July 14, 2014

EXECUTIVE MEMORANDUM No. 14-15

TO: Executive Vice President
   Vice Presidents
   University Chancellors
   Executive Administrator and Secretary of the Board of Regents
   State Director of Vocational Education

FROM: David Lassner
      President

SUBJECT: EXECUTIVE POLICY E8.210, SYSTEM-WIDE FINANCIAL RESERVES

Executive Policy E8.210, System-wide Financial Reserves provides implementation guidance related to Board of Regents Policy Section 8-3, as amended by the Board in November 2013. This Executive Policy was originally issued on July 1, 2014.

Clarifying language has now been incorporated to reflect the original intent of the policy that the level of reserves from tuition and fee funds is to be calculated based on recurring expenditures from those funds and general funds in the previous fiscal year. The Executive Policy and clarifying language is available on the University Administrative Procedures Information System webpage at:

Should you have any questions, please contact the Office of Vice President for Budget and Finance/Chief Financial Officer.

Attachment
I. Introduction

In November 2013, Board of Regents (BOR) Policy 8-3 was amended to establish system-wide operating reserves from non-general fund revenues. The policy recommends maintaining reserves sufficient to provide for continued operations for two months (16-percent). The execution and implementation of the reserve policy was delegated to the University President in consultation with the Chief Financial Officer. The policy further instructs that the development of the biennium budget shall include consideration of unrestricted non-general funds.

II. Definition

For the purposes of this Executive policy, "unit" is defined as the major program budget units, including Mānoa (UOH 100, 110 & 881), Hilo (UOH 210 & 220), West O'ahu (UOH 700), the Community Colleges (UOH 800), and Systemwide Support (UOH 900).

III. Guidelines

A. Each unit shall maintain minimum operating reserves from non-general funds in each fiscal year, as follows:

1. A minimum of five percent in unencumbered cash from all tuition and fee funds, including regular session tuition, summer session tuition, outreach program tuition, and fee revenues, to be calculated based upon recurring expenditures from those funds and general funds in the previous fiscal year; and

2. A minimum of five percent in unencumbered cash from all other special and revolving funds, to be calculated based upon recurring expenditures from those funds in the previous fiscal year, and in addition to reserves for bond system projects required by bond resolutions or university policies.
B. If a unit cannot achieve these minimum operating reserves, the applicable Chancellor or VP shall develop a plan to attain a minimum operating reserve as part of their biennium budget request.

C. If a unit has operating reserves greater than 16 percent, the Chancellor or VP shall justify the need for such additional reserves as part of their biennium budget request. Any reserves greater than 16 percent that lack such justification may be subject to reallocation by the President, in consultation with the BOR.

D. The status of operating reserves shall be reported quarterly to the BOR for tuition and fee funds, and annually at a minimum for other special and revolving funds.