



FINANCIAL RESERVE PLAN

February 28, 2023

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 building 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



RESERVE FUNDS: GENERAL USE

Reserve funds provide a mechanism for:

- 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 Reserves
- Debt Service 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**

Ending Balance 6/30/22: **\$3,270,606**

Net Increase/(Decrease): **(\$13,798)**



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 (ERS). Payments to the Teachers Retirement System are not allowed from this reserve.

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

Ending Balance 6/30/22: **\$10,113,372**

Net Increase/(Decrease): **(\$1,554,391)**



LEVITTOWN RESERVES

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 (TRS).

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

Ending Balance 6/30/22: **\$4,076,618**

Net Increase/(Decrease): **(\$558,054)**



LEVITTOWN RESERVES

Reserve for Accrued Employee Benefits Liability (EBALR)

Authorization – GML §—6-p

Purpose – This reserve is used for the payment of accrued employee benefits based on unused and unpaid sick leave, personal leave, or vacation time, due to an employee upon retirement or separation

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

Ending Balance 6/30/22: **\$3,162,002**

Net Increase/(Decrease): **(\$109,406)**



LEVITTOWN RESERVES

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**

Ending Balance 6/30/22: **\$997,883**

Net Increase/(Decrease): **\$1,032**

LEVITTOWN RESERVES

Capital Reserves 2013, 2017, 2021

Authorization – ED Law §3651

Creation – This reserve is established with voter approval (***Capital Reserve Establishment Proposition***), and 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 and for which it is established

Funding of Reserve – This reserve is funded by a motion of the Board of Education up to the amount approved by the voters in the Capital Reserve Establishment Proposition

Use of Reserve – Expenditures may be made from the reserve only for a specific purpose further authorized by the voters (***Capital Reserve Expenditure Proposition***)

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

Ending Balance 6/30/22: **\$46,000,000**

Net Increase/(Decrease): **\$22,876,637**



LEVITTOWN RESERVES

Debt Service Reserve



Authorization – GML §6-I

Purpose – This reserve is used to deposit “premiums” on debt obligations, funds may be appropriated to offset debt service payment in future budgets, no voter authorization is required to establish or expend from this reserve. This premium was generated as part of a refunding of debt, the underlying debt has since been retired

Ending Balance 6/30/21: **\$2,696,760**

Ending Balance 6/30/22: **\$2,704,377**

Net Increase/(Decrease): **\$7,617**



Levittown School District						
Reserves Analysis						
2023-24 Budget Preparation						
<u>Fund</u>	<u>Reserve</u>	<u>2020-21 Actual</u>	<u>2021-22 Actual</u>	<u>Change</u>	Proposed Transfers 3/8/2023	Balance After Transfers
A	Workers Compensation	3,284,404	3,270,606	(13,798)		3,270,606
A	Unemployment Insurance	996,851	997,883	1,032		997,883
A	TRS Retirement System	4,634,672	4,076,618	(558,054)		4,076,618
A	ERS Retirement System	11,667,763	10,113,372	(1,554,391)		10,113,372
A	Employee Benefit Accrued Liability	3,271,408	3,162,002	(109,406)	(2,208,292)	953,710
A	Combine Capital (2013, 2017, and 2021)	23,123,363	46,000,000	22,876,637	2,208,292	48,208,292
V	Debt Service Fund	2,696,760	2,704,377	7,617	(2,704,377)	0
A	Unassigned Fund Balance (4% Cap)	9,299,308	9,574,040	274,732	(5,087,331)	4,486,709

PROPOSED RE-ALLOCATION OF RESERVES

- At the March 8, 2023 meeting the Board of Education will be asked to consider the following ***transfers between reserves***:
 1. Transfer **\$2,704,377** from the **Debt Service Reserve** in the Debt Service Fund (V) to the General Fund (A) to be appropriated and added to the Capital Reserve Expenditure Proposition. The will allow for Voter Approval for subsequent use of funding Capital Projects and making those projects eligible for Building Aid
 2. Transfer **\$2,208,292** (of the \$3,162,002) from the **EBALR** to the 2021 Capital Reserve. This will fully fund the 2021 Capital Reserve (\$25M) and will be part of the Capital Reserve Expenditure Proposition on May 16, 2023
 3. Appropriate **\$5,087,331** from **Unassigned Fund Balance** to be added to Proposition II seeking voter approval for future capital projects and making those projects eligible for Building Aid
- This will bring the total amount of the of Proposition 2 to \$56,000,000 to be used on Capital Projects





**Proposition II: Expend from the 2013, 2017, and 2021 Capital Reserves
and Unassigned Fund Balance**

	Combined Capital Reserves (2013, 2017, and 2021)	48,208,292	
	Appropriated from the Debt Service Fund	2,704,377	
	Appropriated from Unassigned Fund Balance	5,087,331	
	Total Authorized to Spend Proposition	<u>56,000,000</u>	

Proposition III: Establish the 2023 Capital Reserve

	Not to exceed	30,000,000	

Benefit of NOT Borrowing



- Borrowing \$70 million dollars would cost the tax payers almost \$6.3 million per year for the next 15 years or \$94 million in total (Principal & Interest)
- By saving for these projects (or pay as you go) the District will have **saved over \$24 million** in Interest Costs over this 15 year period
- \$70 million in NYSED approved projects could **generate as much as \$52 million in Building Aid**, or approximately \$3.5 million per year for the next 15 years!

CAPITAL RESERVE MAY 2023



Proposition- establish the 2023 Capital Reserve 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 2023 Capital Reserve Fund to be \$30,000,000, 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 Credit 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.

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 for cash flow purposes. This type of borrowing is known as a Tax Anticipation Note (TAN). The interest rate, and hence what we pay, is directly correlated to our bond rating.

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

Future projects, including the upcoming Energy Performance Contract (EPC) Phase II for solar will require long-term debt to be issued (15-years), ***our credit rating will directly impact the lending decision and the interest rate that we pay.***





QUESTIONS?