



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

Board Meeting
April 13, 2023
Agenda Item No. 9.3

Presented by:
Business Services

Board Policy BP 3100: Business and Noninstructional Operations

(Reserves and Use of One-Time Funds)

SCUSD CORE VALUE

We recognize that our system is inequitable by design and we vigilantly work to confront and interrupt inequities that exist to level the playing field and provide opportunities for everyone to learn, grow and reach their greatness.

SCUSD GUIDING PRINCIPLE

All students are given an equal opportunity to graduate with the greatest number of postsecondary choices from the widest array of options

Acronyms

BP – Board Policy

Agenda

- **Reserves for Economic Uncertainty**
- **Use of One-Time Funds**

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.

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.

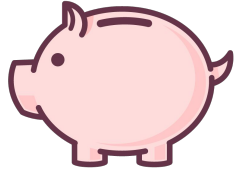
Beginning with the 2022-2023 budget or after the deficit is eliminated, the District shall maintain a 5% reserve of the total general fund expenditures.

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

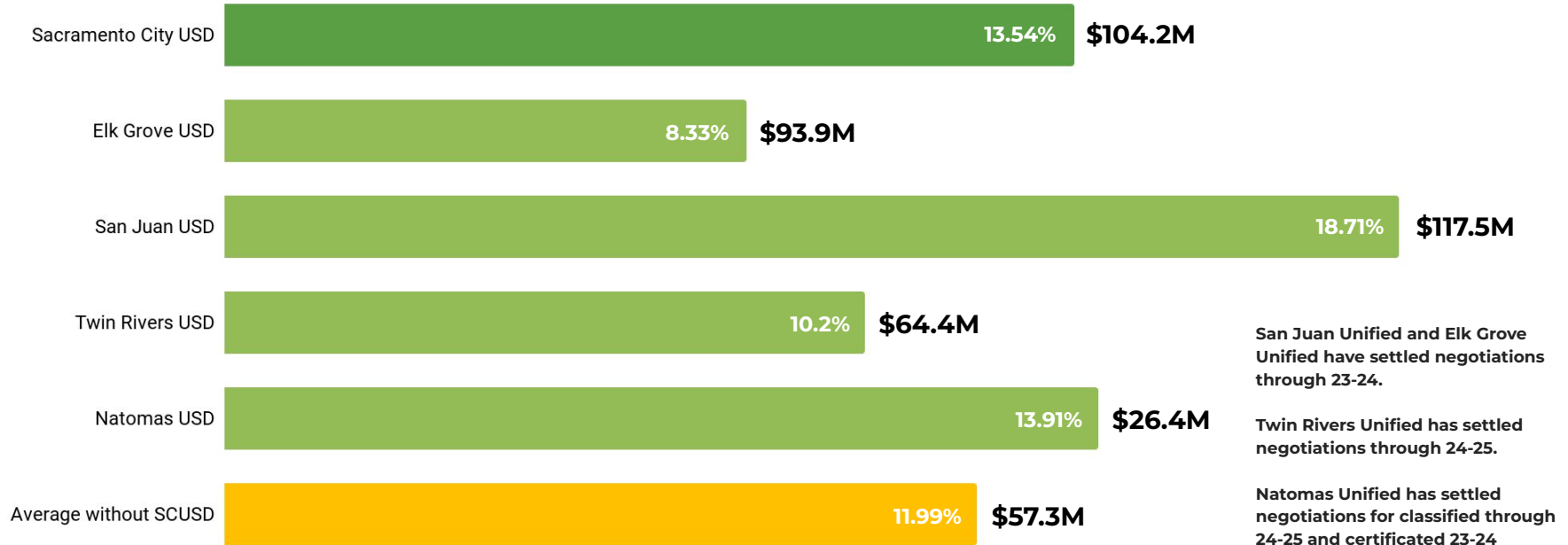
Reserves for Economic Uncertainty

- Manage potential fiscal uncertainties including
 - Lower COLA in future years – which would reduce ongoing revenues
 - Recession – which may impact the State budget and result in funding reductions to education
 - Current and future salary settlements – which may increase ongoing expenditures
 - Increasing Pension Costs
 - Declining enrollment – which would reduce ongoing revenues
 - Declining ADA rate – which will reduce ongoing revenues



Comparison of Unrestricted Reserve Balances

2nd Interim Report 2022-2023



Reserves for Economic Uncertainty Based on 2022-2023 2nd Interim Financial Report

- Required Reserve 2% = \$15.5M approximately or about 16% of monthly operating costs
- BP 3100 Reserve 5% = \$39M approximately
- Average monthly operational cash flow = \$56M approximately
- Average monthly payroll = \$42M approximately

Reserves for Economic Uncertainty Options

Possible options for revising:

- Eliminate the 5% reserve and only maintain the 2% required reserve
- Suspend the 5% reserve and only maintain the 2% required reserve
- Reduce the 5% to an amount above the 2% required reserve but less than the 5%

First Reading for Discussion