

APS Reserves: Establishing, Managing, and Spending – REVISED 10.2.2024
Summary from School Board Committee of the Whole Meeting on 9/17/24

APS Reserves:

Committed Fund Balance: School Board approval is required to use funds in any of these accounts:

1. Compensation
2. Future Budget Years
3. Debt Service
4. Capital / Planning

Assigned Fund Balance: The School Board delegates authority to the Superintendent and Chief Operating Officer to use these funds for specific purposes. These accounts include:

1. Separation Pay
2. Health Care
3. MC/MM

Notes from 10/2 discussion among Mary, Bethany, Francisco, John, and Andy:

- *The “Committed Fund Balance” and “Assigned Fund Balance” categorizations of reserve fund types aligns with guidance from the Governmental Accounting Standards Board (GASB), per Andy.*
- *We do not currently have a Health Care reserve account. John and Andy recommend establishing one. It would be used to manage the costs that APS pays for its health insurance. (Essentially, moving this out of the operating budget and running it through this dedicated assigned fund, as many other school divisions do.)*
- *We will need to amend Policy D-2 in order to clarify that there are certain types of reserves that may be used without School Board approval (e.g., separation pay). This is happening in practice today but does not actually align with what our policy says.*
- *We will want to review and revise the PIPs associated with D-2 so that it reflects the categorizations above.*
- *Bethany reports that there is a policy being revised right now that would require School Board approval of all contracts over a certain dollar amount (John and others will advise on what the threshold should be: \$100K? \$200K? etc.). This would be new for us and many would likely be contracts we’d approve under Consent. This policy would supersede what is described above for “Available Fund Balance”—that is, the SB wouldn’t approve every use of these reserve accounts, but it would approve those that exceed the dollar amount threshold identified in the updated policy.*

Reserve Fund Levels:

At our September 17 COW, we confirmed that APS should maintain non-capital reserve funds. Across our Compensation, Future Budget Years, Debt Service, and MC/MM reserve accounts combined, APS should a *minimum* equivalent to 3% and a *maximum* of 5.5.% of its annual School Operating Fund.

Given current financial pressures, we understand that it may take more than one year to establish and maintain this 3-5.5% range. In each year's budget direction, the School Board should identify to what extent it expects APS to achieve and/or maintain this goal.

Reserve Fund Spending:

APS aspires to spend its unrestricted reserve funds only on one-time expenditures. Given current financial pressures, we understand that it may take more than one year to establish and maintain this practice. In each year's budget direction, the School Board should identify to what extent it expects compliance.

Reserve Fund Replenishment:

Each year at closeout, the salary lapse and turnover amount from the previous fiscal year is added to the Compensation Reserve. Compensation Reserve funds are then used to offset the cost of compensation increases in the next budget year. Other savings from APS operations, any additional revenue from the County transfer, and other unanticipated revenue at the time of closeout are available for the School Board to place in various reserve accounts.