

UNIVERSITY of WISCONSIN  
**GREEN BAY**

**Auxiliary Reserve Policy**

Background Information

Campus auxiliary enterprises exist primarily to furnish goods and services to students, faculty and staff. Auxiliary activities are integral to the fulfillment of the University's instructional, research and public service missions. They promote economic efficiency and convenience for the individuals and departments served. Some campus auxiliaries also serve the general public (e.g., Shorewood Golf Course & the Weidner Center for the Performing Arts). Fees charged are directly related to, though not always equal to, the cost of goods or services provided.

Auxiliary operations should maintain sufficient, but not excessive, reserves in order to operate as a going concern.

The rationale for accumulating and maintaining reserve funds includes:

- A. ensuring capital and equipment needs can be addressed as needed without unduly affecting rate structures,
- B. providing an operating cushion to guard against decreases in short-term revenue,
- C. covering unanticipated increases in expenditures.

To ensure financial well-being and programmatic stability, auxiliary enterprises are required to provide multiple-year financial and operational plans. Higher than expected reserve balances should be used to offset rates for future years.

It is recognized that from time to time auxiliary operations may need to borrow money to finance projects or construction activities. If campus auxiliary reserve balances allow, debt that is repayable in five or less years can be borrowed internally from other auxiliaries. The loan amount and source of funds should be determined on a case-by-case basis. Projects requiring a longer repayment schedule should be financed through the bonding process. Interest charges due on internal loans will be based upon the interest rate earned on auxiliary cash balances invested by the State of Wisconsin.

Policy

Auxiliary reserve **maximums** shall be limited to: (1) the greater of \$20,000 or 15% of generated revenue, and (2) three years of planned capital expenditures. Any unearned revenue or advance deposits (e.g., security deposits, point plan deposits, & gift certificate sales) will be subtracted from the cash balance in calculating the reserve balance.

Any exceptions to this policy must be approved by the Chancellor.