

 <p>Category: Financial</p> <p>Policy applicable for: Faculty/Staff</p>	<p><i>Policy Title:</i> University Operating Cash</p> <p>Last Reviewed: 10/01/2020 Effective Date: 11/28/2006 Prior Effective Date: mm/dd/yyyy</p> <p>Enabling Act(s): Board of Trustees Resolution approved 11/28/2006 University Board Rule 10-5-06</p>	<p><i>Policy Number:</i> 2.1.16</p> <p>Policy Owner: Sr. VP for Administration and Finance</p> <p>Responsible Office(s): VP for Finance</p>
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Background

The university's operating cash balances are largely synchronized with the tuition payment cycle, with the lowest cash balances typically occurring before the start of a term. The basis for this 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.

Definitions

Average daily operating cash balance - the average of all daily operating cash balances in a calendar month.

Minimum operating cash balance - the lowest daily operating cash balance on any day within a calendar month.

Operating cash - the operating cash component of the Temporary Investment Pool, which excludes borrowed proceeds that are restricted from being used for operating purposes.

Policy

Based on an analysis of the operating budget, annual financial statements, and typical monthly cash disbursements, the operating cash policy is to maintain the university's operating cash balance with 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.

- Optimized working capital 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 presidents.
- 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.

Related links:

[Structural Deficit Policy](#)

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