

Menands Union Free School District

Reserve Plan

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 cost associated with debt issuances. Similarly, certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown events (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 a clear intent or a 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 tax payers 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 Education Law allow municipalities and school districts, respectively, to establish capital reserves for future equipment purposes and capital improvements. 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.

Source: Office of the New York State Comptroller-Local Management Guide for Reserves

<http://www.osc.state.ny.us/localgov/pubs/lqmq/reservefunds.pdf>

WORKERS COMPENSATION RESERVE (A814)

Established:	April 11, 2011
Activity in 2024-2025	\$0.00
Balance as of 6-30-2025	\$31,603

Purpose: To offset Workers Compensation expenses and related medical expenses. The reserve was established through board resolution and is funded by budgetary appropriations and such funds as may be legally appropriated. This reserve is an operational reserve; meaning that the funds contained within may utilized to offset current year anticipated workers compensation expenditures. (General Municipal Law§6j).

Ideal Balance: The equivalent of two years of the annual expenditure (approximately \$24,260). While the balance remains slightly higher, it is anticipated that there will be no change to this reserve in the 2025-2026 School year.

UNEMPLOYMENT INSURANCE RESERVE (A815)

Established:	April 11, 2011
Activity in 2024-2025	\$0.00
Balance as of 6-30-2025	\$32,058

Purpose: To pay the cost of expenditures related to unemployment expenses. This reserve was established by the board of education under resolution and was funded by budgetary appropriations and such other funds as may be legally appropriated. It is an operational reserve in that funds are utilized to offset current year anticipated unemployment expenditures.

Ideal Balance: Approximately 1% of payroll. The current balance is less than 1% of our current payroll, and it is not anticipated that any recommendation to increase or decrease this reserve will be needed.

TAX CERTIORARI RESERVE (A864)

Established:	Unknown
Activity in 2024-2025	\$5,037.25
Balance as of 6-30-2025	\$114,256.54

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. 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).

Ideal Balance: The district reviews all appeals, and the reserve does not require any adjustment at this time. The external auditor reviews the assessment challenges on file to ensure that the amount in the reserve is appropriate. The increase in this reserve is due to interest earnings.

RETIREMENT CONTRIBUTION RESERVE (A827)

Established:	April 11, 2011
Activity in 2024-2025	\$50,000
Balance as of 6-30-2025	\$332,004

Purpose: The governing board of a school district, by resolution, may establish a reserve for the purpose of financing retirement contributions. 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-R).

Ideal Balance: The Board of Education acted to increase this reserve up to \$50k in the 2024-2025 school year. Guidance suggests that the reserve should be the equivalent of four (4) years' worth of expenditures. Based on current expenditures that total would be around \$512K. The board has room to increase this reserve in the 2025-2026 school year.

TRS SUB- FUND RESERVE (A828)

Established:	June, 2019
Activity in 2024-2025	\$28,139
Balance as of 6-30-2025	\$284,825

Purpose: The governing board of a school district, by resolution, may establish a reserve for the purpose of financing retirement contribution. 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-R). The reserve must be accounted for separate and apart from all funds and a detailed report of the operation and condition of the fund must be provided to the board.

Ideal Balance: The sub fund can be funded up to 2% of the prior year salaries annually to an ultimate cap of 10% of instructional salaries. The Board of Education approved an increase to this reserve not to exceed 75K in the 2024-2025 school year and based on current salaries the increase was limited to \$28,139.

EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE (A867)

Established:	April 11, 2011
Activity in 2024-2025	\$0.00
Balance as of 6-30-2025	\$35,329

Purpose: The governing board of any school district, by resolution, may establish a reserve for the purpose of funding the monetary value of accrued employee benefits due to an employee upon termination of the employee's service. 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).

Ideal Balance: The total dollar value of compensated benefits for all staff members is greater than the balance in this reserve. The district will review the balance during the 2025-2026 school year and will make recommendations to the Board of Education to further fund it based on the final expenditures and revenues along with any potential retirements.

REPAIR RESERVE (A882.1)

Established:	6/30/2012
Activity in 2024-2025	\$9,564
Balance as of 6-30-2025	\$204,844

Purpose: Must be used to pay the cost of repairs to capital improvements or equipment. Repairs should be of a type that are not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Expenditures out of this reserve can be by Board of Education action after a public hearing is held. To fund this reserve requires voter authorization.

Ideal Balance: While there is no set funding limit for this reserve the district should use the building condition survey as a guide. The district will be utilizing approximately \$30K in the 2025-26 school year to replace a roof top heating and cooling unit which is no longer functional. The district will be seeking voter approval in May 2026 to increase this reserve.

CAPITAL RESERVE (A878)

Re-Established:	5/30/2022
Activity in 2024-2025	\$476,453
Balance as of 6-30-2025	\$838,517

Purpose: To pay the cost of any object for which bonds may be issued. The creation of a Capital Reserve requires authorization by a majority of the voters. The reserve has 10-year life, and the initial referendum outlines the maximum amount of money that can be deposited over the life of the reserve. This reserve requires voter authorization to spend.

Ideal Balance: The total amount of deposits over the life of the reserve may not exceed the limit that was voter approved when the reserve was established. The voters of the district approved an expense to the reserve of \$300K in support of a building project that was also approved by the voters. The Board of Education approved an increase to this reserve not to exceed \$750K in the 24-25 school year. The total increase in 24-25 was attributable to interest earnings of \$11,453 and an additional increase of \$465,000.