

Hornell City School District

Reserve Plan

Introduction

This plan is set forth as a guide for the intended establishment and use of reserve funds for the Hornell City School District. All reserves are established in accordance with New York State General Municipal Law. According to the NYS Comptroller's Local Government Management Guide on Reserve Funds, "reserve funds provide a mechanism for legally saving money to finance all or part of future infrastructure, equipment, and other requirements." The Hornell City School District has used, and will continue to use, reserve funds to increase financial stability of the district while reducing the need to enter into unfunded debt to finance capital projects and acquisitions. Reserves become the prudent mechanism to stabilize budgets by allowing money not needed for current purposes to be set aside for those uncertain economic times when their use is necessary. This stabilization provides not only steady and predictable local tax base, but also keeps from experiencing constant addition and removal of important student services and extracurricular opportunities based on specific unpredictable yearly funding.

In addition to maintaining reserve accounts, the Hornell City School District aims to always maintain between 3.5% and 4% of undesignated fund balance within its operating funds. The combination of undesignated fund balance with specific legally established reserve funds provides the necessary foundation for remaining financially sound through unanticipated events. Additionally, sound reserve planning and saving today for known future expenses, such as paying employees for leave time accruals at retirement, greatly smooths the exposure of those expenses to keep spikes from occurring in annual real property levies.

This plan shall be reviewed annually at the regular June meeting of the Board of Education.

Sources:

Office of the New York State Comptroller Division of Local Government and School Accountability - Local Government Management Guide - Reserve Funds.

<https://www.osc.state.ny.us/localgov/pubs/lqmg/reservefunds.pdf>

State Aid & Financial Planning Service - Questar III BOCES publication titled "Reserve Funds That May Be Used By New York School Districts"

Hornell City School District

Reserve Plan

Specific Reserves of the Hornell City School District

Employee Benefits

Purpose: To cover expected payments of accrued sick, vacation, and personal day termination payments upon resignation or termination of an employee. This reserve was established according to General Municipal Law, §6-p.

Date Established: Prior to July 1, 2013

Maximum Inflow: N/A

Balance June 30, 2023: \$6,952,409

Balance June 30, 2024: \$6,794,459

Ideal Balance: The stated balance of the last reported compensated absences report for expected payments of employee sick, vacation, and personal time payouts.

Additional Information:

Compensated absences as of June 30, 2023: \$7,016,224
(Source: External Audit Report as of 6/30/23 page 11, table 7)

Compensated absences as of June 30, 2024: \$6,934,507
(Source: External Audit Report as of 6/30/23 page 11, table 7)

Hornell City School District

Reserve Plan

Debt Service

Purpose: To cover debt service payments on outstanding obligations (bonds, BANS) after the sale of district capital assets or improvements. This reserve was established according to General Municipal Law, §6-1

Date Established: Prior to July 1, 2013

Maximum Inflow: N/A

Balance June 30, 2023: \$0

Balance June 30, 2024: \$0

Ideal Balance: This reserve, combined with the Debt Service fund, should not exceed outstanding bonded debt as reported on the most recent Board of Education accepted external audit report.

Additional Information:

June 30, 2023 Bonded Debt: \$20,810,000

Source: External Audit Report as of 6/30/23 page 11, table 7

June 30, 2023 Debt Service Fund Balance: \$1,187,183

Source: External Audit Report as of 6/30/23 page 43 "debt service nonmajor funds"

June 30, 2024 Bonded Debt: \$15,750,000

Source: External Audit Report as of 6/30/23 page 11, table 7

June 30, 2024 Debt Service Fund Balance: \$981,543

Source: External Audit Report as of 6/30/23 page 43 "debt service nonmajor funds"

Hornell City School District

Reserve Plan

Workers' Compensation

Purpose: To fund Workers Compensation expenses, related medical expenses, and self insurance administrative costs. This reserve was established according to General Municipal Law, §6-j.

Date Established: Prior to July 1, 2013

Maximum Inflow: Not applicable as this is an operational reserve

Balance June 30, 2023: \$59,144

Balance June 30, 2024: \$62,243

Ideal Balance: Two years of annual expense based on the average experience of the 3 most recently completed school years.

Additional Information:

2023-24:	\$ 68,450
2022-23:	\$ 55,249
2021-22:	<u>\$ 46,730</u>
Total:	\$170,426
Average:	\$ 58,810
2 Yr Avg Exp:	\$117,620

Source: NVision expense report of the work comp account code for 3 years prior

Hornell City School District

Reserve Plan

Unemployment

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. This reserve was established according to General Municipal Law, §6-m.

Date Established: Prior to July 1, 2013

Maximum Inflow: Not applicable as this is an operational reserve

Balance June 30, 2022: \$84,006

Balance June 30, 2023: \$86,475

Ideal Balance: Minimum of 2 years incurred expense based on the 2 most recently completed fiscal years.

Additional Information:

2022-23:	\$21,256
2022-23:	<u>\$17,030</u>
Total:	\$38,286

Source: NVision expense report for the unemployment expense account code for 2 years prior.

Hornell City School District

Reserve Plan

Capital Reserve 2019-2029

Purpose: To cover the local share of future facility capital improvement projects. The district contracted for a needs assessment study in 2018 and that study was completed in July Of 2019. Since then, the facilities committee, administration, and contracted parties have worked to establish the scope of projects related to those needs. There will be a capital project vote in December of 2022 to approve the work these funds were planned for. During this planning, it has become clear that the district will experience a significantly higher than normal unaided portion of capital work. Because of this, the district is intentionally exceeding what was previously set as the ideal limit for these reserve funds. This reserve was established according to Education Law, §3651.

Date Established: May 2019

Maximum Inflow: \$10,000,000 plus accrued interest

Balance June 30, 2023: \$9,200,170

Balance June 30, 2024: \$0

(Note: Balance moved to H019 \$30M Project on 6/30/24 as part of voter authorized \$12,075,000 use of reserves and account closed out.)

Ideal Balance: Combined with the 2017-2027 Capital Reserve, 10% of all capital work expensed within the last 10 fiscal years.

Additional Information:

2013 - 2024 Expenses:	\$36,730,091
	<u> *10%</u>
	\$3,673,009

This reserve account has reached its maximum inflow.

Source: NVision expense report of all capital expense funds for the time frame indicated absent the account codes for capital outlay expenses.

Hornell City School District

Reserve Plan

Capital Reserve 2022-2032

Purpose: To cover the local share of future facility capital improvement projects. The district contracted for a needs assessment study in 2018 and that study was completed in July of 2019. Since then, the facilities committee, administration, and contracted parties have worked to establish the scope of projects related to those needs. There will be a capital project vote in December of 2022 to approve the work these funds were planned for. During this planning, it has become clear that the district will experience a significantly higher than normal unaided portion of capital work. Because of this, the district is intentionally exceeding what was previously set as the ideal limit for these reserve funds. This reserve was established according to Education Law, §3651.

Date Established: May 2022

Maximum Inflow: \$10,000,000 plus accrued interest

Balance June 30, 2023: \$3,615,000

Balance June 30, 2024: \$2,043,949

Ideal Balance: Combined with the 2017-2027 Capital Reserve and the Capital Improvement Reserve 2022-2032, 10% of all capital work expensed within the last 10 fiscal years.

Additional Information:

2013 - 2024 Expenses:	\$36,730,091
	<u> *10%</u>
	\$3,673,009

Source: NVision expense report of all capital expense funds for the time frame indicated absent the account codes for capital outlay expenses.

Hornell City School District

Reserve Plan

Capital Reserve - 1 Million Transportation Reserve 2017-2027

Purpose: To fund the purchase of student transportation vehicles. This reserve was established according to Education Law, §3651.

Date Established: July 2017

Maximum Inflow: \$1,000,000

Balance June 30, 2023: \$1,059,948

Balance June 30, 2024: \$1,052,337

Ideal Balance: Because this is a reserve with a maximum authorized monetary inflow, with expected yearly outflows, there is no way in which to create an ideal balance for this account. In looking at capital transportation reserves holistically, an ideal balance between all capital transportation accounts would be 10 years of student transportation vehicle expenses. However, recent regulation changes directing the purchase of electrified buses and large price tags that accompany those buses may warrant additional discussion regarding a higher reserve threshold.

Additional Information:

This reserve has reached the maximum authorized inflow dollars.

7/1/2013 - 6/30/2024 Student Transportation Vehicle Purchases: \$1,149,371

Source: NVision expense report for transportation vehicle purchases for the time frame indicated.

Hornell City School District

Reserve Plan

Capital Reserve - 2022-32 Transportation Reserve

Purpose: To fund the purchase of student transportation vehicles. This reserve was established according to Education Law, §3651.

Date Established: May 2022

Maximum Inflow: \$1,000,000

Balance June 30, 2023: \$130,773

Balance June 30, 2024: \$75,505

Ideal Balance: Because this is a reserve with a maximum authorized monetary inflow, with expected yearly outflows, there is no way in which to create an ideal balance for this account. In looking at capital transportation reserves holistically, an ideal balance between all capital transportation accounts would be 10 years of student transportation vehicle expenses. However, recent regulation changes directing the purchase of electrified buses and large price tags that accompany those buses may warrant additional discussion regarding a higher reserve threshold.

Additional Information:

7/1/2013 - 6/30/2024 Student Transportation Vehicle Purchases: \$1,149,371

Source: NVision expense report for transportation vehicle purchases for the time frame indicated.

Hornell City School District

Reserve Plan

Capital Reserve - 2024-34 Transportation Reserve

Purpose: To fund the purchase of student transportation vehicles. This reserve was established according to Education Law, §3651.

Date Established: May 2024

Maximum Inflow: \$1,000,000

Balance June 30, 2023: \$ N/A

Balance June 30, 2024: \$1,000,000

Ideal Balance: Because this is a reserve with a maximum authorized monetary inflow, with expected yearly outflows, there is no way in which to create an ideal balance for this account. In looking at capital transportation reserves holistically, an ideal balance between all capital transportation accounts would be 10 years of student transportation vehicle expenses. However, recent regulation changes directing the purchase of electrified buses and large price tags that accompany those buses may warrant additional discussion regarding a higher reserve threshold.

Additional Information:

7/1/2013 - 6/30/2024 Student Transportation Vehicle Purchases: \$1,149,371

Source: NVision expense report for transportation vehicle purchases for the time frame indicated.

Hornell City School District

Reserve Plan

Tax Certiorari

Purpose: To pay potential judgements and claims in tax certiorari proceedings per Real Property Tax Law (RPTL), Article 7. This reserve was established according to Education Law, §3651 (1-a).

Date Established: Prior to July 1, 2013

Maximum Inflow: N/A

Balance June 30, 2023: \$1,023,537

Balance June 30, 2024: \$1,284,645

Ideal Balance: Total potential liability of known real property tax and assessment challenges.

Additional Information:

Current known property tax disputes as of June 30, 2024:

Name	Tax Map #	Potential Liability
TDC Hornell, LLC	136.03-01-001.001 (5 Yrs)	51,728.78
TDC Hornell, LLC	136.03.01-001.002 (5 Yrs)	57,467.43
TDC Hornell, LLC/Wegmans	136.03.01-001.004 (5 Yrs)	449,311.28
TDC Hornell, LLC/Walmart	136.03.01-001.006 (5 Yrs)	376,908.37
TDC Hornell, LLC	136.03.01-001.010 (5 Yrs)	24,538.17
TDC Hornell, LLC	136.03.01-003.000 (5 Yrs)	35,684.55
Lowes	136.03-01-002.000 (1 Yr)	50,582.26
SHRS Realty, LLC	136.03-01-001.001 (1 Yr)	1,696.44
BRIXMOR	136.03-01-001.001 (1 Yr)	4,232.81
BRIXMOR	136.03-01-001.002 (1 Yr)	4,232.81
BRIXMOR	136.03-01-001.004 (1 Yr)	35,193.25
BRIXMOR	136.03-01-001.006 (1 Yr)	34,184.69
BRIXMOR	136.03-01-001.010 (1 Yr)	2,241.22

Updated November, 2024

Hornell City School District

Reserve Plan

Seneca Street LLC	151.63-02-011.000 (4 Yrs)	90,560.65
Allison LLC J.M.	166.06-07-046.410 (1 Yr)	2,128.50
	TOTAL	1,220,691.21

Source: Report from the Steuben County Office Of Real Property dated April 2024.

Hornell City School District

Reserve Plan

Repair

Purpose: To pay for repairs to capital improvements or equipment not recurring annually or at shorter intervals. Additionally, this reserve was initially set up to help defray the cost of repairs and construction to buildings which are not covered by state building aid to assist with the maintenance of these buildings without placing undue indebtedness on the local tax payer, for which state aid would not be available to help cover. This reserve was established according to General Municipal Law, §6-d.

Date Established: May 2016

Maximum Inflow: N/A

Balance June 30, 2023: \$894,723

Balance June 30, 2024: \$941,599

Ideal Balance: \$2,000,000

Additional Information:

Buildings such as the sports concession stands and the baseball stadium currently receive no state aid and are reaching an age and condition which will require significant repair in order to maintain the safety and operation of the structures. This reserve was initiated and has been funded over the last several years to assist with expected costs of repairs to these two buildings first. However, the funds are also available in the case of an emergency repair as well.