
**SECOND READING and APPROVAL OF DBA –
GENERAL FUND CONTINGENCY AND RESERVES**

POLICY ISSUE/SITUATION:

The Board is asked to review and approve changes to School Board Policy **DBA – General Fund Contingency and Reserves**.

BACKGROUND INFORMATION:

The Board reviewed School Board Policy DBA – General Fund Contingency and Reserves in a first reading at the June 18, 2012 meeting. Suggested changes recommended by a subcommittee of the Board have been incorporated into the policy for the second reading.

RECOMMENDATION:

(12-197) BE IT RESOLVED that the School Board approve the changes to Board Policy DBA.

GENERAL FUND CONTINGENCY *AND RESERVES* APPROPRIATION

~~This policy will help enable the Board to maintain financial stability for program continuity and public confidence, as well as assuring budget and financial compliance with Oregon Revised Statutes and Oregon Administrative Rules.~~

~~A minimum 5% appropriation for contingency will be established by the Board to responsibly enable the district to meet unforeseen financial needs due to emergencies and changing district needs. The Board will establish this contingency level during the budget development process. All transfers from the appropriation for contingency must receive Board approval.~~

~~By establishing an appropriation for contingency, the Board is projecting that the minimum ending fund balance will be at least equal to the amount of the appropriation for contingency. Prior to the ending fund balance becoming less than projected, the Board will be notified by staff of the possibility that the ending fund balance may fall below the minimum targeted level. The Board may then consider possible options to address the situation.~~

The Board will require a minimum 5% appropriation¹ for contingency during the budget development process, and the Board directs the Superintendent to manage the adopted budget in such a way as to ensure an ending fund cash balance of at least five (5) percent of total actual revenues. By establishing an appropriation for contingency, the Board is directing the minimum ending fund balance will be at least equal to the amount of the appropriation for contingency.

The contingency appropriation is necessary to:

1. Maintain financial stability for program continuity and public confidence,
2. Ensure budget and financial compliance with Oregon Revised Statutes and Oregon Administrative Rules,
3. Provide an emergency reserve to balance risk of availability and liquidity of resources in other funds as well as the potential drain upon general fund resources; liquidity; and designations. Such factors will be reviewed annually.
4. Protect the District from unnecessary borrowing in order to meet cash-flow needs;
5. Provide prudent reserves to meet unexpected emergencies and protect against catastrophic events;
6. Meet the uncertainties of state and federal funding; and
7. Help ensure a District credit rating that would qualify the District for lower interest costs and greater marketability of bonds that may be necessary in the construction and renovation of school facilities.

During times of emergency or catastrophic events, the Board may approve action to reduce the contingency appropriation. The Board's authority will be limited to the currently adopted budget or a budget for the following fiscal year. Any proposal to reduce the appropriation must include a

“recovery plan” that demonstrates the Board and Superintendent’s commitment to restore the contingency appropriation.

Prior to the ending fund balance becoming less than projected, staff will notify the Board of the possibility the ending fund balance may fall below the minimum targeted level. The Board will approve any transfers from the appropriation for contingency.

END OF POLICY

Legal References:

ORS 294.331 (18) OAR 150 — 294.352(8)
ORS 3294.371
ORS 332.107
ORS 294.305 — 294.565

1 The Government Finance Officers Association (GFOA) recommends, at a minimum, that general purpose governments, regardless of size, maintain an unreserved fund balance in their general fund of no less than 5 to 15 percent of regular general fund operating revenues, or of no less than one or two months of regular general fund operating expenditures. The Oregon Association of School Business Officials recommends, at a minimum, an unreserved ending fund balance of no less than 3 to 8 percent of the general fund budget. In general practice, levels of fund balance, typically, are less for larger governments than for smaller governments because of the magnitude of the amounts involved and because the diversification of their revenues and expenditures often results in lower degrees of volatility.