Budget and Fiscal Planning Committee

March 13, 2013

√Members present:
√John Lau, VP for Business Services, Co-Chair
√Kathy Berry, Administrative Representative *(1:45 p.m.)*
√Jessica Waddell, College Council Representative
_Eric Jacobson, Faculty Representative
√Dave Drury, Faculty Representative *(2:00 p.m.)*
√Carlos Fletes, Director of Fiscal Services

Recorder: Mary Carter
√Kevin White, Academic Senate Rep., Co-Chair
√Jeff Cantwell, CMCA representative
√Frances Arce-Gomez, CSEA Representative
√Matthew Thale, CSEA Representative
√Itzel Moncada, ASG Representatives

Alternate(s): Mary Jo Wainwright, CTA

I. Call to Order

The special meeting of the Budget and Fiscal Planning Committee was called to order by co-chair Kevin White at 1:35 p.m. on Wednesday, March 13, 203. The meeting was held in the board room.

II. ACTION

1. Approval of Minutes***: M/S/C Drury/Thale to approve the minutes of the February 27, 2013 meeting as presented.***

2. Fund Balance Policy: ***M/S/C Drury/Lau to approve the Fund Balance Policy with addition of "to be reviewed annually".***

III. DISCUSSION

1. FCMAT Recommendations: It was the consensus of the committee to review all of the recommendations instead of just the top ten from the committee. The committee agreed to devote 30 to 45 minutes at each upcoming meeting in order to get through all the recommendations.

2. Reserve Level: VP Lau stated that 16.6% equals two months of operations, and should be the minimum reserve level. Other districts in the state range from 4% to 30% reserve. In addition to two months of operations, the reserve also needs to address future needs such as the aging transformers. One percent of reserve is equal to approximately $350,000. Funding of an increased reserve can be done by using all or some of the following methods:

   - funding through operations (a line item in the budget)
   - using all or some of the favorable variance at the end of the year
   - using one-time revenues

   How long it would take to get to a 16.6% reserve would depend on what method or methods are used. Using just the favorable variance would take about 7 years.

Some committee members expressed concerns about meeting needs of the campus/programs while building reserves. It is important to have reserves, but not at the expense of programs. Dave Drury stated that he was not comfortable with a set percentage of the fund balance being assigned to reserve because the needs of the college vary from year to year.

VP Lau stated that the college will not be receiving additional revenues through growth, therefore, efficiencies are needed to continue to meet the needs of the college within its revenue constraints.

What do reserves do? Stabilize the institution. VP Lau and Director Fletes emphasized that the college cannot rely on fund balance for operations or to balance the budget.

The committee will consider a recommendation on reserve level as an action item at its next meeting.

3. Accreditation/Program Review:

IV. Next meeting: March 27, 2013

V. Adjournment: Meeting adjourned at 2:50 p.m.

FUND BALANCE POLICY

Imperial Community College District ("The District") recognizes that as a Government entity The District must maintain an adequate unrestricted fund balance. This unrestricted fund balance would serve as a financial cushion to be used for unanticipated circumstances and events.

The District must establish a minimum level at which the unrestricted fund balance is to be maintained. The following is a list of criteria to be adhered to in establishing the unrestricted fund balance:

- Appropriate level of unrestricted fund balance.
    - Determine the desired level of unrestricted fund balance as a function of a more predictable amount, i.e., revenues v. expenses.
    - The California Community Colleges Chancellor's Office computes unrestricted fund balance as a function of general fund unrestricted expenditures.
    - As a general rule, the unrestricted general fund balance should represent a minimum of two months of operating revenues or expenses, whichever is more predictable.
        - Under the following circumstances, The District may exceed this general rule:
            - Significant volatility in operating revenues or expenses.
            - Potential drain on resources from other funds facing financial difficulties.
            - Rapidly growing expenditure budgets.
            - Irregular cash flow, i.e. disparities in timing between revenue receipts and expenditures.
- Circumstances in which unrestricted fund balance can be spent down.
    - Unexpected unfavorable variance between revenue budgeted versus actual.
    - Damages due to natural disasters.
- A plan to restore the unrestricted fund balance in the event the fund balance is spent down.
    - Develop a time-time to restore fund balance.