

RyeNeck Schools

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*Rye Neck Union Free School District
Mamaroneck, NY*

**Fund Balance Reserve Fund Report & Plan
May 2022**

*New York State requires School Districts to adopt annually,
through Board of Education resolution, the District's Fund Balance Reserve Plan*

Introduction

Fund balance reserves are created in order to plan to fund expenses which are statutorily defined for specific intended purposes or to finance unexpected contingencies, or relate to resources that are not available for general use or appropriation.

The Board of Education recognizes that the establishment and maintenance and of a fund balance is essential to the preservation of the financial integrity of the school district. In addition, it is fiscally beneficial for both the District and community in that it helps mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and assists in ensuring stable tax rates, which is vital to the District's long-term financial planning.

New York State Comptroller (Local Management Guide - Reserve Funds, 2022):

Source: <https://osc.state.ny.us/localgov/pubs/lmg/reservefunds.pdf>

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 (Pg.1).

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 (Pg.2).

Government Finance Officers Association (GFOA)

Source: <https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund>

GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances. Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level.

Rye Neck Union Free School District
Reserve Plan
Updated – May 2022

Reserve for Retirement Contributions, Employees’ Retirement System (ERS)

Creation date – May 17, 2006.

Purpose – This reserve is used to pay for district expenses (pension contributions) to the NYS Employees’ Retirement System (ERS).

Funding Methods – Funds are placed in this reserve from excess fund balance.

Use of Reserve – A plan for use of this reserve has been developed (see Reserve Fund Disposition Schedule – Attachment #1). The plan calls for annual use of this fund, and the District projects use of \$475,000 for the 2021-22 budget (actual ERS expense was slightly lower at \$451,492). Planned usage for the 2022-23 school year is \$375,000. Annual usage is estimated utilizing an ERS liability in steadily increasing amounts of up to \$650,000 per year by school year 2028-29. At this time, the plan calls for the use of all but \$23,712 in the fund. However, in each of the previous six years, the amounts used have also been replaced. Therefore, although the plan shows a drawdown of this reserve, it is recommended that the funds used from this reserve during the school years be replaced, if available in order to mitigate current and future risks.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reports are provided to the Board of Education. The Reserve Fund Balance and Proposed Disposition Schedule is included in the district’s annual budget document and is part of budget materials and discussions at the budget hearings.

Funding Level – Although a plan is in place to draw down on the funds in this reserve, a funding level equal to approximately eight years of retirement system billings is desired for future stability. At current rates, that level is estimated to be approximately \$3,600,000.

6/30/2022 Estimated Balance: \$3,549,500

Recommended 6/30/2022: Up to \$3,600,000

Reserve for Retirement Contributions Sub-Fund, Teachers' Retirement System (TRS)

Creation date – May 29, 2019

Purpose – This reserve is used to pay for district expenses (pension contributions) to the NYS Teachers' Retirement System (TRS).

Funding method - Funds are placed in this reserve from excess fund balance. As per General Municipal Law, the funds contributed annually to the TRS Reserve shall not exceed 2% of the total compensation of salaries of all employees who are members of TRS paid during the immediately preceding fiscal year. In addition, the balance of the Reserve Sub-Fund shall not exceed 10% of the total compensation or salaries of all TRS employees paid during the immediately preceding fiscal year.

Use of Reserve – To fund the District's future TRS liabilities. There is no planned use of the reserve in the 2021-22 or 2022-23 school years.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reports are provided to the Board of Education. The Reserve Fund Balance and Proposed Disposition Schedule is included in the district's annual budget document and is part of budget materials and discussions at the budget hearings.

Funding Level – As per the guidance above, the funds contributed annually to the TRS Reserve shall not exceed 2% of the total compensation or salaries of all employees who are members of TRS paid during the immediately preceding fiscal year. Two percent of the 2020-21 TRS salaries equals approximately \$373,000.

6/30/2022 Estimated Balance: \$1,073,347

Recommended 6/30/2022: Up to \$1,446,350

Reserve for Tax Certiorari

Creation date – July 14, 1998

Purpose – This reserve is used to pay for district expenses for certiorari settlements. As the district does not have a budget allocation in the general fund for cert settlements, the reserve is used to pay for settlements for any assessment year.

Funding method – Funds are placed in this reserve from excess fund balance.

Use of Reserve – The Reserve Fund Disposition Schedule reflects the district’s plan to pay for tax certiorari settlements each year. Estimating expenses is challenging due to the uncertainty of timing of negotiated and/or court ordered settlements, however the district meets with both municipalities (Rye Town and Rye City) quarterly to discuss open certiorari claims. Both municipalities also provide the District with current lists of open certiorari claims.

A plan for use of this reserve has been developed (see Reserve Fund Disposition Schedule). The plan estimates annual use of money from this fund for the payment of tax certiorari settlements and judgments. The schedule details amounts being used over multiple years. The district maintains a list of cert filings and updates the analysis to ensure that estimated liabilities are appropriately funded or released as necessary.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reports are provided to the Board of Education. The Reserve Fund Balance and Proposed Disposition Schedule is included in the district’s annual budget document and is part of budget materials and discussions at the budget hearings.

Funding Level – Although a plan is in place to draw down on the funds in this reserve, the funding level is reviewed annually and with respect to pending cert filings. The district estimates that the total liability over present filing period covering ten years could approach \$2.0M. This figure is exclusive of amounts that may be removed from the fund as they are reviewed and determined to be unnecessary (as certioraris are dropped or as properties are sold). Based on the current total exposure, the tax certiorari reserve fund has an excess balance and should be unappropriated so that the total reserve fund balance reflects the current total exposure.

6/30/2022 Estimated Balance: \$2,932,000

Recommended 6/30/2022: Up to \$1,950,000

Insurance Reserve Fund

Creation date – June 13, 2018

Purpose – This reserve can be used to pay for district expenses related to certain uninsured losses, claims, actions, or judgments for which the district is authorized or required to purchase or maintain insurance. This fund can also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions or judgments.

Funding method - Funds are placed in this reserve from excess fund balance. As per General Municipal Law, a district may contribute up to 5% of the annual budget in this reserve.

Use of Reserve – There is no current planned use of the reserve, however the reserve will be utilized as uninsured losses, claims, actions, judgements or related expenses arise.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reports are provided to the Board of Education. The Reserve Fund Balance and Proposed Disposition Schedule is included in the district’s annual budget document and is part of budget materials and discussions at the budget hearings.

Funding Level – The funding level is reviewed annually and with respect to current and pending losses, claims, actions and or judgments.

6/30/2022 Est. Balance: \$2,065,800

Recommended 6/30/2022: Up to \$2,100,000

2022 Capital Reserve Fund

Creation date – May 25, 2022

Purpose – The Capital Reserve Fund is used to pay the cost of any object or purpose for which bonds may be issued. The proposition approved by the voters specifies the purpose, ultimate dollar amount to be deposited into reserve, probable term or life/lives, and source of funds. Voter approval required to spend from these reserve in non-emergency situations. The 2022 Capital Reserve Fund may be used to pay costs of masonry renovation, plumbing upgrades, electrical upgrades, mechanical upgrades, technology upgrades, telephone upgrades, roof replacement on District buildings, door replacement, window replacement, turf replacement, fencing, site work, including but not limited to paving, curbs and sidewalks, renovation/reconstruction of interior and exterior instructional spaces, abatement of hazardous materials and/or the purchase of furnishings/equipment.

Funding method - Funds are placed in this reserve from state aid reimbursement, cost saving measures resulting in unexpended funds or unappropriated fund balance, and other legally available funds.

Use of Reserve – There is no current planned use for the reserve, however the funds in this reserve will be utilized for capital project work.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Business and reports are provided to the Board of Education. The Reserve Fund Balance and Proposed Disposition Schedule will be included in the district’s annual budget document and will be part of budget materials and discussions at the budget hearings.

Funding Level – The funding level is reviewed annually to ensure that it does not exceed the voter authorized limit.

Recommended 6/30/2022: Up to \$6,000,000

The following three items are not reserve accounts, but are equally as important in revenue planning for the District:

Unassigned Fund Balance

Creation – Retention of these funds are allowed by law.

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

Funding Methods – These funds have been accumulated from excess fund balance.

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

Monitoring of Balance – These funds are monitored by the Assistant Superintendent for Business.

Funding Level – The maximum legal limit is recommended (4% of the ensuing budget).

6/30/2022 Actual Balance: \$1,842,800 (4.0%), Recommended 6/30/2022: \$1,906,806 (4.0% of 2022-23 budget)

Assigned Fund Balance - Appropriated for Subsequent Years

Creation – These funds are fund balance that have been set aside for a particular purpose, namely to reduce the tax levy required to support an ensuing years 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 Methods – These funds are fund balances that are assigned for a particular purpose.

Use of Funds – 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. In 2021-22, the district used fund balance of \$615,000. In 2022-23 the proposed budget calls for the use of \$575,000, a decrease of \$40,000 from the prior year.

Monitoring of Balance – The balance and use of these funds are monitored by the Assistant Superintendent for Business and discussed with the Board of Education in budget planning and development.

Funding Level – Over time, it is recommended that the planned amount of assigned fund balance included as a revenue source in future budgets be between \$500,000 and \$900,000. This is exclusive of funds that may be removed from the Tax Certiorari Reserve.

6/30/2022 Use of Funds: \$615,000

Planned Use of Funds 2022-23: \$575,000

Debt Service Fund

Creation date – Funds were initially transferred to the Debt Service Fund on June 30, 2014.

Purpose – These funds are to be used specifically to offset debt service payments (principal & interest on capital bonds) in the General Fund via inter-fund transfers.

Funding Methods – The debt service funds represents unexpended funds from closed out capital projects. As capital projects are closed out, excess funds are placed in the debt service fund to be used to pay the expenses related to the District’s debt service. Funds totaling \$75,000 are planned to be utilized for debt service in 2021-22.

Use of Funds –\$150,000 will be used against the District debt service for 2022-23. It is anticipated that these funds will be returned to the General Fund, with the remainder of the funds being used over the next five years.

Monitoring of Balance – These funds are monitored by the Assistant Superintendent for Business.

Funding Level –\$150,000 will be returned to taxpayers to reduce the 2022-23 budget. At June 30, 2022, the district will transfer the \$442,436 premium related to the \$6.28M bond issued in 2019 for the districtwide roof replacements (part of the 2018 Capital Bond) to the debt service reserve fund. The Reserve Fund Disposition schedule is updated as additional funds are added to the debt service reserve as current capital projects are closed out.

6/30/2022 Estimated Balance \$970,583

Planned Use of Funds 2022-23: \$150,000