

Nyack Union Free School District

Reserves Plan

June 30, 2021

OVERVIEW

The establishment and funding of reserves is an important consideration in the maintenance of a sound financial plan for any school district. Strict adherence to state laws is required to ensure reserves are both legal and appropriate. Adequately funded reserves are vital to the long-term health and stability of the school district.

The Nyack Union Free School District believes that the judicious use of reserves reduces long-term borrowing costs, smooths large fluctuations in tax rates, and minimizes the possibility of mid-year budget cuts which could have a direct impact on students. We believe it is in the best interest of students, staff, and taxpayers to prudently establish and use reserves to weather the financial storms and uncertainties that can occur throughout a school year.

Since New York State law mandates that expenditures can be no greater than the budget approved by the voters in May each year, Nyack Union Free School District budgets conservatively to ensure that unanticipated expenditures do not result in mid-year cuts or expenditure freezes that could have an immediate impact on students and/or staff. This practice has allowed the District to weather revenue reductions, state aid holdbacks, increases in expenditures such as Special Education, and other negative adjustments without impacting instructional programs. However, conservative budgeting can also result in budget surpluses at year-end. The Board of Education reviews budget surpluses via the annual Fund Balance Report and determines the best use of these surpluses including transfers to voter or Board approved reserves, or to a reduction in the ensuing year tax levy.

Legally established reserves can provide many benefits to the school district and to its taxpayers. However, these reserves can also cause confusion when not utilized and/or their purpose is not clearly understood by the community.

RESERVES

The Board of Education is responsible for appropriately managing the financial affairs of the District. Reserves may be established by the Board in accordance with applicable laws. Money set aside in reserves must be used in compliance with statutory provisions which determine how reserves are established and how they may be funded, expended, and/or discontinued. Generally, school districts are not limited as to how much money can be held in reserves. However, reserve balances must be reasonable.

Funding reserves at greater than reasonable levels contributes to real property tax levies that are higher than necessary because the excessive reserve balances are not being

used to fund operations. The Board is responsible for developing a formal plan for the use of its reserves, including anticipated use and need of reserve funds and how and when disbursements should be made. By maintaining excessive and/or unnecessary reserves, the Board and District officials may miss opportunities to lower the property tax burden and/or funds from being used to meet District needs.

The following is a plan with a report/analysis of the current status and internal controls over Reserve Funds at Nyack Union Free School District:

Unemployment Insurance Reserve

Authorized by General Municipal Law Section 6-m

Purpose – This reserve is used to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for unemployment benefit payments to claimants.

Creation – This reserve was established via resolution of the Board of Education.

Funding Goal- An amount that is deemed adequate to offset the costs of unemployment benefits for the District. The balance in this reserve fund as of 6/30/21 is \$150,000.

Funding Level – This reserve will be funded as deemed appropriate.

Funding Methods – This reserve will be funded from excess fund balance or by budgetary appropriations.

Use of Reserve – In accordance with the law, this reserve may be used at the discretion of the Superintendent and School Business Official specifically to offset expenses tied to unemployment insurance claims related to employee attrition.

Monitoring of Reserve – This reserve is monitored by the Superintendent and School Business Official.

Property Loss & Liability Reserve

Authorized by Education Law Section 1709

Purpose – This reserve is used to pay the cost of self-insured property loss and liability claims.

Creation – This reserve was established via resolution of the Board of Education.

Funding Goal- Annual contributions are limited to 3% of the annual budget or \$15,000, whichever is greater.

Funding Level – This reserve will be funded as deemed appropriate. The amount of this fund as of 6/30/21 is \$1,940,000.

Funding Methods – This reserve will be funded from excess fund balance or by budgetary appropriations.

Use of Reserve – In accordance with the law, this reserve may be used at the discretion of the Superintendent and School Business Official specifically to offset expenses related to property loss and liability claims. The Board of Education may use monies not required to settle pending claims to purchase insurance policies to cover losses previously self-insured.

Monitoring of Reserve – This reserve is monitored by the Superintendent and School Business Official.

Capital Reserve

Authorized by Education Law Section 3651

Purpose – This reserve is used to pay for unanticipated, non-recurring repairs to District capital improvements, facilities and equipment.

Creation – This reserve was established via authorization of a majority of the voters.

Funding Goal– An amount that is adequate to cover construction, improvements, and repairs to District facilities and equipment.

Funding Level – This reserve will be funded as deemed appropriate. Interest earnings on the moneys deposited for the reserve shall accrue to and become part of the reserve. The balance of this reserve was \$8,000,000 as of 6/30/21.

Funding Methods – Voter approval is required to fund this reserve.

Use of Reserve – In accordance with the law, a public hearing must be held in order to use funds from this reserve, except in an emergency. Funds used for an emergency without holding a public hearing must be returned to the fund over two years with at least one-half in the first year. A vote of two-thirds of the Board is required to authorize an emergency expenditure. Use is restricted to the purpose stated above.

Monitoring of Reserve – This reserve is monitored by the Superintendent and School Business Official.

Tax Certiorari Reserve

Authorized by Education Law Section 3561

Purpose – This reserve is used to pay for prior year judgments and claims in tax certiorari proceedings.

Creation – This reserve was established via resolution of the Board of Education.

Funding Goal- As the district receives tax certiorari claims; we reserve funds to cover the cost of these claims against the District.

Funding Level – The amount of this fund as of 6/30/21 was \$10,260,281 and will be evaluated and adjusted on an annual basis.

Funding Methods – Funding methods may include from excess fund balance or transfers from other reserves. Funds placed in these reserves that are not used to pay tax certiorari judgments or claims in the year the moneys are deposited to the fund and/or that will not be “reasonably required to pay any such judgements or claim,” must be returned to the General Fund by the first day of the fourth fiscal year following the deposit of such monies.

Use of Reserve – This reserve would be used to pay for prior year’s tax certiorari claims.

Monitoring of Reserve – This reserve will be monitored by the Superintendent and School Business Official. It is anticipated that detailed calculations will be required each year to support the amounts in this reserve.

Employee Retirement Contribution (ERS) Reserve Fund

Authorized by General Municipal Law Section 6-r (2004)

Purpose – This reserve is used to pay all or a portion of retirement contributions payable to the NYS Employees’ Retirement System pursuant to Section 17 of the Retirement and Social Security Law.

Creation – This reserve was established via resolution of the Board of Education. A referendum is not required either to create or expend moneys from this reserve.

Funding Goal- A minimum funding level equivalent to value of five consecutive highest assessed years or three years of expense of the ERS.

Funding Level – The balance of this fund as of 6/30/21 is \$2,500,000.

Funding Methods – The reserve may be funded by the following:

- Budgetary appropriations or taxes raised for the reserve
- Revenues not required or restricted by law to be paid into another fund or account
- Transfers from Tax Certiorari or Capital Reserves

Use of Reserve – Funds will be used to offset New York State Employees Retirement System billings. Transfers from or back to other reserve funds require a public hearing within 15 days’ notice published in official newspaper(s).

Monitoring of Reserve – This reserve is monitored by the Superintendent and School Business Official.

Teachers' Retirement System Contribution (TRS) Reserve Fund

Authorized by General Municipal Law Section 6-r (2019)

Purpose – The TRS reserve broadens the Retirement Contribution Reserve Funds as a subset of the ERS reserve pursuant to Chapter 59 of the 2019 legislation. The purpose of this reserve is to offset the amount of school aid deducted by the State to cover teacher retirement obligations.

Creation – This reserve was established via resolution of the Board of Education. A referendum is not required to either create or expend moneys from this reserve.

Funding Goal- The District may annually set aside up to 2% of its total TRS payroll for the immediately preceding fiscal year. The total balance of the fund may not exceed 10% of the total compensation paid to TRS members employed during the prior fiscal year.

Funding Level – The balance of this fund as of 6/30/21 is \$2,143,567.

Funding Methods – The reserve may be funded by the following:

- Budgetary appropriations or taxes raised for the reserve
- Revenues not required or restricted by law to be paid into another fund or account
- Transfers from Tax Certiorari or Capital Reserves

Use of Reserve – Funds will be used to offset annual New York State Teacher Retirement System contributions.

Monitoring of Reserve – This reserve is monitored by the Superintendent and School Business Official.

Nyack Union Free School District- Reserve Fund Summary Report

	2021	2020	2019	2018	2017
Unemployment Reserve	150,000	125,000	100,000	75,000	75,000
Property Loss & Liability Reserve	1,940,000	200,000	200,000	100,000	100,000
Capital Reserve	8,000,000	8,000,000	13,000,000	12,982,407	8,173,421
Tax Certiorari Reserve	10,260,281	7,364,519	8,450,053	4,183,763	4,183,763
Employee Retirement Contributions Reserve (ERS)	2,500,000	2,000,000	2,000,000	1,800,000	1,800,000
Teacher Retirement Contributions Reserve (TRS)	2,143,567	1,412,833	701,038	0	0
Total Reserves	\$24,993,848	\$19,102,352	\$24,451,091	\$19,141,170	\$14,332,184