



Financial Reserves Policy

Approval Date: 6/1/2026

Last Revision Date: 6/1/2026

Board Policy Alignment: [EL-4 Financial Conditions and Activities](#)
[EL-10 Investments](#)

Responsible Official: CFO and Vice President for Administration

Purpose

Frederick Community College's ability to fulfill its mission for the benefit of current and future students depends on sound fiscal management and the maintenance of adequate College reserves. Reserves are critical to the financial health of the College, preserving future flexibility, and maintaining strong credit ratings. This policy establishes the framework for reserves including size, use and funding, as well as oversight and reporting requirements.

Scope

This policy applies to all reserve funds established by the Board of Trustees or the President.

Policy

Operating Reserves

[Operating reserves](#) are required to be maintained at 16.6% of annual [budgeted cash operating expenses](#) and are measured at the end of each month.

All cash and cash equivalents of the Operating Fund, excluding those designated as Strategic Reserves, that are available for general use, can be accumulated to comply with the Operating Reserve policy.

In general, [operating reserves](#) are not segregated on the general ledger nor in separate custodial accounts.

Financial Reserves Policy

[Operating reserves](#) are funded by the ongoing operations of the College that flow through the Operating Fund.

Strategic Reserves

[Strategic reserves](#), by definition, are amounts designated by the President for a future use on one-time expenses or projects that are not able to be accommodated in any one operating budget year. As such, Strategic Reserves are maintained in a segregated custodial account, though the funds for multiple projects may be comingled in one custodial account.

The Board has set forth the following suggested designations for [strategic reserves](#) in Executive Limitation 4- Financial Conditions and Activities:

- Emergencies - Reserve to provide for unforeseen natural or manmade disasters to support business continuity and recovery actions.
- Student Success and Completion Initiatives - Investments to enhance student experience and remove obstacles to student success and completion.
- Academic Program Initiatives - Investments to provide start-up funding for innovative new programs which serve the College's educational mission.
- Talent Cultivation - Investments to provide professional development opportunities and to promote continuous learning among faculty and staff.
- Unplanned Capital Repair & Replacement - Reserve to cover critical system or component failure that might occur outside of the annual capital improvement budget approval cycle.
- Technology Projects - Reserve to provide for technology upgrades or system replacements not covered by other funding sources.
- Strategic Planning and Future-Proofing – Future-oriented investments to strengthen the College's value, relevance, responsiveness and adaptability to emerging trends and protect the long-term viability of the institution.
- Capital Projects - Provides funding for capital projects that have been approved, but not fully funded by other sources

The Chief Financial Officer and Vice President for Administration is responsible for reporting the amount available to fund Strategic Reserves to the President on an annual basis. The President is responsible for making recommendations to the Board regarding the amount and designation of any [strategic reserve](#) funding. The President is not required to

Financial Reserves Policy

recommend designation of all available funds for strategic reserves. The Board retains authority for authorizing the funding and expending of [strategic reserves](#).

The amount available for Strategic Reserves will be calculated as follows:

Lowest Cash Position for the previous fiscal year

Plus: 66% of any increase in unrestricted net assets from the previous fiscal year

Less: required Operating Reserves

Reporting

The Chief Financial Officer and Vice President for Administration is responsible for reporting the amount available to fund the Operating Reserve to the President on an annual basis.