

**ACTION**

**Subject: Resolution No. 124  
(Establishment of Financial Reserves Policies and Executive Limitations)**

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**Resolution No. 124  
ESTABLISHMENT OF FINANCIAL RESERVES POLICIES AND EXECUTIVE  
LIMITATIONS**

WHEREAS, adequate fund balance and reserve levels are necessary components of the college's overall financial management strategy and key factors in assessing the college's financial strength and fiduciary integrity; and,

WHEREAS, maintenance of adequate fund balances and reserves assures adequate resources for cash flow and mitigation of short-term revenue shortages, and enables multi-year planning for self-support program improvements; and,

WHEREAS, the Government Finance Officers Association recommends as a best practice that a reserve of no less than two months of regular general fund operating revenues or regular general fund operating expenditures be maintained; and,

WHEREAS, the Board of Trustees has thoroughly vetted the policy and executive limitations as proposed by the President's Senior Executive Team;

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of Shoreline Community College that it adopt the following reserve policies and related additions to the Community College District 7 Board of Trustees Policy Manual:

Under "Executive Limitations, Financial Planning/Budget, Policy No. EL-3," the following executive limitation:

3.6 Allocate a minimum of \$200,000 annually, to be included as a contingency account in the College's annual budget under the President's authority, to cover unanticipated expenses during the annual fiscal period.

Under "Executive Limitations, Financial Condition and Activities, Policy No. EL-4," the following executive limitations:

4.8 Maintain a general fund balance reserve to provide for such items as adequate cash flow, emergencies, budget contingencies, multi-year planning, revenue shortfalls, unplanned but necessary expenditures, or operating changes that occur outside of the planned annual budget. The general fund balance reserves will be 10-12% of the college's most recently completed fiscal year's actual operating expenditures, unless a different level is necessary to sustain operations.

4.9 Maintain, as necessary, local capital fund reserves to manage facilities needs that are not funded, or are underfunded, by the state.

4.10 Maintain a tuition contingency reserve of 10% of the previous year's tuition collections, to provide financial cover in the event of unforeseen fluctuations in enrollment.

4.11 Maintain an innovation and opportunities reserve fund to facilitate college investment in initiatives that demonstrate the potential for substantial return on investment, and that are deemed by the President as vital to the college's future. The President will approve all distributions, and will recommend future designations based on the college's overall financial performance. The President will provide the Board of Trustees with quarterly financial reports.

4.12 Maintain, as necessary, a reserve for designated programs, including auxiliary services and self-support programs, to provide for adequate cash flow, multi-year planning, and operating contingencies.

4.13 Maintain a reserve for all funds required by law, regulations and/or agreement that are restricted as to type of use complying with federal, state, grantor, and office of financial management rules.

4.14 Designate between 5-8% of the most recently completed fiscal year's operating budget surplus to the Board of Trustees Reserve Fund. Under the sole authority of the Board of Trustees, funds may be used for special board initiatives, and/or to ensure that sufficient funds are available in the event of an unbudgeted emergency.

BE IT FURTHER RESOLVED that, the Board of Trustees approves the following initial allocations and designations to the created reserve accounts:

<b>Reserve Fund</b>	<b>Initial Designation (\$)</b>
General Fund Balance Reserve	\$4,100,000
Capital Funds Reserve	\$1,500,000
Tuition Contingency Reserve	\$1,588,937
Innovation and Opportunities Reserve	\$2,000,000
Designated Programs Reserve	\$4,740,346
Restricted Reserve	\$7,058,346
Board of Trustees Reserve	\$ 159,207

The Board hereby approves Resolution No. 124.

Done in Open Public Meeting by the Board of Trustees this 26<sup>th</sup> Day of September, 2012.

Board of Trustees  
Shoreline Community College  
District Number Seven

By: \_\_\_\_\_  
Phillip L. Barrett, Chair