

BOARD POLICY
San Mateo County Community College District

Subject: BP 8.12 Reserve Requirements for the Unrestricted General Fund
Revision Date: xx/xx
Policy References: Title 5, Section 58308

To help the District weather unanticipated changes in revenues or expenses and provide for adequate cash flow, this policy establishes the appropriate level of reserves that the District will strive to maintain in its Unrestricted General Fund; how the fund balances will be funded; and the conditions under which the fund balances can be used.

1. **Amounts Held in Reserve:** The District will strive to hold the amounts listed below in the Unrestricted General Fund balance, expressed as a percentage of the District's annual operating expenses of the Unrestricted General Fund. These amounts are listed as goal ranges to recognize that fund balance levels can fluctuate from year to year in the normal course of operations.
 - 5%-10% - Budget Stabilization Reserve for economic uncertainty as well as known or anticipated future obligations.
 - 5%-10% - Emergency Disaster Reserve for unforeseen events or catastrophic accidents.
 - 5%-10% - Working Capital to provide sufficient cash flow.
2. **Funding Target Fund Balance:** Funding of these targets will generally come from excess revenues over expenditures or one-time revenues. The reserves will be funded in the following priority order: 1) Budget Stabilization; 2) Emergency Disaster and 3) Working Capital.
3. **Conditions for Use of Reserves:** The use of reserves shall be limited to unanticipated, non-recurring needs, or anticipated future obligations. Fund balances shall not be used for normal or recurring annual operating expenditures without a plan to balance the budget and restore the reserves in future years. A two-thirds majority of the Board is required to authorize use of the reserves.