



## University Students' Council of the University of Western Ontario **RESERVE FUND POLICY**

<b>EFFECTIVE:</b>	DD MONTH YR	<b>REVIEW:</b>	DD MONTH YR
<b>AUTHORITY:</b>	Board of Directors	<b>POLICY#</b>	G-00
<b>TYPE:</b>	BOARD FINANCE POLICY		

### **PURPOSE:**

Governments and corporations use reserve funds as financial planning tools to ensure that monies are set aside to meet long-term goals and mitigate short-term financial risks. Reserve funds can serve many purposes, including:

- To smooth student fee (or tax rate) impacts during times of change or short-term uncertainty.
- To absorb the cost of emergency, one-time expenses not included in the operating budget.
- To plan for the impact and financing of major capital projects over time, to plan for scheduled capital renewal, and to fund other known future obligations.

At present the University Students' Council has two reserve funds:

- Internally Restricted Reserve (covers emergency business interruption, post-retirement benefit obligations, and capital cost obligations.)
- Student Fee Stabilization Reserve

This policy defines the purpose, source of revenue, acceptable use, and targets for reserves.

### **1.00 INTERNALLY RESTRICTED RESERVE**

#### 1.01 Purpose:

- (1) The internally restricted reserve fund represents internally restricted funds that are to be used to finance operations during periods of reduced funding and to fund the USC's post-retirement benefit obligation to its employees. The fund also represents the USC's investment in capital assets.

#### 1.02 Revenues:

- (1) The reserve is currently at target, so no source of revenue is required.

#### 1.03 Expenditures:

- (1) Drawing from this fund can be authorized by the Board of Directors to meet unforeseen circumstances such as an interruption in operations due to an emergency.



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1.04 Board of Directors Approved Target:

- (1) The fund must be able to cover the corporation's post-retirement benefit obligations, 12 months of operating expenses in the case of an emergency, and the USC's investments in capital assets.
- (2) Targets shall be re-evaluated for approval by the Board in conjunction with the strategic planning process or as deemed appropriate by the Secretary-Treasurer.
- (3) For the 2015/16 budget year, the target shall be \$3,000,000.
  - i. The target is established to meet the following obligations:
    - a. Business emergency and interruption - \$2,200,000
    - b. Post-retirement benefit obligations - \$800,000

**2.00 STUDENT FEE STABILIZATION RESERVE**

2.01 Purpose:

- (1) The student fee stabilization reserve represents funds available to reduce pressure on the student fee rate under the following circumstances:
  - i. during times of internal restructuring and change, where time is needed to plan for the long-term impact on student fees; and,
  - ii. to address short-term impacts to the operating budget brought on by issues in the external environment, such as economic downturns, unexpected decreases in student enrolment.

2.02 Revenues:

- (1) One-time transfer of funds up to \$1,000,000 and no less than \$800,000 from the Internally Restricted Reserve to establish the fund.
- (2) Any end of year operating surpluses may be transferred to the fund with a motion of the Board of Directors.
- (3) Any interest earned on the funds in the Student Fee Stabilization Reserve shall remain in the fund.
- (4) Any internal payments, including principle and interest, from projects that involve internal borrowing shall be remitted to the Student Fee Stabilization Reserve.

2.03 Expenditures:



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(1) Use of the fund shall be approved annually during the budget process.

### 2.04 Board of Directors Approved Target

(1) For the 2015/16 budget year, \$1,000,000.

(2) Target shall be re-evaluated for approval by the Board in conjunction with the strategic planning process or as deemed appropriate by the Secretary-Treasurer.

