



ACADEMY POLICY MANUAL

Policy Title:	Self Supporting Trust Fund Reserve Requirements
Policy Number:	AF 03-001
Policy Administrator:	Vice President for Administration and Finance
Policy Initiator:	Associate Vice President for Administration and Finance, Stephen Mastro
Authority:	CSU Policy Statement April 7, 1983, Title 5, Sec. 42402 Edu. Code 89904; EO 847; EO 994
Effective Date:	December, 2011
Revised Date:	
Approved:	President William Eisenhardt
Approval Signature:	/s/

Purpose

This Policy establishes guidelines for CMA self supporting trust entities to establish and maintain adequate reserves. Such reserves will ensure the self supporting entity can continue to serve the campus when faced with unplanned events. The policy is designed to be in compliance with Financial Standards and Fiscal Viability Guidelines for CSU Auxiliary Organizations.

Scope

Applies to all CMA Enterprise, Auxiliary Enterprise, and student fee supported trust activities for which annual budgets are prepared and approved by the CFO and president.

Responsibilities

The budget office will monitor the designated reserves and report the status to the CFO. The CFO will review the reserve status and may make a recommendation to the president to approve or disapprove plans for expenditures that would reduce a reserve to a level below that which is required by the policy. The President has final approval.

Policy

Self supporting budgeted trust fund programs at CMA are expected to maintain reserve balances for one or more purposes. Reserves are required for: 1) working capital for current operations; 2) maintenance and renovations reserves; 3) debt service reserves; and, 4) capital development project reserves. Funds

that only require a working capital reserve shall maintain this reserve at an amount equal to 25% of the annual projected budget.

Self supporting funds that require additional reserves for other categories listed above shall budget reserves as follows:

- Working Capital Reserve equal to 10% of the annual budget.
- Maintenance and Renovations Reserve equal to 10% of the annual operating budget, or per a maintenance reserve schedule approved by the CFO. This reserve is intended to fund the periodic restoration of facilities or equipment on time cycles of 2 to 25 years. Examples of projects to be funded by this reserve include; roofs, bathroom renovations, painting, equipment and furniture.
- Debt Service Reserve equal to twice the amount of any known annual debt service amounts. This requirement is necessary to ensure the debit service ratios are met per EO 994 and that payments are made in the event of an economic downturn, reduced enrollment, or reduced participation in board or other plans.
- Capital Project Reserve may be allocated funds each year based on a schedule approved by the CFO and President. This fund will be to provide equity funding for future capital construction projects.

Any programs not currently meeting this policy requirement for maintaining an appropriate reserve will be required to submit a written plan, including a timeline, to the CFO to achieve compliance.

***** END POLICY *****

Procedures

- The budget office will prepare a Budget Development Template for use by all non-operating trust budgeted programs. This template will include the current reserve balances and a projected end of fiscal year balance.
- The Program manager will develop as part of the budget plan for the following year the amount to spend or add to the capital and operating reserves.
- The budget office will review and discuss the budget with the manager to ensure all reserve categories are adequately funded and the budget text clearly states the reason for any unusual increase or decrease in any reserve category.
- The CFO will review the self supporting trust reserve plan and make a recommendation to the president to approve or disapprove.
- Upon approval by the President the budget/reserve plan will be implemented.
- The budget office will hold mid-year meetings with each manager to review the plan. This review will include:
 - Review of budgeted revenue to determine if revenue is on track to meet projections.
 - Review of budgets expenditures to determine if the spending plan is on track to meet projections.
 - Discuss the indicated adjustments to the revenue and expenditure budgets to meet fiscal year net income projections.
 - Ensuring that the working capital reserve balance is being maintained while supporting the current operations.
 - Ensuring the maintenance and renovations reserve is being maintained while current year projects and/or reserve schedule items are being addressed.
 - Ensuring the debit service reserve is maintained at the level required by policy.
 - Ensuring the capital development reserve is on track per the approved schedule and the funds to be added this year appear to be available.

Reference Forms

The budget office will create the forms necessary for annual budget development. This will be in the form of an excel book which will include the instructions, an example of a completed form, and the blanks for creating the personnel and operating budgets. Budget text descriptions can be included in the template or submitted as attached documents.