



Agenda Item Details

Meeting Apr 27, 2013 - Board of Trustees Special Meeting (Retreat/Study Session), 8:30 a.m.
Category 4. DISCUSSION ITEMS
Subject 4.03 Prudent Reserve Level Discussion
Access Public
Type Discussion

Public Content

FOR REFERENCE**AP 6305 Reserves**

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

At the end of the budget process, if the current estimated revenue exceeds current estimated expenditures, the surplus amount will be added to contingency reserves.

A Board Reserve fund of at least 6% is recommended to be maintained for contingency.

[042713 - Information Reports - Fund Balance Policy.pdf \(104 KB\)](#)

Administrative Content

Fund Balance Policy

- ◆ Imperial Community College District recognizes that as a Government entity it must maintain an adequate unrestricted fund balance.
- ◆ This unrestricted fund balance would serve as a financial cushion to be used for unanticipated circumstances and events.
- ◆ The District must establish a minimum level at which the unrestricted fund balance is to be maintained.



Appropriate level of unrestricted fund balance

- ◆ As a general rule, the unrestricted general fund balance should represent a minimum of two months of operating revenues or expenses, whichever is more predictable.
- ◆ Under the following circumstances, The District may exceed this general rule:
 - ◆ Significant volatility in operating revenues or expenses
 - ◆ Potential drain on resources from other funds facing financial difficulties
 - ◆ Rapidly growing expenditure budgets
 - ◆ Irregular cash flow (e.g., disparities in timing between revenue receipts and expenditures)



Increasing the Fund Balance

The Budget and Fiscal Planning Committee is recommending a fund balance policy based on two months of operating costs or 16.6% of revenue.

If the Board accepts this recommendation, the next step in the coming months will be funding the increase. The two main issues are:

- ◆ How fast should the College reach the recommended fund balance amount
- ◆ What sources of funding would be used to increase the fund balance? Most likely the funding would come from one or a combination of:
 1. Future one-time money
 2. Favorable variances of actual expenses versus budgeted amounts at year-end
 3. A percentage of on-going revenue



Amount needed to reach 16.6% fund balance

Projected fund balance at 6/30/13 <i>(assuming FTES of 6219)</i>	2,117,000	6.18%
16.6% fund balance	5,687,000	16.6%
Additional amount needed to reach 16.6% fund balance	\$3,570,000	

