

**GRAYS HARBOR COLLEGE**  
**Operational Policy**

**Subject: FINANCIAL STABILITY AND SOLVENCY**

**Page 1 of 1**

**Operational Policy Number: 530**

**Date adopted: 10/17/2017 Reviewed: 4/21/2020 Revised: 12/21/2021**

The Board of Trustees, in exercising prudent financial management, directs the college to maintain sustainable debt obligation and accumulate sufficient operating reserve balance to ensure the college has financial stability and solvency to carry out its mission.

The operating reserve balance is established to equal 10 percent of the college's annual General Operating budget. Specifically, the college will begin each fiscal year with operating reserve balance of no less than 10%. The amount of resources available in the operating reserve balance will be identified in the annual budget developed for the Board of Trustees (presented for approval per Operational Policy 503 Financial Management). The operating reserve balance can only be used to stabilize college budgets in the event of unplanned and/or emergent operating conditions and with the authorization of the Board of Trustees.

The Board of Trustees delegates to the President to manage operating reserve balance exceeding the required 10% considering the following goals in support of college priorities.

1. Stretch target of 15% operating reserve balance
2. Academic/instruction innovation
3. New programs and/or program enhancements start-up cost
4. Future equipment and facility investments
5. Unexpected allocation reduction impact mitigation
6. Unexpected enrollment decline impact mitigation
7. New initiatives to enhance enrollment and student success
8. Response to unplanned events, including natural disasters
9. Other situations in support of college priorities

The Board of Trustees directs the college to maintain sustainable debt obligation using sound financial management. The total debt obligation (aggregate of principal and interest payments) of the college in a fiscal year shall not exceed 3% of the average annual general operating budget for the four immediately preceding fiscal years. The Board will have the discretion to authorize a different percentage. The president or designee shall provide annual operating reserve balance and debt obligation status reports to the Board of Trustees.

**Definitions**

Operating Reserve Balance is accumulation of total operating budget revenue minus total operating budget expenses. Operating budget revenue and expenses include items typically recorded as operating budget revenues and expenses, excluding Fund 145 grants, Fund 522 Associated Students, Auxiliary Operations and other items not typically recorded as operating budget items.

Total Debt Obligation is debt with amortization period exceeding one fiscal year utilized by the college for specific capital project, excluding day-to-day operating items such as accounts payable, motor pool leases, copy machine leases and other obligations not typically recorded as long-term debt.