

Canandaigua City School District



Financial Reserve Plan Fiscal Year July 1, 2017 – June 30, 2018

****To be Adopted by Board of Education June 21, 2018****

Overview

It is essential that school districts establish and fund reserves to insure fiscal integrity.

Full compliance with legal requirements for the establishment and usage of the reserves will not only help to ensure the long-term health and stability of the District but will strengthen the District's credibility and trust relationship with the residents of the community.

The following defines and explains each of the reserves approved by the Canandaigua City School District Board of Education and/or Community Residents.

Why Do We Need Reserve Funds?

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.

In addition to reserve funds, maintaining a reasonable amount of undesignated fund balance within operating funds is another important financial consideration for local governments and school districts. A reasonable level of unreserved, unappropriated fund balance provides a cushion for unforeseen expenditures or revenue shortfalls and helps to ensure that adequate cash flow is available to meet the cost of operations. Combining a reasonable level of undesignated fund balance with specific legally established reserve funds provides resources for both unanticipated events and other identified or planned needs.

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.¹

¹ Office of the New York State Comptroller - *Local Government Management Guide for Reserve Funds*,
<https://www.osc.state.ny.us/localgov/pubs/lmgm/reservefunds.pdf>.

WORKERS' COMPENSATION RESERVE

Purpose: To fund Workers' Compensation expenses, related medical expenses, and self-insurance administrative costs. The reserve was established through board resolution in 2012-2013. 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, 2017:\$1,342,372

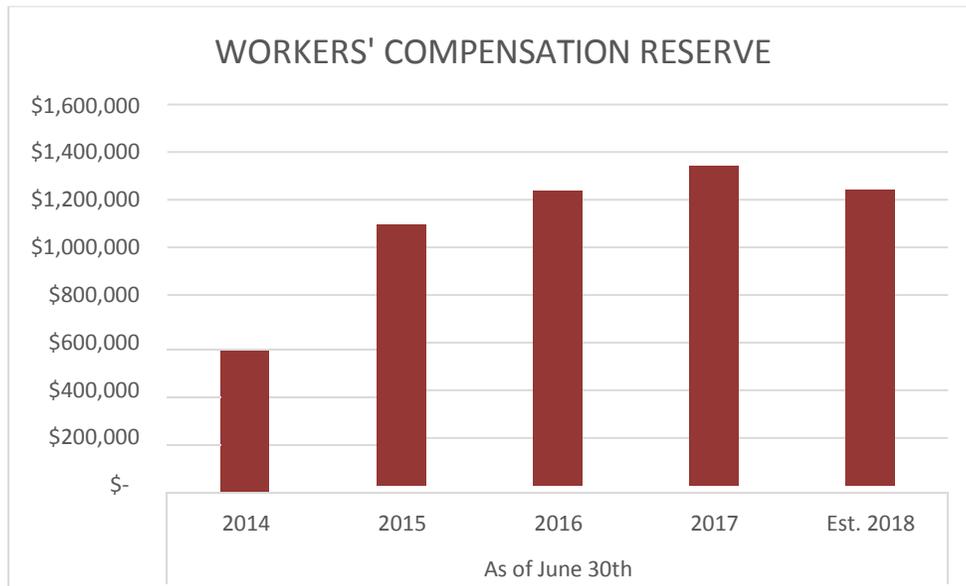
Ideal Balance: The equivalent of three years' of annual expenditure.

The budgeted expenditures for 2018-19 is \$410,000

Use: The District appropriated and/or budgeted funds for the 17-18 school year in the amount of \$300,000 reducing the balance as of July 1, 2017 by this amount.

The District appropriated and/or budgeted funds for the 18-19 school year in the amount of \$410,000. As such, the balance as of July 1, 2018 will be reduced by this amount.

Funding: Additional funding \$200,000 of year-end fund balance as of June 30, 2018.



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, 2017: \$549,941

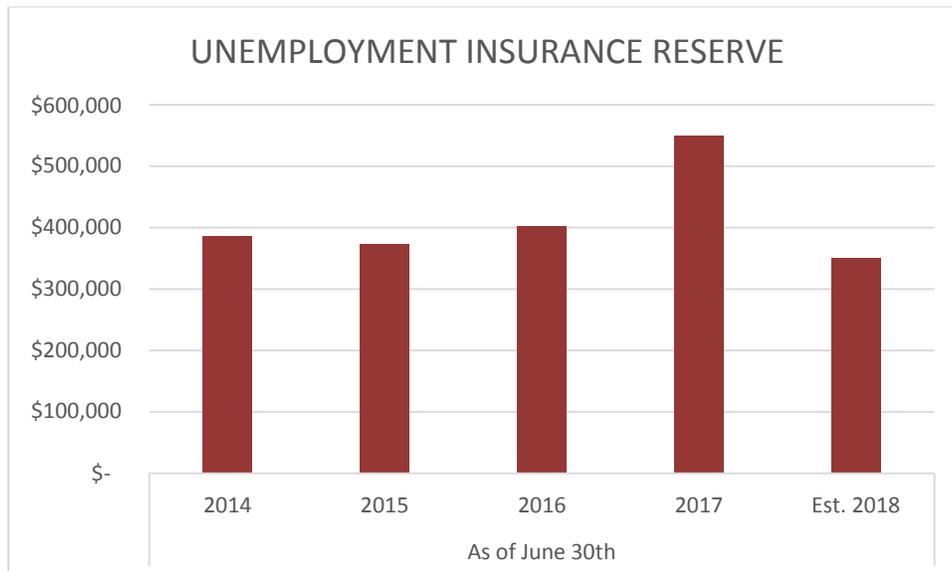
Ideal Balance: Approximately 1% of payroll.

The budgeted payroll expenditure for the 2018-19 year is \$36,737,823.

Use: The District appropriated and/or budgeted funds for the 17-18 school year in the amount of \$200,000 reducing the balance as of July 1, 2017 by this amount.

The District appropriated and/or budgeted funds for the 18-19 school year in the amount of \$20,000. As such, the balance as of July 1, 2018 will be reduced by this amount.

Funding: No additional funding recommended.



2009 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. Currently one capital project is being reviewed for consideration. If approved, funds in the reserve will be applied according to the recommendation of our fiscal advisor.

The reserve was established in March 2009 as follows:

BE IT RESOLVED, by the Board of Education of the Canandaigua City School District, New York, as follows:

Section 1. Pursuant to Section 3651 of the Education Law there is hereby established a capital reserve fund for the Canandaigua City School District, New York, which shall be designated as the "2009 Building and Technology Capital Reserve Fund" of said School District.

Section 2. Such 2009 Building and Technology Capital Reserve Fund is hereby established for financing, in whole or in part, the following objects or purposes of said School District:

Site work, reconstruction and equipping of school buildings and facilities, including technology improvements and acquisition and installation of technology equipment and costs incidental thereto.

Section 3. The ultimate amount of such Fund shall be \$4,500,000 plus earnings thereon.

Section 4. The probable term of such Fund shall be ten (10) years, after which time no further funds may be transferred to such Fund, unless previously extended by the voters, but such Fund shall continue in existence until liquidated in accordance with the Education Law or until the funds are exhausted.

Section 5. The source from which the funds for such Fund will be obtained is as follows: (i) amounts from budgetary appropriations from time to time, and (ii) unappropriated fund balance made available by the Board of Education from time to time, and (iii) New York State Aid received and made available by the Board of Education from time to time, all to the extent permitted by law.

Section 6. This resolution shall take effect upon the approval thereof by a majority of the qualified voters of said School District voting on a proposition therefor submitted at the annual or a special district meeting of said School District, the details of which shall be specified by a further resolution of this Board of Education. Upon such approval, no further action of this Board of Education will be required to perfect the establishment of such Reserve Fund.

Balance June 30, 2017: \$647,649.21; with this funding, the District has met its ultimate amount of the fund of \$4.5 Million.

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

2016 Capital Reserve Fund

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. If approved, funds in the reserve will be applied according to the recommendation of our fiscal advisor.

Resolved, that the Board of Education of the Canandaigua City School District is hereby authorized to establish a Capital Reserve Fund pursuant to Section 3651 of the Education Law (to be known as the "2016 Building Capital Reserve Fund"), with the purpose of such fund being to finance site work, construction, reconstruction and equipping of school buildings and facilities; such capital costs being of a type that would be eligible for financing under the local finance law, the ultimate amount of such fund to be **\$10,000,000**, plus earnings thereon, the probable term of such fund to be **10 years**, but such fund shall continue in existence until liquidated in accordance with the Education Law or until the funds are exhausted, and the sources from which the funds shall be obtained for such Reserve are (i) amounts from budgetary appropriations from time to time, (ii) unappropriated fund balance made available by the Board of Education from time to time, and (ii) New York State Aid received and made available by the Board of Education from time to time, all as permitted by law.

Balance June 30, 2017: \$4,060,952.92.

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

Use: To be used for future capital project that is in initial planning stage.

Funding: The District recommend additional funding up to \$4,750,000 of year-end fund balance as of June 30, 2018

2017 Capital Equipment Reserve Fund

Purpose: The Capital Equipment 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 equipment replacement costs. If approved, funds in the reserve will be applied according to the recommendation of our fiscal advisor.

Resolved that the Board of Education of the City School District of the City of Canandaigua, New York, is hereby authorized to establish a Capital Reserve Fund pursuant to Section 3651 of the Education Law (to be known as the “2017 Capital Reserve Fund”), with the purpose of such fund being to finance site work, construction, reconstruction and improvement of school buildings and facilities, including original furnishings, equipment, machinery or apparatus incidental thereto, and the purchase of technology equipment, transportation vehicles, furnishings, and other equipment, machinery or apparatus separately; provided that such capital costs are an object or purpose that would be eligible for financing under the Local Finance Law, the ultimate amount of such fund to be **\$5,000,000**, plus earnings thereon, the probable term of such fund to be **10 years**, but such fund shall continue in existence until liquidated in accordance with the Education Law or until the funds are exhausted, and the sources from which the funds shall be obtained for such Reserve are (i) amounts from budgetary appropriations from time to time, and (ii) unappropriated fund balance made available by the Board of Education from time to time, and (iii) New York State Aid received and made available by the Board of Education from time to time, all as permitted by law.

Balance June 30, 2017: \$998,609.13.

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

Funding: The District recommend additional funding \$250,000 of year-end fund balance as of June 30, 2018.

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 February of 2014 as follows:

BE IT RESOLVED, by the Board of Education of the Canandaigua City School District, New York, as follows:

Section 1. Pursuant to Section 3651 of the Education Law there is hereby established a capital reserve fund for the Canandaigua City School District, New York, which shall be designated as the "2014 Transportation Vehicle Reserve Fund" of said School District.

Section 2. Such 2014 Transportation Vehicle Reserve Fund is hereby established for financing, in whole or in part, the following objects or purposes of said School District:

The purchase of school buses, vehicles and equipment; provided that such capital costs are an object or purpose that would be eligible for financing under the Local Finance Law, and costs incidental thereto.

Section 3. The ultimate amount of such Fund shall be 1,750,000 plus earnings thereon.

Section 4. The probable term of such Fund shall be five (5) years, after which time no further funds may be transferred to such Fund, unless previously extended by the voters, but such Fund shall continue in existence until liquidated in accordance with the Education Law or until the funds are exhausted.

Section 5. The source from which the funds for such Fund will be obtained is as follows: (i) an initial deposit of \$313,559 to be transferred from the 2009 Transportation Vehicle Reserve Fund, and (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, and (iv) New York State Aid received and made available by the Board of Education from time to time, all to the extent permitted by law.

Section 6. This resolution shall take effect upon the approval thereof by a majority of the qualified voters of said School District voting on a proposition therefor submitted at the annual district meeting of said School District. Upon such approval, no further action of this Board of Education will be required to perfect the establishment of such Reserve Fund.

Section 7. The following notice shall be added to the notice of annual meeting and election:

AND NOTICE IS ALSO GIVEN that the following proposition will be submitted for voter approval at such time:

PROPOSITION #3

Shall the following resolution be adopted to wit:

Resolved that the Board of Education of the City School District of the City of Canandaigua is hereby authorized to establish a Transportation Vehicle Reserve Fund pursuant to Section 3651 of the Education Law (to be known as the "2014 Transportation Vehicle Reserve Fund"), with the purpose of such fund being to finance the purchase of school buses, vehicles and equipment, and costs incidental thereto, the ultimate amount of such fund to be \$1,750,000, plus earnings thereon, the probable term of such fund to be five years, but such fund shall continue in existence until liquidated in accordance with the Education Law or until the funds are exhausted, and the sources from which the funds shall be obtained for such Reserve are (i) an initial deposit of \$313,559 transferred from the 2009 Transportation Vehicle Reserve Fund, and (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, and (iv) New York State Aid received and made available by the Board of Education from time to time, all as permitted by law.

Balance June 30, 2017: \$892,296.44

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

Use: The District appropriated through an approved voter proposition the use of \$240,000 for the purchase of buses.

2016 Transportation Vehicle 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.

Resolved, that the Board of Education of the City School District of the City of Canandaigua is hereby authorized to establish a Transportation Vehicle Reserve Fund pursuant to Section 3651 of the Education Law (to be known as the “2016 Transportation Vehicle Reserve Fund”), with the purpose of such fund being to finance the purchase of school buses, vehicles and equipment, such capital costs being of a type that would be eligible for financing under the local finance law, the ultimate amount of such fund to be **\$6,000,000**, plus earnings thereon, the probable term of such fund to be **five years**, but such fund shall continue in existence until liquidated in accordance with the Education Law or until the funds are exhausted, and the sources from which the funds shall be obtained for such Reserve are (i) amounts from budgetary appropriations from time to time, and (ii) unappropriated fund balance made available by the Board of Education from time to time, and (iii) New York State Aid received and made available by the Board of Education from time to time, all as permitted by law.

Balance June 30, 2017: \$532,600.00.

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

Funding: The District recommend additional funding up to \$250,000 of year- end fund balance as of June 30, 2018.

PROPERTY LOSS RESERVE AND LIABILITY RESERVE

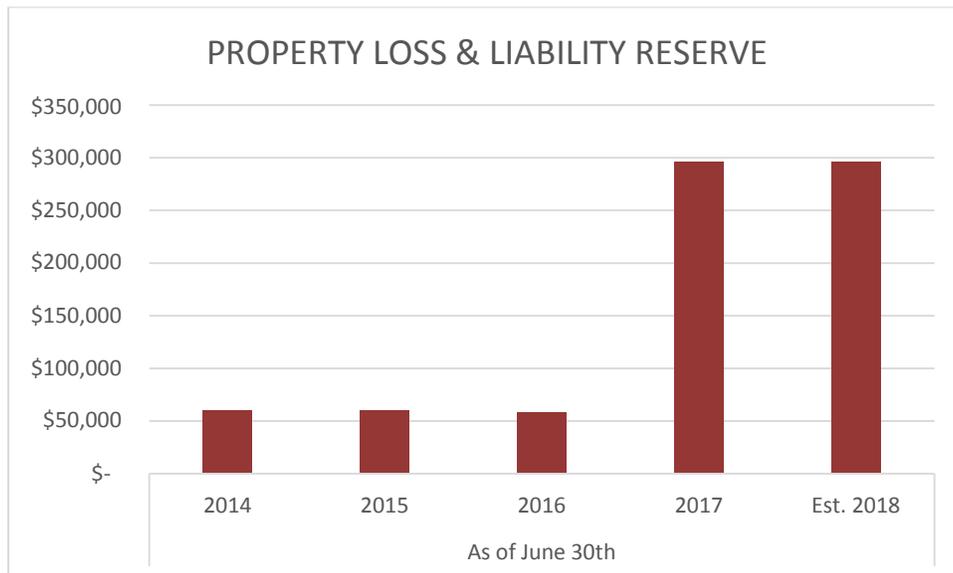
Purpose: This reserve fund is used to pay for property loss and liability claims incurred. The reserve was established in 2012-2013 by board resolution. Annual contribution is limited to 1% of the budget. This reserve is an operational reserve; meaning that the funds contained within may be utilized to offset claims incurred. (Education Law, §1709, Subdivision 8-c). This reserve can be used offset any losses that are beyond insurance coverage levels or losses that are not covered by insurance.

Balance June 30, 2017: \$295,870.20

Ideal Balance: 1% of the budget.
The 2018-19 Budget is \$75,996,123. Therefore the ideal contribution for this reserve would be \$759,961.

Use: No current appropriation.

Funding: No additional funding recommended.



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) At present time, the District has potential tax certiorari claim refunds of approximately \$2,300,000.

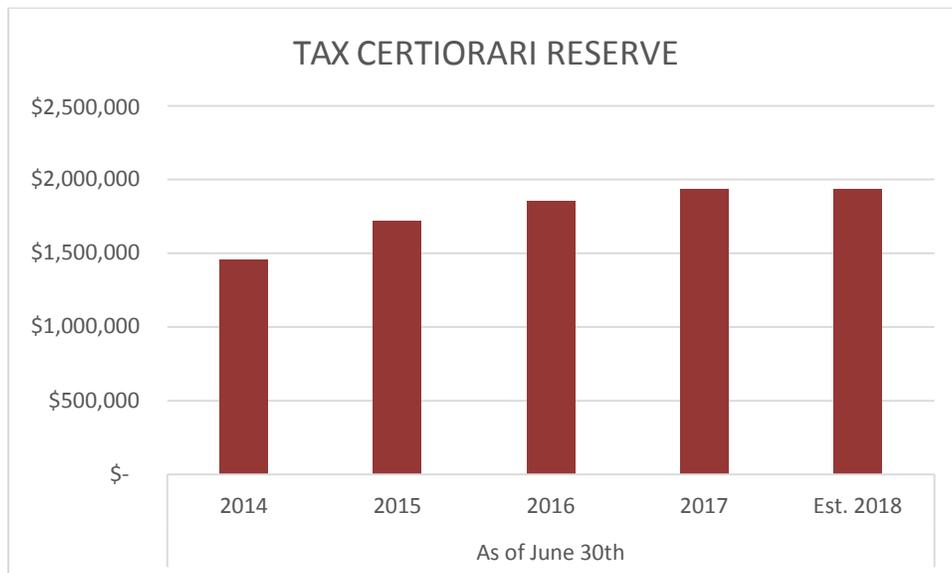
Balance June 30, 2017: \$2,134,838.92

Ideal Balance: The equivalent of pending tax certiorari claims which total \$2,282,903.17 as of June 30, 2017.

Use: The District appropriated and/or budgeted funds for the 17-18 school year in the amount of \$100,000. The balance will be reduced for settled tax certiorari claims as they occur.

The District appropriated and/or budgeted funds for the 18-19 school year in the amount of \$100,000. The balance will be reduced for settled tax certiorari claims as they occur.

Funding: Additional funding \$100,000 of year-end fund balance as of June 30, 2018.



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.

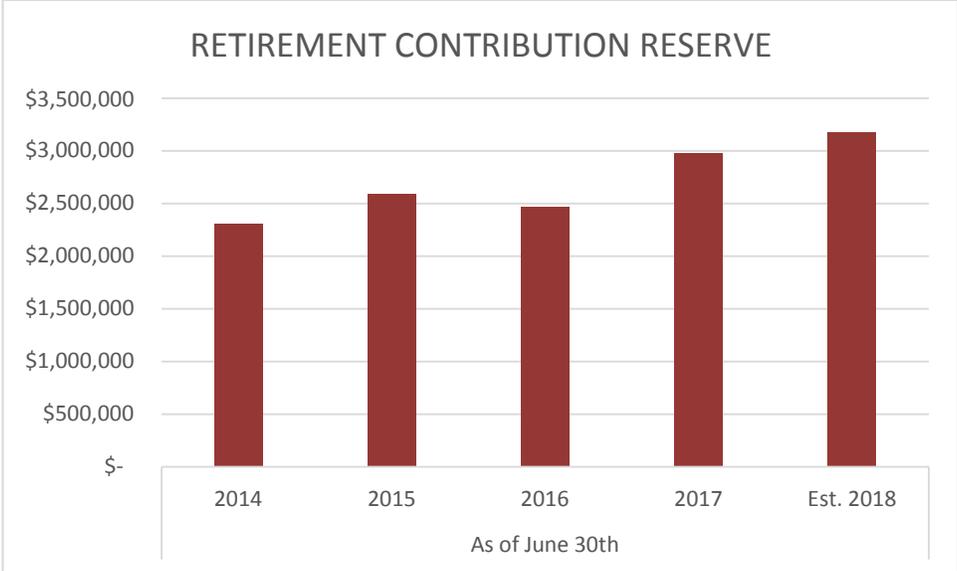
Balance June 30, 2017: \$2,976,936.72

Ideal Balance: Approximately 5 years of planned ERS expenditures.
The current projection for December, 2018 is approximately \$1,330,000 which would equate to an ideal balance of approximately \$6,650,000.

Uses: The District appropriated \$600,000 from this reserve as a revenue source for the 2017-2018 budget year, reducing the balance by this amount as of December 15, 2017.

The District appropriated \$800,000 from this reserve as a revenue source for the 2018-19 budget year. As such, as of July 1, 2018, the balance of the reserve will be reduced by \$800,000.

Funding: The District recommend additional funding \$800,000 of year-end fund balance as of June 30, 2018.



EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE

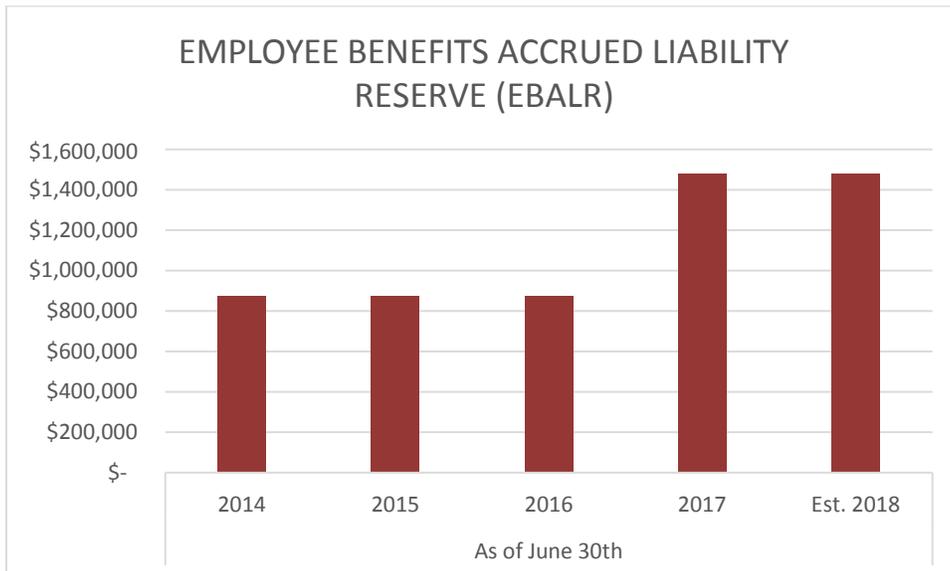
Purpose: The governing board of any school district, by resolution, may establish a reserve for the purpose of funding the monetary value of accrued but unused sick leave, personal leave, vacation time, and any other forms of payment of accrued but unliquidated time earned by employees. Establishing 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, 2017: \$1,477,110.53

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, 2017 reporting, compensated absences balances are \$4,804,189.80.

Use: The District appropriated \$200,000 from this reserve as a revenue source for the 2018-19 budget year. As such, this fund will be reduced as eligible costs are paid.

Funding: No additional funding at this time.



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, 2017: \$53,554.68

Ideal Balance: Should not exceed outstanding bonded debt.

RESERVE FOR ENCUMBRANCES:

Purpose: Allows outstanding encumbrances remaining at the end of a school year to be carried over to the next school year. Board resolution is not needed to establish the reserve. Encumbrances represent bona fide obligations.

Balance June 30, 2017: \$1,155,341

Ideal Balance: Equivalent to actual identified obligations.

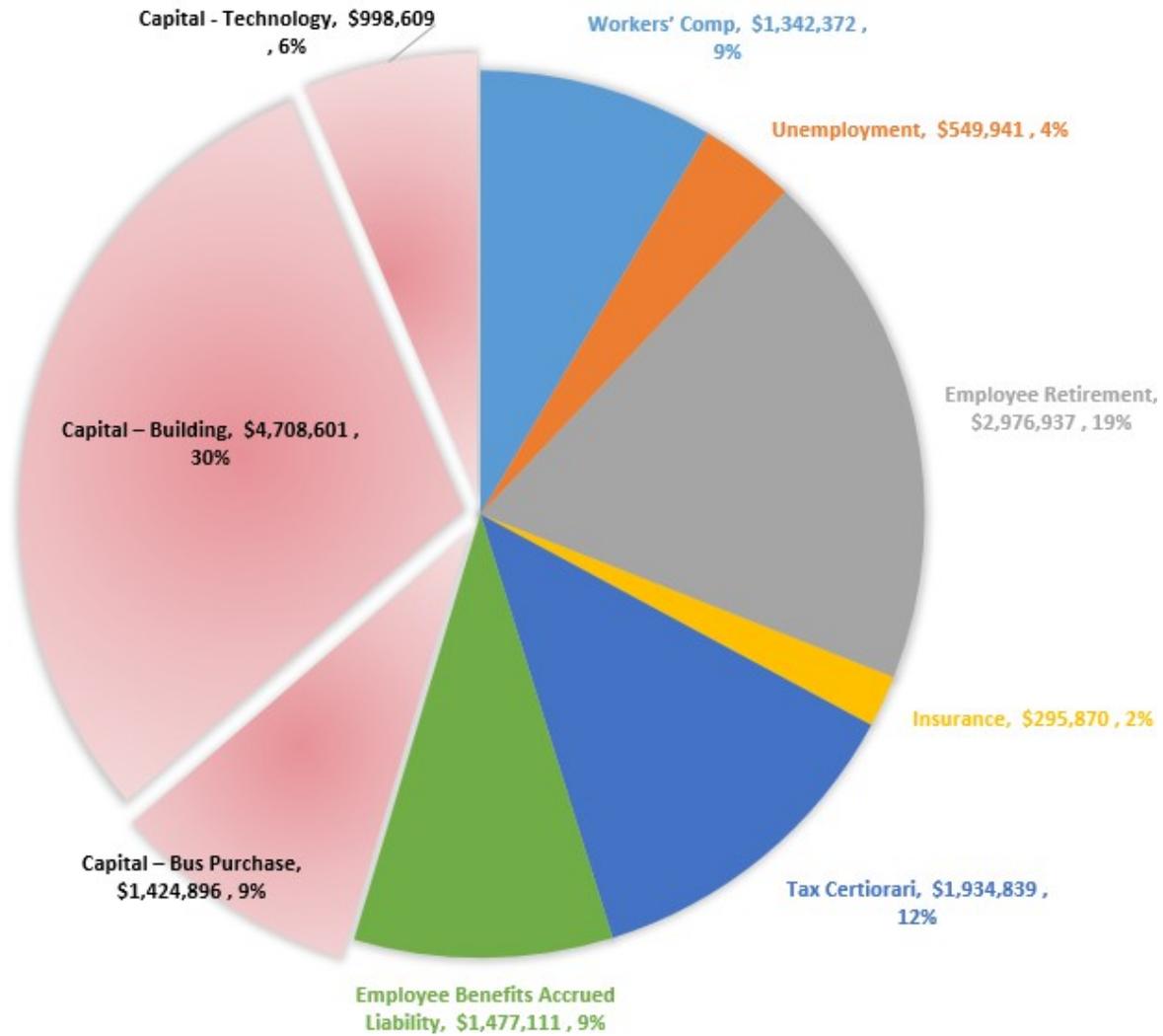
APPROPRIATED FUND BALANCE:

For the 2017-18 school year the District appropriated \$755,000 of prior year unassigned fund balance towards the budget. The District expects to return this amount to fund balance at the end of the fiscal year. For the 2018-19 Budget, the District will reduce this appropriation to \$545,000. This appropriation is equivalent to 0.72% of the total General Fund Budget. The District expects to return the majority of this to appropriation to fund balance on June 30, 2019. The District will continue to strategize to reduce the appropriated fund balance in future years

Summary of Fund Balance Accounts

	2013	2014	2015	2016	2017
Fund Balance					
Reserved					
Reserved for Encumbrances	849,928	983,842	1,176,932	1,650,199	1,155,341
Workers' Compensation Reserve		601,200	1,904,402	1,238,992	1,342,372
Unemployment Insurance Reserve	395,652	385,910	373,334	402,167	549,941
Retirement Contribution Reserve	2,249,042	2,309,162	2,592,766	2,472,492	2,976,937
Property Loss & Liability Reserve	60,000	60,120	60,240	57,923	295,870
Tax Certiorari Reserve	1,451,073	1,453,198	1,720,590	1,857,451	1,934,839
Employee Benefits Accrued Liability Reserve	910,147	871,887	873,712	875,460	1,477,111
Capital Transportation & Bus Reserve(s)	648,056	614,187	1,717,649	1,655,115	892,296
Capital Reserve(s)	1,868,805	3,879,633	645,066	4,699,204	4,708,602
Capital Equipment Reserve					998,609
Unreserved					
Designated for Expenditure (Subsequent Year)	1,071,500	1,219,100	535,000	269,601	755,000
Unassigned	2,679,792	2,748,268	2,828,869	2,875,257	2,957,056
Fund Balance & Reserves as of June 30th	12,183,995	15,126,508	13,618,561	18,053,861	20,043,974
Debt Service Balance	1,569,026	976,145	482,988	385,899	53,489

CANANDAIGUA CSD RESERVES AS OF 6/30/17



- Total Reserve Fund Balances are equal to 21% of the 2017-18 Budget.
- Approximately 45% of Reserves are for Capital, Bus Purchases and Equipment as approved by the voters.
 - None of these are fully funded, so annual increases may occur
- Non-Capital Reserves (those reserves that are available to cover annual budgeted expenses) account for \$8,577,070, or 12% of the 2017-18 Budget.

Goals/Strategies

The Goal of the Canandaigua City School District is to plan conservatively to maintain strong academic programs. This conservative approach ensures that the District can maintain programs when unforeseen events arise. Through strategic management of its reserves the District hopes to:

- Maintain excellent educational program during economic downturns
 - Provide future tax stability
 - Reduce the potential of mid-year cuts when revenues are cut or expenses unexpectedly rise (GEA, Fuel and Utility cost spikes)
 - Ensure that the long-term plan for preserving and maintaining infrastructure renovations to buildings, purchase of buses and equipment have limited effect on the local taxpayer
 - Maintain a positive cash flow that maximizes investment earnings
 - Maintain and/or improve its bond rating to lower the cost of borrowing
1. If the budget result in an increase in Fund Balance:
 - a. Replenish reserves used in the prior budget as necessary
 - b. Fund voter approved capital reserves to authorized levels
 - c. Fund Reserves towards goals set forth in this plan
 2. If the budget results in a decrease in Fund Balance:
 - a. Determine the sustainability of continuing to appropriate reserves
 - b. Re-assess appropriations and revenues to strategically plan an end to deficit spending