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## 15% Reserve Fund

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### Why is the District Reserve set to 15%? Has anybody ever considered reducing this amount?

During the final quarter of 2014, the District Budget Committee (DBC) discussed the possibility of recommending to Chancellor's Cabinet that the District consider lowering its reserve fund to less than 15%. After much discussion and a report from a DBC subcommittee established to discuss this topic, committee members approved such a recommendation to amend the 2015-16 board directives as they pertain to the 15% fund balance reserve. This recommendation was made in light of the following factors.

- 1) Unfunded FTES is one of the primary factors in the new proposed growth formula developed under SB 860. Over the next three years, SBCCD must average at least 1% unfunded FTES per year in order to maximize the points under this factor.
- 2) The Government Finance Officers Association (GFOA) has recently developed a best practice in community college budgeting. In this new best practice, the GFOA recommends, at a minimum, that colleges maintain unrestricted fund balance in their general fund of no less than 10% of regular general fund operating revenues or regular general fund operating expenditures and operating transfers out (if applicable).
- 3) Implementation of the upcoming Districtwide Enrollment Management Plan may necessitate the District to commit to a certain number of unfunded FTES.
- 4) Pursuit of districtwide strategic plan goals of student success and access may require additional funded initiatives.
- 5) The campuses would like to see fulfillment of unmet needs based on program review.

The District Budget Committee recommended that the Board of Trustees revise its 2015-16 budget directives as indicated below.

Board Directives for the 2015-16 Budget  
*Approved at the November 13, 2014 Board of Trustees Meeting*

1. Balance the 2015-16 budget without the use of Fund Balance (Reserve).
2. Maintain a minimum Fund Balance ~~goal level~~ of 15% (state minimum is 5%).
3. Fund Balance may be utilized for specially identified, strategic "one-time" initiatives such as FTES growth and/or student success, if necessary, even if it causes the fund balance to go below 15%. However, the minimum fund balance should not fall below 10%. "one-time" needs as long as the 15% balance can be maintained.

“One-time” is defined as an expenditure that has no ongoing commitment. While “one-time” needs may be repeated in future years, the nature of the expenditure must conform to the definition.

Chancellor’s Cabinet thanked the DBC for its continuing efforts to improve the fiscal processes of the District and approved the recommendation with the addition of one sentence Directive 3. to read, “**The Board of Trustees may take action to utilize the fund balance for other purposes as it deems necessary and appropriate for the benefit of the District.**”

An item was submitted to the Board of Trustees at its February 12, 2015 meeting requesting approval to revise the Board Directives for the 2015-16 budget, however, the Board of Trustees did not approve the revision of directives for 2015-16. Board members felt that the previously approved 15% should stand and that any pressing projects that challenged the 15% could be addressed on a case by case basis.

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Still have questions? Email them to us at [kgoodric@sbccd.cc.ca.us](mailto:kgoodric@sbccd.cc.ca.us) and we’ll do our best to answer them.

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