

TITLE RESERVE FUNDS POLICY

SUBJECT AZTEC SHOPS FINANCIAL STANDARDS FOR RESERVE FUNDS

BACKGROUND

California State University Policy states that the establishment of adequate reserve policies for CSU auxiliaries is required to meet the California State University financial standards established in Education Code, Section 89904(b). Section 89904(b) states that auxiliaries shall implement financial standards that will assure fiscal viability by the establishment of reserve funds for current operation and capital replacement.

GENERAL DESCRIPTION

The purpose of this policy is to provide the basis for the annual review of fiscal viability, to comply with accepted accounting principles relative to balance sheet presentation of reserves, and to provide the criteria for distribution of reserves.

TERMS AND DEFINITIONS

Sources of Funds:

Aztec Shops Ltd., sources its operating capital from the following:

- Income from commercial operations
- Investment income

Use of Funds:

Aztec Shops expends funds for current business operations and designated programs.

Reserve Funds:

Reserves are generated from an excess of revenues over expenditures of Aztec Shops Working Capital.

Appropriations:

Appropriations are annual allocations of ~~reserves~~ revenues to the following Board-~~designated-provisions~~ established Designated Reserves:

- Working Capital & Current Operations
- Real Estate Acquisition
- Capital Expenditures (Facilities Renovation, Equipment Acquisition / ~~Capital Development (Facilities Construction) Other CapEx~~)
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APPROPRIATION TO DESIGNATED RESERVES

Excess revenues will be allocated annually to the following reserve categories (“Designated Reserves”) until ~~such the~~ level of funding ~~is~~ specified below (which may be adjusted by the Board from time to time for any or all of the Designated Reserve Funds) has been attained ~~according to the following requirements:~~

Working Capital and Current Operations

This ~~appropriation~~ Designated Reserve will be maintained at a level sufficient to provide for at least 30 days of normal operating expenditures for all Aztec Shops operations. Aztec Shops runs seasonal operations and working capital needed to fund any given month of operation is estimated at up to \$5 million, therefore necessitating that Aztec Shops holds at least \$5 million in cash or other operating funds as described in the Aztec Shops Investment Policy.

Real Estate Acquisition

The amount of this ~~appropriation~~ Designated Reserve will provide a sufficient amount of funds as determined by the Board of Directors to acquire physical property necessary to support the needs of the University, primarily in the area of residential real estate. To the extent practicable, and above and beyond Aztec Shops working capital needs, Aztec Shops should reserve an additional \$3 million for these purposes.

Capital Expenditures

The amount of this ~~appropriation~~ Designated Reserve will provide a sufficient amount of funds as determined by the Board of Directors on an annual basis to meet objectives for real estate renovations and upgrades, for acquisition or replacement of major equipment items, and for other capital expenditure items as may be approved.

When the Designated Reserves have been funded to the levels specified above or as set or adjusted by Board action, additional excess revenues shall be allocated to the Investment Reserve Fund for investment in accordance with the Board-adopted Statement of Investment Policy and Objectives.

USES OF RESERVES

All funding and expenditures from the ~~above appropriations~~ Designated Reserves will be reviewed by the Board of Directors. Expenditures will be in accordance with the annual budget as approved by the Board and the President of San Diego State University.

