Division of
BUSINESS & FINANCIAL AFFAIRS
CHANNEL ISLANDS

California State University

MEMORANDUM

DATE: March 3, 2025

TO: President's Planning Policy Council (PPPC)

FROM: Bradley Olin, Ed.D., Vice President for Business & Financial Affairs/CFO

SUBJECT: BFA Policies Recommendations - March 2025

We recommend the removal of certain policies that either duplicate existing California State University (CSU) policies without adding campus-specific details or primarily document procedures and processes rather than actual policy. Eliminating these redundant or procedural documents will not only streamline the manual and align our policy framework with CSU standards but also increase operational efficiency by reducing the time and resources needed for policy review and maintenance. CSU Policy Library

Policy	**Status**	**Lead**
Recommend removing:		
Business Travel	Duplication of CSU Policy 15645082	Stephanie Bracamontes
Procurement	Procedural- Handbook is already posted to website	Stephanie Bracamontes
University & Auxiliary Operating Reserves	Duplication of CSU Policy 12793248 CSU Policy 15644789	Stephanie Bracamontes
Administration of Student Org Funds	Duplication of CSU Policy 15008510	Bradley Olin
Minor Capital Outlay	Process for review of minor capital projects. Should be documented with an Administrative Detail.	Jim August
Recommend keeping:		
Chargebacks	Requires updates in terminology	Bradley Olin
Strategic Risk Management	CSU Policy 16707369 Campus Risk Management Policy. Further investigation needed regarding. Is a policy or AD required?	Jeff Kim
Campus Violence	Further investigation needed.	MariaElena Plaza

Revised 3/20/2025

Division of Business & Financial Affairs
Approved By: Erika D. Beck
President

Policy Number: FA.04.002
Effective Date: 10/17/16

Policy on University & Auxiliary Operating Reserves

PURPOSE:
To provide guidelines for CSU Channel Islands (CI) operating, auxiliary enterprises, and auxiliary organizations in establishing adequate reserves and reporting proper reserve designations to the Office of the Chancellor and the State of California. The University and Auxiliaries shall establish, review, and approve the funding levels annually in accordance with this policy, the established budget process, and the availability of funds.

BACKGROUND:
The establishment of adequate reserves for auxiliary organizations is required to meet the California State University financial standards established in Education Code, Section 89940(b). CI is adopting this requirement for all entities and/or funds established to support the mission of the University. These include but are not limited to the campus operating fund, Extended University, student housing funds, parking funds, Site and Finance Authorities, University Auxiliary Services, Associated Students Inc., and the CI Foundation. The guidelines established in this policy will serve as a foundation for establishing fund specific reserves.

POLICY:
Accountability:
The Chief Financial Officer (CFO) is responsible for monitoring reserves to ensure that amounts are in compliance with this policy and are consistent with campus plans and requirements. (ICSUAM policy 2001-00)

Applicability:
The policy applies to all University administrative and academic units, auxiliary enterprises, and auxiliaries organizations.

Text
All specific fund and/or entity reserves shall at a minimum include:
- Maintaining an adequate level of reserves.
- Minimally, working capital reserves shall be no less than three months of estimated payroll expenses or no less than six months of operating expenses; dependent upon fund requirements. Reserve balances shall not be in excess of 100% of the annual operating budget, or if specified per ICSUAM 2001-00.

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- If a reserve balance falls below the established minimum, a contingency plan must be created to restore the minimum balance requirement.
- If a reserve balance is in excess of maximum at the end of the fiscal year (June 30), the entity will demonstrate the reason behind the excess, and submit a plan to reduce the fund balance.
- During a period of extreme fiscal crisis, the University's CFO may choose to suspend this requirement for a specified period.

- Understanding that the University and auxiliaries operate under different circumstances and conditions, which may change over time, the responsibility for the execution and implementation of this policy is with the CFO.

Based on an evaluation of the need for designated reserves, entities and or University fund managers must establish a reserve policy to addresses the following designations, as appropriate:

- Economic uncertainty
- Working capital
- Capital programs
  - Operating Fund
- Debt service
  - Major Maintenance and Repair/Capital Renovation and Upgrade
  - Working Capital
  - Capital Development for New Projects
  - Catastrophic Events
- Future business requirements

Reserve Designations:

A. **Economic Uncertainty:** A portion of the reserve fund shall be maintained to provide for unanticipated major expenses or reductions in income resulting from shortfalls in enrollment or business interruptions.
   i. Per California State University (CSU) policy 2001.00 funds may establish and maintain reserves for economic uncertainties that do not exceed more than one-half of the projected annual operating budgets.

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CSU Fund	CSU Despription	CI Fund*
441	Continuing Education	TH901; TH910; TH915
451	Health Facilties	TE901
463	Instructionally Related Activities Trust	TK910; TK920
464	International Programs Trust	
471	Parking Fines and Forfeitures	TF901
472	Parking Fees	TG901
481	Lottery	LA910; LA915; LA920
485	CSU Operating	GD9**
531	Housing Operations	TT901
534	Campus Union Operations	DA005
*Please contact Budget & Planning for current list of funds		

B. **Working Capital:** An analysis shall determine if the amount of cash on hand is sufficient to cover operating expenses during those times when expenditures may precede revenue.

C. **Capital Programs – Operating Fund:** The California Budget Act of 2014-15 shifted the debt for existing financed capital projects to the CSU, along with an augmentation to its operating budget to service the existing general obligation and lease revenue debt. However the state did not provide augmentations to the operating budget for new facilities and deferred maintenance projects. And so, in accordance with the Budget Act, the CSU must now allocate a portion of its operating budget for funding for new buildings, campus infrastructure, scheduled maintenance, and deferred maintenance projects. Given this, universities must set aside reserves for any new capital projects, critical facility renewal projects, and maintenance.

D. **System-wide Revenue Bond (SRB) Debt Service:** A portion of the reserve fund shall be maintained at a level sufficient to cover the maximum annual debt service on outstanding bonds associated with financing and owned buildings and the amount of interest due at the next interest date. Executive Order 994 “Financing and Debt Management Policy” requires each projct on the campus and auxiliary to maintain the following Debt Service Coverage Ratios (DSCR) : 1.45

systemwide; 1.35 university and 1.10 for each stand alone project. DSCR consists of annual gross revenue, less annual operating expenses divided by annual debt service. This ratio is the benchmark for decision making about new debt and management of current debt. All debt payments will be made on time and that the reserve is at or above the published benchmarks. A portion of the SRB debt service reserve shall be maintained for building maintenance and/or equipment repair/replacement.

All University facilities shall have a maintenance and renewal plan, forecasting at least tenyears, and shall be updated based upon current studies, emergency repairs, or maintenance completed. The University and auxiliaries must develop a plan that sets a target for funding levels with dollar amounts for contributions to the reserve fund that aligns with the maintenance and renewal plan. This plan will include any building/equipment repair projects which will be submitted to and approved during the annual budget process.

E. **Future Business Requirements:** A portion of the reserve fund shall be maintained to provide for future business requirements and/or new requirements for current business that have been recognized by the University as appropriate and within the educational mission of CI.

Use of Reserves:
Reserves may be budgeted to cover operations in cases where other reasonable methods have been insufficient to maintain a balanced budget. There are three primary uses for reserves:

1. To protect the University in cases of sudden shortfalls in revenue (unforeseen shortfall in enrollment or a reduction in state appropriation);
2. To cover unanticipated expenses (major disasters, equipment failures, unanticipated cost increases);

   (Scenarios above may reduce the reserve balance below the minimum requirements, but due to the nature of these unexpected expenses a plan should be written to document how the entity plans to return to at least minimum levels within a reasonable time frame.)
3. To provide one-time funding for campus initiatives after minimum reserve requirements are satisfied.
   a. One–time funding allocations shall not reduce the fund balance below its minimum requirements. If such requests will reduce the fund balance below the minimum the one-time funding shall not be approved.

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EXHIBITS:
None.