

UHCC Policy Chapter 8, Business and Finance

UHCC Policy 8.201, Unrestricted Fund Reserve—General, Special, Revolving Funds

Effective Date: March 2012

Prior Dates Amended: January 2009, April 2018 (recodified)

Responsible Office: Office of the Vice President for Community Colleges

Governing Board of Regents Policy: Board of Regents Policy, [RP 2.202](#), Duties of the President

Review Date: February 2021

## I. **Purpose**

The University of Hawai'i Community Colleges (UHCCs) recognize the importance of maintaining special and revolving fund reserves (general funds lapse at the end of the fiscal year). The need for adequate reserves is reinforced by the standards of the Accrediting Commission for Community and Junior Colleges (ACCJC), which require that accredited institutions maintain adequate financial resources to ensure financial stability. This policy relates to Community Colleges unrestricted funds (General, Special, Revolving funds; excluding the Dormitory special fund and the Student Activities revolving fund).

## II. **Definitions**

### A. **Cash Reserve**

1. The cash reserve is defined as unrestricted funds set aside to ensure the long-term financial stability of UHCC programs by providing resources to address emergency situations, unanticipated shortfalls in revenue, and increases in expenditures and other financial requirements. Cash Reserves are made up of a **Minimum Reserve** and a **Target Reserve**.

### B. **Minimum Reserve**

1. The minimum reserve is defined as unrestricted funds set aside to address critical, one-time, unforeseen, non-discretionary items that require immediate funding. Minimum reserves may be applied to these needs only when target reserves (described below) are fully exhausted.

### C. **Target Reserve**

1. The target reserve is defined as unrestricted funds set aside to address requirements that are non-recurring in nature. The target reserve should not be used to address long-term funding requirements or financial structural deficiencies.

- a. Examples of items that would be addressed by the target reserve include, but are not limited to the following:
  - (i) Cash to meet the needs of self-supporting special and revolving operations at the beginning of each fiscal year (e.g., startup expenses that are incurred before revenues are collected);
  - (ii) Revenue shortfalls (e.g., an unforeseen decline in enrollment, significant delays in payments, etc.);
  - (iii) Budget shortfalls created by significant unanticipated expenses; or
  - (iv) Large non-recurring investments (e.g., equipment purchases, special repairs and maintenance of equipment and facilities, etc.)

### **III. Executive Policy**

#### **A. Guidelines**

1. The cash reserve level is set between 5-10% of the unrestricted funds (general, special, revolving funds; excluding the Dormitory special fund and Student Activities revolving fund) expenditures and encumbrances for the fiscal year.
2. The reserve percentage is calculated using an adjusted cash balance, which reflects fiscal year-end actual cash balances minus commitments for encumbrances and revenues collected for future time periods (deferred revenues). The adjusted cash balance is then divided by fiscal-year end expenditures and encumbrances (12th month) of unrestricted funds to derive the reserve percentage.

#### **a. Minimum Reserve**

- (i) Minimum reserves shall be maintained at 5% of unrestricted funds expenditures and encumbrances. Minimum cash reserves shall be deposited into specifically designated reserve accounts and used in accordance with the criteria outlined in the “Definitions Section” of this policy.
- (ii) Minimum reserves will be calculated by the Community College Budget, Planning and Finance Office (CCBPFO) at the end of each fiscal year and the calculated amount will serve as the reserve level for the upcoming year. Minimum reserves will be calculated and adjusted annually.
- (iii) Campuses that use minimum reserves, resulting in cash reserve balances that are less than the minimum reserve level of 5%, will

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be required to prepare a financial plan that details how the minimum reserve levels will be restored.

b. Target Reserve

- (i) Target reserves may be maintained at a level that is above the 5% minimum reserve and up to 10% of unrestricted funds expenditures and encumbrances. Target cash reserves will be used in accordance with the criteria outlined in the “Definitions Section” of this policy. The deposit of target reserves into specifically designated reserve accounts is not required.
- (ii) Target reserves will be calculated by the CCBPFO at the end of each fiscal year and the calculated amount will serve as the reserve level for the upcoming year. Target reserves will be calculated and adjusted annually.

c. Excess Reserves

- (i) Cash reserve balances at the end of each fiscal year in excess of the total reserve level of 10% (minimum plus target reserves) will be subject to review and may be transferred to the Office of the Vice President of the Community Colleges. Excess reserve balances may be reallocated for strategic initiatives, performance initiatives, or other needs which support the mission of the Community Colleges.

B. Responsibilities

1. Each Community College chancellor shall have the responsibility to:

a. Manage Cash Reserve

- (i) Campuses shall adopt measures to improve the financial status of its programs by taking actions as appropriate. These actions may be to increase activities and/or rates to increase revenue; create new revenue generating programs; eliminate non-profitable programs; restrict expenditures and impose more stringent cost-cutting measures; etc.

b. Monitor Cash Reserve

- (i) Quarterly “Reserve Status Report – Unrestricted Funds (General, Special, Revolving; excluding the Dormitory special fund and Student Activities revolving fund)” to monitor cash balances during the fiscal year shall be based on data from the Community College Budget Level Summary (BLS) system. The CCBPFO will prepare the Reserve Status Reports as part of the regular BLS system reports each quarter, throughout the fiscal year.

- (ii) The projected fiscal year-end cash balances will be compared to the target reserves based on projected current year expenditure and encumbrance data from the BLS quarterly reports. Reserve Status Reports at the end of each fiscal year, which reflects final actual data, will be used to determine reserve sufficiency.

**IV. Delegation of Authority**

**V. Contact Information**

Subject Matter Experts

Office of the Vice President for Community Colleges, telephone number 956-7038 or email at [jmorton@hawaii.edu](mailto:jmorton@hawaii.edu)

**VI. References**

A. Board of Regents Policy, [RP 2.202](#), Duties of the President

**VII. Exhibits and Appendices**

No Exhibits and Appendices found.

**Approved:**

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John Morton  
Vice President for Community Colleges

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Date