

UNIVERSITY OF CALIFORNIA, MERCED
Short Term Investment Pool (STIP)

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REFERENCES AND RESOURCES:

- July 1, 1982 UC Business and Finance Bulletin A-60, Short-Term Investment (STIP)-Distribution of Income
- November 15, 1996 UCOP memo to campuses from John Plotts, Director, Business and Finance regarding Allocation of STIP Income to Private Grants
- January 14, 1997 UCOP memo to campuses from John Plotts, Director, Business and Finance regarding Allocation of STIP Income to Private Gifts-Clarification

BACKGROUND:

The Treasurer of The Regents maintains a central bank account 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 this central account. 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 disbursement is invested in short-term securities. These short-term securities plus any remaining uninvested balance in the central account constitute the assets of the Short-Term Investment Pool (STIP). 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 UCOP. This computerized record provides daily cash balances of 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 campus 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 many individual funds is recorded in the campus General Ledgers only, the computerized record system cannot provide 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 month end General ledger for each month during the quarter.

POLICY:

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. These groups are as follows:

I. Group I - University-wide Basis Funds

Because of budgetary/ accounting considerations, the cash balances of certain funds are determined on a consolidated, University-wide basis, and the income earned by these funds are credited to these individual funds on the Systemwide General Ledger. This category of funds include –

A. Current Funds

1. Educational Fee Fund
2. General Fund and Special State Appropriations
3. Endowments
4. Bond-Financed Auxiliary Enterprises
5. Self-Insurance Reserve Funds

B. Plant Funds

1. State Appropriations
2. Regents' and President's Fund
3. Transfers from Net Revenue Funds
4. Bond-Financed Construction Projects
5. Regents' Advances

II. Group II- Gift Funds (Includes all current Private Gifts, Private Grants & Interest on Endowment Income)

Includes fund ranges 34100-39999 and 40000-58999. On a quarterly basis, STIP will be computed on individual fund balances with a positive fund balance greater than or equal to \$1,000. Funds with a deficit balance will be charged STIP. The net result will be credited to the Chancellor's Misc. Income Fund (69876).

III. Group III-Medical Compensation Plans and Hospital Funds- Not applicable to UC Merced campus.

Not applicable to the UC Merced campus.

IV. Group IV- Federal, State, and Local Contracts & Grants and Private Contracts

This category includes fund ranges 18200-18999, 20600-20999, 21000-33999 and 59000-59999. All cash deficits are 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. It is important that cost reimbursement contracts and grants not funded by advance payment programs be reviewed periodically to determine whether the financing of these contracts and grants can be converted to advance payments programs.

V. 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.

As a general rule, and on a quarterly basis, STIP income for funds with a surplus fund balance will remain in an account under the control of the Chancellor to meet funding needs of the campus (fund 69876). Funds with a deficit balance will be charged STIP.

In the case of mandatory Student Fees and Student Loan funds, STIP income and charges will be retained by the fund.

DEFINITION(S)

Short Term Investment Pool (STIP): an investment pool consisting of assets remaining in The Regents' central bank accounts after disbursements, which are invested by the Treasurer of The Regents in short-term securities.