



Reference: *Budget and Accounting Manual, Chapter 5; Appendix A*

In order to ensure fiscal stability and sustainability of the District by maintaining adequate reserves for cash requirements, long-term commitments, and unanticipated expenditures and/or reduction in revenues, the District shall maintain the following reserve standards:

- **General Fund Reserve:** The District's unrestricted general fund reserve shall be no less than 16% of the Unrestricted Operating Expenditure Budget, except in exigent circumstances and approved by a majority of the Board of Trustees.
- **Economic Recession Contingency:** To address funding declines resulting from potential economic recessions, the District shall maintain an economic contingency reserve. The target economic contingency reserve is 3% of the Unrestricted Operating Expenditure Budget.
- **Contingency Reserve:** The District shall maintain a contingency reserve to address unforeseen districtwide funding requirements. The target contingency reserve is 1% of the Unrestricted Operating Expenditure Budget. The contingency reserve is to be used for unanticipated expenditures when impending changes in operations would result in significant service reductions.

As articulated in Board Policy 6200 Budget Preparation, the budget shall be balanced. Therefore, there shall be no deficit budgeting during the development of the annual budget. However, remaining ending balances left at the college sites and the District Office will be rolled into the subsequent year's budget for each respective site and should be used for one-time expenses. The percent of expenditures allowed to be carried forward into the subsequent year will be set by the Board of Trustees as a part of the budget development process. The Unallocated Reserve is the remaining ending balance after the reserve requirements above have been met, less the amount approved for budget carryover.

While these Unallocated Reserve dollars are a part of the year-end balance, they are therefore one-time dollars. They should be utilized for one-time expenses or used as one-time seed money for programs that must subsequently be included in institutional budgets. During times of serious fiscal exigency, the Board may approve the use of the Unallocated Reserves for transitional purposes.

Board approval date: 10/20/2020