

Title: CALIFORNIA STATE UNIVERSITY, STANISLAUS AUXILIARY AND BUSINESS SERVICES RESERVE POLICY

Effective: January 1, 2003

Office: Auxiliary and Business Services

Approved: December 12, 2002

I. Purpose

This policy is established to set forth guidelines and criteria for maintaining adequate account reserves to assure the financial well being of the California State University, Stanislaus Auxiliary and Business Services.

II. Authority

The policy set forth within this document is issued under the authority of the California State University, Stanislaus Auxiliary and Business Services Board of Trustees. Authority and accountability is herewith delegated to the Auxiliary and Business Services Executive Director for implementation of this policy.

III. Policy

The California State University, Stanislaus Auxiliary and Business Services (ABS) shall maintain reserves in four fund categories:

- A. General Fund: funds available for Auxiliary administrative operations
- B. Designated Fund: funds for specific purposes identified by the Board of Trustees
- C. Auxiliary Activities Fund: ongoing revenue-producing activities (e.g. bookstore, food service, residential life village)
- D. Plant Fund: investments in fixed assets

At the end of each fiscal year, the ABS Finance Manager will prepare a financial report indicating what reserve contributions are required for the following fiscal year. The ABS Executive Director will finalize the report and present it to the Board of Trustees for approval at the last quarterly meeting of the fiscal year.

All expenditures from the ABS reserve accounts require the approval of the ABS Executive Director and will be reported to the ABS Board of Trustees.

IV. Guidelines

A. General Fund Reserves

Adequate reserves should be maintained for emergency administrative operating expenses and to offset unexpected shortfalls in anticipated income as appropriate. The minimum reserve-level target shall be equal to six months of the administrative operating expenses, determined by calculating an average of the past three years. The maximum reserve-level target shall be one full year's administrative operating budget, as determined by calculating an average of the past three years.

B. Designated Fund Reserves

From time to time the Board of Trustees may identify a specific need requiring a reserve account (e.g. post-retirement obligation, real estate acquisition). When such a

designated fund is established the minimum and maximum for such a reserve shall be stipulated.

C. Auxiliary Activities Fund Reserves

Each ABS revenue-producing activity (e.g. bookstore, food service, residential life village) shall maintain a program reserve. These reserves shall be used for emergency operating expenses, to offset unexpected shortfalls in anticipated income, and to purchase new equipment, as appropriate. The minimum reserve-level target shall be fifty percent (50%) of the revenue-producing activity’s operating expenses, determined by calculating an average of the past three years. The maximum reserve-level target shall be one hundred percent (100%) of the revenue-producing activity’s operating expenses, determined by calculating an average of the past three years. If existing financing instruments require specific reserves, those will be met.

D. Plant Fund Reserves

ABS shall maintain a reserve to be used to fund equipment and facility maintenance and/or replacement associated with the commercial operations (revenue-producing activities) of ABS. The equipment/facility maintenance/replacement fund reserve-level target shall be based on a ten-year maintenance/replacement cycle. The initial reserve-level target shall be twenty percent (20%) of the total scheduled maintenance/replacement amount. The annual minimum reserve-level target shall be ten percent (10%) of the total scheduled maintenance/replacement amount. The equipment/facility maintenance/replacement schedule shall be reviewed and updated on a three-year basis.

E. Funding Priority

Compliance with any existing financing instrument requirements shall be met. Should sufficient funds not be available to contribute to, or advance, all the remaining identified Reserve-Fund Categories to the greatest extent possible, they will be funded in the following order of priority:

- Auxiliary activities based upon an analysis of the current risk of failure or need
- Plant Fund
- Designated fund, if existing
- General Fund

IN WITNESS WHEREOF, this policy has been executed by the parties hereto, as of the date first written below.

Executed on December 12, 2002

Approved on: December 12, 2002

**California State University, Stanislaus
Auxiliary and Business Services**

**California State University, Stanislaus
Auxiliary and Business Services Board
of Trustees**

Signature on file

Signature on file

By _____
Mary Stephens
Executive Director

By _____
Marvalene Hughes
Chairperson