

# General Fund Reserve Plan 2019-20



Letchworth Central School District  
October 28, 2019

## 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 costs 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 taxpayers 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 spokes 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/lmg/reservefunds.pdf>

## **GENERAL FUND CAPITAL RESERVES:**

Capital Reserve Funds are used to pay for the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires voter authorization to establish the purpose of the reserve, the ultimate amounts, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. These reserves are accounted for in the General Fund.

### **CAPITAL PROJECT RESERVE FUND – BUILDING**

Voter Authorization	5/15/2018 <u>(A87894)</u>
Term	10 Years
Ultimate Limit	\$2,000,000
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$1,781,044.36
Deposits:	\$218,955.64
Expenditures:	\$0.00
Balance June 30, 2019:	\$2,000,000.00

The 2018 Building Capital Reserve Fund was established to allow the District to set funds aside to finance the cost of construction and reconstruction of district facilities. Facilities planning is a continuous process that requires constant monitoring and oversight. The Capital Project Reserve Funds support the financing requirements for future capital improvement needs with the intent to minimize the impact on taxpayers as much as practically possible.

Funding goal: Fully funded

Projected Need: \$2,000,000.00 to partially fund the local share of the next capital project circa 2023

Voter Authorization	5/21/2019 <u>(A87895)</u>
Term	10 Years
Ultimate Limit	\$3,000,000
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$0.00
Deposits:	\$1,665,972.26
Expenditures:	\$0.00
Balance June 30, 2019:	\$1,665,972.26

The 2019 Building Capital Reserve Fund was established to allow the District to set funds aside to finance the cost of construction and reconstruction of district facilities. Facilities planning is a continuous process that requires constant monitoring and oversight. The Capital Project Reserve Funds support the financing requirements for future capital improvement needs with the intent to minimize the impact on taxpayers as much as practically possible.

Funding goal: \$3,000,000.00

Projected Need: \$3,000,000.00 to partially fund the local share of the next capital project circa 2023

## **CAPITAL TECHNOLOGY RESERVE FUND**

Voter Authorization	5/20/2014 (A8789)
Term	10 Years
Ultimate Limit	\$650,000 plus accrued interest (fully funded)
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$370,622.00
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2019:	\$370,622.00

The Capital Technology Reserve Funds were established for the purpose to finance, in whole or in part, the purchase of equipment, including computer equipment (i.e., hardware and software, related devices, networking equipment, apparatus and peripherals such as printers, modems, file servers, communication devices, and required wiring for same). The District has utilized the Technology Reserve Fund to support computer hardware upgrades and replacement needs. This reserve has met the funding goal and has been fully funded.

Projected Need: \$150,000.00 per year beginning circa 2021-2022 to fund 1:1 device replacements

## **BUS PURCHASE RESERVE FUNDS**

Voter Authorization	05/16/2017 (A87892)
Term	10 Years
Ultimate Limit	\$950,000 plus accrued interest (fully funded)
Source of Funds	ERS Reserve Initial Deposit, Annual Budget, Surplus Funds

Balance June 30, 2018:	\$950,000.00
Deposits:	\$0.00
Expenditures:	\$489,618.86
Balance June 30, 2019:	\$440,760.67

The Bus Purchase Reserve Funds were established to allow the District to set funds aside to finance the cost of transportation vehicles. This reserve has met the funding goal and is fully funded. In May 2018 the voters approved expenditures of up to \$489,618.86 for the purchase of four (4) - 65 passenger buses and one (1) - 30 passenger mini bus during the 2019-20 school year. In May 2019, voters approved expenditures of up to \$349,006.35 for the purchase of three (3) - 65 passenger buses during the 2019-20 school year.

Projected Need: 2019-20: \$349,006.35 for bus replacement costs

Projected Need: 2020-21: \$90,000.00 for bus replacement costs

Projections are based on moving bus purchases back to the General Fund budget.

## MAINTENANCE VEHICLES AND EQUIPMENT RESERVE FUNDS

Voter Authorization	May 19, 2015 (A87891)
Term	10 years
Ultimate Limit	\$400,000 (fully funded)
Source of funds	Annual budget, surplus funds

Balance June 30, 2018	\$216,761.33
Deposits	\$0.00
Expenditures	\$43,115.89
Balance June 30, 2019	\$173,645.44

This reserve is used specifically to purchase Maintenance Vehicles and Equipment. This reserve has met the funding goal and is fully funded. In May 2018, voters approved the expenditure of up to \$50,000 for the purchase of one (1) one-ton dump truck during the 2018-19 school year.

Projected Need 2020-21: \$40,000.00 to replace lawn equipment  
Projected Need 2021-22: \$55,000.00 to replace a sander truck  
Projected Need 2022-23: \$25,000.00 to replace a tow behind mower  
Projected Need 2023-24: \$50,000.00 to replace pick-up truck

**OTHER GENERAL FUND RESERVES:**

**REPAIR RESERVE (A882)**

Authorization	04/09/1984
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$294,722.60
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2019:	\$294,722.60

The Repair Reserve fund was established to pay the cost of repairs to capital improvements or equipment, which repairs are of a type that do not recur annually. Voter approval is required to fund this reserve. Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund and has met the funding goal.

Projected Need: \$294,722.60 to fund unexpected building repairs over the next 5-10 years

**TAX CERTIORARI RESERVE FUND (A864)**

Board Authorization	07/24/1995
Term	N/A
Ultimate Limit	May not exceed the amount necessary to meet anticipated judgments and claims
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$117,616.75
Deposits:	\$39,451.39
Expenditures:	\$4,000.00
Balance June 30, 2019:	\$153,068.14

The Tax Certiorari Reserve Fund is used to establish a reserve fund for tax certiorari claims and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. This reserve is accounted for in the General Fund and has met the current funding goal.

Projected Need: \$153,068.14 to fund active claims



**RESERVE FOR LIABILITY (A862)**

Board Authorization	06/28/04
Term	N/A
Ultimate Limit	May not exceed 3% of the annual district budget
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$244,562.00
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2019:	\$244,562.00

The Reserve for Liability Fund was established to pay for property loss and liability claims incurred. This reserve is accounted for in the General Fund and has met the funding goal.

Projected Need: \$244,562.00 to pay potential property loss and liability claims of the next 5-10 years.

**INSURANCE RESERVE (A863)**

Board Authorization	08/09/04
Term	N/A
Ultimate Limit	Annual contribution may not exceed \$33,000 or 5% of the budget.
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$240,000.00
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2019:	\$240,000.00

The Insurance Reserve Fund was established to pay liability, casualty and other types of losses, except those incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity, and surety, credit, title residual value and mortgage guarantee. This reserve is accounted for in the General Fund and has met the funding goal.

Projected Need: \$240,000.00 to pay potential liability, casualty and other loss claims over the next 5-10 years.

**EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE (A867)**

Board Authorization	02/10/03
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$518,719.94
Deposits:	\$0.00
Expenditures:	\$35,071.49
Balance June 30, 2019:	\$483,648.45

The EBALR Fund was established to pay accrued benefits due employees upon termination of service. This reserve is accounted for in the General Fund and is fully funded to the funding goal as of June 30, 2019.

Projected Need: Varies by fiscal year due to staff retirements and other personnel changes

**RETIREMENT CONTRIBUTION RESERVE FUND (A827)**

Board Authorization	6/26/2006
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$2,132,228.78
Deposits:	\$0.00
Expenditures:	\$500,000.00
Balance June 30, 2019:	\$1,632,228.78

The Retirement Contribution Reserve Fund is used for the purpose of financing retirement contributions. This reserve is accounted for in the General Fund. The Board of Education’s foresight to have funds reserved for retirement contributions is fiscally prudent. Having funds available to support payments to the Employees’ Retirement System will help mitigate the budget impact of sharp increases in contribution rates. The funding goal for this reserve is at the level of 5 years of ERS costs. On May 21, 2019 the voters approved transferring \$500,000.00 from this reserve to fund the initial deposit into the 2019 Building Capital Reserve Fund.

Funding Goal: \$1,642,695.06 (5 years of ERS expenses)

Projected Need: Will be evaluated each year as ERS rates change

**RESERVE FOR TEACHERS' RETIREMENT SYSTEM CONTRIBUTIONS (A828)**

Board Authorization	5/13/2019
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$0.00
Deposits:	\$136,681.40
Expenditures:	\$0.00
Balance June 30, 2019:	\$136,681.40

The Reserve for Teachers' Retirement System Contributions is used for the purpose of financing retirement contributions for employees who are members so the NYS Teachers' Retirement System. This reserve is accounted for in the General Fund. The Board of Education's foresight to have funds reserved for retirement contributions is fiscally prudent. Having funds available to support payments to the Teachers' Retirement System will help mitigate the budget impact of sharp increases in contribution rates.

Funding Goal: Each year the next 4 more years, contribute 2% of the total compensation or salaries of all teachers employed by the District who are members of TRS paid during the immediately preceding fiscal year until the 10% limit is reached.

Projected Need: Will be evaluated each year as TRS rates change

## **UNEMPLOYMENT INSURANCE RESERVE (A815)**

Board Authorization	06/30/1992
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds

Balance June 30, 2018:	\$440,899.59
Deposits:	\$0.00
Expenditures:	\$40,079.00
Balance June 30, 2019:	\$400,820.59

The Unemployment Insurance Reserve is used 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. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund. In May 2018 the voters authorized the use of \$40,079.00 to support the 2018-19 budget. In May 2019 the voters authorized the use of \$50,000.00 to support the 2019-20 budget. These amount shows as revenue in the public budget document.

Funding Goal: \$350,820.59

Projected Need: \$50,000.00 to support the 2019-20 budget, annually evaluate needs for funding for other uses including capital and budget support

## **FUTURE ACTION ITEMS**

May 2020:

- 1.) Establish a new Capital Transportation Reserve for future transportation vehicle needs

RESERVE NAME	Balance		2019-20		Balance		2020-21		Balance		2021-22		Balance		2022-23		Balance		
	June 30, 2019	Proposed Use	June 20, 2020	Proposed Use	June 20, 2021	Proposed Use	June 20, 2022	Proposed Use	June 20, 2023	Proposed Use	June 20, 2024	Proposed Use	June 20, 2025	Proposed Use	June 20, 2026	Proposed Use	June 20, 2027	Proposed Use	June 20, 2028
<b>Capital Reserves:</b>																			
2018 Capital Building	\$2,000,000.00		\$2,000,000.00		\$2,000,000.00		\$2,000,000.00		\$2,000,000.00		\$2,000,000.00		\$2,000,000.00		\$2,000,000.00		\$2,000,000.00		\$2,000,000.00
2019 Capital Building	\$1,665,972.26		\$1,665,972.26		\$1,665,972.26		\$1,665,972.26		\$1,665,972.26		\$1,665,972.26		\$1,665,972.26		\$1,665,972.26		\$1,665,972.26		\$1,665,972.26
Technology	\$370,622.00		\$370,622.00		\$370,622.00		\$370,622.00		\$370,622.00		\$370,622.00		\$370,622.00		\$370,622.00		\$370,622.00		\$370,622.00
Bus Purchase	\$440,760.67	\$349,006.35	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32	\$91,754.32
Maintenance Vehicle/Equipment	\$173,645.44	\$40,000.00	\$133,645.44	\$55,000.00	\$133,645.44	\$55,000.00	\$133,645.44	\$55,000.00	\$133,645.44	\$55,000.00	\$133,645.44	\$55,000.00	\$133,645.44	\$55,000.00	\$133,645.44	\$55,000.00	\$133,645.44	\$55,000.00	\$133,645.44
<b>Total Capital Reserves</b>	<b>\$4,651,000.37</b>	<b>\$389,006.35</b>	<b>\$4,261,994.02</b>	<b>\$146,754.32</b>	<b>\$4,115,239.70</b>	<b>\$146,754.32</b>	<b>\$3,968,485.38</b>	<b>\$175,000.00</b>	<b>\$3,793,485.38</b>	<b>\$175,000.00</b>	<b>\$3,618,485.38</b>	<b>\$175,000.00</b>	<b>\$3,443,485.38</b>	<b>\$175,000.00</b>	<b>\$3,268,485.38</b>	<b>\$175,000.00</b>	<b>\$3,093,485.38</b>	<b>\$175,000.00</b>	<b>\$2,918,485.38</b>
<b>Other Reserves:</b>																			
Repair Reserve	\$294,722.60		\$294,722.60	\$25,000.00	\$269,722.60	\$25,000.00	\$244,722.60	\$25,000.00	\$219,722.60	\$25,000.00	\$194,722.60	\$25,000.00	\$169,722.60	\$25,000.00	\$144,722.60	\$25,000.00	\$119,722.60	\$25,000.00	\$94,722.60
Tax Certiorari Reserve	\$117,616.75		\$117,616.75		\$117,616.75		\$117,616.75		\$117,616.75		\$117,616.75		\$117,616.75		\$117,616.75		\$117,616.75		\$117,616.75
Reserve for Liability	\$244,562.00		\$244,562.00		\$244,562.00		\$244,562.00		\$244,562.00		\$244,562.00		\$244,562.00		\$244,562.00		\$244,562.00		\$244,562.00
Insurance Reserve	\$240,000.00		\$240,000.00		\$240,000.00		\$240,000.00		\$240,000.00		\$240,000.00		\$240,000.00		\$240,000.00		\$240,000.00		\$240,000.00
Employee Benefit Accrued Liab	\$518,719.94	\$35,071.49	\$483,648.45		\$483,648.45		\$483,648.45		\$483,648.45		\$483,648.45		\$483,648.45		\$483,648.45		\$483,648.45		\$483,648.45
Retirement Contribution (ERS)	\$2,132,228.78	\$500,000.00	\$1,632,228.78		\$1,632,228.78		\$1,632,228.78		\$1,632,228.78		\$1,632,228.78		\$1,632,228.78		\$1,632,228.78		\$1,632,228.78		\$1,632,228.78
Retirement Contribution (TRS)	\$136,681.40		\$136,681.40		\$136,681.40		\$136,681.40		\$136,681.40		\$136,681.40		\$136,681.40		\$136,681.40		\$136,681.40		\$136,681.40
Unemployment Insurance	\$400,820.59	\$50,000.00	\$350,820.59		\$350,820.59		\$350,820.59		\$350,820.59		\$350,820.59		\$350,820.59		\$350,820.59		\$350,820.59		\$350,820.59
<b>Total Other Reserves</b>	<b>\$4,085,352.06</b>	<b>\$585,071.49</b>	<b>\$3,500,280.57</b>	<b>\$175,000.00</b>	<b>\$3,325,280.57</b>	<b>\$175,000.00</b>	<b>\$3,150,280.57</b>	<b>\$175,000.00</b>	<b>\$2,975,280.57</b>	<b>\$175,000.00</b>	<b>\$2,800,280.57</b>	<b>\$175,000.00</b>	<b>\$2,625,280.57</b>	<b>\$175,000.00</b>	<b>\$2,450,280.57</b>	<b>\$175,000.00</b>	<b>\$2,275,280.57</b>	<b>\$175,000.00</b>	<b>\$2,100,280.57</b>
<b>Total General Fund Reserves</b>	<b>\$8,736,352.43</b>	<b>\$974,077.84</b>	<b>\$7,762,274.59</b>	<b>\$321,754.32</b>	<b>\$7,440,519.27</b>	<b>\$321,754.32</b>	<b>\$7,118,764.95</b>	<b>\$321,754.32</b>	<b>\$6,797,010.63</b>	<b>\$321,754.32</b>	<b>\$6,475,256.31</b>	<b>\$321,754.32</b>	<b>\$6,153,501.99</b>	<b>\$321,754.32</b>	<b>\$5,831,747.67</b>	<b>\$321,754.32</b>	<b>\$5,510,003.35</b>	<b>\$321,754.32</b>	<b>\$5,188,249.03</b>
Debt Service Reserve (V Fund)	\$550,546.57	\$115,000.00	\$435,546.57	\$114,400.00	\$321,146.57	\$75,000.00	\$246,146.57	\$75,000.00	\$171,146.57	\$75,000.00	\$96,146.57	\$75,000.00	\$21,146.57	\$75,000.00	\$0.00	\$75,000.00	\$75,000.00	\$0.00	\$75,000.00
<b>Total All Reserves (A &amp; V Funds)</b>	<b>\$9,286,899.00</b>	<b>\$1,089,077.84</b>	<b>\$8,196,816.75</b>	<b>\$435,954.32</b>	<b>\$7,762,871.43</b>	<b>\$435,954.32</b>	<b>\$7,358,816.42</b>	<b>\$435,954.32</b>	<b>\$6,923,865.95</b>	<b>\$435,954.32</b>	<b>\$6,488,911.64</b>	<b>\$435,954.32</b>	<b>\$6,053,956.31</b>	<b>\$435,954.32</b>	<b>\$5,618,901.98</b>	<b>\$435,954.32</b>	<b>\$5,183,947.66</b>	<b>\$435,954.32</b>	<b>\$4,748,993.34</b>
Total Reserves as a % of General Fund Budget	44.11%		39.11%	37.02%	35.72%	34.29%	32.85%	31.42%	30.00%	28.57%	27.14%	25.71%	24.29%	22.86%	21.43%	20.00%	18.57%	17.14%	15.71%
Total Non-Capital Reserves as a % of GF Budget	22.02%		18.86%	17.47%	16.06%	14.65%	13.24%	11.83%	10.43%	9.02%	7.62%	6.21%	4.81%	3.41%	2.00%	0.60%	0.20%	0.80%	0.40%