

	Title: Reserve Account Policy	POL-702
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Approved By:	College President's Signature 	Date Approved: 08/10/2016
Effective Date: 08/10/2016	Board of Trustees President's Signature 	Date Approved: 08/10/2016

#### 702.1 POLICY STATEMENT

It is the policy of the Board of Trustees for the College to have available sufficient financial resources to provide for the continuity of operations for a minimum of three months. The Reserve Account is intended to provide the College financial stability by ensuring a funding source in the event of: 1) an emergency significantly impacting College operations; 2) unfunded liabilities; 3) unexpected Capital Asset Requirements; and 4) situations in which significant financial resources are required.

The proper management of the Reserve Account requires that the balance of the account remain relatively stable and that the funds in the account be accessible in a short period of time. Accordingly, it is the policy of the Board of Trustees that the funds in the Reserve Account be invested in low risk and high liquidity investments. Additions of funds to the Reserve Account will include:

- Monthly transfers of interest and investment returns from the Short-Term Investment Account
- Periodic transfers from the Short-Term Investment Account when it is determined that these funds exceed operating expense requirements.
- The utilization of unexpected revenues or other donations that do not have a purpose or restriction that would prevent them from being used for this purpose.
- Only unrestricted funds

#### 702.2 PURPOSE

The purpose of the Reserve Account Policy is to provide a reliable structure and process for account management and a description of acceptable use of the Reserve Account. It also provides the authorization process for the President, in consultation with the Executive Team and the Chief Financial Officer (CFO), to access and utilize these funds in appropriate circumstances.

#### 702.3 SCOPE

The Reserve Account is separate from the College's other banking and investment accounts.

#### 702.4 BACKGROUND

In October 2011, the College established a Reserve Account associated with its existing Short-Term Investment Account. The initial deposit consisted of the amount of interest earned on the balance of the Short-Term Investment Account. From that point in time until June, 2014, annual deposits were made to the Reserve Account representing the interest and investment earnings from the Short-Term Investment Account during the previous fiscal year. Starting in July, 2014, earnings from the Short-Term Investment Account were transferred to the Reserve Account on a monthly basis. Thus, the Reserve Account has been gradually growing with the addition of investment earnings since its inception in 2011.

In 2015, a discussion was initiated relating to the formalization of this process via the creation of a Reserve Account Policy. This discussion was initiated with the Executive Team and the CFO. After discussion, the topic was forwarded to the Board of Trustees for further guidance and input. Additionally, a decision was made as part of the Fiscal Year 2016 Budget Modification process that \$300,000 would be added to the Reserve Account. This amount represented a portion of the surplus of actual revenues over actual expenses for the Fiscal Year 2016.

The Reserve Account is separate from and utilized differently than the Contingency Fund. The Contingency Fund is an expense account that is included in the annual Institutional Budget. Funds from this account may be utilized, with the approval of the Executive Team, to fund additional budget requests and other non-emergency expenses.

#### 702.5 RESPONSIBILITY

The President, in collaboration with the Executive Team with the CFO, will be responsible for reviewing and approving additions to, and utilization of funds from, the Reserve Account in amounts less than 25% of the total Reserve Account balance. In the event the amount to be used from the Reserve Account will exceed 25% of the total Reserve Account balance, consultation and approval by the Board of Trustees is required.

The Accounting Department will be responsible for the regularly monitoring of the activity and balance in the Reserve Account. Periodic updates will be provided to the Executive Team and Board of Trustees regarding the Reserve Account activity and progress towards the goal of a Reserve Account balance of three months of Institutional Operating Expenses.

#### 702.6 DEFINITIONS

- Continuity of Operations -- The uninterrupted and continued operation of the College.
- Institutional Operating Expenses – Budgeted expenses funded by the unrestricted general fund. Grant funding and associated expenses are not included in this expense category.
- Short-Term Investment Account – The account to which annual TCC funding is added for use throughout the current fiscal year. These funds are invested in short-term CDs and other securities that will be redeemed to fund annual operating expenses.

#### 702.7 RELATED INFORMATION

- Financial Management Plan
- Investment Policy
- Utilization of Current Net Assets Policy

#### 702.8 REVIEW DATE

This policy will be reviewed every three years.