Fairport Central School District
Reserve Fund Planning
2025

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 costs 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 taxpayers 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 Educations 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 spokes 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/lgmg/reservefunds.pdf

Capital Reserve Funds

Capital Reserve Funds are used to pay for the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires voter authorization to establish the purpose of the reserve, the ultimate amounts, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. These reserves are accounted for in the General Fund.

Capital Project Reserve Fund 2022

Voter Authorization	5/17/2022
Term	15 Years
Ultimate Limit	$25,000,000 plus accrued interest
Source of funds	Annual budget, surplus funds

Deposits	Interest	Expenditures	Balance
$14,055,994	$1,571,193	-	$15,627,187

Capital Project Reserve Fund 2020

Voter Authorization	12/10/2019
Term	15 Years
Ultimate Limit	$15,000,000 plus accrued interest
Source of funds	Annual budget, surplus funds

Deposits	Interest	Expenditures	Balance
$15,036,091	$36,091	$15,036,091	$ 0

Capital Project Reserve Fund 2018

Voter Authorization	5/15/2018
Term	15 Years
Ultimate Limit	$10,000,000 plus accrued interest
Source of funds	Annual budget, surplus funds

Deposits	Interest	Expenditures	Balance
$10,000,000	$155,032	$10,155,032	$ 0

The Capital Project Reserve Funds of 2022, 2020, & 2018 were established to allow the District to set funds aside to finance the cost of construction and reconstruction of district facilities. Planning for facility improvements is a continuous process that requires constant monitoring and oversight. On October 13, 2023, voters approved a capital improvement project related to work at FHS and MB. The propositions authorized the use of $18,860,000 (Proposition 1) and $1,600,000 (Proposition 2) of capital building reserves. This translates to usage from each reserve as follows: $3,155,032 (2018), $15,036,091 (2020), and $2,268,877 (2022) for a total reserve usage of $20,460,000. The District is in the process of developing a K-8 Capital

Improvement Project and anticipates recommending the use of between $10 million and $15 million of capital building reserve funds.

Capital Technology Reserve Fund 2022

Voter Authorization	5/17/2022
Term	10 Years
Ultimate Limit	$10,000,000 plus accrued interest
Source of funds	Annual budget, surplus funds, 2005 Reserve balance

Deposits	Interest	Expenditures	Balance
$1,000,000	$11,094		$1,011,094

The Capital Technology Reserve Fund 2022 was established for the purpose of financing, in whole or in part, technology equipment, including hardware and software, related devices, networking equipment, apparatus and peripherals, such as printers, modems, file servers, communication devices and required wiring for same

The District will rely on the Capital Technology Reserve fund to support any necessary financing of the District's instructional technology initiatives, infrastructure upgrades, and computer equipment replacement needs over the next several years. Equipment generally includes instructional classroom equipment, network closet hardware, and wireless access points. The District will strive to maintain a Capital Technology Reserve of at least $1,000,000.

Capital Technology Reserve Fund 2005

Voter Authorization	5/17/2005
Term	10 Years
Ultimate Limit	$10,000,000 plus accrued interest
Source of funds	Annual budget, surplus funds

Deposits	Interest	Expenditures	Balance
$8,885,859	$1,020,451	$9,515,125	$391,185

The Capital Technology Reserve Fund 2005 was established for the purpose to finance, in whole or in part, the purchase of computer equipment which includes hardware and software, related devices, networking equipment, apparatus and peripherals such as printer, modems, file servers, communication devices, and required wiring for same.

The District has utilized the Technology Reserve Fund to support computer hardware upgrades and replacement needs. The District will rely on the Capital Technology Reserve fund to support any necessary financing of the District's instructional technology initiatives, infrastructure upgrades, and computer equipment replacement needs over the next several years. Equipment generally includes instructional classroom equipment, network closet hardware, and wireless access points.

Voters approved expenditures from this fund in May 2014 ($2.596 million), May 2016 ($1.4 million), May 2017 ($1.0 million), May 2018 ($736,000), May 2019 ($464,000), May 2020

($309,000), May 2021 ($185,000), and May 2022 ($1.352 million). The District intends to reduce the reliance on the reserve for future spending needs through increasing the budget for technology in the General Fund. The District will strive to maintain a Capital Technology Reserve of at least $1,000,000. Voters approved the establishment of a new Capital Technology Reserve on May 17, 2022 to allow for future funding.

Capital Bus Purchase Reserve Fund 2024

Voter Authorization	5/21/2024
Term	15 Years
Ultimate Limit	$15,000,000 plus accrued interest
Source of funds	Annual budget, surplus funds

Deposits	Interest	Expenditures	Balance
$700,000	$29,339		$729,339

The Bus Purchase Reserve Fund was established specifically for the purpose of financing, in whole or in part, vehicles and equipment to be used in student transportation, and costs incidental thereto. A bus purchase reserve fund benefits the District by mitigating the impact of increased costs of school buses, and support years in which the bus replacement plan requires additional purchases.

Bus Purchase Reserve Fund

Voter Authorization	5/21/2002
Term	10 Years
Ultimate Limit	$8,000,000 plus accrued interest
Source of funds	Annual budget, surplus funds

Balance Forward	Deposits	Interest/Adjustments	Expenditures	Balance
$529,180	$7,917,608	$1,024,513	$8,791,197	$680,104

The Bus Purchase Reserve Fund was established specifically for the purchase of school buses. A bus purchase reserve fund benefits the District by mitigating the impact of increased costs of school buses, and support years in which the bus replacement plan requires additional purchases. Historically, the District relied on the reserve to fund approximately two-thirds of the cost of annual bus purchases. The District, over time, built in the full cost of bus replacements into the general fund budget in order to decrease reliance on such reserve. Beginning with the 2016-17 budget, the District was able to build in the entire cost of buses in the General Fund. In May 2024, voters approved a maximum utilization of $620,950 from this reserve to support the purchase of three (3) 71-passenger school buses due to replacement needs and rising costs. Voters also approved the establishment of a new Capital Bus Purchase Reserve Fund on May 21, 2024 to allow for future funding.

Repair Reserve

Voter Authorization	6/20/1995
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds
Balance	$749,849

The Repair Reserve fund was established to pay the cost of certain repairs or capital improvements to equipment that may not recur annually. The intended use of such funds will be in an emergency situation only. The Repair Reserve is a safety net for repairs that are significant enough that funds may not be available in the District's operating budget. A public hearing is required before expending from the Repair Reserve Fund. This reserve is accounted for in the General Fund. The District transferred $1 million dollars to the Capital Reserve in 2023.

Tax Certiorari Reserve Fund

Board Authorization	8/10/2004
Term	N/A
Ultimate Limit	May not exceed amount necessary to meet anticipated judgments/claims
Source of funds	Annual budget, surplus funds
Balance	$359,155

The Tax Certiorari Reserve Fund was established to pay judgments and claims in tax certiorari proceedings per Article 7 of the Real Property Tax Law. This reserve is accounted for in the General Fund. The estimated exposure to settle current outstanding tax certiorari claims is approximately $2.0 million.

The District will strive to maintain at least 15-20% of the estimated exposure of outstanding Article 7 petitions. If the amount is below such percentage, the District will make a reasonable effort to increase the reserve to the appropriate level at the end of the fiscal year.

Reserve for Liability

Board Authorization	12/20/2000
Term	N/A
Ultimate Limit	May not exceed 3% of the annual budget
Source of funds	Annual budget, surplus funds
Balance	$1,862,134

The Reserve for Liability Fund was established to pay for property loss and liability claims incurred. This reserve is accounted for in the General Fund.

This reserve is not intended for use on a regular operational basis. It is intended to protect against unanticipated judgments and claims against the District for which the District is not able

to plan for within the general operating budget. The District does have open claims on file, and feels strongly that having a liability reserve to protect the District is reasonable, necessary, and prudent. Over the next several years, the Board of Education may need to determine an amount that may be necessary to be liquidated from this fund for the purposes of tax reduction. The District will strive to maintain a Liability Reserve balance of at least $1,500,000.

Insurance Reserve

Board Authorization	6/20/1995
Term	N/A
Ultimate Limit	May not exceed 5% of the annual budget
Source of funds	Annual budget, surplus funds
Balance	$927,264

The Insurance Reserve Fund was established to pay liability, casualty and other types of losses, except those incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity, and surety, credit, title residual value and mortgage guarantee. This reserve is accounted for in the General Fund.

At this time, it has been determined that the current reserve level close to 0.60% of the annual budget is reasonable and appropriate. The amount paid into this reserve during any fiscal year may not exceed the greater of $33,000 or 5 percent of the total budget. The District has a self-insured dental plan, a student accident insurance plan, and participates in an insurance reciprocal for liability insurance. It is prudent to have reserves in place for run out claims for self-insured plans, as well as to protect the District against an assessment for insurance claims. Over the next several years, the Board of Education may need to determine an amount that may be necessary to be liquidated from this fund for the purposes of tax reduction.

Employee Benefit Accrued Liability Reserve (EBALR)

Board Authorization	7/8/2003
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds
Balance	$1,547,006

The EBALR Fund was established to pay accrued benefits due employees upon termination of service. This reserve is not intended to include post-employment health benefits under GASB 75, or to be used to pay retirement incentives. This reserve is accounted for in the General Fund.

The EBALR is funded at a level that supports benefit payments due to eligible employees resigning or retiring that have accrued time while employed with the District. Obligations reserved for include accrued sick time and vacation payments. The District will use these funds to pay benefits due employees upon retirement. The District will strive to maintain an EBALR balance of at least $1,000,000.

Employees' Retirement Contribution Reserve Fund

Board Authorization	7/28/2006
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds
Balance	$9,124,964

The Retirement Contribution Reserve Fund is used for the purpose of financing retirement contributions to the NY State Employees' Retirement System (ERS). This reserve is accounted for in the General Fund.

Employer contribution rates for the Employees' Retirement System (ERS) increased in previous years, and rate volatility continues to be an issue. The Board of Education's foresight to have funds reserved for retirement contributions is fiscally prudent. The availability of these funds to support payments to the Employees' Retirement System will help mitigate the budget impact of sharp increases in contribution rates.

In any given year that revenues exceed expenses, it is not necessary to reduce this reserve as it would only increase year end surplus. Future projections indicate that the District's financial condition is likely to require an increased reliance on reserves to support operations during fiscally challenging times, this reserve will likely be needed in the long term to offset rising costs and mitigate taxes. The Board of Education will review the status of the fund annually, and determine amounts that will be used to fund payments to the Employees' Retirement System. The District will strive to maintain at least two to three years of the estimated ERS annual billing in such reserve.

Teachers' Retirement Contribution Reserve Fund

Board Authorization	6/18/2019
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds
Balance	$4,931,052

The Teachers' Retirement Contribution Reserve Fund is used for the purpose of financing retirement contributions to the NY State Teachers' Retirement System (TRS). This reserve is accounted for in the General Fund.

There was a slight increase to the employer contribution rate for the 2024-25 budget. Employer contribution rates for the Teachers' Retirement System (TRS) have increased significantly in previous years and rate volatility continues to be an issue. The Board of Education's foresight to have funds reserved for retirement contributions is fiscally prudent. The availability of these funds to support payments to the Teachers' Retirement System will help mitigate the budget impact of sharp increases in contribution rates.

In any given year that revenues exceed expenses, it is not necessary to reduce this reserve as it would only increase year end surplus. Future projections indicate that the District's financial condition is likely to require an increased reliance on reserves to support operations during fiscally challenging times, this reserve will likely be needed in the long term to offset rising costs and mitigate taxes. The Board of Education will review the status of the fund annually, and determine amounts that will be used to fund payments to the Teachers' Retirement System. The District established this reserve in the 2018-19 year.

Unemployment Insurance Reserve

Board Authorization	12/17/2008
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds
Balance	$1,756,536

The Unemployment Insurance Reserve is 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. This reserve is accounted for in the General Fund. The District intends to use the reserve fund to pay related claims. The District will strive to maintain at least $300,000 or approximately 0.5% of budgeted payroll in such reserve.

Workers' Compensation Reserve

Board Authorization	6/23/2020
Term	N/A
Ultimate Limit	N/A
Source of funds	Annual budget, surplus funds
Balance	$2,122,128

The Workers' Compensation Reserve is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for the payment of expenses of administering this self-insurance program. This reserve is accounted for in the General Fund. The District intends to use the reserve fund to pay related claims. The District established this reserve in the 2019-20 year.