



**Manchester-Shortsville Central School District
Board of Education Reserve Plan Document
Fiscal Year July 1, 2017- June 30, 2018**

Our Mission

We will challenge all learners and work in partnership with students, parents and community to achieve high standards.

Our Vision

Every employee of the District plays a vital role in the success of our students. With uncompromising commitment in the pursuit of excellence, we will meet the unique needs of every student, regardless of social advantage, race or gender and ensure he or she has a safe learning environment and acquires necessary foundational skills. We will promote healthy habits and provide challenging, real-world learning experiences. We will cultivate student ownership for goal-setting, learning and citizenship by partnering with families and community groups. We will promote a learning environment of critical thinking, creative problem-solving, self-direction and collaboration in order to maximize each student's ability and potential to succeed in an ever-changing, highly technical and diverse world. Together, we will develop and maintain the highest level of ethical and professional practice, demonstrating a culture of respect, cooperation, and pride, with care and dignity for all.

Our Beliefs and Core Values

EXCELLENCE-Challenge and learning are the goals and rewards.

LEADERSHIP-We are all leaders and role models.

DIGNITY for ALL-Everyone is treated with dignity and contributions are heard, valued and encouraged.

COMMUNICATION-Open and honest dialogue ensures that we are all working towards a common goal.

COLLABORATION-Working together is critical to our success.

CONTINUOUS IMPROVEMENT-We are all accountable for continually improving our practice.

STUDENTS FIRST-We are responsive to the needs of *all* students.

RESOURCEFULNESS-We seek out educational opportunities within and beyond the walls of our school.

FISCAL RESPONSIBILITY-We use our resources responsibly.

PRIDE-We respect ourselves, each other and our school.

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. Savings for future capital needs can reduce or eliminate interest and other cost 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 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 tax payers 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 purposes 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/lmg/reservefunds.pdf>

Reserve for Encumbrances

A “Reserve for Encumbrances” is not a “reserve” in the traditional sense of reserves. This reserve is utilized to hold funds that are committed towards purchases or services from the following fiscal year for which no balance sheet liability exists as the good or services have not been received, or billed. This value will fluctuate from year to year depending on various factors like the regular ongoing purchasing cycle and supplier’s ability to deliver products in a timely fashion. Significant additions or deletions to this reserve at year end can cause large fluctuations in overall fund balance. The District will try to minimize its use at year end so that balances remain stable and consistent.

2017-2018:	\$50,436
2016-2017:	\$58,213
2015-2016:	\$148,313
2014-2015:	\$369,313

WORKERS' COMPENSATION RESERVE

Purpose: To fund Workers’ Compensation expenses, related medical expenses, and self-insurance administrative costs. The reserve was established through board resolution on November 13th, 2013. This reserve is an operational reserve; meaning that the funds contained within may be utilized to offset current year anticipated workers’ compensation expenditures. (General Municipal Law, §6j).

Balance June 30, 2018:	\$331,638
Balance June 30, 2017:	\$381,150
Balance June 30, 2016:	\$380,656
Balance June 30, 2015:	\$380,139

Ideal Balance: The equivalent of two years’ of annual expenditure. The budgeted expenditure for 2018-2019 is \$109,658. The District acknowledges that the balance is slightly more than the equivalent of two years annual expenditure. The District appropriated \$50,000 to support the 2018-2019 operating budget.

CAPITAL RESERVE

Purpose: The Capital Reserve Fund 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 the Education Law. The reserve is intended to reduce the impact to District residents of capital projects.

A new reserve was established in April 2017 as follows:

Establish Capital Reserve

A motion by Edward Clark, seconded by Eric Schaertl, and unanimously approved: RESOLVED, that the Board hereby accepts the recommendation of the Superintendent to establish a reserve fund pursuant to Education Law Section 3651 to be known as the Capital Reserve Fund, for the purpose of financing, in whole or in part, additions, alterations, renovations, or other improvements to said School District's buildings and facilities, including the acquisition and installation of machinery, equipment, apparatus, or furnishings required for the purposes of such buildings and facilities, playgrounds, athletic fields, recreation areas, parking areas, roadways, sidewalks, and other site improvements connected to such buildings and facilities, with the ultimate amount of such reserve fund not exceeding Five Million Dollars (\$5,000,000) plus any accrued earnings on amounts deposited in such reserve fund, the probable existence of said reserve fund being ten (10) years, but said reserve fund to continue in existence for its stated purpose until liquidated in accordance with Education Law, and the source from which funds shall be obtained for said reserve fund being (a) the transfer of the entire balance held in said District's existing Capital Reserve Fund established in March of 2009 pursuant to Education Law Section 3651 (such balance being in the current approximate amount of \$1,981,618; (b) current and future unappropriated fund balances from the General Fund of the School District, as directed by the Board of Education, (b) any other appropriations authorized by the voters from time to time, and (c) fund balances transferred from other reserve funds of the School District, as may be authorized by the Board of Education or the voters from time to time.

Balance June 30, 2018: \$1,355,564. With this funding, the District has funded \$1,355,564 in projects of the maximum \$5 million cap. We will continue to fund this reserve to offset expenditures and cost associated with the next capital project thus offsetting the local share of the project.

Balance June 30, 2017: \$954,709

Balance June 30, 2016: \$1,981,618

Balance June 30, 2015: \$1,241,966

Ideal Balance - May not exceed the voter authorized limit, plus accumulated interest earnings.

BUS RESERVE

Purpose: The Bus Reserve Fund is a capital reserve specified to be used to pay for bus purchases. Voter authorization is required for both the establishment of the reserve and 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 the Education Law. The reserve will be used to offset local impact to District residents for the acquisition of transportation department vehicles. The District has adopted a bus replacement plan and intends to sustain the reserve so that the plan may be upheld.

The Reserve was established in May, 2018 as follows:

A motion by Eric Schaertl, seconded by Richard Vienna, and unanimously approved: RESOLVED, that the Board of Education of the Manchester-Shortsville Central School District, County of Ontario, New York, is hereby authorized to create/continue a Capital Reserve Fund pursuant to Section 3651 of the Education Law (to be known as the "Bus Purchase Reserve Fund"), with the purpose of such fund being to finance acquisition of buses and costs incidental thereto, the ultimate amount of such fund to be Five Million Dollars (\$5,000,000), plus earnings thereon, the probable term of such fund to be ten (10) years, and the source from which the funds shall be obtained for such Reserve is (i) the transfer of the entire balance held in said District's existing Bus Reserve Fund established in May of 2012 pursuant to Education Law Section 3651 (such balance being in the current approximate amount of \$1,369,348), (ii) amounts from budgetary appropriations from time to time, and (iii) unappropriated fund balance made available by the Board of Education from time to time, all to the extent permitted by law. From this fund, the District is hereby authorized to purchase three (3) 63-passenger diesel buses not to exceed \$381,000 and one (1) 30-passenger wheelchair bus, not to exceed \$74,000, during the 2018-2019 school year and expend payment from the bus reserve.

Balance June 30, 2018: \$1,530,786. The District has used \$1,530,786 of the \$5,000,000 maximum funding for the 2018 Bus Reserve. The District continues to use the Bus Reserve to purchase buses each year to avoid occurring debt from financing. Starting with the 2018-2019 school year we will be moving to a five year replacement schedule. So, more funds will be used.

Balance June 30, 2017: \$1,623,278

Balance June 30, 2016: \$1,625,187

Balance June 30, 2015: \$767,979

Ideal Balance – The balance may not exceed the voter authorized limit, plus accumulated interest earnings.

UNEMPLOYMENT INSURANCE RESERVE

Purpose: 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. (General Municipal Law, §6-m). This reserve was established by the Board of Education under resolution and has been in existence for several years. It too is an operational reserve in that funds are utilized to offset current year anticipated unemployment claim expenditures.

Balance June 30, 2018: \$402,941

Balance June 30, 2017: \$391,234

Balance June 30, 2016: \$390,740

Balance June 30, 2015: \$390,224

Ideal Balance: Approximately 1 % of payroll. The budgeted payroll expenditure for the 2018-2019 year is \$7,506,316. The District appropriated \$55,000 to support the 2018-2019 operating budget.

LIABILITY RESERVE

Purpose: The District has established this reserve to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and this reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. (Education Law, §1709, Subdivision 8-c).

Balance June 30, 2018: \$530,321

Balance June 30, 2017: \$529,649

Balance June 30, 2016: \$528,970

Balance June 30, 2015: \$540,335

Ideal Balance: 3% of the budget. The 2018-2019 budget is \$17,456,280. Therefore the ideal contribution for this reserve would be less than \$523,689. Although our current coverage for cyber security is \$250,000, we still have significant exposure. Mandated credit monitoring costs alone, currently run around \$175 per name annually. The District will analyze the amount of funds needed to adequately but not overfund this reserve. The District will continue to monitor that this reserve is at the correct funding in coming budgets.

INSURANCE RESERVE

Purpose: ~~Purpose:~~ This reserve fund is used to pay for property loss and liability claims incurred. The reserve was established in 2012-2013 by board resolution. Annual contribution is limited to greater of \$125,000 or 5% of the budget. This reserve is an operational reserve; meaning that the funds contained within may be utilized to offset claims incurred. (Education Law, §1709, Subdivision 8-c).

Balance June 30, 2018: \$36,569
Balance June 30, 2017: \$41,507
Balance June 30, 2016: \$41,446
Balance June 30, 2015: \$41,381

Ideal Balance: 5% of the budget. The 2018-2019 budget is \$17,456,280. Therefore the ideal contribution for this reserve would be \$872,814. It is realized that in these financially challenging times, this level of contribution is not realistic.

DEBT SERVICE FUND

Purpose: The District has established a fund for debt service as allowed by the *School District Accounting and Reporting Manual* published by the office of the State Comptroller. This fund is used to segregate funds required for debt payments as well as to transfer the interest earned on proceeds of long-term debt as required. The purpose of the fund is to hold interest earned from borrowed funds during construction period and unexpended funds from completed capital projects. It is intended to be used to offset the local cost of future debt service payments.

Balance June 30, 2018: \$230,140
Balance June 30, 2017: \$420,757
Balance June 30, 2016: \$465,133
Balance June 30, 2015: \$509,522

Ideal Balance - Should not exceed outstanding bonded debt. The District appropriated and/or budgeted funds for the 2018-2019 school year in the amount of \$75,000. As such, the balance as of July 1, 2018 will be reduced by this amount.

TAX CERTIORARI RESERVE

Purpose: The governing board of any school district, by resolution, may establish a reserve to refund taxes of the current year in tax certiorari proceedings. Establishing or expending the reserve does not require voter approval. Amounts not necessary to refund taxes must be returned to the unreserved fund balance of the general fund by the first day of the fourth fiscal year following the year for which the reserve was created unless claims are still open and not finally determined or otherwise terminated or disposed of after the exhaustion of all appeals. (Education Law §3651, Sub.1a, 3a)

Balance June 30, 2018: \$0
Balance June 30, 2017: \$0
Balance June 30, 2016: \$0
Balance June 30, 2015: \$68,220

Ideal Balance – The equivalent of pending tax certiorari claims. The District does not have any large pending tax certiorari claims at this time.

RETIREMENT CONTRIBUTION RESERVE

Purpose: The governing board of a school district, by resolution, may establish a reserve for the purpose of financing retirement contributions made to the NY State and Local Employees' Retirement System. Establishing or expending the reserve does not require voter approval. Expenditures may only be made pursuant to a board resolution and must be used to finance retirement contributions (General Municipal Law, §6-1). This reserve is an operational reserve and will be used to support ERS expenditures incurred each year.

Balance June 30, 2018: \$636,515
Balance June 30, 2017: \$675,660
Balance June 30, 2016: \$674,795
Balance June 30, 2015: \$673,892

Ideal Balance: Approximately 5 years of planned ERS expenditures. The current projection for 2018-2019 is approximately \$254,292. The reserve is allotted appropriately in line with budgeting practices. The District appropriated \$60,000 to support the 2018-2019 operating budget.

EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE

Purpose: The governing board of any school district, by resolution, may establish a reserve for the purpose of funding the monetary value of accrued but unused sick leave, personal leave, vacation time, and any other forms of payment of accrued but unliquidated time earned by employees. Establishing or expending the reserve does not require voter approval. Expenditures may only be made for allowed cash payments earned by employees due upon their termination of employment (General Municipal Law, §6-p).

Balance June 30, 2018: \$291,434
Balance June 30, 2017: \$316,067
Balance June 30, 2016: \$315,697
Balance June 30, 2015: \$315,310

Ideal Balance: Equivalent to the calculated total of compensated absences calculation less any monies expended from the general fund for this purpose. As of the June 30, 2018 reporting, compensated absences balances are \$62,254.76. The District appropriated \$20,000 to support the 2018-2019 operating budget.

REPAIR RESERVE

Purpose: Must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. (General Municipal Law, §6-d

Balance June 30, 2018: \$287,208
Balance June 30, 2017: \$286,841
Balance June 30, 2016: \$286,471
Balance June 30, 2015: \$286,084

Ideal Balance: District feels that this reserve is funded at the necessary level in case a significant event occurs like the loss of a section of a roof or the damage occurring when a microburst came through Manchester-Shortsville in 2015 causing over \$100,000 in damage. We continue to monitor the appropriate funding in this reserve.

Assigned Fund Balance/Reserve for Subsequent Year/Designated for Expenditures

For the 2018-2019 school year the District appropriated \$300,000 of unassigned fund balance toward its budget. This represents approximately 1.71% of the current budget. The District expects to return a majority of this amount to fund balance on June 30, 2019. Appropriation of fund balance for the 2019-2020 budget is expected to decrease slightly to \$250,000 and is dependent on various budgeting revenues including state aid.

Unassigned Fund Balance

The District intends to retain unexpended funds in this reserve up to or below the legal limit of 4% of the upcoming year's budget.

Manchester-Shortsville CSD Reserve Fund Strategy

Over the long run the District will continue to use conservative budgeting practices which will likely result in excess revenues over expenditures at the end of the fiscal year. The District wishes to avoid draconian cuts in programs in the midst of a weak economic climate. The District anticipates additional state aid and mandate relief in future years to reduce the amount of fund balance needed to support the budget. Through the management of its reserves the District hopes to achieve the following:

- Maintenance of educational programming during economic downturns
- Cash flows that will eliminate the need to issue Revenue Anticipation Notes in the event state or federal aid is not paid timely
- Cash flows that will allow increased investing earnings
- The ability to take advantage of opportunities as they arise, relevant to school district operations, that could result in better efficiencies, facilities/capital improvements, and instruction that are a savings to the tax payers in the long run
- Consistencies and improvements in its education program
- A long term plan for preserving its infrastructure and school buildings
- The ability to maintain a stable tax levy
- The ability to maintain and/or improve its bond rating which will save taxpayers at both the local and state level

In terms of its mission and responsibility to manage its fiscal affairs prudently, the Board of Education considers all of the goals above to be critical to its philosophy in managing reserves.

2018-2019 Reserve Fund Use Priorities

- Appropriated Fund Balance \$300,000
- Debt Service \$ 75,000
- Retirement Contribution \$ 55,000
- Unemployment Reserve \$ 55,000
- EBLAR \$ 20,000
- Workers Compensation Reserve \$ 50,000
- Reduce Reliance on Grants as Revenue \$200,000 to \$100,000

June 30, 2019

- Appropriated for 2019-2020 Budget \$250,000
- Transfer from Liability Reserve \$ 25,000
- Capital Project Reserve \$400,000
- Bus Reserve \$300,000
- EBLAR \$ 10,000
- Workers Compensation Reserve \$ 20,000
- Unassigned Fund Balance 4%

2019-2020 Reserve Fund Use Priorities

- Appropriated Fund Balance \$250,000
- Debt Service \$ 75,000
- Retirement Contribution \$ 10,000
- Unemployment Reserve \$ 30,000
- EBLAR \$ 10,000
- Workers Compensation Reserve \$ 50,000
- Reduce Reliance on Grants as Revenue \$100,000 to \$0

June 30, 2020

- Appropriated for 2020-2021 Budget \$200,000
- Transfer from Liability Reserve \$ 10,000
- Capital Project Reserve \$250,000
- Bus Reserve \$322,000
- Retirement Contribution \$ 20,000
- Unemployment Reserve \$ 20,000
- Unassigned Fund Balance 4%

2020-2021 Reserve Fund Use Priorities

- Appropriated Fund Balance \$200,000
- Debt Service \$ 75,000
- Retirement Contribution \$ 10,000
- Unemployment Reserve \$ 30,000
- EBLAR \$ 10,000
- Workers Compensation Reserve \$ 50,000

June 30, 2021

- Appropriated for 2021-2022 Budget \$150,000
- Capital Project Reserve \$350,000
- Bus Reserve \$372,000
- Retirement Contribution \$ 10,000
- Unemployment Reserve \$ 10,000
- Unassigned Fund Balance 4%