

Finance & Budget Committee

MINUTES

December 15, 2015 ~ 4:30pm-6:00pm

Present: Janet Plarr, Dave Patton, Tom Best, Bret Apthorpe, Carolyn Robertson

Excused: Myra Pinker

1. *Fund Balance Plan*

- Carolyn reviewed proposed revision to the plan and some of the specifics regarding funding levels and dates were removed for later discussion

a. *Items for consideration*

- Discussed “items for consideration” section
 - Will add the intent to increase unassigned fund balance to a level between 3% and 4% if funds are available
 - Will add that in August 2016, the F&B Committee will make a recommendation to the BOE regarding amounts to add to each reserve effective June 30, 2016

b. *Components of Fund Balance*

c. *Proposed Reserves*

- Carolyn reviewed proposed language for capital and retirement reserves

2. *District interests for FCTA negotiations*

- Bret reviewed the plan for IBB (Interest Based Bargaining) with FCTA and presented preliminary list of interests for discussion
- Dave discussed other options for more Board involvement in the negotiation process and negotiation decisions
- Bret explained that the F&B Committee will be updated on the progress at each F&B meeting and that their input will be solicited at that time
- Bret gave an example of how an interest is proposed and negotiated under IBB

3. *Budget progress and next steps*

- Carolyn and Bret gave an overview of changes to the budget process
 - Align spending with goals and guidelines
 - Administration and Department Managers justify needs based on student achievement.
 - A new format is being used for budget tracking and the plan is to eventually transition to new financial software

Next Meeting January 5, 2016 at 4:30pm

FRONTIER CENTRAL SCHOOL DISTRICT
2015-2016 FUND BALANCE PLAN

Items for consideration during 2015-2016:

- Consider transferring funds from the Workers Compensation and Employee Benefit Accrued Liability Reserves to fund ongoing expenditures throughout the year.
- Consider replenishing funds in the Employee Benefit Accrued Liability Reserves at year-end if excess funds are available.
- Consider establishing a Capital Reserve in May 2016 to cover the local share of future building projects.
- Consider establishing a Retirement Contribution Reserve in July 2016 to cover fluctuations in NYS Employees Retirement System rates in future years.
- If funds are available at year end, consider transferring a portion of fund balance to the Capital Reserve.
- *Goal to get unrestricted fund revenue 2.8%*

COMPONENTS OF FUND BALANCE:

Unassigned Fund Balance

6/30/15 Actual Balance: \$2,257,499.39

Creation – Retention of these funds are allowed by law with no other approval required.

Purpose – These funds are unrestricted and may be used for any valid purpose.

Funding Methods – These funds have been accumulated from excess fund balance.

Use of Funds – It is recommended that these funds not be used except for an emergency, unanticipated expense, or revenue shortfall, that cannot be handled either in the budget or with other available reserves.

Monitoring of Balance – These funds are monitored by the Assistant Superintendent for Business.

Funding Level – The maximum legal limit is 4% of the ensuing budget. Board Policy 5513 establishes that the level of funding be maintained between 3% and 4% of the subsequent year's budgeted expenses. That range would be between \$2,310,970 and \$3,081,293 as of June 30, 2016.

Assigned Appropriated Fund Balance

6/30/15 Actual Balance: \$803,650.00

Creation – These funds are fund balance that have been set aside for a particular purpose, namely to reduce the tax levy required to support an ensuing year’s budget.

Purpose – These funds are set aside and returned to the community by lowering the required tax levy to support the district’s budget.

Funding Methods – These funds are fund balance that are assigned for a particular purpose.

Use of Funds – It is recommended that the practice of appropriating funds continue each year, as budgets permit. In the future, tighter budgets may restrict the amount of excess available to be appropriated to a subsequent year.

Monitoring of Balance – The balance and use of these funds are monitored by the Assistant Superintendent for Business.

Funding Level – It is recommended that the planned amount of assigned appropriated fund balance included as a revenue source in future budgets be limited to the amount of contingency included in the expenditure budget.

Assigned Unappropriated Fund Balance
(Reserve for Encumbrances)

6/30/15 Actual Balance: \$127,085.65

Creation – These funds are fund balance that have been set aside for a particular purpose, namely to pay for outstanding encumbrances remaining at the end of a school year.

Purpose – These funds are used to pay for outstanding encumbrances remaining at the end of a school year.

Funding Methods – These funds are fund balance that is assigned for a particular purpose.

Use of Funds – These funds will be expended during the subsequent year for the purpose for which they were encumbered. It is recommended that the practice of assigning fund balance for the purpose of carryover encumbrances continue each year. This practice appropriately matches revenue with the appropriations that it was intended to support.

Monitoring of Balance – The estimating and recording of these funds is monitored by the Assistant Superintendent for Business.

Funding Level – The funding level should be minimal as most expenses attributable to a particular year are appropriated in that year.

Nonspendable Fund Balance

6/30/15 Actual Balance: \$344,493.30

Creation – These funds are fund balance that are inherently nonspendable in the current period because of their form, specifically this is the current cash value of life insurance policies on former employees.

Purpose – These funds will be used to reduce life insurance expense each year as the cash value increases or the cash value on a policy is received.

Funding Methods – These funds are fund balance that is inherently nonspendable in the current year.

Use of Funds – These funds will not be expended during the year, but will be adjusted at the end of each year to the current cash value of life insurance.

Monitoring of Balance – The calculating and recording of these funds is monitored by the Assistant Superintendent for Business.

Funding Level – The funding level is 100% of the cash value of life insurance at the end of each year.

Employee Benefit Accrued Liability Reserve

6/30/15 Actual Balance: \$1,382,998.56

Purpose – This reserve is used to pay for accrued benefits due to employees upon termination of service for vacation, sick leave and personal leave. This fund cannot be used to pay for items such as: retirement incentives, FICA and Medicare payments and retiree health insurance.

Funding Methods – Funds are placed in this reserve from budgetary appropriations or excess fund balance.

Use of Reserve – This reserve is used when an employee separates from the District and payment of accumulated leave is required.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business. At the end of each fiscal year the estimated compensated absences accrual is calculated to support the funding of this reserve.

Funding Level – This reserve can be funded at a level up to 100% of the accrued liability for unused accumulated leave time (compensated absences), which was \$2,269,482 on June 30, 2015.

Workers' Compensation Reserve

6/30/15 Actual Balance: \$2,125,396.00

Purpose – This reserve may be used for workers compensation expenses, related medical expenses and self-insurance administrative costs.

Funding Methods – Funds are placed in this reserve from budgetary appropriations or excess fund balance.

Use of Reserve – This reserve would be used to pay any allowable costs, as described in the purpose for this reserve.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – This reserve can be funded up to the estimated amount of all outstanding claims as of the end of each year. Auditors have recommended that the District obtain an actuarial valuation to determine an appropriate estimate of this amount each year. There is no plan to contribute additional funds to the reserve at this time.

Proposed Capital Reserve- 2015

6/30/15 Actual Balance: \$0.00

Creation – This reserve is anticipated to be created on May 17, 2016 via voter approval.

Purpose – This reserve may be used to fund the cost of any object or purpose for which bonds may be issued.

Funding Methods – Voter approval is required to establish and fund this reserve. In accordance with the approved proposition, this reserve is funded from budgetary appropriations or excess fund balance as approved by voters. At the end of each fiscal year, consideration will be given to transferring additional funds to this reserve for subsequent capital projects.

Use of Reserve – Use of this reserve requires voter approval. Consideration will be given to use of the balance of these funds for subsequent capital projects.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – This reserve may be funded as stated in an approved proposition. The reserve must be created with a maximum amount that the District intends to deposit over the life of the reserve. The probable life of the reserve must also be stated in the proposition and is typically ten to fifteen years.

Proposed Retirement Contribution Reserve

6/30/15 Actual Balance: \$0.00

Creation – This reserve is anticipated to be created in July 2016.

Purpose – This reserve is used to pay for district expenses to the NYS Employees Retirement System only. Payments to the Teachers Retirement System are not allowed from this reserve.

Funding Methods – Funds are placed in this reserve from budgetary appropriations or excess fund balance.

Use of Reserve – This reserve can be used to cover all or a portion of annual NYS Employees Retirement System expense.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business.

Funding Level – The plan is to fund this reserve in years when the NYS Employees Retirement System rate is low and use this reserve in years when the rate is high. The average NYS Employees Retirement System contribution rate has fluctuated from .3% to 21.9% over the last 45 years. The recommendation is to fund the reserve up to a maximum of approximately five years of estimated NYS Employees Retirement System expense. At current rates, that level is approximately \$8,000,000