

# Levittown Public Schools

2022-2023

Financial Reserve Plan



Presentation to the Board of Education

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# Reserve Funds: The planning process

- Saving for future projects, acquisitions and other allowable purposes is an important planning consideration for school districts
- Reserve funds provide a mechanism to save money to finance all or part of future infrastructure, equipment or other requirements

# Reserve Funds: General use

- Reserve funds provide a mechanism for:
  - Reducing reliance on indebtedness to finance capital projects
  - Provide a degree of financial stability by utilizing reserves as a budgetary option to help mitigate the need to cut services or to raise taxes
  - Reserve funds have specific intended purposes and requirements as set forth in law.
  - There are different legal requirements relating to the establishment, funding, expenditure and dissolution of reserve funds.
  - There are 11 different reserves accounts that may be used by school districts for specific purposes.

# Current Reserves

At the current time, Levittown maintains the following reserve accounts:

- Workers' Compensation Reserve
- Retirement Contribution Reserves
- Employee Benefit Accrued Liability Reserve
- Unemployment Insurance
- Capital Reserve

# Levittown Reserves

## **Workers' Compensation Reserve**

### **Authorization – GML §6-j**

**Purpose** – This reserve is used to pay for actual Worker's Compensation claims, related medical expenses and self-insurance administrative costs.

**Ending Balance 6/30/21:** \$3,284,404

# Levittown Reserves

## **Reserve for Retirement Contributions**

### **Authorization – GML §6-r**

**Purpose** – This reserve is used for the purpose of financing retirement contributions payable to the New York State and Local Employee’s Retirement System. Payments to the Teachers Retirement System are not allowed from this reserve.

**Ending Balance 6/30/21:** \$11,667,763

## **Reserve for TRS Contributions**

### **Authorization – GML §6-r (sub-fund)**

**Purpose** – To fund employer retirement contributions payable by any eligible school district to the New York State Teachers Retirement System.

**Ending Balance 6/30/21:** \$4,634,672

# Levittown Reserves

## **Reserve for Accrued Employee Benefits Liability**

**Authorization** – GML §—6-p

**Purpose** – This reserve is used to reserve funds for the payment of accrued employee benefits primarily based on unused and unpaid sick leave, personal leave, or vacation time due an employee upon termination of the employee's service.

This fund cannot be used to pay for items such as retirement incentives and retiree health insurance.

**Ending Balance 6/30/21:** \$3,271,408

## **Reserve for Unemployment Insurance**

**Authorization** – GML §6-m

**Purpose** – This reserve is used to reimburse the State for payments made to claimants. The Unemployment Board has changed the methodology for billing school districts for unemployment. The expense will be a fluctuating rate based on payroll expenses, rather than a rate tied to actual costs.

**Ending Balance 6/30/21:** \$996,851

# Levittown Reserves

## **Capital Reserves** May 2015 & May 2017

Authorization – ED Law §3651

Creation – This reserve is used to finance all or part of the construction or reconstruction of specific capital improvement projects or specific equipment. This reserve may be used to pay the cost of any object or purpose for which bonds may be used.

Use of Reserve – Expenditures may be made from the reserve only for a specific purpose further authorized by the voters.

**Ending Balance 6/30/21: \$23,123,363**

# Capital Reserve May 2022

**Proposition-** establish the 2022 Capital Reserve Fund for the purpose of financing District-wide capital improvements including site work, construction, reconstruction, renovation and equipping of school buildings and facilities, with the ultimate amount of the 2022 Capital Reserve Fund to be \$25,000,000, the probable term to be ten (10) years and the source of the funding to be (i) amounts from budgetary appropriations from time to time, and (ii) unappropriated fund balance made available by the Board of Education from time to time, and (iii) authorized transfers from other available reserves in accordance with existing law, and (iv) New York State aid received and made available by the Board of Education from time to time.

- Authorization – ED Law §3651
- Creation –This reserve is used to finance all or part of the construction or reconstruction of specific capital improvement projects or specific equipment. This reserve may be used to pay the cost of any object or purpose for which bonds may be used.
- Use of Reserve – Expenditures may be made from the reserve only for a specific purpose further authorized by the voters.

# Moody's Investors Service

Who is Moody's?

Moody's Investors Service, often referred to as Moody's, is the bond credit rating business of Moody's Corporation.

What is the District's Rating?

Levittown is rated Aa2, this is the **third-highest long-term credit rating that ratings agency Moody's assigns to fixed-income securities, like bonds, that are of high quality with very low credit risk.** It is a very high rating.

Moody's expects the district's healthy financial operations will continue to strengthen given the district's history of prudent fiscal management and conservative budgeting. The district has achieved operating proficiency driven primarily by positive budgetary variances on district finances.

# Moody's Investors Service

What are the benefits of a strong Aa2 rating?

Due to the timing of tax receipts and state aid, the District may find it necessary to borrow monies known as a TAN (tax anticipation note) our bond rating has a direct impact on the interest rate the District pays on these borrowings.

Creditors look to our Moody's rating in deciding how much credit to extend the district.

Future projects, including the possible energy performance contract for solar will require bonds to be issued, our credit rating will directly impact the lending decision and interest rate received.



Questions?