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PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT

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*Office of Business and Finance*


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*Richard Cunningham*  
*Assistant Superintendent for Business*

June 18, 2020

**MEMORANDUM**

**TO: Dr. Lorna R. Lewis**  
**Superintendent of Schools**

**FROM: Richard Cunningham**   
**Assistant Superintendent for Business**

**RE: Reaffirm Retirement Contribution Reserve Fund**  
**Reaffirm Employee Benefit Accrued Liability Reserve Fund**  
**Reaffirm Unemployment Insurance Payment Reserve Fund**  
**Reaffirm Repair Reserve Fund**  
**Reaffirm Capital Reserve Funds**

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Attached is an analysis of each reserve as well as our reserve fund plan providing a description and plan for each reserve.

**RECOMMENDATION:**

The Board of Education reaffirm the following and approve the district Reserve Fund Plan:

1. Retirement Contribution Reserve for a maximum not to exceed \$10,066,147 plus interest
  - a. TRS Sub-Fund amount not to exceed \$2,561,581 plus interest
2. Employee Benefit Accrued Liability Reserve for a maximum not to exceed \$8,577,295 plus interest
3. Unemployment Insurance Payment Reserve Fund for a maximum not to exceed \$800,000 plus interest
4. Repair Reserve Fund for a maximum not to exceed \$769,339 plus interest
5. Capital Reserve Fund 2010 for a maximum not to exceed \$192,965 plus interest
6. Capital Reserve Fund 2015 for a maximum not to exceed \$12,556 plus interest
7. Capital Reserve Fund 2017 for a maximum not to exceed \$6,500,000 plus interest

RC/so  
Attachment

**PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT**  
**RESERVE PLAN**  
**As of June 30, 2020**

**Reserve for Retirement Contributions**

*Creation* – This reserve was created on June 30, 2008 as per GML §6-r. On April 15, 2019 a Retirement Contribution Reserve Sub-Fund was established to be used to finance retirement contributions to the NYS Teachers’ Retirement System.

*Purpose* – This reserve is used to pay for district expenses to the NYS Employees’ Retirement System and payments to the Teachers’ Retirement System.

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

*Use of Reserve* – This reserve is used to pay for retirement system contributions to the New York State and Local Employees’ Retirement System. This reserve is now at a level equal to four years of retirement system billings. The sub-fund is used to pay for retirement system contributions to the New York State Teachers’ Retirement System.

*Monitoring of Reserve* – This reserve is monitored by the Assistant Superintendent for Business.

*Funding Level* – A funding level equal to approximately four years’ worth of retirement system billings is desired for ERS contributions. At current projected rates, that level is estimated at an amount not to exceed \$10,066,147 plus interest. The balance of this reserve was \$7,484,138 at 6/30/19. The monies contributed annually to the Reserve Sub-Fund shall not exceed 2% of the total compensation or salaries of all teachers employed by the District who are members of TRS paid during the immediately preceding fiscal year and the balance of the Reserve Sub-Fund shall not exceed 10% of the total compensation or salaries of all employed by the District who are members of TRS paid during the immediately preceding fiscal year. The balance of the Reserve Sub-fund was \$1,267,098 at 6/30/19.

**6/30/20 amount not to exceed: \$10,066,147 plus interest**

**6/30/20 amount not to exceed: \$2,561,581 (TRS Sub-Fund)**

### **Reserve for Accrued Employee Benefits Liability**

*Creation* – This reserve was created on June 30, 2008 as per GML §6-p.

*Purpose* – This reserve is used to pay for unused accumulated leave time contractually provided to certain groups of employees. This typically includes payment for unused sick and vacation pay. This fund cannot be used to pay for items such as: retirement incentives, FICA and Medicare payments and retiree health insurance. Multiple school districts throughout New York State have been cited for ‘overfunding’ this reserve to cover GASB 45 liabilities. The Plainview-Old Bethpage CSD has not overfunded this reserve, and hence, has not been cited by the Comptrollers’ Office.

*Funding Methods* – This reserve was funded from excess fund balance. Due to the current funding levels, there are no plans to place additional funds in this reserve unless the liability increases significantly.

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

*Monitoring of Reserve* – This reserve is monitored by the Assistant Superintendent for Business. Each year, a detailed analysis of the liability is computed and is used to support the funding of this reserve not to exceed 100% of the liability.

*Funding Level* – This reserve should not exceed 100% of the accrued liability for unused accumulated leave time, which as of June 2019 was estimated at \$7,967,761 plus FICA/Medicare \$609,534 plus interest which total \$8,577,295. The balance of this reserve was \$7,309,089 at 6/30/19.

**6/30/20 amount not to exceed: \$8,577,295 plus interest**

### **Reserve for Unemployment Insurance**

*Creation* – This reserve was created on June 30, 2010 as per GML §6-m.

*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* – This reserve was funded entirely from excess fund balance when it was created. It was funded in anticipation of an increased number of staff reductions.

*Use of Reserve* – The initial funding was an amount sufficient to pay full unemployment insurance at the maximum rate for approximately fifteen individuals.

Business in conjunction with other central office administrators to assess the potential for incurring unemployment claims.

*Funding Level* – The balance of this reserve at 6/30/19 was \$1,681,235. The balance at 8/31/2019 was \$481,234 plus interest, after the Board authorized transfer to Capital Reserve Fund IV-2017. Due to COVID-19 resulting in staffing furloughs and future state aid cuts, additional funding is recommended.

**6/30/20 amount not to exceed: \$800,000 plus interest**

### **Repair Reserve**

*Creation* – This reserve’s funding was approved on May 21, 2013 via voter approval as per GML §6-d.

*Purpose* – This reserve is used to pay for unanticipated, non-recurring repairs to district capital improvements, facilities and equipment.

*Funding Methods* – Voter approval is required to fund this reserve. In accordance with the proposition, if approved by the voters, this reserve would be funded by unanticipated revenues and unexpended funds from the annual budget.

*Use of Reserve* – In accordance with the law, a public hearing must be held in order to use funds from this reserve, except in an emergency. Funds used without holding a public hearing must be repaid to the fund over two years. Use is restricted to the purpose stated above.

*Monitoring of Reserve* – This reserve is monitored by the Assistant Superintendent for Business.

*Funding Level* – This reserve was established at \$1,000,000 plus interest. In the 2017-2018 school year, the District used \$241,446 from this reserve. As of June 30, 2019, there was \$769,339.

**6/30/20 amount not to exceed \$769,339 plus interest**

### **Capital Reserve Fund I - 2010**

*Creation* – This reserve was created on May 18, 2010 via voter approval as per Ed. Law §3651.

*Purpose* – This reserve may be used to fund the cost of any object or purpose consistent with the original resolution.

*Funding Methods* – Voter approval is required to establish and fund this reserve. In accordance with the approved proposition, this reserve is funded entirely from excess fund balance.

*Use of Reserve* – Use of this reserve requires voter approval. \$4,364,500 was approved by the voters on May 17, 2011. The majority of this work occurred during the 2012-13 and 2013-14 school years. Additionally, \$442,312 was approved by the voters on May 20, 2014 to fund a skylight replacement project at Mattlin Middle School.

*Monitoring of Reserve* – This reserve is monitored by the Assistant Superintendent for Business.

*Funding Level* – As stated in the approved proposition, this reserve was created with a maximum limit of \$5,000,000. As of June 30, 2019, there was \$192,965.

**6/30/20 amount not to exceed \$192,965 plus interest**

### **Capital Reserve Fund III - 2015**

*Creation* – This reserve was created on May 19, 2015 via voter approval as per Ed. Law §3651.

*Purpose* – This reserve may be used to fund the cost of any object or purpose per the following resolution:

Shall the Board of Education of the Plainview-Old Bethpage Central School District be authorized to establish a capital reserve fund pursuant to Section 3651 of the New York Education Law to be known as the Plainview-Old Bethpage Central School District Capital Reserve Fund for a probable term of seven (7) years in an ultimate amount of Five Million (\$5,000,000.00) Dollars, whose purpose shall be to fund in whole or in part, construction and renovation of parking lots, driveways, sidewalks, paving and drywells at all elementary school buildings; exterior lighting at all elementary and secondary school buildings; Districtwide renovation and replacement of boilers, burners, piping, hot water systems and heating and cooling systems; Districtwide installation of air conditioning and related upgrades to the electrical system; reconstruction of

science/research facilities at POBJFKHS; interior door replacements at all elementary and secondary school buildings and ancillary or related work, with such funds to be obtained from end of year budget surplus funds and/or budget appropriations and the interest accrued on such funds over the term of the capital reserve fund.

*Funding Methods* – Voter approval is required to establish and fund this reserve. In accordance with the approved proposition, this reserve is funded entirely from excess fund balance.

*Use of Reserve* – Use of this reserve requires voter approval.

*Monitoring of Reserve* – This reserve is monitored by the Assistant Superintendent for Business.

*Funding Level* – As stated in the approved proposition, this reserve was created with a maximum limit of \$5,000,000. As of June 30, 2019, there was \$12,556 in this reserve.

**6/30/20 amount not to exceed: \$12,556 plus interest**

#### **Capital Reserve Fund IV - 2017**

*Creation* – This reserve was created on May 16, 2017 via voter approval as per Ed. Law §3651.

*Purpose* – This reserve may be used to fund the cost of any object or purpose per the following resolution:

BE IT RESOLVED that Board of Education of the Plainview-Old Bethpage Central School District hereby authorizes the following proposition to be placed on the ballot at the Annual Budget Vote and Election on May 16, 2017, and for said proposition to be included in the Annual Notice of said Vote and Election: Shall the Board of Education of the Plainview-Old Bethpage Central School District be authorized to establish a capital reserve fund pursuant to Section 3651 of the New York Education Law to be known as the Plainview-Old Bethpage Central School District 2017 Capital Reserve Fund for a probable term of seven (7) years in an ultimate amount of Twenty-Five Million (\$25,000,000) Dollars, whose purpose shall be to fund in whole or in part, capital improvements to the facilities of the District, including but not limited to, reconstruction and expansion of current facilities, roofing, asbestos abatement, masonry work, windows, plumbing replacement, electrical upgrades, heating/cooling systems repair or replacement, on-site work and related work with such funds to be obtained from end of year budget surplus funds and/or budget appropriations and the interest accrued on such funds over the term of the capital reserve fund.

*Funding Methods* – Voter approval is required to establish and fund this reserve. In accordance with the approved proposition, this reserve is funded entirely from excess fund balance.

*Use of Reserve* – Use of this reserve requires voter approval.

*Monitoring of Reserve* – This reserve is monitored by the Assistant Superintendent for Business.

*Funding Level* – As stated in the approved proposition, this reserve was created with a maximum limit of \$25,000,000. As of June 30, 2019, there was a balance of \$2,828,454. As of August 31, 2019, there was a balance of \$4,028,454 plus interest after the \$1,200,000 Board authorized transfer in from Unemployment.

**6/30/20 amount not to exceed: \$6,500,000 plus interest**

**Note:** On June 9, 2020, voters approved the expenditure of \$3,800,000 from this reserve. In future years, the Board of Education will need to seek voter approval for the expenditure of this reserve for specific projects.

**Capital Reserve Fund IV – through June 30, 2019 History**

Action	(a)	(b)	(a)-(b)
	Appropriated Into Reserve	Appropriated From Reserve	Balance
Voters approve funding not to exceed \$25M			
BoE approves appropriation not to exceed \$6M	\$6,000,000		\$6,000,000
Voters approve expenditure not to exceed \$4.6M		\$4,600,000	\$1,400,000
BoE approves appropriation not to exceed \$6M	\$6,000,000		\$7,400,000
Voters approve expenditure not to exceed \$7,000,000		\$7,000,000	\$400,000
BoE appropriates \$2,347,401 into reserve	\$2,347,401		\$2,747,401
BoE appropriates \$1,200,000 into reserve from unemployment reserve	\$1,200,000		\$3,947,401
Voters approve expenditure not to exceed \$3,600,000		\$3,600,000	\$347,401
Accumulated Interest	\$81,000		
Subtotal	\$15,628,401	\$15,200,000	\$428,401