



A-60, Short-Term Investment Pool (STIP)-Distribution of Income

July 1, 1982

I. REFERENCES

The Regents: Action approving a policy to distribute income earned by the Current Fund Investment Pool to participating funds, May 22, 1964.

General Counsel Donald L. Reidhaar: Memorandum to President David S. Saxon on Disposition of Short-Term Investment Pool (STIP) Income-Restricted Funds, July 9, 1976.

President David S. Saxon: Delegation of Authority-Distribution of Income Earned by the Short-Term Investment Pool, to the Vice President-Financial and Business Management, April 1, 1980.

Vice President Baldwin G. Lamson: Memoranda to Chancellors on Short-Term Investment Pool-Distribution of Income, January 22, 1981 and October 16, 1981.

II. INTRODUCTION

This Business and Finance Bulletin presents the procedures to be used in the distribution of income of the Short-Term Investment Pool (STIP) to campus funds.

The Treasurer of The Regents maintains a central bank account for the University at the Bank of California in San Francisco into which all monies received by the University are deposited. Monies received by the campuses are deposited into campus depository bank accounts and are transferred daily from the depository accounts into the central account at the Bank of California. Disbursements are made from the central bank account to reimburse campus revolving funds for payroll and vendor disbursements made by the campuses, and to pay for the purchase of securities for UCRS, the General Endowment Pool (GEP), and other specific funds.

Any cash balance remaining in the central bank account not needed to cover the above disbursements is invested in short-term securities. These short-term securities plus any remaining uninvested balance in the Bank of California central account constitute the assets of the Short-Term Investment Pool. The participants or "customers" of STIP are those University funds which own the cash which is invested in these short-term securities.

A record of the cash balances of major participants in STIP is maintained by the Investments and Endowments unit of the University Controller's Office. This computerized record provides daily cash balances for UCRS funds, GEP, endowment corpus funds, net revenue funds, and campus and other Systemwide funds (as a group).

At the end of each quarter, investment income which has been earned by STIP is distributed to the customer funds described above by prorating income on the basis of dollar-day investment. This distribution results in the assignment of an amount of income to campus funds as a group. Since the detail of the campus funds which are comprised of thousands of individual funds is recorded in the campus General Ledgers only, the computerized record system cannot provide a daily cash balance of each individual fund. The amount earned by the campus funds, therefore, is distributed to individual campus funds based on their average cash balances as recorded in the end month General Ledger for

each month during the quarter.

III. POLICY

In May 1964, The Regents approved the policy to distribute income earned by the Current Fund Investment Pool (now known as STIP) to the funds participating in the pool. The authority to approve the distribution of the income earned by the pool was delegated by The Regents to the President on February 18, 1966. That authority has been redelegated to the Vice President-Financial and Business Management.

On January 22, 1981, the Vice President-Financial and Business Management announced a policy change in the distribution of STIP income which had as its goal the equal treatment of all funds with respect to interest earned and interest paid; that is, each fund (or grouping of funds) should receive the investment income it earned or pay the interest it owed. The first step toward achieving this goal was for medical compensation plans and hospitals to begin receiving or paying interest in July 1981.

In a letter dated October 16, 1981, the Vice President reiterated the basic policy change in the distribution of STIP income, and announced that the final accounting step to implement this change would be to credit to each campus the interest income earned by the respective campus's unrestricted funds.

IV. PROCEDURES

The procedures for distributing the STIP income earned each quarter by campus funds include grouping funds for this purpose, and then prorating the available income to the three-month average cash balances of these groups. The groupings are as follows:

A. GROUP I - UNIVERSITY-WIDE BASIS FUNDS

Because of budgetary or accounting considerations, the cash balances of certain funds will be determined on a consolidated, University-wide basis, and the income earned by these funds will be credited to these individual funds on the Systemwide General Ledger (location J). This category of funds includes:

1. Current Funds

- Educational Fee Fund
- General Fund and Special State Appropriations
- Endowments
- Bond-Financed Auxiliary Enterprises
- Self-Insurance Reserve Funds

2. Plant Funds

- State Appropriations
- Regents' and President's Funds
- Transfers from Net Revenue Funds
- Bond-Financed Construction Projects
- Regents' Advances

B. GROUP II-GIFT FUNDS

STIP investment income will be credited to each individual gift fund, as recommended by General Counsel to the President on July 9, 1976. Any individual gift fund with a deficit cash balance will be covered by the cash balances in the Campus Unrestricted Funds (see Group V). For administrative simplicity, any individual gift fund with a cash balance under \$1,000 will not receive any investment income. The cash balances of such funds will be transferred to the Campus Unrestricted Funds (Group V). Individual gift funds with cash balances of \$1,000 or more will receive investment income in their cash balances.

C. GROUP III-MEDICAL COMPENSATION PLANS AND HOSPITAL FUNDS

1. Medical Compensation Plans

For STIP purposes, the medical compensation plans will be treated at each campus as one consolidated fund. The consolidated medical compensation plans will receive STIP investment income on their net cash balances. The investment income will be allocated to the compensation plans in a single amount. At their option, campuses may redistribute

the income to the different plans.

If in total the medical compensation plans have a cash deficit, this deficit will be covered by the Campus Unrestricted Funds (Group V). At their option, campuses may allocate interest to plans with cash balances and charge interest to plans with negative cash balances.

2. Hospital Funds

For STIP purposes, hospital funds are composed of hospital current funds and hospital unexpended plant funds, as reflected in the General Ledger. The cash balance or deficit as reflected in the General Ledger is adjusted by adjustments made by the campus in developing the hospital monthly financial report. The amount of the adjustments should be equal to the difference between the cash balance or cash deficit, as shown in the General Ledger, and the monthly hospital financial report. The hospital will receive STIP income on any cash balance remaining after the adjustments. If there is a cash deficit in hospital funds after the adjustments, this cash deficit will be covered by the Campus Unrestricted Funds (Group V).

The hospital is to pay interest at the STIP interest rate to a fund designated by the Chancellor for the cash deficit financed by the Campus Unrestricted Funds. At the end of the following month the campus Accounting Officer is to provide the University Controller's Office with a statement which will show how the adjustments are to be allocated among the different fund groups.

D. GROUP IV-FEDERAL FUNDS

Federal research funds play a very important part in the University's research program. Because of the cost-reimbursement contracts accepted by the University, campuses will normally show a cash deficit in this group. This deficit must be covered by the cash balance in the Campus Unrestricted Funds (Group V). In the rare event that a campus has a positive Federal cash balance, Federal regulations require that interest be paid to the appropriate agency. To ease the burden on the campuses of having to finance the full amount of the Federal cash deficit, and also to provide an incentive to campuses to reduce the Federal deficit where possible, each quarter an amount equal to the interest cost of 75 days of Federal expenditures not financed by letters of credit or advance payment programs will be provided from President's funds. In order to reduce the Federal deficit further, campuses should review on a periodic basis their cost reimbursement contracts and grants not funded by advance payment programs to determine whether the financing of these contracts and grants can be converted to advance payment programs.

E. GROUP V-CAMPUS UNRESTRICTED FUNDS

All campus funds which have not been assigned to Groups I, II, III, or IV are included in this group. After making the adjustments referred to in the above paragraphs, the net cash balance of Campus Unrestricted Funds is used for prorating STIP income.

The income amount is credited to an account which is under the control of the Chancellor. As appropriate, the Chancellor may instruct the campus Accounting Officer to credit interest income to certain individual campus unrestricted funds, such as Registration Fee, Summer Session, Service Enterprises, or non-bonded Auxiliary Enterprises.

Appendix 1 displays examples of the five groupings for STIP income distribution.

Appendix 2 provides examples of adjustments to the groupings, as described above.

Appendix 3 provides an example of distribution of interest to campus funds.

APPENDIX 1

CASH BALANCES OF UNIVERSITY FUNDS SORTED INTO FIVE GROUPINGS FOR STIP INCOME DISTRIBUTION

I. Funds whose investment income is credited to funds at Systemwide:

Current

Educational Fee	\$	11,657,800
General Funds and Special State Appropriations		42,300,999
Endowments		84,725,962
S & S of Bond-Financed Auxiliary Enterprises		9,549,333
Self-Insurance Reserves		25,393,760

Unexpended Plant

State Appropriations		12,581,781
Regents' and President's Funds		14,472,600
Transfers from Net Revenue Funds		4,041,375
Bond-Financed Auxiliary Enterprises		(6,434,929)
Regents' Advances		(534,891)
	\$	197,753,790

II. Restricted Private Gift and Grant funds whose investment income is credited to each fund:

Current	\$	62,472,215
Loan		6,738,393
Plant		22,605,584
	\$	91,816,192

III. Other funds whose investment income is credited to specific campus funds:

Medical Compensation Plans (Current and Plant)	\$	22,901,564
Hospital:		
Current and Reserves: Renewal and Replacement		(112,387,943)
Plant		23,861,794
	\$	(88,526,149)

IV. Federal funds (Current, Loan, and Plant) whose investment income (if any) should be sent to the appropriate Federal agency:

	\$	(53,227,940)
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V. Campus Unrestricted Funds whose investment income is distributed at the Chancellor's discretion:

Current

Agency	\$	678,141
S & S of Educational Departments (excluding Medical Compensation Plans)		(3,176,010)
Student Fees (excluding Educational Fee fund)		11,833,854
State Contracts		(14,750,974)
Local Government Contracts		824,167
Private Contracts		(1,688,482)
S & S of Auxiliary Enterprises (excluding Bond-Financed)		603,118
Reserves		20,733,698
Service Enterprises		(7,003,723)

Other Sources	(13,873,681)
Balance Sheet Items Without Fund Identification	131,344,336
Loan (excluding Gifts, Educational Fee, and Federal)	1,790,603
Plant (excluding funds in I, II, III, IV):	
Unexpended	13,049,269
Reserves for Renewal and Replacement	4,061,858
Retirement of Indebtedness	97,843
	\$ 144,524,017
Grand Total	\$ 315,241,474

APPENDIX 2

CASH BALANCES OF UNIVERSITY FUNDS
ADJUSTMENTS TO GROUPINGS

II.	Gifts and Private Grants	\$	20,917,000	
			1,744,000	(1)-
			550,000	(2)+
		\$	19,723,000	
III.	Medical Compensation Plans	\$	4,500,000	
	Hospital:			
	Current and Reserves	\$	(15,900,000)	
	Plant		1,715,000	
			5,700,000	(3)+
			8,485,000	(4)+
		\$	0	
IV.	Federal	\$	(7,500,000)	
			7,500,000	(5)+
		\$	0	
V.	Campus Unrestricted Funds (CUF)	\$	25,500,000	
			1,744,000	(1)+
			550,000	(2)-
			5,700,000	(3)-
			8,485,000	(4)-
			7,500,000	(5)-
		\$	5,009,000	

Adjustments

- (1) Gift and Private Grant funds under \$1,000 transferred to V. for administrative simplicity.
- (2) Gift and Private Grant funds with deficit balances are covered from CUF.
- (3) Cash (working capital deficit) adjustment made by hospitals in developing monthly statement.
- (4) Hospital or Medical Compensation Plans funds with deficit balances are covered from CUF.
- (5) Consolidated Federal funds when negative are covered from CUF.

APPENDIX 3

DISTRIBUTION OF INTEREST
AT 12.000%

JANUARY - MARCH 1982 DISTRIBUTION RATE

	Adjusted Cash	Balance	Interest Distribution
II. Gifts and Private Grants	\$	19,723,000	\$ 591,969
III. Medical Compensation Plans		4,500,000	135,000
Hospital: Current and Plant		0	0
IV. Federal		-	-
V. Campus Unrestricted Funds		5,009,000	150,270
Plus: Payment from Hospital			254,550
	\$	29,232,000	\$ 404,820
TOTAL INTEREST CREDITED TO CAMPUS FUNDS			\$ 1,131,510

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