

Mayfield Central School Reserves Plan

For the period ended June 30, 2020

Workers' Compensation Reserve:

Purpose: To fund Workers' compensation expenses, related medical expenses, and self-insurance administrative cost. The reserve was established through board resolution on June 16, 2009.

Ideal Balance: The equivalent of two years' of annual expenditure. The expenditure for 2020-21 is \$50,851.

Balance on June 30, 2020:	\$	98,135	
Ideal Balance:	\$	101,702	- \$3,567 underfunded

Suggestion: Reserve is underfunded. The District should assign \$5,000 to bring it to the ideal balance. Additionally, it is recommended that the District offsets the likely decrease in State Aid in the 20-21 school year by paying the 2020-21 insurance bill from the reserve – therefore, the District should assign an additional \$50,851.

Recommended Assignment:	\$	55,851
New Balance on June 30, 2020:	\$	153,986

Unemployment 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) This reserve was established by the board of education under resolution on March 18, 2014.

Ideal Balance: Approximately 1% of payroll. Gross payroll for 2019-20 year was approximately \$7,907,709.

Balance June 30, 2020:	\$	108,159	
Ideal Balance:	\$	79,077	+ \$29,082 overfunded

Suggestion: Reserve was overfunded as of June 30, 2020. As of 9/29/20, unemployment claims due to the closure in Spring 2020 totaled \$25,058. No action deemed necessary.

Retirement Contribution Reserve:

Purpose: To fund employer retirement contributions. i.e. any portion of the amount(s) payable by an eligible school district to the NY State and Local Employees' Retirement System (ERS), but not TRS. 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.

Ideal Balance: Approximately 5 years of planned ERS expenditures. The expenditure for 2020-21 is \$294,026.

Balance June 30, 2020:	\$1,165,984	
Ideal Balance:	\$1,470,130	-\$304,146 underfunded

Suggestion: The reserve is underfunded. The District should assign \$305,000 to the Retirement Contribution Reserve. Additionally, it is recommended that the District offsets the likely decrease in State Aid in the 20-21 school year by paying the 2020-21 ERS bill from the reserve – therefore, the District should assign an additional \$294,026.

Recommended Assignment:	\$ 599,026
New Balance on June 30, 2020:	\$1,764,980

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.

Ideal Balance: Equivalent to the calculated total compensated absences (vested) plus the equivalent of ten unvested teachers.

Balance June 30, 2020:	\$ 479,093	
Ideal Balance:	\$ 479,608	-\$515 underfunded

Suggestion: The reserve is underfunded by an immaterial amount. However, we are expecting several retirements in 2020-21, so we would recommend funding the estimated sick day payments in the amount of \$95,000.

Recommended Assignment:	\$ 95,000
New Balance on June 30, 2020:	\$ 574,093

Capital Reserve:

Purpose: The Capital Reserve 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 Education Law. The reserve is intended to reduce the impact to District residents of capital projects. This reserve was established May 20, 2014.

Ideal Balance: May not exceed the voter approval of 1 million dollars or the 10 year limit.

Balance June 30, 2020:	\$ 712,714	
Ideal Balance:	\$1,000,000	-\$287,286 underfunded

Suggestion: As advised by Bernie Donegan’s group, the District should consider use of reserve in future years to offset local share of 2016 Capital Project Bond principal and interest payments or the “dip” in the local share allowed in 2020-21 or 2022-23. To maximize this, we should get as close to \$1,000,000 by 2023. The BOE previously allocated a

\$115,000 transfer to the Capital Reserve, the District should allocate that amount to the Capital Reserve and an additional \$172,286 to reach the ideal balance.

Recommended Assignment: \$ 287,286
New Balance on June 30, 2020: \$1,000,000

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 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 Education Law. The reserve is intended to offset the local impact to District residents for the acquisition of transportation department vehicles. This reserve was established May 19, 2015.

Ideal Balance: This reserve may not exceed the voter authorization limit of 2 million dollars or the 10 year limit. The equivalent of three to five years' of annual expenditure. The expenditure for 2020-21 is \$215,686

Balance June 30, 2020: \$ 859,361
Ideal Balance: \$1,078,430 **-\$219,069 underfunded**

Suggestion: The reserve is underfunded. The District should assign \$219,000 to the Bus Reserve. Additionally, it is recommended that the District offsets the likely decrease in State Aid in the 20-21 school year by paying for the 2020-21 bus purchases from the reserve – therefore, the District should assign an additional \$219,000.

Recommended Assignment: \$ 438,000
New Balance June 30, 2020: \$1,297,361

Insurance Reserve:

Purpose: 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. Annual contribution(s) limited to greater of \$33,000 or 5% of the budget. No limit on accumulated reserve balance. Cannot use \$ for any purpose covered by another special reserve. Settled or compromised claims up to \$25,000 may be paid without judicial approval. Should BOE terminate this reserve, remaining funds in excess of incurred or accrued liabilities may be transferred to any other reserve fund authorized by the GML or Ed. Law §3651.

Ideal Balance: 2 years of insurance premiums. Insurance premium for 2020-21 is \$68,343

Balance June 30, 2020: \$ 40,635
Ideal Balance: \$ 136,686 **-\$96,051 underfunded**

Suggestion: The reserve is underfunded. The District should assign the maximum annual allowance of \$33,000 to the Insurance Reserve.

Recommended Assignment: \$ 33,000
New Balance June 30, 2020: \$ 73,635

Repair Reserve:

Purpose: For repairs to capital improvements or equipment not recurring annually or at shorter intervals. Reserve must be repaid in equal installments over next two school years. Emergency spending requires 2/3 majority vote of BOE and can be made without holding a public hearing. Legal notice required five days in advance of hearing.

Balance June 30, 2020: \$ 269,336
Ideal Balance: N/A

Suggestion: No action deemed necessary.

TRS Reserve:

On April 12, 2019 Gov. Andrew Cuomo signed this year's Article VII budget bills, including a provision allowing school districts to set aside funds in a reserve for employer contributions to the Teachers' Retirement System (TRS). Annually, a district may set aside up to two percent of its total TRS payroll. The fund balance may not exceed 10% of total compensation paid to TRS members in the district during the prior fiscal year. School districts may use money kept in TRS reserve funds to make payments directly to TRS or to offset the amount of school aid deducted by the state to cover these obligations.

Ideal Balance: 2 years of TRS payments, total TRS payroll in 2019-20 was \$6,002,674, maximum annual contribution is \$600,267

Balance June 30, 2020: \$ 0
Ideal Balance: \$ 1,249,307 **-\$1,249,307 underfunded**

Suggestion: The newly established TRS Reserve is underfunded. The District should assign the maximum annual allowance of \$118,164 to the TRS Reserve.

Balance June 30, 2020: \$ 118,164
Ideal Balance: \$ 118,164