Chatham Central School District

Board of Education
2025-2034 Financial Reserve Plan Document
Re-Adopted December 9, 2025

The Chatham Central School District Board of Education believes that long-term financial health of the District is essential to provide students with the educational programs and facilities to meet its mission.

MISSION STATEMENT

The Mission of the Chatham Central School District is to provide students an education that nurtures intellectual curiosity and focuses on academic and cultural foundations. Our students will graduate with the knowledge, problem-solving abilities and character needed to participate ethically, adapt, succeed and contribute in their future educational, career, and community endeavors

CHATHAM CSD RESERVE FUND PHILOSOPHY

The District will continue to use conservative budgeting practices and constantly monitor the use of reserves. The District will continually update and analyze its 10-year financial outlook each year. The goal is to provide long-term financial stability, avoid drastic cuts to the education program due to a lack of financial resources, and maintain a stable tax levy. In its use of reserves to balance the budget, the District will avoid overly depleting its reserve accounts so as not to create a major funding cliff in future budgets. Through the management of its reserves the District hopes to achieve the following:

- Stability and improvements in the educational program
- Maintenance of educational programming during economic downturns
- The ability to decrease volatility in the tax levy
- Cash flows that will allow increased investment earnings
- The ability to fund non-recurring items in the budget
- A long-term plan for preserving and updating its infrastructure and school buildings
- The ability to maintain and/or improve its bond rating, which will save taxpayers money at both the local and state level
- Cash flows that will eliminate the need to issue Revenue Anticipation Notes in the event state or federal aid is not paid timely matter

CHATHAM CSD RESERVE FUND PROCEDURES

This document contains a description and history of each reserve maintained by the Chatham Central School District. It also identifies a target reserve level. These targets were recommended by the Board of Education Finance Committee, based on a review of the following information:

- 10-year financial and enrollment projections
- Possible exposure in each area
- Financial history of the District
- Regional events and factors that have impacted other districts

Annually, the plan will be updated and implemented as follows:

- Board Finance Committee will review balances and patterns of revenues, expenses, and appropriations after books close each fall.
- Board Finance Committee will review updated 10-year financial projection.
- Board Finance Committee will review regional events and/or patterns and their impact on potential exposure.
- Board Finance Committee will review reserve targets and balances, adjust targets as appropriate, and present recommendations to the full Board.
- The Board will adopt the updated plan.
- Throughout the year, by Board resolution, adjust the budget to allow for charging appropriate expenditures to reserves.
- In June, by Board resolution, allocate funds to reserves as established in the plan.

SUMMARY OF FUND BALANCE ACCOUNTS FOR FISCAL YEAR 2024-2025

Reserve	Balance 6/30/24	Balance 6/30/25	Increase (Decrease)
Employee Benefit Accrued Liability	1,452,950	1,452,950	0
Encumbrances	407,558	354,757	(52,801)
Workers Compensation	1,673,838	1,704,538	30,700
Capital Reserve	2,000,000	3,000,000	1,000,000
Repair Reserve	100,000	100,000	0
Unemployment	836,919	852,269	15,350
Insurance	300,000	300,000	0
Retirement Contribution (ERS)	5,676,011	6,740,253	1,064,242
Retirement Contribution (TRS)	1,057,366	1,155,794	98,428
Tax Certiorari	8,398	8,398	0
Subtotal	**13,513,040**	**15,668,959**	**2,155,919**
Assinged	1,341,600	1,341,600	0
Unassigned	1,417,142	1,452,704	35,562
Total Fund Balance	**16,271,782**	**18,463,263**	**2,191,481**

Employee Benefit Accrued Liability Reserve

The Board of Education passed a resolution to formally establish this reserve on August 31, 2004. For many years, New York State school districts believed the reserve could also be used to save money for retiree health insurance costs. Subsequent guidance provided by the NYS Education Department and the NYS Comptroller has clarified that the reserve cannot be used to set aside funds for retiree health insurance. However, it only allowed the District to transfer $349,891 for the 2015-2016 GAP elimination adjustment to another reserve account. As a result, the current reserve balance of $1,452,950 is significantly higher than the June 30, 2025 liability for employee benefits totaling $739,025 estimated by the District to be covered under this reserve.

***Note: In current law there is no mechanism to set aside money for post-employment benefits, specifically for the cost of retiree health insurance. The District is required to have an independent actuarial valuation of its liability related to retiree health* insurance. As of June 30, 2025 the District's unfunded actuarial accrued liability was $51,549,211.**

Employee Benefit Accrued Liability Reserve – **GMU Article 2 § 6-p**

- Established by Board of Education
- Funded by budgetary appropriations, transfers from other reserve funds as permitted by law, and other funds as the school board may legally appropriate
- Voter approval is not needed to expend funds
- Utilized to pay for accrued and accumulated but unused sick leave, personal leave, holiday leave, vacation time, and other benefits earned by employees and payable upon termination
- Upon determination that this fund is no longer needed the fund may be discontinued and funds may be transferred to another reserve fund as permitted by law
- Funds cannot be used to pay lump sum "retirement awards" calculated as a percent of an employee's final salary and paid upon retirement under a collective bargaining agreement

Reserve Target – Actual calculated liability for employee benefits – The State Controller's Office reviewed the balance but only allowed the movement of the 2015-16 GAP elimination amount out of this reserve into another reserve.

June 30, 2025 Balance

$1,452,950

Encumbrance Reserve

At the end of the District's fiscal year there have been purchases of goods and services that have been ordered, but have not yet been received. The encumbrance reserve is utilized to set aside funds that are committed from the previous fiscal year toward paying for the purchases or services that will occur in the next fiscal year.

Workers' Compensation Reserve

The Workers' Compensation Reserve was established by the Board of Education on November 24, 2009. The District is a member of the Rensselaer-Columbia-Greene Workers' Compensation Consortium. The consortium includes Questar III BOCES and 19 component districts. Annually, each member district funds the plan based on its expected losses over time, as well as the overall needs and expenses of the plan. The amount to be paid in premiums and quarterly expenses to the State for fiscal year 2025-2026 is approximately $15,000. Losses that exceed estimated amounts and changes in the NYS Workers' Compensation Law can result in premium spikes. The District will hold this reserve to assist in the event a large spike occurs. The District has utilized this reserve over the last several years by placing $0 in the budget code and paying for the workers compensation premium from the reserve.

Workers' Compensation Reserve – GMU Article 2 § 6-j

- Established by Board of Education resolution
- Funded by budgetary appropriations, or other sums that may be legally appropriated
- Voter approval is not needed to expend funds
- Utilized to pay expenses incurred by a self-funded worker's compensation plan such as compensation and benefits, medical, hospital, and expenses related to administering the plan
- Excess funds may be transferred to other reserves authorized by General Municipal Law and Education Law sixty days before the end of the fiscal year

Reserve Target

5%-10% of payroll
The lower amount allows us to pay several years of premiums at the current level. A single catastrophic or serious event can cause a spike in costs that can as much as double premiums, as was experienced by another consortium member in 2016. The higher level of funding allows for such circumstances.

June 30, 2025 Balance
$1,704,538 (10.0% of payroll)

Unemployment Reserve

The Board of Education passed a resolution to formally establish this reserve on November 24, 2009. The District is obligated to pay 100% of all unemployment claims granted by the NYS Department of Labor. For many districts across NYS, as well as Chatham CSD, decreases in state aid, uncertainties regarding future state aid, property tax cap limits, enrollment decline, and a stagnant economy have created questions regarding the workforce. If, at a future date, the District finds it necessary to restructure its workforce, this reserve will help offset costs related to a staff reduction. The District has utilized this reserve over the last few years by placing $0 in the budget code and paying any unemployment claims out of this reserve.

Unemployment Insurance Reserve - GMU Article 2 § 6-m

- Established by Board of Education resolution
- Funded by budgetary appropriations, amounts from any other fund authorized by this chapter by resolution subject to referendum, or other sums that may be legally appropriated
- Voter approval is not needed to expend funds
- Utilized to pay unemployment claims
- Excess funds may be transferred to other reserves authorized by General Municipal Law and Education Law sixty days before the end of the fiscal year

Reserve Target

2%-5% of payroll

Over the past few years, the District's enrollment has dropped significantly. Based on this and other factors, the District had a steady pattern of adjusting staffing levels accordingly. Reductions in staff were accomplished through attrition rather than layoffs. An examination of the District's staffing profile indicates that opportunities for attrition will be lower going forward and there may be a greater chance of a reliance on layoffs with the accompanying unemployment responsibilities.

June 30, 2025 Balance

$852,269 (5.0% of payroll)

Insurance Reserve

The Board of Education passed a resolution to formally establish this reserve on November 30, 2010. This reserve was established to pay for potential property damage costs to repair buildings that were not deemed necessary to insure due to age and condition. A few years ago the District decided to self-fund and increase the insurance deductible from $5,000 to $25,000 for each incident. This change in deductible reduced the cost of insurance by $11,384 per year. The District has purchased additional cyber insurance coverage over the past few years. This reserve could be used to offset any cyber losses in the future. Furthermore, this reserve may be utilized to cover any liability, casualty, or other types of losses for which coverage may not be purchased.

Insurance Reserve – GMU Article 2 § 6-n

- Established by Board of Education resolution
- Funded by budgetary appropriations, transfers from other reserve funds as permitted by law, and such other funds as the school board may legally appropriate
- Contributions to the fund may not exceed 5 percent of the total budget for that year, or $33,000, whichever is greater
- Voter approval is not needed to expend funds. A judicial approval is needed to pay settled or compromised claims exceeding $25,000
- Upon determination that this fund is no longer needed the fund may be discontinued and transferred to another reserve fund as permitted by law

Reserve Target

$100,000-$300,000

This reserve allowed the District to increase the insurance deductible from $5,000 to $25,000. The higher deductible resulted in a significant savings on the insurance premium. Correspondingly, the District will incur more local costs for any claims. An example from 2022, the District's high school electrical poles and transformer needed emergency repair that cost approximately $263,991. The insurance company paid $238,991 and the District paid the $25,000 deductible. The savings on the premium over the years has more than offset this increase in deductible for claims.

June 30, 2025 Balance

$300,000

Tax Certiorari Reserve

The tax certiorari reserve was re-established by the Board of Education to match existing claims on June 18, 2019. Every four years monies not used to pay judgments or claims must be returned to the General Fund. The District has been utilizing this reserve over the past few years to pay for tax certiorari cases and resulting payments needed to be made. This allows the District to not have to budget for these items. The District reviews and updates this tax certiorari case schedule at the end of each school year and adjusts the balance of this reserve to match those potential claims

Tax Certiorari Reserve Fund – EDN Article 74 §3651

- Established by Board of Education resolution
- Voter approval is not needed to expend funds
- Utilized to pay judgments and claims arising out of tax certiorari proceedings
- Established in the amount which might be deemed reasonably necessary to pay judgments and claims
- Monies not used and/or are not reasonably required to pay judgments or claims are to be returned to the general fund on or before the first day of the fourth fiscal year following deposit into such fund
- Such monies shall be deemed reasonably required to pay any such judgment or claim if the proceeding or claim has not been finally determined, or otherwise terminated or disposed of after the exhaustion of all appeals

Reserve Target

By law, the allowable amount for this reserve is calculated based on pending tax certiorari cases.

June 30, 2025 Balance

$8,398

Retirement Contribution ERS Reserve

The Retirement Contribution ERS Reserve was established by the Board of Education on November 24, 2009. Recently the trend in ERS rates have increased over the last few years. The volatility of the stock market and associated risks may lead to further increase in rates.

In recent years the average ERS rates have been as follows:

2017-2018	15.3%	2020-2021	16.2%	2023-2024	13.1%
2018-2019	14.9%	2021-2022	16.0%	2024-2025	14.70%
2019-2020	14.6%	2022-2023	11.6%	2025-2026	16.22%

The District has paid out $589,930 in Employee Retirement costs for the 2024-25 school year. Due to the uncertainty of the stock markets and overall economy, the District will continue to monitor this fund in future years. Since retirement costs are a significant line item in the budget this reserve is very useful if money is needed to assist in balancing budgets in the short term to provide educational program and tax stability.

Retirement Contribution Reserve – GMU Article 2 § 6-r

- Established by Board of Education resolution
- Funded by budgetary appropriations, revenues not required by law to be paid into other funds or accounts, transfers from other reserve funds as permitted by law, and such other funds as the Board may legally appropriate
- Voter approval is not needed to expend funds
- A portion of the funds may be transferred to another reserve fund established pursuant to Education Law § 3651 following a public hearing conducted in the manner set forth by law

Reserve Target

Projected ERS cost multiplied by 5 years (5 years of projected ERS costs)

Pension costs are a significant factor in district budgets. It is desirable to have enough reserve to pay these costs for 5 years, as contributions are based on 5-year averages. Because of historic uncertainty in the State foundation aid formula that could severely impact the district's revenue, the reserve target was increased and money had been placed into this reserve until the formula changes are known with more certainty. Due to expected pressures on the upcoming budget, a decision was made to eliminate the pension allocation in the 2026-27 budget (2025-26 budgeted amount is $661,169) and to utilize this reserve to fund pension costs for that budget. The use of this reserve will be reviewed annually, with the long-term goal of reducing the size of the reserve to the 5 year target. This reserve will also be annually reviewed to determine if any money from this reserve should be transferred to a capital reserve for the next capital project

June 30, 2025 Balance

$6,740,253 (9.5 years of ERS projected cost)

Projected June 30, 2027 Balance

$6,079,084 (9.2 years of ERS projected cost)

TRS Reserve

The Retirement Contribution ERS Reserve was established by the Board of Education on November 24, 2009. The TRS Reserve is a sub fund of the Retirement Contribution ERS Reserve and was established by the Board of Education on June 23, 2020. The main issue is the volatility of the stock market and associated risks with significant increases in retirement rates.

In recent years the average TRS rates have been as follows:

2017-2018	9.80%	2020-2021	9.53%	2023-2024	9.76%
2018-2019	10.62%	2021-2022	9.80%	2024-2025	10.11%
2019-2020	8.86%	2022-2023	10.29%	2025-2026	9.59%

The District has paid out $1,131,476 in Teacher Retirement costs for the 2024-25 school year. Due to the uncertainty of the stock markets and overall economy, the District will continue to monitor this fund in future years. Since retirement costs are a significant line item in the budget this reserve is very useful if money is needed to assist in balancing budgets in the short term to provide educational program and tax stability.

Retirement Contribution Reserve – GMU Article 2 § 6-r

- Established by Board of Education resolution
- Funded by budgetary appropriations, revenues not required by law to be paid into other funds or accounts, transfers from other reserve funds as permitted by law, and such other funds as the Board may legally appropriate
- Voter approval is not needed to expend funds
- A portion of the funds may be transferred to another reserve fund established pursuant to Education Law § 3651 following a public hearing conducted in the manner set forth by in law

Reserve Target

2% of TRS payroll of the preceding fiscal year, maximum 10% of TRS payroll of the preceding fiscal year – (State Guidelines)

Pension costs are a significant factor in school district budgets. It is desirable to have enough reserve to pay these costs during difficult times.

June 30, 2025 Balance

$1,155,794 (10.0% of TRS payroll preceding year)

Capital Reserve Fund

The Board of Education established a Capital Reserve through voter approval on May 21, 2024 for $9.5 million. Reserves and surpluses were placed in this reserve during the closing of the financials on June 30 2025.

Capital Reserve – EDN Article 74 § 3651 (1)

- Established by voter approval
- States the purpose of the fund, the amount, the term of fund, and sources where funds are obtained e.g. budgetary appropriations, unappropriated fund balance, and New York State aid
- Utilized to pay for any object or purpose for which a school district may issue bonds pursuant to Finance Law
- Expended only with voter approval and for the purpose for which the fund was established
- Transferred to other funds only by voter approval
- May be liquidated by approval of voters if determined fund is no longer needed for the original purpose. Proceeds must be applied first to outstanding bond indebtedness rather than to tax levy

Reserve Target

The District currently completed a required 2020-21 Building Condition Survey (BCS). This survey identifies various capital work needed in the short and long term to allow for planning. Chatham's building aid ratio is approximately 50%. The total cost identified in the survey for all buildings is $46,518,300. The Board identified $18,218,595 of work for the 2023 capital project proposal that was approved on February 14, 2023. Targets in this reserve are based on current project and total future costs of $28,299,705. (Derived from subtracting recently approved project from BCS total cost number)

Target balance is estimated future capital project multiplied by 50% ($10,000,000)

Total capital project target maximum is BCS multiplied by 50% ($14,149,852)

June 30, 2025 Balance

Capital Reserve Fund $3,000,000

Repair Reserve

The Board of Education established a repair reserve that was approved by the voters on May 16, 2017 for $100,000. The District typically has items in need of repair each year. One example is that every five years parking lots need to be sealed. This reserve will allow the District to be able to handle any smaller-scale repair items in the future.

Repair Reserve Fund – EDN Article 74 §3651

- Established by Board of Education resolution
- Voter approval is needed to fund reserve
- Utilized for repairs to capital improvements or equipment not recurring annually (maintenance)
- No limit of duration
- Public hearing required to spend – if no hearing must repay reserve in equal installments over 2 years

Reserve Target

$100,000 to cover any maintenance or operational repairs that do not occur annually.

June 30, 2025 Balance

$100,000

Assigned Fund Balance – Reserve for Subsequent Year

For the 2025-2026 school year the District appropriated $1,341,600 of unassigned fund balance towards its budget. This represents approximately 3.69% of the current budget. The District expects to return this amount to fund balance at the end of the fiscal year.

Reserve Target

3%-5% of budget

Unexpected costs, such as high-cost special education students, can disrupt school district finances. Chatham recently had five such students move into the District over one summer. This reserve allows the District to minimize the impact of such unexpected costs on planned programming.

2025-2026 Budget

$1,341,600 (3.69% of the current budget)

Unassigned Fund Balance

For the year ended June 30, 2025 the amount in unassigned fund balance was $1,452,704 or 4%, which is the maximum allowed under State law. In future years the District will work to keep the amount in unassigned fund balance at 4%.

Reserve Target

By law, this reserve is limited to 4% of the current budget.

June 30, 2025 Balance

$1,452,704 (4%)

INTENDED USE OF RESERVES

Reserve funds, like other savings plans, are mechanisms for accumulating cash for future capital outlays and other allowable purposes. The practice of planning ahead and systematically saving for capital acquisitions and other contingencies is considered prudent management. Saving for future capital needs can reduce or eliminate interest and other costs associated with debt issuances. Similarly, certain reserve funds can be utilized to help protect the budget against known risks (a potential lawsuit) or unknown risks (a major ice storm).

Most reserve funds are established to provide resources for an intended future use. An important concept to remember is that a reserve fund should be established with a clear intent or plan in mind regarding the future purpose, use, and, when appropriate, replenishment of funds from the reserve. Reserve funds should not be merely a "parking lot" for excess cash or fund balance. Local governments and school districts should balance the desirability of accumulating reserves for future needs with the obligation to make sure taxpayers are not overburdened by these practices. There should be a clear purpose or intent for reserve funds that aligns with statutory authorizations.

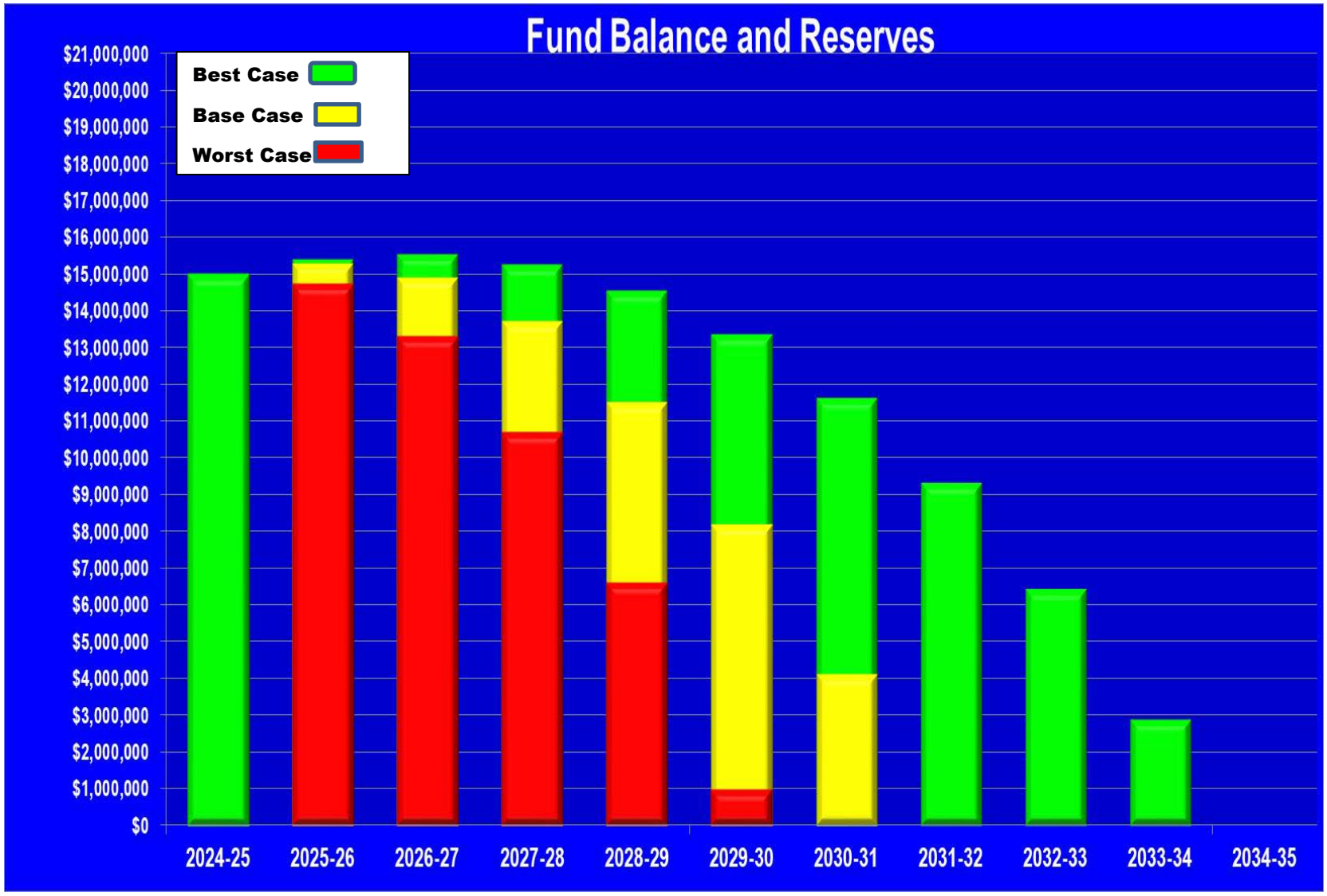
Each statute that authorizes a reserve fund sets forth a particular underlying purpose for the fund. For example, provisions of the General Municipal Law (the GML) and the Education Law allow municipalities and school districts, respectively, to establish capital reserves for future equipment purchases and capital improvements. The GML also authorizes the establishment of an employee benefit accrued liability reserve for the payment of the monetary value of accumulated, unused leave time to employees upon separation from service. Planning today and saving incrementally for expected future events can help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on your annual operating budget. Establishing and funding allowable reserve funds for a clear purpose can help smooth out spikes in the annual budget and in the real property tax levy.

Source: Office of the New York State Comptroller – Local Management Guide for Reserves ***http://www.osc.state.ny.us/localgov/pubs/lgmg/reservefunds.pdf***

ANALYSIS OF RESERVE/FUND BALANCE ACCOUNTS AND PROJECTED NEEDS

The District has created a multi-year financial plan document that is updated and discussed each year. A financial graph is incorporated into the document to monitor reserve usage and plan for the challenges that are facing all school districts due to the property tax cap and limited State aid. Appendix A displays three different fund balance scenarios, worst, base, and best case. These scenarios are adjusted by changing some of the major factors of the budget such as health insurance, retirement, tax revenue, and state aid revenues. The financial model developed is utilized for discussions centered on different assumptions in the financial plan which in turn changes the remaining reserves in the graph. An annual budget contains estimates of revenues and expenditures and the actual results may differ from the budget. In addition there are contingencies built into the budgeted expenditures to plan for different scenarios. In the event that any surplus funds are available at the end of the fiscal year, the Board of Education will determine the best use of these funds.

APPENDIX A


Fund Balance and Reserves
Best Case
Base Case
Worst Case
$21,000,000
$20,000,000
$19,000,000
$18,000,000
$17,000,000
$16,000,000
$15,000,000
$14,000,000
$13,000,000
$12,000,000
$11,000,000
$10,000,000
$9,000,000
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
2024-25
2025-26
2026-27
2027-28
2028-29
2029-30
2030-31
2031-32
2032-33
2033-34
2034-35