

To: Superintendent Matt Nelson, Sanford School Committee, and Member of the Public

From: Cheryl Fournier, Business Administrator

Date: September 13, 2022

Regarding: Reserve Funds

History:

On June 13, 2017, the citizens voted to create four (4) reserve funds:

- Fuel Cost Stabilization Fund
- Capital Reserve Fund
- Unexpected Special Education Costs Reserve Fund
- Health Insurance Reserve Fund

City Charter Notes - Capital:

610.3 [Amended by referendum 11-5-2013] The City shall annually create reserves for the Capital Improvement Program by raising and appropriating or appropriating a percentage of the previous year’s combined City and School operating budgets, less the previous year’s budgeted CIP for School and City, in amounts that are at least, but not limited to, 2.5% in the first fiscal year following adoption of this Charter, 3% in the second fiscal year following adoption of this Charter, 3.5% in the third fiscal year following adoption of this Charter, and 4% in each subsequent fiscal year following adoption of this Charter. All amounts to be placed in a Capital Reserve Account with any and all balances at the end of any fiscal year are to be retained in said account. Carryover reserves will be added to the annual appropriation for future Capital Improvement Projects. Fifty percent of the amount raised for the Capital Improvement Program shall be allocated to the costs associated with non-rolling stock transportation infrastructure.

On June 21, 2021, we pass moving the following to reserves:

Fuel Cost Stabilization Fund	\$ 81,429
Capital Reserve Fund	\$ 88,696
Unexpected Special Education Costs Reserve Fund	\$ 0
Health Insurance Reserve Fund	<u>\$187,864</u>
Total	<u>\$357,989</u>

On November 15, 2021, the motion passed to move the following to reserves:

Fuel Cost Stabilization Fund	\$ 0
Capital Reserve Fund	\$ 32,572
Unexpected Special Education Costs Reserve Fund	\$363.293
Health Insurance Reserve Fund	<u>\$234.319</u>
Total	<u>\$630,184</u>

On June 14, 2022, the budget passed the citizen's vote to use \$254,346 of the Special Education reserves to start the Bridge Expansion.

Current Request:

We would like to request moving money into these reserve funds to be utilized for future use. Once money is in a reserve fund, it may be expended only when authorized to do so by a vote of the School Committee after a public hearing prior to the vote.

Unexpected Special Education Costs Reserve Fund: The special education expense (Article 2) was budgeted in the FY2022 Budget as \$8,879,124, and the actual expenses were \$8,868,622. Leaving a balance of \$10,502 as unexpended. We would like to move to the \$10,502 to the reserve fund. Moving this money will reduce the Unassigned Fund Balance by \$10,502.

Capital Reserve Fund: CIP expense was budgeted in the FY2022 Budget as \$350,975, and the actual expenses were \$349,929. Leaving a balance of \$1,046 as unexpended to move to the reserve fund. City Policy (See history) notes that all balances at the end of any fiscal year are to be retained in a Capital Reserve Account. Moving this money will reduce the Unassigned Fund Balance by \$1,046.

Health Insurance Reserve Fund: The health insurance expense was budgeted in the FY2022 Budget as \$7,528,314, and the actual expenses were \$7,253,270. Leaving a balance of \$275,044 as unexpended. We passed the reserve of \$187,864 already, which lowers the additional reserve amount to \$275,044. Moving this money will reduce the Unassigned Fund Balance by \$275,044.

The total amount being moved to the reserve funds is \$286,592.