

Williamson Central School



Reserve Plan and Report

October 2021

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WILLIAMSON CENTRAL SCHOOL DISTRICT RESERVE FUNDS OVERVIEW

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. Saving 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 a 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 purchases 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.

While reserve types and purposes are defined in detail later in this document, reserves can be utilized in the following ways:

- Save funds to offset future taxpayer expense
- Insulate the district from liability and financial loss
- Prepay certain types of expenses from current year’s funds
- Provide a buffer against spikes in certain areas of contractual benefit costs

While outside entities may opine as to the level of reserves a district chooses to carry, the “appropriate balance” of each reserve fund is determined solely by the Board of Education. ***It is important to note that in most cases a district’s sole source of funding for reserves is from unexpended appropriations.*** Therefore, multi-year financial planning and budgeted surpluses are integral to maintaining healthy financial operations and supporting district programs and services through periods of economic uncertainty.

As a result of the District’s prudent management of its reserve balances, the overall financial condition of the District has been healthy as evidenced by a favorable bond rating recently provided by Moody’s Investors as an A2 rating in January, 2009. **On February 19, 2013 the District received a new higher rating of A1 from Moody’s.** This in turn has helped keep interest rates on District obligations lower and in the long run, helps save taxpayer dollars and plan for unknown contingencies.

COMPTROLLER'S POSITION ON RESERVE FUNDS FOR STRATEGIC PLANNING

“In our personal lives, saving or putting money aside to finance future needs is a common practice. Unquestionably, strong arguments can be advanced for accumulating funds. The disputable philosophy, “live for today and let tomorrow take care of itself” can easily be refuted with many savings slogans such as “prepare for a rainy day.” These practices are equally important for New York’s local governments. Legally established reserves can provide many benefits to municipalities* and their citizens. Available moneys can be set aside to finance all or part of planned projects, thereby reducing the need to issue costly debt. Reserves can provide a degree of financial stability. In uncertain economic times, reserve funds may give managers options other than cutting services or raising taxes. In good times, moneys not needed for current purposes can often be set aside for future benefit.”

“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/lmgm/reservefunds.pdf>

COMPTROLLER'S POSITION ON LONG-TERM FINANCIAL PLANNING

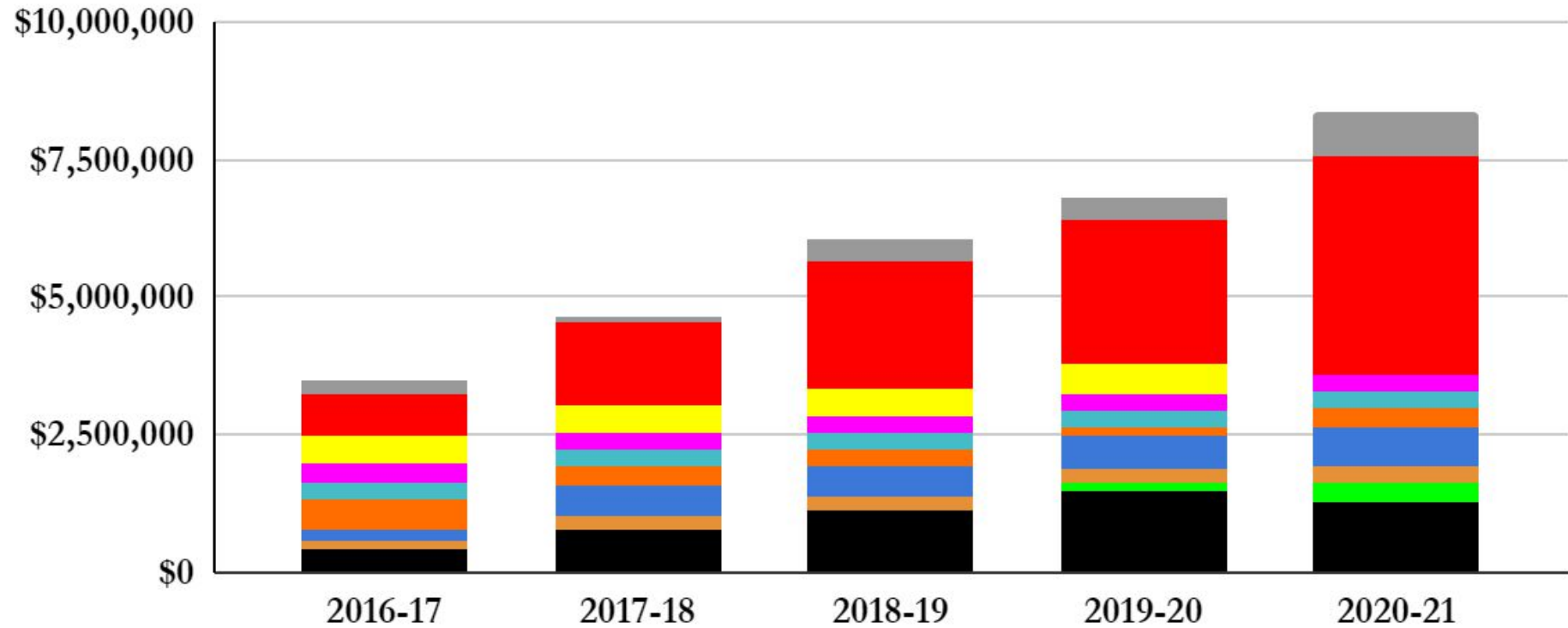
“OSC recommends using revenues from unexpected windfalls or other nonrecurring sources for one-time needs or to build reserves, rather than spending them on recurring expenses. You should build a plan that allows you to break out these non-recurring revenues and to track them separately from recurring revenues. You may also wish to track non-recurring expenditures to determine if you are using one-time windfalls to fund one-time expenses or establish reserves. ***If, however, you are funding an increasing portion of your budget with such revenues, you may be using “one-shots” to address a structural imbalance between recurring revenue and recurring expenses.*** Your plan should aim to address this situation with long-term revenue or expenditure adjustments.”

Source: Office of the New York State Comptroller, *Multi-Year Financial Planning (2017)*
<https://www.osc.state.ny.us/files/local-government/publications/pdf/multiyear.pdf>

**2020-2021 RESERVE SUMMARY
BALANCES AND ACTIVITY**

	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Employee Retirement Contribution Reserve	\$1,482,686.90	\$200,000.00		\$500.39	\$1,283,187.29
Teacher Retirement System Reserve	\$150,000.00		\$165,000.00	\$55.52	\$315,055.52
Unemployment Ins. Reserve	\$254,136.68		\$50,000.00	\$94.04	\$304,230.72
Employee Benefit Accrued Liability Reserve (EBALR)	\$571,328.32	\$35,000.00	\$203,000.00	\$202.99	\$739,531.31
Liability Reserve	\$191,341.42	\$14,671.00	\$150,000.00	\$70.33	\$326,740.75
Insurance Reserve	\$292,230.69			\$108.14	\$292,338.83
Tax Certiorari Reserve	\$310,618.77			\$0.00	\$310,618.77
Repair Reserve	\$507,298.28	\$507,384.57		\$86.29	\$0.00
Capital Reserves	\$2,650,137.50		\$1,307,384.57	\$1,082.08	\$3,958,604.15
Bus Purchase Reserve (2019)	\$405,556.42		\$140,000.00	\$150.07	\$545,706.49
Bus Purchase Reserve (2021)	\$0.00		\$300,000.00	\$0.00	\$300,000.00
Total Restricted Fund Balance (General Fund)	\$6,815,334.98	\$757,055.57	\$2,315,384.57	\$2,349.85	\$8,376,013.83
Other Fund Balance					
Debt Service Fund (V Fund)*	\$542,942.43		\$63,670.67	\$307.16	\$606,920.26

2020-2021 RESERVE SUMMARY DISTRIBUTION BY RESERVE TYPE

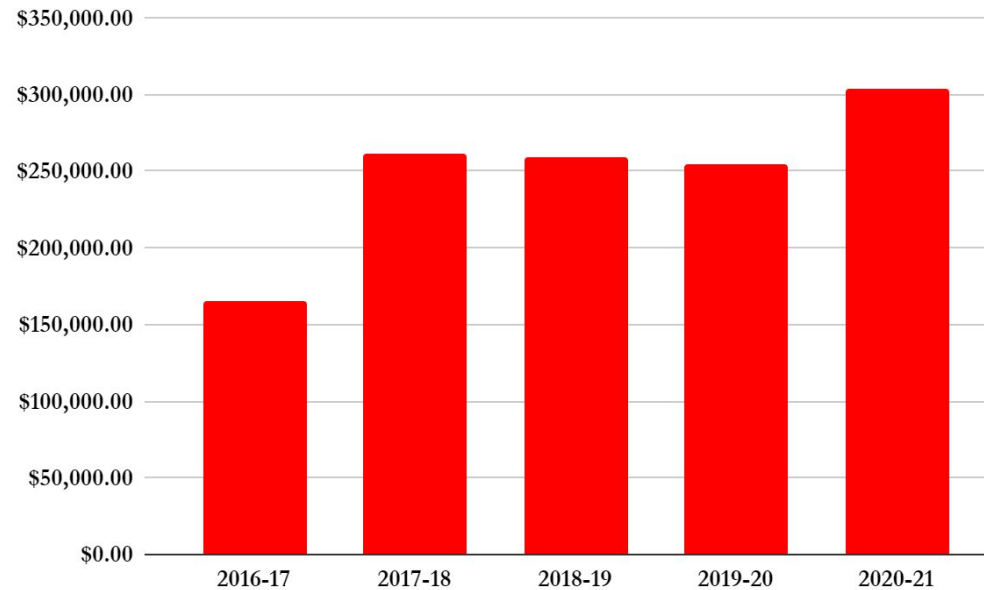


UNEMPLOYMENT INSURANCE RESERVE

Purpose: This reserve fund is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants. The reserve may be established by board action and funded by budgetary appropriations or other funds as may be legally appropriated (General Municipal Law, §6-m).

Analysis: The District has utilized funds from this reserve to pay claims and will continue to do so. In the 2020-21 fiscal year the District did see more unemployment activity and also recovered some costs from the State of New York. As the economic recovery of the COVID-19 pandemic remains uncertain in terms of State revenues and economic climate, the District should retain a balance in the unemployment reserve that could defray the costs of a reduction in force should it become necessary.

Ideal Balance: Methodologies for this determination vary as yearly claims can fluctuate greatly dependent upon the macroeconomic climate. The ideal balance recommended is approximately \$260,000. This value would be sufficient to sustain the maximum claims (26 weeks at \$504) for a reduction of up to 20 positions. As Governor Cuomo has threatened aid withholdings of up to 20% of total state aid, the ability to sustain claims in a climate of multi-year revenue reductions must be considered. Any additional balance beyond the ideal balance would be intended to address the potential for extended benefits during an economic crisis.



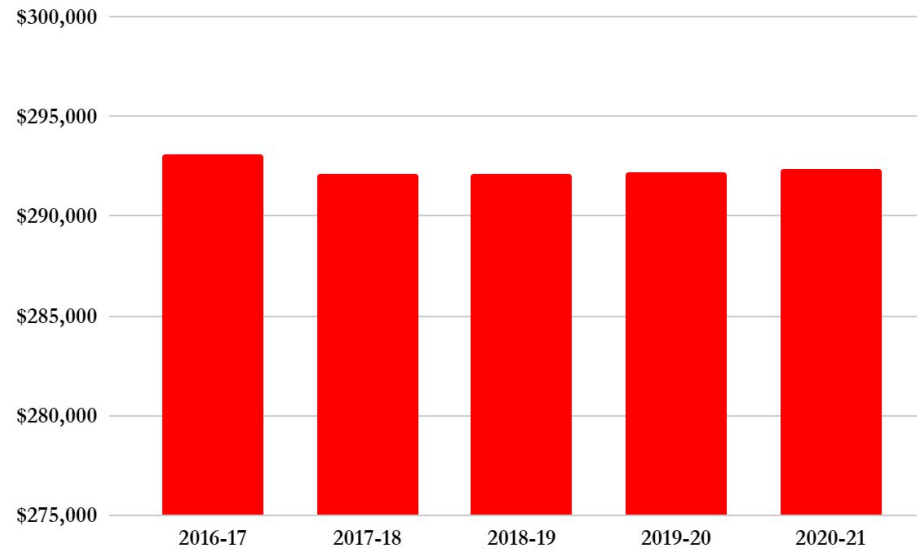
Restricted Fund Balance (General Fund)	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Unemployment Ins. Reserve	\$254,136.68		\$50,000.00	\$94.04	\$304,230.72

INSURANCE RESERVE

Purpose: This reserve fund is used to pay judgments, claims, incidental costs and professional services connected with the investigation and settlement of claims. The reserve is funded by budgetary appropriations or any other permissive referendum. The amount that can be paid into the reserve during each fiscal year is limited to 5% of the annual budget. There is, however, no limit upon the amount which may be accumulated in the fund (General Municipal Law, §6-n).

Analysis: The District negotiated lower insurance premiums nearly \$1,800 by raising its deductible amounts to \$2,500 on property (\$1,000 on vehicles) in the 2009-10 school year. By lowering insurance costs and utilizing a greater share from the Insurance Reserve to cover uninsured claims, the District is making better use of its reserves and saving taxpayer dollars on an annual basis. In 2011-12, the District applied the deductibles from 1 insurance claim for \$1,000. In addition, the Board also approved the appropriation from the Insurance Reserve of \$160,000 to settle a claim for an employee. In 2012-13 a \$500 deductible and in 2017-18 a \$1,000 deductible was applied to the reserve.

Ideal Balance: There are a number of liability exclusions stated in the District’s umbrella liability coverage, including but not limited to pollution, asbestos, mold, and pandemic. As each of these pose a risk of loss to the district due to unforeseen building conditions, systems failures, or acts of nature, it is prudent for the District to retain a balance to mitigate these exposures. Additionally, cybercrime introduces a new layer of risk as more personal data is housed electronically by school districts. The average ransomware cost is now in excess of \$80,000 as cited by Coveware (via Forbes.com) from a January 23, 2020 report. As such, the District has determined the current balance to be adequate, and if this reserve is utilized to offset any incurred loss, the District will evaluate refunding the reserve at that time.



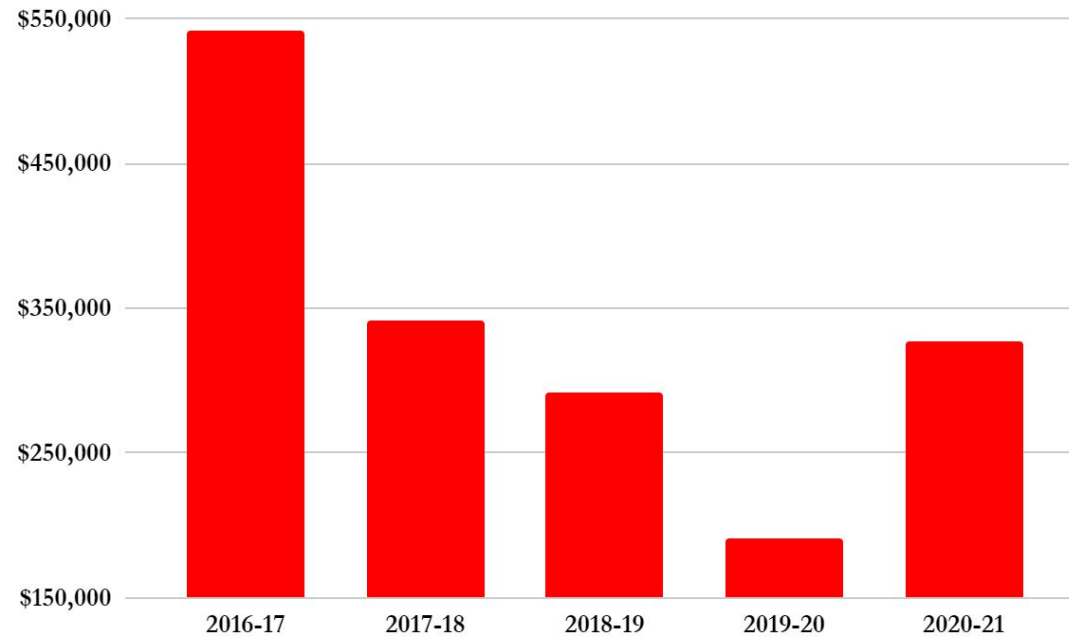
Restricted Fund Balance (General Fund)	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Insurance Reserve	\$292,230.69			\$108.14	\$292,338.83

LIABILITY RESERVE

Purpose: This reserve fund is similar to the insurance reserve described earlier, in that it is used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required and these reserves may not in total exceed 3% of the annual budget or \$15,000 whichever is greater. (Education Law, §1709, Subdivision 8-c).

Analysis: The balance in this Liability Reserve has been deemed as a reasonable amount to protect against any potential property losses in which the District might reasonably incur, or claims against the District for negligence. In May 2014, the Voters approved the transfer of up to \$100,000 from the Liability Reserve to support the General Fund budget. In May 2018, the Voters approved the transfer of up to \$200,000 from the Liability Reserve to support the 2018-19 General Fund budget.

Ideal Balance: As the maximum allowable by law is 3% of the operating budget the ceiling for funding this reserve is approximately \$750,000 for the 2021-22 school year. The reserve has been utilized to fund the operating budget in recent years. The ideal balance for this reserve is approximately \$375,000 which is one half of the allowable maximum of \$750,000. This would allow the District insulation from losses as its infrastructure ages and the legal climate for school operations becomes more litigious.



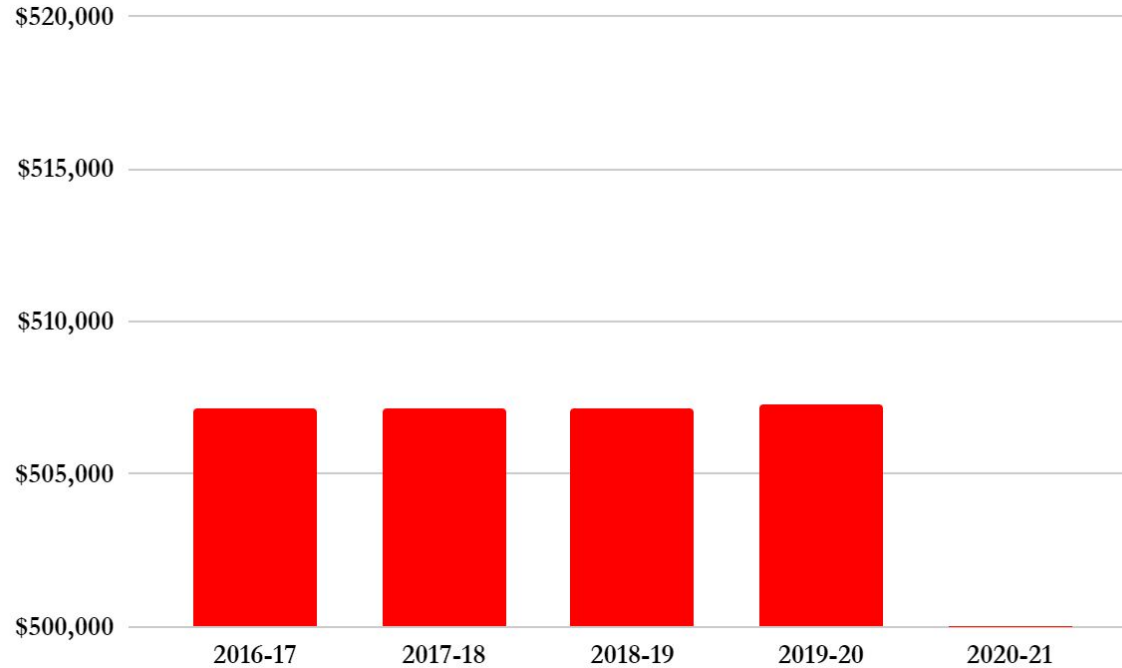
Restricted Fund Balance (General Fund)	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Liability Reserve	\$191,341.42	\$14,671.00	\$150,000.00	\$70.33	\$326,740.75

REPAIR RESERVE

Purpose: The Repair Reserve Fund is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. Voter approval is required to fund this reserve (See Opinion of the State Comptroller 81-401). 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 (General Municipal Law, §6-d).

Analysis: This reserve had no major utilization for an extended period of time. The liability and insurance reserves are adequate in protecting the District’s interests against emergencies or acts of god. Therefore, this reserve was liquidated per resolution of the Board of Education on February 10, 2021 and the balance was transferred to the capital building reserve in order to make the funds available for capital improvements wherein these funds can generate building aid from the State of New York.

Ideal Balance: N/A



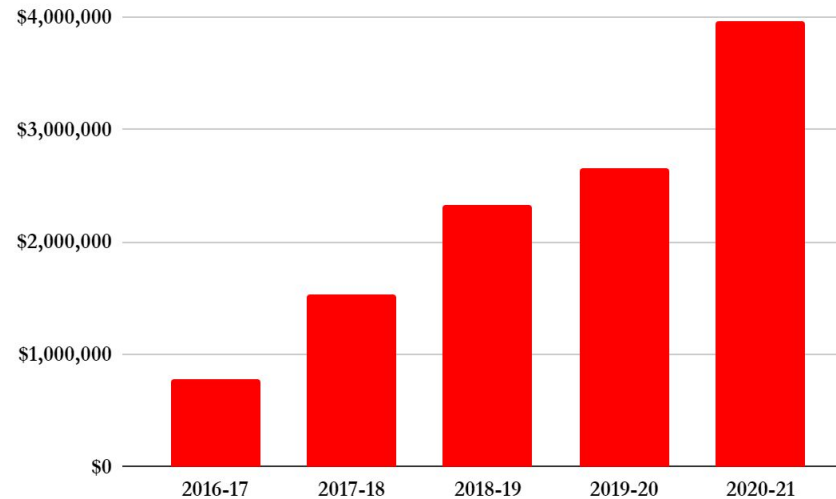
Restricted Fund Balance (General Fund)	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Repair Reserve	\$507,298.28	\$507,384.57		\$86.29	\$0.00

CAPITAL RESERVE

Purpose: The 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 payments from the reserve. The capital reserve was authorized by a public vote on December 15, 2016 for a term of 10 years and a maximum aggregate funding limit of \$5,000,000. 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.

Analysis: As of 6/30/21 the total aggregate funding to this reserve is \$4,957,384 which leaves the potential of only \$42,616 of additional funding prior to 2026. The District’s current building aid rate is 86.8% which means approximately 87% of the cost of *eligible and approved* capital work will be reimbursed based upon amortization schedules set by NYSED. The chart below shows the growth of the current capital reserve approved by the voters in 2016. The previous capital reserves were established in 2005 and 2015 and have since been exhausted and retired. As not all capital work will be eligible for building aid, a more realistic local share is approximately 20% of total project budgets.

Ideal Balance: The ideal balance for this reserve is an amount sufficient to fund the local share of the next capital project(s). A project is currently in development with an anticipated vote date of December 2021, which is proposing the utilization of \$2,650,000 of the current reserve balance. The most recent Building Condition Survey on file for the District (2015) identifies more than \$20 million in infrastructure and mechanical systems repairs and updates. While capital work has been completed since that report, new needs will continually be identified, and systems will continue to age. As such, the local share (as defined as 20% of the total cost) of \$20 million in capital needs is \$4 million. With the reserve approaching the maximum funding ceiling, and the anticipated utilization on the upcoming proposed project, the district is looking to propose a new capital building reserve be established in May 2022. This will allow for the ability to continue to support the local share identified for the perpetual need of capital improvements while minimizing future tax implications for these needs.



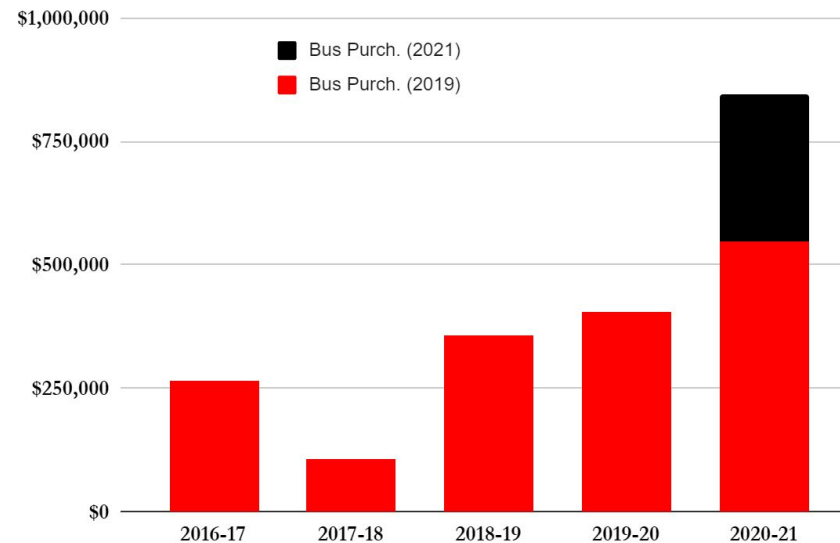
Restricted Fund Balance (General Fund)	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Capital Reserves	\$2,650,137.50		\$1,307,384.57	\$1,082.08	\$3,958,604.15

BUS PURCHASE RESERVES

Purpose: The bus Purchase Reserve Fund is a capital reserve for the specific use of purchasing vehicles for student transportation. Voter authorization is required for both the establishment of the reserve and payments from the reserve. A reserve was authorized by a public vote on May 21, 2019 for a term of 5 years and a maximum aggregate funding limit of \$750,000. Another reserve was authorized by public vote on May 18, 2021 for a term of 10 years and a maximum aggregate funding limit of \$2,500,000. 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.

Analysis: As of 6/30/21, the aggregate funding to the 2019 reserve is \$640,000 and the 2021 reserve is \$300,000. The District has regularly utilized this reserve to fund the local component of bus purchases, while utilizing rolling BANS to fund the state aided component of the purchase. The District's current transportation aid rate is 87.6%, meaning that the 87% of the cost of bus purchases will be reimbursed by the state over the course of 5 years. The chart below combines the balance of the prior and current reserves for bus purchases.

Ideal Balance: The ideal balance of this reserve is the maximum funding authorized in order to continue supporting the local cost of purchasing buses as the fleet inventory ages on a cyclical basis. If the District continues to support only the local share of bus purchases, the reserve could sustain purchase activity of approximately three years of purchases. However, if the District wishes to purchase buses on a cash basis without the utilization of debt, the balance will support only two year's purchases. Analysis of the practice of purchasing buses with rolling BANS versus cash purchases will be forthcoming.



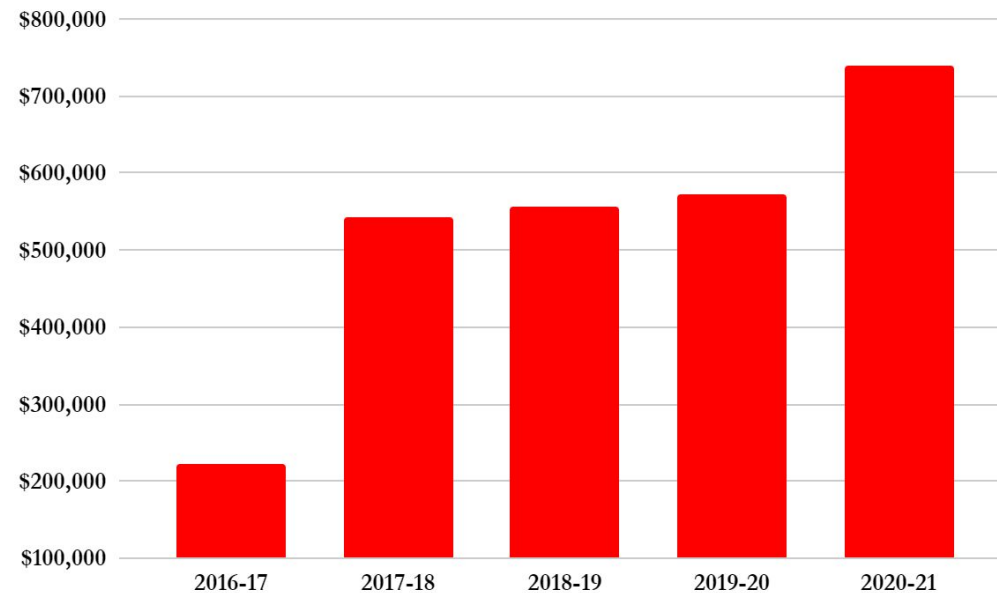
Restricted Fund Balance (General Fund)	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Bus Purchase Reserve (2019)	\$405,556.42		\$140,000.00	\$150.07	\$545,706.49
Bus Purchase Reserve (2021)	\$0.00		\$300,000.00	\$0.00	\$300,000.00

EMPLOYEE BENEFITS ACCRUED LIABILITY RESERVE

Purpose: Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefits due to an employee upon termination of the employee’s service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations or other reserves and funds that may be legally appropriated.

Analysis: This reserve is used to fund the retirement incentive liability for eligible contract member employees who have earned unused accumulated sick days. An annual calculation is performed at the close of each fiscal year to determine the current liability of eligible members at the close of the year. The District typically budgets an annual appropriation from this reserve as a General Fund Revenue source to help offset the District’s non-elective 403(b) retirement costs provided as a retirement incentive based on unused accumulated sick days. While \$35,000 has been appropriated to support the 2021-22 budget, it is important to note that only the payments for this purpose can be charged to the reserve, which may be less than the appropriated value.

Ideal Balance: The ideal balance for this reserve is approximately \$800,000, which is the audited balance of compensated absences as of 2021. Additionally, unlike OPEB liabilities for which a savings mechanism for earned benefits does not exist, the EBALR reserve helps the district fund its future payment obligations with revenues from the period in which the benefits were earned.



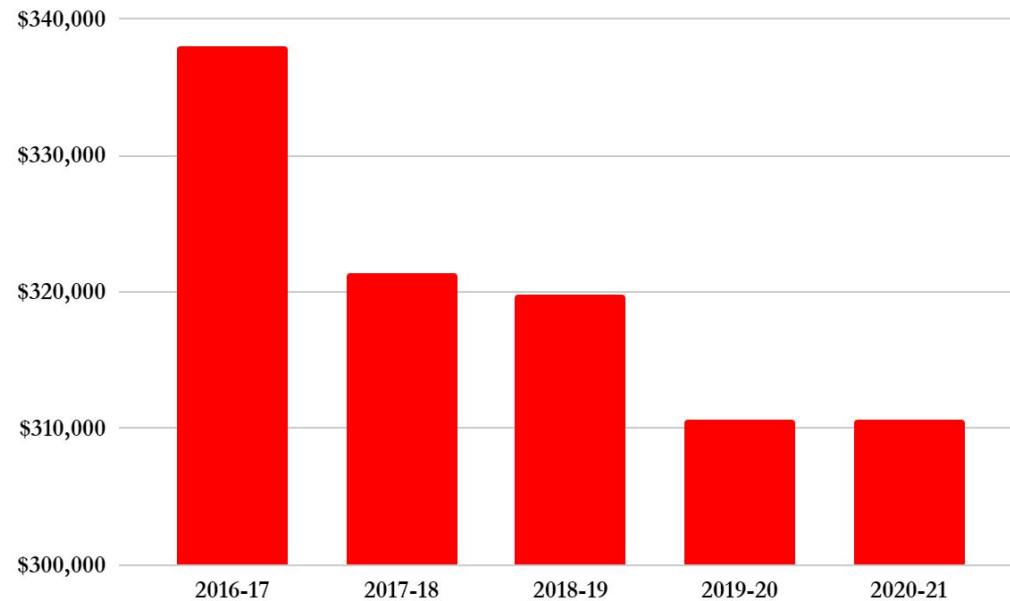
Restricted Fund Balance (General Fund)	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Employee Benefit Accrued Liability Reserve (EBALR)	\$571,328.32	\$35,000.00	\$203,000.00	\$202.99	\$739,531.31

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 from 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. (Education Law §3651, Sub.1a, 3a)

Analysis: Whispering Woods Estates has discontinued their certiorari case which removes a liability of roughly \$130,000 (approximately \$5.3M of value disputed) for the 2019 and 2020 tax years. As such, Walgreens is the only active case with a yearly liability of roughly \$85,000 (approximately \$3.4M of value disputed) dating back to 2014. Only 4 years of claims can be supported by this reserve which leaves a total exposure of approximately \$340,000.

Ideal Balance: It is unlikely the claims will be settled at the full disputed value, however, with the existing balance of this reserve the district is very well insulated against the remaining claim and will re-evaluate if the status of that claim changes.



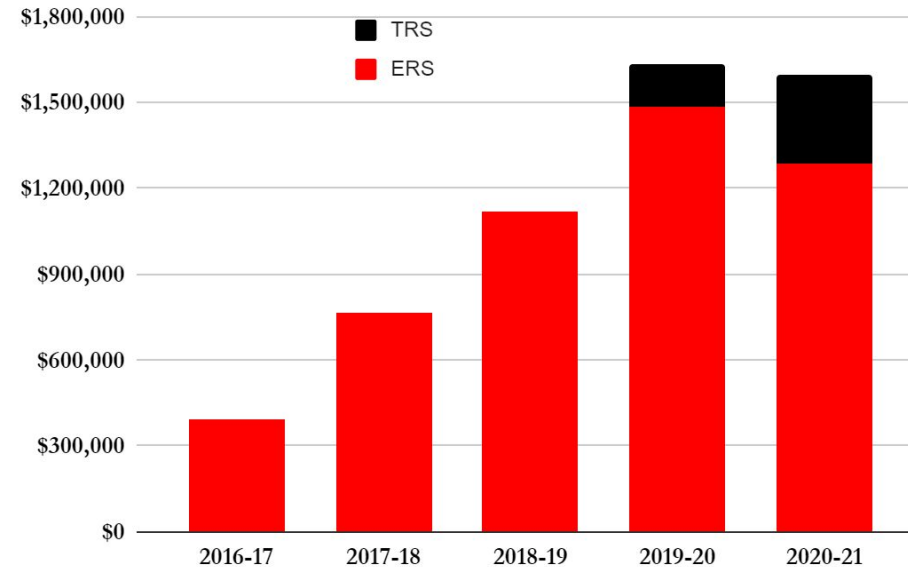
Restricted Fund Balance (General Fund)	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Tax Certiorari Reserve	\$310,618.77			\$0.00	\$310,618.77

NYS EMPLOYEE RETIREMENT SYSTEMS CONTRIBUTION RESERVE (ERS/TRS)

Purpose: For the payment of “retirement contributions” which is defined as all or any portion of the amount payable to either the New York State and Local Employee Retirement System or the NYS and Local Police and Fire Retirement Systems pursuant to section 17 or 317 of the Retirement and Social Security Law (General Municipal Law, §6c, d, e, f, or g, and Section 3651 of the Education Law). The TRS sub-fund was created as a sub-fund by Educational Law Section 521 beginning in 2019, and Williamson’s was established 6/17/20 by Resolution of the Board of Education.

Analysis: These funds will be used as a budgeted revenue source each year in the District’s annual budget to help offset ERS and TRS costs as needed.

Ideal Balance: The ideal balance for the ERS fund is a minimum of approximately \$1.05M, which is equivalent to 3 years of budgeted contributions to the retirement system. The current balance is roughly equivalent to 4 years of budgeted contributions. The ideal balance for the TRS sub-fund is \$750,000, which is roughly equivalent to the sum of 10% of eligible payroll. This is the maximum allowed by section 521 of educational law. That value is still less than one year’s budgeted contributions to the system. Combined, the Districts ideal funding for employee retirement systems would be \$1.8M aggregate.



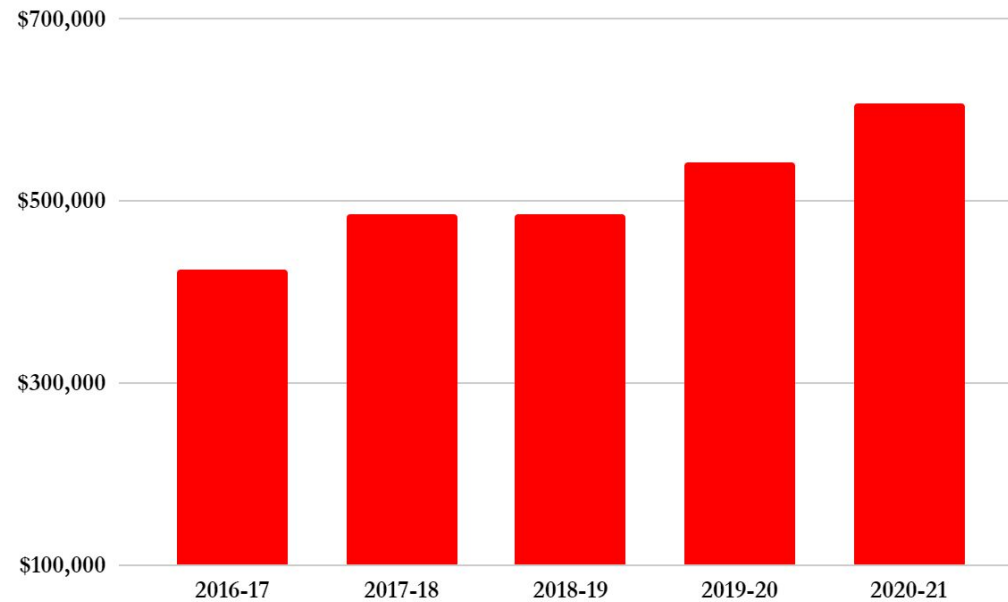
Restricted Fund Balance (General Fund)	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Employee Retirement Contribution Reserve	\$1,482,686.90	\$200,000.00		\$500.39	\$1,283,187.29
Teacher Retirement System Reserve	\$150,000.00		\$165,000.00	\$55.52	\$315,055.52

MANDATORY RESERVE FOR DEBT SERVICE

Purpose: Upon the sale of district property that was financed by obligations which remain outstanding at the time of sale, a reserve must be established for the purpose of retiring the outstanding obligations. The funding of the reserve is from the proceeds of the sale of district property or capital improvement (General Municipal Law, §6-l). The debt service reserve is not accounted for in the general fund, but rather the debt service fund.

Analysis: The Debt Service Fund is used as a budgeted revenue source each year in the District’s annual budget to help offset principal and interest as needed. Transfers from the Debt Service Fund can be made to the general fund to offset budgeted debt service payments. For the 2021-22 budget, \$268,223 has been appropriated to support the 2021-22 budget. This will be used to maintain a negative tax cap “capital exclusion” which means there will be currently no tax impact to the Districts debt service payments to support prior capital expenditures.

Ideal Balance: There is no ideal balance for the Reserve for Debt service as it is the accumulation of funding from prior projects that shall be used to retire debt obligations. One consideration of utilizing this reserve to support the general fund budget is its functionality in the tax cap calculation, wherein any sum utilized will reduce the “capital exclusion” in the tax cap formula. As the District’s long-term debt service schedule demonstrates there will be a taxable capital exclusion in the coming years, it is advisable to use these funds judiciously to gradually scale in any local capital exclusion.



	Beginning Balance (20-21)	Utilization	Contribution	Interest Earned	Ending Balance (20-21)
Debt Service Fund (V Fund)*	\$542,942.43		\$63,670.67	\$307.16	\$606,920.26

POLICY

2015

5570

Business

Reserve funds (essentially a legally authorized savings account designated for a specific purpose) are an important component in the District's financial planning for future projects, acquisitions and other lawful purposes. To this end, the District may establish and maintain reserve funds in accordance with New York State Laws, Commissioner's Regulations and the rules and/or opinions issued by the Office of the New York State Comptroller, as applicable. The District shall comply with the reporting requirements of Article 3 of the General Municipal Law of the State of New York and the Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Any and all District reserve funds shall be properly established and maintained to promote the goals of creating an open, transparent and accountable use of public funds. The District may engage independent experts and professionals, including but not limited to, auditors, accountants and other financial and legal counsel, as necessary, to monitor all reserve fund activity and prepare any and all reports that the Board may require.

Periodic Review and Annual Report

The Board of Education will periodically review all reserve funds. The District will also prepare and submit an annual report of all reserve funds to the Board of Education. The annual report shall include the following information for each reserve fund:

The type and description of the reserve fund;

The date the reserve fund was established and the amount of each sum paid into the fund;

The interest earned by the reserve fund;

The total amount and date of each withdrawal from the reserve fund;

The total assets of the reserve fund showing cash balance;

An analysis of the projected needs for the reserve fund in the upcoming fiscal year and a recommendation regarding funding those projected needs.

The Board shall utilize the information in the annual report to make necessary decisions to adequately maintain and manage the District's reserve fund balances while mindful of its role and responsibility as a fiduciary of public funds.

Approved: Board of Education

February 16, 2011

Approved: Board of Education

January 28, 2015

APPENDIX A
HISTORICAL RESERVE UTILIZATION

Bus Purchase Reserve	
2008-09	\$60,000
2009-10	\$70,000
2010-11	\$69,500
2013-14	\$35,000
2014-15	\$35,000
2015-16	\$40,000
2016-17	\$125,000
2017-18	\$85,000
2018-19	\$75,000
2019-20	\$75,000
2020-21	\$125,000
2021-22	\$230,000