

Grossmont-Cuyamaca Community College District
Plan to increase Contingency Board Reserve
Unrestricted General Fund

Background:

- The current Board Policy 6250 indicates that the reserve shall be no less than 5% of budgeted unrestricted general fund expenditures and the reserve will be increased each year toward a goal of covering at least one month's operating expenditures.

- The Chancellor's Office recommends that districts adopt formal policies and practices consistent with the Budgeting Best Practices published by the Government Finance Officers Association (GFOA). Among these best practices is consideration of financial reserves. As demonstrated by the recent challenges facing the community colleges system brought on by the global pandemic, a sufficient reserves balance is critical to a district's ability to operate effectively and maintain fiscal resiliency.

- The Chancellor's office now recommends that districts adopt formal policies to maintain sufficient unrestricted reserves of no less than two months of total operating expenditures to ensure the district's financial stability and to meet emergency situations.

Plan:

- Currently, for the 2022-23 Adoption Budget reserve is \$14.5 million, which has increased significantly from the 2018-19 Adoption Budget by \$6 million. In 2021-22 the reserve was increased by \$4.2 million using one-time fund of ending balance due to using one-time funds and HEERF funds to offset UGF expenditures.

- The proposed plan is to increase the reserve level to equal two months of total operating expenditures based on the current year actuals using one-time fund of ending balance each year. The current two months expenditures estimated at \$22.7 million.
 - 2 months of salaries & benefits for total general fund (restricted & unrestricted)
 - 2 months of rents, utilities & other operating expenditures (unrestricted general fund)

- The reserve level will be incrementally increased, every year until it reaches the needed level based on the ending balance amount. In addition, it is prudent to set aside funds to continue to fund deferred maintenance needs and PERS/STRS employer contribution increases.

Recommendation:

As part of year end closing, one-time ending balance funds from each college and district services, excluding purchase order carry over (POCO), will be allocated as follows:

- Set aside 10% of ending balance to increase the contingency reserve in accordance to Board Policy 6250 Budget and Reserve Management
- Set aside 10% of ending balance to fund each college buildings maintenance, repairs, and total cost of ownership
- Set aside 5% of ending balance to fund STRS/PERS employer contribution increases
- Remaining balance will remain with the sites

Next Steps:

- Update Board Policy 6250
- Bring it to January and February DEC meetings for review
- Bring it to February Board meeting for approval
- Send it to State Chancellor's Office By February 28th, 2023