

CALIFORNIA STATE UNIVERSITY, FULLERTON HOUSING RESERVE POLICY

Policy: Housing Reserve Policy

Policy Administrator: Vice President for Administration & Finance/CFO
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Authority: ICSUAM Section 2001.00 and EO 994

Effective Date: 07/01/2019

Last Revised: 07/05/2024

Budget Policy Number: BP1901

POLICY PURPOSE

The campus president and chief financial officer are responsible for developing and maintaining a campus policy to provide reserves from project revenues for projects funded by debt issued by the Board of Trustees as warranted by ICSUAM Policy 2001.00 and Executive Order 994.

POLICY SCOPE

ICSUAM Policy #2001.00

The campus chief financial officer (CFO) is responsible for establishing reserves to ensure that amounts are consistent with campus plans and requirements for each of the CSU operating funds. The reserves should be designated for Capital Improvement/Construction; Equipment Acquisition; Program Development; Future Debt Service; Facilities Maintenance and Repairs; Outstanding Commitments; Catastrophic Events; Encumbrances; Financial Aid; Economic Uncertainty; CE/EE Campus Partners, as applicable.

Executive Order 994

Section 7.1 Reserve Development: The campus president and chief financial officer are responsible for developing and maintaining a campus policy to provide reserves from project revenues for projects funded by debt issued by the Board of Trustees. The campus reserve policies, at a minimum, should address the following needs:

- Major Maintenance and Repair/Capital Renovation and Upgrade
- Working Capital
- Capital Development for New Projects
- Catastrophic Events

Section 7.2 Reserve Review: At a minimum of once every three years, each campus shall conduct an in-depth review to assess the adequacy of the reserves and the campus reserve policies applicable to the projects funded by debt, and shall make necessary adjustments and changes to account for changing conditions. For Major Maintenance and Repair/Capital Renovation and Upgrade Reserves, the reviews should include formal studies of facility systems and necessary funding levels to cover all aspects of cost of replacement through the reserve funding plan.

CALIFORNIA STATE UNIVERSITY, FULLERTON HOUSING RESERVE POLICY

CSU SYSTEM REQUIREMENTS

TF-Housing-Operations and Revenue fund has following systemwide requirements:

- Required to make debt service payments on bonds issued for the construction of housing facilities.
- Required to pay its share of system wide expenses, including audit fee, property insurance, bond service fee, state pro-rata and the Chancellor's Office service fee

CAMPUS REQUIREMENTS

In order for the campus to manage effectively, a long-term financial plan is necessary that will not only ensure the financial stability of the Housing Program but will provide reserves for the long-term preservation of its capital assets.

DEFINITIONS AND TERMINOLOGY

Enterprise Entity - The Housing-Operations and Revenue is an enterprise legal and fiscal entity that exists for the operation of student residence halls and is self-supporting primarily from room rental income. The difference between the total assets and total liabilities of an enterprise fund is referred to as either fund equity or "retained earnings" (and sometimes, "fund balance"). Normally, changes in fund equity are the result of annual operations--namely, the difference between revenues and expenses.

Disclosure - During the annual operating budget development cycle, a combined statement of revenues, expenses, and changes in retained earnings (or fund equity) will be used as the primary format for purposes of planning and disclosures. Accounting Services will prepare other general-purpose financial statements (balance sheet, etc.).

Reserves - Reserves (sometimes also referred to as "reserved retained earnings") are portions of the fund equity that have been committed by the appropriate administrative authority for specific purposes. These reserves may either be retained in the Housing-Operations and Revenue fund equity or they may be transferred to another fund, depending on CSU and CSUF regulations and policies.

Four (4) reserves will be established in the Housing-Operation and Revenue Fund, Housing Maintenance & Repair Fund, and Housing Capital Improvement Fund. Following criteria will be followed:

- Each reserve will receive an annual contribution as determined during the budget development process.
- This contribution will be based on long-term needs and will be reviewed annually to ensure progress toward meeting those needs. It is recommended that as system wide requirements are reduced or eliminated, any savings realized be included in the budgeted reserves.
- A minimum of 5% of gross revenue will be budgeted for reserves. All surplus revenue at year-end (over the amount budgeted) and/or unencumbered balances will be distributed to the reserves.

CALIFORNIA STATE UNIVERSITY, FULLERTON HOUSING RESERVE POLICY

- If necessary, funds can be transferred between reserves with the approval of Vice President for Administration and Finance and the Vice President of Student Affairs.
 1. Facilities Maintenance and Repairs Reserve (50% of the annual reserve contribution)
This reserve will be used for the maintenance and repair of the residence halls and apartments.
 2. Working Capital Reserve (20% of the annual reserve contribution)
This reserve will be used for operational emergencies or problems that arise during the budget-year.
 3. Capital Development Reserve (20% of the annual reserve contribution)
This reserve will assist in the expansion of campus housing facilities either through construction or purchase of off-campus facilities. Capital investments will normally require a combination of Housing Revenue reserve funds and borrowed funds.
 4. Catastrophic Events (10% of the annual reserve contribution)
This reserve will be used to pay for minimal losses resulting from natural disasters. It is understood that funds from this reserve alone will not be adequate to pay for all losses should the housing facilities sustain major damage.

APPROVAL PROCESS FOR RESERVE SPENDING (Ref: Appendix I)

The Maintenance Reserve and the Capital Development Reserve will utilize a committee structure to identify projects for the coming budget year.

- A formal facility assessment, funded from the Maintenance and Capital Development reserves will be conducted on a rotating basis by building as required by EO 994 (Section 7.2). This will balance the need for the assessment and the costs associated with procuring the service.
- Coordination with other campus projects will be considered in the review process as well as the availability of funds.
- The committee will forward their recommendations, including prioritizations, by February 1 of each year to the Resource Planning & Budget for verification of available funding and review of the recommendations.
- The committee will be notified of any necessary adjustments and the final list will then be sent to the Vice President for Administration and Finance for approval.
- Once final approval is received, Resource Planning & Budget will establish expenditure accounts and budgets and communicate the necessary information to all parties. Maintenance projects will be given a completion period of two years after which projects will be canceled and funding returned to the funding source (Housing Revenue Fund).

Expenditures from the Capital Development Reserve could include construction of new facilities or purchase of existing off campus facilities. Consideration to purchase new facilities should require an analysis to determine financial impacts on the Housing program as well as on the University as a whole. HRE, Accounting Services and Resource Planning & Budget should perform analysis. All expenditures in this reserve will require the approval of the Vice President for

CALIFORNIA STATE UNIVERSITY, FULLERTON HOUSING RESERVE POLICY

Administration and Finance. Once final approval is received, Resource Planning & Budget will establish expenditure accounts and budgets and communicate the necessary information to all parties.

ROLES, RESPONSIBILITIES, AND AUTHORITY

The following are general levels of authority associated to budget oversight:

Associate Vice President of Financial Services

The AVP of Financial Services is responsible for enforcing Housing Reserve Policy under the leadership of the Vice President for Administration & Finance/CFO.

Director of Budget Planning & Resource Management manages and prepares fiscal year-end budget reports, including fund equity report and reserve status. Additionally, Director of Budget coordinates with the Housing Reserve Committee and provides guidance on policy and budget matters.

Housing and Residential Engagement (HRE)

The HRE will create a Reserve Committee (Committee). The Committee members will include the Director of Facility Services, Director of Housing and Residential Engagement (HRE) and members of their staffs as needed.

ADDITIONAL INFORMATION

- Appendix I – Housing Budget Timeline

RESOURCE AND REFERENCE MATERIALS

- [Integrated CSU Administrative Manual, Section 2000 Budget, Policy Number 2001.00](#)
- [Financing and Debt Management Policy - Executive Order 994](#)

CALIFORNIA STATE UNIVERSITY, FULLERTON HOUSING RESERVE POLICY

APPENDIX I Housing Budget Timeline

July

Vice President for Administration and Finance approved annual operating budget for the Housing is implemented. Expense and revenue budgets are recorded in the accounting system.

August

Resource Planning & Budget staff prepare and distribute fiscal year-end budget reports, including changes in fund equity and status of reserves.

September - October

The Committee in consultation with Housing Services reviews reserve levels and needs. If an adjustment in reserve distribution percentages is needed, a recommendation will be forwarded to the Vice President for Administration for approval.

November - January

Develop and/or update the list of residence hall facility maintenance projects for the next fiscal year and forward recommendation to the Vice President for Administration and Finance for approval.

February

Resource Planning & Budget establishes project accounts, records project budgets, and disseminates information to affected managers for the VPAF-approved projects.

February - March

Operating budgets are developed for the next fiscal year including proposed rates and occupancy projections. Proposed increases in the rate are forwarded to the Campus Fee Advisory Committee for review and subsequent action by the President.

April

Proposed Housing Revenue fund operating revenue, expense, and reserve budgets are assembled and submitted by Resource Planning & Budget to the Vice President for Administration and Finance for approval