

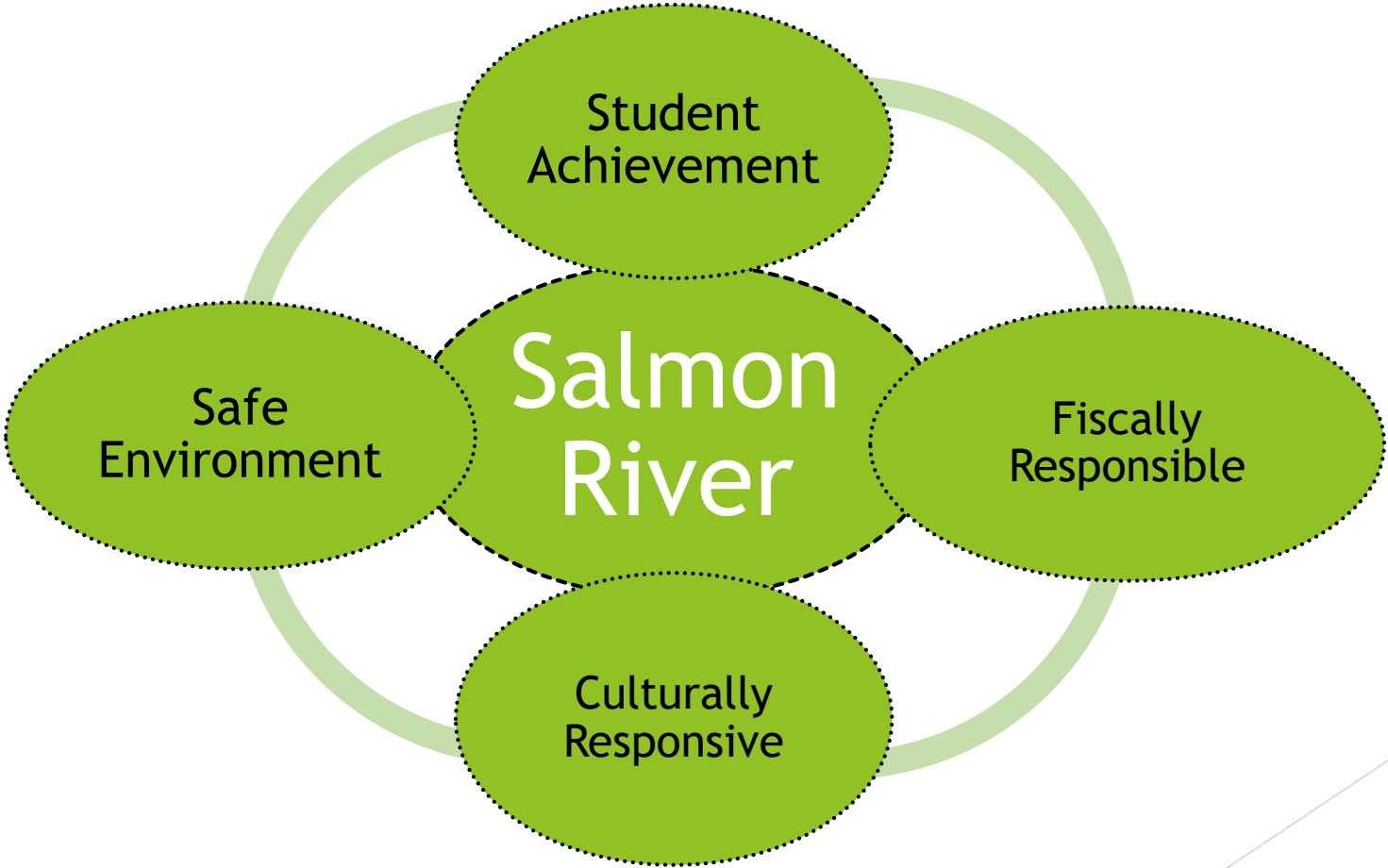


Salmon River CSD

# District Financial Management and Reserve Plan

*The Salmon River Central School District values academic achievement, cultural diversity, and celebrates individuality within a safe, supportive learning environment.*

# Salmon River Central School District Board of Education Goals



# Financial Management Plan

What is our financial management and why is it so important?

- ▶ Strong financial management is essential to the District's long term sustainability
- ▶ Ensure that resources are available to protect the programs and services needed to meet District goals
- ▶ Make financial decisions based on how they affect the long range plan not the short term.
- ▶ Protect the communities investment in facilities with full transparency regarding the District's financial management plan is a priority

# Factors Bearing on the District's Future

- ▶ Heavily dependent on NYS Aid. Currently 92% of District revenues are from NYS or the Federal Government
- ▶ Inflation
- ▶ Rising health insurance and retirement costs will undoubtedly lead to increased program costs
- ▶ Inability to raise taxes due to the low tax base in our community. A 2% tax levy increase equates to additional revenue of \$39,151
- ▶ Retention and Recruitment Concerns
- ▶ Supply Chain Issues
- ▶ Unstable Utility Costs
- ▶ Federal funding (ARP and ESSER) cliff

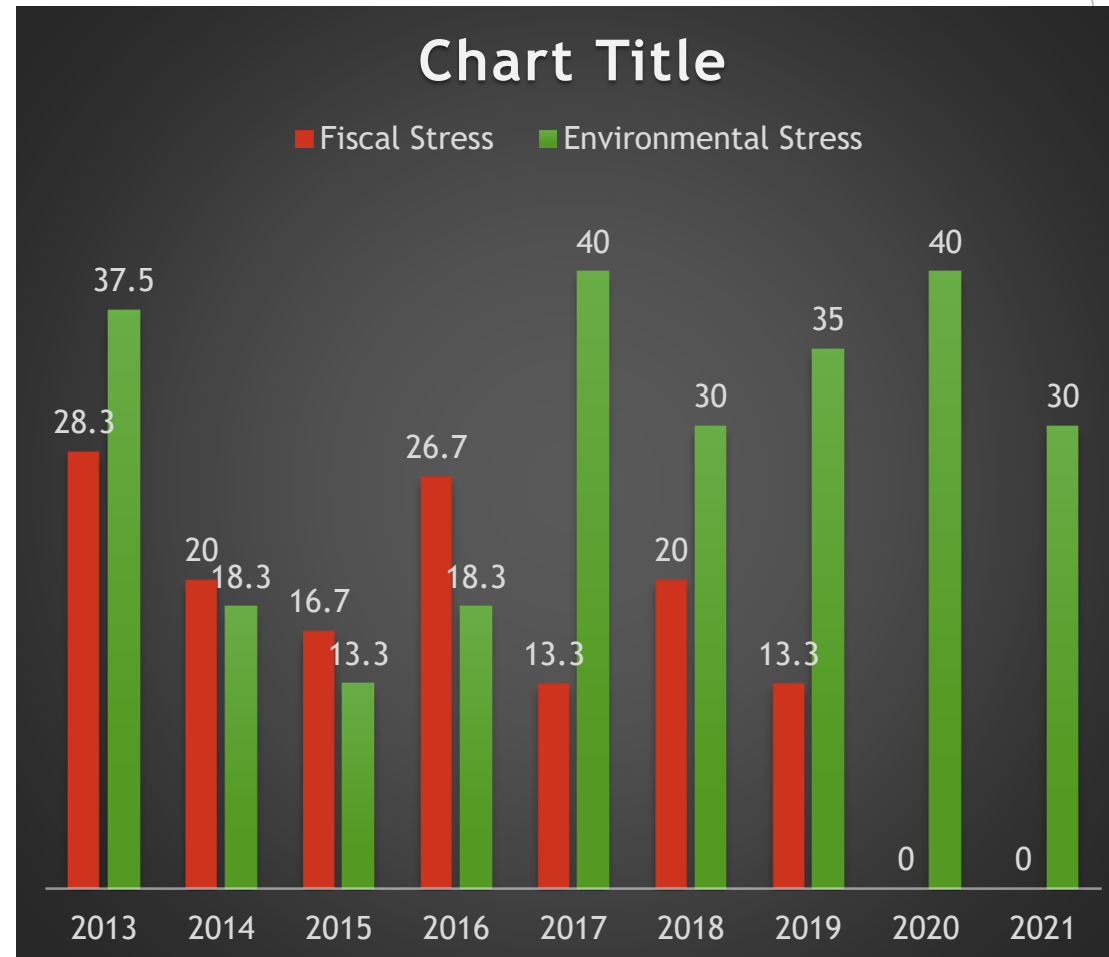
# NYS Comptroller Fiscal & Environmental Stress Monitoring

## Fiscal Factors

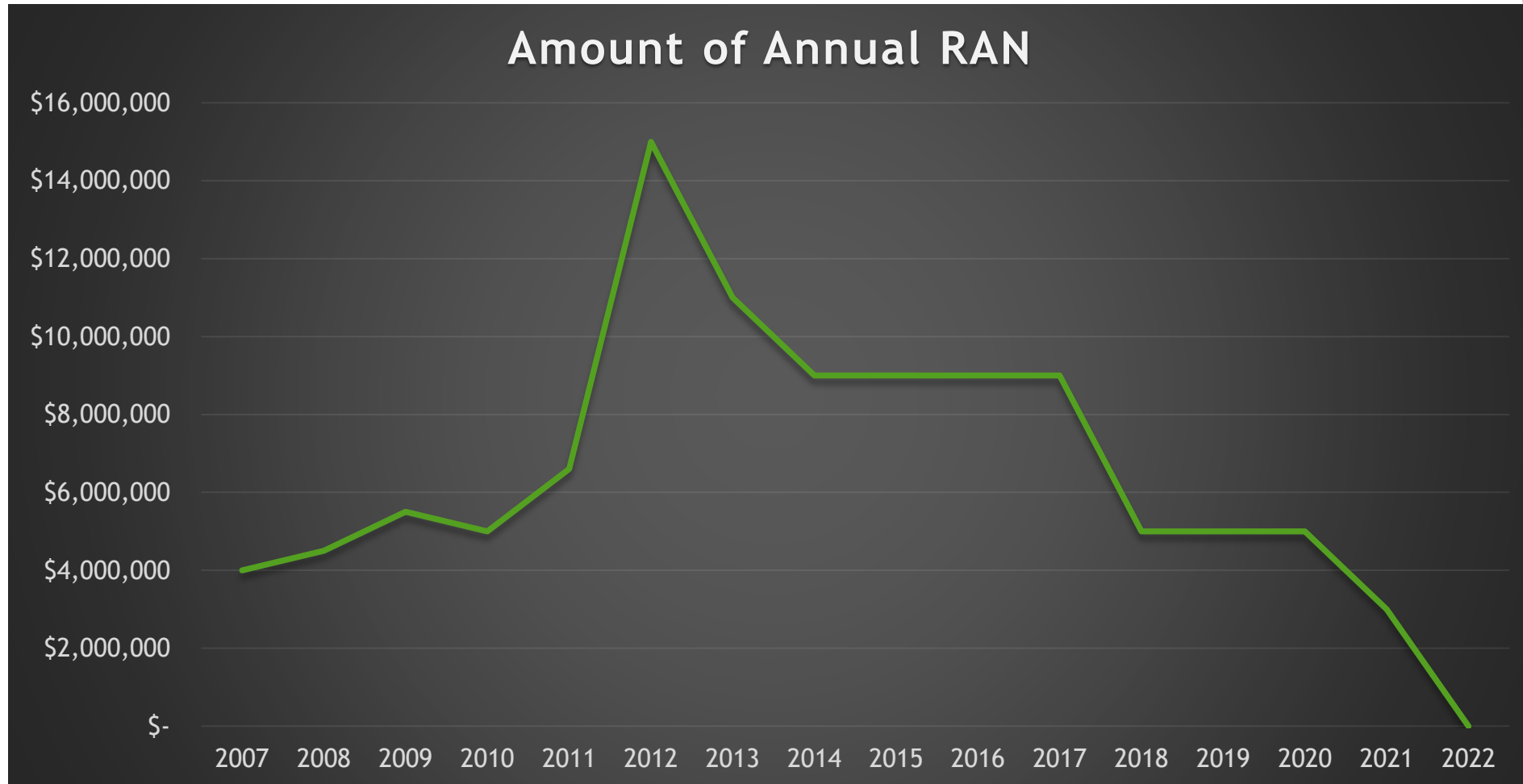
- ▶ Fund Balance
- ▶ Operating Deficit
- ▶ Cash Position
- ▶ Reliance on Short Term Financing

## Environmental Factors

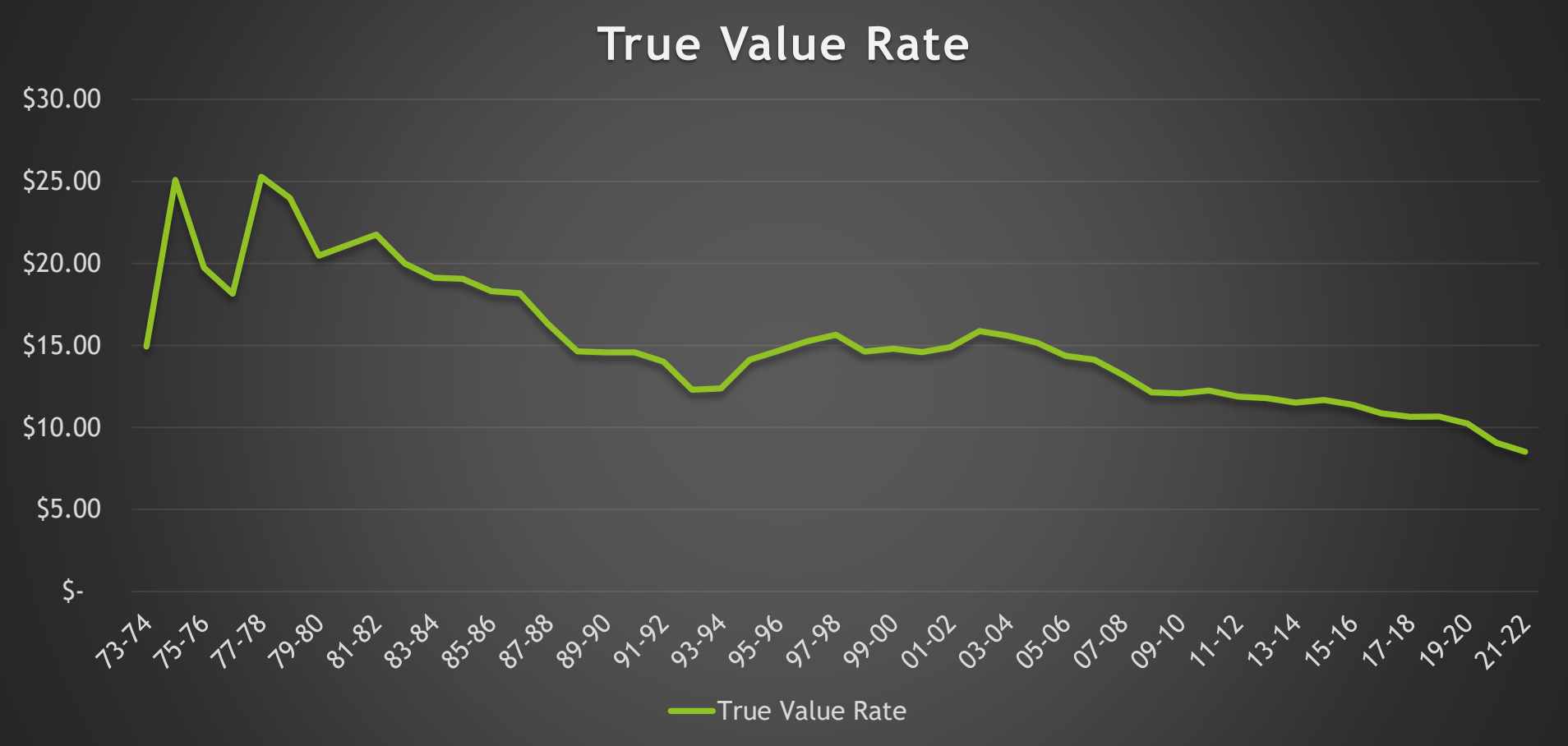
- ▶ Poverty
- ▶ Student to Teacher Ratio
- ▶ Teacher Turnover
- ▶ Tax Base
- ▶ Budget Support



# Short Term Financing (RAN's)



# Historical Tax Rate



# What is Fund Balance?

- ▶ Fund Balance is the unreserved balance remaining after all revenues have been recorded and expenditures accrued each year. Much like your personal checkbook at the end of week month.
- ▶ There are varying philosophies on how much fund balance is enough to maintain a safe financial position.
- ▶ NYS Comptroller allows for a maximum of 4% of the following years budget to be maintained for fund balance.
- ▶ The GFOA recommends 2 months of spending
- ▶ On average 1 month spending is \$3.5M for Salmon River



# What are Reserves?

- ▶ Targeted savings accounts
- ▶ Save for future needs
- ▶ Maintain a stable operating budget
- ▶ Maintain a stable tax levy
- ▶ Boost overall fiscal strength
- ▶ Help mitigate the financial impact of major, non-recurring or unforeseen expenditures

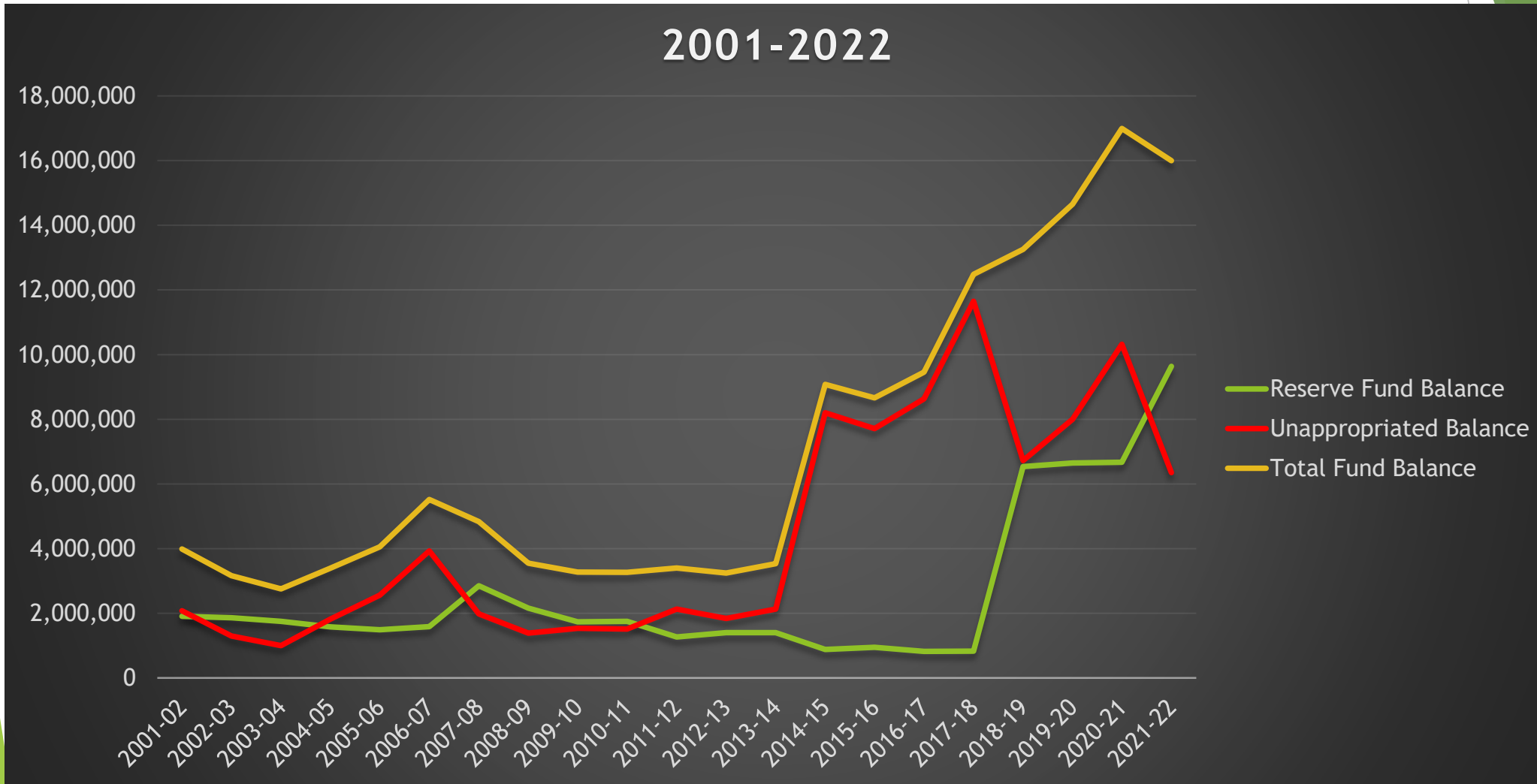
# Fund Balance and Reserve Policy

Must include:

- ▶ Scope and purpose
- ▶ Appropriate level of fund balance
- ▶ Use and replenishment

Original plan adopted in 2012 and revised 2022

# Historical Fund Balance and Reserves



# Workers Compensation Reserve Balance - \$1,154,235

- ▶ Purpose and Use of Reserve: To pay for worker's compensation claims, related medical expenses and self-insurance administrative costs associated with the self-insured Worker's Compensation plan through Franklin-Essex-Hamilton BOCES.
- ▶ Funding Level: Maintain a balance to cover up to 5 years of Worker's Compensation claims and administrative costs. The amount paid in premiums for the fiscal year 2021-2022 was \$230,802.
- ▶ Recommendation: Increase the reserve authorization in the 2021-2022 school year by \$606,300.

# Unemployment Reserve Balance - \$524,273

- ▶ Purpose and Use of Reserve: To pay for the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the school district uses the benefit reimbursement method. The District is obligated to pay 100% of all unemployment claims granted by the NYS Department of Labor.
- ▶ Funding Level: The District currently has 426 full time employees. On average a single lay off would cost the District \$13,104 maximum, if the District were to lay off 8 employees in a single year that would be \$104,832. The reserve maintains at a maximum 5 years of unemployment
- ▶ Recommendation: Increase the reserve authorization in the 2021-2022 school year by \$248,442.

# Retirement Reserve - ERS

## Balance - \$3,428,081

- ▶ Purpose and Use of Reserve: To fund employer retirement contributions. i.e. any portion of the amount(s) payable by an eligible school district to NY State and Local Employees' Retirement System (ERS)
- ▶ Funding Level: Given the unstable stock market over the last 10 years the employer contribution rate has fluctuated significantly. Since retirement costs are a significant line item in the budget and the District cannot raise funds to pay for spikes in retirement rates the District will maintain no more than 5 years of contributions in this fund. Contributions from the 2020-2021 ERS bill were \$561,688.
- ▶ Recommendation: Increase the reserve authorization in the 2021-2022 school year by \$201,103.

# Retirement Reserve - TRS

## Balance - \$486,643

- ▶ Purpose and Use of Reserve: To fund teacher retirement contributions. i.e. any portion of the amount(s) payable by an eligible school district to NY State Teachers Retirement (NYSTRS)
- ▶ Funding Level: Given the unstable stock market over the last 10 years the teachers retirement contribution rate has fluctuated significantly. Since retirement costs are a significant line item in the budget and the District cannot raise funds to pay for spikes in retirement rates the District shall provide annual contributions of 2% of the prior year's covered TRS salaries and will maintain no more than 10% of the prior years covered TRS salaries including interest. The covered TRS salaries in the 2020-2021 year were \$12,092,367.
- ▶ Recommendation: Increase the reserve authorization in the 2021-2022 school year by \$241,847.

# Insurance Reserve

## Balance - \$1,500,000

- ▶ **Purpose and Use of Reserve:** This reserve is used to pay casualty and other types of losses, except for those for which insurance may be purchased. This could help to reduce the cost of insurance per year. Furthermore, this reserve may be utilized to cover any liability, casualty, or other types of losses for which coverage may not be purchased. The reserve fund may also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, or judgments. This reserve is used to pay any allowable claims, thereby preventing the District from potential spikes that one or two large claims could cause and providing the District with financial stability and strong credit ratings.
- ▶ **Funding Level:** Annual contributions are limited by law to the greater of \$33,000 or 5% of the budget which is \$1,716,987 for the 2021-2022 school year.
- ▶ **Recommendation:** Given the increasing concerns over Child Victim Act claims as well as cyber security, computer fraud and data breaches along with the potential for very large uninsured loss claims in these areas it is recommended to Create and fund the reserve with \$1,500,000 in the 2021-2022 school year and review annually



# Employee Benefit Accrued Liability Reserve Balance - \$970,551

- ▶ Purpose and Use of Reserve: To pay accrued benefits due employees upon termination of services for vacation, sick leave, and personal leave
- ▶ Funding Level: Each year, a detailed analysis of the District's liability is computed and is used to support funding of this reserve at 100% of the liability. Necessary increase in funding are approved by the Board of Education.
- ▶ Recommendation: Increase the reserve authorization in the 2021-2022 school year by \$191,744.

# Capital Reserve Balance - \$1,515,557

- ▶ Purpose and Use of Reserve: To fund the cost of any object or purpose for which bonds may be issued.
- ▶ Funding Level: The District currently has a building aid ratio of 98%. The reserve is funded at \$1,500,000 to cover the non-aided portion of future projects.
- ▶ Recommendation: No Action

# Repair Reserve Balance - \$0

- ▶ Purpose and Use of Reserve: This reserve is used to pay for significant unanticipated repairs to district capital improvements, facilities, and equipment not recurring annually or at shorter intervals.
- ▶ Funding Level: We have not set a target for the amount that would be on deposit at any one time. As the size of the fund increases, the risk to the District's annual operating budget decreases.
- ▶ Recommendation: Create reserve and fund annually beginning in the 2022-2023 school year and review annually.

# Summary of Fund Balance

Reserve	Balance 6/30/21	Estimated Balance 6/30/22	Increase/ (Decrease)	Interest As of 5/31/22
Reserve for Encumbrances	\$ 84,908	\$ 60,000	\$ (24,908)	\$ -
Reserve for Emp Ben and Acc Liab	\$ 778,487	\$ 970,231	\$ 191,744	\$ 320
Capital Reserve	\$ 1,514,934	\$ 1,515,557	\$ 623	\$ 623
Unemployment Reserve Reserve	\$ 275,718	\$ 524,273	\$ 248,555	\$ 113
Workers' Compensation Reserve	\$ 547,710	\$ 1,154,235	\$ 606,525	\$ 225
Reserve for Insurance	\$ -	\$ 1,500,000	\$ 1,500,000	\$ -
Reserve for Repairs	\$ -	\$ -	\$ -	\$ -
Reserve for Retirement Contributions - ERS	\$ 3,225,652	\$ 3,428,081	\$ 202,429	\$ 1,326
Reserve for Retirement Contributions - TRS	\$ 244,696	\$ 486,643	\$ 241,947	\$ 100
Total Reserved Fund Balance	\$ 6,672,105	\$ 9,639,020	\$ 2,966,915	\$ 2,707
Appropriated Fund Balance	\$ 557,591	\$ 1,094,585	\$ (536,994)	
Unappropriated Fund Balance	\$ 9,764,418	\$ 5,260,509	\$ 4,503,909	
Total Fund Balance	\$16,994,114	\$ 15,994,114	\$(1,000,000)	\$ 2,707

Questions??