

CCS Administrative Procedure

5.20.04-C Operating Reserves

Implementing Board Policy [5.20.04](#)

Contact: Chief Financial Officer, 434-5275

1.0 Purpose

In implementation of Board Policy 5.20.04, this administrative procedure enables each unit to establish an internal source of unencumbered (unrestricted) funds for significant and unexpected fiscal emergencies, decreases in operating revenue, and to ensure stability of ongoing operations.

2.0 Definitions

- 2.1 Operating reserve— Chancellor determined percentage of the unit's annual beginning base carryforward operating budget. The established target is 5.0%
- 2.2 Operating budget—spending plan for a fiscal year funded by state allocation, tuition operating fees and operating support.
- 2.3 Unit—Spokane Community College (SCC), Spokane Falls Community College (SFCC), , District, including Administrative Services, Facilities, Instructional Support Services, and Campus Support Services.
- 2.4 Executive Administration — the respective unit executive with delegated budget authority for that unit. For district the respective executive is the chancellor as advised by the executive cabinet (college presidents, , and chancellor direct report administrative officers).

3.0 Calculation of Operating Reserves

- 3.1 Operating reserve target is 5.0% of the beginning base operating carryforward budget for the fiscal year.
- 3.2 The beginning base operating carryforward budget is the final ending carryforward budget from the previous fiscal year adjusted for:
 - 3.2.1 Budget reductions
 - 3.2.2 Estimated tuition increases or decrease

4.0 Funding of Operating Reserves

- 4.1 Operating reserves are funded by unrestricted surplus funds determined by the respective unit's executive administration.
- 4.2 Specific sources for operating reserves are determined at the discretion of the responsible executive administration.
- 4.3 In the event operating reserves are used, the funds are to be replenished to the target level as a budgetary priority for the next fiscal year.

5.0 Use of Operating Reserves

- 5.1 Operating reserves shall be used only for one-time operating expenditures and at the discretion of the responsible unit's executive administration. Conditions under which operating reserves may be used include, but are not limited to:
 - 5.1.1 Unrestricted surplus funds are unavailable

- 5.1.2 Decrease in state appropriation levels
 - 5.1.3 Tuition revenue falling below estimation.
 - 5.1.4 Unexpected unfunded mandates for significant one-time expenditures.
 - 5.1.5 Emergency conditions requiring the implementation of the Continuity of Operations Planning (COOP).
- 5.2 Expenditures from operating reserves exceeding .5 percent or greater require prior authorization of the chancellor.

6.0 Reporting and Monitoring

- 6.1 Unit budget managers are responsible for monitoring the operating reserve accounts to ensure the reserves are maintained in accordance with this procedure.
- 6.2 Operating reserves are to be segregated into a separate account and will be presented in the annual financial statements as part of the assigned fund balance.
- 6.3 Operating reserve balances, including the uses and/or replenishment of funds, if any, will be included in the chief financial officer's annual financial report to the board.

7.0 Related Information

- 7.1 [Governmental Accounting Standard Board](#) (GASB) Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*
- 7.2 [Northwest Commission on Colleges and Universities](#), Standards for Accreditation (revised 2010), *Standard Two – Resources and Capacity*