

**Presidential Guidelines Governing the UCOP Central
Operating Reserve**



Presidential Guidelines Governing the UCOP Central Operating Reserve

Responsible Officer:	Janet Napolitano, President of the University
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I. GUIDELINES SUMMARY

This guidelines document is meant to provide additional detail related to the Regents Central Operating Reserve policy:

The Regents require that the University of California Office of the President (UCOP) maintain a Central Operating Reserve to support operations in the event of an unanticipated disruption in planned funding. The University of California Office of the President shall specify and document the size and funding source(s) for the Central Operating Reserve in a guidelines document to be posted on the UCOP website.

II. DEFINITIONS

Central Operating Reserve

A reserve of liquid, unrestricted assets used to support operations in the event of an unanticipated disruption in revenue.

Unrestricted Funding

Funding received by the Office of the President that is not designated for a specific use.

Restricted Funding

Funding received, generated, or identified by the Office of the President that is restricted for a specific use.

Designated Funding

Funding received, generated, or identified by the Office of the President that is designated for a specific use.

Covered Funds and Expenses

Funds and expenses covered by the reserve as determined by the UCOP Budget and Finance department (a department of the Chief Operating Officer Division, UCOP). Excluded expenses (not covered) may include certain expenses already covered by self-funded program reserves, expenses on restricted funds covered by restricted fund balances, etc.

III. GUIDELINES TEXT

A. General

The purpose of the Central Operating Reserve is to fund UCOP operations in the event of an unanticipated one-time disruption in funding.

B. Scope

The Central Operating Reserve supports the totality of the UCOP operating budget, including both the central and administrative services budget and the systemwide and public service programs budget.

In determining the size of the Central Operating Reserve, these guidelines exclude self-funded programs with existing reserves (e.g., UC Press, UC Washington Center, UC Education Abroad Program, etc.) and building and IT reserves required for maintaining assets in good working order.

C. Reserve Requirement

The Central Operating Reserve shall have sufficient funds to cover immediate costs for UCOP budgeted expenses such as payroll and other ongoing operating expenses in the event of an unanticipated one-time disruption in funding. The size of the operating reserve shall be based on the size of the UCOP budget and the volatility of UCOP's revenue streams.

Initially, the UCOP Central Operating Reserve shall be fifteen million dollars (\$15M) or at least three and a half percent of covered funds and expenses, whichever is greater. In the event of an extreme fiscal crisis in which the Central Operating Reserve does not hold sufficient reserves, the President may elect to allocate funds from a variety of sources including a loan from the Short Term Investment Pool (STIP) to support on-going operations. The size and scope of the UCOP Central Operating Reserve shall be reviewed every five years or whenever there is a more than 10 percent change in the overall UCOP budget.

D. Funding the Central Operating Reserve

UCOP shall fund the Central Operating Reserve through the President's Endowment Fund (PEF) by designating \$15 million or at least three and a half percent of covered funds and expenses, whichever is greater, in the PEF for use only as Central Operating Reserve funds. As such, the \$15 million or three and one half percent must be held in investment instruments that allow for immediate sale without significant penalties so cash can be on hand within three business days.

In the event that the impact of an unanticipated disruption in planned funding exceeds the Central Operating Reserve balance, the Central Operating Reserve may be supplemented up to an additional \$100 million or up to three months of covered funds and expenses, whichever is more, with funds from a variety of sources (e.g. a loan from the Short Term Investment Pool (STIP), or special payout from unrestricted endowment funds, etc.) as recommended by the Chief Financial Officer and approved by the President.

E. Reporting

Transactions that result in the flow of funds out of the Central Operating Reserve must be reviewed by the COO and approved by the President. Additionally, the President will notify the Chair of the Board of Regents, the Chair of the Finance and Capital Strategies Committee, and the Chair of the Compliance and Audit Committee before funds are drawn from the Central Operating Reserve. Access to funds beyond \$15 million would require approval from a majority of votes of the Chair of the Board, Chair of the Finance and Capital Strategies Committee and Chair of the Compliance and Audit Committee.

F. Monitoring the Central Operating Reserve Level

The Central Operating Reserve level shall be reviewed and reported annually by the Executive Director of UCOP Budget and Finance. The target reserve level would be reviewed by the President whenever there is a change of more than ten percent to the UCOP budget or at least every five years. This Central Operating Reserve Guidelines Document shall be reviewed every five year to ensure appropriate scope. The Executive Director of UCOP Operations shall be responsible for convening the work group tasked with reviewing the Central Operating Reserve Guidelines Document. Any adjustments made to the target Central Operating Reserve balance and / or funding mechanism(s) must be reviewed by the Chief Operating Officer and the Chief Financial Officer and approved by the President as noted in section IV below.

IV. COMPLIANCE / RESPONSIBILITIES

Function	Responsibilities
President	Approve transactions that result in the flow of funds out of the Central Operating Reserve. Approve reserve level. Notify Regents when reserves are utilized.
Chief Operating Officer	Review Central Operating Reserve target funding level and funding mechanism; approve covered funds and expenses; review funding requests that draw down the Central Operating Reserve.

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Chief Financial Officer	Review Central Operating Reserve target funding level and funding mechanism.
Executive Director, UCOP Operations	Convene work group to review Central Operating Reserve Guidelines Document every five years or whenever there is a change of 10% or more to the UCOP budget.
Executive Director, UCOP Budget & Finance	Review Central Operating Reserve balance on an annual basis. Recommend covered funds and expenses.

V. PROCEDURES

N/A

VI. RELATED INFORMATION

Operating Reserve Best Practices:

- [NACUBO](#)
- [Government Finance Officers Association](#)
- [California Legislative Analyst's Office](#)

VII. FREQUENTLY ASKED QUESTIONS

N/A

VIII. REVISION HISTORY

N/A