

## **Rotterdam-Mohonasen Central School District Reserve Plan - Updated August 2021**

### Overview

The establishment of funding reserves is an important consideration in the maintenance of a sound multi-year 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 financial health and stability of the District.

The Rotterdam-Mohonasen Central School District believes that the judicious use of reserves reduces long-term borrowing costs, smooths tax rates, and minimizes the possibility of mid-year budget cuts which could have a direct impact on students, staffing and programming. The District believes it is in the best interest of students, staff and taxpayers to prudently establish and use reserves to weather 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, the Rotterdam-Mohonasen Central School District budgets conservatively, when possible, to ensure that unanticipated expenditures do not result in mid-year cuts or expenditure freezes that could have an immediate negative impact on students and/or staff. This practice has generally allowed the District to weather revenue reductions, state aid holdbacks, increases in expenditures such as special education and other adjustments, without impacting instructional programs.

In certain years, due to either an increase in unexpected revenue or lower than anticipated expenses, there can be a budget surplus. When there is a surplus the Board of Education will review the surplus and determine the best use of these funds, including the transfer of funds to voter authorized reserves or to mitigate the ensuing year tax levy through appropriated fund balance.

In other years, due to either a decrease in expected revenue or higher than anticipated expenses, there can be a deficit. When there is a deficit the Board of Education will review and determine which reserves and/or fund balance will not be replenished to their prior year levels to compensate for the shortfall.

## Reserves

As the Board 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 statutorily limited as to how much money can be held in reserves. However, reserve balances must be reasonable and there must be a plan for their use.

Funding reserves at greater than reasonable levels contributes to real property tax levies 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 reserves 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 for the funding and use of the various reserves currently being utilized by the Rotterdam-Mohonasen Central School District:

### Tax Certiorari Reserve

*Purpose* - This reserve is used to pay for prior year judgements and claims in tax certiorari proceedings.

*Creation* - This reserve was established by Board resolution.

*Funding Goal* - As the District is made aware of tax certiorari claims, funds are reserved to cover the cost of these claims against the District. The goal is to have funds to cover all claims if settled for the entire amount of the claim.

*Funding Level* - This will be determined on an annual basis and match the calculated liability, whenever possible.

*Funding Method* - Funds may be placed in this reserve from excess fund balance, transfers from other reserves or by budgetary appropriation. Funds placed in this reserve that are not used to pay tax certiorari judgments or claims will be redistributed to other reserves.

*Use of Reserve* - This reserve will be used to pay for prior year tax certiorari claims.

*Monitoring of Reserve* - This reserve will be monitored by the Superintendent and the Assistant Superintendent for Business. Detailed calculations will be done on an annual basis to determine the liability of claims and the level of funding needed.

#### Retirement Contribution (ERS) Reserve Fund

*Purpose* - This reserve is used to pay for district expenses to the NYS Employees' Retirement System Only.

*Creation* - This reserve was established by Board resolution.

*Funding Goal* - A funding level equivalent to the value of five to ten consecutive years of funding as of the close of the current year.

*Funding Level* - will be determined on an annual basis and funded as deemed appropriate.

*Funding Methods* - Funds may be placed in this reserve from excess fund balance, transfers from other reserves or by budgetary appropriation.

*Use of Reserve* - Funds are to be used to finance retirement contributions in the NYS Employees' Retirement System. Reserve may be appropriated to the budget to offset expenses up to the amount of the budgeted expense.

*Monitoring Reserve* - This reserve is monitored by the Superintendent and Assistant Superintendent for Business.

#### Retirement Contribution (TRS) Reserve Sub-Fund

*Purpose* - This reserve is used to pay for district expenses to the Teachers' Retirement System Only.

*Creation* - This reserve was established by Board resolution.

*Funding Goal* - Funding for this reserve sub-fund is limited by the legislation which specifies that *annual contributions* may not be more than 2% of the total of all TRS

salaries from the immediately preceding fiscal year. In addition, it is specified that the *total balance* in the reserve sub-fund shall not exceed 10% of the total of all TRS salaries from the immediately preceding fiscal year.

*Funding Level* - will be determined on an annual basis and funded as deemed appropriate within the legislation with the ultimate goal of reaching 10% of the total of all TRS salaries from the immediately preceding fiscal year.

*Funding Methods* - Funds may be placed in this reserve from excess fund balance, transfers from other reserves or by budgetary appropriation.

*Use of Reserve* - Funds are to be used to finance retirement contributions in the New York State Teachers' Retirement System.. Reserve may be appropriated to the budget to offset expenses up to the amount of the budgeted expense.

*Monitoring Reserve* - This reserve is monitored by the Superintendent and Assistant Superintendent for Business.

#### Unemployment Reserve

*Purpose* - This reserve is used to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for unemployment benefits to claimants.

*Creation* - This reserve was established by Board resolution.

*Funding Goal* - An amount that is deemed adequate to fund unemployment costs of the district for a minimum of five to ten consecutive years.

*Funding Level* - This reserve will be funded as deemed appropriate. The level will be impacted by the variations in eligible claimants from year to year.

*Funding Methods* - Funds may be placed in this reserve from excess fund balance, transfers from other reserves or by budgetary appropriation.

*Use of Reserve* - In accordance with the law, this reserve may be used at the discretion of the Superintendent and Assistant Superintendent for Business specifically to offset expenses tied to unemployment insurance claims related to employee attrition. Reserve may be appropriated to the budget to offset expenses up to the amount of the budgeted expense.

*Monitoring Reserve* - This reserve is monitored by the Superintendent and Assistant Superintendent for Business.

#### Employee Benefit Accrual - Compensated Absences

*Purpose* - This reserve is used to pay for accumulated unused vacation time of eligible employees which would be due to them via contract or upon termination of the employee's service to the district.

*Creation* - This reserve was established by Board resolution.

*Funding Goal* - A funding level equivalent to the monetary value of all district obligations to pay for accumulated vacation time of eligible employees if those employees service with the District was terminated.

*Funding Level* - This will be determined on an annual basis and match the calculated liability.

*Funding Methods* - Funds may be placed in this reserve from excess fund balance, transfers from other reserves or by budgetary appropriation.

*Use of Reserve* - Funds are to be used when eligible employees are paid for their vacation time as per contract and/or at termination from the district.

*Monitoring Reserve* - This reserve is monitored by the Superintendent and Assistant Superintendent for Business.

#### Reserve for Tax Reduction

*Purpose* - This reserve is for the gradual use of proceeds from the sale of real property where the proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the district is permitted to retain the proceeds of the sale for a period not to exceed ten (10) years.

*Creation* - This reserve was established by Board resolution.

*Funding Goal* - Not applicable

*Funding Level* - The funding level will be determined based on the value of real property sold.

*Funding Methods* - Funds may be placed in this reserve through the sale of real property and not through transfer from other reserves or budgetary appropriation.

*Use of Reserve* - Funds are to be used for tax reduction within ten (10) years of the sale of real property.

*Monitoring Reserve* - This reserve is monitored by the Superintendent and Assistant Superintendent for Business.