



Board Policy BP 3100: Business and Noninstructional Operations (Reserves and Use of One-Time Funds)

Board Meeting
March 4, 2021
Agenda Item No. 7.1

Reserves for Economic Uncertainty

Current BP 3100:

The Governing Board accepts responsibility for adopting a sound budget that is compatible with the District's vision and goals. The Board shall establish and maintain a reserve that meets or exceeds the requirements of the law.

Current required percentage = 2%

Proposed BP 3100:

- Per BP 3100, the Board shall establish and maintain a general fund reserve for economic uncertainty that meets or exceeds the requirements of 5 CCR 15443. The reserve for economic uncertainty for the District will be established at no less than 5% of total general fund expenditures. In the event that the District falls below the 5% level, the percentage level will be restored at a rate of no less than one percent per year until the five percent level is reached.
- In the event that restoring the reserve at a rate of 1% per year will result in a negative impact to students due to reductions in student programs, the Board may elect to restore the reserve at a rate less than 1% per year.
- Beginning with the 2022-2023 budget or after the deficit is eliminated, the District shall maintain a 5% reserve of the total general fund expenditures.

Reserves for Economic Uncertainty

Benefits:

- Protect a district from a future fiscal crisis by providing a buffer against future funding reductions and/or unexpected increased liabilities
- Allow a district time to adjust the budget thoughtfully and strategically

Reserves for Economic Uncertainty based on 2020-2021 1st Interim Financial Report

Current Reserve 2% = \$12.8M approximately

Proposed 5% = \$32M approximately

Average monthly cash flow for 10 months =
\$47M approximately

Average monthly payroll for 10 months =
\$34.6M approximately

Use of One-Time Funds

Proposed:

- One-Time funding should be used for one-time expenditures and shall only be used for an on-going expenditure as a last resort. As part of the approval of the annual budget, the Board shall consider any proposed use of One-Time funding and shall take separate action to approve such uses. The Board may determine to allocate one-time funding to a single year or multi-year expenditure. A supplemental budget display shall be presented to the Board for approval that clearly explains the following:
 - source of funds and any restrictions or guidance on the use of one-time funding
 - expiration of one-time funds
 - explanation of proposed use of one-time funds
 - if proposed use of one-time funds is to support an on-going expenditure, provide a rationale and plan to support the expenditure after the expiration of the one-time funding

Use of One-Time Funds

Benefits:

- Clear guidance (board policy) on the appropriate use of one-time funds can prevent the District from assuming unfunded expenditures that can result when short term resources are committed for long term liabilities without a sustainable plan or exit strategy

Summary

- Board approves revisions to Board Policy 3100