

**Incorporated Village of Plandome Heights
Fund Balance Analysis & Policy – 2022 – 23**



**Incorporated Village of Plandome Heights
Fund Balance Analysis & Policy – 2022 - 23 ⁽¹⁾**

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(1) This report is preliminary and tentative and subject to completion upon completion of our annual independent audit.

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|-----------------------------|--|
| Originally prepared: | May 31, 2012 |
| Update: | May 31, 2015 |
| Updates: | May 31, 2020, 2021, 2022 and 2023 |

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1a. Discussion of Fund Balances

Fund Balance measures the net financial resources available to finance expenditures of the current or future periods. Government Accounting Standards Board Pronouncement #54 (“GASB 54”) is effective for our Village beginning with our fiscal year ending May 31, 2012. GASB 54 redefines the Fund Balance reporting for local governmental entities and redefines governmental fund types from the prior two fund types (“Reserved” and “Unreserved”) to five fund types. One of those five fund types, “Nonspendable” does not apply to the Village. The new fund designations under GASB 54 that apply to the Village are:

- **Unassigned** – represents the residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.
- **Assigned** – consists of amounts that are subject to a “purpose constraint” that represents an intended use established by the government’s highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund (and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance).
- **Committed** – consists of amounts that are subject to a “purpose constraint” imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.
- **Restricted** – consists of amounts that are subject to externally imposed restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions of enabling legislation.

Guidance on GASB 54 for NY State municipalities is contained in a memorandum by the Office of State Comptroller (“OSC”) issued in April 2011.

1b. Definition of needs

1b(i). General Fund – Unassigned

The Incorporated Village of Plandome Heights was established in 1929, is governed by local village law and other general, and local, laws of the State of New York. The Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer. The following basic services are provided: roads and highways, building department, general government, village justice court, parks and recreation and sanitation. The Village’s operating budget for normal recurring items is small by comparison to other Villages in NY State, ranging from approximately \$400,000 to approximately \$600,000 over the past several years. The Adopted Budget for 2023 – 2024 is approximately \$530,000 (approximately 7% increase over the prior year, higher than normal due to inflation).

The Village’s Unassigned General Fund Balance is and will be maintained to provide the Village with financial stability and a margin of safety to fund unanticipated contingent expenditures, or shortfalls in revenue, that may occur unexpectedly during the fiscal year. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees unless voter approval is required by law. Because of the small size of the Village, unanticipated expenditures can be out-of-proportion to its operating budget. A recent litigation (2006 – 09, costing over \$140,000) is one example. Costs associated with Hurricane Sandy in 2012 (approximately \$55,000), or Storm Isais, as well as COVID-19 related, in 2020 (approximately \$25,000) is another example. Further, the General Fund is called upon to advance significant money that may be reimbursed under Capital Projects funding. As such, the Mayor, Treasurer and Board of Trustees believe that a prudent level of protection for unanticipated expenditures, revenue

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shortfalls, working capital to advance funds on grants and other contingencies would be approximately 4 – 6 months operating expense and other operating or financing needs or approximately \$175,000 - \$265,000.

At May 31, 2023, the financial performance of the Village is in surplus and, as such, the unassigned general fund is would be projected to grow from approximately \$226,000 to approximately \$301,000 (i.e. heading past the upper range) after a projected surplus of approximately \$75,000 for the year then ended. This results largely from stronger than expected building activity, the positive effects of another mild winter on our snow removal, unbudgeted and unexpected interest income due to high inflation, use of COVID-19 “ARP” funds for certain costs and low or no road repairs. As such, the Trustees resolved in their June 5, 2023 meeting, as adjusted at the July 10, 2023 meeting to transfer an additional approximately \$75,000 (as of May 31, 2023) from unassigned to assigned for future capital projects including specifically for future occupancy and move needs including the possible purchase of a new Village Hall . The projected unassigned balance after this transfer will be approximately \$200,000 (approximately 4.5 months reserve, similar to the prior years). See below for a discussion of the General Fund - Assigned.

1b(ii). - General Fund – Assigned

The Village is responsible for approximately 3 miles (approximately 355,000 square feet) of residential roads. Periodic replacement of such roads is historically the single largest capital expenditure that the Village incurs which the Village estimates to represent about \$1.2 million of road work. The Village policy has historically been able to build up “reserve funds” over time and then to use those “reserve funds,” together with any grant money which may be available, for the periodic replacement of our roads. Historically this manner of funding long-term capital needs has helped the Village avoid the cost, time and disruption of significant borrowings. Since adoption of GASB #54 in 2012, the Village does this through the “General Fund – Assigned” where surplus funds are identified as necessary for such purpose.

The recent history of our build-up of the “General Fund” both “Unassigned” and “Assigned to support our Capital Plan and Occupancy Needs” is as follows:

| <u>Year</u> | <u>Transfer In</u> |
|-----------------------|------------------------|
| Year-end May 31, 2010 | 0 |
| Year-end May 31, 2011 | 0 |
| Year-end May 31, 2012 | 125,000 |
| Year-end May 31, 2013 | 0 |
| Year-end May 31, 2014 | 45,000 |
| Year-end May 31, 2015 | 60,000 |
| Year-end May 31, 2016 | 100,000 |
| Year-end May 31, 2017 | 25,000 |
| Year-end May 31, 2017 | -50,000 |
| Year-end May 31, 2018 | 35,000 |
| Year-end May 31, 2019 | 70,000 |
| Year-end May 31, 2020 | 60,000 |
| Year-end May 31, 2021 | 20,000 |
| Year-end May 31, 2022 | 30,000 |
| Year-end May 31, 2023 | 75,000 |
| 14 years 2010 – 2023 | 590,000 |

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To support sound financial planning for roads, in 2011/12, the Village engaged its Engineer to perform a “Road Survey and Pavement Management Program.” We used that survey to identify the short-term (5 years) and long-term (beyond 5 years) needs to replace roads. This Road Survey has been integrated into an overall Capital Plan which is periodically refined. The Capital Plan is continuously refined as we complete projects and refine the scope and cost of our future needs. The plan called for approximately \$1.2 million in total spending over a 10+ year period through 2023.

Based on the Capital Plan as it existed in 2021, the Village had completed over \$660,000 of projects and had approximately \$500,000 of projects remaining (primarily road projects) in its ten+ year plan. The Mayor, Treasurer and Board of Trustees believed that funds should be “assigned” in the General Fund for this purpose and took action to that effect. These needs and the funds set aside and available at May 31, 2021 to fund the \$500,000 includes \$490,000 in the Assigned General Fund and approximately \$25,000 available in the Capital Reserve Fund.

Fiscal 2022 Update - In fiscal year 2022, the Village completed its 10-year capital plan one year early. The initial plan was to compete the Bournedales section of the plan, but developments with NatGrid revealed that over 70% of the gas mains in the Village required replacement, so the Capital Plan was expanded to include those roads and the remaining roads originally planned to be paved in 2023 (Shore and Beachway). Financial grants were received from NYS DOT (\$125,000) and NYS DASNY (\$25,000). NatGrid entered an agreement with the Village for the Village to do road restoration after the gas mains were done. They agreed on a per square yard amount that came to approximately \$181,000. The total of the state grants and NatGrid assistance totaled \$356,000. The total project cost was approximately \$475,000, significantly less than estimated due to (a) Piggy-Backing on the Town On-Call Milling and Paving Contract (about \$80,000 savings) and (b) lower asphalt tonnage as the roadbed would not accept milling to 2 inches and so less asphalt was used (about \$81,000). Additional funds from CHIPs (approximately \$80,000) and the American Recovery Act (approximately \$24,000) were also used so that the combination of cost reductions and fund coverage (totaling approximately \$461,000) resulted in little impact on the Treasury for the project.

At May 31, 2022 (and again at May 31, 2023) the Village notes that with the 10-year Capital Plan complete with little use of Treasury, the question is raised what purpose exists for the reserve funds. This is explained below.

Currently, the Village has an occupancy problem. Its existing lease is a favorable rate but the landlord is seeking to move it to market. In addition, the Village has approximately 35 – 40% of the space of comparable villages (Plandome Manor and Baxter Estates) and our space planner advised that we need more space. The market rate for space the Village needs would nearly triple existing rent and result in a tax increase. That tax increase could be mitigated if the Village could find a property to buy with a down payment from the reserve funds and a certain amount of bond indebtedness. The Trustees are exploring that option, particularly in light of the generous reserves. And so, the Trustees have assigned \$520,000 of the General Fund for capital expenditures and moving costs including the possible purchase of real estate at May 31, 2022 and at May 31, 2023, the Trustees increased amount to \$590,000.

In addition, the Village has an interest in moving on to digital records at this time and that is a developing component of our reserve needs. Converting building files (\$50,000) and adopting process software for building (\$50,000) are options being considered. In fiscal 2023, much of that initial cost was covered by a grant for nearly \$50,000 from NY State Archives. Additionally, a further NY State grant for \$25,000 was awarded to the Village from NYS covering the conversion of board and historical records to digital. Further costs are expected as part of a longer term digital and software improvement.

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In short, we accumulated significant reserves in recent years toward long term needs and we are taking the time at May 31, 2023 to consider alternatives to deploy that capital. See also our overall reserve have and need analysis at the end of this analysis

1b(iii) - Capital Projects Fund – Assigned

See discussion of roads and the planning therefore above.

The Village maintains a Capital Reserve Fund that may contain any of three components: (1) an “assigned” fund balance of that is associated with future road projects and (2) a “committed” fund that contained the appropriate/proceeds of the Fishman litigation as described in the 2013 document “Fishman v Plandome Heights and related matters including Alienation of Parkland” and (3) a “restricted” fund that contains monies collected from “subdivision fees” which are set aside for Parkland as described below,

In (2) above, the “Parkland Alienation” matter was settled and the proceeds set aside in approximately 2012 and those funds were restricted by the Parkland Alienation law permitting the transaction to “acquisition of new parklands of equal or greater fair market value and/or for capital improvements to existing park and recreational facilities.”⁽¹⁾ The proceeds of the Parkland Alienation were deployed to improvements to the Plandome Heights Preserve as well as to signs, lighting and other capital improvements on the Village right-of-way which we consider parkland for this purpose given our lack of other parkland. That fund, totaling approximately \$25,000, was used up in 2018 and no longer exists.

In (3) above, the State Subdivision Enabling Statutes provide that if a planning board finds that the proposed subdivision “presents a proper case for requiring a park or parks suitably located for playgrounds or other recreational purposes” but it also finds that a park, of adequate size cannot be properly located in the subdivision, the planning board is empowered to require the developer to remit a sum of money to pay for off-plat parkland. The amount of money is set by the local governing body. Statute requires that any monies received for park purposes be held in a trust fund “to be used [by the municipality] exclusively for park, playground or other recreational purposes, including the acquisition of property. *These payments are available for purchase land for park and recreational use or to make capital improvements to existing parks in the municipality in accordance with the overall needs of the area.*”⁽²⁾ Once again, we consider improvements made to the Village right-of-way to be capital improvements to existing parks in the municipality in accordance with the overall needs of the area.

(1) Source: Parkland Alienation Law, Plandome Heights.

(2) Source: Subdivision Review in New York State, James A Coon Local Government Technical Series, NYS Division of Local Government Services.

At May 31, 2020, the assigned fund for roads is estimated to be approximately \$25,000 and the restricted fund for parkland is estimated to be \$27,000. Transactions in the Parkland restricted fund have been:

| | |
|---------------|---|
| - \$ 31,500 - | 2018 receive parkland sublet fees, |
| - (1,375) - | 2018 capital expenditures for path renewal/expansion in Village Preserve |
| - (2,450) - | 2019 Village entrance signs on right-of-way |
| - (6,400) - | 2020 effort to restore and enhance paths after Isaias (may be reimbursed by FEMA) |
| - (1,300) - | 2021 Improve waterfront at Plandome Heights Preserve |
| - (630) - | 2021 LED test lights |
| - 5,600 - | 2022 Replenish fund with FEMA reimbursement for Isaias (partial) |
| - (10,540) - | 2022 Install LED lights in neighborhoods and parks |
| - (8,565) - | Refurbish free standing light poles |
| - (5,840) - | 2023 Various Village signs on Village right-of-way |
| - \$ - 0 - - | Remaining fund balance at May 31, 2023 |

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In 2016, the Village closed on a long-standing litigation which resulted in funds which have already been dedicated to acquisition of parkland or capital expenditures for parkland and recreational facilities. Given the small amount involved and the restrictions which the Village has agreed to, and the costs (banking, accounting and otherwise) it has determined to account for the fair market value of such proceeds within the existing Assigned Capital Fund as funds with a separate purpose restriction.

1b(iv) - Capital Projects Fund – Committed

The Village maintains a Capital Reserve Fund that could contain a component that represents “Committed” fund balance under General Municipal Law Sec. 6-c which calls for certain public notice when it is to be used. The Mayor, Treasurer and Board of Trustees of the Village can decide when, if necessary, to designate funds in the Capital Projects from “assigned” to “committed.”

Conclusion:

In 2022 there was a substantial change in the needs for the assigned reserves. For one thing, pending NY State Grants for \$125,000 (DOT, 2018) and \$25,000 (DASNY, 2019) finally matured in September and December 2021, respectively. In addition, in June 2021, we learned of National Grid’s gas main plans in the Village which were extensive. After negotiation, NatGrid provided road restoration funds for the Village to restore its roads of approximately \$181,000. On the cost side, the Village saved significant dollars (approximately \$80,000) by Piggy-Backing on the Town On-Call Milling and Paving contract vs. its competitive bids. Further, the 2” paving standard was unable to be met because the roadbed would only support approximately 1.5+” of milling, saving another \$81,000. So with lower costs, higher resources and also the deployment of some CHIPs and ARPA funds, the Village used very little treasury in the 2022 capital work.

These developments leave the Village with substantial reserves and limited needs for historical items. However, a new need has emerged on the occupancy front. The Village is approaching the end of its long term lease for Village Hall and the landlord is proposing very significant increases in our existing favorable rent. To mitigate those increases and provide a permanent home for Village Operations, the Village has determined that it is feasible to purchase or build a Village Hall using its existing reserve funds for a substantial down payment.

Below is a summary of our Haves and Needs of Village Reserves. On the surface it indicates that our currently identifiable needs are met.

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DRAFT - Subject to change**

| <u>HAVE:</u> | Total | Total GF | GenFund Approp. | GenFund Unapprop. | Cap.Fund |
|--|----------------|-----------------|------------------------|--------------------------|-----------------|
| Unappropriated | 819,000 | 799,000 | 595,000 | 204,000 | 20,000 |
| Restricted | 8,000 | 0 | 0 | 0 | 8,000 |
| Balances, "HAVE" - May 31, 2023 | 827,000 | 799,000 | 595,000 | 204,000 | 28,000 |
| | | | | | |
| <u>NEED:</u> | Total | Total GF | GenFund Approp. | GenFund Unapprop. | Cap.Fund |
| Current Cap. Plan including occupancy | 675,000 | 600,000 | 600,000 | 0 | 75,000 |
| Prudent contingency | 150,000 | 150,000 | | 150,000 | |
| Possible 2023 operations | 11,000 | 11,000 | | 11,000 | |
| Parkland | 8,000 | 0 | | | 8,000 |
| Use Cap. Reserve | 0 | 0 | | | |
| NEEDS May 31, 2023 | 844,000 | 761,000 | 600,000 | 161,000 | 83,000 |
| Difference | -17,000 | 38,000 | -5,000 | 43,000 | -55,000 |
| Conclusion: Needs essentially met | | | | | |

Other considerations:

- Available digital records grant \$25,000
- ARPA money available 60,000
- Available NYS CHIP's 80,000