

Business and Fiscal Affairs

AP 6251 RESERVE FUND MANAGEMENT

The District sets forth the following principles governing the establishment and maintenance of reserve funds. A reserve fund is an established fiscal management tool which buffers cash flow fluctuations and provides a resource for contingencies and reasonable yet unforeseen operational needs.

These principles are built upon the expectation that:

1. the District's annual budget is reflective of a sound and reasonable estimate of actual revenues and expenditures;
2. any significant increase or decrease in reserves will be purposeful, deliberate, and transparent;
3. transfers in and out of the reserve fund will be transparent and reflected as an action item in the monthly agenda; and
4. all elements of the reserve will support and advance the mission of the District.

The District shall have four (4) reserves established:

1. Unrestricted General Fund Reserve
2. Capital Maintenance Reserve
3. Equipment Reserve
4. Bond Reserves

The Unrestricted General Fund Reserve

- 8%, with annual escalators per fiscal year. Each year the base percentage shall grow based on a prescribed schedule and annual review of the Board of Trustees.

The Capital Maintenance and Equipment Reserves

- The Board of Trustees has established a minimum base reserve. This base funding is designated as a minimum fund level within the specific reserve; however, it may be allocated if necessary for the intended purposes of the fund. The reserves can be funded from utility savings that occur annually, PG&E rebates, direct allocation to the fund via board action, or other items as approved by board resolution.
 - Capital maintenance fund and equipment: \$1 million base reserve.
 - Any transfer in or out of this fund must be approved by the Board of Trustees in a regularly scheduled meeting.

The Bond Reserves Fund

- The District will allocate any interest earned from bond proceeds, any state or other matching money, and any savings from any specific project to a "bond reserve" to be spent only with

authorization of the Governing Board. Each bond project has a budget associated with it, and that budget may not be exceeded without authorization of the Governing Board.

The Superintendent/President shall:

- Add revenues accruing to the District in excess of amounts budgeted to the District's unrestricted reserve for contingencies on an annual basis equal to or greater than 0.5% per annum until the reserve meets a 12% threshold or Fiscal Year 2022, whichever comes first, but not to exceed 18%. The Board of Trustees will review this escalator annually on the basis of the current budget and economy.
- Maintain the unrestricted general fund reserve at/or above the following levels:
 - 10.5% for 2021/2022
 - 11% for 2022/2023
 - 11.5% for 2023/2024
 - 12% for 2024/2025
 - 12.5% for 2025/2026
 - 13% for 2026/2027
- Maintain and identify additional restricted reserves specific to short and long-term liabilities specific to CERBT Fund, PARS Fund (Both 115 Trust Accounts), and ongoing increases to CalSTRS and CalPERS.
- Require 6 of the 7 members of the Governing Board to approve transfers from the reserve for contingencies to any expenditure classification.
- Review the levels of reserve annually in the tentative budget, in percentages, to ensure the District is planning for economic indicators and long-term institutional planning accordingly.

Office of Primary Responsibility: Administrative Services

Date Adopted: October 18, 2016

Date Revised: April 18, 2023