



Board Policy No. 322

Reserve Policies

ADOPTED: 04/1992

RECENT AMENDMENT: 04/12/17

SEE ALSO: N/A

SUBJECT CATEGORY: SECTION 300, FINANCE

SUBSECTION: OPERATING BUDGET, RESERVES, REVENUE AND CAPITAL

CONTROL DEPARTMENT: FINANCE

I. PURPOSE

The purpose of this Policy is to establish a comprehensive level of District reserves in order to ensure that the District can withstand national, regional and local major economic disruptions, as well as unanticipated expenditure demands due to natural disasters, insurance loss and the like, and meet the need for other non-recurring expenses. Reserve balances shall be accounted for as specifically reserved or restricted net position on the balance sheet.

II. PERSONS AFFECTED

The Finance Department has primary responsibility for maintaining an appropriate level of reserves.

III. DEFINITIONS

“Capital Improvement Costs” means expenditures on capital projects such as major building improvements, construction, or major facility maintenance.

“Self-Insurance” means Insurance of one’s interests by maintaining a fund to cover possible losses rather than by purchasing an insurance policy.

IV. POLICY

A. Reserve for Operations:

Funded through annual budgeted appropriation (until such time as maximum reserve balance is achieved) to meet unexpected decreases of more than ten percent in the levels of Total Revenues and subsidies, as well as unexpected increases of more than ten percent in total operating costs such as unanticipated and unbudgeted increases in fuel costs, additional major pension fund contributions due to sudden portfolio underperformance, or emergency funds for use in the event of major calamity, this reserve will be maintained at a maximum of 20 percent of the annual operating budget, with a minimum reserve of five percent. These levels are expressed as goal ranges to recognize that fund balances may fluctuate from year-to-year due to the normal course of District operations.

All available carryover funds may be allocated to this Contingency Reserve Fund annually until the reserve reaches the maximum twenty percent (20 percent) of adopted budget operating appropriations.

Whenever contingency reserve funds are used, the reserve shall be replenished as soon as possible.

B. Reserve for District Share of Capital Improvement Costs:

Funded through annual budgeted appropriation, this reserve is to provide funding for high priority capital improvement projects which are designated to be funded by District capital funds.

C. Reserve for Self-Insurance:

Funded through annual budgeted appropriation, the rate will be determined and budgeted annually. An actuarial study will be performed every two years to determine the rate as a percentage of operating budget to be established in a liability account to pay for expenses incurred for the following:

1. Workers' Compensation Reserve for Claims Incurred and Claims Incurred, But Not Reported.
2. Public Liability Reserve for Claims Incurred and Claims Incurred, But Not Reported.

D. Additional Reserves

The District will evaluate the need and plan to fund additional reserves for potential operating liabilities and claims against the District not included in items 1 and 2 above.

E. Reserve for Debt Service:

Funded through bond proceeds equal to highest year debt service obligation of District, reserve funds for Debt Service will be held by trustee for payment of related debt service, as required.

V. ATTACHMENTS

None.