

**Town/School finance meeting
July 21, 2015 (revised July 22, 2015)**

Topic: Disposition of additional 2015-16 State education revenue allocated in final approved legislative budget. For Falmouth, additional State funds equals \$521,770.

School Board finance committee proposal:

First choice: The school finance committee's first choice would be to retain the additional funds and direct to replenishing the school undesignated fund balance and capital reserve fund for the reasons outlined below.

Second choice: As a result of the shared town/school finance committee discussion on July 21, the finance committee does see value in offering a portion of the funds to offset the FY15-16 mil rate increase. A 5 cent mil rate reduction was proposed (\$110,000 of the total). This would be seen as a goodwill gesture to the community as well as the Board's understanding and support of the town finance committee's request. The official School Board vote to redirect those funds could happen at the August 24th regular meeting.

For consideration:

- Based on July 21, 2015, town needs to confirm comfort level with current unassigned fund balance of the town (town/school combined) which should be at least 25% of the total budget to maintain AAA bond rating with Standard & Poor (one factor).
- School Board plans to stay within original, approved FY15-16 budget and not expend any of the additional State funds (no new positions, purchases, etc.)
- School Board already committing significant funds (from school undesignated fund balance) to reduce mil rate impact of recent budgets (\$150,000 in FY13 and FY14, \$223,468 in FY15, \$150,000 in FY16). Practice is not sustainable, as fund balance has decreased to \$595,000 as of June 2015. This is a small safety net (1.8%) for an overall budget that now exceeds \$33,000,000. The additional State funds would help replenish that balance.
- School capital reserve fund is currently at \$0. Due to a relatively low undesignated fund balance and usage to minimize budget mil rate increases, there has been little opportunity to reallocate undesignated fund balance funds to the capital reserve fund. School Board practice has historically moved any undesignated funds in excess of 3% of the overall budget to the capital reserve. The FY15-16 school budget, despite a higher than normal increase and mil rate impact, received overwhelming support from the community (4-1 margin).
- Current fiscal year ending as of June 30, 2015 will not result in a significant positive contribution to fund balance.

The School Board believes a majority (or all) of the additional State funds should be retained in undesignated reserve to address any unforeseen needs, improve the capital reserve fund balance, and replenish the General Fund undesignated fund balance to a more sustainable level.