** – During the 2015-2016 fiscal year, the Board of Education authorized the use of \$747,725.71 in repair reserve funds to fix the boilers in the elementary school and to pay for district-wide site-work repairs. Funds spent from this reserve cannot be replenished. As a result, this reserve is fully funded and cannot increase unless the funding level is increased by referendum at a future date.

***June 30, 2020 Actual Balance*** - \$1,761,152

***June 30, 2021 Recommended Balance*** – 1,761,152 plus interest.



# **Retirement Contribution Reserve (GML §6-r)** **as amended by Chapter 59, Laws of 2019**

***Creation*** – The Retirement Contribution reserve was created by a resolution of the Board of Education on September 26, 2011. The Teacher’s Retirement Contribution sub-fund was created by a resolution of the Board of Education on June 17, 2019. A referendum is not required either to create or expend moneys from the reserve or the sub-fund.

***Purpose*** - For the payment of “retirement contributions,” which are defined as all or any portion of the amount payable to the New York State and Local Employees’ Retirement System, pursuant to Sections 17 or 317 of the Retirement and Social Security Law. The sub-fund was established to finance retirement contributions to the NYS Teachers Retirement System.

***Monitoring of Reserve*** - This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the School Business Administrator for adequacy and use.

# **Retirement Contribution Reserve Continued**

***Funding Level*** – There is no maximum funding level for the Reserve, however the amount of moneys contributed annually to the TRS sub-fund cannot exceed 2% of the total compensation or salaries of all teachers employed by the district who are members of TRS paid during the immediately preceding fiscal year. Nor can the balance of the sub-fund exceed 10% of the total compensation or salaries of all teachers employed by the district who are members of TRS paid during the immediately preceding fiscal year.

***Funding Methods*** - Future funding of this reserve and sub-fund will be authorized by the Board of Education through budgetary appropriations or year-end surplus

***June 30, 2020 Actual Balance of ERS Reserve*** - \$1,338,766

***June 30, 2021 Recommended Balance of ERS Reserve*** – \$1,338,766 plus interest.

Our 2019-2020 ERS expense was \$467,437. This is approximately 35% of our projected 2020-2021 reserve balance. Therefore, approximately three years' of ERS expenses are set aside in this reserve. Presently, this reserve is adequately funded. Any future appropriations from this reserve should be considered only when necessary and replenished shortly thereafter.

# **Retirement Contribution Reserve Continued**

*June 30, 2020 Actual Balance of TRS Sub-Fund - \$692,890*

*June 30, 2021 Recommended Balance of TRS Sub-Fund – \$692,890 plus the maximum amount that can be contributed annually plus interest.*

Our 2019-2020 TRS expense was \$1,548,714. The reserve balance is less than half our annual TRS expense. This reserve is not adequately funded and should be increased by the maximum amount allowable at the end of the current school year from any remaining surplus funds, if available.



# **Employee Benefit Accrued Liability Reserve (GML §6-p)**

***Creation*** - This reserve was created during the 2008-2009 fiscal year.

***Purpose*** - Expenditures may be made from an employee benefit accrued liability reserve fund for the payment of all or part of the cost, including interest, of:

- The cash payment of the monetary value of accumulated or accrued and unused sick leave, holiday leave, vacation leave, time allowance granted in lieu of overtime compensation and other forms of payment for accrued leave time and benefits due to a municipal employee upon termination of municipal employment and separation from service “as required by ordinance, local law, collective bargaining agreement or Section six of the civil service law”
- The reasonable costs of the administration of the reserve fund
- Expert or professional services rendered in connection with the investigation, adjustment or settlement of claims, actions or judgments relating to claims for accrued employee benefits.

Generally, this fund cannot be used to pay for items such as: retirement incentives, payroll taxes, and retiree health insurance.

***Monitoring of Reserve*** - This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the School Business Administrator based on the analysis of the District’s compensated absence liability completed each year.

# **Employee Benefit Accrued Liability Reserve Continued**

***Funding Level*** - This reserve should be funded at 100% of the district's accrued liability for compensated absences, not including payroll taxes.

***Funding Methods*** - Future funding of this reserve will be based on an analysis of the district's liability associated with the cash payment of the monetary value of accumulated or accrued and unused sick leave, holiday leave, vacation leave, time allowance granted in lieu of overtime compensation and other forms of payment for accrued leave time and benefits due to a municipal employee upon termination of municipal employment and separation from service. Future funding of this reserve will be authorized by the Board of Education through budgetary appropriations or year-end surplus.

***June 30, 2020 Actual Balance*** - \$449,135

***June 30, 2021 Recommended Balance*** - \$449,135 plus interest. Based on the District's liability for compensated absences, this reserve is adequately funded.

# **Facilities Capital Reserve (Education Law §3651)**

***Creation*** - The Facilities Renovation Capital Reserve fund was created after it received voter approval on May 17, 2011 for an amount not to exceed \$5,000,000 with a probable term of ten (10) years.

***Purpose*** – The purpose of the reserve fund is to pay the cost of any object or purpose for which bonds may be issued by, or for the objects or purposes of, a school district pursuant to the Local Finance Law.

An expenditure from the reserve fund must be authorized by district voters and for the specific purpose specified in the proposition.

***Monitoring of Reserve*** - This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the School Business Administrator.

***Funding Level*** - During the 2013/14 fiscal year, voters approved the use of \$873,600 for various capital projects. During the 2016/17 fiscal year, voters approved the use of \$1.2 million to undertake certain capital improvements consisting of window replacements at the Sag Harbor Elementary and Pierson Middle/High School. Funds spent from this reserve cannot be replenished. **\*This reserve is fully funded and the probable term will expire in May 2021. Voters must establish a new Capital Reserve at the upcoming Budget Vote on May 18, 2021 to continue using this reserve.\***

# Facilities Capital Reserve Continued

*June 30, 2020 Actual Balance* - \$2,943,535 (includes interest)

*June 30, 2021 Recommended Balance* - \$3,943,535 plus interest if voters approve the following:

**PROPOSITION NO. 2 – Establishment of a Capital Reserve Fund:** If approved, this proposition would authorize the Board of Education to establish a Capital Reserve Fund to provide necessary flexibility in planning and funding future capital projects, improvements, renovations, alterations and construction. These projects are identified as improvements rather than time-sensitive repairs. Funding for this reserve would be allocated from unappropriated (unused) fund balance from the end of the previous fiscal year.

The total amount of funding for this reserve can be capped at \$15 million over a 15 year period of probable usefulness. The \$2,943,535 in the current Capital Reserve can be transferred into the new reserve and will be the initial funding source of the \$15 million. Future funding of this reserve will be authorized by the Board of Education in an amount not to exceed \$1.5 million in any year during the probable term, with such funds to be obtained from end of year surplus funds and/or budget appropriations. No monies can be expended from the Capital Reserve Fund without a separate vote by the community for the specific capital project. **Establishment or use of the Capital Reserve fund will not have an impact on the 2021-22 school district budget or tax levy.**



# **Transportation Fleet Capital Reserve**

## **(Education Law §3651)**

***Creation*** – The Transportation Fleet Replacement Reserve fund was created after it received voter approval on May 18, 2010 to have a maximum balance of \$400,000. On May 16, 2017, the voters approved a proposition to establish a reserve fund to be known as the Transportation Fleet Capital Reserve Fund: that the purpose of the reserve fund shall be to finance, in whole or in part, the purchase of busses to replace and/or add to Sag Harbor’s fleet of busses; that the reserve shall be in an amount not to exceed \$2,000,000; that the probable term of the reserve fund shall be 15 years; and the reserve fund shall be funded by transferring the remaining balance from the School District’s Sag Harbor Bus Fleet Replacement Capital Reserve Fund and, therefore, the reserve fund shall be funded in any year during the probable term, with such funds to be obtained from end of budget year surplus funds and/or budget appropriations.

***Purpose*** – The purpose of the reserve fund shall be to finance, in whole or in part, the replacement of Sag Harbor’s fleet of buses with such funds to be obtained from end of budget year surplus funds and/or budget appropriations. Expenditure from the reserve fund must be authorized by district voters and for the specific purpose specified in the proposition.

# Transportation Fleet Capital Reserve

## Continued

***Monitoring of Reserve*** - This reserve will be monitored annually by the Board of Education in conjunction with the Superintendent and the School Business Administrator.

***Funding Level*** - This reserve is fully funded and cannot increase unless the funding level is increased by referendum at a future date. On May 21, 2019, the District's voters approved a proposition authorizing the use of \$178,446 from the Transportation Fleet Capital Reserve Fund to purchase buses. On June 9, 2020, the District's voters approved a proposition authorizing the use of \$56,068 to purchase an additional bus. Funds spent from this reserve cannot be replenished. If the funding level is increased, future funding of this reserve will be authorized by the Board of Education through budgetary appropriations or year-end surplus.

***June 30, 2020 Actual Balance*** - \$1,777,271 (includes interest)

***June 30, 2021 Recommended Balance*** - \$1,777,271 less the cost of replacing Bus 2 (\$58,766) plus interest. **\*The purchase of Bus 2 will have to be approved by voters during the May 18, 2021 budget vote as Proposition #3.\***

# **Sag Harbor Union Free School District**

## **2021-2022 BUDGET DEVELOPMENT CALENDAR**

### **January 11, 2021    *Business Meeting***

- Fund Balance and Reserves
- Review Budget Development Calendar

### **January 25, 2021    *Educational Meeting***

- Salaries
- Employee Benefits

### **February 8, 2021    *Business Meeting***

- Revenue Projections
- Board of Education & Central Administration
- Facilities
- Technology
- Transportation

### **March 1, 2021    *Business Meeting***

- Tax Levy Limit
- Tax Levy Impact - Projection Based on Current Year's Assessed Values
- Elementary School
- Middle/High School
- Athletics, Special Education, BOCES

### **March 15, 2021    *Business Meeting***

- Revenue Projections
- Review Entire Budget

### **April 12, 2021    *Business Meeting***

- Revenue Projections
- Review Entire Budget

### **April 20, 2021    *Business Meeting - Adoption of Budget and ES BOCES Budget Vote and Election***

- Adopt 2021-2022 Operating Budget for May Vote
- Adopt Property Tax Report Card

### **May 10, 2021    *Business Meeting - Board of Education Budget Hearing***

### **May 18, 2021    *Annual Meeting - Uniform Statewide Budget Vote and Board of Education Election***