

Frederick Community College Policy

Section 7.00 Fiscal	Policy Number	7.10
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Contingency Fund Reserve	Procedure Number	
	Board Approved	03/21/07

A. General

- The Board of Trustees recognizes the importance of maintaining a financial contingency fund reserve (CFR) as a part of its fiduciary responsibilities and as a prudent measure in protecting against dramatic changes in funding from government sources and/or unexpected changes in enrollment or other unforeseen changes in revenue sources.
- 2. This policy guides the creation, maintenance, and use of a CFR.

B. Creation and Maintenance of the CFR

- 1. The College shall maintain the CFR equal to five percent of the current approved operating budget.
- 2. When the CFR is used it will be restored as follows:
 - a. Using unspent revenues at the close of the next fiscal year that would normally have been budgeted as prior year surplus.
 - b. If there are insufficient unspent revenues at the close of the fiscal year to replenish the CFR to the five percent level, the College shall set aside 50% of any unspent revenues at the close of each fiscal year until the CFR is replenished to the five percent level.

C. Uses of the CFR

- 1. Any use or appropriation of the CFR shall require approval of the Board of Trustees and, if required, the Board of County Commissioners.
- 2. The CFR will be used for the following purposes:
 - a. Offset unanticipated shortfalls in student tuition and fees revenue.
 - b. Offset unanticipated shortfalls from either the state or county.
 - c. Fund contingencies or emergencies as defined by the Board of Trustees.
 - d. Protect against the need to immediately reduce service levels or raise tuition and/or fees due to temporary revenue shortfalls.
 - e. Unforeseen or unpredictable one-time expenses that cannot be funded in the current fiscal year through the operating budget.
 - f. Other appropriate uses as determined by the Board of Trustees.

D. Strategic Fund Balance Reserve (SFBR)

- 1. The Board of Trustees recognizes the importance of providing a funding source for multi-year initiatives and unfunded mandates from external constituencies and/or during the course of normal operations.
- 2. The SFBR is in addition to the CFR and may be up to 2% of the current approved operating budget unless a specific need has been identified as needing funding and no other viable funding source is available.

E. Creation and Maintenance of the SFBR

1. The College shall annually recommend to the Board of Trustees an amount or percentage to set aside or reduce, as appropriate, each fiscal year into the SFBR to fund initiatives based on strategic or operational opportunities identified by the College.

F. Uses of the SFBR

- 1. Any use or appropriation of the SFBR shall require approval of the Board of Trustees and, if required, the Board of County Commissioners.
- 2. The SFBR will be used for the following purposes:
 - a. Fund opportunities as defined by the Board of Trustees that cannot be funded in the current fiscal year through the operating budget.
 - b. Fund major expenditures that may require more funds than would be available for the specific purpose in a single year.
 - c. Fund specific operating or capital projects as approved by the Board of Trustees.
 - d. Unforeseen or unpredictable one-time expenses that cannot be funded in the current fiscal year through the operating budget.
 - e. Other appropriate uses as determined by the Board of Trustees.

G. Budgeted Annual Operating Reserve (BAOR)

- 1. The Board of Trustees recognizes the importance of providing an annual reserve within the operating budget for:
 - a. Unexpected drops in revenue that may not require use of the CFR and,
 - b. A potential source for unexpected opportunities during the normal course of operations that would further the College's mission and vision.

H. Creation and Maintenance of the BAOR

- 1. The College shall include a fixed amount in the annual operating budget designated as BAOR.
- 2. The BAOR is in addition to the CFR and the SFBR and may be up to 1% of the current approved operating budget.

- I. Uses of the Annual Budget Operating Reserve
 - 1. The College may use the BAOR as outlined in G. 1. a. and b. above.
 - 2. Unspent funds in the BAOR may be reallocated as the College deems appropriate each operating year.
 - 3. The President shall approve all expenditures and transfers from the BAOR and provide information to the Board of Trustees.