

General Fund Reserve Plan 2023-24



Letchworth Central School District
October 23, 2023

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

Balance June 30, 2022:	\$870,622.00
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2023:	\$870,622.00

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: The reserve has been fully funded at \$3,000,000.00 of which \$870,622.00 remains

Projected Need: \$870,622 to partially fund the local share of a future capital project

CAPITAL PROJECT RESERVE FUND – BUILDING

Voter Authorization	5/17/2022 <u>(A87896)</u>
Term	10 Years
Ultimate Limit	\$4,000,000
Source of funds	Annual budget, surplus funds

Balance June 30, 2022:	\$1,432,847.87
Deposits:	\$629,423.37
Expenditures:	\$0.00
Balance June 30, 2023:	\$2,062,271.24

The 2022 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: \$4,000,000.00

Projected Need: \$4,000,000.00 to partially fund the local share of a future capital project

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, 2022:	\$91,754.32
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2023:	\$91,754.32

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.

Projected Need: 2024-25: approx. \$91,754.32 for bus replacement costs (2 suburbans)

BUS PURCHASE RESERVE FUNDS

Voter Authorization	05/16/2023 (A87897)
Term	10 Years
Ultimate Limit	\$950,000 plus accrued interest (fully funded)
Source of Funds	Annual Budget, Surplus Funds

Balance June 30, 2022:	\$0.00
Deposits:	\$950,000.00
Expenditures:	\$0.00
Balance June 30, 2023:	\$950,000.00

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.

Projected Need: 2026-27 school year and following: approx. \$950,000.00 towards bus replacements

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, 2022:	\$173,645.44
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2023:	\$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.

Projected Need 2024-25: approx. \$173,000.00 to replace maintenance equipment

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, 2022:	\$294,722.60
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2023:	\$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, 2022:	\$35,475.79
Deposits:	\$0.00
Expenditures:	\$35,475.79 (returned to General Fund, Fund Balance as there are no open claims)
Balance June 30, 2023:	\$0.00

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: None at this time

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, 2022:	\$244,562.00
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2023:	\$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, 2022:	\$240,000.00
Deposits:	\$0.00
Expenditures:	\$50,000.00 (to cover deductible for contaminated soils project)
Balance June 30, 2023:	\$190,000.00

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: \$190,000.00 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, 2022:	\$514,388.92
Deposits:	\$43,491.61
Expenditures:	\$47,350.00
Balance June 30, 2023:	\$510,530.53

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, 2023.

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, 2022:	\$1,632,228.78
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2023:	\$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.

Funding Goal: \$1,645,764.47 (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, 2022:	\$562,153.97
Deposits:	\$146,420.07
Expenditures:	\$0.00
Balance June 30, 2023:	\$708,574.04

The Reserve for Teachers' Retirement System Contributions is used for the purpose of financing retirement contributions for employees who are members of 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: Maintain the funding level at 10% of TRS salaries from the preceding fiscal year

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, 2022:	\$240,820.59
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2023:	\$240,820.59

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.

Funding Goal: \$240,820.59

Projected Need: Will be evaluated each year to determine the level of future unemployment needs

WORKERS' COMPENSATION RESERVE (A814)

Board Authorization	04/19/2021
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds

Balance June 30, 2022:	\$500,000.00
Deposits:	\$0.00
Expenditures:	\$0.00
Balance June 30, 2023:	\$500,000.00

The Workers' Compensation Reserve is utilized to ensure coverage of existing Workers' Compensation claims and existing liabilities. 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.

Funding Goal: \$472,263.35 (5 Years of Workers' Compensation Expenses)

Projected Need: annually evaluate the need for funding for increasing Workers' Compensation costs and budget support

The following items are not reserves, but are important to planning revenues for the District.

Unassigned Fund Balance (A912)

Creation: Retention of these funds are allowed by law.

Purpose: These funds are unrestricted and may be used for any valid purpose.

Funding: These funds have been accumulated from excess fund balance.

Use: It is recommended that these funds not be used except for an emergency, unanticipated expense, or revenue shortfall that cannot be handled either in the budget or with other available reserves.

Level: The maximum legal limit is 4% of the ensuing year's budget.

Legal Limit as of 6/30/23: \$986,023.00

Unassigned Fund Balance as of 6/30/23 (A912): \$986,023.00

Assigned Fund Balance - Appropriated for Subsequent Years (A914)

Creation: These funds have been set aside, for a particular purpose, to reduce the tax levy required to support an ensuing year's budget.

Purpose: These funds are set aside and returned to the community by lowering the required tax levy to support the District's budget.

Funding: Fund balance that is assigned for a particular purpose.

Use: It is recommended that the practice of returning these funds continue each year, as budgets permit. In the future, tighter budgets may restrict the amount of excess available to be returned in a subsequent year.

Level: Over time, it is recommended that the planned amount of assigned fund balance included as a revenue source in future budgets be limited to \$300,000 plus encumbrances.

Balance as of 6/30/23: \$300,000.00