

CROCKER PTA RESERVES POLICY – 12/11/17

PURPOSE

The purpose of the Reserves Policy for Crocker Highlands Elementary PTA (“Crocker PTA”) is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization and to provide a source of internal funds for organizational priorities such as building repair and improvement, program opportunity, and capacity building.

DEFINITIONS AND GOALS

Designated Operating Reserve

The Designated Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Designated Operating Reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The Designated Operating Reserve is intended to be used and replenished within a reasonably short period of time. The Designated Operating Reserve Fund is defined as a designated fund set aside by action of the Crocker PTA.

The target minimum Designated Operating Reserve Fund is equal to 25%¹ of the annual operating budget, including all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services, but excluding depreciation, in-kind, and other non-cash expenses. The amount of the Designated Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Crocker PTA, and included in the regular financial reports.

Opportunity Reserve

The Opportunity Reserve is also intended as a source of internal funds for organizational capacity building such as staff development, pilot programs, or investment in infrastructure that will build long-term capacity. The target amount of the Opportunity Reserve is equal to 10% of the annual operating budget.

¹ Operating reserves are often expressed as a number of months of operation, but some of Crocker PTA’s largest expenditures are front-loaded in the school year, so expressing it as a percentage of the budget is more appropriate. Spanish is the largest single program, with an upfront commitment of \$41K for the year (~9% of the operating budget). The PTA also makes significant deposits (Auction and Alliance field trip) early in the year amounting to another 4-5% of the budget. All ongoing payments can be canceled with no notice or penalties, but as a PTA policy we would provide 30-60 days notice to any vendors that would need to be cut for budgetary reasons. 25% provides a sufficient cushion to cover or at least backfill those large expenditures and provide for a rampdown in the event of large revenue shortfalls. Historically, Crocker PTA’s revenues have been stable, and we have not had to dip into operating reserves much, so we are confident 25% is a sustainable operating reserve level.

Undesignated Operating Reserves

Any surplus available unrestricted net assets in excess of those designated by the Crocker PTA to fund the Designated Operating Reserve and the Opportunity Reserve shall be considered undesignated operating reserves and may be used at the Crocker PTA's discretion to advance the mission of the Crocker PTA. **For example, in the event of Oakland Unified School District budget cuts that adversely affect operations of Crocker Highlands Elementary, the Crocker PTA may elect to use undesignated operating reserves to offset such budget cuts.**

ACCOUNTING FOR RESERVES

The Reserve Funds will be recorded in the financial records as PTA-Designated Operating Reserve and PTA-Designated Opportunity Reserve. The Funds will be funded and available in cash or cash equivalent funds. Reserves will be maintained in a segregated bank account or investment fund, in accordance with investment policies.

FUNDING OF RESERVES

Reserves will be funded with surplus unrestricted operating funds.

USE OF RESERVES

A. Designated Operating Reserve

Use of the Designated Operating Reserve must comply with the following requirements:

1. Identification of appropriate use of reserve funds.

The President and Executive Vice President will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be needed and replenished.

2. Authority to use Designated Operating Reserve.

The President and Executive Vice President will submit a request to use the Designated Operating Reserve to the Executive Board. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within twelve months to restore the Operating Reserve to the target minimum amount. The Executive Board may authorize uses of up to \$750.00 of the Operating Reserve between general meetings of the Crocker PTA. Uses of greater than \$750.00 must be authorized by a majority vote of the Crocker PTA.

3. Reporting and monitoring.

The Executive Board is responsible for ensuring that the Designated Operating Reserve is maintained and used only as described in this Policy. Upon approval for the use of the Designated Operating Reserve, the Treasurer will maintain records of the use of funds and plan for replenishment in the subsequent annual budget(s), if required. He/she will provide regular reports to the Crocker PTA of progress to restore the Designated Operating Reserve to the target minimum amount as needed.

B. Opportunity Reserve

1. Authority to use Opportunity Reserve

The Crocker PTA may authorize uses of the Opportunity Reserve to fund “opportunity projects” that are outside the scope of the approved operating budget and are consistent with the core mission and objectives of Crocker Highlands Elementary, the Crocker PTA, and the Crocker Highlands Elementary School Site Plan. Uses of the Opportunity Reserve may be authorized under the following process:

- a) The Crocker PTA will form an Opportunity Reserve Committee pursuant to the process provided in the Crocker PTA bylaws. The Opportunity Reserve Committee will be responsible for reviewing and facilitating opportunity project proposals.
- b) The Opportunity Reserve Committee will issue a call for opportunity project proposals twice annually from teachers, administrators and parents in the Crocker Highlands Elementary community and will provide for at least a 30-day submittal period.
- c) Opportunity project proposals may be for ongoing projects for a year, as with a pilot program, or for one-time expenditures, as with a capital project.
- d) While the target Opportunity Reserve amount will be 10% of the operating budget, such that 5% would be available in each funding cycle, opportunity project proposals are not capped and may exceed 5% if approved by the Crocker PTA.
- e) The Operating Reserve Committee will (i) review opportunity project proposals for consistency with the core mission objectives of Crocker Highlands Elementary, the Crocker PTA, and the Crocker School Site Plan, (ii) consult with the Crocker Highlands Elementary Principal to confirm that the project would be compatible with school operations, (iii) confer with the project proponents as needed to clarify the scope of the proposed project, and (iv) coordinate the presentation of opportunity project proposals to the Crocker PTA for potential approval.
- f) The Crocker PTA General Body may approve one or more opportunity projects in each funding cycle, up to the full amount of the Opportunity Reserve, by majority vote.

2. Reporting and monitoring.

Upon approval for the use of the Opportunity Reserve, the Treasurer will maintain records of the use of funds and plan for potential replenishment, if surplus funds are available beyond any amount required to replenish the Operating Reserve. He/she will provide regular reports to the Crocker PTA of progress to restore the Opportunity Reserve to the target amount. The Opportunity Reserve may or may not be fully funded in a given fiscal year, and/or the Crocker PTA may establish a lower or higher target than 10% of the annual operating budget.