



Board Policy BP 3100: Business and Noninstructional Operations

(Reserves and Use of One-Time Funds)

Board Meeting
February 2, 2023
Agenda Item No. 9.5

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:

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

- February 6, 2020 and May 21, 2020 Board Meetings - first reading on the proposed revisions to BP 3100
- June 18, 2020 Board Meeting – second reading on the proposed revisions to BP 3100
- February 18, 2021 - third reading on the proposed revisions to BP 3100
- March 4, 2021 - Board adoption of revised BP 3100

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 2022-2023 1st Interim Financial Report

- State Minimum Reserve 2% = \$15.5M approximately
- Current Board Adopted Reserve 5% = \$39M approximately
- Average monthly operational cash flow = \$56M approximately
- Average monthly payroll = \$42M approximately

Use of One-Time Funds

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

Information Item Only