

Canandaigua City School District



**Financial Reserve Plan
Fiscal Year July 1, 2023 – June 30, 2024**

To Be Adopted by the Board of Education June 10, 2024

Overview

It is essential that school districts establish and fund reserves to ensure fiscal integrity.

Full compliance with legal requirements for the establishment and usage of the reserves will not only help to ensure the long-term health and stability of the District but will strengthen the District's credibility and trust relationship with the residents of the community.

The following defines and explains each of the reserves approved by the Canandaigua City School District Board of Education and/or Community Residents.

Why Do We Need Reserve Funds?

Saving for future projects, acquisitions, and other allowable purposes is an important planning consideration for local governments and school districts. Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements. Reserve funds can also provide a degree of financial stability by reducing reliance on indebtedness to finance capital projects and acquisitions. In uncertain economic times, reserve funds can also provide officials with a welcomed budgetary option that can help mitigate the need to cut services or to raise taxes. In good times, money not needed for current purposes can often be set aside in reserves for future use.

In addition to reserve funds, maintaining a reasonable amount of undesignated fund balance within operating funds is another important financial consideration for local governments and school districts. A reasonable level of unreserved, unappropriated fund balance provides a cushion for unforeseen expenditures or revenue shortfalls and helps to ensure that adequate cash flow is available to meet the cost of operations. Combining a reasonable level of undesignated fund balance with specific legally established reserve funds provides resources for both unanticipated events and other identified or planned needs.

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.¹

¹ Office of the New York State Comptroller - *Local Government Management Guide for Reserve Funds*, <https://www.osc.state.ny.us/localgov/pubs/lmg/reservefunds.pdf>.

WORKERS' COMPENSATION RESERVE

Purpose: To fund Workers' Compensation expenses, related medical expenses, and self-insurance administrative costs. The reserve was established through board resolution in 2012-2013. 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, 2023: \$1,388,121

Ideal Balance: The equivalent of five years of annual expenditure.

The budgeted expenditures for 2024-25 is \$322,000.

Use: The District appropriated and/or budgeted funds for the 2023-24 school year in the amount of \$333,000, reducing the balance as of July 1, 2023 by this amount.

The District appropriated and/or budgeted funds for the 2024-25 school year in the amount of \$322,000. As such, the balance as of July 1, 2024 will be reduced by this amount.

Funding: Additional funding of \$333,000 from year-end fund balance is recommended as of June 30, 2024.



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, 2023: \$381,213

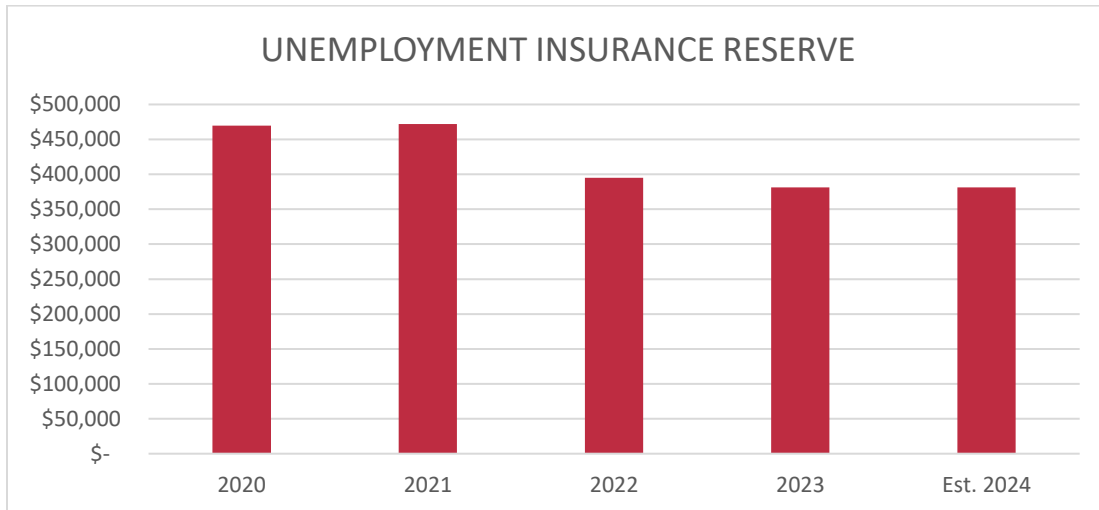
Ideal Balance: Approximately 1% of payroll.

The budgeted payroll expenditure for the 2024-25 year for all funds is \$43,079,850.

Use: The District appropriated and/or budgeted funds for the 2023-24 school year in the amount of \$20,000. This reserve is used as eligible expenses are paid throughout the school year.

The District appropriated and/or budgeted funds for the 2024-25 school year in the amount of \$20,000. As such, the balance will be used to offset unemployment expenses in 2024-25.

Funding: No additional funding is recommended as of June 30, 2024.



2016 Capital Reserve Fund

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 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. If approved, funds in the reserve will be applied according to the recommendation of our fiscal advisor.

Resolved, that the Board of Education of the Canandaigua City School District is hereby authorized to establish a Capital Reserve Fund pursuant to Section 3651 of the Education Law (to be known as the “2016 Building Capital Reserve Fund”), with the purpose of such fund being to finance site work, construction, reconstruction and equipping of school buildings and facilities; such capital costs being of a type that would be eligible for financing under the local finance law, the ultimate amount of such fund to be **\$10,000,000**, plus earnings thereon, the probable term of such fund to be **10 years**, but such fund shall continue in existence until liquidated in accordance with the Education Law or until the funds are exhausted, and the sources from which the funds shall be obtained for such Reserve are (i) amounts from budgetary appropriations from time to time, (ii) unappropriated fund balance made available by the Board of Education from time to time, and (ii) New York State Aid received and made available by the Board of Education from time to time, all as permitted by law.

Balance June 30, 2023: \$88,137

Ideal Balance: May not exceed the voter authorized limit, plus accumulated interest earnings.

Use: Voters authorized usage of \$9,949,758 in 2019-20 to partially fund the \$61.7M Asset Preservation Project currently in progress. The District had no appropriations of this reserve in 2023-24.

Funding: The reserve is fully funded and no additional funding to this reserve can occur.

2017 Capital Equipment Reserve Fund

Purpose: The Capital Equipment 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 equipment replacement costs. If approved, funds in the reserve will be applied according to the recommendation of our fiscal advisor.

Resolved that the Board of Education of the City School District of the City of Canandaigua, New York, is hereby authorized to establish a Capital Reserve Fund pursuant to Section 3651 of the Education Law (to be known as the “2017 Capital Reserve Fund”), with the purpose of such fund being to finance site work, construction, reconstruction and improvement of school buildings and facilities, including original furnishings, equipment, machinery or apparatus incidental thereto, and the purchase of technology equipment, transportation vehicles, furnishings, and other equipment, machinery or apparatus separately; provided that such capital costs are an object or purpose that would be eligible for financing under the Local Finance Law, the ultimate amount of such fund to be **\$5,000,000**, plus earnings thereon, the probable term of such fund to be **10 years**, but such fund shall continue in existence until liquidated in accordance with the Education Law or until the funds are exhausted, and the sources from which the funds shall be obtained for such Reserve are (i) amounts from budgetary appropriations from time to time, and (ii) unappropriated fund balance made available by the Board of Education from time to time, and (iii) New York State Aid received and made available by the Board of Education from time to time, all as permitted by law.

Balance June 30, 2023: \$5,224,681

Ideal Balance: May not exceed the voter authorized limit, plus accumulated interest earnings.

Use: The District had no appropriations of this reserve in 2023-24.

Funding: The reserve is fully funded and no additional funding to this reserve can occur.

2021 Capital Reserve Fund

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 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. If approved, funds in the reserve will be applied according to the recommendation of our fiscal advisor.

Resolved, the Board of Education of the Canandaigua City School District is hereby authorized to establish a capital reserve fund pursuant to Section 3651 of the Education Law to be designated, "2020 Capital Reserve Fund" created to defray the cost of the construction and reconstruction of School District buildings and facilities, including original equipment, machinery, apparatus, appurtenances, furnishings and other incidental improvements and expenses in connection therewith, and to defray the cost of, in whole or in part, and in order to accomplish the same, the Board is hereby authorized to establish the ultimate amount of such reserve fund to Ten Million Dollars (**\$10,000,000**) plus accrued interest and other investment earnings, with a probable term of **ten (10) years**. The Board of Education is hereby authorized to pay funds from the available fund balance, state aid reimbursement to the School District on account of capital projects, such other monies as the voters may direct, and/or other legally available funds of the School District to such reserve fund in an amount determined by the Board of Education up to the maximum authorized amount.

Balance June 30, 2023: \$7,473,958

Ideal Balance: May not exceed the voter authorized limit, plus accumulated interest earnings.

Use: The District had no appropriations of this reserve in 2023-24.

Funding: Additional funding of \$2,737,674 from year-end fund balance is recommended as of June 30, 2024.

2016 Transportation Vehicle Reserve

Purpose: The Bus Reserve Fund is a capital reserve specified to be used to pay for bus purchases. Voter authorization is required for both the establishment of the reserve and 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 will be used to offset local impact to District residents for the acquisition of transportation department vehicles. The District has adopted a bus replacement plan and intends to sustain the reserve so that the plan may be upheld.

Resolved, that the Board of Education of the City School District of the City of Canandaigua is hereby authorized to establish a Transportation Vehicle Reserve Fund pursuant to Section 3651 of the Education Law (to be known as the “2016 Transportation Vehicle Reserve Fund”), with the purpose of such fund being to finance the purchase of school buses, vehicles and equipment, such capital costs being of a type that would be eligible for financing under the local finance law, the ultimate amount of such fund to be **\$6,000,000**, plus earnings thereon, the probable term of such fund to be **five years**, but such fund shall continue in existence until liquidated in accordance with the Education Law or until the funds are exhausted, and the sources from which the funds shall be obtained for such Reserve are (i) amounts from budgetary appropriations from time to time, and (ii) unappropriated fund balance made available by the Board of Education from time to time, and (iii) New York State Aid received and made available by the Board of Education from time to time, all as permitted by law.

Balance June 30, 2023: \$3,316,097

Ideal Balance: May not exceed the voter authorized limit, plus accumulated interest earnings.

Use: The District appropriated through an approved voter proposition the use of \$840,000 in 2023-24 for the purchase of buses.

Funding: No additional funding can be authorized due to term restriction.

2023 Vehicle Purchase Reserve

Purpose: The Vehicle Purchase Reserve Fund is a capital reserve specified to be used for the purchase of school buses, other vehicles, and other equipment for use in the transportation program of the School District. Voter authorization is required for both the establishment of the reserve and 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 will primarily be used to offset local impact to District residents for the state-mandated acquisition of electric school buses and related equipment.

Resolved, the Board of Education of the Canandaigua City School District is hereby authorized to establish a capital reserve fund pursuant to Section 3651 of the Education Law to be designated, “2023 Vehicle Purchase Reserve Fund”, for the purchase of school buses, other vehicles, and other equipment for use in the transportation program of the School District, in an ultimate amount not to exceed **\$10,000,000** inclusive of accrued interest and other investment earnings, with a probable term of **10 years**. The Board of Education is hereby authorized to pay funds from the available fund balance, state aid reimbursement to the School District on account of bus purchases and the proceeds of the sale of used buses, and/or such other monies as the voters may direct, and/or other legally available funds of the School District to such reserve fund in an amount determined by the Board of Education up to the maximum authorized amount.

Balance June 30, 2023: \$2,550,485

Ideal Balance: May not exceed the voter authorized limit, inclusive of accumulated interest earnings.

Use: The District had no appropriations of this reserve in 2023-24.

Funding: Additional funding of \$650,000 from year-end fund balance is recommended as of June 30, 2024.

PROPERTY LOSS RESERVE AND LIABILITY RESERVE

Purpose: This reserve fund is used to pay for property loss and liability claims incurred. The reserve was established in 2012-2013 by board resolution. Annual contribution is limited to 1% of the budget. This reserve is an operational reserve; meaning that the funds contained within may be utilized to offset claims incurred. (Education Law, §1709, Subdivision 8-c). This reserve can be used offset any losses that are beyond insurance coverage levels or losses that are not covered by insurance.

Balance June 30, 2023: \$373,686

Ideal Balance: 1% of the budget.
The 2024-25 Budget is \$91,147,506. Therefore, the maximum contribution to this reserve would be \$911,148

Use: No current appropriation.

Funding: No additional funding is recommended as of June 30, 2024.



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)

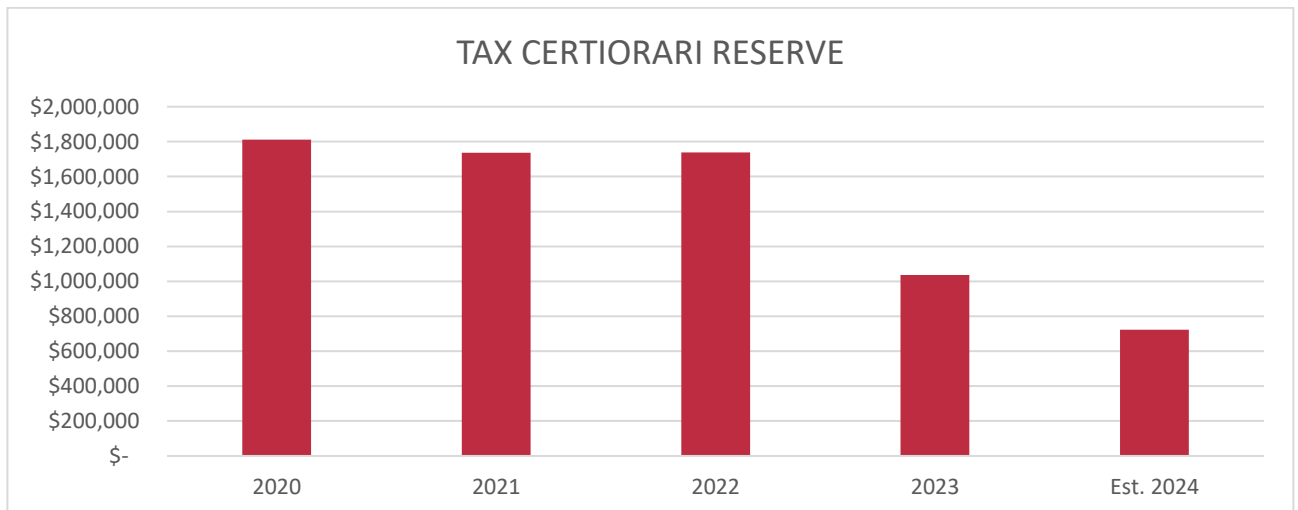
Balance June 30, 2023: \$1,035,730

Ideal Balance: The equivalent of pending tax certiorari claims or four-year rolling average. At present time, the District has potential tax certiorari claim refunds of approximately \$607,723 and the four-year rolling average liability is \$723,229.

Use: The District expensed funds for the 2023-24 school year in the amount of \$65,938. The balance will be reduced for settled tax certiorari claims as they occur.

The District appropriated and/or budgeted funds for the 2024-25 school year in the amount of \$100,000. The balance will be reduced for settled tax certiorari claims as they occur.

Funding: No additional funding recommended as of June 30, 2024. It is recommended that the District reduce the reserve by \$250,000 by June 30, 2024 to comply with the 4-year rolling average.



RETIREMENT CONTRIBUTION RESERVE

Purpose: The governing board of a school district, by resolution, may establish a reserve for the purpose of financing retirement contributions made to the NY State and Local Employees' Retirement System. Establishing or expending the reserve does not require voter approval. Expenditures may only be made pursuant to a board resolution and must be used to finance retirement contributions (General Municipal Law, §6-1). This reserve is an operational reserve and will be used to support ERS expenditures incurred each year.

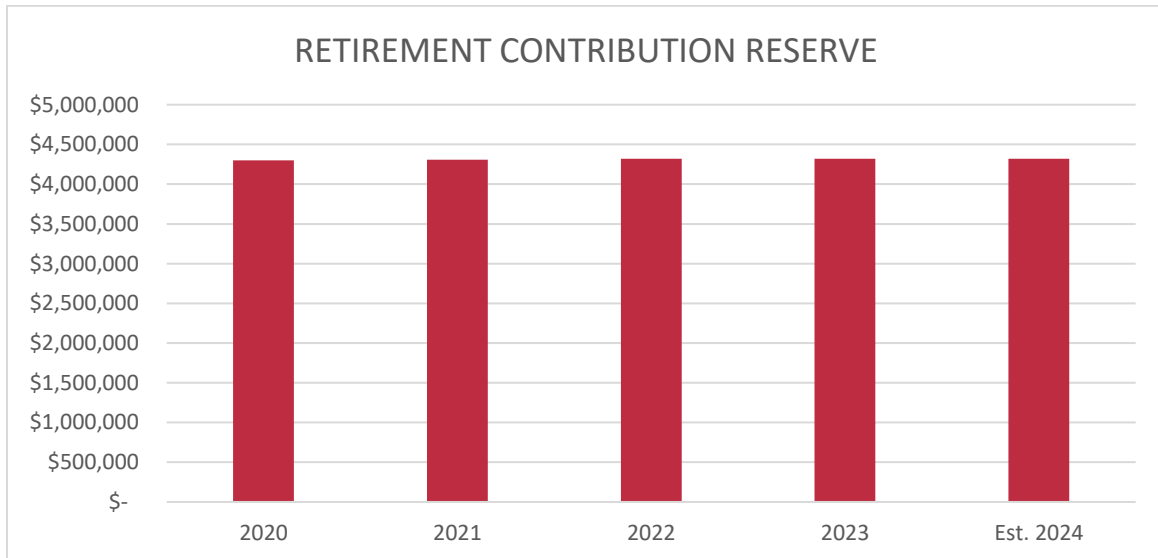
Balance June 30, 2023: \$4,318,443

Ideal Balance: Approximately 5 years of planned ERS expenditures.
The current projection for December 2023 is approximately \$1,660,000 which would equate to an ideal balance of approximately \$8,300,000.

Uses: The District appropriated \$924,338 from this reserve as a revenue source for the 2023-24 fiscal year, reducing the balance by this amount as of December 15, 2023.

The District appropriated \$1,000,000 from this reserve as a revenue source for the 2024-25 fiscal year. As such, as of December 15, 2024, the balance of the reserve will be reduced by this amount.

Funding: The District recommends funding \$1,000,000 from year-end fund balance as of June 30, 2024.



TRS CONTRIBUTION RESERVE

Purpose: The governing board of a school district, by resolution, may establish a sub-fund within the Retirement Contributions Reserve for the purpose of financing retirement contributions made to the NY State Teachers' Retirement System. Establishing or expending the reserve does not require voter approval. Expenditures may only be made pursuant to a board resolution and must be used to finance TRS contributions (General Municipal Law, §6-r). This reserve is an operational reserve and will be used to support TRS expenditures incurred each year.

Balance June 30, 2023: \$2,682,000

Ideal Balance: The maximum funding level is equal to 10% of the prior year's TRS salary expenditures. The maximum increase in any year is equal to 2% of the prior year's TRS salary expenditures. TRS salaries in 2022-23 totaled \$29,335,229 per the TRS Final Billings Detail Report. Current ideal funding would total \$2,933,522. Maximum funding in 2023-24 would total \$251,522.

Uses: This reserve will not be used for the 2024-25 Budget and is anticipated to be used for future TRS contribution increases.

Funding: The District recommends funding \$250,000 of year-end fund balance as of June 30, 2024.



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).

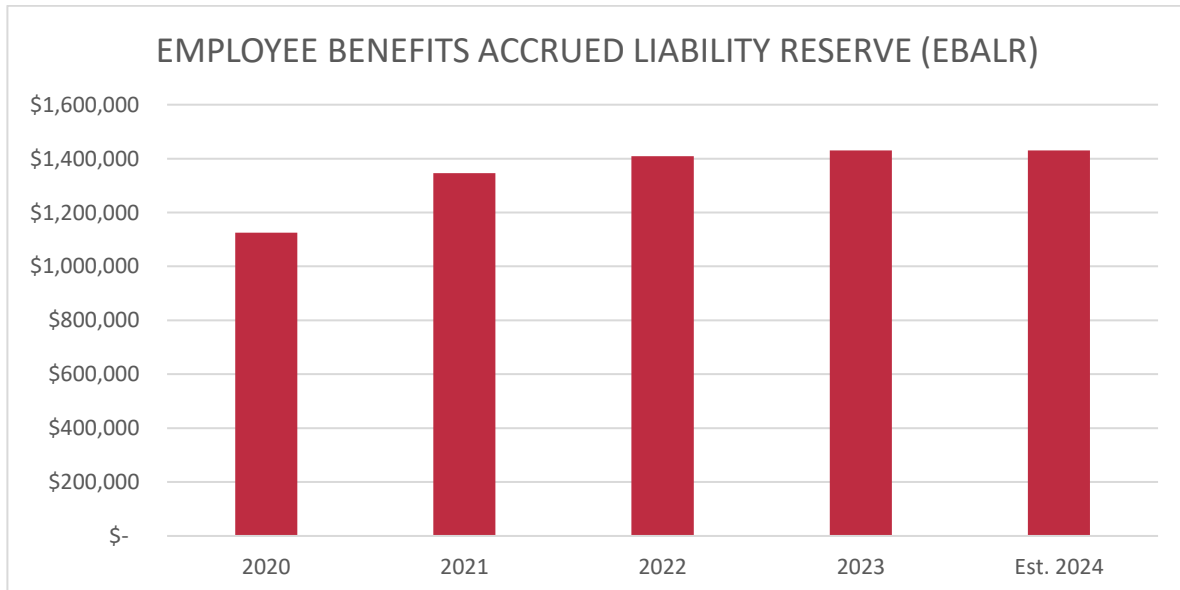
Balance June 30, 2023: \$1,430,702

Ideal Balance: Equivalent to the calculated total of compensated absences calculation less any monies expended from the general fund for this purpose. As of the June 30, 2023 reporting, compensated absences balances are \$2,036,852.

Use: The District appropriated \$100,000 from this reserve as a revenue source for the 2023-24 budget year and estimates expenses of \$81,608. As such, this fund will be reduced as eligible costs are paid.

The District appropriated \$100,000 from this reserve as a revenue source for the 2024-25 budget year. As such, this fund will be reduced as eligible costs are paid.

Funding: The District recommends funding \$100,000 from year-end fund balance as of June 30, 2024.



DEBT SERVICE FUND

Purpose: The District has established a fund for debt service as allowed by the *School District Accounting and Reporting Manual* published by the office of the State Comptroller. This fund is used to segregate funds required for debt payments as well as to transfer the interest earned on proceeds of long-term debt as required. The purpose of the fund is to hold interest earned from borrowed funds during construction period and unexpended funds from completed capital projects. It is intended to be used to offset the local cost of future debt service payments.

Balance June 30, 2023 \$815,067

Ideal Balance: Should not exceed outstanding bonded debt.

RESERVE FOR ENCUMBRANCES:

Purpose: Allows outstanding encumbrances remaining at the end of a school year to be carried over to the next school year. Board resolution is not needed to establish the reserve. Encumbrances represent bona fide obligations.

Balance June 30, 2023: \$556,373

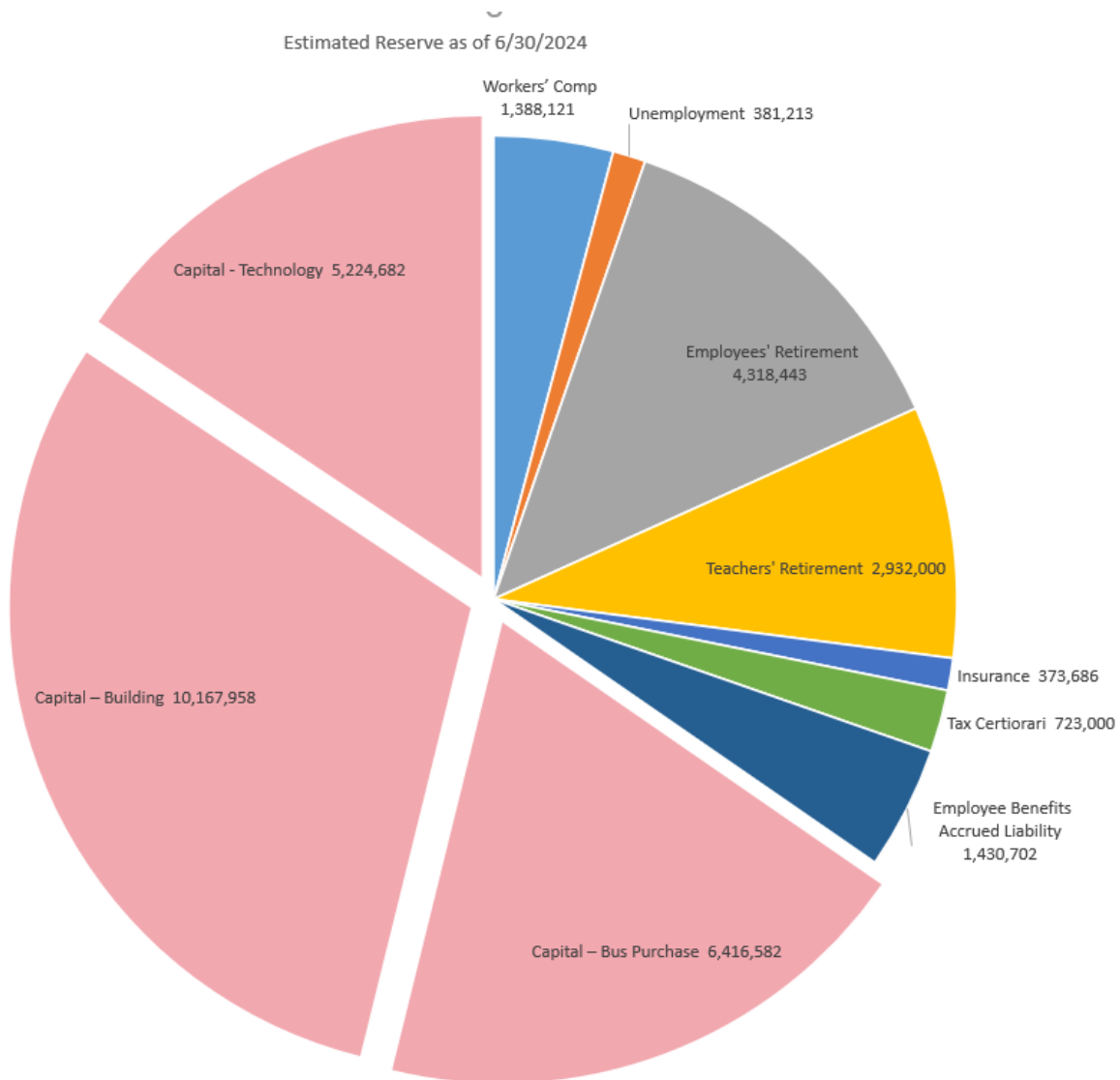
Ideal Balance: Equivalent to actual identified obligations.

APPROPRIATED FUND BALANCE:

For the 2023-24 school year, the District did not appropriate prior year unassigned fund balance towards the budget. For the 2024-25 Budget, the District will appropriate \$159,327 prior year unassigned fund balance.

Summary of Fund Balance Accounts

	2019	2020	2021	2022	2023
Fund Balance					
Reserved					
Reserved for Encumbrances	742,634	92,095	168,224	515,663	556,373
Workers' Compensation Reserve	1,246,126	1,382,888	1,384,970	1,387,054	1,388,121
Unemployment Insurance Reserve	340,699	469,839	472,043	394,820	381,213
Retirement Contribution Reserve	3,286,454	4,301,047	4,307,649	4,318,443	4,318,443
TRS Reserve	512,000	1,042,000	1,572,000	2,112,000	2,682,000
Property Loss & Liability Reserve	297,055	297,649	298,244	221,206	373,686
Tax Certiorari Reserve	1,839,396	1,811,301	1,735,434	1,737,950	1,035,730
Employee Benefits Accrued Liability Reserve	1,367,682	1,124,942	1,345,676	1,409,163	1,430,702
Capital Transportation & Bus Reserve(s)	1,824,711	5,064,390	4,598,569	4,061,676	5,866,582
Capital Reserve(s)	10,684,322	84,491	3,208,672	5,353,403	7,437,958
Capital Equipment Reserve	3,524,924	3,531,974	5,018,612	5,028,649	5,224,682
Unreserved					
Designated for Expenditure (Subsequent Year)	275,000	289,578	-	256,119	-
Unassigned	3,054,478	3,108,106	3,173,203	3,329,952	3,531,884
Fund Balance & Reserves as of June 30th	28,995,481	22,600,300	27,283,296	30,126,098	34,227,374
Debt Service Balance	54,109	73,986	94,455	445,838	815,067



- Total Reserve Fund Balances are equal to 36.6% of the 2024-25 Budget.
- Approximately 65% of Reserves are for Capital, Bus Purchases and Equipment as approved by the voters.
- Non-Capital Reserves (those reserves that are available to cover annual budgeted expenses) account for \$11,547,165 or 12.7% of the 2024-25 Budget.

Goals/Strategies

The Goal of the Canandaigua City School District is to plan conservatively to maintain strong academic programs. This conservative approach ensures that the District can maintain programs when unforeseen events arise such as the COVID-19 Pandemic, the Great Recession or elimination of the Hold Harmless provision for State Foundation Aid. Through strategic management of its reserves the District hopes to:

- Maintain excellent educational program during economic downturns
 - Provide future tax stability
 - Reduce the potential of mid-year cuts when revenues are cut or expenses unexpectedly rise (GEA/Pandemic, Fuel, Utility and Special Education cost spikes)
 - Ensure that the long-term plan for preserving and maintaining infrastructure renovations to buildings, purchase of buses and equipment have limited effect on the local taxpayer
 - Maintain a positive cash flow that maximizes investment earnings
 - Maintain and/or improve bond rating to lower the cost of borrowing
1. If the budget result in an increase in Fund Balance:
 - a. Replenish reserves used in the prior budget as necessary
 - b. Fund voter approved capital reserves to authorized levels
 - c. Fund Reserves towards goals set forth in this plan
 2. If the budget results in a decrease in Fund Balance:
 - a. Determine the sustainability of continuing to appropriate reserves
 - b. Re-assess appropriations and revenues to strategically plan an end to deficit spending