



## “AS Reserve Policy Restructure”

**Proposed Motions:** Approve the amendments to the AS Reserve Policy.

**Sponsor:** Vice President for Business & Operations

**Persons of Contact:** VP Business & Operations, Raquel Vigil, Kevin Majkut

**Date:** May 2013

### Attached Documents

Additional Information Sheet (The Math)

Proposed AS Reserve Policy

### Summary of Proposal

This proposal seeks to modify the current AS Reserve Policy to be a more transparent, easily understood and functional policy. The principle changes are made within the “General Reserves” or the priorities reserves. Changes to the departmental reserves are merely to update the policy because some of those reserves no longer exist. Specifically the General Reserve changes:

- Reduce the target amount to a more reasonable level for Rainy Day/Large Event Loan
- Eliminate Capital Projects, Combined Fund Balance
- Create “Pre-Approved Grants” & “Discretionary Dollars”

### Rationale

The current AS Reserves calls for a base of roughly \$850,000. Currently close to \$1,050,000 are held in those general reserves. This Board of Directors identified quickly in their term that level was too high and student dollars needed to be used more efficiency.

A strong first step was the AS Board Priorities, which have directed the Budget Committee to be much more conscious of these efforts. The 3<sup>rd</sup> priority which granted the BC authority to recommend grant dollars requires a change in the reserve policy to allow for such action. This proposal is the action needed to facilitate the Grant process.

### Benefits of the Proposed Changes

#### Short Term – Frees up dollars today to serve Students

- 1) Frees up considerable amount of dollars, roughly \$275,000.
- 2) These dollars may be applied to new Grants, other one time expenditures, or held for future use.
- 3) This change will make the policy more understandable by lay persons.

#### Long Term – Less student dollars will be held in reserves

- 1) This change will overall reduce the base level of the reserves to a more appropriate figure.
- 2) Allows more discretion from the BoD on how excess reserves are to be used.
- 3) Reduce the amount of time the VU Finance Managers spends in identifying “carry-over” dollars year after year.
- 4) Due to the mismatching of timing from the S&A Fee and the Budget Committee, in the case over allocating the Operational Budget, Grants *may* act as a flexible intermediary to cover the differences.
- 5) Removes any reserve allocation from the Operational Budget, which has previously “inflated and misrepresented” the Operational Budget.

All Reserves are funded from unspent Residual Dollars

in '000s

Current General Reserve Policy		
Name	Purpose & Definition	Current \$
Combined Fund Balance	1% total annual operating expenses	30
Comp. Repair & Replacement	20% of value of computer & peripheral equipment	33
General Repair & Replacement	20% replacement value of AS Equipment not covered by any other reserve	35
Rainy Day Reserve	1/4 or 25% of fixed op. expenses. 50% of which can be voted for used by BoD	750
Large Event Loan	100k	100
Capital Projects Reserve	No Cap, all excess flows here	91
<b>Sum</b>		<b>1039</b>

All Reserves are funded from Residual Dollars

in '000s

Proposed Changes				
	Name	Purpose & Definition	Proposed \$	Frees up
#1	"Pre-Approved" Grants	Identify and hold dollars for future funding of BoD pre-approved Grants.		
#2	Comp. Repair & Replacement	No Change	33	0
#3	General Repair & Replacement	No Change	35	0
#4	Large Event Loan	Reduction to 65k.	65	35
#5	Rainy Day Reserve	20% of Operating Budget. 50% of which can be used for unique opportunities	600	241
#6	Discretionary Reserve Dollars	All left over dollars, available for Grant Projects or other discretionary Uses	0	
<b>Sum</b>			<b>733</b>	<b>\$276,000</b> freed up

**Summary and Rational**

- 1) Removed Combined Fund Balance:** Confusing to have the "discretionary" dollars at the top of priorities. They should be allocated after all other reserves are at target number.
- 2) Created "Pre-Approved" Grants and moved to top of priorities:** Quickly identifies what dollars are held for BoD approved Grants, it is much more clear for reader what has been earmarked, formerly known and loosely termed as "Carry Forward Dollars". Removes any Reserve \$s from being in Op. Budget
- 3) Large Event Loan reduced by 35k, moved above Rainy Day:** This account is rarely requested (and only by ASP) and never has exceeded 45k. In case of more than 65k needed. Use Rainy Day.
- 4) Rainy day absorbed Capital Projects and reduced from 25% to 20% of annual operating expenses:** Lowered to a more appropriate reserve amount. Half of which can be used for unique opportunities (which may include capital projects).
- 5) Created a Residual account called "Discretionary Reserve Dollars".** This is the discretionary "old" combined fund balance. It more accurately represents what is available for use by BoD.

Department Reserves		
Name	Purpose & Definition	Current \$
Bookstore Improvement	To improve Operations and services for student body	105
PC	Replace software, and to enhance operation	?
Motorpool	Cover Expen. Beyond normal wear and tear. Such as accident and major system failures	63
Recycle Center Reserve	Enhance Op. of RC by replacing and repairing equip/veh and plant	35

Proposed Changes
No Change
Not listed in Raquel's list, confirmed with Jim that it doesn't exist any more
Rename to AS Vehicle Replacement. Simply replacement cost
Removed, its under Viking Union Facilities now.

Outdoor Center Equip. Reserve	To replace equipment for rental in accordance with Amortization plan	16
CDC Reserve	Enhance fundraising and training opps. Not funded by Op Budget	20
Vehicle Reserve	Wear and Tear for Vehicles	20

Removed 6(a) which was accidently left there (Its subheading is removed)
No Change
Reserve account not currently listed within Reserves, this would add it.

## AS Reserve Policy

Reserves accounts are established in order to ensure the continuous, safe, and efficient operation of Associated Student functions. ~~these Reserves are established.~~

**This policy applies to all Residual Dollars** otherwise known as “Unspent and Unallocated” including:

- funds left over in the AS Operating Budget at the end of the year.
- interest income
- Services & Activities fee revenue in excess of the amount allocated to the operating budget
- revenue generated by the sale of surplus equipment not required by any departmental reserves
- funds specifically allocated for reserves.

### General Reserves

**The General Reserves are funded by the residual dollars as described above. When the previous fiscal year closes, funds are pooled together and redistributed in priority order (unless carry-forward specified).** Allocations to reserves will be disbursed, to each area's designated amount, in the following priority order:

#### **1. Pre-Approved Grants**

- a. Purpose: To identify and reserve funding for grants approved by the Board of Directors.
- b. Amount: The total allocation of all grants held for future disbursement.
- a-c. Source: Priority 1 of 6 of Residual Dollars. This fund will carry forward each year.

#### **Combined Fund Balance**

~~**Purpose:** To provide a net positive balance for all A.S. operating accounts.~~

~~**Amount:** 1% of the estimated total annual operating expenses of the A.S.~~

~~**Source:** The combined net balance of all A.S. operating accounts, interest income, any student fee revenue in excess of the amount allocated to the operating budget, any revenue generated by the sale of surplus equipment not required by any departmental reserves, and any money budgeted for reserves as part of the operating budget.~~

#### **2. Computer Repair and Replacement Reserve**

- Purpose:** To provide a consistent repair and replacement of computer equipment for the entire organization.
- Amount:** Equivalent to the value of 20% of the number of computers and peripherals of the current inventory owned by the AS.
- Source:** Priority 2 of 6 of Residual Dollars. Any surplus at the end of the fiscal year will be automatically carried forward to the next fiscal year. This reserve is capped at twice that amount (or 40%). ~~no more than two years total value of the foregoing.~~

#### **3. General Repair and Replacement Reserve**

- Purpose:** To repair or replace any equipment not covered by any other reserve.
- Amount:** 20% of the replacement value of AS equipment not covered by any other reserve. This reserve shall be capped at 20% of one year's inventory value.

c. **Source:** Priority 3 of 6 of Residual Dollars.

#### 4. **Large Event Loan Fund**

a. **Purpose:** To guarantee payment of contractual obligations of large events if revenue falls short of expectations.

~~b. **Amount:** \$65,000 (capped)~~

c. **Source:** Priority 4 of 6 of Residual Dollars. ~~Priority 5 of 6.~~

d. **Special Conditions:** Disbursements from this reserve are limited to loans with a reasonable expectation that revenue will be sufficient for repayment. Loans must be approved by the AS Board of Directors.

#### 5. **Rainy Day Reserve**

a. **Purpose:** This reserve provides:

(i) ~~This reserve provides~~ a safety net for sudden, unforeseen and catastrophic reductions in revenue, (such as those caused by drops in enrollment).

(ii) ~~It also provides~~ funding for infrequent and unique opportunities to maintain or improve services and activities for students.

~~(iii) Lastly, this reserve provides funding for large capital expenditures such as facility improvements or major equipment purchases.~~

~~a-b.~~ **Amount:** Equivalent to 20% of operating expenses for the AS (e.g. salaries, benefits, utilities, contractual, etc.), to be determined on an annual basis.

~~b-c.~~ **Source:** Priority 5 of 6 of Residual Dollars. ~~Priority 4 of 6.~~ This fund must be funded to 5080% of its capacity before the next fund can be filled.

d. **Special Conditions:** Distribution of funds from this reserve requires a positive motion approved twice by the AS Board of Directors at separate meeting occurring at least 24 hours apart.

(i) No more than 50% of target balance can be distributed unless for expenses under 5a(i).

~~— 25% may be allocated under 5a(ii)~~

~~— 25% may be allocated under 5a(iii)~~

#### 6. **~~Excess-Discretionary Reserve Dollars~~**

a. **Purpose:** Remaining reserves, after all other target amounts have been reached, are available for allocation by the Board of Directors

b. **Amount:** There is no cap on this reserve.

c. **Source:** Last priority of Residual Dollars.

d. **~~Proposal Disbursement Procedures:~~** See AS Funding Proposal Guidelines.

##### 1. ~~Capital Projects Reserve~~

a. ~~**Purpose:** To pay for large capital expenditures in excess of \$20,000 such as facility improvements or major equipment purchases.~~

b. ~~**Amount:** There is no cap on this reserve.~~

c. ~~**Source:** Combined fund balance above the minimum required to fund previously listed general reserves.~~

### **Departmental Reserves**

Departmental Reserves are self-generated funds designated specifically towards the following reserves.

#### **Bookstore Improvements Reserve**

- a. **Purpose:** To provide resources to fund proposals from the Bookstore to improve operation and services to the student body. In addition funds can be used to fund projects that establish and improve interaction between the AS programs, clubs and the Bookstore.
- b. **Amount:** There is no cap on this reserve.
- c. **Source:** Any funds from the yearly Bookstore distribution to the AS that are in excess of the amount budgeted in the AS operational budget. If the funds from the distribution do not meet the approved AS amount, funds from this reserve may be distributed to the AS operating budget up to the budgeted amount. The AS may deposit additional funds to this budget from any source.
- d. **Special Condition:** The AS is not limited by the balance of funds in this budget for funding projects and may combine these funds with others resources to fully fund initiatives.
- e. **Fund Review:** If there are no proposals to this fund for a 2 year period the continuation this budget will be reviewed by the AS Board. (**Approved:** May 31, 2012 by motion ASB-12-S-48)

**Publicity Center Reserve**

- a. ~~**Purpose:** To replace existing or purchase software for the Publicity Center operation, and to enhance the operation of the Publicity Center.~~
- b. ~~**Amount:** There is no cap on this account.~~
- c. ~~**Source:** None.~~

**AS Vehicle Replacement**

- a. **Purpose:** To cover expenses in replacing vehicles or major system failures.
- b. **Amount:** There will be no cap on this reserve.
- a.c. **Source:** One Time allocation by Board of Directors; income remaining in the Motorpool operations account at the end of the fiscal year shall be automatically transferred to the vehicle reserve. Proceeds of the sale of surplus vehicles shall be deposited in this account.

**Vehicle Reserve ~~Motorpool Reserve~~**

- a. **Purpose:** To cover expenses beyond normal wear and maintenance such as accidents and ~~minor~~**major** system failures.
- b. **Amount:** There will be no cap on this reserve.
- c. **Source:** Income remaining in the Motorpool operations account at the end of the fiscal year shall be automatically transferred to the vehicle reserve. ~~Income from vehicle rentals (Per mile surcharge). Income remaining in the Motorpool operations account at the end of the fiscal year shall be automatically transferred to the vehicle reserve. Proceeds of the sale of surplus vehicles shall be deposited in this account.~~

**Outdoor Center Equipment Reserve**

- a. **Purpose:** To purchase replacement equipment for rental in accordance with the amortization plan.
- b. **Amount:** There is no cap on this account.

- c. **Source:** 40% of equipment rental fees, fees from rentals to Outdoor Center employees, fees collected for un-returned rental equipment, and revenue from the liquidation of used rental equipment are deposited into this account.

~~**Purpose:** To purchase replacement equipment for Excursions and Instruction department programming~~

~~**Amount:** There is not cap on this account.~~

~~**Source:** A \$1.00 per participant per trip fee collected from participants and revenue from the liquidation of retired Excursions and Instruction equipment are deposited into this reserve.~~

#### **Child Development Center Reserve**

- a. **Purpose:** To enhance fundraising and training opportunities not funded by the Center's Operating Budget.
- b. **Amount:** There is no cap on this account.
- c. **Source:** Any positive balance remaining from the total of all AS CDC Operating Budgets at the end of the fiscal year will be transferred to this reserve.

#### **Interpretation and Enforcement: AS Board of Directors**

Approved by: AS Board of Directors

Date Approved: 04/14/99; 04/19/00; 05/11/08; **April 2013** AS Board of Directors, Bookstore section 5/31/12

Organization: Associated Students