

CHEMEKETA COMMUNITY COLLEGE RESERVES POLICY

Chemeketa Community College will maintain adequate reserve funds in order to ensure the long-term fiscal health of the college and a balanced operating budget.

In accordance with Government Finance Officers Association's (GFOA) best practices, reserve funds may be established and maintained for the following purposes:

- Reserve funds can include funds budgeted for contingency and ending fund balances
- Reserve funds address emergencies, unanticipated expenses, or a temporary shortfall;
- Reserve funds provide stability during economic cycles;
- Reserve funds provide resources for capital construction and maintenance needs;
- Reserve funds are designated for a specific stated purpose (e.g. debt service for bond repayment or PERS bonds);
- Reserve funds may be internally or externally restricted

To meet the objectives of this policy, the college president/chief executive officer or designee shall ensure that the college maintains the following reserve funds:

General Fund Reserve:

Annually, the College will maintain a target range of 10-15% of total budgeted revenues as an ending fund balance for the General Fund. The revenues will include the smoothed state revenues to account for the eight quarterly state payments received (five payments during the first year of the biennium and three payments during the second year of the biennium). If the Ending Fund Balance falls to less than 5%, the college shall establish a plan to replenish the Ending Fund Balance to 5% within two years. These funds are internally restricted.

Capital Fund Reserve:

The College will maintain a Capital Fund reserve to fund ongoing maintenance and repairs to existing facilities. The Capital Fund reserve also funds the construction of new buildings, infrastructure improvements, and the acquisition, maintenance and replacement of capital equipment. These funds are internally restricted and used with the approval of the Capital Projects Steering Committee and the president/chief executive officer.

Additional uses include Certificate of Participation (COP) debt repayment, building support fund, and compensation for employees that support the leasing program or other facilities functions.

Plant Emergency Fund:

The college will maintain a Plant Emergency Fund for the necessary repairs or replacement of facilities and equipment on an emergency basis. These funds are internally restricted and the target balance in this fund shall be \$750,000 and will generally be replenished annually based on use.

Business Operations Series—6000

CHEMEKETA COMMUNITY COLLEGE RESERVES POLICY (continued)

Chemeketa Cooperative Regional Library Service (CCRLS) reserve:

The CCRLS designates a reserve fund in order to accumulate sufficient resources to support major purchases (e.g. courier vehicles) and technology system upgrades. These funds are restricted per local budget law and ORS 294.346.

Debt Service Fund Reserve:

The College will maintain a Debt Service fund to pay debt service requirements for the current year and build reserve funds to guarantee future debt payments. These funds are internally restricted and established to pay the following:

- Public Employee Retirement System (PERS) bonds debt service and to offset large increases to the employer contribution rates for monthly pension expenses. The college will maintain a target of three to five years of upcoming payments to be held in reserve.
- Certificates of Participation (COP's) issued based on the college's "full faith and credit" or ability to repay the debt with internal resources. The college will maintain a target of approximately one annual debt payment to be held in reserve.

Intra-College Services Fund Reserve:

The College will maintain internally restricted reserve funds within the Intra College Services Fund for the following:

- Long Range Maintenance Reserve - used for large, one-time facilities maintenance needs
- Insurance reserve - used to fund the premium relief for employee medical insurance and to pay for any unexpected insurance costs
- Reserve for unemployment - pays the cost of unemployment claims that exceed available current resources since the college self-insures for unemployment

Changes in the use of internally restricted reserve funds require the approval of the college's Executive Team and president/chief executive officer.

The College will maintain Financial Guidelines that further describe general financial planning and practices of the college including financial reserves.

May 15, 2019

Adopted College Board of Education