

Santos Manuel Student Union
of
California State University, San Bernardino

RESERVE ACCUMULATION POLICY

I. PURPOSE

The purpose of this policy is to provide criteria for the Santos Manuel Student Union (SMSU) Board of Directors, SMSU management and university staff to measure the adequacy of SMSU corporate reserves and to act as a guide in allocating corporate reserves for repairs, replacements, facility modifications, and other special projects.

The Santos Manuel Student Union shall maintain *local* reserves in the following categories:

- A. Equipment Replacement (excluding Food Service Equipment and furnishings)
- B. Program Reserves
- C. Working Capital
- D. Repairs and Maintenance
- E. Special Projects

SMSU reserves held at the State Controller's office include an Interest and Redemption Fund, and a Construction Fund. A Revenue Fund and a Repair and Replacement Fund have been established as trust accounts for the SMSU at California State University, San Bernardino. Food Service Equipment, furnishings and major repairs shall be replaced with funds from the Repair and Replacement Fund or excess monies in the Revenue Fund. Capital Development for New Projects Reserves will be maintained in the Revenue Fund. Catastrophic Events Reserves will be maintained in the Repair and Replacement Fund.

II. LOCAL RESERVES

Local reserves are invested in the Local Agency Investment Fund (LAIF), and certificates of deposit through the university Accounting Office.

A. *Equipment Replacement Reserves*

Equipment Replacement Reserves shall be maintained to provide a method to spread costs for replacements and major repairs evenly across budget years and to reserve for anticipated future equipment replacement needs. Reserves shall be funded annually through an allocation from the operating budget based on average annual costs for projected repairs and replacement needs.

B. *Program Reserves*

Each Student Union Program area, i.e., Program Board, Cross Cultural Center, Women’s Resource Center, Adult Re-Entry Center, Pride Center, Scheduling, Graphics, Student Recreation & Fitness Center and Palm Desert Campus may maintain a program reserve. This reserve shall be used for emergency operating expenses, to offset unexpected shortfalls in anticipated income, and to purchase new equipment, as appropriate. These reserves shall be funded from net budget savings, if any, from the corresponding program area.

C. *Working Capital Reserves*

The SMSU shall maintain working capital reserves. These reserves shall be used to provide working capital, produce interest income for operating expenses, and serve as a “program reserve” for non-program areas, i.e., administration, operations, maintenance. Working capital should equal an average two (2) months operating expenses.

D. *Repairs and Maintenance Reserves*

\$20,000 in reserve for repairs which exceed the budgeted Repairs and Maintenance funds.

E. *Special Projects Reserves*

Any additional excess funds set in reserve to finance special projects as approved by the board of directors. Funds from this reserve may, upon board approval, be transferred to the Equipment Replacement Reserve for unanticipated repair or replacement needs.

IV. RESERVES HELD AT THE STATE CONTROLLER’S OFFICE

A. *Revenue Fund*

All mandatory student fees and revenue fund interest collected prior to November 29, 2006 were placed in this fund. Monies are transferred out of this fund to cover annual bond payments, return to operations, repair and replacement reserves and Chancellor’s Office overhead expenses. Excess revenues remain in the fund unless transferred after receiving campus and board of directors’ approval. These funds are retained in the State Treasury.

B. *Interest and Redemption Fund*

This fund was established to cover debt service requirements as outlined in the bond covenants throughout the life of the issued bonds and is retained in the State Treasury.

C. *Repair and Replacement Fund.*

This fund was established to cover repairs and replacements. An amount equal to a minimum one percent of the bond indebtedness is transferred annually from the

Revenue Fund. For 1997-98 and onward this amount will equal 1% of bond sale per year. These funds are retained in the State Treasury. Funds will be transferred from the Revenue Fund to the Repair & Replacement Fund to cover catastrophic events to equal three deductible payments of \$100,000 each, over a three year period beginning in 2006-07. Catastrophic Reserve Funds will be replenished as needed.

D. *Construction Fund*

This fund was established to cover all major construction and renovation projects. In addition, an annual amount as determined by the SMSU Board of Directors will be identified as a line item in the Revenue Fund to establish reserves for a Student Union at the CSUSB Palm Desert Campus-

V. RESERVES HELD IN TRUST

A. *Revenue Fund*

All mandatory student fees and revenue fund interest collected after November 29, 2006 were placed in this fund. Monies are transferred out of this fund to cover annual bond payments, return to operations, repair and replacement reserves and Chancellor's Office overhead expenses. Excess revenues remain in the fund unless transferred after receiving campus and board of directors' approval. These funds are retained in a trust account at California State University, San Bernardino.

B. *Repair and Replacement Fund*

This fund was established to cover repairs and replacements. An amount equal to a minimum one percent of the bond indebtedness is transferred annually from the Revenue Fund. Funds transferred in after November 29, 2006 are retained in a trust account at California State University, San Bernardino. Funds will be transferred from the Revenue Fund to the Repair & Replacement Fund to cover catastrophic events to equal three deductible payments of \$100,000 each, over a three year period beginning in 2006-07. Catastrophic Reserve Funds will be replenished as needed.

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