ARIZONA BOARD OF REGENTS
POLICY MANUAL

3-407.03 Liquidity Measures

Revision Dates

4/18/2024 (adopted)

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