

FAQ ABOUT THE SFUSD BUDGET: RESERVES / FUND BALANCE

November 19, 2013

How much money must SFUSD hold in reserve?

By state law, SFUSD must maintain a minimum undesignated reserve in the Unrestricted General Fund equal to 2% of our total General Fund (Unrestricted plus Restricted General Fund) budget. In addition, we must set aside funds for certain required designated reserves, the largest of which is for prepayment of health care premiums to the City's Health Service System. While our budget for the 2014-2015 school year is not finalized, we project a need for at least \$15.4 million in total reserves.

How much money is SFUSD planning to hold in reserve at the end of FY 2013-14, FY 2014-2015 and FY 2015-2016?

Our baseline projections of the ending fund balance that would result if no steps were taken to address the budget shortfalls are that our Unrestricted General Fund (UGF) balance would be \$16.3 million, \$10 million, and \$14.8 million at the end of the three respective years. At the end of FY 2013-14, we would have an undesignated fund balance of \$693 thousand, which is less than the \$15.6 million required. As a result, we would fall short of our required fund balance in the following two years with a negative balance of \$5.4 million and \$590 thousand in each respective year.

	FY 13-14	FY 14-15	FY 15-16
Beginning Balance	\$34.102	\$16.258	\$10.039
Revenues	\$360.580	\$381.437	\$404.200
Expenditures	\$378.424	\$387.657	\$399.414
Revs. Less Expenses	(\$17.844)	(\$6.219)	\$4.786
Ending Balance	\$16.258	\$10.039	\$14.825
Designated Balance	\$15.566	\$15.416	\$15.416
Undesignated Balance	\$0.693	(\$5.376)	(\$0.590)

What is the rationale for holding money in reserve?

As indicated in the table above, SFUSD will quickly draw down all available reserves in the next two years as a result of expenditures that exceed revenues by millions of dollars.

It is especially important now when the State is deferring more and more revenue to pay attention to reserves and cash flow. Low reserves lead to significant pressure in cash flow, and running out of cash is the most immediate path to invite state control.