



POLICY

4-24 Cash Reserves

LC Approved: December 11, 2018
BOT Approval Date: December 13, 2018
Revised:
Responsible Party: Vice President of Finance and Administration

Policy Statement

All cash reserves on the balance sheet of WSU Tech must be approved by the WSU President, or WSU Tech President and WSU Tech Board Chair. Any cash which is designated as reserved must be for a specific purpose and all expenditures against those funds must be for that purpose exclusively. All approved reserve funds are described on Appendix A.

Background and Procedures

WSU Tech as an entity is prohibited from raising capital for working capital or for specific projects through either tax assessment or borrowing. This is a statutory provision that impacts all two year technical schools in Kansas. Due to this limitation all expenditures must be paid with cash on hand. To insure that sufficient funds are available when appropriate needs arise the college will designate cash on the balance sheet as specifically reserved from the account General Cash for Operations.

Things that require substantial cash to be set aside and are outside of the normal operation of the college will be presented to the Finance Committee for approval prior to their acquisition. They may be single purchases such as a new campus or building, or a grouping of future obligations for which it is in the interest of the college to insure funds are readily available such as future maintenance on existing properties. Upon approval of the Finance Committee, the WSU President, or WSU Tech President and Board of Trustees Chair must review and approve. The funding of these items will be in a cash reserve account. The cash may be reserved at one time, or a plan may be proposed to reserve cash over a period of time. The establishment of a reserve account will include a detailed explanation of the purpose of that reserve.

Purchases Charged to the Reserve Account

Any purchase that is charged to a reserve account must fall within the scope of items included in that reserve. Since the type of item that comes from the reserves is by its nature substantial and may be complex, the approval can be for the project as a whole as opposed to all of the individual invoices making up that project. Such authorization of a complete project will include an estimate of the cost which may not be exceeded. Projects under \$50,000 will require the approval of the Vice President of Finance and Administration. From \$50,000 to \$250,000 projects will require the approval of the Vice President of Finance and Administration and the WSU Tech President. Any planned expenditures for a single project in excess of \$250,000 will require the approval of the WSU President, or WSU Tech President and WSU Tech Board Chair. These approval limitations do not supersede the normal documentation required in processing of the individual invoices. Each invoice will include a copy of the overall approval for that project.

Appendix A - Approved Reserve Funds

Maintenance Reserve – The purpose of the maintenance reserve is to establish a fund to insure that sufficient cash is available to meet the periodically reoccurring maintenance events of the college. While an annual budget is available for routine items, various unplanned significant and larger, periodically reoccurring situations require attention and resources. For the NCAT campus of buildings WSU Tech is contractually responsible to Sedgwick County for all maintenance. . At the City Center campus, USD 259 funds expenditures in excess of \$20,000 which are mandatory. Items under \$20,000 and items which are not considered mandatory are the responsibility of WSU Tech. Examples include resealing, replacing, restriping parking lots, replace chillers/HVAC units, major interior/exterior painting, major re-carpet, repair/replace roofing, etc. This is not meant to be all inclusive, but only examples of types of items covered.

This reserve account is funded on an annual basis with up to \$500,000 at the discretion of the Vice President of Finance and Administration. It is anticipated that this amount will be required annually for a time to keep a sufficient balance available for present and future major maintenance needs. As maintenance events are charged to this account over time the sufficiency of the funding will be reevaluated and approval sought to increase or decrease the amount as needed.

Operating Cash Reserve – The purpose of the operating cash reserve is to establish an account where resources can be drawn upon in unplanned circumstances where normal operation of the college is interrupted. Examples of this include a building being damaged beyond its ability to be used, an interruption of state or county funding, etc. It is intended that this reserve work in concert with any business interruption insurance coverage that may apply. A target balance for the fund is three months of operating expenses. (Operating expense excludes non-cash expense accounts and discretionary spending that will not interrupt the delivery of programs to students.)

This reserve account was established at 7% of total expenses including depreciation at the end of fiscal 2014. In years 2015 to 2018 the reserve was updated to approximately 7% after each year closes based on actual expenses for that year. The exact amount of the funding was at the discretion of the Vice President of Finance and Administration based on resources available.

Beginning in fiscal year 2019 amounts allocated to the fund should not exceed 80% of the remaining cash earnings for the year net of the Maintenance Reserve Fund and Capital Reserve Fund allocations. The percentage assigned will be at the discretion of the Vice President of Finance and Administration.

Capital Reserve – The purpose of the capital reserve is to allow the college to fund the exploration, remodeling, expansion or relocation of our existing facilities and to invest in the innovation of new programs or expansion of existing programs. This could be the addition of a new building on an existing campus, the relocation of a campus, the addition of an entirely new campus in a different location, or new equipment to improve existing or build new programs. Funds in this reserve are to complete a project of this nature. If they are insufficient, they may be used to provide the seed

money to procure services to select a location, perform the initial site testing, develop an architectural plan and put together a detailed packet of the entire project for College Board approval. A separate reserve fund may be required to cover the major costs of a significant expansion.

This reserve account was established at 5% of total expenses including depreciation at the end of fiscal 2014. In years 2015 to 2018 the reserve was updated to 5% after each year closes based on actual expenses for that year. The exact amount of the funding will be at the discretion of the Vice President of Finance and Administration based on resources available.

Beginning in fiscal year 2019 amounts allocated to the fund should not exceed 80% of the remaining cash earnings for the year net of the Maintenance Reserve Fund and Operating Reserve Fund allocation. The percentage assigned will be at the discretion of the Vice President of Finance and Administration. The Vice President of Finance and Administration will utilize a multi-year capitalization plan when determining capital reserve needs.

All reserve balances will be reviewed by the Finance Committee at the end of each fiscal year. Committee recommendations for balance adjustments will be accounted for in the next year end allocation.