

Franklin Square UFSD
RESERVE PLAN
2020-21 – Updated March 31, 2021

Overview

Reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment and other requirements. The establishment and funding of reserves is an important consideration in the maintenance of a sound financial plan. While strict adherence to state law is required to ensure reserves are both legal and appropriate, adequately funded reserves are vital to a school district's longterm fiscal health. Our district's healthy reserve balances have aided in the district receiving favorable interest rates for our bond borrowing and having a low fiscal stress score. Moody's Investor Service noted the district has a rating of Aa2 and notable credit factors included a healthy financial position. The Office of the State Comptroller's fiscal stress scores provide a baseline measurement of school districts' ability to respond to the ongoing public health crisis and the related financial uncertainty. Our district has once again received a perfect score of a stress level of "no designation."

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 a welcomed budgetary option that can help mitigate the need to eliminate certain educational programs and services.

Workers' Compensation Reserve

Purpose – This reserve is used to pay for compensation and benefits, medical, hospital, or other expenses authorized by Article 2 of the Workers' Compensation Law and to pay the expenses of administering a self-insurance program. This particular reserve relates to the costs associated with the NYS Public Schools Trust, the prior consortium that the District was a part of. When exiting this group an actuary calculated the estimated future costs related to actual cases and claims. That sum was then moved from the trust to this reserve. The District has joined a new consortium for all new claims occurring after the exit date.

Funding Methods – The reserve was funded by the sum of money withdrawn from our prior worker's compensation consortium when the District moved over to another group. The sum was calculated by an actuary and is directly related to actual cases/claims.

Use of Reserve – Reserve is utilized to pay claims for any worker's compensation incidents that occurred prior to joining the Nassau Schools Worker's Compensation Consortium.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Finance & Management.

Funding Level – The current funding level is sufficient to pay 100% of the previously determined actuarial value of all outstanding self-insured claims.

Interest Earnings – Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

6/30/20 Actual Balance: \$ 736,165

3/31/21 Actual Balance: \$ 736,165

Reserve for Retirement Contributions

ERS Reserve

Purpose – This reserve is used to pay for District expenses to the NYS Employee’s Retirement System only. Payments to the Teachers Retirement System are not allowed from this reserve.

Funding Methods – Funds are placed in this reserve from excess fund balance.

Use of Reserve – Budgetary appropriations are used to finance retirement contributions.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Finance & Management.

Funding Level – A funding level equal to approximately 3-5 years of retirement system billings is recommended by District auditors. The 6/30/20 balance below reflects approximately 2.6 years of projected liability.

Interest Earnings – Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

6/30/20 Actual Balance: \$ 1,291,523

3/31/21 Actual Balance: \$ 1,291,523

TRS Reserve

Purpose – This reserve is used to pay for District expenses to the NYS Teacher’s Retirement System only. *Funding Methods* – Funds are placed in this reserve from excess fund balance.

Use of Reserve – Budgetary appropriations are used to finance retirement contributions.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Finance & Management.

Funding Level – Annual funding of the TRS reserve sub fund is limited to 2% of total compensation and salaries paid during the prior fiscal year to teachers who are members of TRS (which includes administration). The TRS reserve sub fund’s total balance cannot exceed 10% of teacher compensation and salaries paid during the prior fiscal year.

Interest Earnings – Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

6/30/20 Actual Balance: \$ 314,510

3/31/21 Actual Balance: \$ 314,510

Reserve for Employee Benefits and Accrued Liabilities (EBALR)

Purpose – This reserve is used to pay for any accrued “employee benefit” due an employee on termination of the employee’s service. This typically includes payment for accrued and accumulated but unused and unpaid sick leave, personal leave, holiday leave and vacation time.

Funding Methods – Funds are placed in this reserve from excess fund balance.

Use of Reserve – This reserve can used when an employee separates from the District and payment of accumulated leave is required. These transactions flow through the budget via a budget revision with the offsetting revenue coming from a drawdown of this reserve.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Finance & Management. Each year, external auditors review a detailed analysis of the liability is computed and is used to support the funding of this reserve at 100% of the liability.

Funding Level – This reserve should be funded at 100% of the accrued liability for unused accumulated leave time.

Interest Earnings – Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

6/30/20 Actual Balance: \$ 2,104,577

3/31/21 Actual Balance: \$ 2,032,880

Reserve for Unemployment Insurance

Purpose – This reserve is used to reimburse the State for payments made to claimants where the District uses the benefit reimbursement method. The District does subscribe to the benefit

reimbursement method, meaning we reimburse the State for actual claims incurred. We do not pay NYS a fixed premium for unemployment insurance coverage.

Funding Methods – Funds are placed in this reserve from excess fund balance.

Use of Reserve – Expenditures may only be made as required by law to pay into the Unemployment Insurance Fund an amount equivalent to the amount of benefits paid to claimants and charged to the District in accordance with Labor Law Section 518(1)(e).

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Finance & Management.

Funding Level – At this time, this level is deemed appropriate.

Interest Earnings – Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

6/30/20 Actual Balance: \$ 107,948

3/31/21 Actual Balance: \$ 120,081

Capital Reserve

Purpose – Established only by voter approval to cover the cost of any project or object for which a school district may issue bonds pursuant to Local Finance Law. Voter approval must include the purpose of the reserve, the ultimate amount of the reserve, the probable term of the reserve and the source from which the funds would be obtained. The FSUFSD created a Capital Reserve to address some of the highest priority items as identified by a licensed architect/engineer on the New York State Education Department required “Five Year Building Condition Survey.”

Funding Methods – Funds were placed in this reserve from historical excess fund balance.

Use of Reserve – Funds may be expended only with an additional voter approval and only for the specific purpose for which the reserve was established.

Monitoring of Reserve – This reserve is monitored by the Assistant Superintendent for Finance & Management.

Funding Level – The reserve is under the voter authorized funding level.

Interest Earnings – Interest earnings on the moneys deposited for this reserve shall accrue to and become part of the reserve.

6/30/20 Actual Balance: \$ 5,140,650

3/31/21 Actual Balance: \$ 5,102,142

The following two items are not reserve accounts, but are equally as important to planning revenues for the District.

Unassigned Fund Balance

Creation – Retention of these funds are allowed by law.

Purpose – These funds are unrestricted and may be used for any valid purpose.

Funding Methods – These funds have been accumulated from excess fund balance.

Use of Funds – It is recommended that these funds not be used except for an emergent, unanticipated expense, or revenue shortfall, that cannot be handled either in the budget or with other available reserves.

Monitoring of Balance – These funds are monitored by the Assistant Superintendent for Finance & Management.

Funding Level – Real Property Tax Law § 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4 percent of the next year's budgetary appropriations.

Historically, the District has maintained the allowable 4% of Unassigned Fund Balance. In light of the economic burden that Districts were faced with last June, with looming and significant cuts to State Aid being warned by New York State, as well as, excessive unbudgeted costs associated with reopening the District after the COVID closure, the District made a strategic decision to maintain a larger portion of unassigned Fund Balance in order to handle these obstacles. To date, the District has been required to spend in excess of \$1,000,000 in order to properly and safely reopen our schools due to COVID. These expenditures from the Unassigned Fund Balance will be reflected in the 6/30/21 balance.

6/30/20 Actual Balance: \$3,591,851

Assigned Fund Balance - Appropriated for Subsequent Years

Creation – These funds are actually fund balance that have been set aside for a particular purpose, namely to reduce the tax levy required to support an ensuing years budget.

Purpose – These funds are set aside and returned to the community by lowering the required tax levy to support the District's budget.

Funding Methods – These funds are fund balance that are assigned for a particular purpose.

Monitoring of Balance – The balance and use of these funds are monitored by the Assistant Superintendent for Finance & Management.

Funding Level – Reducing the funding level has a direct impact on the tax levy – for every dollar that the assigned fund balance is decreased the tax levy must be increased by one dollar.

6/30/20 Use of Funds: \$1,256,500