



# Manual of Policy and Procedures

Title  <b>SYSTEM ANNUAL OPERATING BUDGET          - RESERVES, CARRY OVER FUNDS &amp; MISCELLANY</b>	Number  403-D	Page  1 of 3
	Date  <b>01/23/2023</b>	

## PURPOSE

To be financially sound, the Vermont State Colleges System must maintain adequate financial reserves, fund capital equipment expenditures (information technology and facilities infrastructure), and have a sound plan for managing times of crisis. This policy establishes the minimum and maximum reserves, the procedures for addressing carry over funds, and related miscellaneous budgeted items.

## STATEMENT OF POLICY


1. **Contingency Reserve Fund.** To hedge against unanticipated shortfalls in Institutional Annual Operating Budgets, each Institution shall maintain a Contingency Reserve Fund equivalent 2.5% of budgeted unrestricted expenses for the current fiscal year. Use of Contingency Reserves is subject to approval by the Chancellor, and depletion of an Institution’s Contingency Reserves must be replenished in a timeframe determined in consultation with the Chancellor.
2. **Strategic Reserve.** The Institutions and System may reserve up to 10% of general fund budgeted expenses for the upcoming fiscal year as a Strategic Reserve. Such reserves may be budgeted as part of the system annual operating budget and with approval from the Board of Trustees.
3. **Economic Stabilization Fund.** The System shall maintain an Economic Stabilization Fund equivalent to three months (25%) of budgeted unrestricted expenses for the current fiscal year. Use of Economic Stabilization Fund is subject to approval by the Finance and Facilities Committee and depletion of the System’s Economic Stabilization Fund must be replenished in a timeframe determined in consultation with the Finance and Facilities Committee.

- A. Recognizing this is a major shift in reserve structure for the Vermont State Colleges, this provision shall be phased in over a period of **20** years. At minimum the System must have reserves equaling the amounts noted for each fiscal year unless otherwise stated by the Finance and Facilities Committee:

FY24: 5.7%	FY25: 6.7 %	FY26: 7.7%	FY27: 8.8%	FY28: 9.8%
FY29: 10.8%	FY30: 11.8%	FY31: 12.8%	FY32: 13.8%	FY33: 14.8%
FY34: 15.9%	FY35: 16.9%	FY36: 17.9%	FY37: 18.9%	FY38: 19.9%
FY39: 20.9%	FY40: 21.9%	FY41: 22.9%	FY42: 24.0%	FY43: 25.0%

4. **Information Technology Capital Fund**. Information technology equipment must be replaced on a regular basis. The VSC shall maintain a reserve equal to a minimum of one-seventh of the total replacement value of information technology equipment. Use of Information Technology Capital Fund is subject to approval by the Finance and Facilities Committee as part of the system annual operating budget process. In the event this reserve falls below one-seventh of the replacement value, a replenishment schedule shall be established in a timeframe determined in consultation with the Finance and Facilities Committee
- A. Recognizing this is a major shift in reserve structure for the Vermont State Colleges, the system will place in reserve two-sevenths, \$5,700,000, of the total replacement value of information technology equipment, and a lump sum of \$10,000,000 for replacement of the enterprise resource management system in the fund at the time of approval of this policy. By FY28, the fund must be self-supporting through Information Technology Shared Services.
- B. Existing reserves at the institutions for information technology shall be moved to the system-wide fund at the end of FY23.
5. **Construction, Renovation, and Maintenance Reserve**. The Institutions and System may reserve up to 15% of general fund budgeted expenses for the upcoming fiscal year as a Construction, Renovation, and Maintenance (CRM) Reserve. Such reserves may be budgeted as part of the system annual operating budget and with approval from the Board of Trustees.
6. **Carried Over Funds**. Upon the audited close of each fiscal year's books, any Carried Over Funds available (net of encumbrances forward, commitments forward, additions to Contingency Reserve (to bring up to minimum), *maintained* Contingency, Strategic and CRM Reserves) less than or equal to 5% of current year budgeted general fund expenses, may be proposed by the President for one-time uses subject to concurrence of the Chancellor

and approval by the Board. Additions to the Strategic Reserve and Construction, Renovation, and Maintenance Reserve require approval by the Board of Trustees and may not occur unilaterally. Funds exceeding 5% of the current year budgeted general fund expenses shall be deposited in the Vermont State College Economic Stabilization Fund.

  
 Signed by: \_\_\_\_\_  
 Sophie Zdatny, Chancellor

Date	Version	Revision	Approved By
1/23/2023	1.0	Adopted	VSCS Board of Trustees