



Board Policy No. 322

Reserve Policies

ADOPTED: 04/1992

RECENT AMENDMENT: 6/24/20

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, other emergent events, and other non-recurring expenses.

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.

~~**“GFOA”** Governmental Finance Officers Association, an organization that develops and recommends financial best practices for governments.~~

“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).~~ The operating reserve shall only be used to meet significant unexpected decreases ~~of more than ten percent~~ in the levels of Total Revenues and subsidies, as well as significant 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 12 percent (45 days). 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.

~~The operating reserve can be funded through an annual budgeted appropriation or the use of All~~ available carryover funds ~~may be allocated to this Contingency Reserve Fund annually~~ until the reserve reaches the maximum ~~twenty percent (20 percent)~~percentage of adopted budget operating expenses.

Whenever ~~contingency operating~~ 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~~The capital reserve ~~is to~~shall be used to provide funding for ~~high priority~~capital improvement ~~projects costs~~ which are designated to be funded by District capital funds ~~when significant operating revenue or expense changes reduce the availability of funds originally expected to be used.~~The target level for the capital reserve is an amount sufficient to complete contracts, commitments, or required project elements that have identified District Capital funding. The capital reserve can be funded through an annual budgeted appropriation or the use of available carryover funds.

C. Reserve for Self-Insurance:

~~Funded through annual budgeted appropriation,~~The self-insurance reserve shall be used to pay for claims up to the current self-insured retention (SIR) limit per claim if budgeted operating funds for claims have been exhausted. ~~the rate will be determined and budgeted annually.~~The self-insurance reserve can be funded through ~~an annual~~annual budgeted appropriation or the use of available carryover funds. The amount of the self-insurance reserve should be based on annual ~~An~~actuarial studies~~y~~ will be performed at least every two years to determine the rate as a percentage of operating budget. Claims expenses must be of the following ~~to be established in a liability account to pay for expenses incurred for the following:~~

1. Workers' Compensation Reserve for reported claims incurred and claims ~~incurred, but~~incurred but not reported.
2. Public Liability Reserve for reported claims incurred and claims ~~incurred, but~~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:

~~Reserves for debt service are used to make debt service payment obligations. The debt service reserve shall be~~ Funded through bond proceeds equal to highest year debt service obligations of the District~~.~~The reserve funds for ~~Debt debt Service service~~ will be held by the trustee ~~for payment of related debt service, or~~ as otherwise required by the terms of the debt.

V. ATTACHMENTS

None.

Questions concerning interpretation of this Policy are to be referred to the General Counsel.
