

SECTION: **POLICY STATEMENT - GENERAL AND ADMINISTRATIVE**

SUBJECT: **GENERAL FUND LIQUIDITY RESERVE**

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PURPOSE: To provide management direction from the Board of Directors concerning the setting and investment of a General Fund investment and liquidity reserve.

NEW/REVISED: As authorized by Board of Directors on March 5, 2010

EFFECTIVE  
DATE: March 5, 2010

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### **GENERAL FUND LIQUIDITY RESERVE**

#### **I. GOALS AND OBJECTIVES**

##### **A. Business Objectives.**

1. Provide a low risk, liquid asset reserve sufficient to prudently cover, at a minimum, anticipated short term calls on Corporation depository and financial liabilities. Any and all individual deposit withdrawal requests will be made in full and in a timely manner
2. Establish a contingency reserve to cover potential General Fund investment losses.
3. Protect Corporation depositors and Corporation obligations.

##### **B. Investment Return Objectives.**

Provide return consistent with preserving principal and commensurate with current cash and high quality, short-term fixed income investment vehicles.

## II. CALCULATION OF RESERVES

### A. Timing of the Calculation .

Reserve to be calculated annually at June 30. Value may be adjusted during year if significant changes in liabilities arise (significant would mean an increase or decrease in the reserves of 25% or more.)

### B. Reserve Calculation.

The reserve will be the higher of the following two calculations:

1. 30% of General Fund investment equities.
2. The summation of:
  - a. 25% of the amount due depositors in the Agency Fund . In the unusual circumstance that a specific Agency has overdrawn an account, that deficit will be excluded from the reserve calculation.
  - b. 20% of the net amount due depositors in the Campus Programs Fund.
  - c. 10% of the expected high net value of annual Campus Dining meal plan and debit card liabilities.
  - d. Six months of payments owed on any General, Plant, Auxiliary or Designated Fund loans. Loan payments to be reviewed monthly on a rolling six month basis.
  - e. Some portion (may be zero), to be determined by management review, of Campus Programs and Agency Fund bank loans.
  - f. Some portion of extraordinary short term needs for cash as determined by management.

## III. ALLOWABLE INVESTMENTS

Regardless of whether the reserve is fully funded on Corporation's accounting books, assets equal to the calculation of the reserve will be invested as described in this policy document. General policy shall be to invest in diversified cash management funds further comprised of cash vehicles and fixed-income securities.

Allowable investments will be:

- A. Cash Vehicles. Cash and highly liquid cash-equivalent investments will be appropriate for this fund. Assets within this category must be rated “A1/P1” or better. Normal cash-equivalent and treasury management investments often include sub-asset categories. These may be considered with the approval of the Investment Committee.
- B. Fixed Income Investments. The principal categories of fixed income investment will be domestic, high-quality short-term agency and Treasury bonds. Assets within this category must have a maturity of one year or less and be rated “A” or better.
- C. Other Investments. Other funds may be included subject to limitations adopted by the Investment Committee.

#### IV. **ADMINISTRATION**

- A. Custodial Arrangements. All marketable securities will be held by a third party. The third party may be a bank or securities brokerage firm with a minimum of capital and surplus of \$500,000,000. Securities may be held in the nominee name of the third party but must be held separate and apart from, and may not be co-mingled with the assets of the third party. The terms and conditions of this third party relationship shall be detailed in a written agreement.
- B. Process. It is the charge of the Investment Committee and staff to implement the policies set forth above. The Investment Committee may utilize investment consultants and managers to achieve their goals.

The Investment Committee will periodically advise the Board of any recommended change(s) to this document.

#### V. **SOCIALLY RESPONSIBLE INVESTING**

The Board of Trustees of the California State University adopted a resolution urging auxiliary boards, which make corporate investments, to issue statements of social responsibility and to follow those precepts in examining past and considering future investment policies. The Corporation Board of Directors recognizes and accepts its social responsibility with respect to the investment of funds.