

RESERVES AND ENDING FUND BALANCE

ARTICLE NUMBER: 110

LAST APPROVED: January 7, 2019, February 7, 2022

REFERENCE: ORS 294 & ORS 341

STATEMENT

Tillamook Bay Community College is committed to the long-term financial sustainability of the College.

ENDING FUND BALANCE: 110.1

Tillamook Bay Community College shall maintain an unrestricted General Fund Ending Fund Balance equal to or greater than 15% of total expenditures and transfers.

The Ending Fund Balance target shall include the Unappropriated Ending Fund Balance set during the annual budget development process. When the Ending Fund Balance falls to less than 15%, the College shall adopt a plan to replenish the Ending Fund Balance to 15% within two years.

If the total Ending Fund Balance (including restricted) falls to levels that require short-term borrowing, the levels set by this policy shall be automatically reviewed and adjusted as necessary.

GENERAL FUND CONTINGENCY: 110.2

The annual budget shall set aside approximately two percent (2%) of the budgeted expenditures and transfers each year for contingency. Use of contingency shall be at the discretion of the President. A budget resolution transferring contingency to another appropriation category shall be approved by the Board as required by ORS 294.463.

CAPITAL DEPRECIATION & MAINTENANCE RESERVE FUNDS: 110.3

The College shall establish and maintain reserve funds (as described in ORS 341.321 and ORS 294.346) for the following purposes:

- A. To replace capital equipment that is broken or beyond its useful life as determined by a capital assets replacement forecast;
- B. To maintain and repair college facilities according to a major maintenance schedule;
- C. To maintain and upgrade the college's information/telecommunications systems according to planning schedules maintained by Information Technology;
- D. To build new instructional facilities and/or to purchase property that facility planned long-term growth of the college.

Appropriate levels of funding for reserves will be determined using existing college decision-making structures. The President will make recommendations to the Board of Education for approval to establish and fund these reserves.

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Optimal funding levels will be determined using benchmarks, professional standards and best practices from other colleges and adapting these to Tillamook Bay's specific situation. It is expected that full funding of these reserves will take place over a number of years and that annual transfers to these reserves will be budgeted from the General Fund and other sources as appropriate.

As required in ORS 294.346, the Board shall periodically review the reserve funds and determine whether the fund will be continued. While ORS 294 allows review to take place every 10 years, reserve funds established under these policies shall be reviewed (a) annually by the President; and (b) at least every three years or more frequently as determined by the Board.

As allowed in ORS 294.346, the Board may determine at any time that a reserve fund is no longer necessary or that some or all of the reserves may be transferred to the General Fund.

STABILIZATION RESERVE FUND: 110.4

The Board may require the President to establish and maintain reserve funds (as described in ORS 341.321 and ORS 294.346) for the purpose of providing short-term stabilization in anticipation of possible shortfalls in revenue.

Stabilization reserve funds include the Timber Tax Reserve and the Strategic Initiative Fund.

A stabilization reserve fund may be established under one or more of the following circumstances:

- A. State budget appropriations for community colleges are not approved by the time the college budget is approved and adopted.
- B. A situation exists where significant changes in enrollment are possible but not reasonably predictable.
- C. When any major revenue source has a reasonable possibility of decreasing after the College budget is approved and adopted.
- D. When any operating expenditure that is beyond the control of the college could reasonably be expected to increase after the College budget is approved and adopted.
- E. Any other situation in which the Board determines that there is a reasonable expectation that major shifts in revenue or expenditures could occur during the budget year.

Stabilization reserve levels:

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- A. Minimum reserve levels shall be at the discretion of the Board under advice from the President.
 - B. Maximum reserve levels shall be no more than the reasonably estimated shortfall at the time of the adoption of the budget.

Stabilization reserves will be reviewed annually as part of the budget development process. The stabilization reserve funds shall be closed out when the Board determines that the precipitating threat to revenues and/or expenditures no longer exists. As long as the conditions exist that caused the fund to be established, the funds shall be kept in reserve for the purpose intended. If and when the fund is closed out, any remaining balance shall be released for use as a resource in the General Fund.