



Sag Harbor UFSD

Reserve Funds Plan Update
and Recommendations

November 6, 2017

Sag Harbor UFSD Reserve Funds Plan

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 our reliance on indebtedness and other costs associated with debt issuances to finance capital projects and acquisitions.

Certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown risks (a major storm).

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. 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.

New Requirements for Reserve Funds

Nicholas W. Jenny

Division of Local Government and School Accountability



NYS COMPTROLLER

THOMAS P. DiNAPOLI

New Requirements

- OSC advanced a legislative proposal to increase transparency in school district fiscal operations.
- Legislation passed, with some modifications, and was signed into law December 31, 2016.
- Became effective July 1, 2017.



New Reserve Fund Requirements

- Express Board resolution required for all payments or transfers to reserve funds.
- A schedule of reserve funds must be part of the Real Property Tax Report Card, including:
 - The name of each reserve fund;
 - The balance as of the close of the third quarter of the current fiscal year; and
 - A brief statement explaining any plans for use of the fund in the coming fiscal year.



New Schedule of Reserves and the PTRC 2018-19 Property Tax Report Card

School District Audits and New Requirements for
Reserve Funds November 1, 2017

Stephen McNally - Program Manager
SED Office of Educational Management Services
stephen.mcnally@nysed.gov or (518) 402-5286

New Statutory Requirement to Include a Schedule of Reserves on the Property Tax Report Card (PTRC)

- 2017-18 State Budget included new requirements regarding School District Reserves, including:
 - ❖ Board approval by resolution for any transfers into reserves.
 - ❖ Development of a Schedule of Reserves as of 3/31 each year.
 - ❖ A narrative description of the intended use of each reserve in the next fiscal year.
 - ❖ Inclusion of the Schedule of Reserves in the Property Tax Report Card, and
 - ❖ Appended to the Annual Budget Document presented to the public.

2018-19 Property Tax Report Card

000000 - DISTRICT NAME

Contact Person:	Budgeted 2017-	Proposed Budget 2018-	Percent Change (C)
Telephone Number:	18	19	
	(A)	(B)	
Total Budgeted Amount, not Including Separate Propositions			%
A. Proposed Tax Levy to Support the Total Budgeted Amount ¹			
B. Tax Levy to Support Library Debt, if Applicable			
C. Tax Levy for Non-Excludable Propositions, if Applicable ²			
D. Total Tax Cap Reserve Amount Used to Reduce Current Year Levy, if Applicable			
E. Total Proposed School Year Tax Levy (A + B + C - D)			%
F. Permissible Exclusions to the School Tax Levy Limit			
G. School Tax Levy Limit, <u>Excluding</u> Levy for Permissible Exclusions ³			
H. Total Proposed School Year Tax Levy, <u>Excluding</u> Levy to Support Library Debt and/or Permissible Exclusions (E - B - F + D)			
I. Difference: (G - H); (negative value requires 60.0% voter approval) ²			
Public School Enrollment			%
Consumer Price Index			X.XX%

¹ Include any prior year reserve for excess tax levy, including interest.

² Tax levy associated with educational or transportation services propositions are not eligible for exclusion under the School Tax Levy Limit and may affect voter approval requirements.

³ For 2018-19, includes any carryover from 2017-18 and excludes any tax levy for library debt or prior year reserve for excess tax levy, including interest.

	Actual 2017-	Estimated 2018-	
	18	19	
	(D)	(E)	
Adjusted Restricted Fund Balance			
Assigned Appropriated Fund Balance			
Adjusted Unrestricted Fund Balance			
Adjusted Unrestricted Fund Balance as a Percent of the Total Budget	%	%	

NEW SCHEDULE OF RESERVE FUNDS (CHAPTER 514)

Reserve Name	Reserve Description *	3/31/18 Ending Balance	Intended Use of the Reserve in the 2018-2019 School Year
Capital (Including Transportation)	To pay the cost of any object or purpose for which bonds may be issued.		
Employee Benefit Accrued Liability	For the payment of accrued 'employee benefits' due to employees upon termination of service.		
Insurance	To pay liability, casualty, and other types of uninsured losses.		
Liability	To establish and maintain a program of reserves to cover liability claims incurred.		
Mandatory Reserve for Debt Service	To cover debt service payments on outstanding obligations after the sale of district capital assets.		
Property Loss	To establish and maintain a program of reserves to cover property loss.		
Repair	To pay the cost of repairs to capital improvements or equipment.		
Reserve for Insurance Recoveries	To account for unexpended proceeds of insurance recoveries at the fiscal year end.		
Reserve for Tax Reduction	For the gradual use of the proceeds of the sale of school district real property.		
Retirement Contribution	To fund employer retirement contributions to the State and Local Employees' Retirement System		
Tax Certiorari	To establish a reserve fund for tax certiorari settlements		
Unemployment Insurance	To pay the cost of reimbursement to the State Unemployment Insurance Fund.		
Workers' Compensation	To pay for Workers Compensation and benefits.		

2018-19 Property Tax Report Card

000000 - DISTRICT NAME			
Contact Person:	Budgeted 2017-18 (A)	Proposed Budget 2018-19 (B)	Percent Change (C)
Telephone Number:			
Total Budgeted Amount, not Including Separate Propositions			%
A. Proposed Tax Levy to Support the Total Budgeted Amount ¹			
B. Tax Levy to Support Library Debt, if Applicable			
C. Tax Levy for Non-Excludable Propositions, if Applicable ²			
D. Total Tax Cap Reserve Amount Used to Reduce Current Year Levy, if Applicable			
E. Total Proposed School Year Tax Levy (A + B + C - D)			%
F. Permissible Exclusions to the School Tax Levy Limit			
G. School Tax Levy Limit, Excluding Levy for Permissible Exclusions ³			
H. Total Proposed School Year Tax Levy, Excluding Levy to Support Library Debt and/or Permissible Exclusions (E - B - F + D)			
I. Difference: (G - H); (negative value requires 60.0% voter approval) ²			%
Public School Enrollment			%
Consumer Price Index			X.XX%
	Actual 2017-18 (D)	Estimated 2018-19 (E)	
Adjusted Restricted Fund Balance			
Assigned Appropriated Fund Balance			
Adjusted Unrestricted Fund Balance			
Adjusted Unrestricted Fund Balance as a Percent of the Total Budget	%	%	

Schedule of Reserve Funds

Reserve Name	Reserve Description *	3/31/18 Ending Balance	Intended Use of the Reserve in the 2018-2019 School Year
Capital	To pay the cost of any object or purpose for which bonds may be issued.		
Repair	To pay the cost of repairs to capital improvements or equipment.		
Workers' Compensation	To pay for Workers Compensation and benefits.		
Unemployment Insurance	To pay the cost of reimbursement to the State Unemployment Insurance Fund.		
Reserve for Tax Reduction	For the gradual use of the proceeds of the sale of school district real property.		
Mandatory Reserve for Debt Service	To cover debt service payments on outstanding obligations (bonds, BANS) after the sale of district capital assets or improvements.		
Insurance	To pay liability, casualty, and other types of uninsured losses.		
Property Loss	To establish and maintain a program of reserves to cover property loss.		
Liability	To establish and maintain a program of reserves to cover liability claims incurred.		
Tax Certiorari	To establish a reserve fund for tax certiorari settlements		
Reserve for Insurance Recoveries	To account for unexpended proceeds of insurance recoveries at the fiscal year end.		
EBALR – Employee Benefit Accrued Liability	For the payment of accrued 'employee benefits' due to employees upon termination of service.		
Retirement Contribution	To fund employer retirement contributions to the State and Local Employees' Retirement System		

Suggestions for the Schedule of Reserves

- Use best estimates of what balances will be at 3/31/18.
- Include interest earned through 3/31/18.
- Be aware of Board actions to establish new reserves or provide additional funding.
- For description of planned use, be brief but specific about what it will be used for in the upcoming year.
 - ❖ List the proposed appropriation in the 2018-19 budget.
 - ❖ Mention if any capital expenditures will need to be voted upon in the upcoming May Budget Vote.

Historical Fund Balance and Reserve Balances

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
Assigned:									
Reserved for Encumbrances (Unappropriated Fund Balance)	\$ 7,846	\$ 7,978	\$ 87,825	\$ 232,755	\$ 129,485	\$ 178,449	\$ 549,860	\$ 708,908	\$ 228,181
Reserved for:									
Employee Benefit Accrued Liability Reserve (EBALR)	\$ 189,953	\$ 118,711	\$ 118,884	\$ 250,015	\$ 310,358	\$ 310,496	\$ 360,586	\$ 360,784	\$ 361,325
Retirement Contribution Reserve (ERS)	\$ -	\$ -	\$ 700,000	\$ 1,000,272	\$ 2,193,061	\$ 3,195,599	\$ 3,017,086	\$ 2,608,993	\$ 2,166,350
Facilities Capital Reserve	\$ -	\$ -	\$ 500,000	\$ 1,000,194	\$ 628,227	\$ 1,128,822	\$ 1,629,601	\$ 2,130,693	\$ 2,632,143
Transportation Fleet Capital Reserve	\$ -	\$ -	\$ -	\$ 190,000	\$ 390,142	\$ 400,575	\$ 400,931	\$ 401,223	\$ 1,901,522
Insurance Reserve	\$ -	\$ -	\$ -	\$ -	\$ 33,000	\$ 184,403	\$ 217,490	\$ 1,410,780	\$ 1,494,127
Unemployment Reserve	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,075	\$ 100,243	\$ 100,333	\$ 100,406	\$ 100,494
Worker's Compensation Reserve	\$ -	\$ -	\$ -	\$ -	\$ 245,000	\$ 500,186	\$ 500,503	\$ 500,868	\$ 501,240
Repair Reserve							\$ 750,000	\$ 752,465	\$ 1,502,673
Non-Spendable Reserves:									
Advances (to School Cafeteria Fund)	\$ 91,121	\$ 117,697	\$ 118,537	\$ 124,625	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved - Designated for Subsequent Year Expenditures:									
Appropriated Fund Balance	\$ 505,000	\$ -	\$ -	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 405,961	\$ 271,622
Unreserved - Undesignated:									
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
Annual Year End Totals:	\$ 859,738	\$ 552,401	\$ 2,849,956	\$ 4,764,247	\$ 5,949,693	\$ 7,973,552	\$ 9,528,495	\$ 10,932,041	\$ 12,755,958

Publication: The Southampton Press

Dec 9, 2009 12:49 PM

Sag Harbor overspends school budget; surplus dwindles

Dec 9, 2009 12:49 PM

[By Michael Wright](#)

An independent audit of the Sag Harbor School District's budget has revealed that the district overspent its operating budget during the 2008-09 fiscal year, which ended in June, by some \$362,000. But one of the accountants who conducted the audit also gave the district high marks for policies now in place to address the shortfall.

Jill Sanders, a CPA at Coghlin Foundatos Cullen and Danowski, a Port Jefferson Station accounting firm that does independent audits for several East End school districts, told the Sag Harbor School Board and a large audience of teachers and district residents on Monday evening that the district had received the firm's highest rating for its budgetary management, despite the cost overrun and the need for what she said were some "additional controls."

"I'm pleased to report we've granted an unqualified opinion—that's the highest rating the district can get," Ms. Sanders said. "With regard to the financial condition of the school district, it's been a tough year."

The shortfall in the budget was a little more than 1 percent of the district's \$28.6 million budget for 2008-09. District business administrator Len Bernard said on Monday night that the bulk of the cost overruns were due to the ongoing contract negotiations with the district's teacher's union. When a contract is eventually inked, he said, the salaries for teachers will be applied retroactively to the 2008-09 school year, and the funds must be incumbered in anticipation of that.

The union's contract expired in June 2008. When adopted, the budget had allowed for a 1-percent salary increase, the district's offer to the teachers at the time. Since then, the district has upped its offer to 2.5 percent, but the additional cost estimate was never added to the budget. The ultimate cost could go higher if teachers, who are asking for

Sag Harbor School District Gets Good Marks from Auditor

by Christine Sampson

By Christine Sampson

The Sag Harbor School District has received an unmodified opinion, the best rating it can get, from its outside auditing firm.

Alexandria M. Battaglia of the firm R.S. Abrams and Co. delivered the news during Monday's school board meeting, telling the board the auditors found "no material weaknesses" and just two very minor issues during the process.

According to a summary of the audit provided by the school district, one issue was the district did not require employees to change network and email passwords on a regular basis. The other issue was the identification of two instances where sales tax was not paid on applicable purchases related to "extraclassroom accounts," which refers to monies belonging to clubs and activities.

Otherwise, the auditors confirmed Sag Harbor's fund balance – or the unspent monies the district has left over after a school year is over – is within the limits established by the state, which is 4 percent of the following year's budget. That figure is currently \$1,596,281.

"I'm happy to see the district is funding reserves, utilizing and appropriating reserves and incorporating them into the budget," Ms. Battaglia said.

She also said the firm is pleased to see the district is "revisiting the long term plan and changing that as they move forward."

Share This!

Budget									
	2010	2011	2012	2013 - First Year of the Tax Levy Cap	2014	2015	2016	2017	2018
Annual Budget	\$ 29,640,657	\$31,500,811	\$33,232,084	\$34,182,256	\$35,508,622	\$36,869,503	\$37,552,566	\$38,773,989	\$39,907,110
\$ increase over prior year	\$ 1,101,401	\$1,860,154	\$1,731,273	\$950,172	\$1,326,366	\$1,360,881	\$683,063	\$1,221,423	\$1,133,121
% Increase over prior year	3.86%	6.28%	5.50%	2.86%	3.88%	3.83%	1.85%	3.25%	2.92%
Actual									
	2010	2011	2012	2013 - First Year of the Tax Levy Cap	2014	2015	2016	2017	2018
Actual Spending	\$ 29,139,087	\$29,980,671	\$31,876,349	\$33,575,643	\$33,510,958	\$34,251,035	\$35,348,838	\$36,644,478	
\$ increase over prior year	\$ (19,175)	\$841,584	\$1,895,678	\$1,699,294	(\$64,685)	\$740,077	\$1,097,803	\$1,295,640	
% Increase over prior year	-0.07%	2.89%	6.32%	5.33%	-0.19%	2.21%	3.21%	3.67%	
Difference Budget vs. Actual:	\$ 501,570	\$ 1,520,140	\$ 1,355,735	\$ 606,613	\$ 1,997,664	\$ 2,618,468	\$ 2,203,728	\$ 2,129,511	

Revenue Budget									
	2010	2011	2012	2013 - First Year of the Tax Levy Cap	2014	2015	2016	2017	2018
Annual Revenue Budget	\$ 29,640,657	\$31,500,811	\$33,232,084	\$34,182,256	\$35,508,622	\$36,869,503	\$37,552,566	\$38,773,989	\$39,907,110
\$ increase over prior year	\$ 1,101,401	\$1,860,154	\$1,731,273	\$950,172	\$1,326,366	\$1,360,881	\$683,063	\$1,221,423	\$1,133,121
% Increase over prior year	3.86%	6.28%	5.50%	2.86%	3.88%	3.83%	1.85%	3.25%	2.92%
Actual Revenue Collected									
	2010	2011	2012	2013 - First Year of the Tax Levy Cap	2014	2015	2016	2017	2018
Actual Revenue Collected	\$ 28,831,751	\$32,278,227	\$33,790,640	\$34,761,090	\$35,534,817	\$35,805,977	\$36,752,384	\$38,468,395	
\$ increase over prior year	\$ 1,414,774	\$3,446,476	\$1,512,414	\$970,450	\$773,727	\$271,160	\$946,407	\$1,716,011	
% Increase over prior year	5.16%	11.95%	4.69%	2.87%	2.23%	0.76%	2.64%	4.67%	
Difference Budget vs. Actual:	\$ (808,906)	\$ 777,416	\$ 558,556	\$ 578,834	\$ 26,195	\$ (1,063,526)	\$ (800,182)	\$ (305,594)	

Operating Suplus (Deficit)	\$ (307,337)	\$ 2,297,555	\$ 1,914,291	\$ 1,185,447	\$ 2,023,859	\$ 1,554,942	\$ 1,403,546	\$ 1,823,917	
----------------------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--

Budgetary Reserves									
Fund Equity, Beg. of Year	\$ 859,738	\$ 552,401	\$ 2,849,956	\$ 4,764,247	\$ 5,949,693	\$ 7,973,552	\$ 9,528,495	\$ 10,932,041	
Fund Equity, End of Year	\$ 552,401	\$ 2,849,956	\$ 4,764,247	\$ 5,949,693	\$ 7,973,552	\$ 9,528,495	\$ 10,932,041	\$ 12,755,958	
FB as % of Expenditures*	1.90%	9.51%	14.95%	17.72%	23.79%	27.82%	30.93%	34.81%	

Tax Levy is Supporting Less of the District's Actual Spending for the Last Three Fiscal Years

- More of the budget is being supported by other revenues or appropriated reserves.

	2010	2011	2012	2013 - First Year of the Tax Levy Cap	2014	2015	2016	2017	2018
Annual Budget	\$ 29,640,657	\$31,500,811	\$33,232,084	\$34,182,256	\$35,508,622	\$36,869,503	\$37,552,566	\$38,773,989	\$39,907,110
Tax Levy % of Total Budget	89%	94%	93%	92%	92%	90%	91%	90%	91%
Tax Levy	\$ 26,346,644.00	\$ 29,556,265.00	\$ 30,945,209.00	\$ 31,546,719.00	\$ 32,739,375.00	\$ 33,223,918.00	\$ 34,050,000.00	\$ 35,065,000.00	\$ 36,288,769.00
Difference - State Aid, Appropriated FB, Other Revenue Sources	\$ 3,294,013.00	\$ 1,944,546.00	\$ 2,286,875.00	\$ 2,635,537.00	\$ 2,769,247.00	\$ 3,645,585.00	\$ 3,502,566.00	\$ 3,708,989.00	\$ 3,618,341.00

Actual Spending	\$ 29,139,087	\$29,980,671	\$31,876,349	\$33,575,643	\$33,510,958	\$34,251,035	\$35,348,838	\$36,644,478	?
Tax Levy % to Total Spending	90%	99%	97%	94%	98%	97%	96%	96%	?
Tax Levy	\$ 26,346,644.00	\$ 29,556,265.00	\$ 30,945,209.00	\$ 31,546,719.00	\$ 32,739,375.00	\$ 33,223,918.00	\$ 34,050,000.00	\$ 35,065,000.00	\$ 36,288,769.00
Difference - State Aid, Appropriated FB, Other Revenue Sources	\$ 2,792,443.36	\$ 424,406.24	\$ 931,140.45	\$ 2,028,924.04	\$ 771,583.00	\$ 1,027,117.00	\$ 1,298,837.74	\$ 1,579,478.00	

Sag Harbor UFSD Results of Operations - 2016/2017 Budget \$38,773,989

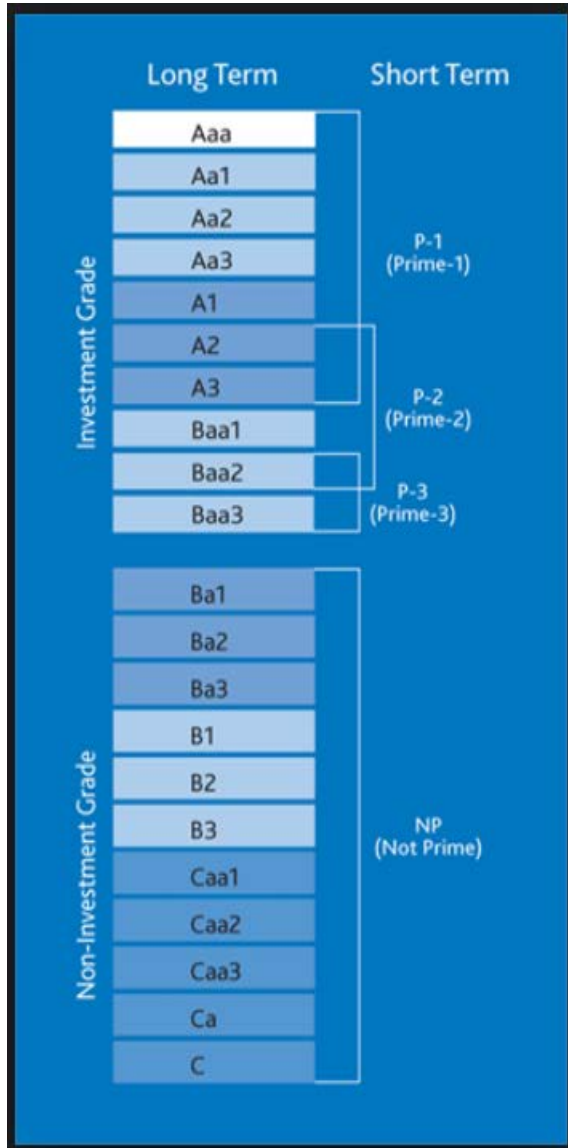
Actual Revenue:	\$ 38,468,395
Actual Expenditures:	\$ 36,644,478
	\$ 1,823,917
Use of Reserve:	\$ (578,923)
Increase in Reserves:	\$ 2,832,555
Increase in Reserves (Interest Earned):	\$ 5,691
Increase in Unassigned FB (Limited to 4%):	\$ 45,321
Increase (Decrease) in Year-end Encumbrances:	\$ (480,727)
	\$ 1,823,917
Fund Balance - Beginning of the Year:	\$ 10,932,041
Fund Balance - End of the Year:	\$ 12,755,958
	\$ 1,823,917

Fund Balance and Reserves @ 6/30/2017

Sag Harbor Union Free School District

	Fund Balance	Balance @ June 30, 2016	Interest Earned & Δ in Encumbrances 2016/2017	Use of Reserves 2016/2017	Balance @ June 30, 2017 Before Transfers to Reserves	Deposits from 2016/2017 Surplus Funds	Balance @ June 30, 2017
Assigned:	Reserved for Encumbrances (Unappropriated Fund Balance)	\$ 708,908	\$ (480,727)	\$ -	\$ 228,181	\$ -	\$ 228,181
Reserved for:							
	Employee Benefit Accrued Liability Reserve (EBALR)	\$ 360,784	\$ 541	\$ -	\$ 361,325	\$ -	\$ 361,325
	Retirement Contribution Reserve (ERS)	\$ 2,608,993	\$ 1,941	\$ (444,584)	\$ 2,166,350	\$ -	\$ 2,166,350
	Facilities Capital Reserve	\$ 2,130,693	\$ 1,450	\$ -	\$ 2,132,143	\$ 500,000	\$ 2,632,143
	Transportation Fleet Replacement Reserve	\$ 401,223	\$ 299	\$ -	\$ 401,522	\$ 1,500,000	\$ 1,901,522
	Insurance Reserve	\$ 1,410,780	\$ 792	\$ -	\$ 1,411,572	\$ 82,555	\$ 1,494,127
	Unemployment Reserve	\$ 100,406	\$ 88	\$ -	\$ 100,494	\$ -	\$ 100,494
	Worker's Compensation Reserve	\$ 500,868	\$ 372	\$ -	\$ 501,240	\$ -	\$ 501,240
	Repair Reserve	\$ 752,465	\$ 208	\$ -	\$ 752,673	\$ 750,000	\$ 1,502,673
Unreserved - Designated for Subsequent Year Expenditures:							
	Appropriated Fund Balance	\$ 405,961	\$ -	\$ (134,339)	\$ 271,622	\$ -	\$ 271,622
Unreserved - Undesignated:							
	Unassigned Fund Balance (Limited to 4%)	\$ 1,550,960	\$ -	\$ -	\$ 1,550,960	\$ 45,321	\$ 1,596,281
	Year End Totals:	\$ 10,932,041	\$ (475,037)	\$ (578,923)	\$ 9,878,082	\$ 2,877,876	\$ 12,755,958
Year to Year Change in Reserve Balance:		\$ 1,403,546				2016/2017:	\$ 1,823,917

February 2016 – Moody's Upgrades Credit Score from AA3 to AA2.



CREDIT OPINION

10 February 2016

New Issue

Contacts

Pisei Chea 212-553-0344
Associate Analyst MIS
pisei.chea@moodys.com

Tiphany Lee-Allen 212-553-4772
Analyst
tiphany.lee-allen@moodys.com

Sag Harbor Union Free School District, NY

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

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

ISSUER COMMENT

5 September 2017

RATING

General Obligation (or CO Related) ¹

Aa2 No Outlook

Contacts

Evan W Hess 212-553-3910
Associate Analyst
evan.hess@moody's.com

Thomas Jacobs 212-553-0131
Senior Vice President
thomas.jacobs@moody's.com

CLIENT SERVICES

Americas 1-212-553-1653
Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
EMEA 44-20-7772-5454

Sag Harbor Union Free School District, NY

Annual Comment on Sag Harbor UFSD

Issuer Profile

Sag Harbor Union Free School District is located in Suffolk County, New York, on the east end of Long Island's South Fork, approximately 90 miles east of New York City. The county has a population of 1,501,373 and a moderate population density of 912 people per square mile. The county's median family income is \$102,582 (1st quartile) and the July 2017 unemployment rate was 4.6% (2nd quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and local government.

Credit Overview

Sag Harbor UFSD has a very strong credit position, and its Aa2 rating is slightly above the median rating of Aa3 for US school districts. The key credit factors include a robust financial position, strong resident wealth levels and an ample tax base. It also reflects an exceptionally light debt burden and a mid-ranged pension liability.

Finances: The district's financial position is very healthy and is relatively strong in comparison to the assigned rating of Aa2. The cash balance as a percent of operating revenues (34.8%) is higher than the US median, and increased materially from 2012 to 2016. Furthermore, Sag Harbor UFSD's fund balance as a percent of operating revenues (23.1%) approximates other Moody's-rated school districts nationwide.

Economy and Tax Base: The economy and tax base of the district are exceptionally healthy and are relatively favorable when compared to its Aa2 rating. The full value per capita (\$949,564) is materially above the US median, and increased modestly from 2012 to 2016. The full value per capita is reflective of the high-priced second homes in the primarily residential district. Additionally, the median family income equals a robust 152.5% of the US level. Lastly, Sag Harbor UFSD's total full value (\$6.7 billion) is much stronger than the medians for all Moody's-rated school districts nationwide, but comparable to the medians for the Aa2 rating category.

Debt and Pensions: The debt burden of the district is extremely small and is favorable when compared to the assigned rating of Aa2. The net direct debt to full value (0.2%) is well below the US median, and stayed flat from 2012 to 2016. The majority of districts receive state building aid reimbursements for approved capital spending which can be used to help offset debt costs. Additionally, the pension liability of Sag Harbor UFSD is moderate and is adequate in relation to its Aa2 rating. The Moody's-adjusted net pension liability to operating revenues (1.2x) is slightly under the US median.

EXHIBIT 1

Key Indicators ^{4,5} Sag Harbor UFSD

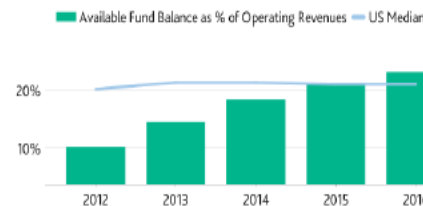
	2012	2013	2014	2015	2016	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$6,264M	\$6,200M	\$6,241M	\$6,373M	\$6,718M	\$1,870M	Improved
Full Value Per Capita	\$907,166	\$918,857	\$897,104	\$900,835	\$949,564	\$83,193	Stable
Median Family Income (% of US Median)	162%	156%	148%	153%	153%	103%	Weakened
Finances							
Available Fund Balance as % of Operating Revenues	10.3%	14.5%	18.4%	21.2%	23.1%	21.0%	Improved
Net Cash Balance as % of Operating Revenues	19.9%	23.6%	32.2%	35.7%	34.8%	25.7%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.2%	0.1%	0.1%	0.1%	0.2%	1.5%	Stable
Net Direct Debt / Operating Revenues	0.30x	0.26x	0.23x	0.24x	0.40x	0.72x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	N/A	0.8%	0.8%	0.8%	0.6%	3.0%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	N/A	1.40x	1.40x	1.49x	1.17x	1.54x	Stable

	2012	2013	2014	2015	2016	US Median
Debt and Financial Data						
Population	6,906	6,748	6,957	7,075	N/A	N/A
Available Fund Balance (\$000s)	\$3,454	\$5,037	\$6,550	\$7,604	\$8,506	\$8,051
Net Cash Balance (\$000s)	\$6,716	\$8,210	\$11,431	\$12,786	\$12,785	\$9,817
Operating Revenues (\$000s)	\$33,692	\$34,731	\$35,535	\$35,806	\$36,753	\$38,823
Net Direct Debt (\$000s)	\$10,145	\$9,095	\$8,005	\$8,770	\$14,692	\$26,674
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	N/A	\$48,558	\$49,923	\$53,259	\$42,942	\$54,746

Source: Moody's Investors Service

EXHIBIT 2

Available fund balance as a percent of operating revenues increased from 2012 to 2016



Source: Issuer financial statements; Moody's Investors Service

Moody's General Obligation Scorecard - Sag Harbor UFSD NY - Fiscal Year 2016

U.S. LOCAL GOVERNMENT GENERAL OBLIGATION SCORECARD, Dec2016.Q.0001

Issuer Name: Sag Harbor Union Free School District, NY

Org ID: 600033648

Enter Sector Below	Very Strong 0.50 - 1.49	Strong 1.50 - 2.49	Moderate 2.50 - 3.49	Weak 3.50 - 4.49	Poor 4.50 - 5.49	Very Poor 5.50 - 6.50	Input	Weight	Score
	Aaa	Aa	A	Baa	Ba	B & Below			
ECONOMY/TAX BASE (30%)									
School District									
Tax Base Size: Full Value (in 000s)	> \$12B	\$12B ≥ n > \$1.4B	\$1.4B ≥ n > \$240M	\$240M ≥ n > \$120M	\$120M ≥ n > \$60M	≤ \$60M	\$6,718,168	10%	2.00
Full Value Per Capita	> \$150,000	\$150,000 ≥ n > \$65,000	\$65,000 ≥ n > \$35,000	\$35,000 ≥ n > \$20,000	\$20,000 ≥ n > \$10,000	≤ \$10,000	\$949,564	10%	0.50
Socioeconomic Indices: MFI	> 150% of US median	150% to 90% of US median	90% to 75% of US median	75% to 50% of US median	50% to 40% of US median	≤ 40% of US median	152.54%	10%	1.45
FINANCES (30%)									
Fund Balance as % of Revenues	> 30.0%	30.0% ≥ n > 15.0%	15.0% ≥ n > 5.0%	5.0% ≥ n > 0.0%	0.0% ≥ n > -2.5%	≤ -2.5%	23.14%	10%	1.62
5-Year Dollar Change in Fund Balance as % of Revenues	> 25.0%	25.0% ≥ n > 10.0%	10.0% ≥ n > 0.0%	0.0% ≥ n > -10.0%	-10.0% ≥ n > -18.0%	≤ -18.0%	16.85%	5%	2.04
Cash Balance as % of Revenues	> 25.0%	25.0% ≥ n > 10.0%	10.0% ≥ n > 5.0%	5.0% ≥ n > 0.0%	0.0% ≥ n > -2.5%	≤ -2.5%	34.79%	10%	0.50
5-Year Dollar Change in Cash Balance as % of Revenues	> 25.0%	25.0% ≥ n > 10.0%	10.0% ≥ n > 0.0%	0.0% ≥ n > -10.0%	-10.0% ≥ n > -18.0%	≤ -18.0%	20.90%	5%	1.77
MANAGEMENT (20%)									
Institutional Framework	Very strong legal ability to match resources with spending	Strong legal ability to match resources with spending	Moderate legal ability to match resources with spending	Limited legal ability to match resources with spending	Poor legal ability to match resources with spending	Very poor or no legal ability to match resources with spending	A	10%	3.00
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	> 1.05x	1.05x ≥ n > 1.02x	1.02x ≥ n > 0.98x	0.98x ≥ n > 0.95x	0.95x ≥ n > 0.92x	≤ 0.92x	1.05x	10%	1.55
DEBT/PENSIONS (20%)									
Net Direct Debt / Full Value	< 0.75%	0.75% ≤ n < 1.75%	1.75% ≤ n < 4.00%	4.00% ≤ n < 10.00%	10.00% ≤ n < 15.00%	> 15.00%	0.22%	5%	0.79
Net Direct Debt / Operating Revenues	< 0.33x	0.33x ≤ n < 0.67x	0.67x ≤ n < 3.00x	3.00x ≤ n < 5.00x	5.00x ≤ n < 7.00x	> 7.00x	0.40x	5%	1.71
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value	< 0.90%	0.90% ≤ n < 2.10%	2.10% ≤ n < 4.80%	4.80% ≤ n < 12.00%	12.00% ≤ n < 18.00%	> 18.00%	0.64%	5%	1.21
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues	< 0.40x	0.40x ≤ n < 0.80x	0.80x ≤ n < 3.60x	3.60x ≤ n < 6.00x	6.00x ≤ n < 8.40x	> 8.40x	1.17x	5%	2.63

Total Score 1.57

Unadjusted Outcome Aa1

Quote from Evan Hess, Moody's Associate Analyst:

"I've attached a copy of the GO Scorecard for reference. You likely already know this, but the scorecard is just one tool we use in the rating process and it does not dictate the final rating. We review all of our ratings at least once annually after new audits become available. Attached is a copy of the district's last credit opinion from February 2016 (when the FY 2015 audit was the most recent available). **Last year the district's rating was upgraded to Aa2, primarily due to the improvement in reserves and liquidity.** So, the current rating incorporates the improvement in the district's financial position over the last several years. Additionally, the report mentions a few things that could lead to an upgrade: significant increase in reserves and liquidity and/or substantial tax base growth. Since the upgrade, the district's fiscal 2016 audit became available and reported modest increase in reserves and full value which were in line with our expectations at the time of the last rating review. **The district's overall credit profile equates to a strong Aa2; certain metrics, such as the tax base size and fund balance levels, are a bit shy of the national Aa1 medians for school districts.** Going forward, we will continue to monitor the district's rating and will revisit the appropriateness of the Aa2 rating again once the fiscal 2017 audit becomes available."

Unemployment Reserve Plan (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. Expenditures may be made only as required by law to pay into the Unemployment Insurance Fund an amount equivalent to the amount of benefits paid to claimants and charged to the account of the school district in accordance with Labor Law §581(1)(e). The Sag Harbor UFSD has elected to use the “benefit reimbursement” method, and as a result, reimburses the State Unemployment Insurance Fund for actual claims incurred. 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.

Unemployment Reserve Plan Continued

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

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, 2017 Actual Balance - \$100,494 (includes interest).

June 30, 2018 Recommended Balance – \$100,494 plus interest. Based on historical actual expenses, the current balance seems to be sufficient to cover future unemployment costs.

Unemployment Expense	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
	\$28,969.97	\$22,388.00	\$1,826.37	\$14,367.99	\$11,726.66	\$10,078.65

The Unemployment Reserve will be monitored each year for adequacy and use. There are currently no plans to increase the balance in this reserve, except for any interest accrued throughout the year.

Insurance Reserve Plan (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 limitations on the Sag Harbor 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 for which the local government is authorized or required to purchase or maintain insurance, 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. There is no limit on the cash balance. Moneys in the fund may be used to fund the payment of actions or claims that have been compromised or settled with judicial approval, except where the amount of the settlement or compromise does not exceed \$25,000. In maintaining accounting records for this fund, the chief fiscal officers must keep a separate account for each kind of risk funded by the Insurance Reserve Fund.

Insurance Reserve Plan (GML §6-n)

Purpose Continued - Current list of losses that we are not covered for through NYSIR:

1. Losses and or expenses that may exceed the policy limits (e.g. pollution, earthquake and flood, business interruption/extra expense, ordinance or law, debris removal, catastrophic liability losses that exceed the \$16 million NYSIR Excess Catastrophe Liability and primary limits, Employee theft not covered by excess bonds, etc.)
2. Uninsurable catastrophic and other losses: (eg. Asbestos liability)
3. Uninsured losses or common exclusions: (eg. governmental fines and penalties, wear & tear, latent defects.)
4. Extreme frequency or severity regarding Workers' Compensation/Employer's Liability.
5. Miscellaneous: Punitive damages, intentional or criminal acts, risks insured with carriers that become insolvent, gaps in coverage as a result of an error or omission on the part of an insurance broker, consultant or carrier, etc.

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.

Insurance Reserve Plan 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 - 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, 2017 Actual Balance - \$1,494,127

June 30, 2018 Recommended Balance – At the end of the year, if surplus funds are available after increasing the Repair Reserve and Capital Reserve, this Reserve should be increased. 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 Plan (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. A referendum is not required either to create or expend moneys from the reserve.

Purpose - To pay compensation and benefits, medical, hospital, or other expenses authorized by Article 2 of the Workers' Compensation Law and by the Volunteer Firefighters' Benefit 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.

Funding Level - The funding level approved by the Board of Education on September 30, 2013 was \$500,000.

Workers' Compensation Reserve Plan 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, 2017 Actual Balance - \$501,240 (includes interest)

June 30, 2018 Recommended Balance - \$501,240 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 \$232,848. Based on historical actual expenses, the current balance seems reasonable to cover future worker's compensation costs unless the district experiences a catastrophic event. Since the liability went up from \$177,577, the Board may want to increase the funding level of this reserve in the future. This can be accomplished by resolution. A referendum is not required.

The Worker's Compensation Reserve will be monitored each year for adequacy and use.

Repair Reserve Plan (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 Plan Continued

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

Funding Methods - Future funding of this reserve will be authorized by the Board of Education through budgetary appropriations or year-end surplus in an amount not to exceed \$750,000 in any school year.

June 30, 2017 Actual Balance - \$1,502,673

June 30, 2018 Recommended Balance – \$1,752,673 plus interest. This reserve is not fully funded and the current balance should be increased to reach the authorized level of funding. The 2017-2018 budget does not contain an appropriation to increase this reserve. At the end of the year, if surplus funds are available, a recommendation will be made to the Board to increase this reserve (by \$250,000 maximum so as not to exceed \$2.5 million) and any interest earned will also be added to the reserve balance.

Note: 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.

Retirement Contribution Reserve Plan (GML §6-r)

Creation - This reserve was created by a resolution of the Board of Education on September 26, 2011. A referendum is not required either to create or expend moneys from the reserve.

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.

Note: Payments to the NYS Teachers’ Retirement System are not allowed from this reserve.

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

Retirement Contribution Reserve Plan Continued

Funding Level – The Board has not adopted a maximum funding level.

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

June 30, 2017 Actual Balance - \$2,166,350

June 30, 2018 Recommended Balance – The 2017-2018 budget includes an appropriation from this reserve of \$500,000. As a result, the projected balance at June 30, 2018 will be \$1,666,350 plus interest.

Our 2016-2017 ERS expense was \$444,584. This is approximately 27% of our projected 2017-2018 reserve balance or more than three and a half years' of ERS expenses set aside in reserves. This reserve is adequately funded and should not be increased. Any future appropriations from this reserve should be considered only when necessary and replenished shortly thereafter.

Employee Benefit Accrued Liability Reserve Plan (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 Plan 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, 2017 Actual Balance - \$361,325

June 30, 2018 Recommended Balance - \$386,314 (liability at June 30, 2017) plus any additional liability for compensated absences accrued during the 2017-2018 fiscal year plus interest. The 2017-2018 budget does not contain an appropriation to increase this reserve. At the end of the year, if surplus funds are available and the district's liability has increased, a recommendation will be made to the Board to increase this reserve and any interest earned will also be added to the reserve balance.

Facilities Capital Reserve Plan (Education Law §3651)

Creation - The Facilities Renovation Capital Reserve fund was created after it received voter approval on May 17, 2011.

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 - The funding level approved by the voters on May 17, 2011 was an amount not to exceed \$5,000,000 and the probable term of the reserve fund shall be ten (10) years.

Facilities Capital Reserve Plan Continued

Funding Methods - Future funding of this reserve will be authorized by the Board of Education in an amount not to exceed \$500,000 in any year during the probable term, with such funds to be obtained from end of budget year surplus funds and/or budget appropriations.

June 30, 2017 Actual Balance - \$2,632,143

June 30, 2018 Recommended Balance - \$2,298,043 plus interest (\$2,632,143 - \$834,100 for window project + \$500,000 from 2017/18 surplus). This reserve is not fully funded and the current balance should be increased to reach the authorized level of funding. The 2017-2018 budget does not contain an appropriation to increase this reserve. At the end of the year, if surplus funds are available, a recommendation will be made to the Board to increase this reserve and any interest earned will also be added to the reserve balance.

Note: During the 2013/14 fiscal year, the voters approved \$873,600 of capital projects which were funded by this reserve. During the 2016/17 fiscal year, the voters approved \$834,100 to fund a window replacement project at the SHES and Pierson. Funds spent from this reserve cannot be replenished. Voters would need to approve another Capital Projects Reserve to set aside additional funds.

Transportation Fleet Capital Reserve Plan **(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 Plan 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 - The funding level approved by the voters on May 16, 2017 was an amount not to exceed \$2,000,000 and the probable term of the reserve fund shall be fifteen (15) years.

June 30, 2017 Actual Balance - \$1,901,522 (includes interest)

June 30, 2018 Recommended Balance - \$2,000,000 plus interest. The 2017-2018 budget does not contain an appropriation to increase this reserve. At the end of the year, if surplus funds are available after increasing the Repair Reserve and Capital Reserve, this Reserve should be increased. 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. Reserve will be monitored each year for adequacy and use.



Sag Harbor UFSD

2017-2018 Tax Levy and Tax Rate Impact for the
Towns of Southampton and East Hampton

November 6, 2017

2017-18 Voter Approved Budget

Budget - \$39,907,110:

- Budget to Budget Increase – 2.92%
- Property Tax Levy Limit – 3.8656%
- Tax Levy Increase – 3.49%
- Tax Levy - \$36,288,769
- Property Tax Levy Limit - \$36,420,488
- Tax Levy **UNDER** the Levy Limit - \$131,719

For the sixth year in a row, the proposed budget and tax levy is below the tax cap and maintains all programs!!!

**Open Book New York
Office of the State Comptroller
Thomas P. DiNapoli, State Comptroller**

Trend Report for Sag Harbor Union Free School District

Property Tax Cap (Data elements presented below are “as submitted” by the local government, and have not been modified or certified by OSC)

Tax Levy Limit (Cap) before Exclusions

	2018	2017	2016	2015	2014	2013
Tax Levy Prior Year	35,065,000	34,050,000	33,223,918	32,739,375	31,546,719	30,945,209
Prior Year Reserve Offset	0	0	0	0	0	0
Reserve Amount	0	0	0	0	0	0
Tax Base Growth Factor	1.0249	1.0224	1.0166	1.0091	1.0086	1.0080
PILOTS Receivable Prior Year	140,000	140,000	152,159	152,159	152,159	152,159
Tort/Judgment Exclusion Prior Year	0	0	0	0	0	0
Capital Tax Levy for Prior Year	1,952,191	1,664,979	1,905,683	2,160,842	2,152,545	2,251,120
Allowable Levy Growth Factor	1.0126	1.0012	1.0162	1.0146	1.0200	1.0200
PILOTS Receivable Current Year	150,000	140,000	140,000	152,159	152,159	152,159
Available Carryover from Prior Year	0	0	0	0	0	0
Total Levy Limit before Exclusions	34,405,914	33,187,686	32,400,666	31,329,479	30,261,828	29,523,527

Exclusions

Tax levy necessary for expenditures resulting from tort orders/judgments over 5% Prior Year Tax Levy	0	0	0	0	0	0
Capital Tax Levy for Current Year	2,014,574	1,952,191	1,664,979	1,905,683	2,160,842	2,051,835
Tax levy for pension contribution expense						
TRS	0	0	0	0	403,746	0
ERS	0	0	0	0	0	15,822
Total Exclusions	2,014,574	1,952,191	1,664,979	1,905,683	2,564,588	2,067,657
Total Tax Levy Limit, Adjusted for Transfers Plus Exclusions	36,420,488	35,139,877	34,065,645	33,235,162	32,826,416	31,591,184
Reserve Amount Used to Reduce Current Year Levy	0	0	0	0	0	0
Proposed Levy for Current Year, Net of Reserve	36,288,769	35,065,000	34,050,000	33,223,918	32,739,375	31,546,719
Total Tax Levy Limit Adjusted for Transfers Plus Exclusions compared to the Prior Year Tax Levy	3.9%	3.2%	2.5%	1.5%	4.1%	2.1%
Difference between Tax Levy Limit Plus Exclusions and Current Year Proposed Levy	131,719	74,877	15,645	11,244	87,041	44,465
Planning to Override the Cap	No	No	No	No	No	No

2017-18 Impact of a 3.49% Tax Levy Increase at Budget Vote – May 16, 2017

Actual and Projected Change in Tax Rate per 1,000 and Tax Levy										
Town Of East Hampton	Taxable Assessed Value	Equalization Rate	Market or Full Value Home in District	Rate Per \$1000 Assessed Value	Dollar Δ in Rate	Percent Δ in Rate	School Tax in Real Dollars	Dollar Δ in Taxes	Percent Δ in Taxes	Monthly Impact
2013/2014	\$6,400	0.73%	\$876,712	721.7200			\$4,619.01			
2014/2015	\$6,400	0.73%	\$876,712	715.0500	(\$6.67)	-0.92%	\$4,576.32	(\$42.69)	-0.92%	(\$3.56)
2015/2016	\$6,400	0.64%	\$1,000,000	792.7000	\$77.65	10.86%	\$5,073.28	\$496.96	10.86%	\$41.41
2016/2017	\$6,400	0.59%	\$1,084,746	834.2228	\$41.52	5.24%	\$5,339.03	\$265.75	5.24%	\$22.15
2017/2018	\$6,400	0.59%	\$1,084,746	862.1079	\$27.89	3.34%	\$5,517.49	\$178.46	3.34%	\$14.87

Actual and Projected Change in Tax Rate per 1,000 and Tax Levy										
Town Of Southampton	Taxable Assessed Value	Equalization Rate	Market or Full Value Home in District	Rate Per \$1000 Assessed Value	Dollar Δ in Rate	Percent Δ in Rate	School Tax in Real Dollars	Dollar Δ in Taxes	Percent Δ in Taxes	Monthly Impact
2013/2014	\$1,000,000	100.00%	\$1,000,000	5.2477			\$5,247.70			
2014/2015	\$1,000,000	100.00%	\$1,000,000	5.2176	(\$0.03)	-0.57%	\$5,217.60	(\$30.10)	-0.57%	(\$2.51)
2015/2016	\$1,000,000	100.00%	\$1,000,000	5.0717	(\$0.15)	-2.80%	\$5,071.70	(\$145.90)	-2.80%	(\$12.16)
2016/2017	\$1,000,000	100.00%	\$1,000,000	4.9219	(\$0.15)	-2.95%	\$4,921.90	(\$149.80)	-2.95%	(\$12.48)
2017/2018	\$1,000,000	100.00%	\$1,000,000	5.0864	\$0.16	3.34%	\$5,086.40	\$164.50	3.34%	\$13.71

This projection assumes that 2017-2018 Assessed Values will remain the same as the 2016-2017 Assessed Values.

2017-18 School Tax Increase

Historical Assessed Value - Town of Southampton and Town of East Hampton:

Year	Town of Southampton Taxable Assessed Value	Town of Southampton Δ From Prior Year	Town of East Hampton Taxable Assessed Value	Town of East Hampton Δ From Prior Year	Total Taxable Assessed Value	Total Δ From Prior Year	% Increase / Decrease
2010-2011	5,723,062,138	89,573,285	4,639,837	10,315	5,727,701,975	89,583,600	1.59%
2011-2012	5,668,273,092	(54,789,046)	4,653,601	13,764	5,672,926,693	(54,775,282)	-0.96%
2012-2013	5,617,712,283	(50,560,809)	4,661,899	8,298	5,622,374,182	(50,552,511)	-0.89%
2013-2014	5,601,342,610	(16,369,673)	4,670,628	8,729	5,606,013,238	(16,360,944)	-0.29%
2014-2015	5,730,217,340	128,874,730	4,695,358	24,730	5,734,912,698	128,899,460	2.30%
2015-2016	5,973,940,949	243,723,609	4,763,050	67,692	5,978,703,999	243,791,301	4.25%
2016-2017	6,314,656,166	340,715,217	4,836,601	73,551	6,319,492,767	340,788,768	5.70%
2017-2018	6,737,931,998	423,275,832	4,919,352	82,751	6,742,851,350	423,358,583	6.70%

Actual 2016/17 vs. 2017/18 - Tax Levy \$36,288,769 or 3.49% Tax Levy Increase													
Town	2016-2017 Taxable Assessed Value	2016-2017 Equalization Rate	Market Value Average Home in District	2017-2018 Taxable Assessed Value	2017-2018 Equalization Rate	Market Value Average Home in District	2016-2017 Rate Per \$1000 Assessed Value	2017-2018 Rate Per \$1000 Assessed Value	2016-2017 School Tax in Real Dollars	2017-2018 School Tax in Real Dollars	Dollar Δ in Taxes	Percent Δ in Taxes	Monthly Impact
Southampton	500,000	100.00%	\$500,000	500,000	100.00%	\$500,000	\$4.9219	\$4.7769	\$2,460.95	\$2,388.45	(\$72.50)	-2.95%	(\$6.04)
	1,000,000	100.00%	\$1,000,000	1,000,000	100.00%	\$1,000,000	\$4.9219	\$4.7769	\$4,921.90	\$4,776.90	(\$145.00)	-2.95%	(\$12.08)
East Hampton	3,200	0.59%	\$542,373	3,200	0.57%	\$561,404	\$833.8800	\$850.4700	\$2,668.42	\$2,721.50	\$53.09	1.99%	\$4.42
	6,400	0.59%	\$1,084,746	6,400	0.57%	\$1,122,807	\$833.8800	\$850.4700	\$5,336.83	\$5,443.01	\$106.18	1.99%	\$8.85

Projected for homeowners who did not see an increase to the assessed value of their home from the prior year.

Property Tax Rebate

Available to Sag Harbor Residents:

NYS Tax Law Section 606 (n-1)

Timeline: Tax Cap, Property Tax Freeze Credit and Property Tax Rebate

2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Property Tax Cap: Chapter 976 of the Laws of 2011 (2% tax cap)							
Allowable levy growth factor shall be the lessor of 2% or the inflation factor							
Property Tax Freeze Credit		Property Tax Rebate: NYS Tax Law 606 (n-1)					
Comply with the Tax Cap	Comply with the Tax Cap & submit an approved Efficiency Plan	Comply with the Tax Cap	Comply with the Tax Cap	Comply with the Tax Cap	Comply with the Tax Cap	Comply with the Tax Cap	Comply with the Tax Cap
Freeze Credit will fully reimburse increase in tax bill	Freeze Credit will fully reimburse increase in tax bill	\$130 living inside of Metropolitan Commuter Transportation District	If income is less than \$275,000 then (5.5% - 28%) of basic STAR and 12% of Enhanced STAR	If income is less than \$275,000 then (7.5% - 60%) of basic STAR and 26% of Enhanced STAR	If income is less than \$275,000 then (10% - 85%) of basic STAR and 12% of Enhanced STAR	If income is less than \$275,000 then (10% - 85%) of basic STAR and 12% of Enhanced STAR	If income is less than \$275,000 then (10% - 85%) of basic STAR and 12% of Enhanced STAR

2017-18 Projected Property Tax Rebate

NYS Tax Law Section 606 (n-1)

Qualified Gross Income: Basic STAR	2017/18	Town of East Hampton	Town of Southampton
	% of Basic STAR	Basic STAR - \$298	Basic STAR - \$264
Not Over \$75,000	28%	\$ 83.44	\$ 73.92
Over \$75,000 but not over \$150,000	20.50%	\$ 61.09	\$ 54.12
Over \$150,000 but not over \$200,000	13%	\$ 38.74	\$ 34.32
Over \$200,000 but not over \$275,000	5.50%	\$ 16.39	\$ 14.52
Over \$275,000	No Credit	No Credit	No Credit
Enhanced STAR	2017/18	Town of East Hampton	Town of Southampton
	% of Enhanced STAR	Enhanced STAR - \$635	Enhanced STAR - \$574
	12%	\$ 76.20	\$ 68.88