



VILLAGE OF DOBBS FERRY BOARD OF TRUSTEES
WORKSHOP MEETING AGENDA

MEETING DATE: March 12, 2024
AGENDA ITEM SECTION: Discussions
AGENDA ITEM NO. : 5
AGENDA ITEM: Fund Balance Policy
ITEM BACKUP DOCUMENTATION: <ol style="list-style-type: none">1. Current Fund Balance Policy2. Reserve Policy3. Operating Position and Fund Balance Policy

4. Operating Position and Fund Balance Policy

Operating position refers to the Village's ability to balance its budget on a current basis, maintain reserves for emergencies, and maintain sufficient cash to pay its bills on a timely basis. Our operating position policy requires that:

- (a) The Village will pay all current operating expenditures with current operating revenues.
- (b) Budgetary procedures that fund current expenditures at the expense of future needs shall be avoided.
- (c) The Village will establish a contingency appropriation in the operating budgets of the General Fund and Library Fund, of up to 4% of the respective fund's total appropriations (excluding the contingency appropriation) to:
 - 1. Provide for non-recurring unforeseen expenditures of an emergency nature;
 - 2. Provide orderly budgetary adjustments when revenues do not meet projections;
 - 3. Provide the local match for public or private grants that may become available;
 - 4. Provide for settlement of pending labor contract negotiations;
 - 5. Provide for expected payment of accrued vacation and sickness liabilities; and to meet unexpected small increases in service delivery costs.
- (d) Encumbrances represent commitments related to unperformed contracts for goods or services, and will be recorded when incurred. Encumbrances outstanding at year-end will be reported in accordance with GASB 54 reporting requirements.
- (e) The Village shall maintain an unreserved, undesignated fund balance at a level of no less than 10% and no greater than 15% of planned operating appropriations of the most recent audited financial statement. Should the fund balance fall below the 10% floor due to emergencies or other circumstances, the Village Board of Trustees will develop a plan to re-establish at least a 10% floor within a period of no more than 3 years. If the amount of the unreserved fund balance exceeds 15% of the most audited operating appropriations, the excess amount shall be appropriated for capital expense as per the prior year approved capital project plan, an emergency, or to pay down a liability that is on the balance sheet. The use of the unreserved, undesignated fund balance shall be at the discretion of the Village Board of Trustees subject to the limitations set out above.
- (f) General Fund unassigned fund balance may be used for capital, emergency, or unusual and non-recurring expenditures.
- (g) Commit and assign all fund balances by resolution of the Village Board.

VILLAGE OF DOBBS FERRY

RESERVE FUNDS

Policy Statement:

The purpose of this policy is to establish guidelines for the Village of Dobbs Ferry (“the Village”) in consideration of opening and maintaining Reserve funds. Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure and equipment, and provide a degree of financial stability by reducing reliance on indebtedness in financing capital projects and acquisitions. Reserve funds have a specific intended purpose and are governed by requirements set forth by Article 2 of the General Municipal Law (GML) and New York State Statutes.

Definitions:

Capital Improvement: Any physical improvement and any related preliminary studies and surveys; lands or rights in land, any furnishings, equipment, machinery, or apparatus for any physical improvement acquired at the time when machinery, or apparatus, for any physical improvement acquired at the time when such improvement is constructed, reconstructed, or acquired.

Equipment: Any equipment, machinery, or apparatus not included in the definition of capital improvement and for which a period of probable usefulness has been provided by law.

Reserves Authorized By General Municipal Law

GML Sections 6-c, 6-g establishes two types of reserve funds for counties, cities, villages, towns, fire districts and town or county sewer and water improvement districts. The two categories for reserves are Specific and Type. The table below gives examples, based on the needs of the Village, of the capital improvements and equipment that can be financed through each respective reserve.

Reserve Fund	Capital Improvement	Equipment
Specific	DPW Garage Firehouse Off-street Parking Lot	Bulldozer; Snowplow; Pumper Truck
Type	Land Buildings (Municipal Bldg.; Auditorium) Building Alterations	Snow Removal Equipment; Street Cleaning Equipment; Highway Equipment; Fire Apparatus

Guidelines

Reserve funds are established with a clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve. The Board of Trustees of the Village should be involved from the point of consideration of opening a reserve account.

Board Direction and Oversight

To ensure reserve funds are properly established for an authorized and needed purpose, and balances in existing reserve funds are not accumulated excessively or unnecessarily, governing boards should consider the following:

- Legal counsel provided guidance on the authority to establish new reserve funds.
- The reserve fits within, or compliments the long range financial or capital plans of the Village.
- There is a written reserve fund plan or policy in place that addresses replenishing depleted reserve balances.
- Cash is being accumulated for the purchase of major equipment, or to help finance other major capital outlays.
- Cash is being sequestered to help mitigate the impact of other large, nonrecurring expenditures.
- Are there risks that need to be protected against.
- Trustees are provided with periodic financial reports on reserve fund activity.
- A limit has been established on the dollar amount to be accumulated for each reserve.
- The reserve is serving the purpose for which it was established.
- The best interests of the taxpayers are being met.

Creating Reserves

Creating a Specific Capital Reserve

1. Board Resolution is required. A governing Board's Resolution must establish a specific improvement or equipment for a capital reserve, and must state the estimated maximum cost of the item(s) of equipment or improvement. (See Appendix A)
2. There are no referendum requirements for Villages for expenditures made from a specific capital reserve fund, unless an authorization exists to issue indebtedness for the same improvement or equipment is subject to either a permissive or mandatory referendum.

Creating a Type Capital Reserve

1. Board Resolution is required. A governing Board's Resolution must establish the type of improvement or equipment; however, there is no requirement to state an estimated maximum cost in the Resolution. (See Appendix B)
2. There are no referendum requirements for Villages when establishing a type capital reserve fund.

Permissive and Mandatory Referendum Requirements

There are two types of referendums that apply to the establishment of, or expenditure of capital reserve funds; Permissive and Mandatory referendums are described below:

Permissive Referendum: An action subject to permissive referendum requires the municipality to publish and post a legal notice informing taxpayers of the board's planned action, for example, the establishment of a specific capital reserve. The legal notice also informs eligible voters of their right to file a petition to require the matter to be subjected to voter approval.

Mandatory Referendum: For a mandatory referendum, no petition is filed and in all cases eligible voters of the municipality must approve the proposed action or question before the action can take place.

Permissive and mandatory referendum requirements for capital reserves are associated with the referendum requirements for bond issues.

The Chart below summarizes the referendum requirements for the establishment and expenditure of *specific* and *type* reserve funds for Villages.

Referendum Requirements for Bond Issue	Referendum Requirements for Capital Reserves	
Bond resolutions are subject to permissive referendum unless the proposed maturity of bonds is five years or less, or unless the bonds are issued to finance judgements and claims, sewers and capital improvements finance by benefit assessments, certain street and highway improvements, and incinerators and refuse disposal facilities. Bond resolutions may also be submitted to referendum by motion of the board.	Specific Reserves	Type Reserves
	With certain exceptions, generally a permissive referendum is required upon establishment, unless the period of probable usefulness of the specific capital improvement or equipment is less than five years. No referendum requirements for <u>expenditures</u> .	With certain exceptions, generally a permissive referendum is required prior to expenditure, unless the period of probable usefulness of the type capital improvement or equipment is less than five years. No referendum requirements for <u>establishment</u> .

Source of Funds

Capital reserve funds may generally be funded with:

1. Budgetary appropriations
2. Revenues not required by law to be paid into any other fund or account, for example, transfers from unexpended balances of existing appropriations and surplus moneys.

1 Local Finance Law § 36.00(a)(1) provides that bond resolutions in villages are not subject to referendum when bonds have a proposed maturity of not more than five (5) years.

Use of Unexpended Balances

Generally, unexpended balances in a capital reserve fund may be transferred to another capital reserve having the same tax base.

1. Capital Reserve Balance Remaining After Completion or Acquisition: if there is an unexpended (residual) balance remaining in a specific or type capital reserve after the capital improvement or item of equipment has been completed or acquired, the governing board may appropriate all or any part of such remaining balance to another capital reserve fund without referendum. An amount sufficient to satisfy all outstanding claims arising from the construction, reconstruction, or acquisition of the improvement or the acquisition of the improvement or the acquisition of the equipment should remain designated for such claims until they are satisfied.

Additionally, in a municipality, all or part of the unexpended balance of a capital reserve established for a specific improvement or item of equipment that has been completed or acquired (less amounts required to satisfy all outstanding claims related to such improvement or equipment) may be appropriated for:

- a. An object or purpose for which bonds may be issued
 - b. The payment of interest on, and principal of indebtedness (except indebtedness for assessable improvements and certain indebtedness excludable from constitutional debt limits)(§6-c[9-a]).
2. Capital Reserve Balances Never Utilized: Where a specific capital reserve has been established, and the improvement or item of equipment (has not been acquired or completed), any transfer is subject to permissive referendum if the authorization for the creation of the reserve was subject to permissive referendum. While subject to a public hearing with 15 day's notice, unexpended balances may also be transferred to a Retirement Contribution Reserve Fund.

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**Regulations:** General Municipal Law (GML) Sections 6-c, 6-g

**ATTACHMENTS:** Appendix A: Resolution Establishing a Capital Reserve Fund to Finance a Specific Capital Improvement or Item(s) of Equipment

Appendix B: Resolution Establish a Capital Reserve Fund to Finance a Type of Capital Improvement or Equipment.

## Appendix A

**RESOLVED**, that pursuant to Section 6-c of the General Municipal Law, as amended, there is hereby established a capital reserve fund to be known as the “\_\_\_\_\_ Reserve Fund” (hereafter “Reserve Fund”). The purpose of this Reserve Fund is to accumulate moneys to finance the cost of a specific [capital improvement] [item(s) of equipment]. The [capital improvement] [item(s) of equipment] to be financed from the Reserve Fund [is] [are] the [construction] [reconstruction] [acquisition] of \_\_\_\_\_. The estimated maximum cost of such [capital improvement] [item(s) of equipment] is \_\_\_\_\_.

The chief fiscal officer is hereby directed to deposit and secure the moneys of this Reserve Fund in the manner provided by Section 10 of the General Municipal Law. [The governing Board] [chief fiscal officer] may invest the moneys in the reserve fund in a manner provided by Section 11 of the General Municipal Law, and consistent with the investment policy of the Village. Any interest earned or capital gains realized on the moneys so deposited or invested shall accrue to and become part of the Reserve Fund. The chief fiscal officer shall account for the Reserve Fund in a manner which maintains the separate identity of the Reserve Fund and shows the date and amount of each sum paid into the fund, interest earned by the fund, capital gains or losses resulting from the sale of investments of the fund, the amount and date of each withdrawal from the fund and the total assets of the fund, showing cash balance and a schedule of investments, and shall, at the end of each fiscal year, render to the Board a detailed report of the operation and condition of the Reserve Fund.

Except as otherwise provide by law, expenditures from this Reserve Fund shall be made only for the purpose for which the Reserve Fund is established. No expenditure shall be made from this Reserve Fun without the approval of this governing board and such additional actions or proceeding as may be required by Section 6-c of the General Municipal Law and any other law.

This Resolution is subject to (permissive / mandatory) referendum pursuant to subdivision 4 of Section 6-c of the General Municipal Law.



## Appendix B

**RESOLVED**, that pursuant to Section 6-c of the General Municipal Law, as amended, there is hereby established a capital reserve fund to be known as the “\_\_\_\_\_ Reserve Fund” (hereafter “Reserve Fund”). The purpose of this Reserve Fund is to accumulate moneys to finance the cost of a type of [capital improvement] [equipment]. The type of [capital improvement] [equipment] to be financed from the Reserve Fund is the [construction] [reconstruction] [acquisition] of \_\_\_\_\_. The estimated maximum cost of such [capital improvement] [item(s) of equipment] is \_\_\_\_\_.

The chief fiscal officer is hereby directed to deposit and secure the moneys of this Reserve Fund in the manner provided by Section 10 of the General Municipal Law. [The governing Board] [chief fiscal officer] may invest the moneys in the reserve fund in a manner provided by Section 11 of the General Municipal Law, and consistent with the investment policy of the Village. Any interest earned or capital gains realized on the moneys so deposited or invested shall accrue to and become part of the Reserve Fund. The chief fiscal officer shall account for the Reserve Fund in a manner which maintains the separate identity of the Reserve Fund and shows the date and amount of each sum paid into the fund, interest earned by the fund, capital gains or losses resulting from the sale of investments of the fund, the amount and date of each withdrawal from the fund and the total assets of the fund, showing cash balance and a schedule of investments, and shall, at the end of each fiscal year, render to the Board a detailed report of the operation and condition of the Reserve Fund.

Except as otherwise provide by law, expenditures from this Reserve Fund shall be made only for the purpose for which the Reserve Fund is established. No expenditure shall be made from this Reserve Fun without the approval of this governing board and such additional actions or proceeding as may be required by Section 6-c of the General Municipal Law and any other law, including permissive referendum if required by subdivision 4 of Section 6-c.

Adopted: XX/XX/2024



#### **4. Operating Position and Fund Balance Policy**

Operating position refers to the Village's ability to balance its budget on a current basis, maintain reserves for emergencies, and maintain sufficient cash to pay its bills on a timely basis. Our operating position policy requires that:

- (a) The Village will pay all current operating expenditures with current operating revenues.
- (b) Budgetary procedures that fund current expenditures at the expense of future needs shall be avoided.
- (c) The Village will establish a contingency appropriation in the operating budgets of the General Fund of up to 4% of total appropriations (excluding the contingency appropriation) to:
  - 1. Provide for non-recurring unforeseen expenditures of an emergency nature;
  - 2. Provide orderly budgetary adjustments when revenues do not meet projections;
  - 3. Provide the local match for public or private grants that may become available;
  - 4. Provide for settlement of pending labor contract negotiations;
  - 5. Provide for expected payment of accrued vacation and sickness liabilities; and to meet unexpected small increases in service delivery costs.
- (d) Encumbrances represent commitments related to unperformed contracts for goods or services, and will be recorded when incurred. Encumbrances outstanding at year-end will be reported in accordance with GASB 54 reporting requirements.
- (e) The Village Board realizes that general fund unassigned fund balance levels vary based on many factors unique to each municipality. That said, the Government Finance Officers Association suggests that a government “maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.” The Board of Trustees believes that expenditure fluctuations from year to year are less volatile than revenue fluctuations can be. Therefore, the Village shall maintain a general fund unassigned fund balance at a level of no less than 10% and no greater than 15% of the most current year’s budgeted appropriations.

In the event general fund unassigned fund balance falls below the 10% floor due to emergencies or other circumstances, Village Administration and the Village Board of Trustees will develop a plan to re-establish at least a 10% floor within a period of no more than 3 years.

In an effort to maintain a strong financial position, the Board of Trustees realizes that the Village should create and fund reserves. With that in mind, the Board of Trustees understands that capital needs in the form of infrastructure, buildings, and equipment

can vary greatly from year to year and can be the largest expenditures the Village makes. Annually, the Board of Trustees along with Administration will create and/or update a capital plan of no less than three years. The Board of Trustees will create capital reserves with the intention of those reserves offsetting long-term financing costs for identified capital needs.

The Board does not intend to overtax Village taxpayers. It believes that total unassigned fund balance should not exceed 15% of the most current year's budgeted appropriations, and fund balance restricted for capital reserves shall be at a level of no more than fully funded capital reserves supported by an assessment of capital needs identified in the capital plan.

If unassigned fund balance exceeds 15% of the most current year's budgeted appropriations AND established capital reserves are fully funded, the excess amount shall be appropriated for capital expense as per the most recent approved capital plan, an emergency, or to pay down a liability that is on the balance sheet.

The general fund has restricted fund balance for Length of Service Award Programs (LOSAPs) for the Dobbs Ferry Volunteer Fire Department and the Dobbs Ferry Ambulance Corps. The Village shall strive to keep these fully funded as determined by the annual actuarial study, and will be excluded from the balance policy described above.

The use of the unassigned fund balance shall be at the discretion of the Village Board of Trustees subject to the limitations set out above.

- (f) Commit and assign all fund balances by resolution of the Village Board.
- (g) Use fund balances for one-time capital or emergency expenditures only if:
  - 1. There are surplus balances remaining after all reserve and fund allocations are made,
  - OR -
  - 2. the Village has made a rational analysis, with justifying evidence, that it has an adequate level of short and long term resources.
- (h) Prepare quarterly reports summarizing budget versus actual operating revenues and operating expenditures, as well as major balance sheet items, to the extent practical.