

# San José State Campus Reserves Policy

Effective October 1, 2015, the Integrated CSU Administrative Manual (ICSUAM [Section 2001.00](#)) formalized and established a systemwide policy on the creation and use of carryforward balances. The campus CFO must certify annually the amounts and purpose of campus reserves in accord with the CSU policy. This policy applies to San José State University and its auxiliary enterprises.

## Purpose

It is the goal of San José State and its auxiliaries to maintain adequate financial reserves to ensure responsible fiscal management, advance University priorities, and mitigate current and future risk.

- Building reserves is an important component of long-term, strategic planning to meet the University's objectives; failing to plan to adequately maintain buildings and infrastructure is unsustainable and poses an unacceptable risk to the University.
- Reserves used to make up for unexpected revenue shortfalls or unforeseen costs should be accompanied by a near-term plan to increase revenue or reduce expenditures to replenish the reserve.
- While it is appropriate to use reserves to resolve timing problems, reserves should not be used only to provide a bridge to a solution rather than as a means to delay addressing a structural issue.

## Reserve Goals and Priorities

1. *Reserves for Encumbrances and Reserves for Outstanding Commitments.* Before establishing reserves for any other purposes, reserves are set aside for current encumbrances and other known obligations.
2. *Reserves for Economic Uncertainty and Working Capital.* Reserves held for Economic Uncertainty are to be used in the event of significant budget reductions. Working Capital reserves serve to ensure adequate operating funds are available on a schedule that meets financial obligations in debt-carrying enterprises<sup>1</sup>. As such, some of these reserves may be held for future debt service payments. The upper limit for Economic Uncertainty and Working Capital reserves combined shall not exceed one-half (50%) of the projected annual operating budgets in the funds for which the reserves are established.

Within the 50% limitation, funds may be designated for the following purposes:

- A. *Reserves for Program Development.* The campus may reserve funds for an estimated amount of program development activities. Examples include course costs for degree and certificate programs in the development or pilot stages, planned new programs, and incentive funds for program development activities in the colleges. Reserve levels

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<sup>1</sup> See Executive Order 994 – Financing & Debt Management Policy

correlate with the plans for new programs included in the annual extended education business plan, or as anticipated by the Provost in consultation with the President.

B. *Reserves for Equipment Acquisition.* Funds may be reserved for planned equipment investments and refreshes in future years. Examples include computer upgrades/refreshes for faculty and staff, copier replacements, and computer facility or infrastructure expansions or refreshes. Self-support operations may hold these reserves, but campus operating funds (mostly CSU 485 funds) will be reserved at the campus level (i.e., in university-wide accounts).

C. *Reserves for Financial Aid.* Funds may be reserved for financial aid programs.

3. *Reserves for Major Maintenance & Repair and Capital Renovations/Upgrades.* Facility maintenance, repair and renovations are a significant cost item for SJSU. Reserves equating to 1% of constructed facility cost would represent an upper reserve limit, and would be considered an aspirational goal. In practice, reserves will be diminished upon completion of a major project and subsequently be rebuilt over time.
4. *Reserves for New Capital Projects.* Reserves for new capital projects will be accumulated consistent with SJSU's capital project plans, budgets and timelines. These projects are typically detailed in the CSU's Five-Year Major Capital Improvement Plan, which is published annually.
5. *Reserves for Catastrophic Events.* Debt-servicing funds should maintain a reserve to meet debt service obligations, should a catastrophic event occur. Catastrophic events are those that seriously impair operations and revenue-generation for an extended period. Reserves for Catastrophic Events must be balanced with Reserves for Economic Uncertainty in self-supporting units, such as University Housing Services. Ideally, reserves would be held in both categories, but reserves for economic uncertainty might also be applied to catastrophic events. As such, the two categories should be viewed together when evaluating the adequacy of reserves for self-supporting units.

Reserve goals for pre-determined and designated uses are shown in the attached matrix.

Funds Included in Reserve Policy (ICSUAM 2001)

CSU Fund	Fund Description	Reserve Category			
		Economic Uncertainty/ Working Capital*	Major Maint. & Repair/ Capital Renovation & Upgrade	Capital Development for New Projects (Ch. 15)**	Catastrophic Events
441	Extended Education Operations	No more than 50% of projected annual operating budget	Goal: 1% of constructed project cost	Per individual capital project plans	Goal: 50% of annual debt service cost
452	Health Center Facility Fees	N/A	Goal: 1% of constructed project cost	Per individual capital project plans	Goal: 50% of annual debt service cost
464	International Programs Trust	No more than 50% of projected annual operating budget	N/A	N/A	N/A
471	Parking Revenue Fund - Fines & Forfeitures	No more than 50% of projected annual operating budget	N/A	N/A	N/A
472	Parking Revenue Fund - Parking Fees	No more than 50% of projected annual operating budget	Goal: 1% of constructed project cost	Per individual capital project plans	Goal: 50% of annual debt service cost
481	Lottery Education Fund	No more than 50% of projected annual operating budget	N/A	N/A	N/A
485	CSU Operating Fund Includes all Category II Fee Funds: Graduate Business Professional School Fees Health Center Operating Fees Orientation Fees SSETF - Course Support, IRA & Student Success Fees	No more than 50% of projected annual operating budget	Goal: 1% of constructed project cost	Per individual capital project plans	N/A
531	Housing Operations & Revenue	No more than 50% of projected annual operating budget	Goal: 1% of constructed project cost	Per individual capital project plans	Goal: 50% of annual debt service cost
534	Campus Union - Operations & Revenue	No more than 50% of projected annual operating budget	Goal: 1% of constructed project cost	Per individual capital project plans	Goal: 50% of annual debt service cost

\*Working Capital Funds may be designated for more specific purposes, such as equipment acquisition, program development, and financial aid. Funds reserved for these purposes will be considered part of "Economic Uncertainty/Working Capital" reserves when evaluating the 50% limitation.

\*\*Funds reserved for capital projects will be held in applicable CSU funds, per Chapter 15 of the Legal Reporting Manual.

\*\*\*Follows 90/10 enrollment split between regular session and special session enrollment