BOV-021

Requirements for the University's Capital and Operating Reserves

Effective Date Friday, April 7, 2006

Status Final

Policy Type Board of Visitors

Contact Office Executive Vice President and Chief Operating Officer (Office of the)

Oversight Executive
Board of Visitors

Applies To Academic Division.

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Policy Statement

Reason for Policy

Establishes requirements for the University's capital and operating reserves to ensure, from a stewardship standpoint, that there is not a large deferred maintenance requirement for the institution and that the operations for each program are financially able to withstand a significant downturn in the generation of revenues.

Definition of Terms

Terms

Description There are no terms that require definition.

Policy Statement

APPROVAL OF THE UNIVERSITY'S CAPITAL AND OPERATING RESERVES POLICY

WHEREAS, the University currently has a variety of capital and operating reserve policies that differ among individual departments and schools; and

WHEREAS, it is reasonable to believe that the overall financial strength of the University can be enhanced by more formalized operating and capital reserve policies, especially for some of the University's business operations; and

WHEREAS, the University wishes to ensure, from a stewardship standpoint, that there is not a large deferred maintenance requirement for the institution and that the operations for each program are financially able to withstand a significant downturn in the generation of revenues;

RESOLVED that the Board of Visitors approves the University's Capital and Operating Reserves Policy as follows: Financially self-sufficient programs will have these reserve requirements: (a) operating reserves equivalent to three months of operating expenses and (b) annual capital expenditures or contributions to capital reserves of at least 1.5 percent of replacement value of buildings and equipment. The exact percentage should be based on the capital requirements unique to the program. The Executive Vice President and Chief Operating Officer may approve alternative reserve policies where appropriate; and

RESOLVED FURTHER that institution-wide programs, such as self-insurance programs and the capital funding program, will continue to have unique reserve requirements that best meet the individual program's needs.

Policy Background

APPROVAL OF THE UNIVERSITY'S CAPITAL AND OPERATING RESERVES POLICY, BOV Minutes dated April 7, 2006, pg. 7090.

Major Category Board of Visitors

Category Cross Reference
Finance and Business Operations

Approved By Board of Visitors

Approved Date Friday, April 7, 2006