Phelps-Clifton Springs Central School District
Reserve Funds Plan
Fiscal Year Ending June 30, 2025

Table of Contents

Intended Use of Reserves ……3

What is a Surplus and Why Have One?……4

Overview of District Reserve Funds ……5

Worker's Compensation Reserve ……6

Unemployment Insurance Reserve ……8

Retirement Contribution Reserve (ERS) ……10

Retirement Contribution Reserve (TRS) ……12

Tax Certiorari Reserve ……13

Employee Benefit Accrued Liability Reserve ……15

Reserve for Debt Service ……17

Capital Reserve (Building and Bus Purchases) ……19

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. 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. 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/lgmg/reservefunds.pdf

What is a Surplus and Why Have One?

NYS Law mandates that, unlike some municipalities, school districts cannot expend more than the budget the voters authorized. Regardless of known or unknown events, expenditures can be no greater than the budget approved by the voters.

Therefore, the District uses a conservative budget plan that includes sufficient funding for what is known and some degree of hedging for uncertainty in the ensuing budget year, whether it be energy spikes, additional special education placements, or mid-year revenue reductions to ensure that our instructional program for students is not adversely impacted during the budget year.

This practice has allowed the District to weather unforeseeable circumstances without significantly impacting instructional programs for several years. Circumstances include:

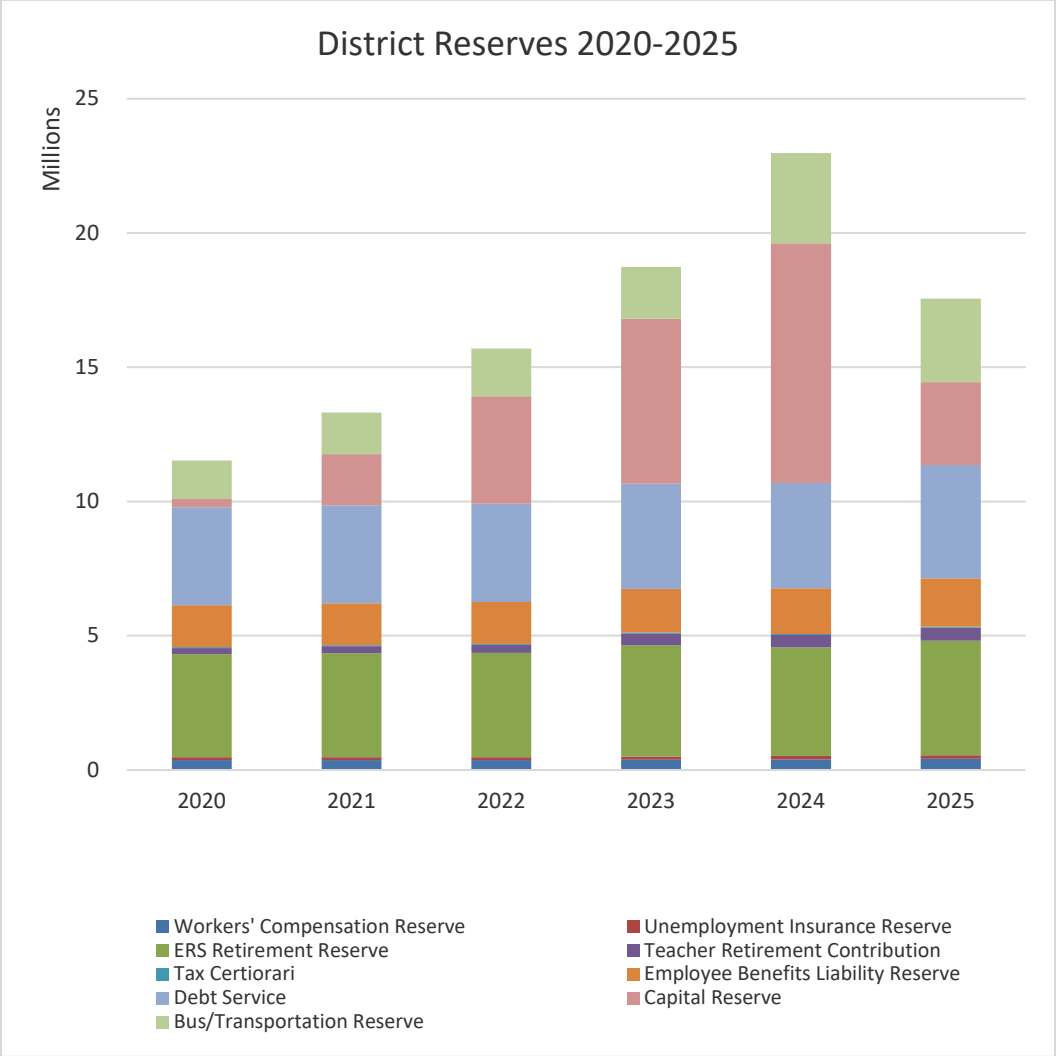
- Health Crises, i.e. COVID-19 Pandemic
- State Aid Reductions
- Student Placements
- Expense Increases – health insurance, fuel, utilities, federal and state mandates

The Board of Education and the District annually review all year-end surpluses and determine the best use of these funds, including:

- Transfers as permitted by law to an authorized reserve fund
- Appropriating funds towards the ensuing year's budget to reduce the Tax Levy while maintaining key programs for students (appropriated fund balance)

This budgeting practice has been endorsed by Moody's Rating Agency, which has given the District a Bond Rating of A1, citing very stable operations and reserves. These are considered "Upper Medium" ratings, which are very good for a small school district.

Overview of District Reserve Funds



Reserve	2025
Workers' Compensation Reserve	420,218
Unemployment Insurance Reserve	131,580
ERS Retirement Reserve	4,257,948
TRS Retirement Reserve	490,638
Tax Certiorari	38,000
Employee Benefit and Accrued Liability Reserve	1,799,219
Debt Service	4,224,170
Capital Reserve	3,083,860
Bus Purchase Reserve	3,110,123
Total	$17,555,756

Workers' Compensation Reserve (GML 6-j)

Purpose

To pay for compensation and benefits, medical, hospital, or other expenses authorized by Article 2 of the Workers' Compensation Law and to pay the expenses of administering a self-insurance program.

Source of Funds

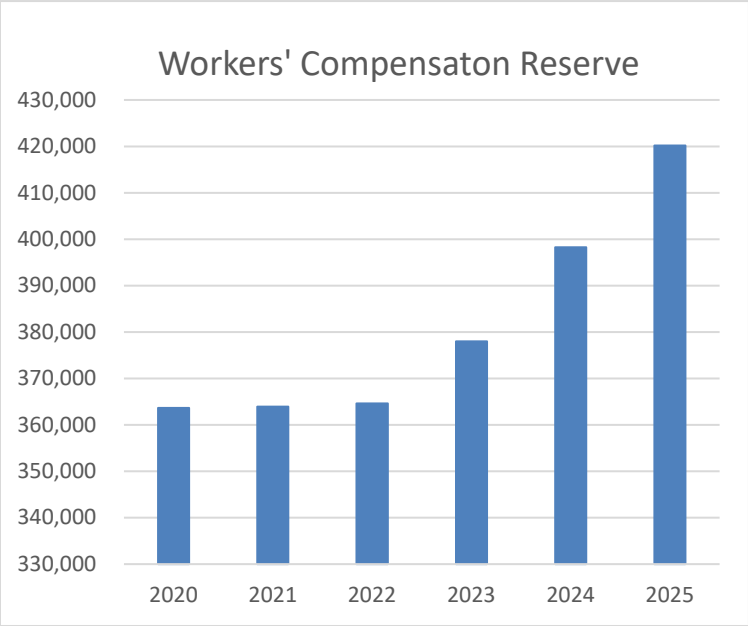
The reserve is funded by budgetary appropriations and other sums as may be legally appropriated.

Use of Unexpended Balances

If at the end of any fiscal year, moneys in the fund exceed the amounts required to be paid for compensation, benefits, and expenses, plus any additional amount required to pay all pending claims, the Board of Education, within 60 days of the close of the fiscal year, may elect to transfer all or part of the excess amount to certain other reserve funds, or may apply all or part of the excess to the budget appropriation of the next succeeding fiscal year. If the district ceases to be a self-insurer, moneys remaining in the fund may be transferred to certain other reserve funds, but only to the extent moneys in the fund exceed an amount sufficient to pay all authorized expenditures, both accrued and contingent.

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

Analysis and Funding Level



The current funding methodology is estimated to be sufficient to pay claims for 3.5 years based on 3-year average workers' compensation expenses and assuming no increase in premium equivalency. In the interest of long-term financial stability of the District, the Board of Education will continue to fund this reserve to the extent that surplus funds are available for this purpose.

Unemployment Insurance Reserve Fund (GML Section 6-m)

Purpose

To reimburse the State Unemployment Insurance Fund for payments made to claimants where the municipality has elected to use the "benefit reimbursement" method.

Source of Funds

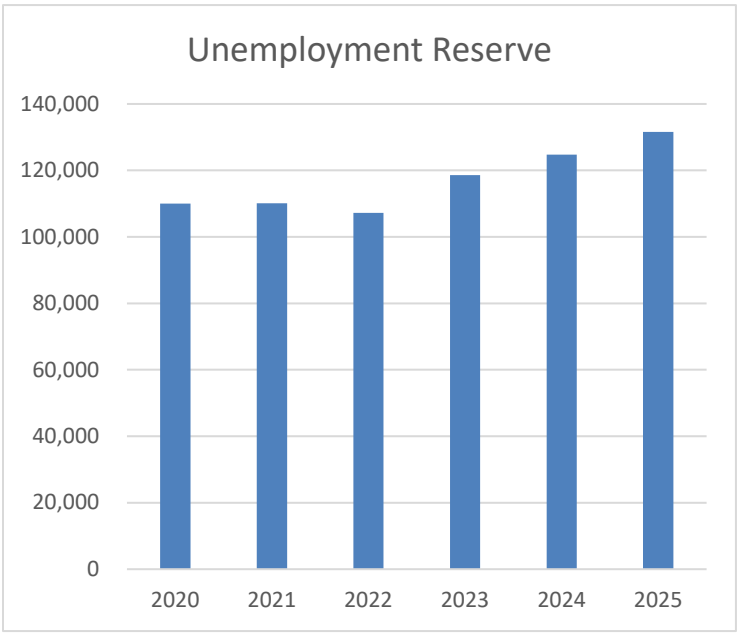
Budgetary appropriations, amounts from certain other reserve funds, subject to permissive referendum; other funds that may be legally appropriated.

Use of Unexpended Balances

If at the end of any fiscal year, the moneys in the fund exceed amounts required to be paid into the Unemployment Insurance Fund as described above, plus any additional amounts required to pay all pending claims, the governing board, within 60 days of the close of the fiscal year, may elect to transfer all or part of the excess amounts to certain other reserve funds, or apply all or part of the excess to the budget appropriation of the next succeeding fiscal year. If the local government terminates its election to become liable for payments in lieu of contributions (i.e., elects to convert to "tax contribution" basis), moneys remaining in the fund may be transferred to certain other reserve funds, to the extent moneys in the fund exceed amounts sufficient to pay all pending claims.

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

Analysis and Funding Level



The funding methodology of this reserve reflects the District's financial obligation and ability to satisfy NYS Unemployment benefits for up to 10 employees for the maximum period in which they would receive benefits. The fund has been replenished with surplus unencumbered fund balance from the general fund based on Board of Education directive and the district will continue to analyze and adjust the funding of this reserve.

Employees' Retirement System Contribution Reserve Fund (GML Section 6-r)

Purpose

For the payment of "retirement contributions," which are defined as all or any portion of the amount payable to either the New York State and Local Employees' Retirement System or the New York State and Local Police and Fire Retirement System, pursuant to Sections 17 or 317 of the Retirement and Social Security Law.

Source of Funds

(a) Budgetary appropriations or taxes raised for the reserve

(b) Revenues that are not required by law to be paid into any other fund or account

(c) Amounts from reserve funds established pursuant to Sections 6-c, 6-d, 6-e, 6-f or 6-g of the General Municipal Law (supported by the same tax base), or pursuant to Education Law Section 3651 subject to public hearing requirements

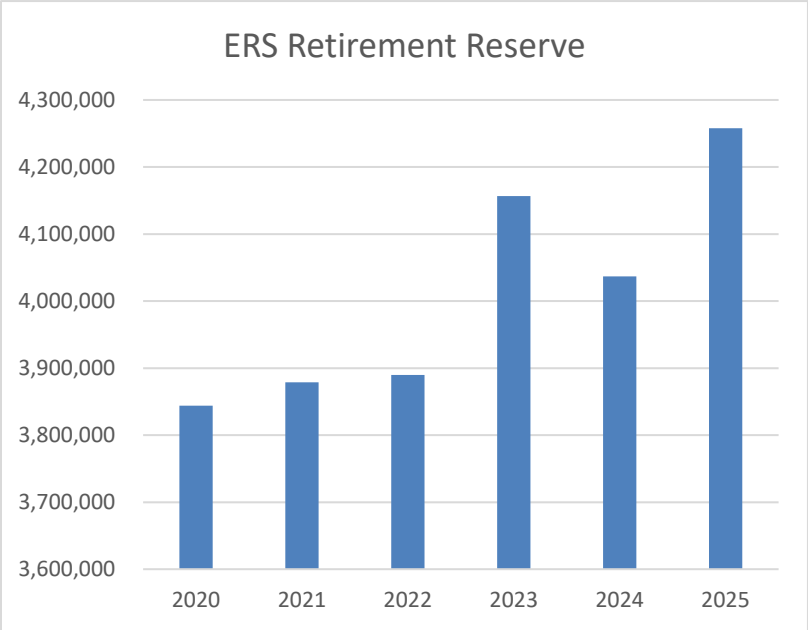
(d) Other funds that may be legally appropriated

Use of Unexpended Balances

The board may authorize the transfer of a portion of the moneys in the retirement contribution reserve to a reserve fund established pursuant to Sections 6-c, 6-d, 6-e, 6-f or 6-g of the General Municipal Law (supported by the same tax base), or in the case of a school district, a reserve fund established pursuant to Section 3651 of the Education Law. Such a transfer is subject to a public hearing. If the board determines that the retirement contribution reserve is no longer needed, the board may terminate the fund by resolution. The resolution must transfer any moneys remaining in the retirement contribution reserve to one or more reserve funds established pursuant to Sections 6-c, 6-d, 6-e, 6-f or 6-g of the General Municipal Law (supported by the same tax base), or in the case of a school district, one or more reserve funds established pursuant to Section 3651 of Education Law.

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

Analysis and Funding Level



The Retirement Contribution Reserve is utilized to assist in the balancing of revenues and expenditures as a part of the yearly budget development process. The fund is strategically maintained at the approximate three-year level of liability of the New York State and Local Retirement System. The District anticipates increases in ERS rates in future years. The fund has been replenished with surplus unencumbered fund balance from the general fund based on Board of Education directive.

The funding methodology for this reserve represents the estimated cost of the district's ERS annual cost for 7 years. There are no limits on the amount of money that may be kept on deposit in this reserve. In the interest of long-term financial stability of the District, the Board of Education will continue to fund this reserve to the extent that surplus funds are available for this purpose.

Teachers' Retirement System Contribution Sub-Fund/Reserve (GML Section 6-r)

The 2019-20 New York State enacted budget allowed school districts to establish a reserve fund for New York State Teachers' Retirement System (TRS) contributions. The Phelps-Clifton Springs Central School District Board of Education approved a resolution in 2019 establishing the reserve, which is a sub-fund of the Retirement Contribution Reserve. Contributions into the TRS Reserve in a fiscal year may not exceed 2% of the total compensation or salaries of the teachers employed by the school district who are members of the NYS Teachers' Retirement System paid during the prior fiscal year. Additionally, the balance of the TRS Reserve may not exceed 10% of the total compensation or salaries of teachers employed and who are members of the New York State Teachers' Retirement System paid during the prior fiscal school year. This reserve is authorized under GML Section 6-r.

Analysis and Funding Level

The Teacher Retirement System Contribution sub-fund will be used to offset district expenses. As Teacher Retirement System costs exceed the costs for the Employee Retirement System, the sub-fund will be funded up to the 2% limit on an annual basis, maintaining it at less than 10% of the total teacher retirement eligible compensation. The sub-fund will be funded with surplus unencumbered fund balance from the general fund based on Board of Education directive.

Tax Certiorari Reserve Fund (Education Law Section 3651(1-a))

Purpose

To pay judgments and claims in tax certiorari proceedings in accordance with Article seven of the Real Property Tax Law.

Source of Funds

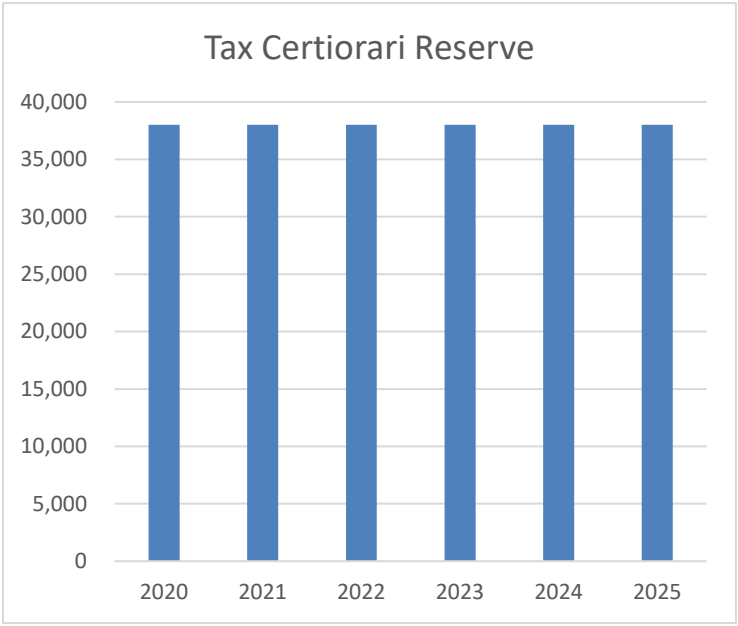
Generally, an annual amount necessary to meet the requirements of the proposition under Section 3651[1]; also the voters may from time to time direct school authorities to pay moneys derived from any other source into a Section 3651[1] reserve. (No voter approval provision in the case of a school district in a city with population of 125,000 or more.) For a reserve under Section 3651[1-a], generally budgetary appropriations.

Use of Unexpended Balances

Funds that are not expended for the payment of judgments or claims arising out of tax certiorari proceedings for the tax roll in the year the moneys are deposited to the fund and/or that will not be "reasonably required to pay any such judgments or claim", must be returned to the general fund on or before the first day of the fourth fiscal year following the deposit of such moneys to the reserve fund. If the proceeding or claim has been finally determined or otherwise terminated or disposed of after the exhaustion of all appeals, then money is deemed no longer reasonably required and should be returned to the general fund.

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

Analysis and Funding Level



The Tax Certiorari Reserve is used to pay judgements and claims in tax certiorari proceedings. The fund has been replenished with surplus unencumbered fund balance from the general fund based on Board of Education directive. The District will consult with their attorney on a yearly basis to determine if there are any open claims that impact this reserve.

Employee Benefit and Accrued Liability Reserve (GML Section 6-p)

Purpose

To pay for any accrued "employee benefit" due an employee on termination of the employee's service.

"Employee benefit" is defined in GML Section 6-p as "cash payment of the monetary value of accrued and accumulated but unused and unpaid sick leave, personal leave, holiday leave, vacation time, time allowances granted in lieu of overtime compensation and any other forms of payment for accrued but unliquidated time earned by municipal employees and payable to municipal employees upon termination of service, whether by retirement or otherwise…."

Lump sum payments upon separation from service that are calculated in a manner unrelated to accrued, unliquidated leave time credits are not payable from the employee benefits and accrued liabilities reserve per 2006 Op St Comp No. 2006-8, at 19.

Source of Funds

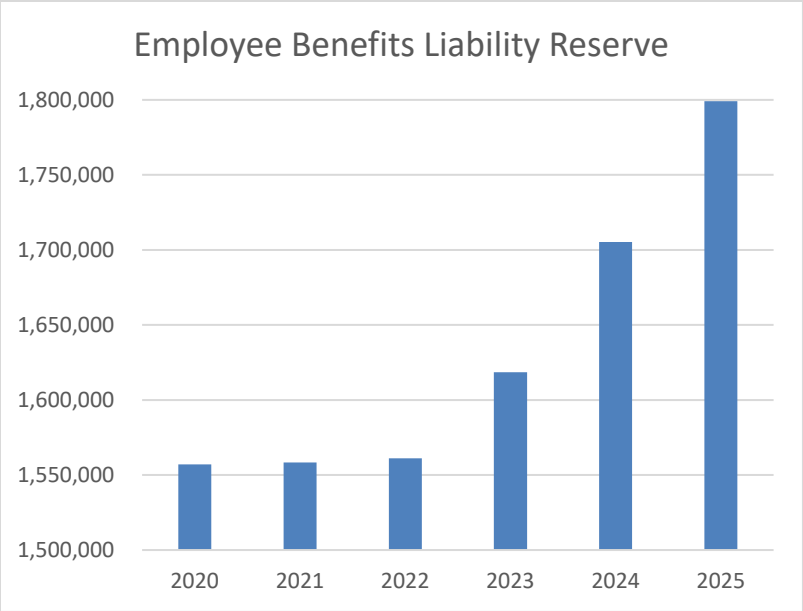
Budgetary appropriations, amounts from certain other reserve funds, subject to permissive referendum; other funds that may be legally appropriated.

Use of Unexpended Balances

Use of Unexpended Balances: If funds are no longer needed, the money remaining in the fund may be transferred to any other reserve fund authorized by General Municipal Law or a reserve fund established under Education Law Section 3651, but only to the extent that the moneys in the fund exceed a sum sufficient to pay all liabilities incurred or accrued against the employee benefit and accrued liabilities fund, as certified to the Board by the fiscal and legal officers of the district prior to the discontinuance of the fund.

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

Analysis and Funding Level



The District's recorded liability for compensated absences as of June 30, 2025 was $1,790,257, which is the audited balance of compensated absences. The funding methodology reflects the district's estimated contractual obligation related to staff sick-day buy-outs at the time of retirement. For the 2025-26 school year, the District plans on using $95,000 to compensate retirees for unused sick days at the time of retirement.

Mandatory Reserve for Debt Service (GML Sections 6-l)

Purpose

To generally restrict the use of (1) the proceeds of the cash sale of a capital improvement and (2) state and federal aid received for a capital improvement, generally to the retirement of outstanding obligations issued to finance such improvement.

Source of Funds

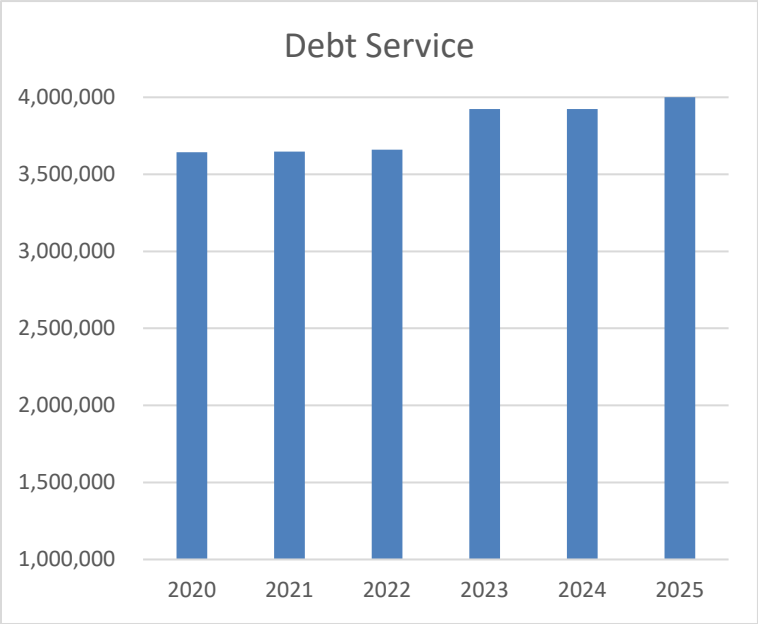
Proceeds from the cash sale of a capital improvement that was financed by obligations that remain outstanding at the time of the sale; State and federal aid received for a capital improvement financed by obligations that are outstanding at the time the aid is received.

Use of Unexpended Balances

If the aggregate amount exceeds the principal of the outstanding indebtedness due, or to become due, any excess may be used for any lawful district purpose. Also, if there are any remaining unexpended money in the fund when all the outstanding obligations have been retired, the excess may be used for any lawful district purpose.

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

Analysis and Funding Level



There is no ideal balance for the Debt Service Reserve 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.

Capital Reserve (Building & Bus Purchases) (GML Sections 6-c, 6-g)

Purpose

To finance all or part of the cost of construction, reconstruction, or acquisition of:

- A "specific" or "type" capital improvement
- The acquisition of a "specific" or a "type" item(s) of equipment

The term "capital improvement" means: any physical improvement and any related preliminary studies and surveys; lands or rights in land; any furnishings, equipment, machinery, or apparatus for any physical improvement acquired at the time when such improvement is constructed, reconstructed, or acquired.

The term "equipment" includes any equipment, machinery, or apparatus not included in the definition of capital improvement and for which a period of probable usefulness has been provided by law.

Source of Funds

Capital reserve funds may generally be funded with:

(a) Budgetary appropriations
(b) Revenues not required by law to be paid into any other fund or account (e.g., transfers from unexpended balances of existing appropriations and surplus moneys).

Use of Unexpended Balances

Generally, unexpended balances in a capital reserve fund may be transferred to another capital reserve having the same tax base.

a) *Capital Reserve Balances Remaining After Completion or Acquisition*: If there is an unexpended (residual) balance remaining in a specific or type capital reserve after the capital improvement or item of equipment has been completed or acquired, the governing board may appropriate all or any part of such remaining balance to another capital reserve fund without referendum. An amount sufficient to satisfy all outstanding claims arising from the construction, reconstruction, or acquisition of the improvement or the acquisition of the equipment should remain designated for such claims until they are satisfied.

   Additionally, in a municipality, all or part of the unexpended balance of a capital reserve established for a specific improvement or item of equipment that has been

completed or acquired (less amounts required to satisfy all outstanding claims related to such improvement or equipment) may be appropriated for:

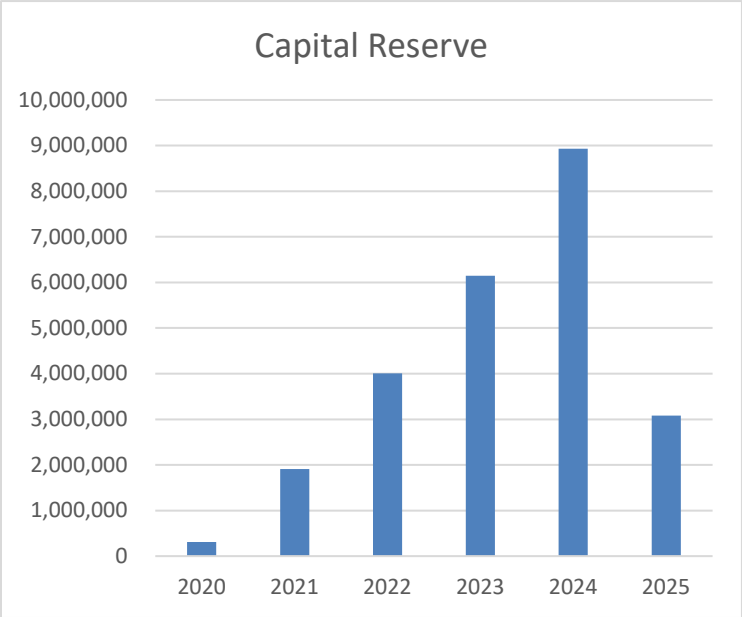
• An object or purpose for which bonds may be issued

• The payment of interest on and principal of indebtedness (except indebtedness for assessable improvements and certain indebtedness excludable from constitutional debt limits) (Section 6-c [9-a]).

b) *Capital Reserve Balances Never Utilized*: Where a specific capital reserve has been established, and the improvement or item of equipment has not been acquired or completed, any transfer is subject to permissive referendum if the authorization for the creation of the reserve was subject to permissive referendum. While subject to a public hearing with 15 days notice, unexpended balances may also be transferred to a Retirement Contribution Reserve Fund.

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

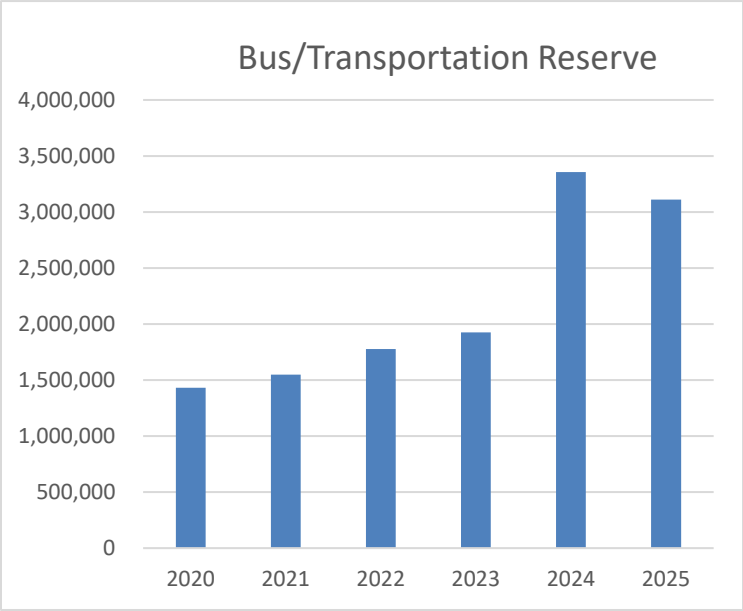
Analysis and Funding Level



Current Capital Reserve levels are made up of the following:

The 2023 Capital Reserve which has an $8 million aggregate threshold. This reserve currently has $6.5 million funded to date of which $4 million was utilized for the 2024 Capital Project to improve district infrastructure while mitigating impact to the local share. This fund has primarily been replenished with surplus unencumbered fund balance on an annual basis at the directive of the Board of Education. The Board of Education may need to consider a new 2026 Capital Reserve with a maximum allocation of $10 million during its next budget vote to plan for future projects.

Analysis and Funding Level



The 2024 Transportation Capital Reserve which has a $5 million aggregate threshold. This reserve currently has $3 million funded to date. This fund has primarily been replenished with surplus unencumbered fund balance on an annual basis at the directive of the Board of Education.