Clackamas Community College

Code: **DBDB**
Adopted: 10/12/11
Readopted: 5/13/15

Fund Balance

The Board recognizes its responsibility to establish a General Fund unreserved fund balance[1] in an amount sufficient to:

1. Protect the College from unnecessary borrowing in order to meet cash-flow needs;

2. Provide prudent reserves to meet unexpected emergencies and protect against catastrophic events;

3. Meet the uncertainties of state and federal funding; and

4. Help ensure a College credit rating that would qualify the College for lower interest costs and greater marketability of bonds that may be necessary in the construction and renovation of College facilities.

Consequently, the Board directs the President to propose the budget such that the sum of General Fund contingency and unappropriated ending fund balance is at least ten percent of budgeted revenue. The Board further directs the President to manage the currently adopted budget such that actual General Fund unreserved ending fund balance is at least ten percent of actual revenues. For this calculation, actual fund balance at each year end and actual revenue for each fiscal year will be reduced by the amount of the state appropriation payment received in July at the end of the biennium. If, during any fiscal year, the projected year end General Fund unreserved ending fund balance falls below the 10 percent target, the President will provide a plan to the Board to restore the unreserved fund balance with a time frame for its restoration.

[1]The Government Finance Officers Association (GFOA) recommends, at a minimum, that colleges maintain an unrestricted fund balance in their general fund of no less than 10 percent of regular general fund operating revenues, or regular general fund operating expenditures.

In determining an appropriate unreserved fund balance, the Board will consider a variety of factors with potential impact on the College's budget including the predictability and volatility of its expenditures[2]; the availability of resources in other funds as well as the potential drain upon general fund resources from other funds[3]; liquidity[4]; and designations[5]. Such factors will be reviewed annually.

END OF POLICY

Legal Reference(s):

ORS 294.311(18)
ORS 294.398

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[2]Risk factors that colleges should consider when setting the minimum reserve are revenue source stability, expenditure volatility, liquidity, fluctuation in student population, vulnerability to extreme and unexpected events, leverage (such as debt or other liabilities), other funds' dependency, and capital projects (non-bond funded)

[3]The availability of resources in other funds may reduce the amount of unreserved fund balance needed in the general fund, just as deficits in other funds may require that a higher level of unreserved fund balance be maintained in the general fund.

[4]The disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained.

[5]The need to maintain a higher level of unreserved fund balance to compensate for any portion of unreserved fund balance already designated for a special purpose.