

Coast Community College District ADMINISTRATIVE PROCEDURE

Chapter 6 Business and Fiscal Affairs

AP 6305 Reserves

References:

Budget and Accounting Manual, Chapter 5; Appendix A
Title 5, Sections 58300 et seq
Board Policy 6200 Budget Preparation
Government Finance Officers Association: *Best Practices in Community College Budgeting*

Reserve Standards

The District shall have as a high budget priority the appropriation in the final budget of an uncommitted reserve in the unrestricted general fund. The reserve is established as a hedge against risk, and is a reflection of revenue source stability and predictability, liquidity needs, as well as the volatility of expenditures. The Board recognizes these needs and the necessity of considering financial uncertainties in the operation of the District.

The Government Finance Officers Association (GFOA), while recognizing that reserve amounts should be a function of the particular circumstances and needs of each institution, has identified as a best practice for community colleges, a reserve amount of not less than either two months of total general fund operating expenditures or 16.7%. To this end, the District's annual Adopted Budget shall include a reserve with the following components:

Reserve for Contingencies

The final budget shall include an unappropriated reserve to ensure that the District will be in a positive cash position at the end of the fiscal year. This reserve shall be, at a minimum, either one month of total general fund operating expenditures or 8.35% of unrestricted general fund expenditures.

Ancillary Reserve

The District budget shall include an appropriation for economic uncertainties to cover, on a one-time basis, (1) unanticipated emergencies; (2) unanticipated declines in property tax revenues or other sources of funds; (3) additional program development activities not considered prior to budget adoption. This reserve shall be at a minimum either one month of total general fund operating expenditures or 8.35% of total unrestricted general fund expenditures.

No appropriation shall be made from the Reserve for Contingencies without a two-thirds vote of the Board.

The Chancellor is authorized to utilize funds from the Ancillary Reserve for urgent situations upon written notification to all members of the Board. Any such use of the reserve shall be ratified by the Board in open session at the next regularly scheduled Board meeting.

Ratified December 2, 2013
Ratified August 20, 2014
Ratified May 17, 2017
Ratified November 16, 2022