Marin County's 19 districts, each with 19 unique financial needs and varying reserve balances.

Some examples for high reserves in Marin are:

Example #1, NSS

A very small district with a 200% reserve, ($600,000), will lose 100% of this over the next four years due to a single Non-Public School placement. With a student population of 17 ADA, this district would be unable to fund this placement without reserves.

Example #2, CalSTRS Increases & Other Cost Increases

All districts are now faced with funding increases to employee pensions. This increase and other legislatively enacted impacts on school district finances mean that districts must be prepared for expenditure increases or revenue decreases which are beyond their control. Higher reserves helps to manage these factors.

Example #3, Property Tax Volatility

Districts who are funded primarily from property taxes receive their funding twice per year, as opposed to monthly apportionments. During the months of November and March, many districts run out of cash so that they have to borrow, which takes dollars out of classrooms. Higher reserves allows districts to avoid borrowing costs.

Example #4, Reverse ERAF

When one of our basic aid districts became state funded, they were hit with an unanticipated $8,000,000 Reverse ERAF loss of cash. Because of the complexity of the ERAF/Reverse ERAF calculations, and the high degree of variability surrounding the every-changing number of basic aid districts, these negative cash hits would cause a cash shortage if not for higher than minimum reserves.

Beyond these handful of examples, independent outside agencies and associations recommend reserves based upon a formula of operating expenditures.

- The Government Finance Officers Association recommends reserves equal to two months of average general fund operating expenditures, or about 17%.
- Rating agencies like Fitch or Moody's typically assess the adequacy of a district's reserves by comparing them to statewide averages, which have hovered around 15% for California unified school districts in recent years.
- The Fiscal Crisis and Management Assistance Team emphasizes the need to assess not only fund balance but also actual cash on hand.

There are many benefits to having higher than minimum reserves including:

- Financial flexibility to absorb unanticipated expenditures without significant disruption to educational programs.
- Protection against exposure to significant one-time outlays such as disasters, lawsuits, or material audit findings.
- Protection against the volatility of state revenues.
- Protection against the volatility of property tax revenues for basic aid districts.
- Cash management / avoiding the cost of borrowing cash.
- Protection against declining enrollment.
- Protection against the expiration of parcel taxes.
- Protection to cover increases in fixed and statutory costs.
- Financial flexibility to shift resources as priorities set through the LCAP process change.
- Planning for major projects such as information technology upgrades or deferred maintenance.