

LAGUNA BEACH UNIFIED SCHOOL DISTRICT

FINANCIAL RESERVES

BP 3001

Business and Noninstructional Operations

- A. Pursuant to Resolution No. 00-04 adopted by the Governing Board of the Laguna Beach Unified School District on November 14, 2000, the Governing Board determined that it is fiscally prudent to establish a reasonable reserve to mitigate revenue volatility and to plan for future expenditures. Therefore, the Governing Board has determined that its Financial Reserves shall be composed of the following components within the General Fund and Special Reserve Funds:
1. A State mandated General Fund Reserve for uncertainty which is currently legally required to be maintained at least three percent (3%) of the District's current annual budget;
 2. A Reserve for Economic Uncertainty which shall be an additional two percent (2%) of the total General Fund Reserve for uncertainty described in subparagraph 1 above;
 3. Routine Restricted Maintenance Account (RRMA) under the School Facility Grant Program generally requiring deposit of a minimum of 3% of the total general fund expenditures for each fiscal year, including other financing uses for the applicable fiscal year. With the elimination of the Deferred Maintenance Grant, the RRMA will increase to incorporate the deferred maintenance projects. Under resolution No. 00-02, the RRMA will maintain a 4% reserve balance in the General Fund.
 4. A Facilities Repair and Replacement Plan (FRRP) Reserve, a restricted account based on a twenty year projection of the cost of facility construction, repair, maintenance and modernization. The reserve will be adjusted periodically for cost escalation in the original plan;
 5. A Basic Aid Differential Reserve to be maintained in perpetuity based on annual recommendations to the Governing Board on the amount of the annual contribution to this reserve necessary to maintain this level of funding. A Basic Aid Differential is the cost of maintaining the District's budget for a period of one year if funded at the Local Control Funding Formula (LCFF). Committed reserves in subfunds under the Special Reserve for Capital Outlay (Fund 40) may also be considered in the differential calculation. Caution: If onetime projects reduce reserves below two-thirds of the Basic Aid Differential, a plan should be developed to determine when reserves are projected to recover above that level.
 6. Aliso Property Reserve for the accelerated option under the Option to Re-purchase Agreement with National Church Residences of Laguna Beach. The agreement extends until 2041, but allows for the payoff of the Housing and Urban Development (HUD) loan and transfer of the grant deed in case of default. The executed grant deed is held in custody trust at U.S. Bank.
 7. A Capital Improvement Plan (CIP) Reserve, separate and distinct from the FRRP, to provide for the establishment of prioritized projects in a 10-year plan;
 8. A Reserve for Specific Designations which shall be established by the Board annually based on actual anticipated expenditures.

- B. The Reserve for Specific Designations shall be annually reevaluated when financial information regarding actual anticipated expenditures demonstrates that prudent financial management requires an allocation to this Reserve or a reallocation from it.
- C. The annual establishment of the funding levels of the above components of the District's Financial Reserves funds and any periodic adjustment to the funding levels of those components shall occur only after a public hearing is held and before the adoption of the annual budget by the Governing Board.
- D. Following the adoption of the District's annual budget by the Governing Board, any subsequent action by the Board to appropriate or reallocate any of the reserve funds from either the State mandated General Fund, Reserve for Economic Uncertainty or the Facility Repair and Replacement Reserve shall require that four-fifths of all of the members of the Governing Board vote to approve such action.
- E. The Board requires that the Reserve for Specific Planned Designation shall not be included in the Reserve for Economic Uncertainty as such reserve is defined by the Governmental Accounting Standards Board.
- F. In September of each school year, the Assistant Superintendent of Business shall present a status report and recommendations to the Governing Board for the allocation of funds to the General Fund Reserve, the Basic Aid Differential Reserve, the Facility Repair and Replacement Plan Reserve, the Aliso Property Reserve, and the Capital Improvement Plan Reserve.

Legal Reference:

Education Code section 17070.75

Date Policy Adopted By the Board: November 14, 2000, by Resolution 00-04

Date Policy Re-Numbered (from 3101 to 3001) By the Board: November 23, 2004

Date Policy Revised by the Board: May 25, 2010

Date Policy Revised by the Board: May 28, 2013

Date Policy Revised by the Board: February 11, 2014

Date Policy Revised by the Board: November 9, 2015

Policy Reapproved-No Revisions: February 9, 2016