



Wayland-Cohocton Central School District

Long Range Financial Reserve Plan 2022

Presented to the Board of Education: November 28, 2022

Overview¹

It is essential that school districts establish and fund reserves to insure 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 Wayland-Cohocton Central 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 * Office of the New York State Comptroller - Local Government Management Guide for Reserve Funds, <https://www.osc.state.ny.us/localgov/pubs/lgmg/reservefunds.pdf>

Capital Reserve Building

Description: The Capital Reserve 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 Education Law.

Balance: A879 \$1,509,654 (6/30/2022)

Planned Use: The Capital Reserve fund allows the District to effectively offset the need for borrowing for capital projects involving district improvements (e.g. roofs, boilers, windows, sidewalks, etc.). In 2022 and going forward our plan is to continue to rely on the capital reserve fund to decrease necessary borrowing for district improvements.

Suggestions: The district should continue to fund this reserve through budgetary appropriation or other funds that may be legally appropriated. The continued funding of this reserve will make funds available to increase educational opportunities for students and for future improvements to facilities. With the district's mandatory Building Conditions Survey occurring in 2024 there will likely be areas identified in need of improvement. There will also be a need to prepare the transportation facilities for a fully electric fleet.

Capital Reserve Building - 2019 Building

Description: The Capital Reserve 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 Education Law.

Balance: A87901 \$2,500,000 (6/30/2022)

Planned Use: The Capital Reserve fund allows the District to effectively offset the need for borrowing for capital projects involving district improvements (e.g. roofs, boilers, windows, sidewalks, etc.). In 2022 and going forward our plan is to continue to rely on the capital reserve fund to decrease necessary borrowing for district improvements.

Suggestions: The district should continue to fund this reserve through budgetary appropriation or other funds that may be legally appropriated. The continued funding of this reserve will make funds available to increase educational opportunities for students and for future

improvements to facilities. With the district's mandatory Building Conditions Survey occurring in 2024 there will likely be areas identified in need of improvement. There will also be a need to prepare the transportation facilities for a fully electric fleet.

Capital Reserve - Vehicle & Equipment

Description: The Vehicle and Equipment Reserve is used for the purpose of financing, in whole or in part, maintenance equipment, vehicles, and equipment; provided that such capital costs are an object or purpose that would be eligible for financing under the Local Finance Law, and costs incidental thereto, as approved by the voters of the District. 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 Education Law.

Balance: A878 \$3,004,674 (6/30/2022)

Planned Use: The reserve is intended to reduce the impact to District residents of purchasing equipment, vehicles and maintenance equipment.

Suggestions: The district should continue to fund this reserve through budgetary appropriation or other funds that may be legally appropriated. The continued funding of this reserve will ensure the district is prepared to offset the cost of transitioning its transportation fleet to fully electric. Beginning in 2027 the district will only be able to purchase electric buses and the fleet must be fully electric by the year 2035.

Roof Repair Reserve

Description: The Roof Repair Reserve is used to pay for repairs to capital improvements or equipment not recurring annually or at shorter intervals.

Balance: A882 \$56,728 (6/30/2022)

Planned Use: The reserve is intended to reduce the impact on the General Fund should an extensive roof repair need to occur.

Suggestions: The district should continue to fund this reserve through budgetary appropriation or other funds that may be legally appropriated. Funding this reserve to \$100,000 would prepare the district to make repairs to a facility roof if need be. Any necessary extensive repairs in excess of \$100,000 would be handled by an emergency capital project.

Tax Certiorari Reserve

Description: The Tax Certiorari Reserve may be used to pay judgments & claims in tax certiorari proceedings per RPTL, Article 7. The monies held in the Reserve shall not exceed the amount which might be reasonably necessary to meet the anticipated judgements and claims arising out of tax certiorari proceedings.

Balance: A864 \$40,030 (6/30/2022)

Planned Use: The reserve is intended to reduce the impact of judgment and claim proceedings that would impact the district tax levy.

Suggestions: The district should continue to fund this reserve through budgetary appropriation or other funds that may be legally appropriated. Funding this reserve to \$60,000 would prepare the district for the Baron Wind Farm PILOT. This new PILOT is projected to come on in the 2023-2024 fiscal year. The addition of this PILOT program has the potential to create judgements and claims in tax certiorari proceedings.

Liability Reserve

Description: The Liability Reserve is used to pay for property loss & liability claims incurred.

Balance: A862 \$551,276 (6/30/2022)

Planned Use: The reserve is intended to maintain a program to cover unforeseen property and liability claims.

Suggestions: The district should continue to fund this reserve through budgetary appropriation or other funds that may be legally appropriated. This reserve is capped at 3% of the annual budget

Insurance Reserve

Description: The Insurance Reserve is used 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 used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, or judgments.

Balance: A863 \$1,130,694 (6/30/2022)

Planned Use: The reserve is intended to be available for use in the event of losses to the district that are not covered by another purchased insurance. This reserve could be used to offset costs of uninsured expenses or claims or judgements against the district.

Suggestions: The district should continue to fund this reserve through budgetary appropriation or other funds that may be legally appropriated. In a time when increased exposure to potential judgments or claims is on the rise the funding of this reserve prepares the district if needed.

Employee Benefits Accrued Liability

Description: The Employee Benefits Accrued Liability may be used to pay accrued benefits due employees upon termination of services for vacation, sick leave, personal leave, etc.

Balance: A867 \$740,000 (6/30/2022)

Planned Use: The reserve is intended to cover the cost of employee benefits upon termination from employment. This reserve may not be used to fund health or other post-retirement benefits.

Suggestions: This reserve is funded at an adequate amount. Per the 2021-2022 Financial Audit the District's accrued liability was \$140,542. Should it be necessary to utilize this reserve it could sustain these expenses for approximately five years.

Unemployment Reserve

Description: The unemployment reserve may be 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. (GML Section 6-M)

Balance: A815 \$1,549,266 (6/30/2022)

Planned Use: The reserve is intended to cover the cost of unemployment benefits. The district generally makes a yearly reserve transfer from this reserve to cover the cost of year to year unemployment cost. The amount in this reserve is a reflection of the district preparing for the uncertainty of unemployment during the pandemic and planning to be prepared should another such event occur.

Suggestions: This reserve is funded at an adequate amount. The Board could consider reducing this reserve balance by transferring funds in this reserve to another reserve at year end.

Retirement Contributions Reserve- TRS

Description: The Retirement Reserve may be used to finance retirement contributions made to the NYS Teacher Retirement System.

Balance: A828 \$582,083 (6/30/2022)

Planned Use: The reserve is intended to be used for the cost of retirement contributions to the Teacher Retirement System.

Suggestions: The district should continue to fund this reserve through budgetary appropriation or other funds that may be legally appropriated. This reserve is capped at 10% of the prior year's covered TRS salaries. 2021-2022 covered TRS salaries equals \$11,518,000.

Retirement Contributions - ERS

Description: The Retirement Reserve-ERS may be used to finance retirement contributions made to the NYS Employee Retirement System.

Balance: A827 \$1,624,778 (6/30/2022)

Planned Use: The reserve is intended to be used for the cost of retirement contributions to the Employee Retirement System.

Suggestions: This reserve is funded at an adequate amount. Based on 2021-2022 expenses the reserve is capable of covering expenses for approximately three years if needed.

Worker's Compensation Reserve

Description: The Workers Compensation Reserve is used for general expenses, related medical expenses and self-insurance administrative costs.

Balance: A814 \$631,736 (6/30/2022)

Planned Use: The reserve is intended to be used for the cost of worker compensation claims.

Suggestions: This reserve is funded at an adequate amount. Based on 2021-2022 expenses the reserve is capable of covering expenses for approximately five years if needed.