

October 18, 2018

19-041

ADOPT POLICY B510 REGARDING RESERVE FUNDS
WITHIN THE GENERAL FUND (SECOND READING)

PREPARED BY: Eric Blumenthal, Acting Vice President, Finance and Administration

FINANCIAL RESPONSIBILITY: Eric Blumenthal, Acting Vice President, Finance and Administration

APPROVED BY: Mark Mitsui, College President

REPORT: While the Board has provided general guidance on maintaining a reserve within the General Fund, a formal Board policy and parameters have not been adopted. To ensure compliance with accreditation standards and implement industry best practices, it is desirable to have the Board adopt a policy on reserve funds.

The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for GAAP and budgetary purposes. Such a guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period. In particular, governments should provide broad guidance in the policy for how resources will be directed to replenish fund balance should the balance fall below the level prescribed.

Since the fiscal year ending June 30, 2007 to the present time the General Fund balance percentage (Unrestricted Fund Balance divided by expenditures and transfers) has ranged from a low of 8.4% to a high of 23.24%. The June 30, 2017 fund balance percentage was 9.17%.

RECOMMENDATION: That the Board of Directors approve the following policy on reserve funds.

B510: RESERVE FUNDS

A General Fund unrestricted fund balance (reserve) is established and maintained to ensure the continued delivery of services, to address emergencies, serve as a buffer against enrollment fluctuations, protect against fluctuations and delays in the level of State funding, address a temporary revenue shortfall or provide stability during economic cycles. Sufficient reserve funds will be managed to provide adequate cash flow, stabilize the College's interest rates and provide continuity in service delivery.

For purposes of this Policy, the definition of "unrestricted fund balance" is limited to the portion of fund balance that is unreserved. Unreserved is to mean not set aside for other existing obligations of the college.

Portland Community College aspires to maintain an unrestricted fund balance within the range of 9% to 18% of the annual operating expenditures and transfers of the General Fund to ensure institutional stability and long-term fiscal integrity. Should the General Fund unrestricted fund balance fall below 9%, the college shall adopt a plan to replenish the General Fund unrestricted fund balance to 9% within two years. Should the General Fund unrestricted fund balance exceed 18% of annual operating expenditures and transfers of the General Fund, balances in excess may be set aside for restricted reserves or invested in one time expenditures.

Funding of the General Fund unrestricted fund balance will generally come from excess revenues over expenditures.

The college President is authorized to make decisions for the use of General Fund unrestricted fund balance in consultation with appropriate staff within the office of Finance and Administration. Appropriate potential uses could include capital equipment purchases, capital construction, investment in a new program or service that will move to recurring funding sources after a specified trial period, and projects related to the strategic direction of the college. The General Fund unrestricted fund balance shall not be used for normal or recurring annual operating expenditures.

The Vice President of Finance and Administration, or their designee, will manage and monitor the General Fund unrestricted fund balance and report on the current and projected level of the General Fund unrestricted fund balance during each budget process.