A. The method used to measure the liquidity of the universities' funds is the monthly
days cash on hand measure as defined by Moody’s.

B. Monthly days cash on hand represents the number of days the university can
fund expenses with cash and investments that can be liquidated within one
month. The ratio is calculated by dividing unrestricted cash and investments by
university expenses times days in the year.

C. The universities shall calculate the projected monthly days cash on hand as of
June 30 of each fiscal year.

D. The goal of the universities shall be to maintain the monthly days cash on hand
ratio with a range of plus or minus 25 percent of Moody’s current published
median among rated colleges and universities.

E. Universities that project cash reserves to fall below the minimum thresholds
established by this policy:

1. The university shall present a management plan to the board outlining
budget changes that would be made to avoid falling below expected
liquidity thresholds.

2. The university may seek board approval to temporarily deviate from the
expected liquidity thresholds through a board vote. The request should
address the mission-related motivation for temporarily reducing cash
reserves and increasing risk, as well as an anticipated timeline for
recovery. The request must be accompanied by a management plan to
avoid falling below the liquidity thresholds in the case the Board does not
approve the request.

Policy History

4/18/2024 Approved by the Board on second reading.

Related Information