

BYRON BERGEN CENTRAL SCHOOL

RESERVE PLAN



Balances projected as of June 30, 2020

Reviewed and Approved by Board of Education – May 2020

The purpose of the Reserve Plan for the Byron Bergen Central School District is to provide the District with five years of expenditure opportunities that might not exist without reserves.

Overview

The establishment and funding of reserves is an important consideration in the maintenance of a sound financial plan for any school district. While strict adherence to state law 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. This concept is recognized by the New York State Comptroller:

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. (*Office of the New York State Comptroller – Local Government Management Guide – Reserve Funds, pg 1*)

The Byron Bergen Central School District believes that judicious use of reserves greatly reduces long term borrowing costs, smooths large fluctuations in tax rates and minimizes the possibility of mid-year budget cuts which would have a direct impact on students. We believe it is in the best interest of both the students, taxpayers and employees to prudently establish and use reserves to weather the financial storms and uncertainties that will occur. Again, the Comptroller notes:

The practice of planning ahead and systematically saving for capital acquisitions and other contingencies is considered prudent management. Saving for the 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 (tax certiorari) or unknown risks (wind storm). (*Office of the New York State Comptroller – Local Government Management Guide – Reserve Funds, pg 2*)

This statement reflects the two purposes for the establishment of reserves:

1. Saving money for a large, one time future expenditure such as a capital reserve for the replacement of a roof as an example.
2. Reserves which are intended to protect the district against a large, currently unforeseen risk.

Legally established reserves can provide many benefits to the school district and its taxpayers. The purpose of this document is to detail the Byron Bergen School District's plan for use and maintenance of reserves. This plan shows a five – year financial plan created by the District.

Unemployment Insurance Reserve (A815)

Purpose: This reserve is used to reimburse the State Unemployment Insurance Fund for payments made to claimants where the District has elected to use the “benefit reimbursement” method. The District does subscribe to the benefit reimbursement method, meaning we reimburse the State for actual claims incurred. The District does not pay NYS a fixed premium for unemployment insurance coverage.

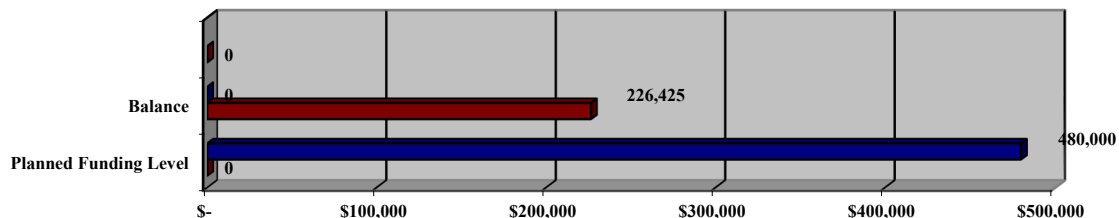
Funding: This reserve will be funded by budgetary appropriations, amounts from certain other reserve funds, subject to permissive referendum and other legally appropriate sums (e.g. surplus money).

Use: Funds will be used when any one (1) employee or more has been laid off by the District and has properly filed and qualified for unemployment benefits.

Oversight: The School Business Administrator will monitor this reserve, in conjunction with other central office administrators to assess the potential for incurring unemployment claims.

Level: Sufficient to pay full unemployment costs for five (5) years for the average number staff leaving the District, but not replaced. Funds may be transferred within 60 days of the close of the school year to other reserve funds, or may be applied to budgetary appropriations for the new school year.

Reserve for Unemployment Insurance



Workers' Compensation Reserve (A816)

Purpose: This reserve is used to pay for Workers' Compensation premiums and consortium liabilities.

Funding: This reserve will be funded by budgetary appropriations and other legally appropriate sums (e.g. surplus money).

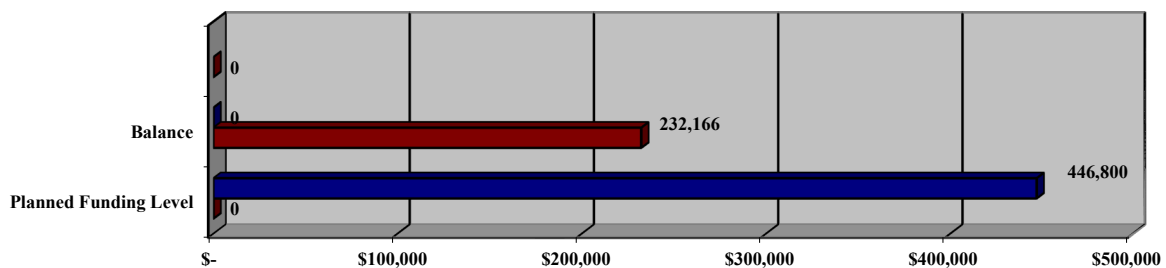
Use: This reserve will be utilized to ensure coverage of existing Workers' Compensation claims and existing liabilities.

Oversight: The School Business Administrator will monitor this reserve.

Level: The funding level of this reserve will cover five (5) years premiums plus the consortium's five (5) year average liability.

Notes: If it is determined this reserve is overfunded the Board of Education may elect within 60 days after the close of the school year to transfer excess to other reserve funds or apply an amount as revenue to the next year's budget.

Reserve for Workers' Compensation



Reserve for Liability (A862)

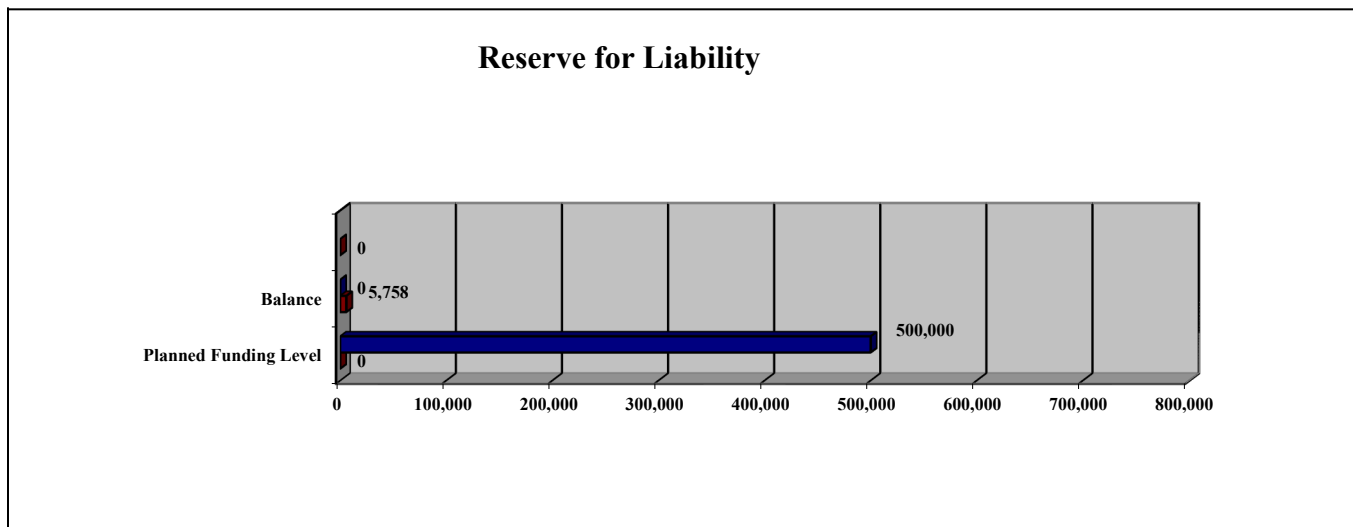
Purpose: This reserve is used to pay for property loss and liability claims.

Funding: This reserve will be funded by budgetary appropriations and other legally appropriate sums (e.g. surplus money).

Use: This reserve is used to pay property loss and liability claims. Payments may not be made for purposes other than those for which the funds were established unless authorized by public vote, except that the school board may authorize use of the reserve funds (other than amounts allocated for unsettled claims or suits including related expenses) to pay premiums for insurance policies purchased to insure subsequent losses in areas previously self-insured in the event of dissolution of the self-insurance plan.

Oversight: The School Business Administrator will monitor this reserve.

Level: May not exceed in total 3% of the annual budget or \$15,000 whichever is greater. A school districts reserve cannot be reduced below total amounts estimated to be necessary to cover incurred but unsettled claims or suits, including related expenses, other than by payment for losses for which such amounts were established.



Reserve for Tax Certiorari (A864)

Purpose: This reserve is used to pay for judgments and claims in tax certiorari proceedings in accordance with Real Property Tax Law. Current year refunds should be paid through the budget.

Funding: This reserve will be funded by budgetary appropriations and other legally appropriate sums (e.g. surplus money).

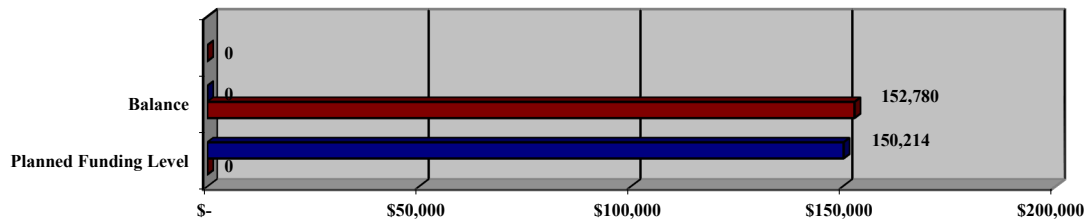
Use: This reserve is utilized to pay for prior year tax certiorari claims.

Oversight: The School Business Administrator will monitor this reserve.

Level: Reserve may not exceed the amount that might reasonably be deemed necessary to meet anticipated claims. The current funding level has been set at \$150,214

Note: Funds not expended for judgments and claims must be returned to the General Fund on or before the fourth fiscal year.

Reserve for Tax Certiorari



Reserve for Insurance Recovery (A887)

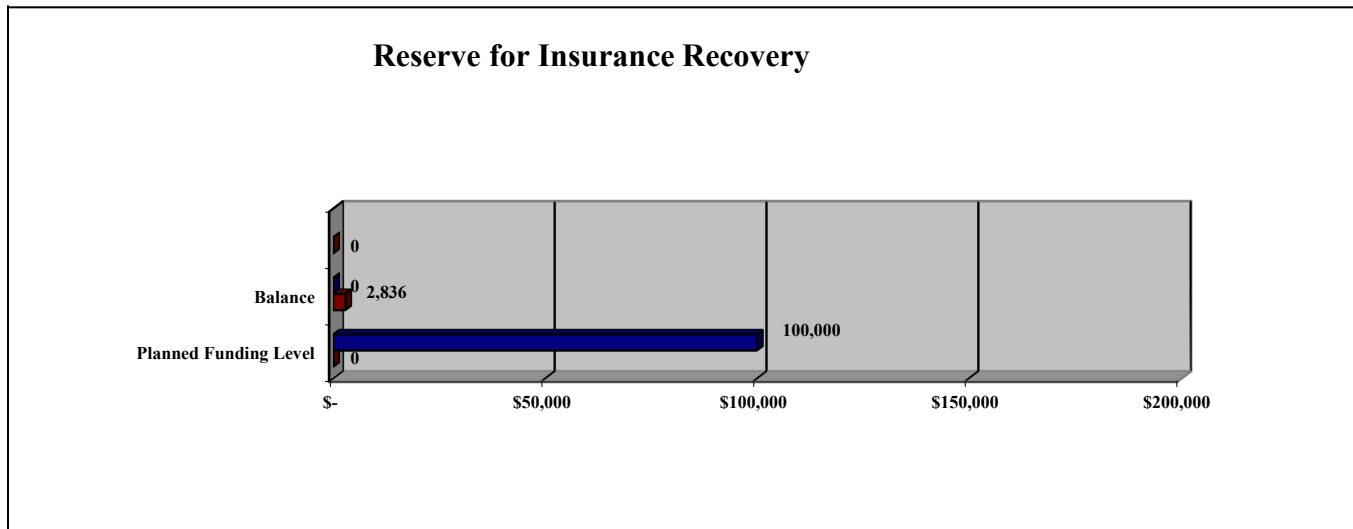
Purpose: To fund certain uninsured losses, claims, actions, or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions. An insurance reserve fund may also be sued to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, of judgements.

Funding: This reserve will be funded by budgetary appropriations and other legally appropriate sums (e.g. surplus money).

Use: This reserve would be used to pay any allowable claims in excess of deductible and uninsured claims, as described in the purpose of this reserve.

Oversight: The School Business Administrator will monitor this reserve.

Level: Funding cannot exceed 5% of budget on an annual basis.



Reserve for Employee Retirement Benefits (A888)

Purpose: This reserve is used to pay for unused accumulated leave time contractually provided to certain groups of employees. This typically includes payment for unused sick and vacation pay. This fund cannot be used to pay for items such as: retirement incentives and FICA and Medicare payments.

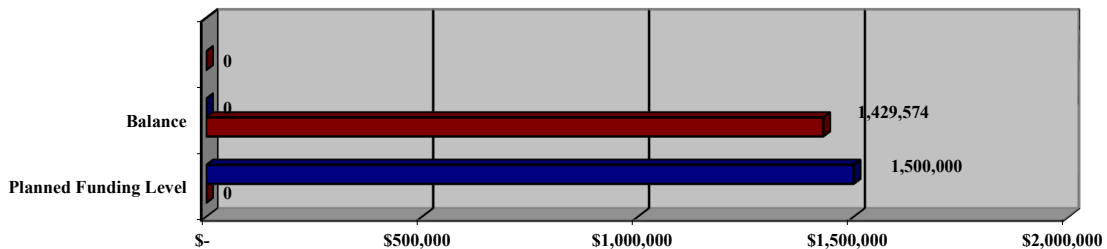
Funding: This reserve will be funded by budgetary appropriations and other legally appropriate sums (e.g. surplus money).

Use: This reserve will be used anytime an employee separates from the District and payment of accumulated leave is required. These transactions flow through the budget via a budget revision with the offsetting revenue coming from a drawdown of this reserve.

Oversight: The School Business Administrator will monitor this reserve.

Note: Currently, districts must apply to the New York State Comptroller's office to be granted permission to remove excess funds from this reserve.

Reserve for Accrued Employee Benefits Liability



Reserve for NY State Retirement System (A889)

Purpose: For the payment of “employer’s share of retirement contributions” which are defined as all or any portion of the amount payable to the New York State and Local Employees’ Retirement System, pursuant to Section 17 of the Retirement and Social Security Law.

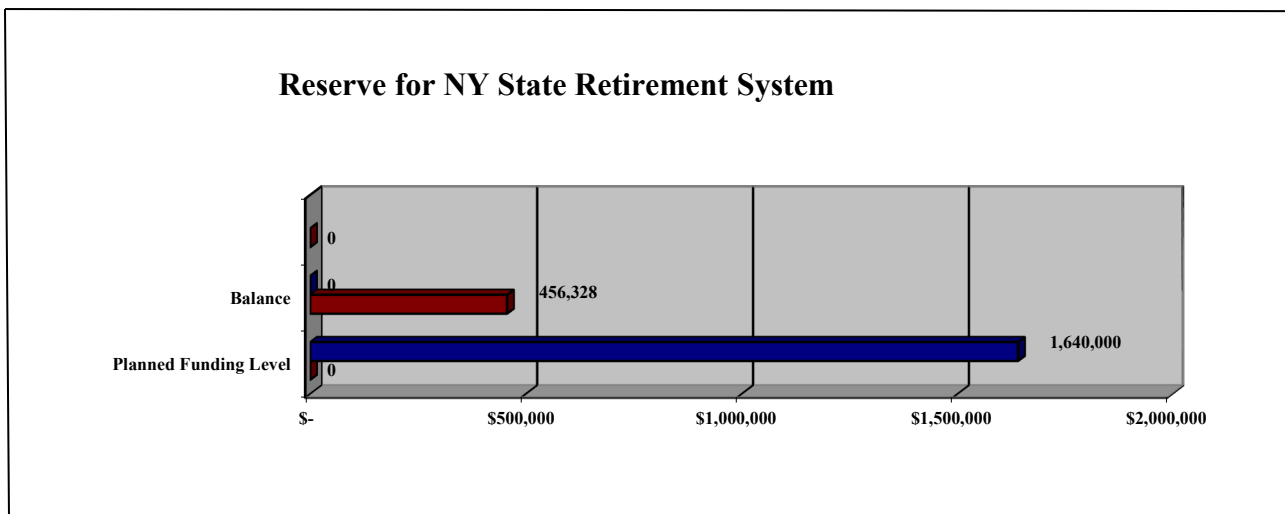
Funding: This reserve will be funded by budgetary appropriations, revenue not required by law to be paid into any other fund or account, amounts from reserve funds established pursuant to Sections 6-c, 6-d, 6-e, 6-f or 6-g of the General Municipal Law subject to public hearing requirements and other legally appropriate sums (e.g. surplus money).

Use: The plan calls for saving five (5) years of NYS Employees’ Retirement System expenses to assist the district in times of fiscal stress. Funds will be used during times of financial hardship, as determined by the Audit Committee and Board of Education. The District defines “financial hardship” as any time when no fund balance is available.

Oversight: The School Business Administrator will monitor this reserve.

Level: The desired funding level of this reserve will be equal to approximately five (5) years of projected retirement system billings.

Note: The Board of Education may authorize a transfer of a portion of these monies to another reserve as per General Municipal Law.



TRS Reserve (A889TRS)

(Sub-Fund of the Reserve for NY State Retirement System)

Purpose: For the payment of “employer’s share of retirement contributions” which are defined as all or any portion of the amount payable to the New York State Teachers’ Retirement System, pursuant to Section 521 of the Education Law.

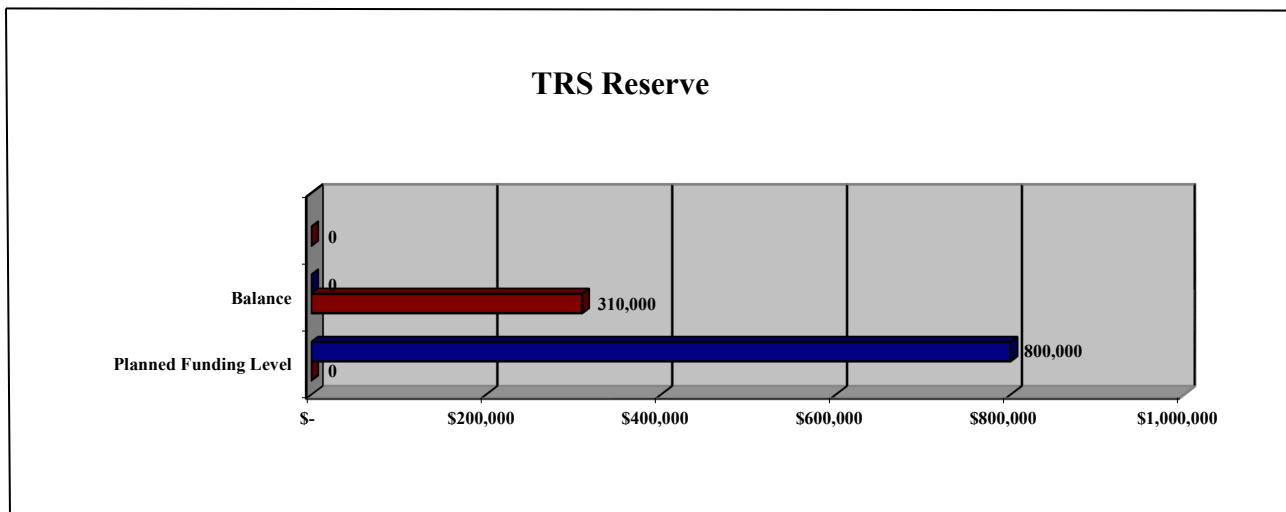
Funding: This reserve will be funded by budgetary appropriations, revenue not required by law to be paid into any other fund or account, amounts from reserve funds established pursuant to Sections 6-c, 6-d, 6-e, 6-f or 6-g of the General Municipal Law subject to public hearing requirements and other legally appropriate sums (e.g. surplus money). The plan calls for saving 2% of the total compensation or salaries of all teachers, teacher assistants and administrators employed by the District who are members of TRS paid during the immediately preceding year.

Use: Funds will be used during times of financial hardship, as determined by the Audit Committee and Board of Education. The District defines “financial hardship” as any time when no fund balance is available.

Oversight: The School Business Administrator will monitor this reserve.

Level: The desired funding level of this reserve shall not exceed 10% of the total compensation or salaries of all teachers, teacher assistants and administrators employed by the District who are members of TRS paid during the immediately preceding fiscal year.

Note: The Board of Education may authorize a transfer of a portion of these monies to another reserve as per General Municipal Law.



Capital Reserve – 2019 (A892)

Purpose: This reserve may be used to fund the cost of any object or purpose for which bonds may be issued by, or for the objects or purposes of, a school district pursuant to the Local Finance Law.

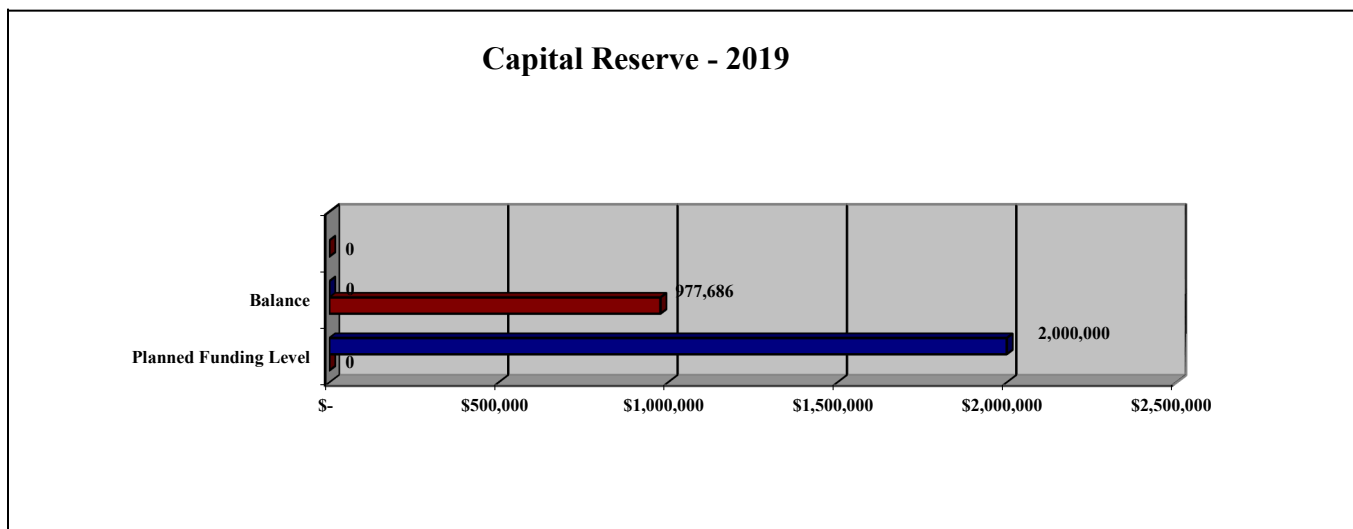
Funding: Voter approval is required to establish and fund this reserve. In accordance with the approved proposition, this reserve is funded by budgetary appropriations and other legally appropriate sums (e.g. surplus money).

The notice for the voter approval must state that a proposition to establish a reserve fund will be submitted, the purpose of the fund, the ultimate amount thereof, its probable term and the source from which the funds will be obtained. The proposition that is voted upon must specify the purpose for which the fund be established, the ultimate amount, the probable term and the source from which the funds are to be obtained. An expenditure from the reserve fund must be authorized by district voters and for the specific purpose specified in the proposition.

Use: Use of this reserve requires voter approval. The proposition to use these funds must be specific to a set of projects and dollar amounts.

Oversight: The School Business Administrator will monitor this reserve.

Level: Anticipated voter approval on May 21, 2019 of a maximum not to exceed \$2,000,000 plus earnings. This reserve has a 10 year probable term.



School Vehicle Reserve – 2019 (A893)

Purpose: This reserve may be used to fund the purchase of any school vehicle used to transport students.

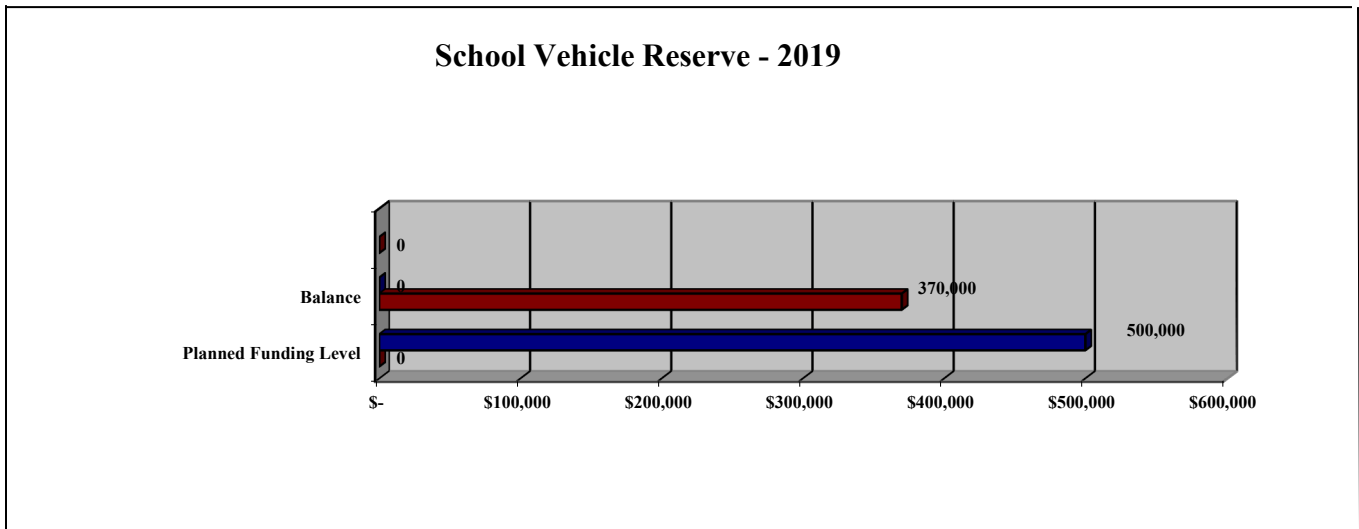
Funding: Voter approval is required to establish and fund this reserve. In accordance with the approved proposition, this reserve is funded by entirely from excess fund balance (e.g. surplus money).

The notice for the voter approval must state that a proposition to establish a reserve fund will be submitted, the purpose of the fund, the ultimate amount thereof, its probable term and the source from which the funds will be obtained. The proposition that is voted upon must specify the purpose for which the fund be established, the ultimate amount, the probable term and the source from which the funds are to be obtained. An expenditure from the reserve fund must be authorized by district voters and for the specific purpose specified in the proposition.

Use: Use of this reserve requires voter approval. The proposition to use these funds must be specific to a set number of school vehicles and dollar amounts.

Oversight: The School Business Administrator will monitor this reserve.

Level: Anticipated voter approval on May 21, 2019 of a maximum not to exceed \$500,000 plus earnings. This reserve has a 10 year probable term.



The following three items are not reserve accounts, but are equally as important to planning revenues for the District.

Unassigned Fund Balance (A909)

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.

Oversight: The School Business Administrator will monitor these funds.

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

Legal limit as of 6/30/20	\$983,992
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Projected limit as of 6/30/20	\$1,285,987
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Assigned Fund Balance - Appropriated for Subsequent Years (A910)

Creation: These funds are having 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: These funds are 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.

Oversight: The School Business Administrator will monitor these funds.

Level: Over time, it is recommended that the planned amount of assigned fund balance included as a revenue source in future budgets be reduced to zero (\$0) plus encumbrances, unless truly needed to balance the ensuing budget.

Balance as of 6/30/20	\$300,000
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