

POLICY ON RESERVES, UNIVERSITY STUDENT UNION/STUDENT RECREATION & WELLNESS CENTER

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BACKGROUND AND PURPOSE

The Associated Students, Incorporated is entrusted with the management and operation of the University Student Union and Recreation & Wellness Center facilities and programs. Effective long-term financial planning is critical to the management of comprehensive student facilities like the University Student Union and Student Recreation & Wellness Center. . At the direction of the California State University's Chancellor, auxiliary organizations are required to establish and maintain adequate reserve funding. Reserves are intended to meet the potential and anticipated business and operational needs of the University Student Union and Student Recreation & Wellness Center facilities. The evaluation of reserves

conducted in connection with the annual budgeting process provides management with the necessary information for ensuring adequate professional management of retained earnings and reserve accounts.

POLICY STATEMENT

It is the policy of the Associated Students, Incorporated to provide adequate reserves for current operations, working capital, minor capital outlay, future business requirements, debt repayment, and facility repair and replacement, as needed. The University Student Union, Recreation & Wellness Center Board of Trustees (URECBOT) shall establish, review, and approve the funding levels annually in accordance with the established budget process and the availability of funds. The URECBOT reserves the right to establish additional reserves on a case-by-case basis during the budget year. The Executive Director or their designee shall submit annually to the URECBOT proposals for the accumulation and use of reserve funds.

DEFINITIONS

For purposes of this policy, the terms used are defined as follows:

Term	Definition
Working Capital	The assets of a business that can be applied to its operation. The amount of current assets that exceeds current liabilities.
Major Maintenance and Repair/Capital Renovations and Upgrade Reserve (Repair and Replacement Reserve)	Reserves maintained by University on behalf of the USU/SRWC for the purpose of facility related improvements, repairs, and construction.
Capital Development for New Projects Reserve	Reserves maintained by ASI for the purpose of new future business needs of the organization.
Catastrophic Event Reserve	Reserve maintained by the University on behalf of the University Student Union for the purpose of losses caused by disasters such as earthquakes, floods, high winds, fire, or criminal activities such as bombings or arson.
Minor Capital Outlay Reserve	Reserves maintained by ASI for the purpose of replacing existing equipment and furniture.
Debt Service	The amount of cash required over a period of time to cover repayment of interest and principal on debt.
Retained Earnings	The accumulated net income retained for reinvestment in a business.
Reserve Funding	Funds held for future use by the organization.

Local Reserve	Reserves maintained within the financial records and accounts of Associated Students, Incorporated.
University-held Reserves	Reserves maintained on behalf of the USU/SRWC within the financial records and accounts of the university.

STANDARDS AND PROCEDURES

1.0 FISCAL VIABILITY REPORT

Pursuant to California State University Policy governing auxiliary organizations, ASI management and the URECBOT will annually review the fiscal viability of the organization, which includes an evaluation of the need for reserves and the establishment or revision of reserves in accordance with this review.

1.1 EVALUATION OF NEED FOR RESERVES

In evaluating the need for reserves, ASI management will analyze the following areas:

- Working Capital – to determine if the amount of cash on hand is sufficient to cover operating expenses during those times when expenditures may precede revenue.
- Current Operations – to determine if the Associated Students will be able to cover projected expenses with projected income for the coming year.
- Capital Replacement – Analysis shall determine if the USU’s investment in fixed assets and capital improvements is sufficient to maintain facilities at current standards, provide services at current levels, and offset the economic effects of depreciation.
- Capital Development for New Projects – Analysis shall determine if there are any future business needs that cannot be funded through the annual operating budget without causing a significant reduction in current programs or services.
- Debt Service – The annual debt service for USU/SRWC facilities.

This review shall be documented in writing and presented to the URECBOT as part of the annual budget process.

2.0 ESTABLISHMENT OR REVISION OF RESERVES

2.1 LOCAL RESERVES

Based on previous evaluations of need, the USU/SRWC has established the following local reserves and reserve levels.

2.1.1 RESERVE FOR WORKING CAPITAL

The Reserve for Working Capital shall be maintained to provide cash on hand to meet operating expenditures for at least ninety days. This reserve shall be maintained at a level not to exceed 25% of the prior year's income from operations.

2.1.2 RESERVE FOR MINOR CAPITAL OUTLAY

The Reserve for Minor Capital Outlay shall be maintained to provide a funding source for the replacements of furniture and equipment, which if entirely funded from an annual operating budget, would result in a significant deficit. This reserve shall be maintained at an amount equivalent to the projected amount of depreciation expense for the coming fiscal year.

2.1.3 CAPITAL DEVELOPMENT FOR NEW PROJECTS

The Reserve for Capital Development for New Projects shall be maintained to provide for future business requirements and/or new requirements for current business that have been recognized by the university and ASI management responsible for the USU/SRWC, as appropriate, and within the educational mission of the university. All retained earnings not otherwise designated for other purposes shall be maintained in this reserve with an initial goal of \$2,250,000.

2.2 UNIVERSITY-HELD RESERVES

The establishment of the following reserves is intended to provide a mechanism for the maintenance and application of the USU/SRWC funds held by the University in a prudent and sustainable manner.

2.2.1 MAJOR MAINTENANCE AND REPAIR/CAPITAL RENOVATIONS AND UPGRADE RESERVE (REPAIR AND REPLACEMENT RESERVE)

The Reserve for Major Maintenance and Repair/Capital Renovations and Upgrade shall be maintained to provide a funding source for emergency and long-term repairs, deferred maintenance, and possible future expansion of USU/SRWC facilities, which if entirely funded from an annual operating budget, would result in a significant deficit. Annual transfers will be made to this reserve at a minimum level of 5% of prior year's revenue from mandatory student fees.

2.2.2 CATASTROPHIC EVENT RESERVE

The Reserve for Catastrophic Event shall be maintained to pay for any self-insurance retention and for uninsured losses resulting from natural or other disasters such as earthquakes, floods, high winds, fire, or criminal activities such as bombings or arson. This reserve shall be maintained in an amount equal to 10% of the total insurable value of the USU/SRWC facilities.

2.2.3 DEBT SERVICE RESERVE

The Reserve for Debt Service shall be maintained to cover the cost of the Debt Service for the USU/SRWC facilities when the operating budget is unable to cover the cost of the payment. The reserve shall be

maintained at a level equal to at least 100% of the annual debt service payment. All retained student fee income not otherwise designated for other purposes shall be maintained in this reserve.

3.0 FUNDING RESERVES

Funds for reserves shall be derived from retained earnings. As needed, or as determined appropriate by the URECBOT, earnings from projected operations, student fees, and interest income may be designated to fund reserves in order to attain the levels prescribed above.

4.0 PROCESS

Annually, during the budget process, the Executive Director or their designee will submit recommendations for reserves funding and use to the University Student Union Board of Trustees for approval.

Upon approval from the URECBOT, the reserves will be recorded into separate accounts on the financial records of the USU/SRWC at the beginning of each fiscal year.

Expenditures from reserve accounts not identified during the annual budget process require the URECBOT's approval prior to implementing transactions.

Per CSU Chancellor's Office Executive Order 994, at a minimum of once every three years, each campus shall conduct an in-depth review to assess the adequacy of the reserves and the campus reserve policies applicable to the projects funded by debt, and shall make necessary adjustments and changes to account for changing conditions. For Major Maintenance and Repair/Capital Renovation and Upgrade Reserves, the reviews should include formal studies of facility systems and necessary funding levels to cover all aspects of cost of replacement through the reserve-funding plan.