

**University of Cincinnati**  
**Recommendation to the Board of Trustees**  
**For Action**

**Date:** November 15, 2006

**Title:** UNIVERSITY OPERATING CASH POLICY

**Synopsis:** Authorize the Vice President for Finance to establish the university operating cash policy

It is recommended that the Board of Trustees authorize the Vice President for Finance to establish and adjust the university operating cash policy. The following policy will be established initially.

Based on an analysis of the operating budget, annual financial statements, and typical monthly cash disbursements, the operating cash policy is to build the university's operating cash balance to an average daily balance of no less than 25% of annual operating budget expenditures and transfers, and a minimum daily balance of no less than 17% of annual operating budget expenditures and transfers.

The policy levels will be achieved through the following measures:

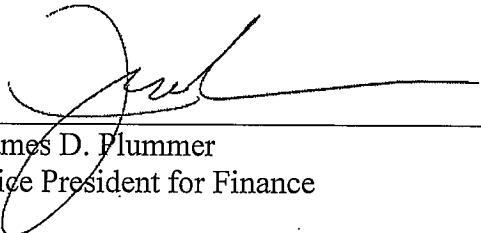
- All-funds balanced operating budget process.
- No new deficit funds permitted without the express approval of the Vice President for Finance in consultation with the appropriate Senior Vice President.
- Disciplined payoff of existing funds that are in deficit position.
- Scaled down, deferred, or cancelled capital projects.
- Concentration on receivables management.
- The Vice President for Finance in consultation with the appropriate Senior Vice President is authorized to suspend expenditures from individual funds that are in an overdrawn cash position. The Vice President for Finance will provide thirty days written notice to the Senior Vice president or Vice President responsible for the suspended fund to allow time to discontinue salaries, purchase orders, and other encumbrances, or to move them to other funding sources, or to establish a mutually acceptable alternative plan to suspension of expenditures. Approval of the Senior Vice President for Administration and Finance is required to remove a fund from suspended

status, but also in consultation with the other appropriate Senior Vice President.

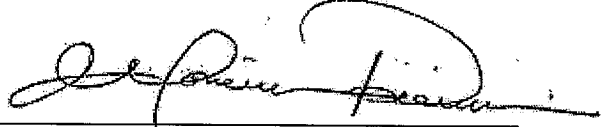
- Quasi-endowment funds may be withdrawn from the endowment pool to support institutional liquidity needs consistent with any applicable donor restrictions. Under no circumstances will donor intent be violated.
- Payment of non-payroll, non-debt service obligations may be temporarily delayed.

Attachment A describes the background on which the operating cash policy was developed.

Prepared by:

  
James D. Plummer  
Vice President for Finance

Reviewed by:

  
Monica Rimai  
Senior Vice President for  
Administration and Finance

Attachment

**APPROVED**

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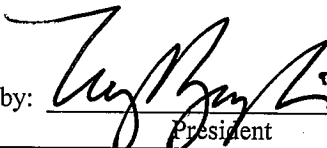
**BOARD OF TRUSTEES**

**FOR BOARD OFFICE USE ONLY:**

Recommendation Number: 06.11.28.08

Date of Board Approval: 11/28/06

Submitted by:

  
President

## University Operating Cash Policy Background

The University of Cincinnati's operating cash policy is to build the University's operating cash balance to an average daily balance of no less than 25% of annual operating budget expenditures and transfers, and a minimum daily balance of no less than 17% of annual operating budget expenditures and transfers. "Average daily operating cash balance" means the average of all daily operating cash balances in a calendar month. "Minimum operating cash balance" means the lowest daily operating cash balance on any day within a calendar month. "Operating cash" means the operating cash component of the Temporary Investment Pool, which excludes borrowed proceeds that are restricted from being used for operating purposes. The university's operating cash balances are largely synchronized with the tuition payment cycle. The lowest cash balances typically occur in early September, late December, and early March. The basis for the policy is to assure average liquidity for three months, and a minimum floor of two months, of operating expenditures. The policy levels were established based on the university's operating budget, annual financial statements, and typical monthly cash disbursements.

Building cash balances to policy levels will be a multi-year endeavor. Structural measures in place to restore cash balances include:

- All-funds balanced operating budget process.
- No new deficit funds permitted without the express approval of Vice President for Finance in consultation with the appropriate Senior Vice President.
- Disciplined payoff of existing funds that are in deficit position.
- Scaled down, deferred, or cancelled capital projects.
- Concentration on receivables management.

In addition to the structural measures to restore cash balances described above, further one-time case-by-case actions will be required to bridge cash low points:

- The Vice President for Finance in consultation with the appropriate Senior Vice President is authorized to suspend expenditures from individual funds that are in an overdrawn cash position. The Vice President for Finance will provide thirty days written notice to the Senior Vice president or Vice President responsible for the suspended fund to allow time to discontinue salaries, purchase orders, and other encumbrances, or to move them to other funding sources, or to establish a mutually acceptable alternative plan to suspension of expenditures. Approval of the Senior Vice President for Administration and Finance is required to remove a fund from suspended status, but also in consultation with the other appropriate Senior Vice President.
- Quasi-endowment funds may be withdrawn from the endowment pool to support institutional liquidity needs consistent with any applicable donor restrictions. Under no circumstances will donor intent be violated.

- Payment of non-payroll, non-debt service obligations may be temporarily delayed.

The time frame to achieve policy levels depends on the successful execution of these measures. The cash forecast review group will monitor the cash position to assure progress is made toward restoring cash balances. The cash status will be reported to the board annually. The policy amounts will be assessed every three years to determine if they should be strengthened. The policy levels are consistent with peer practices