

CSU CHANNEL ISLANDS ASSOCIATED STUDENTS INC.

Policy: Reserve Policy
Effective Date: May 4, 2017

Purpose

It is the policy of ASI to provide adequate reserves for economic uncertainty, minor capital outlay and future construction, program development, debt repayment, equipment acquisition, catastrophic events, and building maintenance and repair as needed. The ASI Board of Directors shall establish and review funding levels annually in accordance with the established budget process and the availability of funds and in keeping with CSU and CSUCI policy. The ASI Board of Directors reserves the right to establish additional reserves on a case-by-case basis during the budget year. The ASI Executive Director shall submit annually to the ASI Board of Directors proposals for the accumulation and use of reserve funds.

Background

The ASI Board of Directors oversees two separate Category II Fees, the Associated Student Fee and the Student Body Center Fee. The Associated Students Incorporated for CSU Channel Islands is entrusted with the management and operation of the Student Union and a number of vital student activities and campus service programs. Critical to the management of ASI and the Student Union is effective long-term financial planning. Reserves are intended to meet the potential and anticipated business, programmatic, emergency, and operational needs of ASI and the Student Union. 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.

Authority

At the direction of the CSU's Chancellor, auxiliary organizations are required to establish and maintain adequate reserve funding. See Executive Order 994.

Accountability - Who Should Know This Policy

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| <input checked="" type="checkbox"/> ASI Board of Directors | <input checked="" type="checkbox"/> ASI Professional Staff | <input type="checkbox"/> ASI Student Employees |
| <input type="checkbox"/> Student Union Student Employees | <input checked="" type="checkbox"/> Budget Support Staff | <input type="checkbox"/> ASI Entity Leaders |
| <input type="checkbox"/> ASI Entity Organization Members | <input type="checkbox"/> ASI Entity Advisors | |

Applicability - Who Does the Policy Apply To

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> Board Members | <input checked="" type="checkbox"/> ASI Professional Staff | <input type="checkbox"/> Student Employees |
| <input type="checkbox"/> Students | <input type="checkbox"/> Staff | <input checked="" type="checkbox"/> University Administrators |
| <input type="checkbox"/> University Clubs/Orgs | | |

Policy Regulations

General Regulations for Both Fees

Fiscal Viability Report

Per CSU Policy governing auxiliary organizations, ASI management and the Board of Directors 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. This review shall be documented in writing and presented to the ASI Board of Directors as part of the annual budget process.

Evaluation of Need for Reserves - In evaluating the need for reserves, the ASI Executive Director, ASI Treasurer and ASI Budget Analyst will analyze the following reserve designations:

- **Working Capital and Economic Uncertainty** - (assets of a business that can be applied to its operation) – analysis shall determine if the amount of cash on hand is sufficient to cover operating expenses during those times when expenditures precede revenue (i.e. summer months) or when revenue falls short of expectations due to changes in economic conditions or student enrollment.
- **Building Maintenance and Repair** – Analysis shall determine if the ASI investment in fixed assets is sufficient to maintain facilities at current standards, and offset the economic effects of depreciation.
- **Programmatic and Facility Development** – Analysis shall determine if there are any future programmatic or building needs that cannot be funded through the annual operating budget without causing a significant reduction in current programs or services.

Establishment or Revision of Reserves – Based on previous evaluation of need, ASI has established the following reserve guidelines for each fee.

Associated Student Fee Reserves

The Associated Student Fee shall maintain four reserve funds as outlined below. The reserve accounts are listed in priority order. During the annual review of reserve fund balances, allocation from either budget savings or excess revenue will be made first to any reserve fund with a balance that is lower than the minimum level required; and then, to bring reserve accounts to the allowed maximum level in the order of priority listed below.

1. ***Reserve for Economic Uncertainty*** - A reserve shall be maintained in the operating fund to provide for unanticipated major expenses or reductions in income resulting from shortfalls in enrollment or business interruptions.
 - *Minimum balance*: This portion of the fund shall maintain a minimum balance to meet 25% of annual budget allocation.
 - *Maximum balance*: Per CSU and CSUCI policy, this portion of the fund shall maintain a maximum balance not to exceed 50% of annual budget allocation.
 - *Annual Contribution*: The Economic Uncertainty Reserve shall be the first priority for funding each year after assuring that all four ASI Fee reserve accounts are at the minimum required balance. If reserves are below maximum balance but above minimum balance, then contributions to this reserve from excess revenue or budget savings shall be made with remaining funds until the fund run out or the maximum balance is achieved.
 - Allocation of this Reserve: See “Process” below.

2. ***Reserve for Program Development*** - A reserve fund shall be maintained to provide for new program development and/or future business requirements. This may include new program initiatives, pilot programs, software and database procurement, or other short- or long-term organizational development initiatives as appropriate and within the educational mission of CSU Channel Islands.
 - *Minimum balance*: This portion of the fund shall maintain a minimum balance to meet 10% of annual budget allocation.
 - *Maximum balance*: This portion of the fund shall maintain a maximum balance not to exceed the greater of 25% of annual budget allocation OR the cost of an initiative that ASI seeks to undertake with approval of the ASI Board and the CSUCI President.
 - *Annual Contribution*: The Program Development Reserve shall be the second priority for reserve funding each year from budget savings and excess revenue, provided all other reserve accounts are at or above the minimum balance requirements
 - Allocation of this Reserve: See “Process” below.

3. ***Reserve for Equipment Acquisition*** - A reserve fund shall be maintained to provide for furniture, equipment, and machinery including computers and printers. Expenses to



this reserve will typically be in excess of \$1,000 per occurrence and when replacement is expected to occur less frequently than every three years. A schedule for equipment replacement shall be developed and utilized to assure adequate reserves for planned equipment acquisition.

- *Minimum balance:* This portion of the fund shall maintain a minimum balance to meet the subsequent year's planned equipment expense plus 10%, or \$15,000, whichever is greater.
 - *Maximum balance:* This portion of the fund shall maintain a maximum balance that is the greater of five years of planned equipment expense OR \$50,000.
 - *Annual Contribution:* The Equipment Reserve shall be the third priority for reserve funding each year from budget savings and excess revenue, provided all other reserve accounts are at or above the minimum balance requirements.
 - *Allocation of this Reserve:* See "Process" below.
4. ***Reserve for Catastrophic Events*** - A reserve fund shall be maintained to support ongoing operational needs and business continuity in the event of a natural disaster or other catastrophic event.
- *Minimum balance:* This reserve shall maintain a minimum balance equal to 10% of the annual budget allocation
 - *Maximum balance:* This reserve shall maintain a maximum balance not to exceed 75% of the annual budget allocation.
 - *Annual Contribution:* The Catastrophic Events Reserve shall be the fourth priority for reserve funding each year from budget savings and excess revenue, provided all other reserve accounts are at or above the minimum balance requirements.
 - *Allocation of this Reserve:* Should a Catastrophic Event occur, the ASI Executive Director shall work with the Vice President for Student Affairs (VPSA) and the Vice President for Business and Financial Affairs (VPBFA) to identify funds needed to support business continuity. Upon approval of the VPBFA, funds will be provided from this reserve on an as-needed basis. Reporting of these allocations and associated expenses must be reported to the ASI Board at the first reasonable opportunity.

Student Body Center Fee Reserves

The Student Body Center Fee (SBCF) shall maintain seven reserve funds as outlined below. In addition to the annual operating expenses, the Student Body Center Fee must also cover costs associated with the short- and long-term maintenance of the Student Union, payment of the annual state revenue bond obligation, and provide for a minimum of a 1.1 debt service coverage ratio with 1.35 or greater being preferred. The reserve accounts are listed in priority order. During the annual review of reserve fund balances, allocation from either budget savings or excess revenue will be made first to any reserve fund with a balance that is lower

than the minimum level required; and then, to bring reserve accounts to the allowed maximum level in the order of priority listed below.

1. **Reserve for Debt Services**— A portion of the reserve fund shall be maintained at a level sufficient to cover the ASI’s obligation to the state revenue bond program.
 - *Minimum balance*: This portion of the fund shall maintain a minimum balance to meet 50% of annual debt service.
 - *Maximum balance*: This portion of the fund shall maintain a maximum balance not to exceed 100% of annual debt service.
 - *Annual Contribution*: The Debt Service Reserve shall be the first priority for funding each year after assuring that all seven SBCF reserve accounts are at the minimum required balance. If all SBCF reserves are below maximum balance but above minimum balance, then contributions to this reserve from excess revenue or budget savings shall be made with remaining funds until the funds run out or the maximum balance is achieved.
 - *Allocation of this Reserve*: The VPBFA will utilize this reserve fund to make full or partial payment of SBCF bond obligation if revenues in a given year are insufficient to meet this obligation.

2. **Reserve for Economic Uncertainty** – A reserve shall be maintained in the operating fund to provide for unanticipated major expenses or reductions in income resulting from shortfalls in enrollment or business operations.
 - *Minimum balance*: This reserve fund shall maintain a minimum balance to meet 25% of annual budget allocation.
 - *Maximum balance*: Per CSU and CSUCI policy, this reserve fund shall maintain a maximum balance not to exceed 50% of annual budget allocation.
 - *Annual Contribution*: The Economic Uncertainty Reserve shall be the second priority for funding each year after assuring that all seven SBCF reserve accounts are at the minimum required balance. If reserves are below maximum balance but above minimum balance, then contributions to this reserve from excess revenue or budget savings shall be made with remaining funds until the fund run out or the maximum balance is achieved.
 - *Allocation of this Reserve*: See “Process” below.

3. **Reserve for Facilities Maintenance and Repair(BMR)** - A reserve fund shall be maintained to provide a funding source for emergency and long-term repairs and deferred maintenance of Student Union facilities. Planned or unplanned expenditures from this fund will generally be for maintenance projects that are performed less frequently than every three years and where the total cost of the project is \$5,000 or more. Planned costs are derived from a 20+ year plan developed collaboratively with Facility Services.



- *Minimum balance:* This reserve fund shall maintain a minimum balance to meet the year's anticipated BMR needs and 10% additional, or \$150,000, whichever is greater.
 - *Maximum balance:* This reserve fund shall maintain a maximum balance that is the greater of the upcoming ten years' planned annual BMR requirements OR \$250,000.
 - *Annual Contribution:* The BMR Reserve shall be the third priority for funding each year after assuring that all seven SBCF reserve accounts are at the minimum required balance. If reserves are below maximum balance but above minimum balance, then contributions to this reserve from excess revenue or budget savings shall be made with remaining funds until the fund run out or the maximum balance is achieved.
 - *Allocation of this Reserve:* Expenses will be charged to this fund as they occur and are approved by the President based on the 20-year plan, and by the VPBFA in emergencies. Reports of approved expenses and completed projects shall be reported to the ASI Board.
4. ***Reserve for Equipment Acquisition*** - A reserve fund shall be maintained to provide for furniture, equipment, and machinery including computers and printers. Expenses to this reserve will typically be in excess of \$1,000 per occurrence and replacement is expected to occur less frequently than every three years. A schedule for equipment replacement shall be developed and utilized to assure adequate reserves for planned equipment acquisition.
- *Minimum balance:* This reserve fund shall maintain a minimum balance to meet the subsequent year's planned equipment expense plus 10%, or \$50,000, whichever is greater.
 - *Maximum balance:* This reserve fund shall maintain a maximum balance that is the greater of ten years of planned equipment expense, OR \$250,000.
 - *Annual Contribution:* The Equipment Reserve shall be the fourth priority for reserve funding each year from budget savings and excess revenue, provided all other reserve accounts are at or above the minimum balance requirements.
 - *Allocation of this Reserve:* Expenses will be charged to this fund as they occur and are approved by the University President based on the 20-year plan, and by the VPBFA in emergencies. Reports of approved expenses and completed projects shall be reported to the ASI Board.
5. ***Reserve for Program Development*** – A reserve fund shall be maintained to provide for new program development and/or future business requirements. This may include new program initiatives, pilot programs, software and database procurement, or other short- or long-term organizational development initiatives as appropriate and within the educational mission of CSU Channel Islands.



- *Minimum balance:* This reserve fund shall maintain a minimum balance to meet 3% of annual operating budget allocation.
 - *Maximum balance:* This reserve fund shall maintain a balance that is the greater of 25% of annual operating budget allocation OR the cost of an initiative that ASI seeks to implement which is approved by the ASI Board and the University President.
 - *Annual Contribution:* The Program Development Reserve shall be the fifth priority for reserve funding each year from budget savings and excess revenue, provided all other reserve accounts are at or above the minimum balance requirements.
 - Allocation of this Reserve: See “Process” below.
6. **Reserve for Catastrophic Events** - A reserve fund shall be maintained to support ongoing operational needs and business continuity in the event of a natural disaster or other catastrophic event.
- *Minimum balance:* This reserve fund shall maintain a minimum balance equal to 50% of the annual budget allocation
 - *Maximum balance:* This reserve fund shall not have a maximum limit.
 - *Annual Contribution:* The Catastrophic Events Reserve shall be the sixth priority for reserve funding each year from budget savings and excess revenue, together with the Future Construction Reserve described below, provided all other reserve accounts are at or above the minimum balance requirements.
 - Allocation of this Reserve: Should a Catastrophic Event occur, the ASI Executive Director shall work with the Vice President for Student Affairs (VPSA) and the Vice President for Business and Financial Affairs (VPBFA) to identify funds needed to support business continuity or to meet urgent facility needs. Upon approval of the VPBFA, funds will be provided from this reserve on an as-needed basis. Reporting of these allocations and associated expenses must be reported to the ASI Board at the first reasonable opportunity.
7. **Reserve for Capital Improvements/ Construction**– A reserve fund shall be maintained to provide for future planning and construction of additional Student Union facilities and/or capital improvement of existing facilities.
- *Minimum balance:* There will be no minimum balance for this reserve fund.
 - *Maximum balance:* There will be no maximum limit for this reserve fund.
 - *Annual Contribution:* The Future Construction Reserve shall be the sixth priority for reserve funding each year, together with the Catastrophic Events Reserve, provided all other reserve accounts are at or above the minimum balance requirements. All retained earnings not otherwise utilized in the fiscal year for operations or to fund other needed reserve funds as described above will be reallocated to the Construction Reserve
 - Allocation of this Reserve: See “Process” below.

Funding Reserves

Each year, funding for reserves shall be derived from budget savings and revenue received beyond what was planned. Deviations from the funding strategies described herein may occur through a vote of the ASI Board of Directors, or as needed based on changes to CSU or CSUCI policy.

Allocation Process

Except as otherwise noted above, the ASI Executive Director will submit recommendations for reserve funding and use to the ASI Board of Directors during the annual budget process. The ASI Board has the authority to recommend the ASI annual budget, to include expenses from reserve funds, to the CSUCI President for approval. CSUCI maintains authority and responsibility for assuring the short and long term maintenance of the Student Union Building needs are met and for assuring that resources are allocated for managing emergencies as they arise. For planned occurrences, approval is provided by the University President; in emergency situations, approvals will be provided by the VPBFA. The ASI Executive Director shall provide information to the ASI Board on the allocations made and expenses incurred.

Upon approval from the ASI Board of Directors, the reserves will be recorded into a separate ASI fund at the end of each fiscal year.

Expenditures from reserve funds not identified during the annual budget process require the ASI Board of Directors approval prior to implementing transactions unless otherwise noted above for facility emergencies. These requests will follow ASI Board procedures for requesting fund allocations.