

## BC Academic Senate Resolution on the Reserve Amount in KCCD Board Policy 3A1A6

- (1) Whereas the colleges need to reinvest in our students and provide more educational opportunities and services for them so that more of them can be successful and complete their degrees;
- (2) Whereas the California Community College System Office in Memorandum FS 05-05 in Appendix C of the latest edition of the Budget and Accounting Manual defines a minimum prudent unrestricted general fund reserve for community college districts to be a minimum of 5% of their funding as a reserve for prudent fiscal management;
- (3) Whereas current KCCD Board Policy 3A1A6 states the unallocated district-wide unrestricted general fund reserves shall be no less than five percent (5%) and that the unrestricted general fund reserves calculation will be based upon the projected unrestricted expenditures multiplied by five percent (5%);
- (4) Whereas current KCCD Board Policy 3A1A6 with a codified 5% reserve was in place during the financial crisis in state funding in 2008 to 2013;
- (5) Whereas the current KCCD Board Policy 3A1A6 with a codified 5% reserve was flexible enough to enable KCCD to manage its finances, including temporary adjustments to its reserve levels, in order to remain financially sound during the financial crisis in state funding in 2008 to 2013;
- (6) Whereas the rationale for increasing the minimum percent amount for reserves is to provide a cushion for cash flow management if the state legislature does not pass a budget;
- (7) Whereas with the passage of Proposition 25 in November 2010 that allows a legislative majority vote to pass the California budget and docks lawmakers' pay for every day the budget is overdue, the state legislature has passed a budget on time every year since Prop 25 went into effect;
- (8) Whereas the cuts the colleges endured during the financial crisis in state funding in 2008 to 2013 led to a significant reduction of service the colleges provide to our students and to our communities with consequent reduction in educational opportunities for our students and communities;
- (9) Whereas the state funding has become more stable and predictable and is increasing;
- (10) Whereas an increased number of people with college degrees will improve the economic conditions of our county and will increase the number of creative, critical thinkers able to adapt to future economic crises;
- (11) Whereas an increase in the codified reserve percentage level removes money needed to reinvest in our students and communities and hinders the colleges in fulfilling the requirements to increase academic success and completion rates;
- (12) Whereas an increase in the codified reserve percentage level removes money from the 50% law calculation;

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- (13) Whereas the timing of the proposed increase in the codified reserve percentage level just before the time when contract negotiations are to start is perceived by employee groups as a move by district administration to remove money from the table during negotiations;
- (14) Whereas the proposed increase in the codified reserve percentage level leads to unnecessary agitation and building of animosity when KCCD needs to work together as a team toward the same common goal of improving the success and completion rates of our students;
- (15) Whereas the proposed increase in the codified reserve percentage level would unnecessarily restrict the flexibility and ability of future Boards of Trustees to meet the educational needs of the citizens in their communities while managing the financial health of KCCD;
- (16) Whereas the Bakersfield College Academic Senate understands the value of a healthy reserve and supports a *goal* of fifteen percent (15%) but not a codification of a three times higher reserve level for the above stated reasons,

**Be it resolved** that the Bakersfield College Academic Senate recommends that the second paragraph of KCCD Board Policy 3A1A6 remain as currently stated “Unallocated District-wide unrestricted general fund reserves shall be no less than five percent (5%). The budgeted unrestricted general fund reserves calculation will be based upon the projected unrestricted expenditures multiplied by five percent (5%). College budgeted reserves will not be considered as part of District-wide reserves.”

Note that an earlier draft of the resolution recommended a change in the board policy to keep the unrestricted general fund reserves at no less than 5% but have a goal of 15%: “...unrestricted general fund reserves shall be no less than five percent (5%) with a goal of fifteen percent (15%).” Upon further consideration, the goal was moved to a 16<sup>th</sup> “whereas” statement.

The “whereas” statements are numbered to aid in discussion at the Senate meeting, so that we can quickly refer to a particular statement and re-arrange the order of the statements to make our resolution more persuasive to the Board of Trustees.

Draft 2: 27 March 2014