Cash Management/Treasury
Task Force Report

A Study on Cash Management/Treasury
Activity in The CSU

April, 2000
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Chancellor’s Office – Home Page
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(many of the sites listed below can be linked to from the above site.)

Chancellor’s Office - Financing & Treasury
http://www.calstate.edu/tier3/FT/

Chancellor’s Office - Accounting Office
http://www.calstate.edu/tier3/acct/

MetWest
http://www.mws.com/

State Treasurer – Home Page
http://www.treasurer.ca.gov/

State Treasurer -- LIAF
http://www.treasurer.ca.gov/stolperf.htm

State Controller’s Office – SMIF
http://www.sco.ca.gov/ard/yield/index.htm

State Administrative Manual
http://sam.dgs.ca.gov/

Education Code (statutes)
http://www.leginfo.ca.gov/cgi-bin/calawquery?codesection=edc&codebody=&hits=20

Government Code (statutes)
http://www.leginfo.ca.gov/cgi-bin/calawquery?codesection=gov&codebody=&hits=20

California Law (statutes -- complete search site for California law, links to Education and Government Codes)
http://www.leginfo.ca.gov/calaw.html

California Code of Regulations – Title 2, 5 (regulations)
http://www.calregs.com/

Regulations and Statutes (key knowledge)
A regulation is a rule adopted by a state regulatory agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure. Legally adopted regulations filed with the Secretary of State have the force of law. A regulation is adopted by a state regulatory agency, approved by Office of Administrative Law, and filed with the Secretary of State and signed by the Governor. A statute is passed by the legislature.
Executive Summary

Historically, investment management has been viewed as playing a small part in the administration of a California State University (CSU) campus. Limited investment opportunities for state funds and lack of incentives (interest earnings did not always accrue to the campus) meant that it simply was not cost effective for a campus to devote significant resources to the function. In the past few years, however, action by the Board of Trustees and new state legislation giving the CSU more flexibility in placement of funds has made cash management and investment larger issues for the campuses.

A 1997 Board resolution refined the CSU investment policy, calling for more effective cash/risk management, expanded investment oversight at the campus and system levels, and a means for pooled investment. The Chancellor's Office developed reporting processes and secured the services of an external fund manager, Metropolitan West Securities, Inc., to create and manage pooled funds. As a system, we are moving toward cash management practices that truly optimize opportunities, but there remains confusion and misunderstanding regarding the identification and investment of state and trust monies and the effective use of the investment pools.

Cash Management/Treasury Task Force

The task force was commissioned by CABO to clarify issues and to identify opportunities to improve cash management within the CSU. Accordingly, the task force has examined investment regulations and policies and campus cash management practices. The task force recognized that the primary goal of cash management is to provide timely monthly cash reconciliation of the University's state and local funds and to manage cash balances so that University obligations are adequately funded and idle cash is invested appropriately.

A survey of the campuses revealed that cash management practices vary in procedures, tools used, and levels of staff and time assigned to perform the tasks. No consistent information or training resources are being used to aid in cash management efforts. In general, campuses are investing trust funds with MetWest, but individuals directly responsible for cash management are unsure of how to interpret the CSU Investment Policy regarding the types of investments allowed and why MetWest cannot accurately predict investment returns. Further, the task force found that internal financing information and options could be improved and that broader availability and use of e-commerce could help campuses achieve optimal cash management. Additional findings are enumerated in the body of this report.
Task Force Recommendations

In addition to clarifying issues, CABO's charge was to identify opportunities for improving cash management within the CSU. The task force recommendations are listed below in abbreviated form.

- Continue to press forward in working toward the best cash management/treasury practices possible
- Clarify investment policy and accounting requirements
- Ensure that campus senior management is regularly advised of investment decisions and performance
- Review and improve use of e-commerce tools now available to take advantage of new technological and business advances
- Continue to pursue legislation for permanent authority to pay vendors directly out of the revolving fund and to minimize or eliminate the state claim schedule process
- Develop a better approach for campuses to meet the cash flow demands of large sustained capital construction
- Develop comprehensive guidelines to help campuses fully understand the opportunities for and consequences of investment actions
- Develop a Financial Clearinghouse for reallocations, inter-campus loans, and inter-fund loans
- Develop with the FOA a resource manual containing basic cash management and investment guidelines, tools, and procedures. Develop workshops and training sessions, including a continuing education program, for campus staff responsible for cash management and investments.
- Undertake a complete review by each campus of its cash management internal controls including a review of electronic accesses, signatures, documents, and use of accounts in local banks.

As a part of this effort auxiliary organizations’ cash management and treasury policies and practices were studied in an attempt to share knowledge and define mutually beneficial practices. In the final analysis report is heavily “flavored” toward the state side of CSU activities, although it’s important to remember that most aspects of cash management and treasury functionality are common to both.

The task force encourages CABO members to share this document with their investment staff so that each campus might benefit from the information and insights herein. The task force hopes that this work will not only contribute to the knowledge development on each campus, but will serve as a guide for the development of comprehensive cash management and treasury functions by the CSU.
Introduction

In pursuit of the most effective cash management procedures and policies possible, a review of current cash management practices and policies within the CSU was performed by a task force comprised of the CSU Financial Officers’ Association (FOA) and Chancellor’s Office staff. This review resulted in the identification of issues and observations regarding cash management on CSU campuses, an in-depth review of the background of cash management practices and policies, and recommendations to improve cash management within the CSU.

Cash management is guided by policy set forth by the Board of Trustees (CSU Policy RFIN 01-97-03). The objective of the investment policy of the CSU is to obtain the best possible return commensurate with the degree of risk that the CSU is willing to assume in obtaining such return. The Board of Trustees desires to provide to each campus president the greatest possible flexibility to maximize investment opportunities. However, as agents of the trustees, campus presidents must recognize the fiduciary responsibility of the trustees to conserve and protect the assets of the portfolios and, by prudent management, to prevent exposure to undue and unnecessary risk.

The Chancellor annually provides to the Board of Trustees an investment report containing a detailed description of the investment securities held, market values, and performance of the investment portfolios.

Cash Management within the CSU is multi-faceted. This report reviews the areas impacting cash management and is organized as follows:

- **Cash and Investment Management:** Current policy and campus options for cash investment are reviewed.

- **Current Campus Practices:**
  
  **Cash Operations** – The collection and deposit of cash, cash disbursement (specific attention to Direct Vendor Pay) procedures, and e-commerce tools (EFT, ACH) are discussed.

  **Investments** – Methods used to make investment decisions, reporting of investment information, and accounting for earnings and/or losses are highlighted.

- **Centralized Approach to Investment and Financing:** The CSU centralized approach to investment and financing, including the use of an investment manager, and inter and intra-campus loans are discussed.
• Internal Controls and Decision Making: Internal controls as they relate to cash procedures and processes are reviewed.

• Training and Staff Development: Training, resources, and certification options are covered in this section.
Cash and Investment Management

**Background Information – Cash and Investment Management**

The authority under which revenues are received by CSU campuses determines how the funds should be deposited and whether they are subject to investment by the State, CSU or a recognized CSU auxiliary organization. Unless otherwise specified by the Education Code (EC), Sections 89301 and 89721, or Title 5, California Code of Regulations, Section 42500, campus revenues must be deposited in a State depository bank account and are subject to investment by the State Treasurer. State deposits not designated for a specific purpose by the Education Code augment the General Fund appropriation and do not generate any investment income for the CSU.

EC 89721 was amended by statute, Assembly Bill 2812, to permit designated fees and revenue—i.e. parking fees (EC 89701); health facilities fees (EC 89702); self-supporting instructional program fees (EC 89704); lottery revenue (EC 89722.5); and special projects revenue (EC 89725)—to be deposited to trust fund accounts. Fees related to facilities with outstanding bond debt (student union, housing and parking) must be deposited in a State depository account and credited to the Dormitory Revenue Fund.

Funds authorized for deposit to local campus trust accounts or the CSU Trust Fund per EC 89721 are subject to investment by the CSU in accordance with limitations imposed by Government Code Section 16430 and Education Code Section 89724. The California Constitution (Article 16, Section 6) prohibits these funds from being invested in equities. CSU Board of Trustees’ policy imposes further investment restrictions related to reverse repurchase agreements and authorizes the Chancellor to establish and maintain investment pools for use by the campuses and to provide the Board an annual report related to CSU investments (RFIN 01-97-03).

The CSU Investment Policy guidelines indicate the primary investment objective of the campus shall be to safeguard the principal; the secondary objective shall be to meet the liquidity needs of the campus; and the third objective shall be to return an acceptable yield. The policy further indicates the desire of the Board of Trustees to provide each campus president the greatest possible flexibility to maximize investment opportunities.

The CSU determined an external fund manager should be hired to manage the centralized investment pools. A management committee made up of campus and system officers selected the firm of Metropolitan West Securities, Inc. (MetWest) as the successful bidder based upon their skills, resources and price. The CSU Accounting Office advised campuses on how to make deposits to and withdrawals from the MetWest short-term and total return (intermediate-term)
accounts via coded memorandum (AD 97-08). In response to a recent survey of the campuses, the Chancellor's Office worked with MetWest to offer a long term investment pool account (7-10 year index).

Auxiliary organizations are legally separate yet operationally integral entities created by the Education Code and regulated by Title 5 to serve the campuses. Auxiliary organizations do not fall under State or CSU investment regulations and policies with respect to their revenues. Auxiliary organizations are normally responsible for managing campus endowments and are able to invest in equities. (Recently, the CO established an equities investment pool available to auxiliary organizations through MetWest.) Auxiliaries are able to secure a variety of external financing not available to the University since the debt does not become an obligation of the CSU. The Board of Trustees and the Chancellor's Office do exercise oversight of significant auxiliary financing transactions (Reference: RFIN 11-98-18).

**Issues and Observations – Cash and Investment Management**

- The CSU Investment Policy does not preclude the campus use of the State’s Money Investment (SMIF) and Local Agency Investment (LAIF) funds.

- With regard to short-term investment, the LAIF has afforded a return comparable to the MetWest short-term account and may afford greater operational flexibility.

- The effective management of transfers from trust to the General Fund reimbursed activity program and the campus revolving fund accounts can positively impact campus investment return.

- AD 97-08 indicates that campuses able to estimate their cash flow needs at least one month in advance will be able to benefit from the anticipated higher earnings of the MetWest Total Return Account. Based upon 1999 performance of the Total Return Account, the advice of AD 97-08 does not sufficiently recognize the risk to principal associated with month-to-month transfer from the Total Return Account (and even more so for the Long Term Account).

- There are opportunities for some campuses and auxiliaries to gain from the sharing of information in the design of an effective investment strategy.

**Recommendations – Cash and Investment Management**

- The CO should clarify the CSU Investment Policy relative to the use of the centralized investment pools as specified by AD 97-08. As part of this clarification, the CO should recognize when it might be advantageous for campuses to use LAIF for very short-term investments of operating cash. Campuses should be attentive to the need for longer-term cash flow
projections and the risk associated with transfers from the Total Return and Long Term Accounts.

- We encourage all campuses and auxiliaries to share their experience and knowledge in the development of effective goals and objectives in formalizing their investment strategies, policies, and procedures.
Current Campus Practices – Cash Operations

Banking:

**Background Information - Banking**

As stipulated in the State Administrative Manual Section 8001, except when otherwise authorized by the Director of Finance, all money in the possession of or controlled by any agency will be deposited in the centralized state treasury system (CTS), subject to disbursement upon the order of the depositing agency.

The CTS as authorized by Government Code Section 16305 is a system whereby state moneys are deposited in specified local banks for credit to central accounts of the State Treasurer. The purpose of the CTS was to establish accountability for deposits within the State Controller's Office (SCO) and eliminate the need for numerous individual agency bank accounts with duplicate records maintained by both the SCO and the State Treasurer's Office.

**Issues and Observations - Banking**

- The CSU is required to utilize the State centralized banking system for the bulk of its banking needs.

- Electronic commerce has greatly expanded from the simple transmission of ‘fixed images’ to powerful new ways of doing real-time interactive business transactions that are, themselves, greatly influencing the way banking takes place. Growth in e-commerce is expected to be enormous. It is anticipated to grow from an estimated $22 billion in 1998 to over $400 billion by 2002.

- Already within the CSU, forms of e-commerce affecting banking relationships have extended from credit card to debit card to the automated clearing house/electronic fund transfer (ACH/EFT) of financial aid disbursements. Third party data feeds utilizing web technologies are increasingly being used to post customer-originated financial transactions. Procurement and Accounts Payable departments are pursuing online vendor relationships that facilitate electronic ordering and disbursement.

- Government Code Section 16.5 regarding electronic signatures recognizes the need to move from physical signatures to digital certificates for the purpose of authorizing transactions or proving legal intent.

- Banking relationships tend to be subdued partnerships based upon the “pass-through” nature of electronic transactions. There tends to be little incentive for banks to proactively encourage campuses to employ the latest technology in their banking activities.
Technologically and operationally the regulatory environment of the CSU has not kept pace with consumer awareness and the exploding affinity for e-commerce that state customers are now displaying. Existing code and CSU procedures are largely silent in regard to administering and promoting a comprehensive e-banking strategy to receive and disburse moneys to and from students, staff, vendors, and affiliated organizations.

By executive order, Governor Pete Wilson created the Electronic Commerce Advisory Council to make recommendations on how government should “further engender the development of electronic commerce …”. In their 1998 report to the Governor the council recommended:

“California should continue its realistic approach to Internet regulation – building on its record … to help e-commerce businesses and consumers in the Internet world.”

**Recommendations – Banking**

- In concert with the recommendations of the State of California Electronic Commerce Advisory Council, we urge the Chancellor’s Office to update SUAM in regard to fiscal controls that leverage the power of e-commerce to the benefit of the CSU and its customers. The audit and fiscal concerns that surround e-commerce are largely unaddressed.
- We urge the Chancellor’s Office to pursue such laws and regulations that will serve to broadly validate and enable new technology and business.
- Following the spirit of GC Section 16.5 we urge the Chancellor’s Office to recognize the business sense of using digital certificates to augment signature requirements where feasible.
- As a means to invigorate banking partnerships, the CSU should seek authority to use banks outside the centralized system.

**Collection and Deposit of Cash:**

**Background Information – Collection and Deposit of Cash**

**State Cash:**

All CSU campuses must deposit cash and card payments from state operations into the CTS using an approved Demand Depository Account established per SAM Section 8032, et seq. All state money shall be deposited in the custody of the Treasurer. All state money in custody of the Treasurer will be segregated by the depositing agency and held in trust and may only be withdrawn upon the order of the agency or its disbursing officer.
For CSU campuses, all tuition, membership, material, and service fees are to be collected at the time of registration. The monies are to be collected, deposited and invested in a timely manner. When payment is not received, a student’s registration may not be considered complete and failure to pay may result in disenrollment.

**Trust Cash:**

Per Education Code 89721:

CSU campuses shall deposit into and maintain in local trust accounts or in trust accounts in accordance with Sections 16305 to 16305.7, inclusive, of the Government Code, or in the CSU Trust Fund, moneys received in connection with the following sources or purposes:

- (g) Fees and charges for services, where these fees or charges are required of those persons who, at their option, use the services or facilities.
- (i) Fees for parking, health facilities or health services, and for extension programs, special sessions, and other self-supporting instructional programs.
- (j) Revenue received by the trustees from the California State Lottery Education Fund.
- (k) Moneys received by the trustees for research, workshops, conferences, institutes, and special projects.

Per the Investment Manual for California State University Trust Funds (AD 98-07):

"All trust money pending disbursement … will be managed by Metropolitan West Securities, Inc. (MetWest) in custodial accounts …".

Campuses are expected to optimize interest earnings by analyzing cash sources and uses and then depositing principal across the investment accounts according to projected needs.

**Issues and Observations – Collection and Deposit of Cash**

- Though current code allows for (and both the CSU Investment Manual and AD 97-08 encourage) the deposit of trust moneys into local trust accounts, there is a burden placed upon campuses to identify and then process state and trust monies separately.
- The current lack of transactions in and out of MetWest pools can be partially explained by a lack of understanding of the cash flow process. Beginning from the time fees are earned, to when they are collected, to when they are
deposited into an appropriate investment portfolio is a critical part of cash management knowledge.

- On some campuses cash receipts, student fees for example, are not collected until several months after registration. Though in compliance with the specific requirement to collect fees by census, investment opportunities are missed during the period of time between registration and collection.

- At the time of collection, some campuses may not immediately invest trust cash, instead holding the receipts to meet current month cash disbursements needs. This can result in lower earnings since cash is not invested frequently throughout the month.

- Changes brought about by Direct Vendor Pay, Assembly Bill 2812, the CSU Investment Manual, and Capital Construction decentralization have left campuses less than fully prepared to meet the interrelated aspects of cash collecting, depositing, and investing.

**Recommendation – Collection and Deposit of Cash**

- The Chancellor’s Office is encouraged to continue its efforts to expand regulatory authority for the CSU to deposit all monies from university operations into local trust accounts for the purposes of standardizing business practices and optimizing earnings potential.

- Campuses are encouraged to understand the cash flow significance of the timely collection of student fees following registration.

- The Chancellor’s Office is encouraged to provide documentation, training, education and knowledge sharing designed to enhance campus practices (see related recommendations under the Training and Staff Development section).

**Cash Disbursement:**

**Background Information – Cash Disbursement**

The Direct Vendor Payment Program (DVP) is an experiment that expands the authority for the CSU to utilize its revolving fund to make all payments directly to vendors without prior approval required by the SCO.
As enacted into law, AB 2613, Direct Vendor Pay:

1) Provided a sunset date of January 1, 2002 for the CSU DVP Project.
2) Directed CSU to implement a process that would allow any campus to make payments directly to vendors from its revolving fund.
3) Required CSU to obtain approval from the Director of Finance before spending amounts greater than 10% of the total appropriation for use as a revolving fund.
4) Required CSU to maintain payment records for three years and make those records available to the Controller for post-audit review, as needed.
5) Required CSU to contract with public accounting firms, without outside approval, to conduct audits of CSU campuses on a regular basis.

**Issues and Observations – Cash Disbursement**

The Direct Vendor Pay Program (DVP) has been a huge success on the CSU campuses. It is a priority to make DVP permanent. Related observations are:

- With bimonthly reimbursements and following the 10% cap on revolving fund capacity at the agency level, those campuses with high capital outlay activity may find their revolving fund balances unable to support the large and continuous disbursements associated with capital construction--especially at year end.

- Sufficient spending authority (Budget Act appropriation) must exist for the related fiscal year of the revolving fund disbursement. Revolving fund disbursements made prior to the enactment of the related Budget Act are not in accordance with Government Code Section 16401. Therefore, in the time period after June 30 and prior to enactment of the current year Budget Act, proper revolving fund disbursements for the prior year may be allowable; revolving fund disbursements for the current year are not.

- CSU internal policy provides for a bimonthly reimbursement of the campus revolving fund. Reimbursement is through the standard state claim schedule process, with an additional requirement that a payment disk with detailed invoice data accompany each batch of claim schedules.

**Recommendations – Cash Disbursement**

- The Chancellor’s Office should continue to encourage the state legislature to give CSU permanent authority to pay vendors directly out of the revolving fund.

- The Chancellor’s Office should continue following a strategy that positions the CSU to minimize, streamline, or eliminate participation in the claim schedule process.
• The Chancellor’s Office should assist in developing a method that enables campuses to meet the cash flow demands of large sustained capital construction disbursements.
Current Campus Practices - Investments

**Background Information**

- **The Types of Funds to be invested**

As previously reported, the local investment of campus funds is limited by legal authorization and systemwide policy. Consequently, campus decisions generally involve the types of funds to be invested, the amounts to invest, and which MetWest account to use.

Campuses may invest funds deposited in the CSU Trust Fund but such an action is not mandated. While all campuses invest funds traditionally deposited in the CSU Trust Fund, we found many have not taken advantage of the flexibility offered by EC 89721. These campuses continue to deposit fees collected for parking, continuing education, student health center operations and health center facilities into the state’s revenue funds. These funds are then invested by the State Treasurer in the State Money Investment Fund (SMIF). During the past two years, the earnings of the two existing MetWest accounts have exceeded those recorded by SMIF.

Recognized auxiliary organizations are not restricted by the legal authorization or the systemwide policy constraining the investment of campus funds. A few of these auxiliaries have chosen to invest their funds with MetWest, several invest in the Local Agency Investment Fund (LAIF) and a few have developed their own portfolios. Because auxiliaries have greater flexibility in their investment decisions, the potential for larger rates of return and risk are increased.

- **Recording and Allocating Investment Earnings**

Earnings resulting from the MetWest portfolio are divided into three components. The first is interest income. The second is realized gain and loss income resulting from the sale of individual bonds held in each of the accounts. The third is unrealized gain and loss resulting from the change in market value of the bonds held in these accounts.

The posting of the amounts resulting from these transactions and their related allocation vary among the campuses. Most campuses post all three types to their legal-based financial records. At this point, the decision is based on campus preference. Legal-based accounting in California is a hybrid of fund accounting as defined by the Governmental Accounting Standards Board (GASB). While GASB dictates that all three components should be recorded in the entity’s financial record, the State’s Department of Finance has not taken a position on recording unrealized gains and losses. They advise that due to the
unique accounting practices within the state and the autonomy granted to the CSU, the Chancellor’s Office should make the decision about recording unrealized gains and losses. To date, the Chancellor’s Office has not taken a position on this issue.

While campuses differ in their practice of recording these transactions in their legal-based accounting records, this is not the case with the records converted to Generally Accepted Accounting Principles (GAAP). All campuses include all of these transactions when they convert their records to the GAAP financial statements.

The CSU’s recognized auxiliaries are either organized financially under the rules of GASB or the Financial Accounting Standards Board (FASB). Both GASB and FASB have rules requiring organizations to record all these transactions in their financial records. Additionally, all auxiliaries undergo annual audits according to their particular financial organization. We are unaware of any auxiliary that does not comply with the requirements pertaining to its own financial structure. Therefore, we do not offer any further recommendation concerning these practices.

As with the recording of these transactions in the legal-based financial records, campuses differ in their practices of allocating earnings. Some campuses allocate to the fund’s individual accounts, others allocate a fixed percentage and at least one does not allocate any earnings to individual accounts. We are not aware of any legal or GAAP requirement to allocate earnings below the fund level. In the absence of accounting pronouncement to the contrary, we believe campuses should have the flexibility to decide whether these amounts are allocated to individual sub ledger accounts.

- Reporting Investment Performance

While some campuses use formal committees to review investment decisions, all those responding to our questionnaire have some method of reporting the results of these decisions. These methods vary based on the needs and desires of the senior administration. The frequency of reporting also varies from campus to campus. There is insufficient evidence to conclude that local reporting must be made on a specified interval. There is, however, a requirement that campuses report investment performance to the Chancellor’s Office on a quarterly basis. Given this fiscal responsibility is assigned to campus presidents, it is prudent to insure each president is periodically advised about the performance of campus investments.
- Staff Committed to Cash Management

While most campuses have not established formal cash management positions to handle these responsibilities on a daily basis, campuses have established cash management practices. These responsibilities are typically vested in an administrator at the management level with support provided by professional level accountants or accounting technicians. Typically, campuses reported committing about 10% of staff/management time to this function. While the total amount invested on a systemwide basis is very large, the modest earnings suggests there are diminishing returns to a campus incurring increased costs in the cash management function.

Of those auxiliary organizations responding to our questionnaire, most use some sort of committee structure to review their decision processes. However, they continue to assign the daily decision-making to a professional level accountant or financial manager.

**Issues and Observations:**

- There are opportunities for some campuses to increase their investment earnings.
- There is no standard practice addressing the recording of the different types of investment earnings/losses in the legal based financial records.
- There is no standard practice among the campuses to allocate investment earnings to subsidiary accounts.
- There are opportunities for some campuses to improve the reporting mechanisms used to advise the senior administration about investment performance.
- There may be a need for individual campuses to commit more human resources to their cash management processes.

**Recommendations**

- We encourage all campuses to consider the effectiveness of depositing fees collected under Education Code Section 89721 into the CSU Trust fund.
- We urge the Chancellor’s Office to issue a standard practice policy as to whether unrealized gains and losses should be recorded in the legal based financial records. If recorded, in the absence of accounting pronouncement to the contrary, we believe campuses should have the flexibility to decide whether these amounts are allocated to individual subledger accounts.
• We urge all campuses to establish a reporting mechanism to insure campus presidents are advised about the status of investment decisions on a quarterly basis.

• We encourage all campuses to commit sufficient human resources to cash management to insure that investment decisions are made effectively.
Centralized Approach to Investment and Financing

Background Information – Centralized Approach

- CABO Investment Committee

Policies concerning the CSU Centralized Treasury are developed by the CABO Investment Committee as recommendations to the CSU Executive Vice Chancellor for Business and Finance/Chief Financial Officer. To carry out this responsibility, this committee periodically reviews campus participation in and the performance of the CSU portfolio managed by MetWest. To date, it has made three significant recommendations to the Executive Vice Chancellor related to cash management:

- the commissioning of this study
- additional services by MetWest
- and establishment of the long-term fund.

- Investment Manager – MetWest

The implementation of policies concerning portfolio management is handled by this person. These include which bonds are bought and sold into and out of each of the three CSU accounts. During its first year, the performance of the centralized investment program greatly exceeded the benchmarks established for each account. During its second year and so far this year, the performance has been less positive. This has largely been due to the impact that rising interest rates have had on the bond market. However, the Total Return Account realized significant losses when the Investment Manager decided to sell certain government bonds to purchase corporate bonds with greater growth potential. While this was a sound decision from the point of view of the maturity period of the Total Return Account, the information was not widely disseminated to the campuses. Consequently, several campuses made uninformed decisions that resulted in the unfortunate transfer of funds from the Short Term Account to the Total Return Account. However, we believe the recently implemented and enhanced communications with MetWest, including a monthly conference call and web site improvements, will assist with minimizing recurrence.

- Financial Clearinghouse

Budget reallocations and inter-campus loans within the CSU have traditionally been an informal practice managed by the Chancellor’s Office in order to facilitate effective use of funds within the CSU. During the last several months, the Finance and Treasury unit within the Chancellor’s Office has developed preliminary plans for a Borrowing and Lending Clearinghouse to assist with the
management of reallocations and loans between campuses. The Government Code authorizes loans from the non-appropriated funds held by its various agencies. The purpose of the loan must be consistent with the permissible uses of the fund requesting the loan. Additionally, the loan must be repaid to meet the needs of the fund making the loan.

The practice of inter-fund borrowing has been used as a funding vehicle by several campuses to complete projects that would have otherwise been deferred. If this had not been done, campuses may have borrowed outside the CSU and incurred commercial interest expense. Like inter-campus loans, the practice of inter-fund borrowing has not been universally implemented within the CSU, nor is the practice widely known. Some campuses may have sufficient fund balances but not have an immediate critical need. Other campuses may have a need but not have sufficient fund balances. Facilitating reallocations and loans would create an effective use of all funding sources throughout the CSU.

**Issues and Observations – Centralized Approach**

- Maintaining good communication between the MetWest Investment Manager and the campuses is imperative. MetWest has recently addressed previous deficiencies in this area by implementing routine briefings about portfolio performance and their planned actions.

- There are opportunities for the CSU to improve the effective use of its funds by establishing a Financial Clearinghouse to facilitate both inter-campus and inter-fund loans. This also creates opportunities for those campuses providing the loans to realize greater overall investment earnings.

**Recommendations – Centralized Approach**

- Encourage continued communications between MetWest and campuses.

- Encourage the Chancellor’s Office to continue the development of a Financial Clearinghouse to facilitate inter-campus and inter-fund loans.
Internal Controls and Decision Making

**Background Information - Internal Controls & Decision Making**

The University's system of internal control is vitally important to ensure the fiscal integrity of the institution. Internal controls surrounding cash have always focused on safeguarding funds, timely deposit and appropriate guidelines for expenditure.

Many of these internal controls are codified in policy statements and authorities such as the State Administrative Manual (SAM), the State University Administrative Manual (SUAM), Education Code, Executive Orders and Trustee policies. In addition, the campuses are subject to numerous audits, reviews and reports that test compliance with these internal controls. Some examples of these include the annual financial statement audit and the Financial Integrity and State Managers Accountability (FISMA) audit, as well as numerous other audits by granting and other agencies.

Planning and controlling cash flow are important tasks because they affect the campuses' ability to pay expenses. In order to meet the liquidity needs of its trust accounts, information of historic cash flow is necessary. An analysis of these flows will enable the institution to not only meet its payment schedules, but also to maximize its investment returns.

As the CSU moves toward the greater use of locally maintained trust accounts for its special funds and potentially for all revenues, concentration and control of cash balances become increasingly more important. As the recent cash questionnaire pointed out, cash management responsibilities on many of our campuses are diffused and not coordinated. In addition, many of the staff involved in cash management use home grown and piecemeal attempts to monitor their cash balances. Use of systematic approaches and sophisticated software was not generally noted.

Each campus should review their revenue streams and expenditures of all types to maximize cash available to invest. This should involve a systematic approach to document the stream of cash into and out of campus trust accounts. Without a thorough knowledge of this cash stream, related controls, and liquidity needs, a campus will be unable to make accurate decisions regarding the investment mix with MetWest. There appear to be a variety of resources including websites, software and local banking experts that can provide knowledge and tools to assist with measuring liquidity.
Issues and Observations – Internal Controls and Decision Making

- A prerequisite for any good cash management program is a strong set of internal controls that contribute to timely deposit, accounting, reconciliation and reporting of all cash.

- An effective cash management program insures that funds are managed to maximize their ability to earn interest. This activity is accomplished within the context of liquidity needs and the University’s investment and spending policies.

Recommendations – Internal Controls and Decision Making

- As the campuses embark on increasing their exposure and risk related to investing available cash, a rigorous and complete review of controls surrounding cash should be undertaken, including electronic access, signatures and documents. It is not the task force’s desire to make recommendations concerning internal control, only to ensure that appropriate controls are in place and that they contribute to effective cash management.

- Campuses should review the coordination of those functions in collections, receivables and disbursements dealing with cash management. The processes and procedures that are used for projecting cash flow and liquidity needs must be adequate to justify decisions regarding investment of funds into the accounts managed by MetWest. Consideration should be given to the consolidation of cash management functions, with appropriate tools and resources to ensure maximization of cash availability for investment.

- Campuses should annually survey local banking institutions regarding accounts established without campus authorization. The survey should request information on any accounts using the campus name, tax ID or other campus identifiers. Banking institutions should provide to the campus the name of the account, the authorized signers, the type of account and the account balance.
Training and Staff Development

**Background Information - Training and Staff Development**

Until recently, CSU fiscal managers had very little choice as to where and how excess trust funds could be invested. There were basically three choices—SMIF, LAIF and individual campus investment programs formulated within the Government Code Section 16430. Most campuses invested solely in SMIF and LAIF, very straightforward and practical investment vehicles. The only accounting entries required were for transfers in and out of SMIF and LAIF, and transfers between different types of trust funds and interest income.

Because so little cash was available for investing and because investment choices were very limited, knowledge and/or experience in investment management were not usually a requirement for employment in a CSU financial office. Campus inquiries show very few individuals have the formal training to optimally invest excess trust cash and record dividends and realized and unrealized gains and losses accurately.

**Issues and Observations – Training and Staff Development**

- California State University accounting personnel generally do not have formal training with regard to cash management, i.e., determining cash flow, managing cash account inventories by fund source, investing excess cash and deciding how much should be invested in short, intermediate or long term accounts.

**Recommendations – Training and Staff Development**

- The FOA, with assistance from the Chancellor’s Office should propose a resource manual containing basic cash management and investment guidelines, tools, and procedures. It should include:
  - guidelines for investing funds in MetWest, SMIF and LAIF;
  - appropriate internal controls;
  - tools for cash flow projections;
  - how to record investment income;
  - how to record realized and unrealized gains and losses;
  - how to use the MetWest website;
  - how to interpret MetWest statements;
  - how to report investment information including investment returns to campus management.

- Hold workshops, possibly through the Financial Officers Association, providing guidance to staff members responsible for trust fund investments.
These workshops should include open information sharing sessions to allow individuals time to learn what other campuses are doing.

- A continuing education program for cash management personnel is necessary and appropriate for CSU cash managers. Review of outside professional development associations in conjunction with internal support of such an effort is recommended. Cash managers should be encouraged to become certified. (Certified Cash Manager – CCM).
Summary

The CSU should continue to press forward in working towards the best cash management/treasury practices possible. To do this, clarification of investment policy, clarification of ledger posting requirements, and ensuring campus presidents are advised about the status of investment decisions and performances are essential. The CSU should review and improve its usage of e-commerce tools now available that will take advantage of technological and business advances. The CSU should continue to make recommendations to the legislature to give permanent authority to pay vendors directly out of the revolving fund, to pursue minimizing or eliminating participation in the claim schedule process, and to develop methods that would enable campuses to meet the cash flow demands of large sustained capital construction projects.

The centralized approach to investments used by CSU should bring with it guidelines that help campuses understand the consequences of their investment actions.

The development of a Financial Clearinghouse by the Chancellor’s Office to facilitate inter-campus and inter-fund loans will benefit campuses, especially during the fiscal year end.

Internal controls, coordination of functions, and complete review of controls surrounding cash should be undertaken at all campuses. It should include a review of electronic access, signatures, and documents.

The FOA is encouraged to work with the Chancellor’s Office to develop a resource manual containing fundamental cash management and investment guidelines, tools, and procedures. Workshops and training sessions, including a continuing education program, should be provided to campus staff responsible for cash management and investments. This should include, among other things, comprehensive instruction on CSU policies and procedures.
Task Force Charge & Membership

Charge

The Cash Management/Treasury Task Force was formed in June 1999. The charge given to the task forces was to review the current knowledge base of cash management and treasury functions within the CSU. Included in the charge was the requirement to make recommendations as to what can be done to facilitate the best possible practices within the CSU.

Specifically the task force researched current campus practices, examined a variety of coded regulations and statutes, and included expert presentations to assist with its effort.

The result of this effort is a body of information suggesting policy and process improvements, renewed training and staff development, and a shared CSU approach to the growth of common knowledge in this area.

Members

Barbara Dovenbarger       CSU, San Marcos  
Joe Latter                CSU, Long Beach  
Richard Loucks            CSU, San Marcos  
Brenda Mathias            Chancellor’s Office  
Becka Paulsen             CSU, Stanislaus  
Ken Perry                 San Diego State University  
David Prenovost           California State Polytechnic University, Pomona  
Jon Self                  CSU, Sacramento  
Donna Sorensen            Humboldt State University  
George Wellman, Chair     CSU, Chico  

Sponsors

Dick Metz                 CSU, Hayward, FOA Liaison for CABO  
Ed Bulinski               CSU, Fresno, FOA President  

Presenters

Bill Musselman  CSU Chancellor’s Office  
Chris Canfield   CSU Chancellor’s Office  
Bruce Richardson CSU Chancellor’s Office  
Russ Gould, Richard Schweitzer  
& Steve Spears   Metropolitan West, Inc
## Task Force Proceedings

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<thead>
<tr>
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<th>Location</th>
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<td>June 24, 1999</td>
<td>Task Force Formation</td>
<td>LAX Marriott</td>
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<td>1st Meeting</td>
<td>CSU Sacramento</td>
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<tr>
<td>July 19, 1999</td>
<td>Cashman listserv set up</td>
<td>Chancellor’s Office</td>
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<td>April 9, 2000</td>
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<td>June 1, 2000</td>
<td>Final Report to CABO</td>
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Financing and Treasury

Board of Trustees' Resolutions

Subject: The California State University Investment Policy

Reference: RFIN 01-97-03

RESOLVED, By the Board of Trustees of The California State University, that the chancellor, when investing funds, shall safeguard the principal through sufficient number and diversity of investments, provide adequate liquidity to meet normal cash needs and anticipate extraordinary cash demand, and maintain a consistent rate of return representative of current market yield direction; and, be it further

RESOLVED, That the chancellor shall establish and maintain, on behalf of the campuses, investment pools to invest available funds held by the California State University under the jurisdiction of the trustees; and, be it further

RESOLVED, That in addition to the investment restrictions imposed by Government Code Section 16430 and Education Code Section 89724, it is the policy of the Board of Trustees that reverse repurchase agreements used to buy investment securities shall be limited to no more than 20 percent of the investment portfolio; securities purchased with the proceeds of a reverse repurchase may not be used as collateral for another reverse repurchase while the original reverse repurchase is outstanding; the maturity of each repurchase agreement is limited to the maturity of any securities purchased with the proceeds of the repurchase (but in any event not more than one year); and reverse repurchase agreements are limited to unencumbered securities already held in the portfolio; and, be it further

RESOLVED, That the chancellor provide to the Board of Trustees annually an investment report containing a detailed description of the investment securities held, market values, and performance of the investment portfolios.
The California State University Investment Policy

The following investment guidelines have been developed for CSU campuses to use when investing funds.

Investment Policy Statement

The objective of the investment policy of the California State University (CSU) is to obtain the best possible return commensurate with the degree of risk that the CSU is willing to assume in obtaining such return. The Board of Trustees desires to provide to each campus president the greatest possible flexibility to maximize investment opportunities. However, as agents of the trustees, campus presidents must recognize the fiduciary responsibility of the trustees to conserve and protect the assets of the portfolios and by prudent management prevent exposure to undue and unnecessary risk.

When investing campus funds, the primary objective of the campus shall be to safeguard the principal. The secondary objective shall be to meet the liquidity needs of the campus. The third objective shall be to return an acceptable yield.

Investment Authority

The California State University may invest monies held in local trust accounts under Education Code Section 89721 and 89724 in any of the securities authorized by Government Code Decison 16430 and Education Code Section 89724 listed in Section A subject to limitations described in Section B.

A. State Treasury investment options include:

- Surplus Money Investment Fund (SMIF)
- Local Agency Investment Fund (LAIF)

Eligible securities for investment outside of the State Treasury as authorized by Government Code Section 16430 or Education Code Section 89724 include:

- Bonds, notes or obligations with principal and
interest secured by the full faith and credit of the United States;
• Bonds, notes or obligations with principal and interest guaranteed by a federal agency of the United States;
• Bonds or warrants of any county, city, water district, utility district or school district;
• California State bonds, or bonds with principal and interest guaranteed by the full faith and credit of the State of California;
• Commercial paper exhibiting the following qualities: 1) Prime" rated, 2) less than 180 days maturity, 3) issued by a U.S. Corporation with assets exceeding $500,000,000, 4) Approved by the PMIB. Investments must not exceed 10% of corporations outstanding paper, and total investments in commercial paper cannot exceed 30% of an investment pool;
• Banker's acceptances eligible for purchase by the Federal Reserve System;
• Certificates of deposits (insured by FDIC, FSLIC or appropriately collateralized);
• Investment certificates or withdrawal shares in federal or state credit unions that are doing business in California and that have their accounts insured in the National Credit Union Administration;
• Loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration;
• Student Loan Notes issued by the Guaranteed Student Loan Program;
• Debt issued, assumed , or guaranteed by the Inter-Americaian Development Bank, Asian Development Bank or Puerto Rican Development Bank;
• Bonds, Notes or debentures issued by U.S. Corporations rated within the top three ratings of a nationally recognized rating service.
B. In addition to the restrictions established in Government Code Section 16430, the CSU restricts the use of leverage in campus investment portfolios by limiting reverse repurchase agreements used to buy securities to no more than 20% of a portfolio.

Furthermore, the CSU:

1) Prohibits securities purchased with the proceeds of a reverse repurchase from being used as collateral for another reverse repurchase while the original reverse repurchase is outstanding;

2) Limits the maturity of each repurchase agreement to the maturity of any securities purchased with the proceeds of the repurchase (but in any event not more than one year); and

3) Limits reverse repurchase agreements to unencumbered securities already held in the portfolio.

Investment Reporting Requirements

A. Annually, the Chancellor will provide to the Board of Trustees a written statement of investment policy in addition to a report containing a detailed description of the investment securities held by all CSU campuses and the Chancellor's Office, including market values.

B. Each campus will provide no less than quarterly to the Chancellor a report containing a detailed description of the campus' investment securities, including market values. A written statement of investment policy will also be provided if it was modified since the prior submission. These quarterly reports are required:

1) to be submitted to the Chancellor within 30 days of the quarter's end;

2) to contain a statement with respect to compliance with the written statement of investment policy; and

3) to be made available to taxpayers upon request for a nominal charge.
Financing and Treasury

Board of Trustees' Resolutions

Subject: CSU Policy for Financing Activities Approved by the Board of Trustees on November 11, 1998

Reference: RFIN 11-98-18

WHEREAS, The Board of Trustees of The California State University ("the Board" or "the Trustees") finds it appropriate and necessary to use various debt financing programs afforded to it through the methods statutorily established by the legislature, and to use to its advantage those programs available to it through debt financing by recognized auxiliary organizations of the California State University; and

WHEREAS, The Board wishes to establish and maintain policies that provide a framework for the approval of financing transactions for the various programs that enable appropriate oversight and approval by the Trustees; and

WHEREAS, Within a policy framework the Board desires to establish appropriate delegations that enable the efficient and timely execution of financing transactions for the CSU and its recognized auxiliary organizations in good standing; and

WHEREAS, The Board recognizes that there is a need from time to time to take advantage of rapidly changing market conditions by implementing refinancings that will lower the cost of debt financing for the CSU and its auxiliary organizations and that such refinancings could be better implemented by reducing the time required to authorize such refinancings; and

WHEREAS, The Board finds it appropriate and necessary to review significant auxiliary organization financing transactions; and

Attachment A-4 continued
WHEREAS, There are certain aspects of the tax law for the reimbursement of up front expenses from tax-exempt financing proceeds that would be more appropriately satisfied through a delegation to the Chancellor without affecting the Trustees' ultimate approval process for such financings; now, therefore be it

RESOLVED, by the Board of Trustees of The California State University as follows:

Section 1. State Public Works Board Lease Revenue Financing Program

1.1 The authorizations set forth in this section shall be in full force and effect with respect to any State Public Works Board project which has been duly authorized by the Legislature in a budget act or other legislation and duly signed by the Governor and which is then in full force and effect.

1.2 The chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, and the director of financing and risk management, and each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for and in the name and on behalf of the trustees, to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, any and all construction agreements, equipment agreements, equipment leases, site leases, facility leases and other documents and agreements with such insertions and changes therein as such Authorized Representatives of the Trustees, with the advice of the General Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, in order to provide for the planning, design, acquisition, construction, improvement, financing, and refinancing of the projects.

1.3 All Authorized Representatives of the Trustees are authorized and directed, for and in the name and on behalf of the Trustees, to do any and all things, take any and all actions and execute and deliver any and all certificates, agreements and documents which they, or any of them, may deem necessary or advisable in order to facilitate any

Attachment A-4 continued
interim loan of the Board and the lawful issuance and
delivery of the obligations of the Board.

Section 2. California State University Bond Act of 1947
Financing Program

2.1 The chancellor, the executive vice chancellor, the
senior vice chancellor for business and finance, and the
director of financing and risk management, and each of them
(collectively, "Authorized Representatives of the
Trustees"), are hereby authorized and directed, for and in
the name and on behalf of the trustees, to take any and all
actions necessary to refinance any existing bonds issued
pursuant to the Bond Act of 1947 if the refinancing
transaction will result in net present value savings, as
determined by an Authorized Representative of the Trustees
and which determination shall be final and conclusive.
Authorized Representatives of the Trustees are authorized
to execute, acknowledge and deliver, and to prepare and
review, as each of them deems appropriate, all bond
resolutions, official statements and all other documents,
certificates, agreements and information necessary to
accomplish such refinancing transactions.

Section 3. Auxiliary Organization Debt Issuance Programs

3.1 Title 5, California Code of Regulations, Section 42500
(d) is being amended to restate and make it clear that
auxiliary organizations may issue debt instruments to
finance or refinance projects. For purposes of this
section, "debt instruments" means, loans, notes, bonds,
finance leases, installment purchase or sale agreements,
and certificates of participation.

3.2 The chancellor shall provide the Trustees with
information prior to auxiliary organizations issuing debt
instruments except for certain transactions as further
described in this section. Upon the Trustees being provided
with information about the transaction, the chancellor, the
executive vice chancellor, the senior vice chancellor for
business and finance, and the director of financing and
risk management, and each of them (collectively,"Authorized Representatives of the Trustees")may execute

Attachment A-4 continued
3.3 For auxiliary organization transactions that are only for the purpose of refinancing existing debt on real property projects, a special processing rule may apply. If the chancellor determines that (1) the primary purpose for such a refinancing is to produce net debt service savings and (2) the structure of the refinancing will result in net debt service savings, then the chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, the director of financing and risk management, and each of them, without special notice to the Trustees, may execute documents, attest to statements of fact, and take all actions necessary on behalf of the Trustees to approve the refinancing and to assist any recognized auxiliary organization to complete and to qualify the refinancing transaction as tax-exempt. If the primary purpose of the refinancing transaction as determined by the chancellor, is for reasons other than to produce net debt service savings or the structure does not result in net debt service savings, then the transaction is subject to the procedures described in Section 3.2.

3.4 The chancellor shall require campus presidents to establish campus procedures applicable to campus auxiliary organizations for the issuance of debt instruments to finance or to refinance personal property with lease-purchase or other tax-exempt financing methods. The procedures issued by the chancellor need not contain a requirement for presentation of such financings to the Trustees. Campus presidents shall be authorized to take all actions to assist the auxiliary organization on behalf of the Trustees to complete and qualify such financing transactions as tax-exempt.

3.5 The delegations conferred by the subsections of this resolution are limited and do not authorize the chancellor or other Authorized Representatives of the Trustees to

Attachment A-4 continued
establish any indebtedness of the State of California, the Board of Trustees, any CSU campus, or any officers or employees of any of them. Lending or pledging the credit of any of these entities is not intended or authorized by this resolution.

Section 4. Tax Law Requirement for Reimbursement of Project Costs

4.1 For those projects which may be financed under the authority of the Trustees, the chancellor, the executive vice chancellor, the senior vice chancellor for business and finance, and the director of financing and risk management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized to make declarations on behalf of the Trustees solely for the purposes of establishing compliance with the requirements of Section 1.150-2 of the U.S. Treasury Regulations; provided, however that any such declaration:

4.1.1. Will not bind the Trustees to make any expenditure, incur any indebtedness, or proceed with the project or financing; and

4.1.2. Will establish the intent of the Trustees at the time of the declaration to use proceeds of future indebtedness, if subsequently authorized by the Trustees, to reimburse the Trustees for expenditures as permitted by the U.S. Treasury Regulations.

Section 5. Effective Date and Implementation

5.1 Within the scope of this financing policy, the chancellor is authorized to further define, clarify and otherwise make and issue additional interpretations and directives as needed to implement the provisions of this policy.

5.2 This resolution supercedes RFIN 01-94-01 and shall take effect immediately.
Date: July 15, 1997  
Code: AD 97-08  

To: Vice Presidents for Administration  

From: George A. Pardon  
Accounting Director  
Business and Finance  

Subject: Investment Manual for California State University Trust Funds  

All Trust Fund (Fund 948) money, pending disbursement for its intended purpose, will be managed by Metropolitan West Securities, Inc. (MetWest) in custodial accounts in the name of the California State University System (or individual campuses). The process of making deposits to and withdrawals from the CSU System investment accounts is similar to using a LAIF Account. Funds will be wired in and out of a single campus bank account outside the State Treasury system. Campuses will have the options of placing their funds into a short-term account, an intermediate-term account, or both accounts. Campuses that are able to reasonably estimate their cash flow needs at least one month in advance will be able to benefit from the anticipated higher earnings of the Total Return Account.
The characteristics of the investment accounts are outlined below:

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<th>SHORT-TERM ACCOUNT</th>
<th>TOTAL RETURN ACCOUNT</th>
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<tr>
<td>Duration (approx.)</td>
<td>0.75 to 2 Years</td>
<td>3.75 to 5.75 Years</td>
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<tr>
<td>Earnings Benchmark</td>
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<td>Merrill Lynch</td>
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<td>1 to 3 Year Index</td>
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<td>Portfolio Valuation</td>
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<tr>
<td>Deposits &amp; Withdrawals</td>
<td>Daily</td>
<td>End of the Month</td>
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</tbody>
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The enclosed Investment Manual contains the information and forms required to establish your sub-account, initiate transactions, and access your sub-account information via the internet at the MetWest website. Campuses will receive notification to make their first deposit from the Chancellor's Office shortly.

If you have any questions, please contact Mr. William Musselman at (562) 951-4610 or Mr. Jeff Silva of MetWest at (916) 441-6200.

Distribution: Mr. William P. Musselman

Mr. Jeff Silva - Metropolitan West Securities, Inc.

(Please contact your campus vice president for administration to obtain a copy of the campus-specific attachment.)
State Administrative Manual

CENTRALIZED STATE TREASURY SYSTEM
8001

(Revised 5/89)

Except when otherwise authorized by the Director of Finance or unless deposited directly in the State Treasury, all money in the possession of or controlled by any agency will be deposited in the centralized State Treasury System, subject to disbursement upon order of the agency.

The centralized State Treasury System is a system, authorized by Government Code Section 16305, whereby state moneys are deposited in specified local banks for credit to central accounts of the State Treasurer. Under this system, each depositing agency notifies the State Treasurer's Office whenever a deposit is made. From such data, the State Treasurer Office maintains central accounts with respect to each approved depository. Although deposits may be made at any branch of an approved depository, only one account is maintain for each depository by the State Treasurer's Office. The State Controller's Office maintains accountability for deposits by specific account of the depositing agency to be credited rather than by approved depository.

Withdrawals are made by check drawn by the agency. The State Controller's Office sends statements of accounts at least monthly to each depositing agency. The State Treasurer's Office maintains the microfiche files of paid checks and returns the checks to the agencies at least monthly. Any requests for delivery of paid checks on a more frequent basis can be directed to the State Treasurer's Office.

The purpose of the centralized State Treasury System is to maximize the earning of interest consistent with safe and prudent treasury management and to assure that depository banks provide the State with proper and adequate security for deposits of state moneys.
State Administrative Manual

Procedure for Depositing
Section 8032

WHEN TO DEPOSIT
8032.1

(Revised 5/98)

Agencies are required to deposit receipts in a timely and economical manner. They will adhere to the following guidelines in determining when to deposit receipts into a CTS bank.

Agencies that have safes, vaults, money chests, or other comparable storage that is adequate to safeguard cash will accumulate collections until they amount to $1,000 in cash or $10,000 in cash, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first.

Agencies that do not have a safe, vault, or money chest that is adequate to safeguard cash will accumulate collections until they amount to $250 in cash or $10,000 in cash, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first. When such funds are not in use, they will be locked in a desk, file cabinet, or other mechanism providing comparable safekeeping.

Accumulated receipts of any amount will not remain undeposited for more than ten working days. An agency may deposit more often than once a day at its discretion and when it is economical or practical to do so because of the size of its receipts.

Field representatives may either deposit receipts directly or remit them by mail to the appropriate agency accounting office to then be deposited into a CTS bank. This should be in accordance with the agency's procedures for depositing receipts from a field office; however, adherence to the SAM requirements governing the depositing of receipts is required.

Agencies will consider any procedure that expedites depositing to be practical if the additional interest earnable exceeds the additional costs of the procedure. Agencies will use the following formula for determining additional interest earnable: additional interest earnable will be estimated at $27 per million dollars per calendar day for each one percent of current rate of interest earned.

METHOD OF DEPOSITING
8032.2

(Revised 5/98)

Agencies will maintain adequate security of state monies in transit to banks and assure that the delivery is made in the most economical way consistent with good practice, safety, agency needs, and SAM requirements. Following are the different methods to be used for depositing state monies into the Demand Depository Accounts.

1. By Employee An agency messenger or other assigned employee may deliver the deposit to
the bank if (1) the bank is not now furnishing bank messenger service or (2) an armored car service either is not available or not economically justified and direct delivery of deposits does not subject agency employees to the hazard of robbery or compromise their safety.

a. Teller Counter During regular banking hours an agency employee may deliver the deposit to the merchants' window of their selected CTS bank. Delivery of deposits to the bank by an agency employee is normally a routine task for agencies which collect revenue regularly. Employees may perform this service either routinely or occasionally in conjunction with other state duties while in the vicinity of the bank.

b. Night Deposits Night depository service (after banking hours) is furnished by most branches of those banks listed as approved depositories in SAM Section 8031. This service will be used by agencies not equipped with proper safes or vaults for safeguarding cash overnight and by agencies in outlying areas where a night deposit can be made enroute by an agency employee returning home at the end of the workday. See SAM Section 8032.1 regarding when to deposit.

2. Mail Deposits Deposits may be made by certified or registered mail if the agency or field representative is a considerable distance from the nearest banking facility of an approved depository and visits to such bank would not be made as often as required for depositing collections, provided coin and currency can be converted locally by the purchase of a cashier's check or money order. The cost of cashier's checks or money orders purchased for such deposits will not be deducted from the deposit but will be paid from revolving funds, cash purchase funds, or an employee's own funds. In the latter instance the employee will claim reimbursement on his travel expense voucher. Some banks do not charge for money orders or cashier's checks that are purchased for state business. At the time of purchase, the agency employee should make it known that the money order or cashier's check is being purchased in the state's behalf and provide such evidence as may be required for verification.

3. Armored Car If the safety of employees or robbery are imminent concerns, armored car service is also an option. Special arrangements may be made with armored car companies for armored car service during a particular collection period, or when special service is required.

4. Bank Messenger When bank messenger service is available in an area, agencies may arrange for their deposits to be picked up and delivered to a selected branch of an approved depository bank. Deposits will be placed in sealed bags and will be receipted by the bank messenger at the time the deposit is picked up. This receipt will be kept by the agency along with any other documentation verifying the deposit. (Note: bank messengers are restricted from picking up deposits that include coin or currency.)

VERIFICATION OF DEPOSITS

8032.3

(New 5/98)

Except where the supervisor and the person depositing cash are not at the same location, the person supervising the person depositing cash will verify that receipts have been deposited intact and in accordance with SAM Section 8032.1. The supervisor will distribute the copies of the Report of Deposit in accordance with SAM Section 8033.2, Item 16, but will perform no other function in connection with the deposit.
COIN AND CURRENCY
8032.4

(New 5/98)

Depositing coin and currency in excess of $100 will be prepared as described below. If the amount of coin in the deposit exceeds $50, a separate deposit slip for the coin portion only must be prepared and submitted (other currency will be submitted with a separate deposit slip). Bank messengers are restricted from picking up any deposit that includes coin and/or currency.

The coin and currency portion to be delivered by an armored car or to be delivered by an agency messenger as a night deposit or teller counter window deposit will be counted and verified. Currency and coin (unrolled) will be placed in the deposit bag and sealed in the presence of two agency employees who will sign an agency copy of the deposit slip indicating they have verified the coin and currency amount in the deposit. The armored car carrier or agency employee is required to sign a receipt indicating the receipt of the sealed deposit bag to be delivered.

Whenever coin and currency to be deposited exceeds $3,000 and armored car service is either not available, or excessively expensive, two agency employees should be assigned to deliver the deposit jointly or two or more deposits may be made to reduce the cash transported at one time. Occasionally, exceptionally large deposits may be handled by requesting an escort from the local police department or sheriff's office. A single employee will not transport more than $3,000 in coin and currency at one time.

Agencies will not disburse or withhold receipts for the purposes of establishing or augmenting an over-the-counter change fund. Agencies will also not use receipts to be deposited to cash checks for employees.

REPORTING OF LARGE DEPOSITS
8032.5

(New 5/98)

All money belonging to or in the custody of the state that is deposited in banks and savings and loan associations must be secured by collateral. See SAM Section 8002 for collateral requirements. This requirement applies to all accounts whether held in or outside of CTS. In order to comply with the Government Code sections listed in SAM Section 8002, agencies are required to notify (via telephone) STO, Cash Management Division, Financial Services Section (916-653-2917 or CALNET 453-2917), of all deposits being made into accounts in the CTS whenever deposits for any one account are in excess of $100,000 in any one day. The Financial Services Section must receive this information by 1:30 p.m. on the day that the funds are actually deposited into the State's Demand Deposit Accounts. If the total deposits being reported are for other than the current day, agencies must inform the Financial Services Section staff of the exact date of deposit(s). Where exact amounts cannot be determined accurately, agencies will transmit a reasonably accurate estimate. In most instances, agencies should be able to make a reasonable determination of the amounts of large deposits by noon in order to facilitate the transfer of this information to STO.
PAYMENT CARD DEPOSITS-GENERAL INSTRUCTIONS
8032.6

(New 5/98)

The following are the procedures for depositing card payments (credit card, debit card, Automated Teller Machine (ATM) cards, Smart cards (value stored on the card itself), etc.) for both the State's Master Service Agreement for payment card processing or an agency's individually contracted processor. A contracting agency should ensure that any contract or agreement with the processor includes provisions which are consistent with the following procedures.

1. Agencies accepting payment cards will establish a Zero Balance Account (ZBA), which is an account outside the CTS, in accordance with SAM Section 8002. The ZBA must be established at the main branch of an approved depository bank (SAM Section 8031). All payment card transactions will be processed through the agency's ZBA.

2. The payment card processor will transmit daily the amounts of the payment card transactions into the agency's ZBA. In addition, the processor will make all transaction data available to the agency. At the close of each business day, the net amount in the ZBA will be transferred electronically into the appropriate Demand Depository Account. Each agency will receive periodic statements from the bank for reconciliation purposes. The processor will not make any unauthorized debits to the agency's ZBA.

3. Each working day, the net payment card amount that is transferred into the Demand Depository Account for the previous day's activity will be processed directly into the agency's CTS account by the Bank Reconciliation Unit at the State Treasurer's Office. This procedure eliminates the need for state agencies to submit deposit slips for their payment card transactions.

Credit transfers will be keyed as deposits to the agency's CTS account and debit transfers will be adjusted by an Agency Trust Adjustment (ATA) and then posted to the agency's CTS account via a journal entry. Agencies will be responsible for reconciling their ZBA activity. Any payment card questions or disputes should be directed to the payment card processor.
§42500. Functions of Auxiliary Organizations.

Auxiliary organizations are formed to provide essential functions which are an integral part of the educational mission of a campus and the California State University.

(a) The following functions have been determined by the Board to be appropriate for auxiliary organizations to perform in accordance with applicable policies, rules, and regulations:

(1) Student Body Organization Programs;
(2) Bookstores, Food Services, and Campus Services;
(3) Housing;
(4) Student Union Programs;
(5) Supplementary Health Services;
(6) Loans, Scholarships, Grants-in-Aids, Stipends, and Related Financial Assistance;
(7) Externally Funded Projects Including Research, Workshops, Conferences, and Institutes;
(8) Instructionally-related Programs, and activities, including Agriculture, Athletics, Radio and Television Stations, Newspapers, Films, Transportation, Printing and other Instructionally Related Programs and Activities;
(9) Alumni Programs;
(10) Gifts, bequests, devises, endowments, trusts and similar funds;
(11) Public relations, fundraising, fund management, and similar development programs;
(12) Acquisition, development, sale, and transfer of real and personal property including financing transactions related to these activities.

(b) Gifts, grants, or other donations received by an auxiliary organization shall be accepted, maintained, and used in accordance with policies, rules, and regulations of the Board of Trustees.

(c) Auxiliary organizations may issue debt instruments to finance or refinance projects in connection with their mission upon prior approval of the campus president and pursuant to policies of the Board of Trustees as may be implemented by the Chancellor. For purposes of this section, “debt instruments” means loans, notes, bonds, finance leases, installment purchase or sale agreements, and certificates of participation.

(d) Student loans, scholarships, stipends and grants-in-aid shall only be given to currently admitted students. A record of such financial assistance shall be forwarded on a timely basis to the campus financial aid office and shall be documented on student financial aid recipient records kept in that office. All such financial assistance provided from student body organization funds shall be approved by the campus financial aid office before such funds are expended, and shall not exceed amounts to be provided under regulations of federal and state financial aid programs, except as provided under section 42403, subdivision (b).

(e) An auxiliary organization shall not engage in a function not listed in subdivision (a) of this section unless an appropriate amendment is made to subdivision (a) by the Board of Trustees, adding said function to the list of approved functions of auxiliary organizations, or unless such function is essential to satisfy the corporation laws of the State of California.

NOTE


HISTORY

1. Amendment filed 4-1-69 ; effective thirtieth day thereafter (Register 69, No. 14).
2. Amendment filed 8-22-72 ; effective thirtieth day thereafter (Register 72, No. 35).

3. Amendment filed 4-29-77 ; effective thirtieth day thereafter (Register 77, No. 18).

4. Amendment filed 9-15-81 ; effective thirtieth day thereafter (Register 81, No. 38).
Notwithstanding any provision of law to the contrary, except as provided pursuant to Section 89707.5 with respect to nonresident students who are citizens and residents of a foreign country and who are not citizens of the United States, student body organization membership fees authorized under the provisions of Section 89300 shall be collected by the officials of the campus of the California State University, together with all tuition and material and service fees, at the time of registration, except where a student loan or grant from a recognized training program or student aid program has been delayed and there is reasonable proof that the funds will be forthcoming. Exception may also be made where changes are made during the change of program period which result in a higher fee category than paid at the time of registration. All unexpended funds and money collected on behalf of, or by, student body organizations, except funds and money collected from commercial services as provided in Section 89905, shall, with the approval of an appropriate officer of the student body organization, be deposited in trust by the chief fiscal officer of the campus. The money shall, subject to the approval of the trustees, be deposited or invested in any one or more of the following ways:

(a) Deposits in trust accounts of the centralized State Treasury system pursuant to Sections 16305 to 16305.7, inclusive, of the Government Code or in the California State University Trust Fund or in a bank or banks whose accounts are insured by the Federal Deposit Insurance Corporation.

(b) Investment certificates or withdrawable shares in state-chartered savings and loan associations and savings accounts of federal savings and loan associations, if the associations are doing business in this state and have their accounts insured by the Federal Savings and Loan Insurance Corporation and if any money so invested or deposited is invested or deposited in certificates, shares, or accounts fully covered by the insurance.

(c) Purchase of any of the securities authorized for investment by Section 16430 of the Government Code or investment by the Treasurer in those securities.

(d) Participation in funds which are exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code and which are open exclusively to nonprofit colleges, universities, and independent schools.

(e) Investment certificates or withdrawable shares in federal or state credit unions, if the credit unions are doing business in this state and have their accounts insured by the National Credit Union Administration and if any money so invested or deposited is invested or deposited in certificates, shares, or accounts fully covered by such insurance.

All moneys received by a state university from any agency of the state or federal government for the payment of student body organizations membership fees of students attending the state university shall be deposited or invested as provided above.
EDUCATION CODE
SECTION 89701

89701. (a) The trustees are authorized to acquire, pursuant to the Property Acquisition Law (Part 11 (commencing with Section 15850) of Division 3 of Title 2 of the Government Code) or by lease or other means, real property and to construct, operate, and maintain motor vehicle parking facilities thereon for state university officers, employees, students, or other persons. The trustees may prescribe the terms and conditions of the parking, and of parking on facilities existing on the effective date of this section, including the payment of parking fees in the amounts and under the circumstances determined by the trustees. Varying rates of parking fees may be established for different localities or for different parking facilities. In determining rates of parking fees, the trustees may consider the rates charged in the same locality by other public agencies and by private employers for employee parking, and the rates charged to students by other universities and colleges.

(b) Except as otherwise provided in this section, revenues received by the trustees from any of the motor vehicle parking facilities, as well as from all parking facilities existing on the effective date of this section, may be transmitted to the Treasurer and, if transmitted, shall be deposited by that officer in the State Treasury to the credit of the State University Parking Revenue Fund, which fund is hereby created. The trustees may pledge all or any part of the revenues in connection with bonds or notes issued pursuant to the State University Revenue Bond Act of 1947 (Article 2 (commencing with Section 90010) of Chapter 8), in which case the revenues shall be deposited, transmitted, and used in the manner provided by that act. All revenues received by the trustees from parking facilities, to the extent not pledged in connection with bonds or notes issued pursuant to the State University Revenue Bond Act of 1947, are hereby appropriated, without regard to fiscal years, to the trustees for the acquisition, construction, operation, and maintenance of motor vehicle parking facilities on real property acquired hereunder or on real property otherwise under the jurisdiction of the trustees, and for the study, development, enhancement, operation, and maintenance of alternate methods of transportation for officers, students, and employees of the California State University. The trustees shall allocate the funds for the construction of parking facilities for each of the California State University campuses only after programs incorporating alternate methods of transportation have been thoroughly investigated and considered, as determined by the alternative transportation committees of each campus and the trustees, in consultation with students and local government officials. Moneys in the State University Parking Revenue Fund may be invested by the Treasurer, upon approval of the trustees, in those eligible securities listed in Section 16430 of the Government Code. All interest or other earnings received pursuant to the investments shall be deposited to the credit of the State University Parking Revenue Fund.

(c) The Legislature, by this section, does not intend to authorize the institution of a private parking program unrelated to state purposes in competition with private industry.
(d) If any provision of this section is in conflict with any provision of a memorandum of understanding reached pursuant to Chapter 12 (commencing with Section 3560) of Division 4 of Title 1 of the Government Code, the memorandum of understanding shall be controlling without further legislative action, except that if one or more provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

89701.5. Moneys in the State University Parking Revenue Fund received as parking fines and forfeitures shall be used exclusively for the development, enhancement, and operation of alternate methods of transportation programs for students and employees, for the mitigation of the impact of off-campus student and employee parking in university communities, and for the administration of the parking fines and forfeitures programs.
EDUCATION CODE
SECTION 89702

89702. (a) The Trustees of the California State University may acquire, pursuant to the Property Acquisition Law (Part 11 (commencing with Section 15850) of Division 3 of Title 2 of the Government Code) or by lease or other means, real property and may construct and improve student health centers entirely or in part by the use of funds acquired pursuant to this section.

(b) The trustees may prescribe under Section 89700 a fee to provide for the acquisition, construction, and improvement of the facilities, in the amounts and under the circumstances as may be determined by the trustees.

(c) Except as otherwise provided in this section, revenues received by the trustees from the facilities fee may be transmitted to the Treasurer and, if transmitted, shall be deposited by that officer in the State Treasury to the credit of the State University Facilities Revenue Fund, which fund is hereby created. The trustees may pledge all or any part of these revenues in connection with bonds or notes issued pursuant to the State University Revenue Bond Act of 1947 (Article 2 (commencing with Section 90010) of Chapter 8), in which case the revenues shall be deposited, transmitted, and used in the manner provided by that law. All revenues received by the trustees from the facilities fee, to the extent not pledged in connection with bonds or notes issued pursuant to the State University Revenue Bond Act of 1947, are hereby appropriated, without regard to fiscal years, to the trustees for the acquisition, construction, and improvement of student health centers on real property acquired pursuant to this section or on real property otherwise under the jurisdiction of the trustees. Moneys in the State University Facilities Revenue Fund may be invested by the Treasurer, upon approval of the trustees, in those eligible securities listed in Section 16430 of the Government Code. All interest or other earnings received pursuant to the investments shall be deposited to the credit of the State University Facilities Revenue Fund.

(d) All capital outlay projects in excess of sixty-five thousand dollars ($65,000) to be constructed with revenue from the fee established pursuant to this section shall be approved by the Legislature.

89702.1. Any revenue from fees for health services and health facilities maintenance collected by the trustees in the 1993-94 and 1994-95 fiscal years may be deposited in the State University Facilities Revenue Fund, and is hereby appropriated during the 1993-94 and 1994-95 fiscal years to the trustees for operation of student health centers.

The Legislature declares that the authority granted to the trustees by this section is provided without prejudice to the authority of the trustees to impose a mandatory fee for health services and health facilities maintenance.
EDUCATION CODE
SECTION 89704

89704. (a) Notwithstanding any other provision of law to the contrary, revenues received by the Trustees of the California State University from extension programs, special session, and other self-supporting instructional programs, including but not limited to, fees and charges required by the trustees, may be transmitted to the Treasurer and, if transmitted, shall be deposited by that officer in the State Treasury to the credit of the State University Continuing Education Revenue Fund, which fund is hereby created, and which is hereby designated as successor to the State College Extension Program Revenue Fund.

(b) All revenues are hereby appropriated, without regard to fiscal years, to the trustees for the support and development of self-supporting instructional programs of the California State University. However, proposed expenditures or obligation to be incurred during any fiscal year from the State University Continuing Education Revenue Fund shall be contained in the budget submitted for that fiscal year by the Governor pursuant to Section 12 of Article IV of the Constitution, and shall be subject to Article 2 (commencing with Section 13320) of Chapter 3 of Part 3 of Division 3 of Title 2 of the Government Code.

(c) Moneys in the State University Continuing Education Revenue Fund may be invested by the Treasurer, upon approval of the trustees, in those eligible securities listed in Section 16430 of the Government Code. All interest or other earnings received pursuant to the investments shall be deposited to the credit of the State University Continuing Education Revenue Fund.
EDUCATION CODE
SECTION 89721

89721. Notwithstanding any other provision of law to the contrary, the chief fiscal officer of each campus of the California State University shall deposit into and maintain in local trust accounts or in trust accounts in accordance with Sections 16305 to 16305.7, inclusive, of the Government Code, or in the California State University Trust Fund, moneys received in connection with the following sources or purposes:

(a) Gifts, bequests, devises, and donations received under Section 89720.

(b) Any student loan or scholarship fund program, including but not limited to, student loan programs of the state, federal government (including programs referred to in Section 89723), local government, or private sources.

(c) Advance payment for anticipated expenditures or encumbrances in connection with federal grants or contracts.

(d) Room, board, and similar expenses of students enrolled in the international program of the California State University.

(e) Cafeteria replacement funds.

(f) Miscellaneous receipts in the nature of deposits subject to return upon approval of a proper application.

(g) Fees and charges for services, materials, and facilities authorized by Section 89700 where these fees or charges are required of those persons who, at their option, use the services or facilities, or are provided the materials, for which the fees or charges are made. Fees and charges so received and deposited shall be used solely to meet the costs of providing these services, materials, and facilities.

(h) Fees for instructionally related activities as defined by the trustees and as authorized by Section 89700 and revenues derived from the conduct of the instructionally related activities. The trustees shall have all authority necessary to administer and use the fees and revenues received and deposited to support such instructionally related activities.

(i) Fees for parking, health facilities or health services, and for extension programs, special sessions, and other self-supporting instructional programs.

(j) Revenue received by the trustees from the California State Lottery Education Fund pursuant to Section 8880.5 of the Government Code.

(k) Moneys received by the trustees for research, workshops, conferences, institutes, and special projects.

(Amended by Stats.1998, A.B.2812)
EDUCATION CODE
SECTION 89722.5

89722.5. (a) There is hereby created in the State Treasury the California State University Lottery Education Fund. Moneys received by the Trustees of the California State University from the California State Lottery Education Fund pursuant to Section 8880.5 of the Government Code may be deposited and maintained in the fund. Notwithstanding Section 13340 of the Government Code, all moneys in the fund shall be continuously appropriated without regard to fiscal year for expenditure by the trustees for educational purposes pursuant to Section 8880.5 of the Government Code. All expenditures from the fund shall be subject to an annual postaudit by the Audits Division of the State Department of Finance.

(b) Pending expenditure for educational purposes, the moneys in the fund may be invested by the Treasurer, subject to the approval of the trustees, in those eligible securities listed in Section 16430 of the Government Code. All interest accruing from any investment pursuant to this subdivision shall be deposited into, and credited to, the fund.
EDUCATION CODE
SECTION 89723

89723. The trustees are vested with all necessary power to perform acts, receive and expend funds, and cooperate with state and federal agencies as provided in Section 12400 for the purpose of receiving and spending the funds provided by the act of Congress entitled "An act to strengthen the national defense and to encourage and assist in the expansion and improvement of educational programs to meet critical national needs; and for other purposes" (National Defense Education Act of 1958), approved September 2, 1958, and the act of Congress entitled "An act to amend the Public Health Service Act to increase the opportunities for training professional nursing personnel, and for other purposes" (Nurse Training Act of 1964), approved September 4, 1964.

The trustees may provide for the establishment and maintenance of student loan funds pursuant to those acts of Congress. Money allocated for the purpose of establishing a student loan fund at a campus of the California State University may be withdrawn from the State Treasury and deposited to the credit of that institution in a trust account in accordance with the provisions of Sections 16305 to 16305.7, inclusive, of the Government Code for the purpose of making loans to students in accordance with the federal acts.
89724. Interest accruing upon the investment of moneys of the California State University Trust Fund shall be paid into and credited to such fund. The trustees shall apportion as of June 30 and December 31 of each year the revenues earned and deposited in the fund during the six calendar months ending with those dates. There shall be apportioned and credited to each campus of the California State University having deposits in the fund, an amount directly proportionate to the total deposits in the fund and the length of time the deposits remained therein. The chief fiscal officer of each campus of the California State University may allocate further this amount to the extent considered necessary.
EDUCATION CODE
SECTION 89725

89725. Notwithstanding any other provision of law to the contrary, grants, revenues, and funds of any nature received by the trustees for research, workshops, conferences, institutes, and special projects from the state, federal government, local government, or private persons, may be transmitted to the Treasurer and, if transmitted, shall be deposited in the State Treasury to the credit of the California State University Special Projects Fund, which fund is hereby created.

All such grants, revenues, and funds are hereby appropriated without regard to fiscal years to the trustees for the operation, support, and development of research, workshops, conferences, institutes, and special projects in the California State University.

Provision shall be made by the trustees for reimbursements to the General Fund for the cost of space and services furnished to projects funded by the California State University Special Projects Fund.

Notwithstanding any other provision of the law to the contrary, the trustees shall have authority to establish the rules and procedures under which the fund shall operate. All expenditures shall be made in accordance with the rules and procedures, without prior approval of the Department of General Services or the Department of Finance. All expenditures shall receive an annual postaudit by the Audits Division of the Department of Finance. This requirement for an annual postaudit shall be effective until July 1, 1992. On and after July 1, 1992, the expenditures from the fund shall be audited as frequently as the Audits Division deems appropriate.

Moneys in the California State University Special Projects Fund may be invested by the Treasurer, upon approval of the trustees in those eligible securities listed in Section 16430 of the Government Code. All interest or other earnings received pursuant to those investments shall be collected by the Treasurer and shall be deposited in the State Treasury to the credit of the California State University Special Projects Fund.
GOVERNMENT CODE
SECTION 16.5

16.5. (a) In any written communication with a public entity, as defined in Section 811.2, in which a signature is required or used, any party to the communication may affix a signature by use of a digital signature that complies with the requirements of this section. The use of a digital signature shall have the same force and effect as the use of a manual signature if and only if it embodies all of the following attributes:
   (1) It is unique to the person using it.
   (2) It is capable of verification.
   (3) It is under the sole control of the person using it.
   (4) It is linked to data in such a manner that if the data are changed, the digital signature is invalidated.
   (5) It conforms to regulations adopted by the Secretary of State. Initial regulations shall be adopted no later than January 1, 1997. In developing these regulations, the secretary shall seek the advice of public and private entities, including, but not limited to, the Department of Information Technology, the California Environmental Protection Agency, and the Department of General Services. Before the secretary adopts the regulations, he or she shall hold at least one public hearing to receive comments.
   (b) The use or acceptance of a digital signature shall be at the option of the parties. Nothing in this section shall require a public entity to use or permit the use of a digital signature.
   (c) Digital signatures employed pursuant to Section 71066 of the Public Resources Code are exempted from this section.
   (d) "Digital signature" means an electronic identifier, created by computer, intended by the party using it to have the same force and effect as the use of a manual signature.
GOVERNMENT CODE
SECTION 16305

16305. The purpose of this legislation is hereby declared to be the establishment of a centralized State Treasury System under which state moneys will be adequately protected, and at the same time will be controlled and invested in such a way as to realize the maximum return consistent with safe and prudent treasury management. This legislation visualizes that the State Controller will be responsible for maintaining the segregated accounts of the moneys of state agencies which are deposited with the Treasurer in trust, and that the State Treasurer will not maintain records which in their detail duplicate the accounting records maintained by the Controller for these moneys.

16305.1. It is anticipated that as a result of this legislation state agencies will no longer need to maintain large sums of money in agency bank accounts, and that future agency bank accounts permitted by the Director of Finance will contain only amounts of money necessary for day-to-day petty cash needs.

16305.2. All money in the possession of or collected by any state agency or department is subject to the provisions of Sections 16305.3 to 16305.7, inclusive, and is hereafter referred to as state money.

16305.3. All state money shall be deposited in trust in the custody of the Treasurer, except when otherwise authorized by the Director of Finance, or unless deposited directly in the State Treasury. All state money deposited in trust in the custody of the Treasurer shall be held in a trust account or accounts and may be withdrawn only upon the order of the depositing agency or its disbursing officer. The provisions of Sections 16305.3 to 16305.7, inclusive, shall not be construed to repeal or amend any provision of law now requiring officers or employees to make daily, weekly or monthly settlements with the Treasurer. All such money held by the State Treasurer in trust shall be subject to audit by the Department of Finance and shall also be subject to cash count, as provided in Sections 13297, 13298, and 13299 of this code.

16305.4. The Director of Finance shall establish any system which may be necessary or convenient in the handling of trust accounts of the state agencies and in establishing the system to be followed in receiving, holding and disbursing such money. The system established by the Director of Finance shall in general provide that the Controller is responsible for maintaining accounts to record the Treasurer's accountability, and shall maintain the separate account for each trust deposit.

16305.5. Money in treasury trust accounts shall be deposited, invested and reinvested in the same manner and to the same extent as if the money in trust accounts were money in the State Treasury.
16305.7. Any increment collected as the result of investment of state money shall be collected by the State Treasurer and reported by him to the State Controller for credit to the General Fund in the State Treasury.
GOVERNMENT CODE
SECTION 16401

16401. Any revolving fund drawn under the provisions of Section 16400 may only be used in accordance with law for payment of compensation earned, traveling expenses, traveling expense advances, or where immediate payment is otherwise necessary.
16430. Eligible securities for the investment of surplus moneys shall be any of the following:

(a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States.

(c) Bonds and notes of this state, or those for which the faith and credit of this state are pledged for the payment of principal and interest.

(d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.

(e) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, in debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, in bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, in stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act as amended, and in the bonds of any federal home loan bank established under that act, obligations of the Federal Home Loan Mortgage Corporation, in bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act as amended, and bonds, notes, and other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act as amended.

(f) (1) Commercial paper of “prime” quality as defined by a nationally recognized organization that rates these securities. Eligible paper is further limited to issuing corporations or trusts approved by the Pooled Money Investment Board that meet the conditions in either subparagraph (A) or subparagraph (B):

(A) Both of the following:
   (i) Organized and operating within the United States.
   (ii) Having total assets in excess of five hundred million dollars ($500,000,000).

(B) Both of the following:
   (i) Organized within the United States as a special purpose corporation or trust.
   (ii) Having programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.
(2) Purchases of eligible commercial paper may not exceed 180 days’ maturity, represent more than 10 percent of the outstanding paper of an issuing corporation or trust, nor exceed 30 percent of the resources of an investment program. At the request of the Pooled Money Investment Board, this investment shall be secured by the issuer by depositing with the Treasurer securities authorized by Section 53651 of a market value at least 10 percent in excess of the amount of the state's investment.

(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System.

(h) Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the purposes of this section, negotiable certificates of deposits do not come within the provisions of Chapter 4 (commencing with Section 16500) and Chapter 4.5 (commencing with Section 16600).

(i) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.

(j) Bank loans and obligations guaranteed by the Export-Import Bank of the United States.

(k) Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1001 and following) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2).

(l) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the Government Development Bank of Puerto Rico.

(m) Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under this subdivision shall be within the top three ratings of a nationally recognized rating service.
CALIFORNIA CONSTITUTION
ARTICLE 16
PUBLIC FINANCE

SEC. 6. The Legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the State, or of any county, city and county, city, township or other political corporation or subdivision of the State now existing, or that may be hereafter established, in aid of or to any person, association, or corporation, whether municipal or otherwise, or to pledge the credit thereof, in any manner whatever, for the payment of the liabilities of any individual, association, municipal or other corporation whatever; nor shall it have power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever; provided, that nothing in this section shall prevent the Legislature granting aid pursuant to Section 3 of Article XVI; and it shall not have power to authorize the State, or any political subdivision thereof, to subscribe for stock, or to become a stockholder in any corporation whatever; provided, further, that irrigation districts for the purpose of acquiring the control of any entire international water system necessary for its use and purposes, a part of which is situated in the United States, and a part thereof in a foreign country, may in the manner authorized by law, acquire the stock of any foreign corporation which is the owner of, or which holds the title to the part of such system situated in a foreign country; provided, further, that irrigation districts for the purpose of acquiring water and water rights and other property necessary for their uses and purposes, may acquire and hold the stock of corporations, domestic or foreign, owning waters, water rights, canals, waterworks, franchises or concessions subject to the same obligations and liabilities as are imposed by law upon all other stockholders in such corporation; and

Provided, further, that this section shall not prohibit any county, city and county, city, township, or other political corporation or subdivision of the State from joining with other such agencies in providing for the payment of workers' compensation, unemployment compensation, tort liability, or public liability losses incurred by such agencies, by entry into an insurance pooling arrangement under a joint exercise of powers agreement, or by membership in such publicly-owned nonprofit corporation or other public agency as may be authorized by the Legislature; and

Provided, further, that nothing contained in this Constitution shall prohibit the use of state money or credit, in aiding veterans who served in the military or naval service of the United States during the time of war, in the acquisition of, or payments for, (1) farms or homes, or in projects of land settlement or in the development of such farms or homes or land settlement projects for the benefit of such veterans, or (2) any business, land or any interest therein, buildings, supplies, equipment, machinery, or tools, to be used by the veteran in pursuing a gainful occupation; and

Provided, further, that nothing contained in this Constitution...
shall prohibit the State, or any county, city and county, city, town-
ship, or other political corporation or subdivision of the State from
providing aid or assistance to persons, if found to be in the
public interest, for the purpose of clearing debris, natural
materials, and wreckage from privately owned lands and waters
deposited thereon or therein during a period of a major disaster or
emergency, in either case declared by the President. In such case,
the public entity shall be indemnified by the recipient from the
award of any claim against the public entity arising from the
rendering of such aid or assistance. Such aid or assistance must be
eligible for federal reimbursement for the cost thereof.

And provided, still further, that notwithstanding the restrictions
contained in this Constitution, the treasurer of any city, county,
or city and county shall have power and the duty to make such
temporary transfers from the funds in custody as may be necessary to
provide funds for meeting the obligations incurred for maintenance
purposes by any city, county, city and county, district, or other
political subdivision whose funds are in custody and are paid out
solely through the treasurer's office. Such temporary transfer of
funds to any political subdivision shall be made only upon resolution
adopted by the governing body of the city, county, or city and
county directing the treasurer of such city, county, or city and
county to make such temporary transfer. Such temporary transfer of
funds to any political subdivision shall not exceed 85 percent of the
anticipated revenues accruing to such political subdivision, shall
not be made prior to the first day of the fiscal year nor after the
last Monday in April of the current fiscal year, and shall be
replaced from the revenues accruing to such political subdivision
before any other obligation of such political subdivision is met from
such revenue.