UNIVERSITY DESIGNATED AND PLANT RESERVE FUNDS POLICY

SLT 6.19

Date of Last Update:
April 12, 2022

Approved By:

- Senior Leadership Team

Responsible Office:
University Budgets

POLICY STATEMENT

University reserve funds are categorized by type and will be managed by identifying target balances, authorized expenditures, and reporting thresholds for each reserve fund. The Business and Finance Office shall prepare a summary reserve report for the SLT-B annually after the close of each fiscal year.

Reserve funds are separate and distinct from operating funds. Reserve funds provide the University a measure of protection and flexibility during periods of fiscal distress or when needed for high-priority strategic initiative requiring one-time resources. Since reserve fund levels are not restored or maintained through a specific general fund budget line item but only through excess Divisional or University general funds, reserve use should be judicious and seek to always maintain compliance with minimum threshold levels unless dire fiscal circumstance warrant. Reserve fund levels are an important factor in the University's credit rating and as such, expending reserve levels beyond the policy floors should only be undertaken in rare, emergent circumstances.

- Designated Divisional Reserve Funds are for the use of that respective division.
- Designated Institutional Reserve Funds are for the specific purpose of that named fund.
- Plant Reserve Funds are either purpose specific or are unrestricted and serve as a resource to either solely fund, or partially fund, planned or emergent projects outside of budgeted resources.

DESIGNATED DIVISIONAL RESERVE FUNDS

Designated divisional reserves are primarily funded by General Fund budget surpluses from

each division. Each division shall keep any General Fund budget surpluses within its designated reserve. However, if fiscal circumstances warrant, the Senior Leadership Team-Budget (SLT-B) may elect to retain divisional budget surpluses for institutional needs.

The target range for designated divisional reserve balances is 10-20% of the General Fund budget for the respective division.

The floor for a designated divisional reserve is 5% of the General Fund budget for the respective division.

The Business & Finance office will monitor the balance of the divisional reserves with respect to these targets after the close of each fiscal year.

If a divisional designated reserve falls below the target range, the respective Executive Officer shall notify the Vice President for Finance and Administration as to the circumstances surrounding expenditures from the divisional reserve.

If a division's designated reserve balance falls below the floor, the Executive Officer shall submit to the Vice President for Finance and Administration a corrective plan for restoring the reserve balance to the target range. In this case, additional expenditures from a divisional designated reserve are not authorized unless approved by the Vice President for Finance and Administration.

Designated divisional reserves with an average balance in excess of the target range for more than 3 consecutive years will be subject to review to determine if reallocation of reserves is appropriate for other institutional use(s). Under special circumstances, e.g., planning for special projects or expecting significant market adjustments, balances in excess of this range shall be permitted.

EXPENDITURES AGAINST DESIGNATED DIVISIONAL RESERVES

Designated divisional reserve funds are established, in part, to provide Executive Officers with sufficient flexibility to initiate new ideas or plan for large project expenditures. The following expenditures may not be charged against designated reserve funds:

- Permanent base positions
- Position contracts for periods exceeding one year and position contract renewals funded by the designated reserve. Position contracts for periods exceeding one year may be approved by the Business and Finance Office for pilot program purposes. Continuation of

position contracts beyond approved exceptions must be funded by existing divisional base budget resources.

- Contracts that are expected to deplete designated reserve level below the target range over the contract period. Anticipated sweeps to the reserve will not be permitted in calculating any projected balance.
- Covering recurring deficits in General Fund operating budgets

Expenditures over $50,000 individually or in the aggregate for a single project in a Designated Reserve Fund may be approved by an Executive Officer or their designee and shall be reported to the Business and Finance Office.

Expenditures anticipated to be over $250,000 annually, whether individually or in the aggregate for a single project, in a Designated Reserve Fund must be submitted by the respective Executive Officer to the Vice President for Finance and Administration for approval before contractual obligations are made. This may include expenditures that span multiple fiscal years.

Each Executive Officer may elect to have one or more divisional reserves for its General Fund budget surpluses, but for policy application, the target balances will be considered in relationship to the entire General Fund budget for each division.

DESIGNATED INSTITUTIONAL RESERVE FUNDS

Designated institutional reserves are funded by General Fund budget surpluses outside of divisional budgets. Designated institutional reserves may be established at the direction of the Vice President for Finance and Administration and will be monitored by the Business and Finance office with respect to the specific nature of related expenditures.

PLANT RESERVE FUNDS

In general, Plant reserve funds cover anticipated future capital expenditures on infrastructure (or emergency maintenance in excess of budgeted amounts), equipment, and debt payment.

The Strategic Capital Reserve is a Plant Reserve and the primary source for anticipated (or emergency) capital expenditures and shall have a floor of $25M. This floor may be breached if recommended by the Vice President for Finance and Administration and approved by the SLT-B.

Expenditures over $500,000 individually or in the aggregate for a single project in a Plant Reserve Fund must be approved by an Executive Officer or their designee and shall be reported to the Vice President for Finance and Administration. Scheduled debt service payments over $500,000 that are based on maturity schedules or other invoicing do not require separate approval or reporting.

Approval for capital projects is governed under BOT policy 7.5.1 Finance and Administration – Facilities – Capital Projects. Approval of capital projects of $3,000,000 or less are reviewed and approved by the President or designee. The Board of Trustees has approval authority for each capital project over $3,000,000.

DEFINITIONS

Funds held outside the normal General Fund operating budgets that reside in the Designated and Plant Reserve funds as identified by the appropriate Executive Officer or the Vice President for Finance and Administration. Expenditures that are governed by this policy are those that are charged against funds that begin with “15” or “94”.