

# University of California Office of the President Reserves Guiding Principles

Budget and Finance Department

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### *Revision History*

Date	Version	Description of Change
3/01/2019	1.0	Initial document
4/16/2019	2.0	Update and publication

## PREFACE

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This document establishes the guiding principles for the programmatic and non-operating reserves managed by the University of California Office of the President (UCOP) and was reviewed with the Board of Regents in March 2019. In the preparation of these guiding principles, UCOP completed a comprehensive review of existing UCOP reserves and referenced industry best-practice standard for funding levels and management. This document provides standards for UCOP reserves and includes:

- UCOP reserves and target funding levels
- Guidelines for accessing reserves
- Practices for managing and reporting balances
- Governance and oversight for UCOP reserves
- Resources and best practices

## DEFINITIONS

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**COMMITMENT:** Fund balances that UCOP has committed for specific, one-time, purposes and priorities.

**ENCUMBRANCE:** Legal, contractually-obligated commitments of funds against an approved UCOP purchase order.

**FUND BALANCE:** The net position, or the cumulative revenues (sources) received in excess of expenditures (uses), encumbrances and approved commitments for a given fund. Fund balances often result from (a) differences in the timing of budget appropriations, expenses, and revenues or (b) incurring lower expenditures than initially budgeted. Fund balances can be measured at any given point in time, but are officially reported university-wide at fiscal year-end in the annual UC Financial Statements.

**RESERVE:** The portion of net assets that is formally designated and intentionally accrued to sustain financial operations in the unanticipated event of losses in operating revenues, mitigate unbudgeted increases in operating expenses, address one-time needs that further the mission of the program, maintain assets in good working order, and/or fund asset renovation projects, as required by UC or regulatory agencies. Types of reserves maintained by UCOP include:

- **BUILDING AND CAPITAL ASSETS RESERVES:** Reserve of funds for UCOP-owned and maintained buildings, parking facilities, and capital assets to maintain assets in good working order and fund asset renewal, maintenance and renovation projects
- **CENTRAL OPERATING RESERVE:** A reserve of liquid, unrestricted assets used to support UCOP operations in the event of an unanticipated disruption in revenue
- **PROGRAM RESERVES:** Individual reserves that support the continuation of self-supported programs in the event of an unanticipated disruption in revenue, increase in expenditures, future planning, or other one-time needs that further the mission of the program and the University.

- **OTHER REQUIRED RESERVES:** Reserves required by University of California and/or regulatory agencies to support specific assets and/or liabilities, such as contract management of the Department of Energy (DOE) national laboratories.

**FUND TYPE:** In 2018 UCOP documented and classified over 500 funds into one of three fund types. The UCOP budget is organized, presented and managed by fund type:

- **RESTRICTED FUNDS:** Funds restricted by external entities for specific purposes.
- **DESIGNATED UNRESTRICTED FUNDS:** Funds designated by UC for specific purposes.
- **UNRESTRICTED UNDESIGNATED FUNDS:** Funds not restricted or designated for a particular purpose.

## BEST PRACTICE ANALYSIS

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UCOP researched the requirements for setting reserve targets and benchmarked peer institutions, and concluded that there is no single best-practice that can be applied uniformly across all organizations or reserve types.<sup>1</sup> A few of the more than 37 organizations UCOP researched for best practice guidance included:

- Government Finance Officers Association (GFOA)
- North American College and University Business Officers (NACUBO)
- Federal Deposit Insurance Company (FDIC)
- Association of Physical Plant Administrators (APPA)
- Generally Accepted Accounting Principles (GAAP)
- Financial Accounting Standards Board (FASB)
- State of California and Federal Regulations
- Industry benchmarking

After extensive research and despite the relative importance of this issue, no one agreed upon best practice for establishing reserve targets was identified. Each organization or academic program, and even each type of reserve, has a unique business model, risk exposure and financial circumstances; therefore, the level of assets that are set aside to mitigate against risks will vary.

### Operating Reserves Best Practices

Most standards for establishing operating reserves are based on a formula that provides enough unrestricted liquid assets to cover operating expenses for a number of months and takes into consideration the organization's volatility or predictability of revenue sources and operating expenditures. At a minimum, GFOA recommends a target of no less than two months funding to cover operating expenditures.<sup>2</sup> A more commonly established goal is three to six months of operating budget, and within the higher education industry, reserves vary widely based on the institution's needs.

### Non-Operating Reserves Best Practices

Establishing reserves for the renewal and replacement of capital assets may be based on the value of an asset and its maintenance or replacement cost, or projected project costs. The Association of Physical Plant

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<sup>1</sup> See Appendix C

<sup>2</sup> "Fund Balance Guidelines for the General Fund." *Government Finance Officers Association*, 1 Sept. 2015, [www.gfoa.org/fund-balance-guidelines-general-fund](http://www.gfoa.org/fund-balance-guidelines-general-fund).

Administrators (APPA) recommends a reserve level for maintenance between 1% and 3% of the Current Replacement Value (CRV) of University facilities. A commonly identified target in higher education was up to 10% of CRV and/or 100% of projected project costs for a set number of years.

## UCOP RESERVES

The purpose of UCOP reserves is to ensure the stability of the mission, programs, employment, assets, and ongoing operations. The reserves managed and funded at UCOP support the operations, programs, facilities, and infrastructure within the scope of the UCOP budget.

UCOP reserves consist of funds intentionally allocated and accrued from fund sources for use in the event of revenue disruption or increased expenses, to fund or maintain assets including buildings and infrastructure, or for future planning purposes. Reserve target funding levels have been established to ensure reserves are appropriately funded.

### Overview

UCOP maintains the following types of reserves and target funding levels. The adequacy of reserves beyond the minimum is variable and depends on factors such as the reliability of operating revenues and impact of economic conditions among others.

UCOP RESERVE	TARGET FUNDING LEVEL
<b>Building and Capital Assets Reserves</b>	Capital Maintenance and Renewal: 1%-3% of Current Replacement Value (CRV), validated against projected project costs.
	IT Infrastructure: 10%-15% of Current Replacement Value (CRV)
<b>Program Reserves</b>	UC National Laboratories: Target funding level for LANS and LLNS LLC reserves set by the Regents. Funding levels for LBNL reserves set by LBNL and UCNL management.
	UC Press: Target funding level set by the UC Press Board at one month of budgeted annual operating revenue.
	UC Washington Center (UCDC): Target funding for reserve, as set by the UCDC Governing Council, includes the following: <ul style="list-style-type: none"> <li>• Building: 1%-3% of Current Replacement Value (CRV), validated against projected project costs</li> <li>• IT Infrastructure: 10%-15% of Current Replacement Value (CRV)</li> <li>• Operations: At least 25%, or 3 months of annual expense, up to 50% or 6 months</li> </ul>
<b>Other Required Reserves</b>	Housing Loan Program: 3%-3.5% of the outstanding balance of the loans
<b>Central Operating Reserve</b>	\$15 million or at least 3.5% of covered funds and expenses, whichever is greater

## Building and Capital Assets Reserves

The Building and Capital Assets Reserves provide a source of funds for UCOP owned and maintained buildings, parking facilities, and capital assets to maintain assets in good working order or fund asset renewal, maintenance and renovation projects.

Building and Capital Assets Reserves include the following:

- **Capital Maintenance and Renewal Reserve**

The Maintenance and Renewal Reserve supports the maintenance and renewal of UCOP owned and maintained facilities and provides protection against unforeseen issues and emergencies for facilities, assets and infrastructure that may arise during the year. UCOP maintains this reserve at 1%-3% of Current Replacement Value (CRV) of UCOP owned and maintained facilities, validated against projected project costs.

- **IT Infrastructure Reserve**

The IT Infrastructure Reserve supports the maintenance and renewal of UCOP owned and maintained information technology assets and provides protection against unforeseen issues that may arise during the year. UCOP maintains this reserve at 10%-15% of Current Replacement Value (CRV) of UCOP owned and maintained information technology assets.

## Program Reserves

The UC Office of the President includes self-funded programs which maintain reserves to address the financial risk of their operations and non-operating assets and liabilities. Reserves have been established to support program continuation in the event of an unanticipated disruption in revenue, increased expenditures, and for planning purposes.<sup>3</sup> In addition, some programs may be responsible for maintaining building and capital maintenance reserves, IT reserves, or other reserves as recommended by their governing bodies. Reserves are established for programs including UC National Laboratories, UC Press, and UC Washington Center (UCDC).

Reserves for self-supporting programs are reviewed with and recommended by associated governing boards, and calculated annually for presentation to the University Of California Board Of Regents.

- **University of California National Laboratories Reserves**

The University of California National Laboratories (UCNL) provides contract management and oversight of Lawrence Berkeley National Laboratories (LBNL) and ensures UC obligations in the limited liability companies (LLCs) that hold contracts to operate Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL). UCNL reserves ensure self-sufficiency of the National Laboratory enterprise without resorting to UC institutional or state funding and limit the University's risk exposure for post contract liabilities, unanticipated disruption in revenue, natural disaster, and to support future contract competition.

The UC Board of Regents approved, and annually reviews, the reserves that support the University's obligations to the Los Alamos National Security (LANS), LLC for Los Alamos National Laboratory (LANL), and Lawrence Livermore National Security (LLNS), LLC for Lawrence Livermore National Laboratory (LLNL) as follows:

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<sup>3</sup> See Appendix A

- **LANS and LLNS-LLC Post Contract Contingency:** Enables the University to fund any potential residual liabilities to the LLC upon expiration or completion of the contract, or to the Department of Energy under its performance guarantee.<sup>4</sup> By approval of the Regents, these reserves may be accessed for other reasons, such as to compete for future contracts should the University choose to do so. The target funding of this reserve is established by the UC Regents and determined based upon prior contract closeout/liability expenses and projected recompetition expenses.
- **LANS and LLNS Fee Contingency:** Ensures continued funding of operational liabilities in the event of disruption to LANL and LLNL fee income. The target funding of this reserve is established by the UC Regents and currently maintained at nine months to twelve months of operating expenses due to the high-level of risk for disruption in revenue.

UCNL also maintains reserves associated with the Lawrence Berkeley National Laboratories (LBNL) which are reviewed annually with LBNL management. These reserves are primarily funded by fee and other income from LBNL and used to support LBNL and the University as follows:

- **LBNL Post Contract Contingency:** Protects against the risk of residual liabilities to the University upon completion of the LBNL contract, as well as liabilities in any given year that may exceed net fee income earned for that year. The target funding of this reserve is set based upon prior contract closeout/liability expenses.
  - **LBNL Building Commitment:** Ensures continued ability to support the outstanding debt and required debt services payments on LBNL/University owned buildings. The established target funding level was established by the Regents and LBNL at the time the debts were authorized and are based on LBNL's responsibilities for meeting the debt obligations of this multi-decade debt, and includes an expectation to carry a minimum balance of one full year of the annual debt service obligation up to one and a half years, and an amount equal to one year of lab fees in order to maintain sufficient funds to meet debt obligations in the event of disruption to lab fee funding.
  - **LBNL Guest House Renewal and Replacement:** Supports the renewal or replacement of the LBNL owned and maintained guest house. Funds for this reserve are primarily from the proceeds from operating the Guest House. Currently, an annual amount equal to 25% of the debt service payments is placed into this fund.
- **UC Press**  
The University of California Press is one of the six largest university publishers in the United States, and the only one associated with a public institution. As the nonprofit publishing arm of the University of California system, UC Press functions as a unit of the Office of the President and is not associated with any one campus.

In 2018, the UC Press Board of Directors, including the Provost for the University of California, reviewed its risk profile and industry standards, and established a reserve policy to protect the organization from

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<sup>4</sup> "Allocation of Los Alamos National Security LLC and Lawrence Livermore National Security LLC Fee Income to be Expended in Fiscal Year 2013-14." University of California, 17 Jul. 2013, <https://regents.universityofcalifornia.edu/regmeet/jul13/f6.pdf>

unexpected disruption in revenue. The target funding level for the UC Press Reserve is one month of annual budgeted revenue.

- **UC Washington Center (UCDC)**

The UC Washington Center (UCDC) is a multi-campus residential, instructional and research center that provides students and faculty from the University of California with opportunities to study, research, work, and live within Washington's rich cultural, political and international heritage. The program is housed in an 11-story building in a lively neighborhood a short walk from the White House with room for more than 270 students.

The UCDC Reserve is established to support operations in the event unexpected disruption in revenue, for the renewal and maintenance of its assets, and for future planning purposes. The reserve funding level takes into account the following:

- **Building:** 1%-3% of Current Replacement Value (CRV), validated against projected project costs
- **IT Infrastructure:** 10%-15% of Current Replacement Value (CRV)
- **Operations:** At least 25%, or 3 months of annual expense, up to 50% or 6 months

## Other Required Reserves

UCOP may be required to maintain reserves for certain assets and/or liabilities by regulatory agencies and/or internally required based on an asset and risk portfolio. Required reserves are maintained to protect against unexpected costs increases that exceeds UCOP's ability to absorb in the operating budget and to address financial risk in an asset portfolio.

Other Required Reserves include:

- **Systemwide Housing Loan Program Reserve**

The University of California Housing Loan Program provides housing assistance programs for the recruitment and retention of faculty and senior managers in support of the education, research and public service missions of the University of California. The Mortgage Origination Program (MOP) provides first deed of trust variable rate loans and a reserve is established to protect against risk of defaults due to changes in housing prices and interest rate increases. UCOP maintains a Housing Loan Program Reserve at 3%-3.5% of the outstanding balance of the loans originated by the University of California.

## Central Operating Reserve

The UC Office of the President established a Central Operating Reserve Policy and issued *Presidential Guidelines Governing the UCOP Central Operating Reserve*.<sup>5</sup> The guidelines were approved by the UC Regents in January 2018 and full details are available at: <https://regents.universityofcalifornia.edu/regmeet/jan18/f6attach2.pdf>. The Central Operating Reserve of \$15M is held in the President's Endowment Fund to be used should any unexpected one-time disruption in funding occur. In the event that the impact of an unanticipated disruption in planned funding exceeds the Central Operating Reserve balance, the Central Operating Reserve may be supplemented up to an additional \$100 million or up to three months of covered funds and expenses, whichever is more, with funds from a variety of sources (e.g. a loan from the Short Term Investment Pool (STIP), or special payout from unrestricted endowment funds, etc.) as recommended by the Chief Financial Officer and approved

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<sup>5</sup> "Policy on a Central Operating Reserve for the University of California Office of the President." University of California, 25 Jan. 2018, <https://regents.universityofcalifornia.edu/governance/policies/5104.html>.

by the President. Use of the Central Operating Reserve is delegated to the President of the University under established implementation guidelines.

The Central Operating Reserve is not used for other purposes such as funding projects, initiatives or programs.

## FUNDING RESERVES

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The UCOP Budget and Finance Department meets at least annually with UCOP reserve owners as part of the budget process and also after year-end close to review their reserve fund(s) and confirm the plan for maintaining reserves at the recommended level. If applicable, these reviews will address reserve balances that are over and under reserved and include a recommended course of action. As part of this review process, self-funded programs will consult with and report to their associated governing bodies as needed.

## USE OF RESERVES

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Transactions that result in the flow of funds out of a reserve must be reviewed by the Chief Operating Officer and approved by the President either as part of the annual budget process, or through the Decision Memo process. Self-funded programs may also review plans for the use of reserves with their associated governing boards prior to submitting the request for approval by the President.

In the case of requests for funds out of the Central Operating Reserve, the President will notify the Chair of the Board of Regents, the Chair of the Finance and Capital Strategies committee, and the Chair of the Compliance and Audit committee before funds are drawn from the Central Operating Reserve. Access to funds beyond \$15 million would require approval from a majority of votes of the Chair of the Board, Chair of the Finance and Capital Strategies committee and Chair of the Compliance and Audit committee.

## REPORTING AND MONITORING

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The Executive Director of UCOP Operations is responsible for convening a work group tasked with reviewing and reporting reserves annually. Any adjustments made to the target funding levels and / or funding mechanism(s) is reviewed by the COO and approved by the President as part of the budget presentation and year-end close processes.

UCOP Reserves, including target levels and balances, are reported to the Board of Regents bi-annually as part of the annual budget presentation in May and reporting of the fiscal-year end close in November. In addition, self-supporting programs will review and recommend reserves with their governing boards at least annually.

## RESERVES V. FUND BALANCES

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Previously, several UCOP reserves were maintained as a subset of a program or function's operating fund balance(s). Beginning with the FY19-20 Budget, reserves will be managed and maintained separately from operating fund balances, in order to manage each more effectively and transparently.

A **reserve** is the portion of net assets formally designated and intentionally accrued to sustain financial operations in the unanticipated event of losses in operating revenues, mitigate unbudgeted increases in operating expenses, address one-time needs that further the mission of the program, maintain assets in good working order, and/or fund asset renovation projects, as required by UC or regulatory agencies.



A **fund balance** is the net position, or the cumulative revenues (sources) received in excess of expenditures (uses) for a given fund. Fund balances often result from (a) differences in the timing of budget appropriations, expenses, and revenues or (b) incurring lower expenditures than initially budgeted. Fund balances can be measured at any given point in time, but for the purposes of the UCOP budget, fund balances are forecasted as part of the annual budget preparation process and then reviewed after year-end close. Fund balances are categorized by **fund type** (i.e., restricted funds, designated funds, or unrestricted undesignated funds).

Operating **fund balances** result from either savings relative to the budget or timing of multi-year funding and expenses across fiscal years. Operating fund balances may be:

- **Committed** for a specific, and often one-time, purpose and/or priority
- **Encumbered** by contractual obligations to expend funds

**Remaining fund balances** are the operating fund balances that remain after commitments and encumbrances. Remaining balances for restricted and designated funds are typically due to differences in the timing of appropriations, revenues, and expenses, and per the fund definitions, funds are considered committed to their intended purpose. Unrestricted and designated fund balances are evaluated for allocation to UCOP and/or campus budgets.

UCOP forecasts and evaluates fund balances as part of preparing the annual budget for the Regents' review and approval in May, and reports actual fund balances as part of the prior year budget to actuals report for the Regents' review in November, after the fiscal year end process has closed. The process for reallocating funds is documented in the UCOP Budget Manual.

## GOVERNANCE AND COMPLIANCE

Function	Responsibilities
President	Approve transactions that result in the flow of funds out of the UCOP reserves. Approve reserve levels. Notify Regents when the Central Operating Reserve is utilized.
Chief Operating Officer	Review UCOP reserve target funding level and funding mechanism; approve covered funds and expenses; review funding requests that draw down the reserves.
UC Provost	Review UCDC and UC Press reserve target funding levels and funding mechanisms, covered funds and expense, and funding requests that draw down the reserves.
Executive Director, UCOP Operations	Convene work group to review guidelines for the Central Operating Reserve every three years or whenever there is a change of 10% or more to the UCOP budget.
Executive Director, UCOP Budget & Finance	Review reserve balances on an annual basis. Recommend covered funds and expenses. Report on reserves to the UC Board of Regents as part of the annual budget presentation and after fiscal year close.
Program Reserve Governing Board	Perform the oversight and/or advisory functions as outlined in the board's charter, which may include the review and recommendation of reserve funding levels, funding mechanisms, and funding requests to draw down the reserves. Ensure alignment with the funding and reporting requirements of UCOP.

## APPENDIX

### A. UCOP Reserve Target Funding Levels

(As of April 2019)

UCOP Reserve	Reserve Target Funding Level
<b>Building and Capital Assets Reserves</b>	
Capital Maintenance and Renewal	1%-3% of Current Replacement Value (CRV), validated against project costs
UCOP IT Infrastructure	10%-15% of Current Replacement Value (CRV)
<b>Program Reserves</b>	
UC National Laboratories	
LANS and LLNS-LLC Post Contract Contingency	Set by UC Board of Regents at \$23M
LANS and LLNS-LLC Fee Contingency	Set by UC Board of Regents at \$7M
LBNL Post Contract Contingency	Set by LBNL and UCNL management at \$4M
LBNL Building Commitment	Set by LBNL and UCNL management at 1-1.5 years debt service payment and 1 year of lab fees
LBNL Guest House Renewal & Replacement	Set by LBNL and UCNL management and allocated 25% of debt service payment
UC Press	Set by the UC Press Board at one month of budgeted annual operating revenue
UC Washington Center (UCDC)	
Building	1%-3% of Current Replacement Value (CRV), validated against project costs
IT Infrastructure	10%-15% of Current Replacement Value (CRV)
Operations	At least 25%, or 3 months of annual expense, up to 50% or 6 months
<b>Other Required Reserves</b>	
Housing Loan Program	3%-3.5% of the outstanding balance of loans
<b>UCOP Central Operating Reserve</b>	
Central Operating Reserve	\$15M or 3.5% of covered UCOP operating funds, whichever is greater, and may be supplemented up to an additional \$100M or 3 months of covered UCOP operating funds, whichever is greater

## B. UCOP FY18-19 Reserve Targets Schedule

### UCOP FY18-19 Reserve Targets

**April 1, 2019**

*\$ in millions*

<b>UCOP RESERVES</b>	<b>Reserve Target Minimum</b>	<b>Reserve Target Maximum</b>	<b>Reserve as of June 30, 2018</b>
<b>Building and Capital Assets Reserves</b>			
Capital Maintenance and Renewal	\$ 2.6	\$ 7.9	\$ 6.2
UCOP IT Infrastructure	0.4	0.6	0.4
<b>Sub-Total Building and Capital Assets Reserves</b>	<b>\$ 3.0</b>	<b>\$ 8.5</b>	<b>\$ 6.6</b>
<b>Program Reserves</b>			
UC National Laboratories			
LANS and LLNS-LLC Post Contract Contingency <sup>1</sup>	23.0	23.0	14.0
LANS and LLNS-LLC Fee Contingency <sup>1</sup>	7.0	7.0	7.9
LBNL Post Contract Contingency <sup>2</sup>	4.0	4.0	2.7
LBNL Building Commitment <sup>2</sup>	10.0	23.0	14.2
LBNL Guest House Renewal & Replacement <sup>2</sup>	1.5	2.5	1.4
UC Press <sup>3</sup>	1.5	1.5	1.5
UC Washington Center (UCDC) <sup>4</sup>	2.9	6.3	6.3
<b>Sub-Total Program Reserves</b>	<b>\$ 49.9</b>	<b>\$ 67.3</b>	<b>\$ 48.0</b>
<b>Other Required Reserves</b>			
Housing Loan Program <sup>5</sup>	20.0	25.0	39.4
<b>Sub-Total Other Required Reserves</b>	<b>\$ 20.0</b>	<b>\$ 25.0</b>	<b>\$ 39.4</b>
<b>SUB TOTAL NON-OPERATING AND PROGRAM RESERVES<sup>6</sup></b>	<b>\$ 72.9</b>	<b>\$ 100.8</b>	<b>\$ 94.0</b>
<b>Central Operating Reserve<sup>7</sup></b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>
<b>TOTAL UCOP RESERVES</b>	<b>\$ 87.9</b>	<b>\$ 115.8</b>	<b>\$ 109.0</b>

<sup>1</sup> UCNL LANS and LLNS-LLC reserves and reserve targets are established by the UC Regents.

<sup>2</sup> LBNL reserves targets are established by LBNL and UCNL management.

<sup>3</sup> UC Press reserve established by Board of Directors.

<sup>4</sup> UCDC reserve includes \$1M in reserves and \$5.3M in TRIP.

<sup>5</sup> \$12M of reserve balance was redistributed to campuses in FY18-19.

<sup>6</sup> Pursuant to this guidance, UCOP will not maintain a systemwide benefits reserve for fully-insured health benefit plans.

<sup>7</sup> \$15M Central Operating Reserve is held in the President's Endowment Fund. Reserve may be supplemented up to an additional \$100M.

### C. Reserve Best Practices and Benchmarking

#	Institution	Benchmark/ Best Practice	Reserve Type	% of Operating Budget	Other Metric	Notes	Source
1	Association of Physical Plant Administrators (APPA)	Best Practice	Building Reserve		1%-3% of CRV	Minimum of 1%-3% of Current Replacement Value of capital assets	<a href="http://bokcms.appa.org/pdfs/131-05281612.pdf">http://bokcms.appa.org/pdfs/131-05281612.pdf</a>
2	Federal Deposit Insurance Corporation	Best Practice	Insurance/Loan Reserves		1.35% reserve ratio	1.35% reserve ratio on insured depository institutions	<a href="https://www.fdic.gov/regulations/safety/manual/section3-2.pdf">https://www.fdic.gov/regulations/safety/manual/section3-2.pdf</a>
3	Government Finance Officers Association	Best Practice	General Fund Reserve		16% of General Fund revenue	Cities should maintain a reserve of 16% of General Fund revenues	<a href="http://www.gfoa.org/fund-balance-guidelines-general-fund">http://www.gfoa.org/fund-balance-guidelines-general-fund</a>
4	Government Finance Officers Association	Best Practice	Renewal and Replacement Reserve		2% of current facility replacement value.	Greater of the average renewal and replacement project needs over five years or 2% of current facility replacement value.	<a href="http://www.gfoa.org/sites/default/files/u63/GFOAFinancialPoliciesDoc9AMetro.pdf">http://www.gfoa.org/sites/default/files/u63/GFOAFinancialPoliciesDoc9AMetro.pdf</a>
5	NACUBO	Best Practice	Institutional Reserve	40.0%		Institution should be able to cover approximately 5 months of expenses through reserves	<a href="http://www.nacubo.org/Documents/EventsandPrograms/2012MADS/DoYouKnowTheFinancialHealth.pdf">http://www.nacubo.org/Documents/EventsandPrograms/2012MADS/DoYouKnowTheFinancialHealth.pdf</a>
6	National Center for Charitable Statistics	Best Practice	Operating Reserve	25.0%		Suggested minimum of 25% of annual operating budget	<a href="https://6iaxh20l86z1nlfh43ovtdj5-wpengine.netdna-ssl.com/wp-content/uploads/2008/12/Nonprofit_Operating_Reserve_Ratio.pdf">https://6iaxh20l86z1nlfh43ovtdj5-wpengine.netdna-ssl.com/wp-content/uploads/2008/12/Nonprofit_Operating_Reserve_Ratio.pdf</a>
7	California State University System	Other	Institutional Reserve	50.0%		Campuses may retain reserves of no more than half of annual operating budget	<a href="https://www.calstate.edu/icsuam/documents/Section2000.pdf">https://www.calstate.edu/icsuam/documents/Section2000.pdf</a>
8	Central Washington University	Other	Operating Reserve		25% of net tuition revenues	Target is equal to net tuition revenues for one academic quarter	<a href="http://www.cwu.edu/resources-reports/sites/cts.cwu.edu/resources-reports/files/CWUP%202-10-105%20Reserve%20Policy.pdf">http://www.cwu.edu/resources-reports/sites/cts.cwu.edu/resources-reports/files/CWUP%202-10-105%20Reserve%20Policy.pdf</a>
9	City of Berkeley	Other	Contingency Reserve		16.7% of General Fund revenues	General Fund Reserve is currently set at 8% of General Fund revenues. This would fund operations for only 30 days.	<a href="http://www.ci.berkeley.ca.us/Clerk/City_Council/2016/12_Dec/Documents/2016-12-13_Item_34_General_Fund_Reserve_Policy.aspx">http://www.ci.berkeley.ca.us/Clerk/City_Council/2016/12_Dec/Documents/2016-12-13_Item_34_General_Fund_Reserve_Policy.aspx</a>
10	City of Berkeley	Other	Emergency Reserve		13.3% of General Fund revenues	General Fund Reserve is currently set at 8% of General Fund revenues. This would fund operations for only 30 days.	<a href="http://www.ci.berkeley.ca.us/Clerk/City_Council/2016/12_Dec/Documents/2016-12-13_Item_34_General_Fund_Reserve_Policy.aspx">http://www.ci.berkeley.ca.us/Clerk/City_Council/2016/12_Dec/Documents/2016-12-13_Item_34_General_Fund_Reserve_Policy.aspx</a>
11	City of Sacramento	Other	Contingency Reserve		10% of budgeted General Fund revenues	Minimum of 10% of budgeted General Fund revenues. Target of 17%, or two months or regular General Fund expenditures.	<a href="https://www.cityofsacramento.org/City-Hall/Policies-and-Procedures">https://www.cityofsacramento.org/City-Hall/Policies-and-Procedures</a>
12	Colorado State University System	Other	Central Reserve			Held at the system level	<a href="http://www.csusystem.edu/uploads/ckfinder/userfiles/files/Policy%20205%20CSUS%20BOG%20Reserve%20Policy%2010-6-16.pdf">http://www.csusystem.edu/uploads/ckfinder/userfiles/files/Policy%20205%20CSUS%20BOG%20Reserve%20Policy%2010-6-16.pdf</a>
13	Colorado State University System	Other	Institutional Reserve		10% of unrestricted reserves	Each institution may add 10% of existing unrestricted reserves to Institutional Reserve. Any excess reserves will be transferred to the Board Reserve annually.	<a href="http://www.csusystem.edu/uploads/ckfinder/userfiles/files/Policy%20205%20CSUS%20BOG%20Reserve%20Policy%2010-6-16.pdf">http://www.csusystem.edu/uploads/ckfinder/userfiles/files/Policy%20205%20CSUS%20BOG%20Reserve%20Policy%2010-6-16.pdf</a>
14	Cornell University	Other	Capital Reserve			Funds set aside for planned capital projects	<a href="https://www.dfa.cornell.edu/accounting/topics/reserveaccounts">https://www.dfa.cornell.edu/accounting/topics/reserveaccounts</a>
15	Cornell University	Other	Faculty Renewal Reserve			Funds set aside to support the Faculty Renewal Initiative (replace retiring faculty)	<a href="https://www.dfa.cornell.edu/accounting/topics/reserveaccounts">https://www.dfa.cornell.edu/accounting/topics/reserveaccounts</a>
16	Cornell University	Other	Operating Reserve			Funded by annual operating surpluses	<a href="https://www.dfa.cornell.edu/accounting/topics/reserveaccounts">https://www.dfa.cornell.edu/accounting/topics/reserveaccounts</a>
17	Cornell University	Other	Renewal and Replacement Reserve			Funds set aside for renewal of facilities and/or replacement of equipment	<a href="https://www.dfa.cornell.edu/accounting/topics/reserveaccounts">https://www.dfa.cornell.edu/accounting/topics/reserveaccounts</a>
18	Harvard University	Other	Cash Reserve		\$800 million	Harvard has a policy of maintaining a cash reserve floor of \$800 million outside of the university's General Investment Account.	<a href="http://finance.harvard.edu/files/fad/files/harvard_ar_11_12016_final.pdf">http://finance.harvard.edu/files/fad/files/harvard_ar_11_12016_final.pdf</a>
19	Humboldt State University	Other	Capital Reserve		10% of 5-year plan projects, 0.5% CRV	Target is 10% of 5-year capital plan projects and 0.5% of current replacement value of university facilities	<a href="https://www2.humboldt.edu/budget/sites/default/files/documents/FY16-17/Draft%20Reserve%20Policy%20FY2016-17%20v2.pdf">https://www2.humboldt.edu/budget/sites/default/files/documents/FY16-17/Draft%20Reserve%20Policy%20FY2016-17%20v2.pdf</a>
20	Humboldt State University	Other	Operating Reserve	10.0%		Target is 2% of base budget expenditures	<a href="https://www2.humboldt.edu/budget/sites/default/files/documents/FY16-17/Draft%20Reserve%20Policy%20FY2016-17%20v2.pdf">https://www2.humboldt.edu/budget/sites/default/files/documents/FY16-17/Draft%20Reserve%20Policy%20FY2016-17%20v2.pdf</a>

#	Institution	Benchmark/ Best Practice	Reserve Type	% of Operating Budget	Other Metric	Notes	Source
21	Minnesota State Colleges and Universities System	Other	Central Reserve		2% of annual state appropriations	System office may maintain a General Reserve Fund of up to 2% of annual state appropriations, to be used at the discretion of the chancellor	<a href="http://www.mnscu.edu/board/policy/510.html">http://www.mnscu.edu/board/policy/510.html</a>
22	Minnesota State Colleges and Universities System	Other	Institutional Reserve	5.0%		Any institution with reserves below 5% or above 7% must report to the system's CFO	<a href="http://www.mnscu.edu/board/policy/510.html">http://www.mnscu.edu/board/policy/510.html</a>
23	North Dakota University System	Other	Designated Reserve			Institutions may maintain designated reserves in excess of 7%. These reserves must be reported to the CFO.	<a href="https://www.ndus.edu/makers/procedures/sbhe/default.asp?PID=482&amp;SID=10">https://www.ndus.edu/makers/procedures/sbhe/default.asp?PID=482&amp;SID=10</a>
24	North Dakota University System	Other	Institutional Reserve		5% of previous year's General Fund	Institutions may maintain an undesignated reserve of 5-7% of the previous fiscal year's actual general fund and net tuition revenue	<a href="https://www.ndus.edu/makers/procedures/sbhe/default.asp?PID=482&amp;SID=9">https://www.ndus.edu/makers/procedures/sbhe/default.asp?PID=482&amp;SID=9</a>
25	Portland State University	Other	Central Reserve		12.5% of educational and general fund	Target is 12.5% of educational and general fund, and an additional 12.5% of central university operating budget	<a href="https://www.pdx.edu/board/sites/www.pdx.edu.board/files/Reserves%20Management%20Policy.pdf">https://www.pdx.edu/board/sites/www.pdx.edu.board/files/Reserves%20Management%20Policy.pdf</a>
26	Portland State University	Other	Debt Service Reserve		Maximum annual debt service	Amount equal to maximum annual debt service must be set aside and restricted within 4 fiscal years of issuance of any new university-paid debt	<a href="https://www.pdx.edu/board/sites/www.pdx.edu.board/files/Reserves%20Management%20Policy.pdf">https://www.pdx.edu/board/sites/www.pdx.edu.board/files/Reserves%20Management%20Policy.pdf</a>
27	Portland State University	Other	Operating Reserve	12.5%		University divisions shall maintain a minimum reserve of 12.5% of annual E&G fund budget	<a href="https://www.pdx.edu/board/sites/www.pdx.edu.board/files/Reserves%20Management%20Policy.pdf">https://www.pdx.edu/board/sites/www.pdx.edu.board/files/Reserves%20Management%20Policy.pdf</a>
28	Portland State University	Other	Risk Management Claims Reserve			To be determined by prior years' claims and actuarial forecasts	<a href="https://www.pdx.edu/board/sites/www.pdx.edu.board/files/Reserves%20Management%20Policy.pdf">https://www.pdx.edu/board/sites/www.pdx.edu.board/files/Reserves%20Management%20Policy.pdf</a>
29	San Jose State University	Other	Capital Reserve		5% of construction cost	For maintenance and repair of facilities funded through student fees. Minimum 5% of total construction cost.	<a href="http://www.sjsu.edu/finance/policies_guidelines/campus_reserve/">http://www.sjsu.edu/finance/policies_guidelines/campus_reserve/</a>
30	San Jose State University	Other	Operating Reserve	50.0%		No more than 6 months operating costs. Some reserves for specific uses within Operating Reserve have a minimum dollar amount.	<a href="http://www.sjsu.edu/finance/policies_guidelines/campus_reserve/">http://www.sjsu.edu/finance/policies_guidelines/campus_reserve/</a>
31	Sonoma State University	Other	Capital Reserve		10% of costs of all capital projects	Covers the costs of planning, working drawings, and equipment associated with each project, which are estimated at about 10% of the total project cost	<a href="https://www.sonoma.edu/policies/university-operating-fund-reserve-policy">https://www.sonoma.edu/policies/university-operating-fund-reserve-policy</a>
32	Sonoma State University	Other	Capitalized Equipment Replacement & Acquisition		10% of Current Replacement Value	10% of Current Replacement Value (CRV) of capitalized equipment.	<a href="https://www.sonoma.edu/policies/university-operating-fund-reserve-policy">https://www.sonoma.edu/policies/university-operating-fund-reserve-policy</a>
33	Sonoma State University	Other	Maintenance Reserve		1% of Current Replacement Value	Based on recommendation of Association of Physical Plant Administrators (APPA)	<a href="https://www.sonoma.edu/policies/university-operating-fund-reserve-policy">https://www.sonoma.edu/policies/university-operating-fund-reserve-policy</a>
34	Sonoma State University	Other	Operating Reserve	10.0%	10% of Base Budget Expenditures	Up to 6 months (50%) of budgeted operating costs	<a href="https://www.sonoma.edu/policies/university-operating-fund-reserve-policy">https://www.sonoma.edu/policies/university-operating-fund-reserve-policy</a>
35	Stanford university	Other	Expendable Reserves			Thousands of reserve funds held across the university, controlled by faculty, departments, programs, schools.	<a href="https://web.stanford.edu/dept/pres-provost/budget/plans/BudgetBookFY17.pdf">https://web.stanford.edu/dept/pres-provost/budget/plans/BudgetBookFY17.pdf</a>
36	Stanford university	Other	President's Discretionary Fund			Unrestricted funds functioning as endowment, generated from returns on expendable reserves, used at discretion of the president.	<a href="https://web.stanford.edu/dept/pres-provost/budget/plans/BudgetBookFY17.pdf">https://web.stanford.edu/dept/pres-provost/budget/plans/BudgetBookFY17.pdf</a>
38	State of California	Other	Budget Stabilization Reserve		10% of General Fund taxes	The state must put money into BSA until balance reaches maximum amount of 10% of General Fund taxes (Proposition 2)	<a href="http://www.lao.ca.gov/Publications/Report/3349">http://www.lao.ca.gov/Publications/Report/3349</a>
39	State of California	Other	Contingency Reserve			Discretionary. An SFEU balance above 3% of General Fund revenues may trigger a reduction in state sales tax.	<a href="http://www.lao.ca.gov/Publications/Report/3348">http://www.lao.ca.gov/Publications/Report/3348</a>
40	State of Michigan	Other	Renewal and Replacement Reserve		100% of renewal and replacement costs for all years	Sufficient funding to pay for the "Total Capital Costs" for all the years of the CNA analysis combined.	<a href="https://www.michigan.gov/documents/mshda/503_-_Replacement_Reserve_Policy_4-26-2013_419037_7.pdf">https://www.michigan.gov/documents/mshda/503_-_Replacement_Reserve_Policy_4-26-2013_419037_7.pdf</a>
41	Texas State University	Other	Operating Reserve	20.0%	0.2 Available Funds Ratio	Available funds ratio (available reserves / budgeted expenditures and transfers) should exceed 0.2	<a href="http://policies.txstate.edu/university-policies/03-02-01.html">http://policies.txstate.edu/university-policies/03-02-01.html</a>
42	The Rotary Foundation	Other	Operating Reserve	100.0%		Minimum reserve must equal budgeted operating expenses at the beginning of each fiscal year. Maximum reserve balance is 3x budgeted operating expenses	<a href="https://my.rotary.org/en/document/rotary-foundation-code-policies">https://my.rotary.org/en/document/rotary-foundation-code-policies</a>



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43	University of Hawaii	Other	Operating Reserve		5% of tuition funds, 5% of "other" funds	Minimum of 5% from all tuition and fee funds, and 5% from all other special and revolving funds. Reserves greater than 16% may be subject to reallocation	<a href="https://www.hawaii.edu/policy/?action=viewPolicy&amp;policySection=Ep&amp;policyChapter=8&amp;policyNumber=210">https://www.hawaii.edu/policy/?action=viewPolicy&amp;policySection=Ep&amp;policyChapter=8&amp;policyNumber=210</a>
44	University of Minnesota System	Other	Central Reserve		4% of state appropriations	Central reserves fund should not fall below the greater of 4% of state appropriations or \$25MM (state appropriations were \$651MM in FY2017)	<a href="https://regents.umn.edu/sites/regents.umn.edu/files/policies/Central_Reserves_Fund.pdf">https://regents.umn.edu/sites/regents.umn.edu/files/policies/Central_Reserves_Fund.pdf</a>
45	University of New Mexico	Other	Unrestricted Reserves	3% to 5%		Central (non-departmental) reserves should be around 3% to 5% of the University's instruction & general expense budget	<a href="https://policy.unm.edu/university-policies/7000/7000.html">https://policy.unm.edu/university-policies/7000/7000.html</a>
46	University of Oklahoma	Other	Auxiliary Enterprise Capital Reserve			To be determined by approved plans and designated for specific projects	<a href="http://www.ou.edu/controller/fss/policies/AE.pdf">http://www.ou.edu/controller/fss/policies/AE.pdf</a>
47	University of Oklahoma	Other	Auxiliary Enterprise Debt Service Reserve			To be determined by debt instrument	<a href="http://www.ou.edu/controller/fss/policies/AE.pdf">http://www.ou.edu/controller/fss/policies/AE.pdf</a>
48	University of Oklahoma	Other	Auxiliary Enterprise Operating Reserve	5.0%		Reserves in excess of 5% must be authorized by the President	<a href="http://www.ou.edu/controller/fss/policies/AE.pdf">http://www.ou.edu/controller/fss/policies/AE.pdf</a>
49	University of Oklahoma	Other	Auxiliary Enterprise Renewal & Replacement			To be determined by depreciation schedules for fixed assets	<a href="http://www.ou.edu/controller/fss/policies/AE.pdf">http://www.ou.edu/controller/fss/policies/AE.pdf</a>
50	University of Pennsylvania	Other	Debt Service Reserve			Holding account for mandated Debt Service Reserves that the University has agreed to establish as a condition of external borrowing	<a href="http://www.budget.upenn.edu/dlDocs/fund_usage.pdf">http://www.budget.upenn.edu/dlDocs/fund_usage.pdf</a>
51	University of Pennsylvania	Other	Renewal and Replacement Reserve			Responsibility centers may accumulate renewal and replacement reserves for renewal/replacement projects and investment in new equipment/facilities	<a href="http://www.budget.upenn.edu/dlDocs/fund_usage.pdf">http://www.budget.upenn.edu/dlDocs/fund_usage.pdf</a>
52	University of Pennsylvania	Other	University Bank Fund			Responsibility centers may hold surplus operating balances as reserves in this holding account	<a href="http://www.budget.upenn.edu/dlDocs/fund_usage.pdf">http://www.budget.upenn.edu/dlDocs/fund_usage.pdf</a>
53	University System of New Hampshire	Other	Institutional Reserve		3% of previous year's expenditures	Institutional Reserves must be at least 3% of prior year's GOB expenditures and transfers	<a href="https://www.usnh.edu/policy/usy/iv-financial-policies/b-operating-budgets">https://www.usnh.edu/policy/usy/iv-financial-policies/b-operating-budgets</a>
54	Washington D.C.	Other	Contingency Reserve		4% of previous year's expenditures	Fund equal to 4% of previous fiscal year's general fund expenditures less debt service cost	<a href="https://cfo.dc.gov/page/emergency-and-contingency-cash-reserve-fund-status-reports">https://cfo.dc.gov/page/emergency-and-contingency-cash-reserve-fund-status-reports</a>
55	Washington D.C.	Other	Emergency Reserve		2% of previous year's expenditures	Fund equal to 2% of previous fiscal year's general fund expenditures less debt service cost	<a href="https://cfo.dc.gov/page/emergency-and-contingency-cash-reserve-fund-status-reports">https://cfo.dc.gov/page/emergency-and-contingency-cash-reserve-fund-status-reports</a>
56	City University of New York System	Primary				No publicly available information found	
57	State University of New York System	Primary	Institutional Reserve	25.0%		Any campus below 10% or above 25% will be contacted by system administration	<a href="https://www.suny.edu/sunypp/documents.cfm?doc_id=727">https://www.suny.edu/sunypp/documents.cfm?doc_id=727</a>
58	State University of New York System	Primary	Strategic Investment Reserve			At least 75% of reserves for strategic plans should be dispersed annually	<a href="https://www.suny.edu/sunypp/documents.cfm?doc_id=728">https://www.suny.edu/sunypp/documents.cfm?doc_id=728</a>
59	Texas A&M University	Primary	Auxiliary Enterprise Operating Reserve	25.0%		All auxiliary departments and service departments are requires to maintain a three month operating reserve	<a href="http://rules-saps.tamu.edu/PDFs/23.02.02.M1.pdf">http://rules-saps.tamu.edu/PDFs/23.02.02.M1.pdf</a>
60	Texas A&M University	Primary	Debt Service Reserve		115% of succeeding year's annual debt service	Each university department must maintain a debt service reserve of 115% of the succeeding year's annual debt service payment	<a href="http://rules-saps.tamu.edu/PDFs/23.02.02.M1.pdf">http://rules-saps.tamu.edu/PDFs/23.02.02.M1.pdf</a>
61	University of Arizona	Primary				No publicly available information found	
62	University of Illinois	Primary	Debt Service Reserve			Held as a requirement of bond covenants for outstanding University bond issues	<a href="https://www.obfs.uillinois.edu/bfpp/section-14-investments/investment-strategies">https://www.obfs.uillinois.edu/bfpp/section-14-investments/investment-strategies</a>
63	University of Illinois	Primary	Self-Insurance Reserve				<a href="https://www.obfs.uillinois.edu/bfpp/section-14-investments/investment-strategies">https://www.obfs.uillinois.edu/bfpp/section-14-investments/investment-strategies</a>
64	University of Illinois	Primary	Equipment Reserve		20% of blue book value	may not exceed 20% of the book value of the movable equipment of the system	<a href="https://www.conferences.uillinois.edu/common/pages/DisplayFile.aspx?itemId=2436">https://www.conferences.uillinois.edu/common/pages/DisplayFile.aspx?itemId=2436</a>
65	University of North Carolina System	Primary				No publicly available information found	

#	Institution	Benchmark/ Best Practice	Reserve Type	% of Operating Budget	Other Metric	Notes	Source
66	University of Texas System	Primary				No publicly available information found	
67	University of Wisconsin System	Primary	Auxiliary Enterprise Operating Reserve			Maximum balance is the sum of 15% prior year revenue, 2 years of planned routine capex, 1 year of debt service	<a href="https://www.wisconsin.edu/uw-policies/314-attachment-3-reserve-accumulation-policy/">https://www.wisconsin.edu/uw-policies/314-attachment-3-reserve-accumulation-policy/</a>
68	University of Wisconsin System	Primary	Institutional Reserve	12.0%		Maximum reserve balance for tuition, auxiliary operations, general operations, and other unrestricted revenue funds is 12% of fiscal year expenditures	<a href="https://www.wisconsin.edu/regents/policies/program-revenue-balances-and-reserves-policy/">https://www.wisconsin.edu/regents/policies/program-revenue-balances-and-reserves-policy/</a>