



# **GATES CHILI CENTRAL SCHOOL DISTRICT**

## *Financial Reserve Plan*

Adopted July 9, 2024



## Table of Contents

<b>Section I: Introduction</b>	<b>5</b>
Intended Use of Reserves	5
Reserve Fund Strategy	6
<b>Section II: Reserve Funds</b>	<b>7</b>
Tax Certiorari Reserve	7
Employee Benefits Accrued Liability (EBALR) Reserve	8
NYS Employee Retirement Contribution Reserve	9
NYS Teacher Retirement Contribution Reserve	10
Workers' Compensation Reserve	11
Unemployment Insurance Reserve	12
Capital Reserve: Construction 2023 - \$15M	13
Capital Reserve: Construction 2021 - \$10M	14
Capital Reserve: Vehicles	15
Capital Reserve: Technology	16
Capital Reserve: Building Security Infrastructure	17
Insurance Reserve	18
Debt Service Fund	19
Reserve for Encumbrances	20
Appropriated Fund Balance	21
Unassigned Fund Balance	21
<b>Section III: Summary of Accounts</b>	<b>22</b>
Five-Year Reserve Comparison	22
Board of Education Recommendations	23



# INTRODUCTION

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The Gates Chili Central School District Board of Education believes there is a strong correlation between the long-term financial health of the school district and its ability to provide students with the necessary programs, services and facilities to meet its mission.

The Gates Chili Board of Education believes it is the purpose of the Gates Chili Central School District to provide a sound education for every student it serves. Recognizing this, our mission statement is:

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*Together we teach and inspire excellence for all learners.*

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## Intended Use of Reserves

Reserve funds, like other savings plans, are mechanisms for accumulating cash for future capital outlays and other allowable purposes. Planning and systematically saving for capital acquisitions and other contingencies is considered prudent management. Saving for future capital needs can reduce or eliminate interest and other costs associated with debt issuances. Similarly, certain reserve funds can 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 intended future use. An important concept to remember is that a reserve fund should be established with a clear intent or plan 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 these practices not overburden taxpayers. A clear purpose or intent for reserve funds should align with statutory authorizations.



Each statute that authorizes a reserve fund sets forth a particular underlying purpose for the Fund. For example, the General Municipal Law (the GML) and the Education Law allow municipalities and school districts to establish capital reserves for future equipment purchases 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 significant, 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 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/lmgmg/reservefunds.pdf>*

## Reserve Fund Strategy

Over the long run, the district will continue to use conservative budgeting practices, likely resulting 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 future economic downturns. The district anticipates additional state aid and mandate relief in future years to reduce the 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 if state or federal aid is not paid promptly.
- Cash flows that will allow for increased investment earnings.
- The ability to take advantage of opportunities relevant to school district operations that could result in better efficiencies, facilities/capital improvements, and instruction that is savings to taxpayers in the long run.
- Consistencies and improvements in its educational 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 will save taxpayers money at both the local and state levels.

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



# RESERVE FUNDS

## Tax Certiorari Reserve

[EDN Article 74 §3651 (1-a)]

### Overview

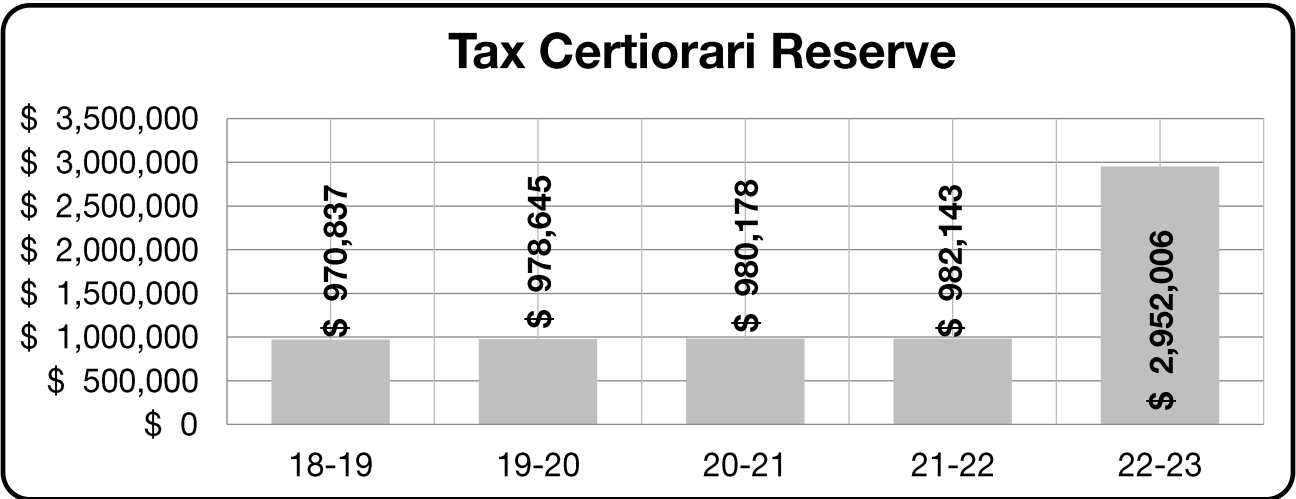
- Established by Board of Education resolution.
- Voter approval is not needed to expend funds.
- Utilized to pay judgments and claims arising out of tax certiorari proceedings.
- Established in the amount that is deemed reasonably necessary for judgments and claims that may occur.
- Monies not used and/or are not reasonably required to pay judgments or claims are to be returned to the General Fund on or before the first day of the fourth fiscal year following deposit into such fund.
- Such monies are deemed reasonably required to pay any judgment or claim of proceeding or claim not finally determined or otherwise terminated or disposed of after the exhaustion of all appeals.

### Analysis and Projected Needs

The Board of Education reestablished the Tax Certiorari Reserve in March 2014. The Reserve is based on known potential claims and judgments. In the 2013-14 fiscal year, the known claims were estimated to be \$483,154. Therefore, that was the initial amount reserved for payment of tax certiorari judgments and claims. The monies held in the reserve fund shall not exceed the necessary amount to meet anticipated judgments and are reviewed annually.

As of June 30, 2023, the potential maximum tax certiorari liability is \$3,154,358.

As of June 30, 2023, the Tax Certiorari Reserve balance is \$2,952,006.



# Employee Benefits Accrued Liability Reserve (EBALR)

(GML Article 2 § 6-p)

## Overview

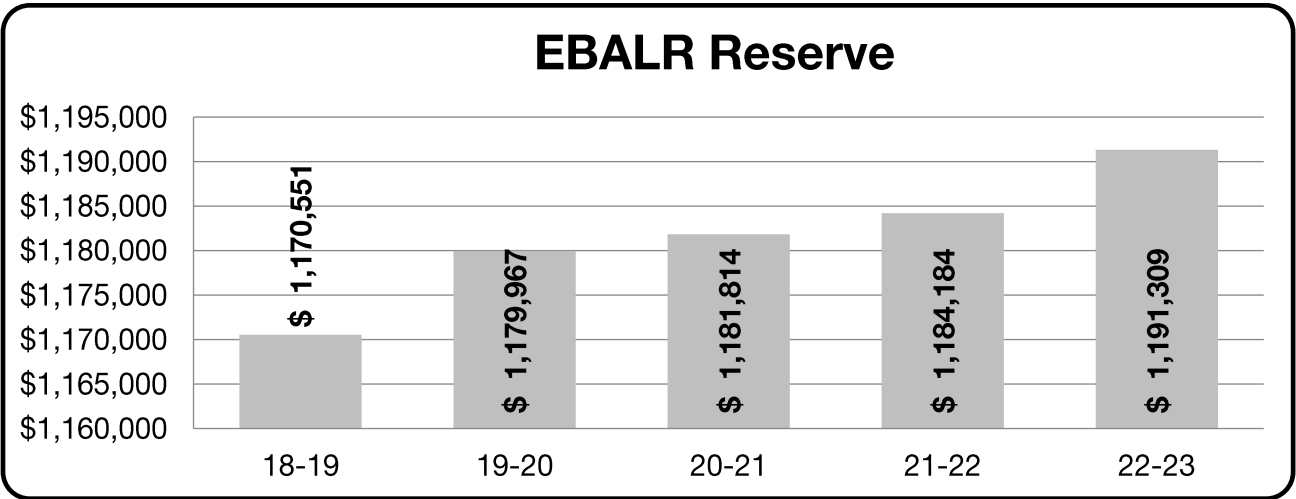
- Established by the Board of Education
- Funded by budgetary appropriations, transfers from other reserve funds as permitted by Law, and other funds as the school board may legally appropriate
- Voter approval is not needed to expend funds
- Utilized to pay for accrued and accumulated but unused sick leave, personal leave, holiday leave, vacation time, and other benefits earned by employees and payable upon termination of service
- Upon determination that this Fund is no longer needed, the Fund may be discontinued, and funds may be transferred to another reserve fund as permitted by Law
- Funds cannot be used to pay lump sum "retirement awards" calculated as a percent of an employee's final salary and paid upon retirement under a collective bargaining agreement

## Analysis and Projected Needs

According to the audited financial statements, as of June 30, 2022, the District had an estimated future liability of \$2,782,956 for benefits to be paid to its employees upon termination of employment (compensated absences). The majority of this Reserve comprises accrued sick leave days converted to a monetary value at the employee’s daily rate at the time of retirement. As this liability represents a significant portion of the district’s long-term obligations, the district continues to monitor this Reserve and consider further funding if needed.

As of June 30, 2023, the district’s EBALR liability is \$2,979,493.

As of June 30, 2023, the Employee Benefits Accrued Liability Reserve (EBALR) balance is \$1,191.309.



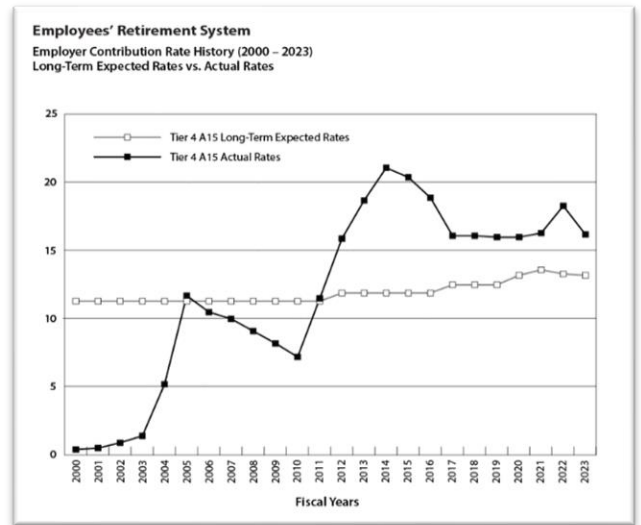


# NYS Employee Retirement Contributions Reserve

(GML Article 2 § 6-r)

## Overview

- Established by the Board of Education
- Funded by budgetary appropriations, revenues not required by Law to be paid into other funds or accounts, transfers from other reserve funds as permitted by Law, and such other funds as the Board may legally appropriate
- Voter approval is not needed to create or expend funds from this Reserve
- A portion of the funds may be transferred to another reserve fund established according to Education Law § 3651 following a public hearing conducted in the manner set forth by Law
- This reserve funds employer retirement contributions payable by a school district to the NYS and Local Employee Retirement System



The chart pictured above and at the following webpage shows the long-term expected rates and the actual annual contribution rates for ERS Tier 4 (Article 15):

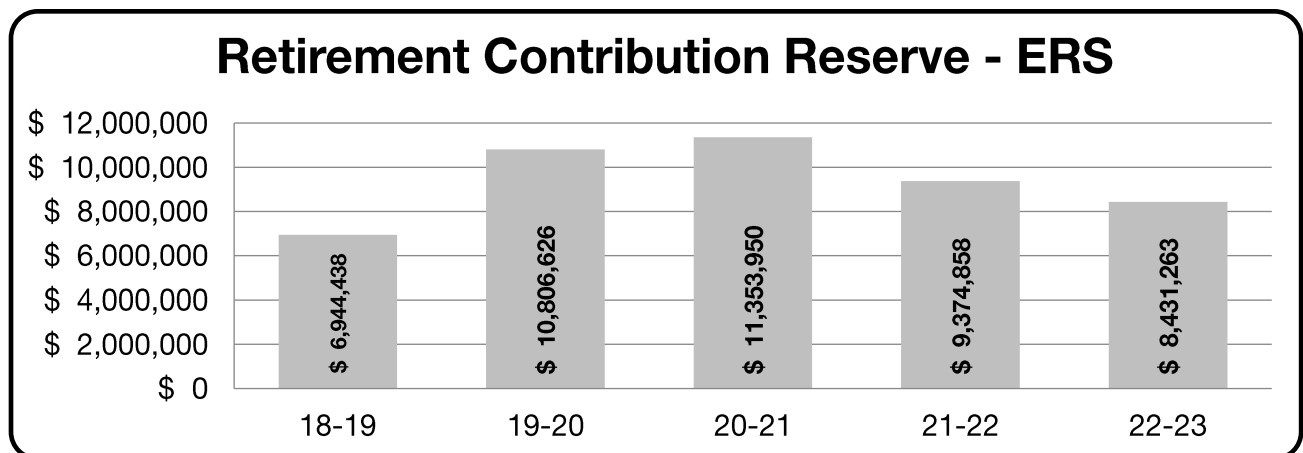
<https://www.osc.state.ny.us/retirement/employers/partnership/long-term-expected-contribution-rates>

## Analysis and Projected Needs

The Board of Education established the Employee Retirement Contribution (ERS) Reserve in August 2009. The Fund was created from an undesignated, unappropriated fund balance, and unused funds from reserves are no longer deemed necessary. This reserve offsets the district's proportionate share of ERS pension system costs.

The 2022-23 school year, the District ERS pension liability was \$1,240,017.

As of June 30, 2023, the ERS Reserve balance is \$8,431,263.



# NYS Teachers' Retirement Contributions Reserve

(GML Article 2 § 6-r)

## Overview

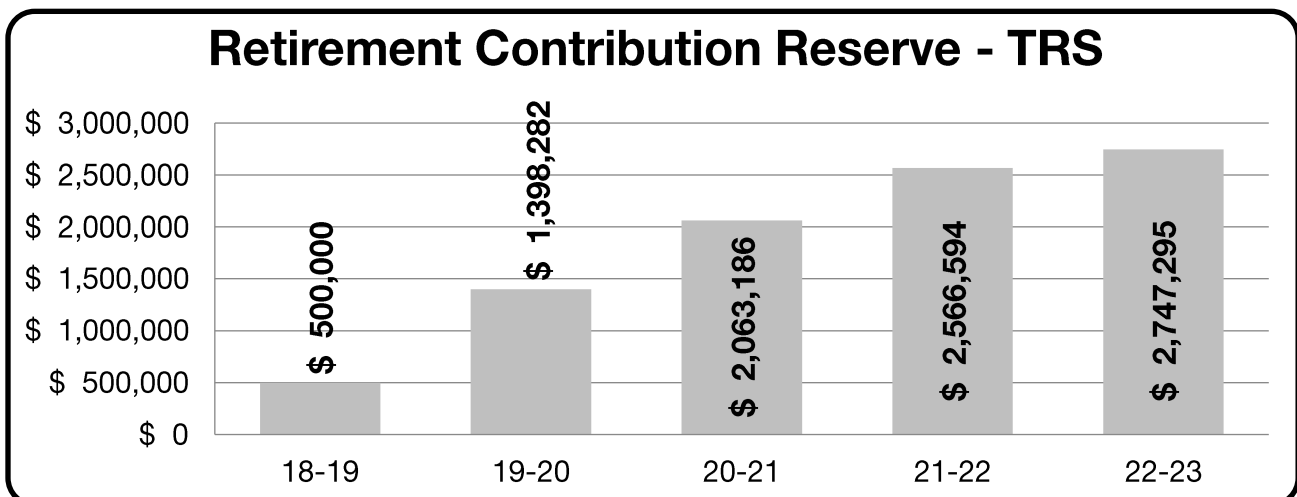
- Established by the Board of Education
- Funded by budgetary appropriations, revenues not required by Law to be paid into other funds or accounts, transfers from other reserve funds as permitted by Law, and such other funds as the Board may legally appropriate.
- Voter approval is not needed to expend funds.
- A portion of the funds may be transferred to another reserve fund established according to Education Law § 3651 following a public hearing conducted in the manner set forth by Law.
- Annually, the District may set aside up to 2% of its total TRS payroll.
- The fund balance may not exceed 10% of the total compensation paid to TRS members in the district during the prior fiscal year.
- The district may use money kept in TRS reserve funds for the following:
  - Direct payments to TRS
  - To offset the amount of school aid deducted by the state to cover these obligations.

## Analysis and Projected Needs

The Board of Education established the Teacher Retirement System (TRS) Reserve in June 2019. For the fiscal year 2019, the maximum contribution of \$540,000 (2% of prior years' salaries) was funded from undesignated, unappropriated, or unused funds deemed no longer necessary.

The total pension funding amount of \$180,701 for fiscal year end 2023 that is attributable to this reserve relies on a TRS salary base of \$37,968,241.

As of June 30, 2023, the TRS Reserve balance is \$2,747,295.



# Workers' Compensation Reserve

(GML Article 2 § 6-i)

## Overview

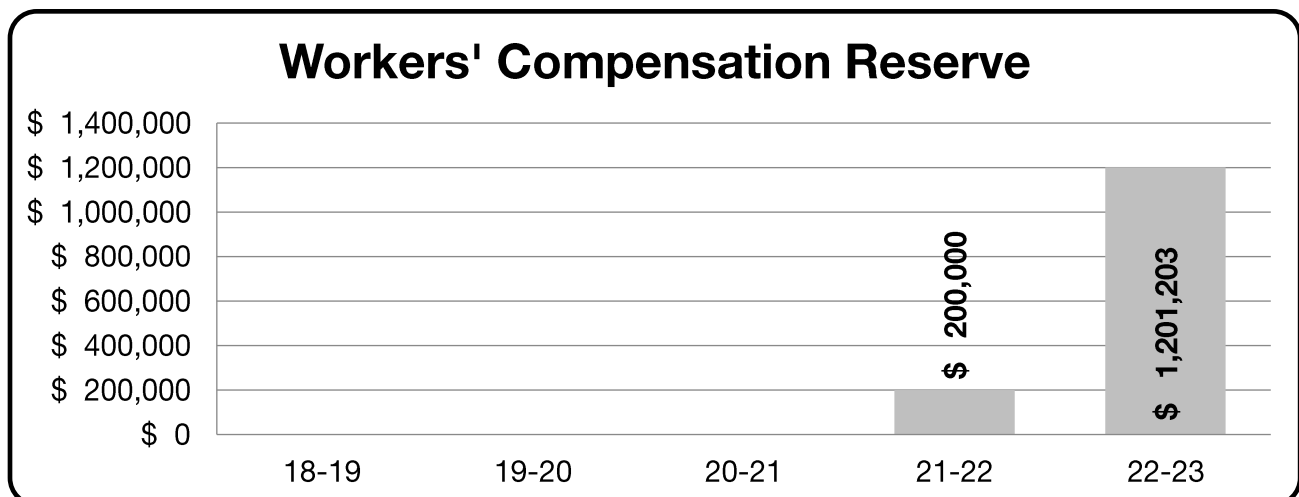
- Established by Board of Education resolution.
- Funded by budgetary appropriations and other sums as may be legally appropriated (e.g., surplus monies).
- Voter approval is not needed to expend funds.
- Utilized to pay expenses for Workers' Compensation and benefits, related medical/hospital expenses, and self-insurance administrative.
- Excess funds may be transferred to other reserves authorized by General Municipal Law and Education Law 60 days before the end of the fiscal year.

## Analysis and Projected Needs

Annually, the district is obligated to pay for administering the Workers' Compensation Plan. To assist in funding this liability, the district, through Board of Education action, created this Reserve on April 26, 2022. District voters approved the reserve on May 17, 2022, with a 10-year life. An initial contribution was made June 30, 2022, in the amount of \$200,000. The district intends to fund this Reserve in future years to help relieve potential budgetary variability.

For the 2023-23 fiscal year, workers' compensation plan expenses were \$556,685.

As of June 30, 2023, the Workers' Compensation Reserve balance is \$1,201,203.



# Unemployment Insurance Reserve

(GML Article 2 § 6-m)

## Overview

- Established by Board of Education resolution
- Funded by budgetary appropriations, amounts from any other fund authorized by this chapter by resolution subject to referendum, or other sums that may be legally appropriated
- Voter approval is not needed to expend funds
- Utilized to pay unemployment claims
- Excess funds may be transferred to other reserves authorized by General Municipal Law and Education Law 60 days before the end of the fiscal year

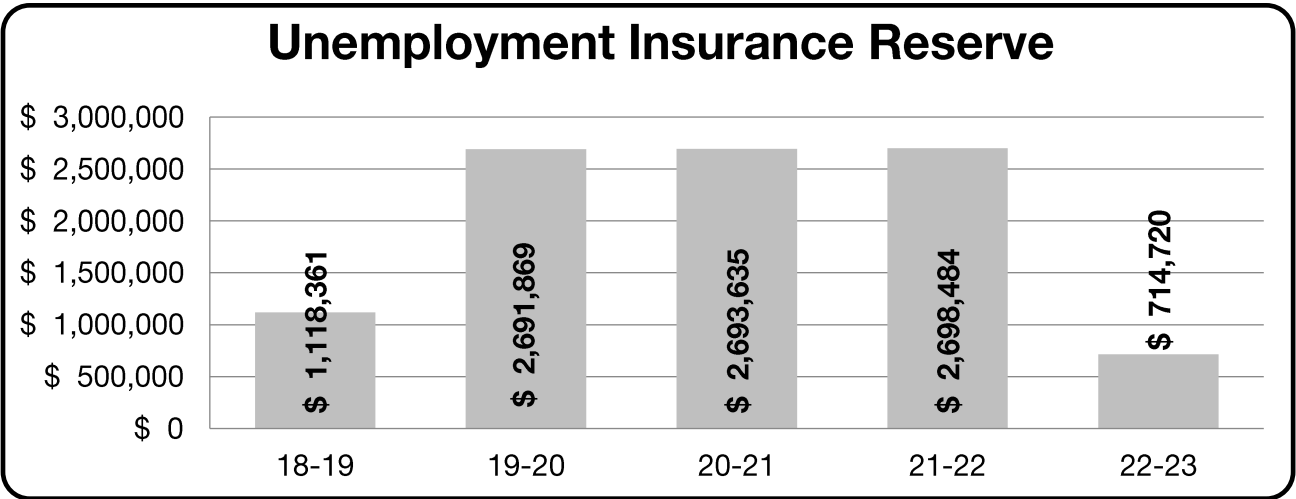
## Analysis and Projected Needs

The district is obligated to pay 100% of all unemployment claims granted by the NYS Department of Labor. This Reserve can be used for two distinct scenarios. First, to pay the state directly for claims. The second is to save money for potential known claims.

In the first case listed above, the district has elected to pay the New York State Unemployment Insurance Fund using the benefit reimbursement method. Essentially, the state reimburses the employee, and the district reimburses the state for the same amount.

In the second case, as of June 30, 2021, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

As of June 30, 2023, the Unemployment Insurance Reserve balance is \$714,720.



# Capital Reserve: Construction 2023 - \$15M

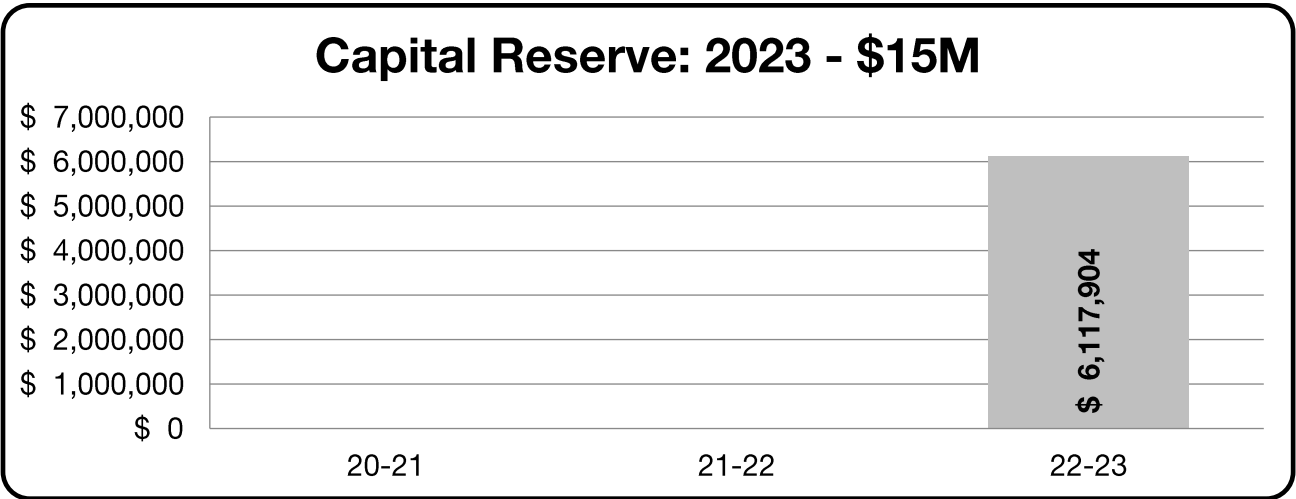
[EDN Article 74 § 3651 (1)]

## Overview

- Established by voter approval.
- States the specific purpose of the Fund, the amount, the term of the Fund, and sources where the Fund is obtained (e.g., budgetary appropriations, unappropriated fund balance, and New York State aid).
- Utilized to pay for any object or purpose for which a school district may issue bonds according to Finance Law
- Expended only with voter approval and for the purpose of the Fund being established.
- Transferred to other funds only by voter approval.
- Maybe liquidated by voters' approval if the determined Fund is no longer needed for the original purpose. Proceeds must be applied first to outstanding bond indebtedness and then to tax levy.

## Analysis and Projected Needs

The Capital Reserve was established by a favorable vote of the Gates Chili CSD taxpayers on May 16, 2023. The Reserve is authorized to be funded over 10 years up to \$15,000,000 plus earnings thereon. This Reserve funded the reconstruction and improvement of school buildings and facilities and the acquisition of furnishings, equipment, machine, or apparatus; such capital costs being of a type that would be eligible for financing under the local finance law.



# Capital Reserve: Construction 2021 - \$10M

[EDN Article 74 § 3651 (1)]

## Overview

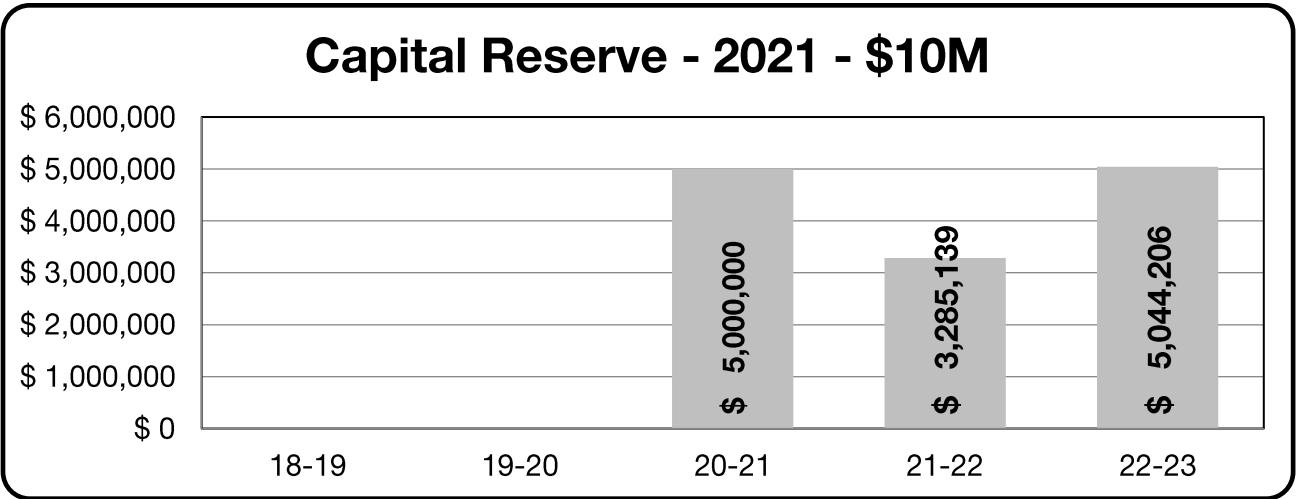
- Established by voter approval.
- States the specific purpose of the Fund, the amount, the term of the Fund, and sources where the Fund is obtained (e.g., budgetary appropriations, unappropriated fund balance, and New York State aid).
- Utilized to pay for any object or purpose for which a school district may issue bonds according to Finance Law
- Expended only with voter approval and for the purpose for which the Fund was established.
- Transferred to other funds only by voter approval.
- It may be liquidated by voters' approval if the determined Fund is no longer needed for the original purpose. Proceeds must be applied first to outstanding bond indebtedness and then to tax levy.

## Analysis and Projected Needs

The capital reserve was established by a favorable vote of the Gates Chili CSD taxpayers on March 23, 2021. It is authorized to be funded over 10 years up to \$10,000,000 plus earnings thereon. The reserve's purpose is to fund the reconstruction and improvement of school buildings and facilities and the acquisition of furnishings, equipment, machines, or apparatus; such capital costs are of a type that would be eligible for financing under local finance law.

To date, \$10,000,000 has been contributed toward the reserve with \$5,000,000 being used to fund construction to date. The \$5,000,000 has been applied to the \$45M voter-approved capital project.

As of June 30, 2023, the Capital Reserve - Construction balance is \$5,044,206.





# Capital Reserve: Vehicles

[EDN Article 74 § 3651 (1)]

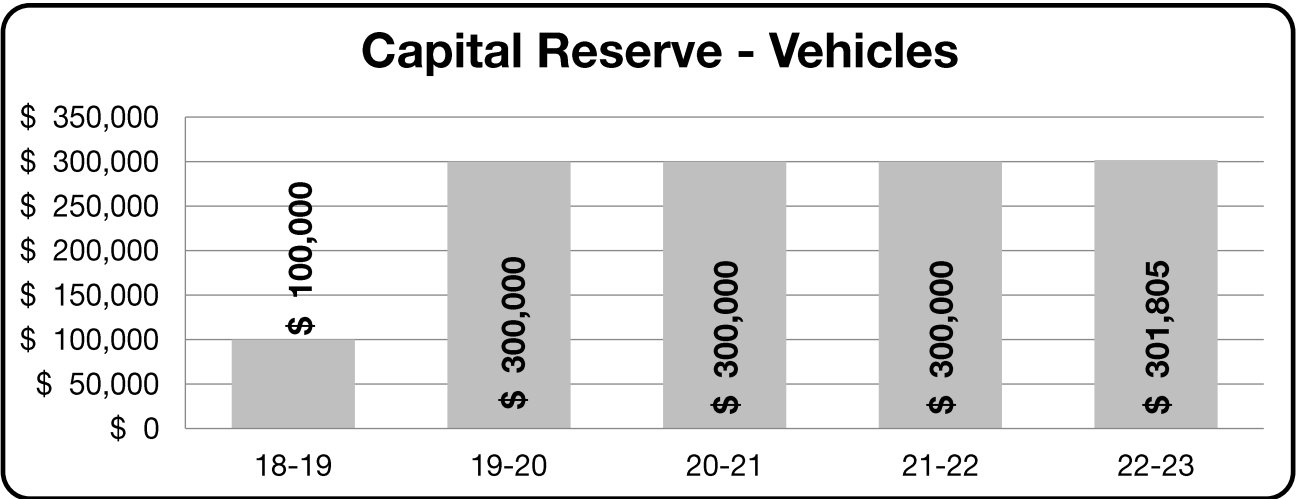
## Overview

- Established by voter approval
- States the specific purpose of the Fund, the amount, the term of the Fund, and sources where the Fund is obtained (e.g., budgetary appropriations, unappropriated fund balance, and New York State aid).
- Utilized to pay for any object or purpose for which a school district may issue bonds pursuant to Finance Law
- Expended only with voter approval and for the purpose for which the Fund was established.
- Transferred to other funds only by voter approval.
- Maybe liquidated by voters' approval if the determined Fund is no longer needed for the original purpose. Proceeds must be applied first to outstanding bond indebtedness and then to tax levy

## Analysis and Projected Needs

The capital reserve for Vehicles and Equipment was established by a positive vote of the Gates Chili CSD taxpayers on May 21, 2019. The Reserve is authorized to be funded over 10 years up to \$500,000 plus earnings thereon. The purpose of the Reserve is to finance the purchase of vehicles for student transportation, maintenance vehicles, and equipment, and other vehicles for district use. The Reserve may be funded through budgetary appropriations, sale proceeds of equipment, and interest earnings. The Board will continue to fund this Reserve in future years up to its maximum amount, if necessary.

As of June 30, 2023, the Capital Reserve for Vehicles is \$301,805.



# Capital Reserve: Technology

[EDN Article 74 § 3651 (1)]

## Overview

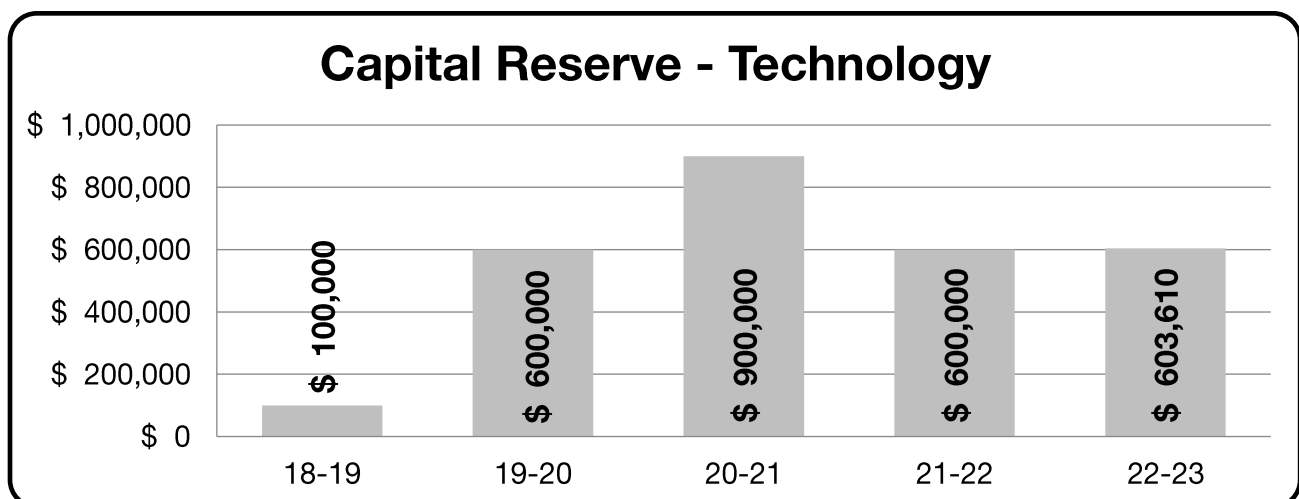
- Established by voter approval
- States the specific purpose of the Fund, the amount, the term of the Fund, and sources where the Fund is obtained e.g. budgetary appropriations, unappropriated fund balance, and New York State aid
- Utilized to pay for any object or purpose for which a school district may issue bonds pursuant to Finance Law
- Expended only with voter approval and for the purpose for which the Fund was established
- Transferred to other funds only by voter approval
- Maybe liquidated by voters' approval if the determined Fund is no longer needed for the original purpose. Proceeds must be applied first to outstanding bond indebtedness and then to tax levy

## Analysis and Projected Needs

The capital reserve for Information/Audiovisual Technology Equipment and Supplies was established by a positive vote of the Gates Chili CSD taxpayers on May 21, 2019. The Reserve is authorized to be funded over a 10-year period up to \$1,000,000. The purpose of the Reserve is to finance the purchase of information technology equipment and supplies and/or audiovisual technology equipment and supplies, such as, but not limited to, computers, laptops, classroom display and audio solutions, and other hardware needed to support these devices. The Reserve may be funded through budgetary appropriations, sale proceeds of obsolete equipment, and interest earnings.

As of June 30, 2023, \$900,000 has been funded, of which \$300,000 has been used for technology purchases.

As of June 30, 2023, the Capital Reserve for Technology is \$603,610.



# Capital Reserve - Building Security Infrastructure

EDN Article 74 § 3651 (1)]

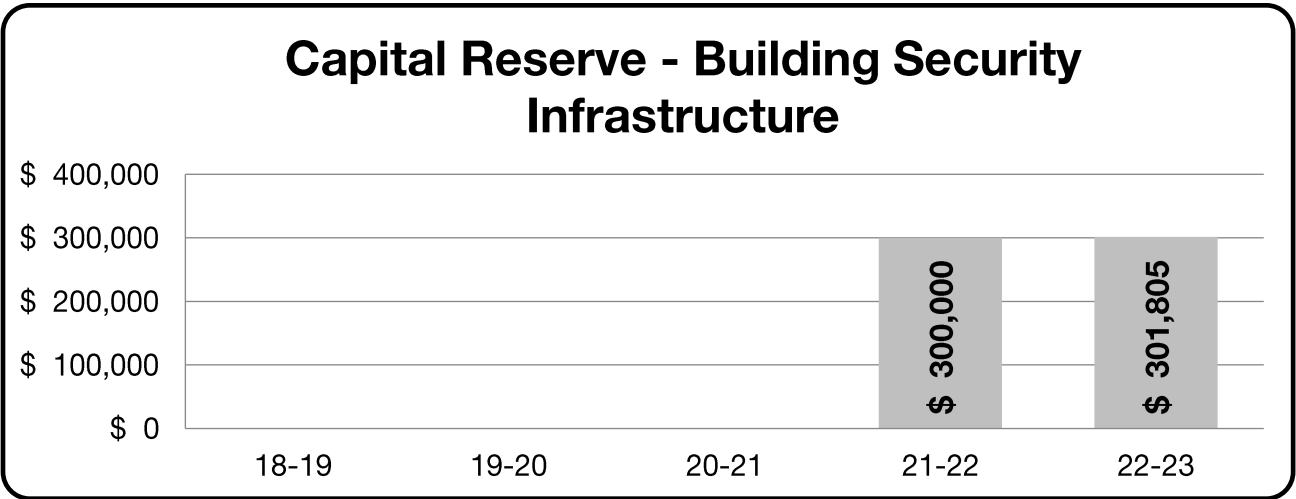
## Overview

- Established by voter approval.
- States the specific purpose of the Fund, the amount, the term of the Fund, and sources where the Fund is obtained (e.g., budgetary appropriations, unappropriated fund balance, and New York State aid).
- Utilized to pay for any object or purpose for which a school district may issue bonds pursuant to Finance Law
- Expended only with voter approval and for the purpose for which the Fund was established.
- Transferred to other funds only by voter approval.
- Maybe liquidated by voters' approval if the determined Fund is no longer needed for the original purpose. Proceeds must be applied first to outstanding bond indebtedness and then to tax levy.

## Analysis and Projected Needs

The capital reserve for Building Security was established by a positive vote of the Gates Chili CSD taxpayers on May 17, 2022. The Reserve is authorized to be funded up to \$4,000,000 with a 10-year life. The purpose of the Reserve is to finance the identified gaps and inconsistencies between buildings, upgrade infrastructure, and personnel. The Reserve may be funded through budgetary appropriations, sale proceeds of obsolete equipment, and interest earnings.

As of June 30, 2023, the Capital Reserve for Building Security Infrastructure is \$301,805.



# Insurance Reserve

(GML Article 2 §6-n)

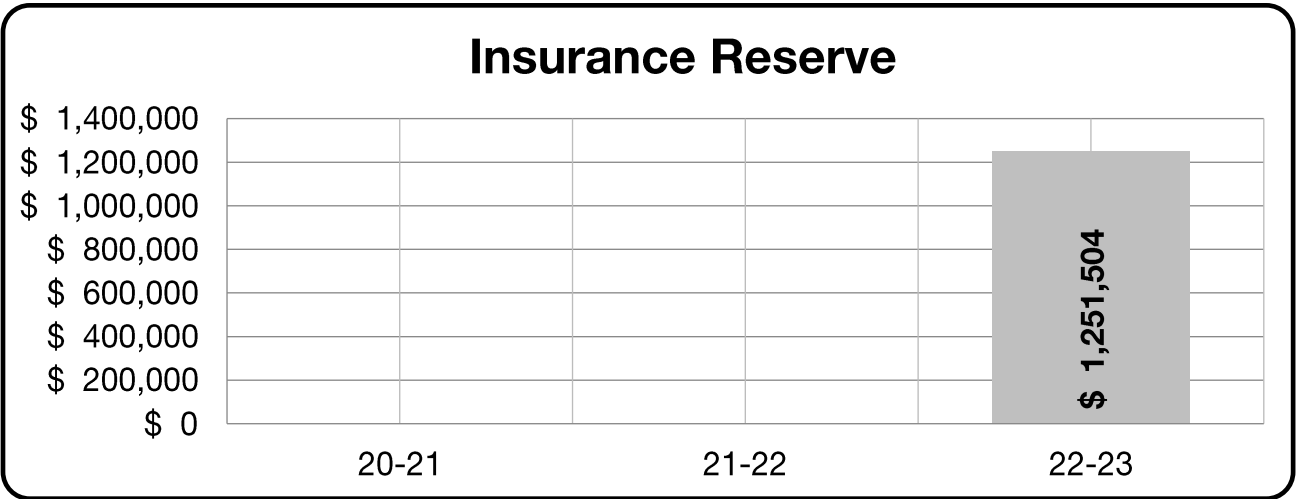
## Overview

- Established by the Board of Education
- Funded by budgetary appropriations, transfers from other reserve funds as permitted by law, and such other funds as the board of education may legally appropriate
- Contributions to the fund may not exceed 5% of the total budget for that year, or \$33,000, whichever is greater
- Voter approval is not needed to expend funds. Judicial approval is needed to pay settled or compromised claims exceeding \$25,000
- Upon determination that this fund is no longer needed the fund may be discontinued and transferred to another reserve fund as permitted by law

## Analysis and Projected Needs

The district will hold this reserve to fund losses, claims, actions, or judgments as they arise for those claims that are either not covered by insurance or are denied coverage by the insurance company. At 5% of the budget, the current maximum amount that can be funded in this reserve is approximately \$6,427,621.

As of June 30, 2023, the Insurance Reserve is \$1,251,504.



# Debt Service Fund

(GML §6-1)

## Overview

According to the New York State Education Department (NYSED):

"The use of this fund by school districts is optional except where a mandatory reserve for debt service is required as a result of having sold school property on which there is outstanding debt, or where unexpended proceeds of borrowings, earned interest, bond premium, or accrued interest are being retained to offset future payments on principal and interest."

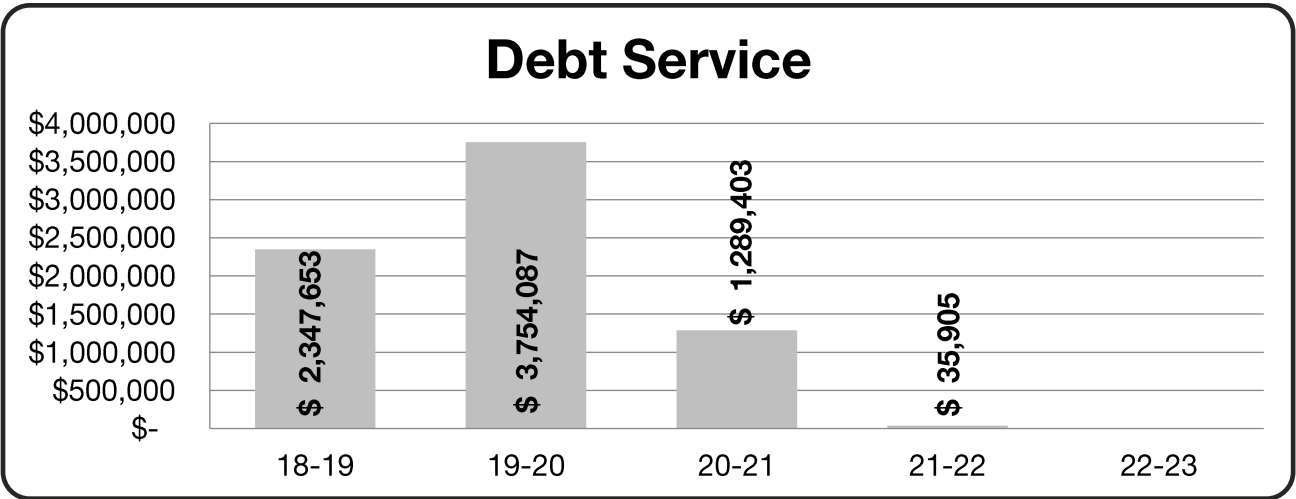
<http://www.p12.nysed.gov/mgtserv/budgeting/handbook/otherfunds.html>

## Analysis and Projected Needs

The Debt Service Fund is mandatory as the Fund is used to account for "unexpended proceeds of borrowings, earned interest, bond premium, or accrued interest." Over the years, the district has borrowed funds for various projects. At the end of every project, the district is required to take unexpended funds and use them to offset the cost of debt service principal and interest payments in the General Fund.

The district plans to use any remaining funds to either offset debt service payments through the General Fund or to fund future capital expenses.

As of June 30, 2023, the balance in the Debt Service Fund is \$0.00.



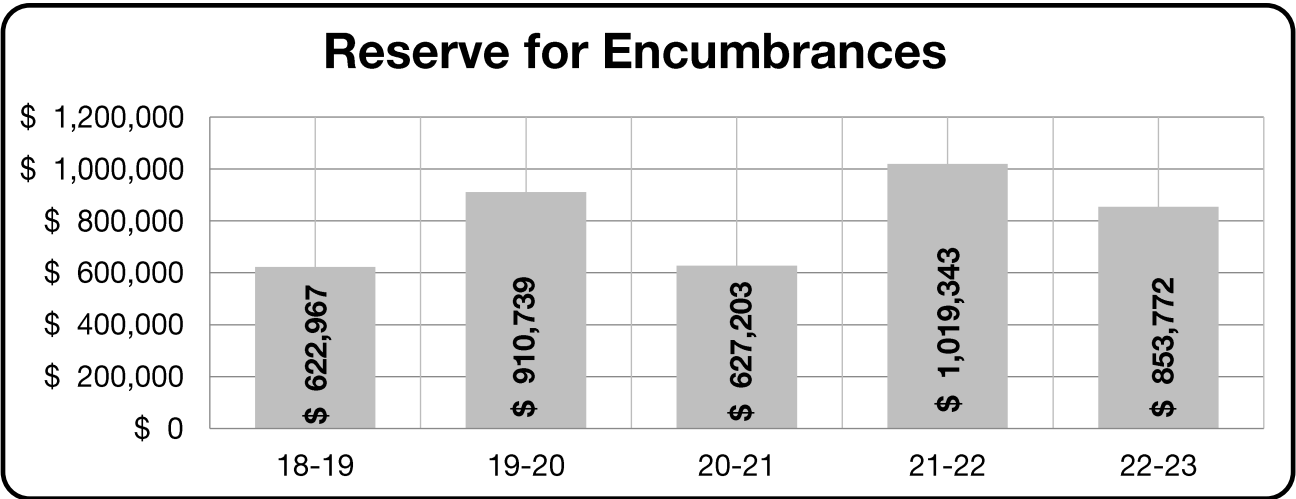
# Reserve for Encumbrances

## Overview

A "Reserve for Encumbrances" is not a "reserve" in the traditional sense of reserves. This Reserve holds funds committed towards purchases or services from the prior fiscal year for which no balance sheet liability exists as the goods or services have not been received or billed. This value will fluctuate yearly depending on various factors like the regular ongoing purchasing cycle and the supplier's ability to deliver products promptly.

Significant additions or deletions to this Reserve at year-end can cause fluctuations in the overall fund balance. The district will try to minimize its use at year-end, as much as possible, so that balances remain stable and consistent.

As of June 30, 2023, the Reserve for Encumbrance balance is \$853,772.





## **Appropriated Fund Balance**

*(Assigned Fund Balance/Reserve for Subsequent Year/Designated for Expenditures)*

For the 2022-23 school year, the district appropriated \$1,100,000 of the prior year's unassigned fund balance towards its budget. This represented approximately .85% of the current budget. The district expects to return this amount to the fund balance at the fiscal year's end. Fund balance appropriations for the 2023-24 budget are expected to stay constant and depend on various budgeting revenues, including state aid.

As the economy regains strength and increases in state funding, the district would look to reduce the appropriation of unassigned fund balance over time to \$0. This is heavily dependent on revenue considerations that are outside of the district's control.

Note: please see Reserve Fund Strategy on page 5 for greater detail.

## **Unassigned Fund Balance**

The district intends to retain unexpended funds in this Reserve up to the legal limit of 4% of the upcoming year's budget.

# SUMMARY OF FUND BALANCE ACCOUNTS

## Five-Year Reserve Comparison

Fund Balance as of:	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
<b>Reserved</b>					
Capital Reserve - 2023 - \$15M	-	-	-	-	6,117,904
Capital Reserve - 2021 - \$10M	-	-	5,000,000	3,285,139	5,044,206
Capital Reserve 2018	7,647,525	9,000,000	10,003,043		-
Capital Reserve – Bldg. Security Infrastructure	-	-	-	300,000	301,805
Capital Reserve - Technology	100,000	600,000	900,000	600,000	603,610
Capital Reserve - Vehicles	100,000	300,000	300,000	300,000	301,805
Employee Benefits Accrued Liability Reserve	1,170,551	1,179,967	1,181,814	1,184,184	1,191,309
Encumbrances Reserve	622,967	910,739	627,203	1,019,343	853,772
Insurance Reserve	-	-	-		1,251,504
Retirement Contributions Reserve - ERS	6,944,438	10,806,626	11,353,950	9,374,858	8,431,263
Retirement Contributions Reserve - TRS	500,000	1,398,282	2,063,186	2,566,594	2,747,295
Tax Certiorari Reserve	970,837	978,645	980,178	982,143	2,952,006
Unemployment Insurance Reserve	1,118,361	2,691,869	2,693,635	2,698,484	714,720
Worker's Compensation Reserve	-	-	-	200,000	1,201,203
	<b>19,174,679</b>	<b>27,866,128</b>	<b>35,103,009</b>	<b>22,510,745</b>	<b>31,712,403</b>
<b>Unreserved</b>					
Designated for Expenditures (subsequent year)	2,400,000	2,800,000	2,800,000	2,800,000	1,100,000
Unassigned	4,342,382	4,536,973	4,715,280	4,893,492	5,142,097
	<b>6,742,382</b>	<b>7,336,973</b>	<b>7,515,280</b>	<b>7,693,492</b>	<b>6,242,097</b>
<b>Fund Balance &amp; Reserves at 6/30</b>	<b>25,917,061</b>	<b>35,203,101</b>	<b>42,618,289</b>	<b>30,204,237</b>	<b>37,954,500</b>

# Board of Education Recommendations

## Future Reserve Planning Goals

1. There is an immediate need to bolster reserves due to potentially limited Foundation Aid and Federal Funding starting in 2024 and 2025, respectively.
2. Use Capital Reserves – Building Security Infrastructure to replace interior door locks with badge access.
3. Continue to fund Capital Reserves to publicly approved maximums.
4. Restrict dependence on Appropriated Fund Balance (AFB). Aim to maintain AFB below 4% of budget.



The Gates Chili Central School District is dedicated to fostering curiosity, growth and diversity within our school community. The district celebrates and embraces differences and strives to dismantle exclusion, bias, racism, and prejudice of all forms.

[GATESCHILI.ORG](https://gateschili.org)