**Motion**

**Board of Trustees of the University of Oregon**

A motion was made to adopt the Treasury Management Policy on pages 93-96 of the June 2014 board meeting materials. The motion was moved by Ross Kari and seconded by Joe Gonyea. A roll call vote was conducted and the motion was carried. The record of votes is as follows:

| Trustee | Yes | No |
|---|---|---|
| Connie Ballmer | X | |
| Peter Bragdon | X | |
| Rudy Chapa | X | |
| Andrew Colas | X | |
| Ann Curry | X | |
| Sam Dotters-Katz | X | |
| Allyn Ford | X | |
| Susan Gary | Not present | Not present |
| Joseph Gonyea III | X | |
| Ross Kari | X | |
| Chuck Lillis | X | |
| Ginevra Ralph | X | |
| Mary Wilcox | X | |
| Kurt Willcox | X | |

Dated this__12___day of _June_ , 2014.

**UNIVERSITY OF OREGON**
**TREASURY MANAGEMENT POLICY**

The University's treasury assets and liabilities will be managed in concert to further the mission of the University. The Treasurer or designee (the "Treasurer") will:

- Manage cash, investments, short-term borrowings, and long-term liabilities within a central bank framework;
- Make a report to the Board or designated subcommittee (the "Board"), at least annually. The report will include:
    - Quantitative information including:
        - Investment performance of the tiers of the Cash & Investment Pool measured against appropriate benchmarks
        - The loan rate charged by the central bank
        - The long-term liability position of the University
    - An analysis of the risks in the central bank
    - Any financing transactions, in excess of $5,000,000, that were authorized solely by the Treasurer as permitted in section 3.4 below
    - Any exceptions to this policy
    - A copy of the current treasury management procedures
    - Other relevant information as appropriate such as reports from the investment advisor or updates on emerging trends
- Make a quarterly interim report to the Board to provide an update on any debt or financing activity and to show recent trends in the balance of the Cash & Investment Pool;
- Adhere to this policy and all applicable laws;
- Delegate authority as needed to carry out the provisions of this policy effectively.

Due to the dynamic nature of financial markets, the Treasurer may make temporary exceptions to this policy in the event of significant market instability to preserve the University's assets or limit risk. Such actions will be reported to the Chair of the Finance & Facilities Committee (the "Committee") as soon as possible and to the full Board or designated subcommittee at the next regularly scheduled meeting.
The Treasurer will notify the Chair of the Finance & Facilities Committee when substantive changes or additions are made to the treasury management procedures.

**1. THE CENTRAL BANK**

1.1. The central bank is a set of services run by the University. The central bank invests the University's cash balances, makes loans, and manages the University's debt and liabilities. The central bank, as directed by the Treasurer, may also pay interest for cash balances.

1.2. Over time, and within the University's risk tolerances, the central bank's purpose is to optimize the University's resources while balancing competing objectives to:

1.2.1. Meet the liquidity needs of the University

1.2.2. Maximize return on investments (within the University's risk tolerance)

1.2.3. Minimize the cost of capital (within the University's risk tolerance)

1.3. The central bank provides a stable cost of capital to finance projects needed to meet the University's strategic objectives by lending money to various units within the University. The Treasurer shall establish the central bank loan rate.

1.4. The loan rate may be adjusted from time to time but should be set in such way that it can be expected to remain constant over time unless market conditions shift uncharacteristically over a persistent period of time.
1.5. The cash flows of the University will be analyzed and stress tested to ensure adequate liquidity is available to meet the University's obligations and to provide early warning of changes needed to the central bank's loan rate.
1.6. Uncommitted assets that are created by the operations of the central bank will be used to cover the costs of operating the central bank and other costs associated with managing treasury operations. Remaining uncommitted assets may be used for internal loans, short- or long-term investments, to hedge risks within the central bank, or for the President's other strategic initiatives.

**2. CASH AND INVESTMENT MANAGEMENT**

2.1. The University will consolidate its cash and reserve balances to increase efficiencies with regard to investment pricing, custody, and administration. Consolidation also helps manage investment risk and balances liquidity strategies with investment returns.
2.2. Investment income received, unless otherwise legally restricted, may be used, at the discretion of the Treasurer, to further the objectives of the University.
2.3. The University's consolidated cash and reserve balances will be divided into tiers based on expected liquidity needs and return objectives. Collectively, these tiers are known as the Cash and Investment Pool. Investment activities for all tiers will be guided by the objectives of safety, liquidity and return as described below:
   2.3.1. Safety – The investment portfolio seeks preservation of capital by minimizing credit risk and price volatility.
   2.3.2. Liquidity - The investment portfolio shall maintain sufficient liquidity to meet all disbursement requirements that may be reasonably anticipated. Short-term borrowings may be used to meet the liquidity needs of the University.
   2.3.3. Return - The investment portfolio shall be managed with the objective of attaining a market rate of return over the course of an economic cycle. Performance objectives will be established for each tier consistent with stated objectives.
2.4. The Treasurer will allocate funds among the tiers in a manner consistent with this policy's objectives, as outlined below, and will report at least annually how the Cash and Investment Pool is divided among these tiers. The priority of the policy objectives (safety, liquidity, and return) varies by tier:
   2.4.1. **Tier 1**: The Tier 1 portfolio will be used to meet the expected day-to-day obligations of the University including payroll, routine obligations, and debt service. The Tier 1 portfolio shall be invested in such a way to ensure that adequate liquidity exists to meet these obligations. Safety and liquidity are the primary objectives of this tier. The University's liquidity needs, cash forecast, and risk tolerance will be considered in determining the designated range of cash and investments held in this tier. When Tier 1 assets are exhausted, the Treasurer may use other assets of the University or borrow funds on a short-term basis to meet the obligations of the University.
   2.4.2. **Tier 2**: The Tier 2 portfolio will be used to hold funds that, while not needed to meet immediate obligations, are expected to be needed during the annual cash cycle. This portfolio may also contain funds for capital projects and to meet unanticipated liquidity needs. Safety is more important than liquidity for the Tier 2 portfolio. This portfolio can be invested over a somewhat longer time horizon than the Tier 1 portfolio and should, typically, provide better investment returns.

2.4.3. **Tier 3**: Remaining cash balances will be allocated to the Tier 3 portfolio. The Tier 3 portfolio represents cash balances that are not expected to be required to support operations, near term liquidity needs, or fund intermediate term projects, and therefore may be invested for an indefinite period of time much like a quasi-endowment. The primary objective of this tier is to maximize long-term real return commensurate with the risk tolerance of the University.

2.5. The Treasurer will evaluate the following primary risks as part of the investment management process:

2.5.1. **Interest Rate Risk -** The duration and maximum maturity will be limited by portfolio tier in order to manage the impact of interest rate volatility and other market factors on the Cash & Investment Pool.

2.5.2. **Credit Risk –** Published credit ratings and other public or private research and analysis may be used to evaluate credit risk and create different credit risk profiles for each tier.

2.5.3. **Liquidity Risk -** A target range for liquidity will be established and assets rebalanced on an ongoing basis to meet liquidity needs.

2.6. The Treasurer will engage an investment advisor to provide periodic advice to the Treasurer and the Finance & Facilities Committee regarding the University's investments.

2.7. The tiers of the Cash & Investment Pool are expected to achieve market rates of return over an economic cycle. Investment returns will be measured against appropriate benchmarks.

2.8. The Cash & Investment Pool will be actively managed and allow periodic restructuring of the investment portfolio to take advantage of current and anticipated interest rate movements and other trends.

2.9. The Board must approve any investment manager that is either not registered to conduct business in the State or Oregon or not registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940.

2.10. The Board must approve the use of any depository that is unable to collateralize deposits.

2.11. The Board must approve the University's use of investment hedging instruments and other derivatives.

## 3. LIABILITY MANAGEMENT

3.1. The University may use debt or other financing agreements to meet its strategic objectives.

3.2. The Board, or its designated Committee, must authorize debt transactions, financing agreements, hedging instruments, and other derivatives when the par or notional amount is greater than $5,000,000.

3.3. Debt is a limited resource and when contemplating the use of debt, the Board will consider:

3.3.1. The impact of new liabilities on the University's ability to achieve its mission and strategic objectives;

3.3.2. The cost of the capital funding source; and

3.3.3. How the transaction affects the University's ability to meet its existing obligations

3.4. The Treasurer may conduct the following activities without specific Board approval:

3.4.1. Borrow for short-term liquidity needs (as outlined in section 2.4.1).

3.4.2. Enter into financing transactions for the purpose of mitigating the risk of existing obligations and/or reducing the overall cost of debt.

3.4.3. Enter into financing transactions for the purpose of maintaining compliance with the law or other requirements such as the federal tax code.

3.5. The structure of each financing transaction is critical and prior to finalizing the structure the Treasurer will:

3.5.1. Use tax-exempt fixed-rate amortizing debt as the base case financing assumption

   3.5.2. Evaluate the benefit and risk of introducing alternative structures or optionality (e.g. variable-rate debt, bullet payments, puttable debt, tax-exempt vs. taxable debt) against the base case
   3.5.3. Select the structure of debt that optimizes cost, risk, and institutional flexibility

3.6. Comply with all applicable laws and regulations and develop a written program for post-issuance compliance.

3.7. The Board acknowledges that a portion of the University's debt is made up of general obligation bonds, revenue bonds, and certificates of participation issued by the state of Oregon and therefore outside of the University's direct control. The Treasurer is expected to advocate in the University's best interest with respect to these obligations.