

KERN COMMUNITY COLLEGE DISTRICT

District-Wide Budget Committee

Reserves Recommendation

In 2018, the Districtwide Budget Committee recommended to the Chancellor that KCCD maintain a minimum District-wide unrestricted reserve of 15% and a cap of 18%. The DWBC conducted a fiscal risk assessment based on fiscal best practices (i.e. GFOA, FCMAT, PARS, NACUBO, and Community College League of California) to identify fiscal strengths and liabilities. The Government Finance Officers Association (GFOA) and Fiscal Crisis & Management Assistance Team (FCMAT) recommend, the adequacy of general fund unrestricted fund balance take into account each institution's own unique circumstances.

Maintaining fiscal health while maximizing services to students with available financial resources were anticipated be a continuing challenge primarily due to:

- The predictability of revenues and the Student-Centered Funding Formula (SCFF);
- The perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts), volatility of expenditures, and potential drain upon general fund resources from other funds;
- Cash flow requirements and the relationship between budgeted reserves and actual cash on hand.

BOARD DISTRICT-WIDE RESERVE POLICY

The Kern Community College District Board of Trustee's subsequently adopted that the District-wide unrestricted general fund reserves shall be no less than fifteen percent (15%) and should not exceed twenty percent (20%) of the total unrestricted district-wide expenditures (BP 3A1A6/ CCLC BP6200).

RECOMMENDATIONS

Also in 2018, the DWBC realized that additional reserve analysis should be conducted. It was recommended to establish a process to determine how resources will be directed to replenish the District reserve should the fund balance fall below the minimal level, 15%. Also, the process should address circumstances when the amount of the District Reserves are greater than the Board requirement, 20%. This analysis was delayed to focus on the development of a KCCD internal SCFF budget allocation.

With the release of the FY18-19 R1 and FY19-20 P1 information, the DWBC recommended to the Chancellor two allocation options.

- Allocate all of the FY18-19 R1 and FY19-20 P1 increases to the colleges based on the current FTES budget allocation model. Then, have the colleges contribute a portion to the Districtwide reserve.

- Allocate the amount necessary to meet the 15% Districtwide reserve minimum before distributing the balance to the colleges based on current FTES budget allocation model.

With the current COVID-19 Economic Crisis, the U.S. economy entered its first recession in 11 years in FY2019-2020. The GFOA Resource Center for Coronavirus Response continues to encourage community colleges to foster student achievement and maintain fiscal sustainability despite the pandemic. Additionally, the Fiscal Crisis Management Team Fiscal Alert (October 2020) encourages all California community college districts to update their budgets planning and financial projections in response to the economic conditions. **The DWBC continues to recommend an approach to allocate reserves to the colleges as detailed below.**

“Should the General Fund unrestricted fund balance fall below 15%, the District shall adopt a plan to replenish the General Fund unrestricted fund balance to 15% within three years. Should the General Fund unrestricted fund balance exceed 20% of annual operating expenditures and transfers of the General Fund, balances in excess shall be distributed to the colleges based on the internal allocation model within three years or the Chancellor will consult with constituent groups for one-time expenditures of excess reserves.”

Also, the DWBC recommends that the District review utilizing the District Reserves to decrease debt obligations and increase the OPEB contribution over a period of 3-5 years.