

Business and Fiscal Affairs

AP 6251 RESERVE FUND MANAGEMENT

The District sets forth the following principles governing the establishment and maintenance of reserve funds. A reserve fund is an established fiscal management tool which buffers cash flow fluctuations and provides a resource for contingencies and reasonable yet unforeseen operational needs.

These principles are built upon the expectation that:

1. the District's annual budget is reflective of a sound and reasonable estimate of actual revenues and expenditures;
2. any significant increase or decrease in reserves will be purposeful, deliberate, and transparent;
3. transfers in and out of the reserve fund will be transparent and reflected as an action item in the monthly agenda;
4. all elements of the reserve will support and advance the mission of the District.

The District shall have three (3) reserves established:

1. Unrestricted General Fund Reserve
2. Capital Maintenance and Equipment Reserve
3. 2016 Measure B Reserve

The Unrestricted General fund Reserve shall include:

- 8%, with annual escalators per fiscal year. Each year the base percentage shall grow based on a prescribed schedule and annual review of the Board of Trustees.

The Capital Maintenance and Equipment Reserve shall include:

- The Board of Trustees has established a minimum base reserve. This base funding is designated as a minimum fund level within the specific reserve; however, it may be allocated if necessary for the intended purposes of the fund. The reserves can be funded from utility savings that occur annually, PG&E rebates, direct allocation to the fund via board action, or other items as approved by board resolution.
 - Capital maintenance fund and equipment: \$4.0 million base reserve (To be increased to this base amount by 2021).
 - Any transfer in or out of this fund must be approved as an action item of the board of trustees in a regularly scheduled meeting of the Board of Trustees.

2016 Measure B reserve fund shall include:

- The District will allocate any interest earned from bond proceeds, any state or other matching money, and any savings from any specific project to a "bond reserve" to be spent only with authorization of the Governing Board. Each bond project has a budget associated with it, and that budget may not be exceeded without authorization of the Governing Board.

The Superintendent/President shall:

- Add revenues accruing to the District in excess of amounts budgeted to the District's unrestricted reserve for contingencies on an annual basis equal to or greater than 0.5% per annum until the reserve meets a 12% threshold or Fiscal Year 2022, whichever comes first, but not to exceed 18%. The Board of Trustees will review this escalator annually on the basis of the current budget and economy.
- Maintain the unrestricted general fund reserve at/or above the following levels:
 - 8% for 2016/17
 - 8.5% for 2017/18
 - 9% for 2018/19
 - 9.5% for 2019/2020
 - 10% for 2020/21
 - 10.5% for 2021/2022
- Maintain and identify additional restricted reserves specific to short and long-term liabilities specific to CERBT Fund and ongoing increases to CalSTRS and CalPERS.
- Require two-thirds vote of the members of the Governing Board for transfers from the reserve for contingencies to any expenditure classification.
- Review the levels of reserve annually in the tentative budget, in percentages, to ensure the District is planning for economic indicators and long-term institutional planning accordingly.

Office of Primary Responsibility: College Operations

Date Approved: October 18, 2016

New Administrative Procedure