

UCSF Unrestricted Fund Balance Standards

Summary

- This document provides standards for unrestricted fund balances and procedures for monitoring balances levels for UCSF.
- The intention of the standards and the monitoring effort are to provide better information about campus financial resources and to ensure that resources are being used in a timely and effective manner; the intention is explicitly not to redirect existing funds, although the Chancellor may choose to reallocate funds in special cases.

Unrestricted Reserve Standards

- The following standard balances are proposed for different types of units:

Standards for Optimal Unrestricted Fund Balance Levels

| Unit Type | % of Annual Expense |
|---|---------------------|
| Recharge units | <25% |
| Units primarily funded via recurring allocations (typically administrative units) | 8-17% |
| Units with significant reliance on external support (typically academic units) | 17-50% |
| Auxiliary units | 17-50% |

- In addition to operating fund balances, auxiliary units should have maintenance and renewal reserves equal to \$30-45 per square foot.
- UCSF Health maintains a balance based on industry standards for days of cash on hand (60-180 days). Unlike the fund balance measures above, the days of cash on hand calculation excludes depreciation and interest expense. Additional balances beyond 180 days of cash may be maintained to support future capital projects.

Monitoring

- Annually, each August after fiscal close, Budget and Resource Management (BRM) will create and distribute a report to control points showing prior year expenses, year-end unrestricted balances, and a calculation of the balances as a percentage of total annual expense by control point. This calculation will not reflect planned uses of funds.
- Units with low or excess fund balances may be asked to provide further explanation and planning information.
- To supplement the report, all control points will submit a list of explicit commitments and expected obligations against those funds.
- The final consolidated report will be shared with the Chancellor's Cabinet in the fall.

Definitions

- Balances are measured as current unrestricted fund balances. This is one of multiple definitions associated with the term reserves.
- Unrestricted funds are those not subject to externally imposed restrictions governing their use. Operationally, these funds are identified by the UCSF Fund Tree (Fund 120B Current unrestricted) and include State educational appropriations, tuition and fees, sales and service revenue derived from clinical, auxiliary and other operations, facilities and administration cost recovery, investment income, and unrestricted gifts.
- Unrestricted funds may be designated for specific purposes by the Regents, UCOP, or campus, control point, or department leadership, such as for financial aid, a future project, or for a faculty retention or recruitment package, either as an explicit commitment (approved in writing) or as an expected future obligation. (To the extent possible, control points should strive to manage funds so that current needs are funded with existing resources and future needs are funded with future revenues.)
- The aggregated unrestricted fund balance total may mask deficits held in specific departments and/or projects.
- Annual expense will be measured as total operating expense for the control point from all current funds.

Rationale for Standard Fund Levels

- Unrestricted fund balances are beneficial to allow the institution to weather modest disruptions and unforeseen needs. For control points and departments, balances allow these units to address such disruptions and needs without having to request additional funding from the central campus.
- Alternatively, excessive fund balances may mean that resources are not being allocated to their best and highest use to advance the mission of the University.