Reserve Policy Update

October 8, 2024

Background

Board Policy 3100 Budget

- BP 3100 includes existing Reserve Policy
  - The district budget shall include a minimum reserve balance for economic uncertainties that is consistent with the percentage or amount specified in 5 CCR 15450.
- Proposed Budget and Two-Year Forecast
  - Includes State Required Reserve
  - Includes Board Designations
- SACS Form 01
  - Unrestricted Balance may include designations and State Reserve

Financial Characteristics

- AAA Rating by Standard and Poor's
  - The rating reflects a very wealthy tax base, a very strong financial position supported by the community's parcel tax and generous contributions from its Foundation.
- Community Funded
  - The District has been able to provide the community with high level educational programs, instructional materials, and competitive salaries to attract and retain staff.
- Successful Foundation
  - $1,500,000 grant to support the programs sponsored by the Foundation.
- Parcel Tax
  - The 2019 Measure E Parcel Tax provides about $2.8 million for current year.

Status of 10 Comparable School Districts

District	Uses Fund 17	Reserve Policy Status
Campbell Union ESD (Santa Clara County)	Yes	Standard
Cold Spring ESD (Santa Barbara County)	Yes	Expanded - Basic Aid Reserve
Del Mar Union ESD (San Diego County)	Yes	Standard
Las Lomitas ESD (San Mateo County)	Yes	Expanded - Fund 17 Reserve Policiy
Los Altos ESD (Santa Clara County)	Yes	Expanded - Targeted Levels
Los Gatos Union ESD (Santa Clara)	Yes	Standard
Montecito Union ESD (Santa Barbara County)	Yes	Standard
Reed Union ESD (Marin County)	**No**	**Standard**
Saratoga Union ESD (Santa Clara County)	Yes	Expanded - Basic Aid Special Reserve Fund
Solana Beach SD (San Diego County)	Yes	Standard
Woodside ESD (San Mateo County)	Yes	Standard

Reserve Policies of Marin County School Districts

Bolinas-Stinson USD & San Rafael City Schools

- The district budget shall include a minimum reserve balance of 5% for economic uncertainties that is consistent with the percentage or amount specified in 5 CCR 15450. The board shall designate an additional 5% toward District reserves in order to maintain a minimum of 10% reserves annually.

Lagunitas, Larkspur-Corte Madera, Miller Creek, Mill Valley, Nicasio, Ross & Ross Valley

- The district budget shall include a minimum reserve balance for economic uncertainties that is consistent with the percentage or amount specified in 5 CCR 15450.
- In any year following the fiscal year in which the district is notified by the SPI that the amount of monies in the state Public School System Stabilization Account equals or exceeds three percent of the combined total of general fund revenues appropriated for school districts and allocated local proceeds of taxes, the district budget shall not contain a combined assigned or unassigned ending general fund balance that is in excess of 10 percent of these funds, unless the requirement is waived in accordance with Education Code 42127.01. (Education Code 42127.01)

Tamalpais UHSD

- The district budget shall include a minimum reserve balance for economic uncertainties that is consistent with the percentage or amount specified in 5 CCR 15450.
- To protect the district from unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board will maintain a minimum unassigned fund balance reserve that exceeds the requirements of Title 5 CCR 15443. This targeted minimum will equal 17% of expenditures and is inclusive of the reserve for economic uncertainties. This amount will remain as unrestricted and uncommitted and equates to approximately two months of operating expenses. This is based upon the guidelines established by the Government Finance Officers Association (GFOA).
- If the district transitions from community-funded (Basic Aid) status to LCFF-funded (State funded), then the following provision is applicable. In any year following the fiscal year in which the district is notified by the SPI that the amount of monies in the state Public School System Stabilization Account equals or exceeds three percent of the combined total of general fund revenues appropriated for school districts and allocated local proceeds of taxes, the district budget shall not contain a combined assigned or unassigned ending general fund balance that is in excess of 10 percent of these funds, unless the requirement is waived in accordance with Education Code 42127.01. (Education Code 42127.01)

Note: Tamalpais UHSD is only district in Marin County with a Fund 17

Update Existing Policy

Planning for the future

- Formalize components of the fund balance to coincide with Board priorities
- Disciplined approach helps maintain financial stability

Plan of Update

- Formalize components of the fund balance to coincide with Board priorities.
  - General Fund can hold designated funds per Board priorities such as:
    - State Required Reserve for Economic Uncertainties
    - Special Education Uncertainties
    - Technology Replacement
    - OPEB Designation
    - Growth Position
- Consider a reserve requirement, for example, define a Community Funded District Special Reserve as the **property tax revenues above the State of California's LCFF entitlement** in Fund 17.
  - Other measurements can be used

Possible Policy - Purpose

- The district will maintain a committed fund balance in an amount ***up to*** the projected **property tax revenues above the State of California's LCFF entitlement** as a separate Community Funded District Special Reserve. The district believes that a Community Funded District Special Reserve is prudent for protection against the following events:
  - Catastrophic loss of tax base
  - Economic downturn
  - Adverse changes in State law
  - Loss or reduction of local support
  - Cash flow needs during low points such as November payroll

LCFF Property Tax Revenue

LCFF Entitlement	$11,575,682
EPA Entitlement	$212,412
Property Tax Revenue	**$9,146,947**
LCFF Revenue	**$20,935,041**

- The reserve can be set as a "*up to*" *amount*
  - May be stated as a percentage of property tax revenues
- District received $9,146,947 in **property tax revenues above the State of California's LCFF entitlement**
- Sample above based on 2023-24 Unaudited Actuals

Possible Policy – Transfers & Uses

- Transfers into and out of the Community Funded District Special Reserve Fund are limited to the following procedures and purposes.
  - Transfers to and from the Community Funded District Special Reserve Fund will be established through the budget process and/or board resolution.
- Uses of fund balances - The board may elect to expend funds out of the Community Funded District Special Reserve Fund when:
  - An event occurs after budget adoption, and the use of reserve funds are necessary for the district to continue operations as planned.

Disadvantages of a Special Reserve

- Funds in Fund 17 can only be used for specific purposes
- Funds are unavailable for other purposes without Board action
- Administrative burden of managing a separate fund

Next Steps

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Work with Administration to update Reserve Policy

Board Receive Draft Policy in November

Board Receive Final Policy in December

Thank You!