



INTENDED USE OF RESERVES

Reserve funds, like other savings plans, are mechanisms for accumulating cash for future capital outlays and other allowable purposes. The practice of planning ahead and systematically saving for capital acquisitions and other contingencies is considered prudent management. Savings for future capital needs can reduce or eliminate interest and other cost associated with debt issuances. Similarly, certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown risks (a major ice storm).

Most reserve funds are established to provide resources for an intended future use. An important concept to remember is that a reserve fund should be established with clear intent or plan in mind regarding the future purpose, use and, when appropriate, replenishment of funds from the reserve. Reserve funds should not be merely a “parking lot” for excess cash or fund balance. Local governments and school districts should balance the desirability of accumulating reserves for future needs with the obligation to make sure tax payers are not overburdened by these practices. There should be a clear purpose or intent for reserve funds that aligns with statutory authorizations.

Each statute that authorizes a reserve fund sets forth a particular underlying purpose for the fund. For example, provisions of the General Municipal Law (the GML) and the Education Law allow municipalities and school districts, respectively, to establish capital reserves for future equipment purposes and capital improvements. The GML also authorizes the establishment of an employee benefit accrued liability reserve for the payment of the monetary value of accumulated, unused leave time to employees upon separation from service. Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on your annual operating budget. Establishing and funding allowable reserve funds for a clear purpose can help smooth out spikes in the annual budget and in the real property tax levy.

Source: Office of the New York State Comptroller-Local Management Guide for Reserves

<http://www.osc.state.ny.us/localgov/pubs/lqmg/reservefunds.pdf>

WORKERS COMPENSATION RESERVE

Purpose: To fund Workers Compensation expenses, related medical expenses, and self-insurance administrative cost. The reserve was established through board resolution and has been in existence for several years. This reserve is an operational reserve; meaning that the funds contained within may be utilized to offset current year anticipated workers compensation expenditures. (General Municipal Law §6j).

Balance June 30, 2017: \$1,206,587.26

Ideal Balance: The average of two years' of annual workers' compensation expenditures. The expenditure for 2015-2016 was \$956,230.29. The 2016-17 Expenditure was \$1,031,164.92. This reserve is in good standing.

UNEMPLOYMENT INSURANCE RESERVE

Purpose: To pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the school district uses the benefit reimbursement method. (General Municipal Law, §6-m). This reserve was established by the board of education under resolution and has been in existence for several years. It too is an operational reserve in that funds are utilized to offset current year anticipated unemployment claim expenditures.

Balance June 30, 2017: \$51,450.59

Ideal Balance: Approximately 1% of payroll. The budgeted payroll expenditure for the 2017-18 year approximately \$41,533,349 making 1% \$415,333.49. The district should work to fund this reserve.

TAX CERTIORARI RESERVE

Purpose: The governing board of any school district, by resolution, may establish a reserve to refund taxes of the current year in tax certiorari proceedings. Establishing or expending the reserve does not require voter approval. Amounts not necessary to refund taxes must be returned to the unreserved fund balance of the general fund by the first day of the fourth fiscal year following the year for which the reserve was created unless claims are still open and not finally determined or otherwise terminated or disposed of after the exhaustion of all appeals. (Education Law §3651, Sub. 1a, 3a).

Balance June 30, 2017: \$ 500,000

Ideal Balance: The equivalent of pending tax certiorari claims. The District will monitor this reserve for pending tax certiorari claims as they come in.

EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE

Purpose: The governing board of any school district, by resolution, may establish a reserve for the purpose of funding the monetary value of accrued but unused sick leave, personal leave, vacation time, and any other forms of payment of accrued but unliquidated time earned by employees. Establishing or expending the reserve does not require voter approval. Expenditures may only be made for allowed cash payments earned by employees due upon their termination of employment (General Municipal Law, §6-p).

Balance June 30, 2017: \$1,256,044.96

Ideal Balance: Equivalent to the calculated total of compensated absences calculation.

CAPITAL RESERVE

Purpose: To Capital Reserve Fund is used to pay the cost of any object or purpose for which bonds may be issued. Voter authorization is required for both the establishment of the reserve and for payments from the reserve. The form of the required legal notice for the vote on establishing the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The reserve is intended to reduce the impact to District residents of capital projects. Currently the district is moving forward with a new capital project.

The reserve was established in June 2017 as follows:

The District shall establish a Capital Reserve Fund in the amount not to exceed \$4,500,000, with a probable term of ten years, for the purpose of financing the construction of additions to, reconstruction of, various School District buildings, site work, and acquisition of land, original furnishings, equipment, machinery or apparatus required for the purposes for which such buildings are to be used.

The Capital Reserve shall be funded with such portion of the available funds as may be determined from time to time by the Board of Education.

Balance June 30, 2017: \$500,000

Ideal Balance: May not exceed the voter authorized limit and the 10 year limit. The district will continue to fund this reserve.

Reserve accounts not in use:

Retirement Contribution Reserve: Reserve for the purpose of financing retirement contribution made to the NY State and Local Employees' Retirement System.

Repair Reserve: Must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually.

Liability/ Property Loss Reserve: reserve to pay for liability claims incurred. Separate funds for property loss and liability claims are required.

Insurance Reserve: This reserve fund is used to pay for property loss and liability claims incurred. This reserve is an operational reserve; meaning that the funds contained within may be utilized to offset claims incurred.