

Reserves Update



➤ Why do universities need reserves?

Like most universities, Cal Poly Humboldt needs reserves to:

- **Protect against disruptions** such as revenue shortfalls, increases in expenses, and unforeseen events (e.g., legal, legislative, regulatory changes, emergencies)
- Enable **savings for investment** in future capital projects and major equipment purchases
- **Maintain capital infrastructure and equipment** assets in good working order, and fund renewal and renovation projects
- Provide **access to debt financing** through adequate debt coverage ratios and positive credit ratings
- Address **one-time needs that further the purpose** of the university

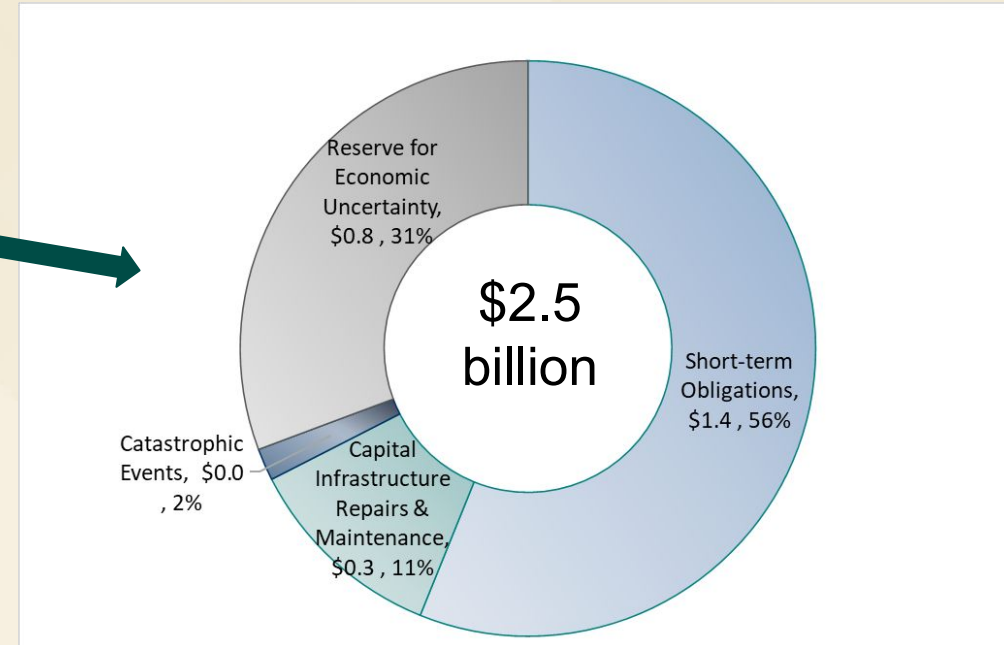
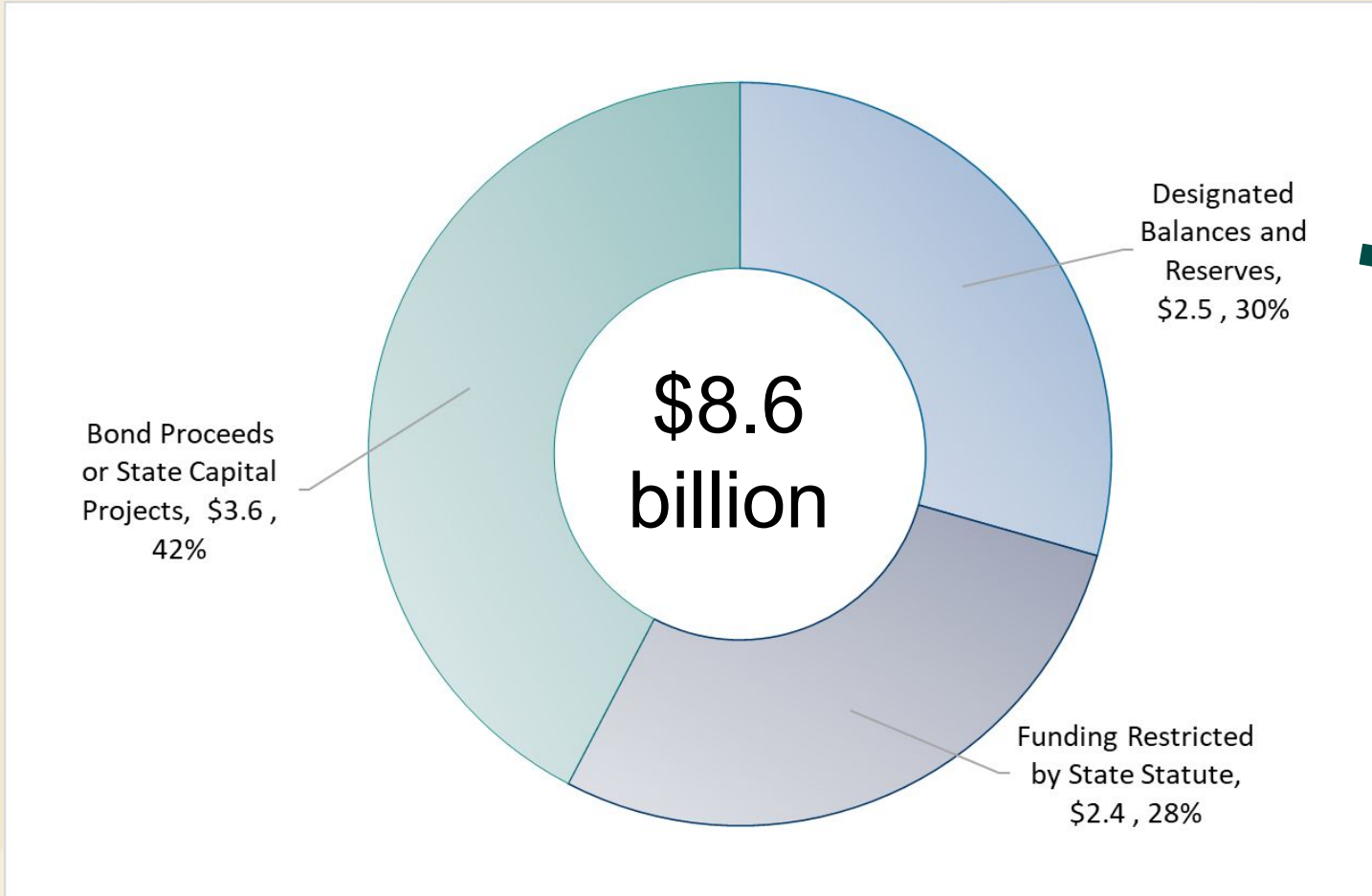
➤ **Humboldt Operating Fund Reserve Policy Principles**

- It is the policy of Cal Poly Humboldt to maintain financial reserves adequate 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 our 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 be used only to provide a bridge to a solution rather than as a means to delay addressing a structural issue.**

➤ Designated Balances & Reserves Key Concepts

- Designated Balances and Reserves represent a balance at a single point in time at fiscal year end -> June 30
- Not all unrestricted balances are free and clear - “designated balances” are generally already committed, while “reserves” are truly available one-time savings
- Policies (CSU and Humboldt), best practices, and planning targets guide campus reserve planning efforts
- The same spending rules apply to Reserves (ex - Housing reserves must be spent on the housing program)
- Reserves are a one-time source of funding - once they are spent, they are gone and as such, should not be used to cover ongoing costs

CSU Cash Invested at Fiscal Year End (June 30, 2023)



Source: CSU Transparency Portal



CSU # of Days Supported by Operating Fund Reserves (June 30, 2023)

Reserve for Economic Uncertainty: \$766m

Systemwide Operating Reserves

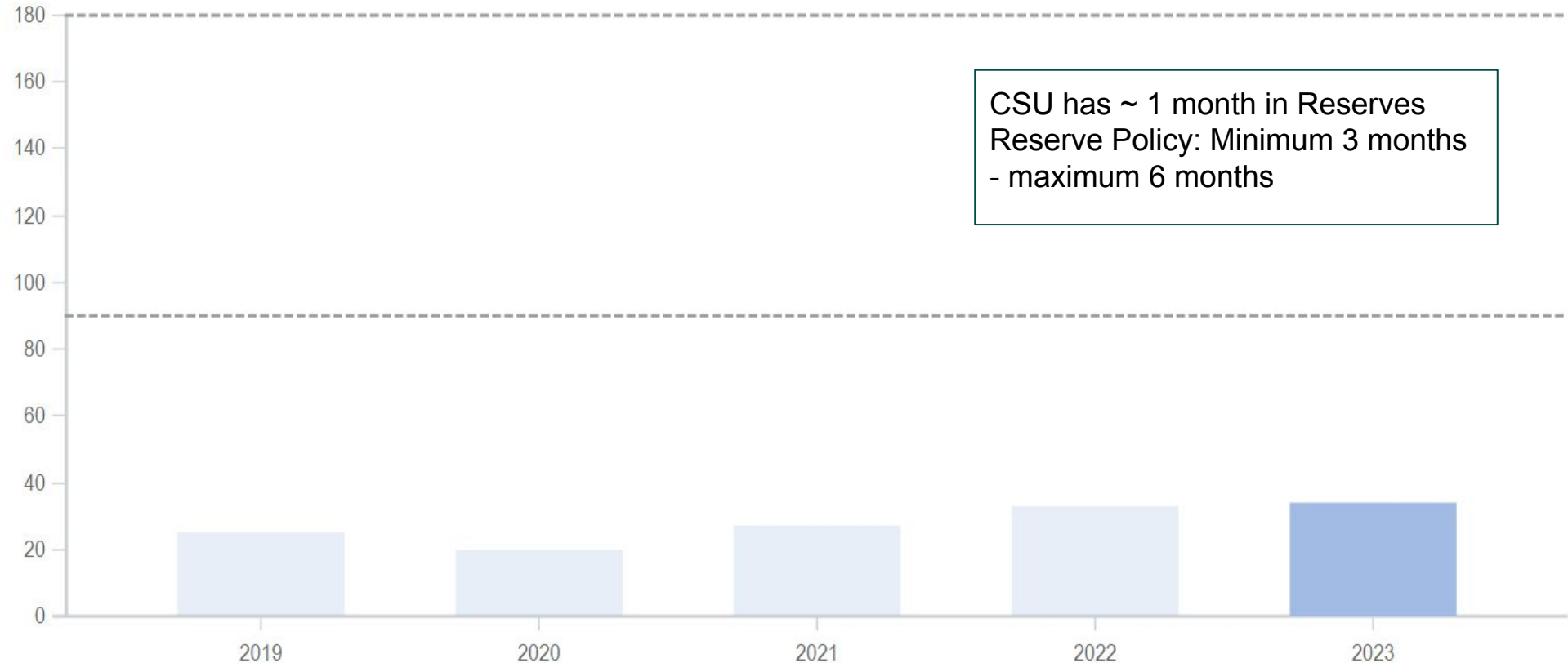
Number of days of operating reserves for economic uncertainty held by the 23 universities and the chancellor's office.

NEEDS FOCUS

Target between 90 and 180

Data Updated Jul 28, 2023, 4:26 PM

Number of Days =
Economic Uncertainty
Reserves / Expenses * 365



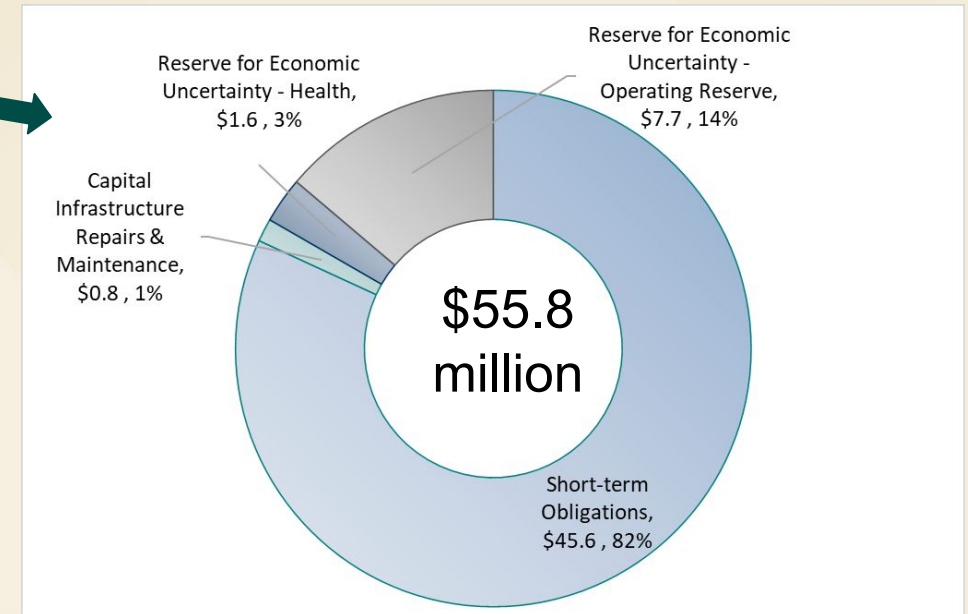
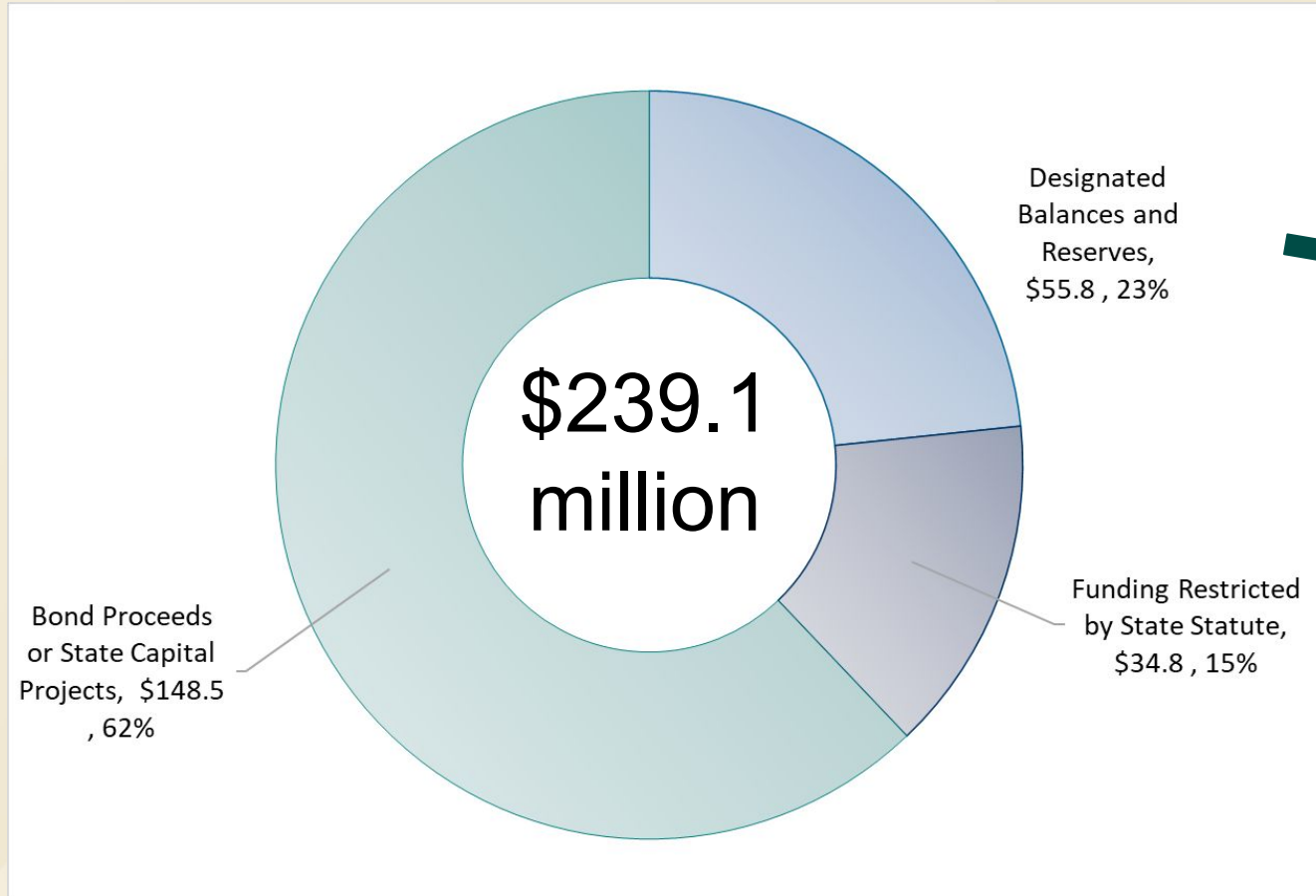
CSU has ~ 1 month in Reserves
Reserve Policy: Minimum 3 months
- maximum 6 months

34

TYPE in 2023



Humboldt Cash Invested at Fiscal Year End (June 30, 2023)



Source: CSU Transparency Portal



Humboldt Operating Reserve as of June 30, 2023

(Operating Reserve = University Operating Fund's Reserve for Economic Uncertainty)

Policy
Targets

\$39.7 million

25% - 50%

90 - 180 Days

Operating
Reserve =
\$7.7 million

% of Budget:
4.8%

Number of
Days =
18

➤ June 30, 2023 Reserves Summary

- Cal Poly Humboldt's Cash/Reserve levels increased dramatically from June 30, 2022, but largely due to +\$100 million associated with Poly Capital Projects (Craftsman)
- The Reserve for Economic Uncertainty levels are stable, with slight year-over-year growth (Operating Reserve +\$500k), but well below policy targets
- Reserve levels are annually evaluated against plans and needs to determine whether to reinvest or save
- Need to continue to strategize growth in reserves over time - Operating Fund Operating Reserve only covers 18 days of operations (90 days is the goal)