

RESERVE FUNDS & LONG-TERM PLANNING

NYS TUG HILL COMMISSION
31ST ANNUAL LOCAL GOVERNMENT CONFERENCE

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Presented By:
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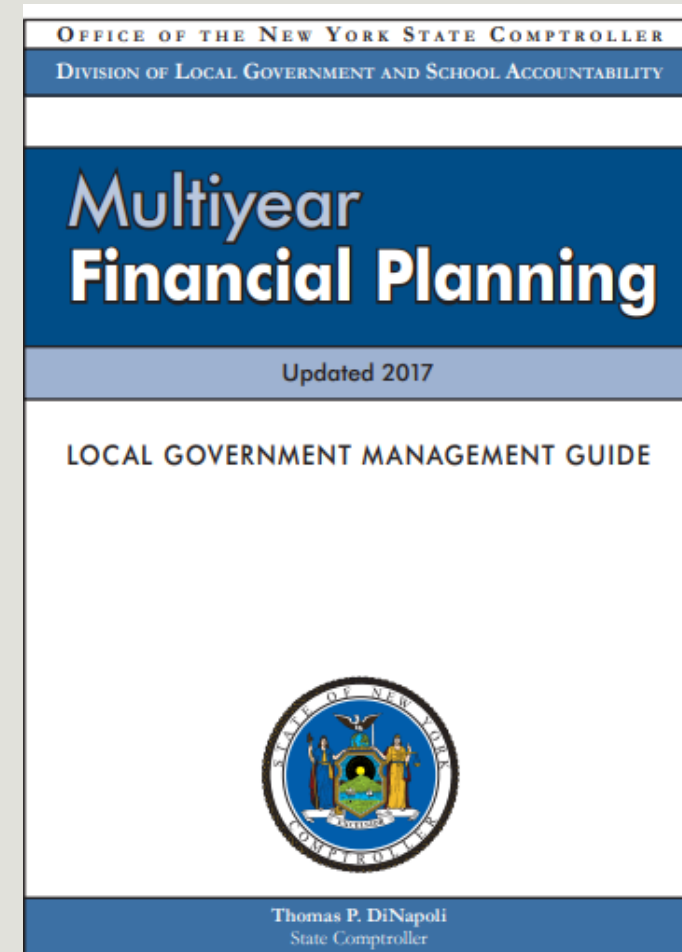
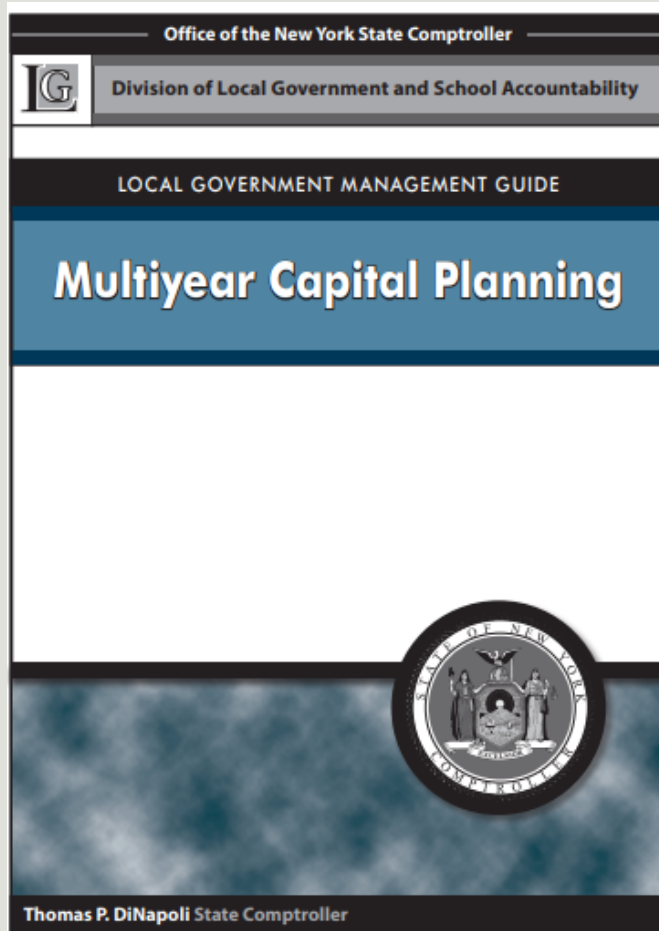
Long-Term Plans

- Enables governing boards to....
 - Project future operational and capital needs,
 - Assess viability of alternate service delivery methods
 - Mitigate impact of revenue shortfalls
 - Effectively manage fund balances in conjunction with fund balance and reserve policies
 - Communicate goals and priorities to taxpayers
 - Provide for a stable tax levy

Long-Term Plans

- Highlights patterns of past annual operating surpluses and deficits
- Assumptions made about future revenues and expenditures based on various factors
- Should contain reserve fund uses / needs
- Should be projected over a 3 to 5 year period
- Must be monitored and amended when necessary

Resources Available



https://www.osc.state.ny.us/files/local-government/publications/pdf/capital_planning.pdf

<https://www.osc.state.ny.us/files/local-government/publications/pdf/multiyear.pdf>

OSC Excel Multi-Year Planning Template

<https://www.osc.state.ny.us/files/local-government/publications/pdf/multiyear.pdf>

		Actual				Estimated	Projected				Avg Ann Increase 2017-present	Assumptions				
		2017	2018	2019	2020	2021	2022	2023	2024	2025		***	***	***	***	Description
1 {ENTER NAME OF LOCAL GOVERNMENT HERE}																
2 Four Year Financial Plan, Fiscal Years		2022-2025														
3 General Fund																
4		Actual				Estimated	Projected				Avg Ann Increase 2017-present	Assumptions				
5		2017	2018	2019	2020	2021	2022	2023	2024	2025		***	***	***	***	Description
6 Revenues																
7	Real Property Taxes															
8	Sales and Use Tax															
9	State Aid															
10	Federal Aid															
11	Interfund Transfers															
12	Other Revenue															
13	Total Revenues and Other Sources	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0						
14																
15 Expenditures																
16	Personal Services															
17	Equipment and Capital Outlay															
18	Contractual															
19	Debt Service (Principal and Interest)											---	---	---	---	Based on capital plan
20	Employee Benefits															
21	Interfund Transfers															
22	Total Expenditures and Other Uses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0						
23																
24	Surplus (Deficit)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0						
25																
26 Budgetary Reserves																
27	Fund Equity, Beg. of Year						0	0	0	0						
28	Fund Equity, End of Year						0	0	0	0						
29	Nonspendable and Restricted Fund Balance															
30	Unrestricted Fund Balance						\$0	\$0	\$0	\$0						
31	Unrestricted Fund Balance % of Expenditures															
32																
33																
34																

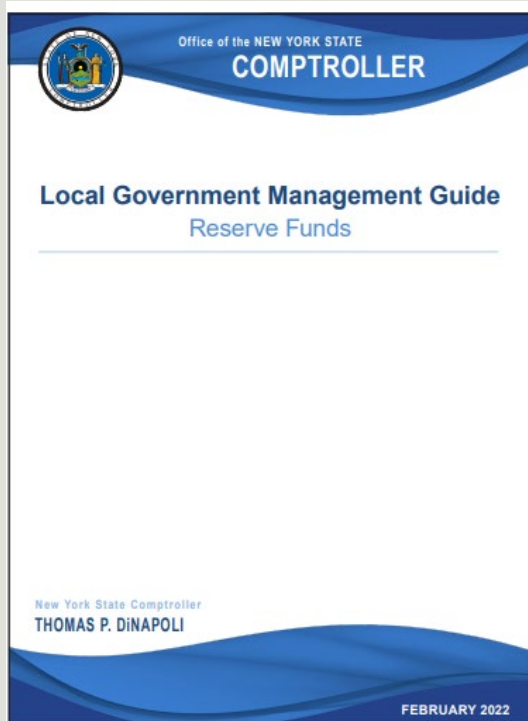
Reserve Funds

- Essential part of long-term planning
- Authorized by General Municipal Law (GML)
- Allows local governments to legally save money to finance future capital and operational costs
- Reduces the need to issue debt, cut services and/or increase taxes
- Board intent should be transparent to taxpayers
 - Governing board should develop a reserve policy
 - Reserves should not be used as a parking lot for excess fund balance

Reserve Funds

OSC Local Government Management Guide

<https://www.osc.state.ny.us/files/local-government/publications/pdf/reserve-funds.pdf>



- Authorizing statutes
- Purpose
- Who can create
- How it is created
- Special provisions
- Uses for excess balances

Reserve Funds

- Can be invested pursuant to GML §11
- Interest earning must be credited to the reserve
- Separate account ledgers for each reserve
- Expenditures from reserves are guided by authorizing statute
- Reserves become part of “Restricted Fund Balance”
- Nature and balance of reserves must be disclosed in the annual budget and financial report

CAPITAL RESERVES (GML §6-c)

Purpose:

To finance all or part of the cost of construction, reconstruction or acquisition of a “specific” or “type” capital improvement OR the acquisition of a “specific” or a “type” item(s) of equipment.

CAPITAL RESERVES (GML §6-c)

	<i>Capital Improvements</i>	<i>Equipment</i>
Specific	City Hall Town Garage County Jail Firehouse Sewage Disposal Plant Off-Street Parking Lot	Pumper Truck Sanitation Truck Bulldozer Snowplow Ambulance
Type	Land Buildings Building Alterations	Snow Removal Equipment Street Cleaning Equipment Highway Equipment Fire Apparatus

CAPITAL RESERVES (GML §6-c)

Who May Create:

- Counties, cities, villages, towns and town or county sewer and water improvement districts.
 - Fire Districts (GML §6-g) with voter approval
 - School Districts (Education Law §3651(1)) with voter approval

CAPITAL RESERVES (GML §6-c)

How to Create:

- Towns and Villages – Governing board resolution and public notice / permissive referendum upon either creation of or expenditure from the reserve.
 - No permissive referendum requirement if the period of probable usefulness of the capital improvement or equipment is less than five years.
- Cities and Counties – Generally just a Board resolution unless charter requires public notice / referendum requirements.

PERMISSIVE REFERENDUM

Requires the town or village to publish and post a legal notice informing taxpayers of the board's planned action (e.g., the establishment of a specific capital reserve). The legal notice also informs eligible voters of their right to file a petition to require the matter to be subjected to voter approval.

- A resolution subject to permissive referendum shall not take effect until thirty days after its adoption; nor until approved by the affirmative vote of a majority of the qualified electors of such town or district affected, voting on such proposition.
 - Towns (Article 7 of TL) – at least 5% of voters that voted in last general state election but not be less than 100 in a town of the first class nor less than 25 in a town of thesecond class.
 - Villages (Article 9 of VL) at least 25% equal to “a minimum of twenty per centum of such electors in the village, as shown on the register of electors for the previous general village election”.

CAPITAL RESERVE (GML §6-c)

Specific Capital Reserves (Towns and Villages):

- Example: Plow truck
- Created by a resolution of the governing board subject to permissive requirements (sample resolution in Appendix C of Reserve publication).
- Resolution must state the specific purpose and the maximum dollar amount.
- After mandatory waiting period (with no voter challenge) the reserve can be funded up to the maximum amount specified.
- Expenditure from the reserve requires only a resolution of the governing board (no further public notice).

CAPITAL RESERVE (GML §6-c)

Type Capital Reserves (Towns and Villages) :

- Example: Highway Equipment
- Created by a resolution of the governing board (sample resolution in Appendix D of Reserve publication).
- Resolution must state the general purpose (i.e., buildings, equipment, etc.).
- Upon creation the reserve can be funded (no maximum).
- Expenditure from the reserve requires a governing board resolution and public notice / permissive referendum.
- After mandatory waiting period (with no voter challenge) the expenditure can be made.

Special Provisions (Town Capital Reserves)

- Highway fund capital reserves require the consent of the town board and town highway superintendent with approval of the county highway superintendent. Expenditures from the reserve must be with approval of both the highway superintendent and town board.
- If a town is located wholly or partly in the Adirondack Park and has State lands subject to taxation assessed (at more than 30 percent of total taxable assessed valuation of the town), the State Comptroller must consent to the establishment of, and expenditures or transfers from, a capital reserve (this also applies to Repair Reserves created by GML §6-d).

Use of Unexpended Capital Reserve Money

After Completion or Acquisition:

- In a specific or type capital reserve the governing board may appropriate all or any part of such remaining balance to another capital reserve fund without referendum.

OR

- In a specific capital reserve, generally an object or purpose for which bonds may be issued or for the payment of interest on and principal of indebtedness.

Capital Reserve Balances Never Utilized:

- For a Specific capital reserve where the improvement or item of equipment **has not been acquired or completed**, any transfer is subject to permissive referendum if the creation of the reserve was subject to *permissive referendum*. While subject to a public hearing with 15 days' notice, unexpended balances may also be transferred to a Retirement Contribution Reserve Fund.

REPAIR RESERVE FUND (GML Section 6-d)

- To pay for certain repairs to capital improvements or equipment that do not recur annually or at shorter intervals.
- Can be created by all local governments by just a resolution of the governing board (no referendum requirements).
- Expenditures are subject to a public hearing with 5 day notice.
 - Emergency expenditures can be made without public hearing but at least one-half of the expenditure must be repaid in the next fiscal year and the balance repaid by the end of the next fiscal year
 - Governing Board must pass an emergency resolution.
- Unexpended balances may generally be transferred to a capital reserve fund or to a contingency and tax stabilization reserve fund. In addition, unexpended balances may also be transferred to a Retirement Contribution Reserve Fund (subject to a public hearing with 15 days' notice)

CONTINGENCY & TAX STABILIZATION RESERVE FUND

(GML Section 6-e)

- Purpose: To finance certain unanticipated revenue losses or unanticipated expenditures chargeable to the “eligible portion of the annual budget,” and to lessen or prevent projected increases in excess of 2½ percent of the amount of the real property tax levy needed to finance the eligible portion of the annual budget.
- Who May Create - Counties, cities, villages, fire districts and towns (for town-wide and part-town general funds and highway funds).
- How to Create: Created by resolution of the governing board subject to permissive referendum.
- How to Use: may be used only upon recommendation of the chief executive officer and resolution adopted by at least a two-thirds vote of the governing board.

CONTINGENCY & TAX STABILIZATION RESERVE FUND

(GML Section 6-e)

- Special Limitation on Maximum Amount in Fund: When preparing a tentative budget, if the current balance of the fund exceeds 10% of the eligible portion of the annual budget, any excess must be used to reduce the amount of real property taxes
- Three additional limitations on the use of moneys in the fund:
 1. For unanticipated revenue loss
 2. For unanticipated expenditures
 3. To lessen projected tax increases of 2 ½% of tax levy
- Use of Unexpended Balances - Subject to a public hearing on 15 days' notice, unexpended balances may also be transferred to a Retirement Contribution Reserve Fund.

EMPLOYEE BENEFIT ACCRUED LIABILITY RESERVE FUND

(GML Section 6-p)

- Purpose - To pay for any accrued “employee benefit” due an employee on termination of the employee’s service.
- Who can create: All local governments (cities, counties, towns, villages, etc.)
- How to Create and Use - Created by resolution of the governing board. (no referendum required).
- Special Provisions – Generally no expenditure shall be made for any employee benefit for which a reserve fund has already been established under any other provision of law.
- Unneeded Balances: Remaining moneys may be transferred to any other reserve fund authorized by the GML (supported by the same tax base) after keeping a sufficient amount to pay any accrued liabilities.

RETIREMENT CONTRIBUTION RESERVE FUND (GML § 6-r)

- Purpose - For the payment of “retirement contributions,” to either the New York State and Local Employees’ Retirement System or the New York State and Local Police and Fire Retirement System.
- Who May Create – All local governments.
- How to Create and Use – Governing board resolution to create and expend (no referendum requirements).
- Use of Unexpended Balances - The board may authorize the transfer of a portion of the moneys to a reserve fund established pursuant to Sections 6-c, 6-d, 6-e, 6-f or 6-g of the GML (supported by the same tax base).

QUESTIONS?

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