



## Policy 120

### **General Fund Liquidity Reserve Policy**

Section: 100 – General Administration

Responsible Executive: Lead Financial Administrator

Responsible Department: Investments and Treasury Management

First Effective Date: March 5, 2010

Last Reviewed: March 2018

Next Scheduled Review: June 2022

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#### **1.0 PURPOSE**

- 1.1. To provide management direction concerning the setting and investment of a General Fund Liquidity Reserve.

#### **2.0 BACKGROUND**

- 2.1. Cal Poly Corporation (“CPC”) needs to provide a low risk, liquid asset reserve sufficient to prudently cover, at a minimum, anticipated short term calls on CPC depository and financial liabilities. Any and all client withdrawal requests will be made in full and in a timely manner. It is also intended to establish a contingency reserve to cover potential General Fund investment losses, and to protect CPC depositors and CPC obligations.

#### **3.0 POLICY**

##### 3.1. General.

- 3.1.1. This policy and any related guidelines must complement and comply with Policy 121-General Investment Policy and its guidelines, as applicable.

- 3.1.2. Regardless of whether the reserve is fully funded on CPC’s accounting books, assets equal to the calculation of the reserve will be invested as described in this policy.

- 3.2. Investment Return Objectives. Provide returns consistent with preserving principal and commensurate with current cash and high quality, short-term fixed income investment vehicles.

##### 3.3. Calculation.

- 3.3.1. Timing of the Calculation. The Reserve is to be calculated annually as of June 30. Value may be adjusted during the year if significant changes in liabilities arise. “Significant” would mean an increase or decrease in the reserves of 25% or more.

- 3.3.2. Reserve Amount. The reserve will be set as the higher of the following two calculations:

- 30% of General Fund investment equities

OR

- The summation of:
  - 25% of the amount due depositors in the Agency Fund. (In the unusual circumstance that an individual agency has overdrawn an account, that deficit will be excluded from the reserve calculation.);
  - 20% of the net amount due clients of the Campus Programs Fund;

- 10% of the expected high net value of annual Campus Dining meal plan and debit card liabilities;
  - 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;
  - Some portion (may be zero), to be determined by CPC management review, of Campus Programs and Agency Fund bank loans; and
  - Some portion of extraordinary short term needs for cash as determined by CPC management.
- 3.4. Allowable Investments. Allowable investments will be to invest in diversified cash management funds such as:
- 3.4.1. 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 must be approved by the Lead Financial Administrator, upon consultation with the Investment Advisory Committee.
  - 3.4.2. 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.
  - 3.4.3. Other Investments. Other funds may be included, with approval of the Lead Financial Administrator, upon consultation with the Investment Advisory Committee.
- 3.5. Custodial Arrangements. All marketable securities will be held by a bonded or insured, notable and nationally known operating custodian. The terms and conditions of this custodial relationship shall be detailed in a written agreement.
- 3.6. Socially Responsible Investing. The Board of Trustees of California State University adopted a resolution urging auxiliary boards that make corporate investments to issue statements of social responsibility and to follow those precepts in examining past and considering future investment policies. The CPC Board of Directors recognizes and accepts its social responsibility with respect to the investment of funds.
- 3.7. Reporting. The Lead Financial Administrator will periodically advise the Board of any recommended change(s) to this policy.

#### **4.0 DEFINITIONS**

- 4.1 Agency Funds. Funds held for others for which CPC has no operating control and for which CPC needs to be prepared to return a certain level of funds on demand within certain parameters.
- 4.2 Campus Programs Fund. Funds held for clients for specific University-related purposes.

#### **5.0 PROCEDURES, GUIDELINES AND FORMS**

- 5.1. The Lead Financial Administrator, with consultation from the Investment Advisory Committee, may establish written guidelines and forms to implement this policy. Guidelines may include philosophy and procedures for specific investment vehicles or funds, as needed.

#### **6.0 COMPLIANCE**

- 6.1. All CPC personnel involved in trusts and investments must comply with this policy.

**7.0 REFERENCES AND RELATED POLICY**

- 7.1. CSU Board of Trustee Resolution RFIN 7-78-6 Social Responsibility and Investments
- 7.2. CPC Policy 121-General Investment Policy and its Guidelines

**Technical and administrative change updates**

*9-12-12 for title and organization structure changes.*