

VILLAGE OF AVOCA

Reserve Fund Policy

Purpose

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 natural disaster).

Definitions

Capital Reserve Fund:

- To finance all or part of the cost of construction, reconstruction, or acquisition of a “specific” or “type” of capital improvement. The acquisition of a “specific” or a “type” item(s) of equipment.
- The term “capital improvement” means any physical improvement and any related preliminary studies and surveys; lands or rights in land; any furnishings; equipment, machinery, or apparatus for any physical improvement acquired at the time when such improvement is constructed, reconstructed or acquired.
- The term “equipment” includes any equipment, machinery, or apparatus not included in the definition of capital improvement and for which a period of probable usefulness has been provided by law.

Repair Reserve Fund

- To pay for certain repairs to capital improvements or equipment. The type of repairs must not recur annually or at shorter intervals.

Contingency and Tax Stabilization Reserve Fund

- 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 2 ½ percent of the amount of the real property tax levy needed to finance the eligible portion of the annual budget.
- The law defines “unanticipated expenditure” as “an expenditure for a specific purpose for which there is no or insufficient appropriation or which will cause an appropriation to be insufficient that is necessitated by a change in federal or state laws, rules, or regulations, a court order, judgment or decree, a public emergency, or an industry-wide price, rate or premium increase, which takes effect or occurs after final adoption of the annual budget and which could not have been reasonably anticipated prior to final adoption of the annual budget”.
- An “unanticipated revenue loss” means “estimated revenue which is rendered not receivable because of a change in federal or state laws, rules or

regulations, a court order, judgment or decree, or circumstances, which takes effect or occurs after final adoption of the annual budget and which could not have been reasonably anticipated prior to final adoption of the annual budget”.

- The “eligible portion of the annual budget” means, in the case of a contingency and tax stabilization reserve fund established for (1) a village, the village general fund; and (2) the village water district, the water fund

Snow and Ice Removal and Roof Repair Reserve

- To pay for the cost of removal of snow and ice from public thoroughfares and public places of a municipal corporation, and the cost of repairing and maintaining roadways to the extent that such damage was caused by the removal of snow and ice, provided that such snow and ice removal or repairs and maintenance are of a type not likely to recur annually or at shorter intervals.

Unemployment Insurance Payment Reserve Fund

- To reimburse the State Unemployment Insurance Fund for payments made to claimants where the municipality has elected to use the “benefit reimbursement” method.

Insurance Reserve Fund

- To fund certain uninsured losses, claims, actions, or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions. An insurance 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.
- An insurance reserve may not be used to pay for uninsured losses, claims, actions, or judgments for which the following types of insurance are authorized:
 - Life Insurance
 - Annuities
 - Accident and health insurance
 - Workers’ compensation and employers’ liability insurance
 - Fidelity and surety insurance
 - Credit insurance
 - Title insurance
 - Residual value insurance
 - Mortgage guarantee insurance

Policy

The Village of Avoca shall establish the following Capital “Type” Reserve Funds:

- Street Department Reserve Fund (General Fund A232): A minimum of \$5,000.00 shall be added yearly. Use of the funds shall be limited to the purchase of equipment for the Village Street Department or for emergency

purposes upon approval of the Village Board. Additional deposits to this fund shall occur upon approval of the Village Board under the guidelines set by NYS Law.

- Fire & Ambulance Department (General Fund A231): A minimum of \$5,000.00 shall be added yearly. Use of funds shall be limited to the purchase of equipment related to the fire and ambulance departments. The moneys will be divided 70% to fire equipment and 30% to ambulance equipment. Additional deposits to this fund shall occur upon the approval of the Village Board under the guidelines set by NYS Law.
- Village Street Repairs and Maintenance (General Fund A233): The initial deposit to this fund will be \$5,000.00 and will be established in June of 2018. A minimum of \$5,000.00 will be added yearly. Use of funds shall be limited to the repair and maintenance of the streets within the Village limits or for emergency purposes upon approval of the Village Board. This includes, but is not limited to milling, profiling, paving, culvert, and drainage replacement. Additional deposits to this fund shall occur upon the approval of the Village Board under guidelines set by NYS Law.
- Water Department (Water Fund F231): A minimum of \$5,000.00 shall be added yearly. Use of funds shall be limited to the purchase of water department equipment and/or payments for repairs for water department equipment or for emergency purposes upon approval of the Village Board. Additional deposits to this fund shall occur upon approval of the Village Board under guidelines set by NYS Law.
- Water Department (Water Fund F201A): A minimum of 90,000.00 will be added in July of 2017. Use of funds shall be limited to the 20th payment of the EFC Drinking Water Serial Bond established in 1998. This payment will be made in July of 2018. This fund will end after this payment has been made.
- Water System Upgrade Fund (Water Fund F232): The initial deposit of \$50,000.00 will be established in July 2018. A minimum of \$25,000.00 shall be added yearly. Use of funds shall be limited to the purchase, installation and training costs for a meter system upgrade, including any computer programming costs. These funds can also be used for emergency purposes upon approval of the Village Board. Additional funds to this fund shall occur upon approval of the Village Board under guidelines set by NYS Law. This fund will end after upgrades have been completed.

Review

This policy shall be reviewed by the Village Board on an annual basis.

This policy stands adopted by the Village Board on _____.