

Fee Revenue Management Program

Plan for the Implementation
of the Systemwide Cash
Management Program

The California State University
Office of the Chancellor
May, 2006

www.calstate.edu

Cash Management at the CSU

May 22, 2006

General Description of Opportunity

Currently, campuses make deposits of student fees and other receipts into State depository accounts, which the State Treasurer's Office (STO) sweeps on a daily basis. With CSU's ability to retain student fees, CSU will establish its own Depository Accounts, one account for each campus, each established with the same banking institution (i.e. BofA or Union Bank). Each campus will deposit its student fees and other receipts into its designated Depository Account. The campus Depository Accounts will zero balance into a Master Account controlled by Cash Management Operations (CMO). Daily, CMO will sweep the accounts for overnight or short-term investment in a selected investment vehicle or SWIF¹; each campus will earn interest on its pro-rata share of short-term investments. CMO will, after thoroughly reviewing monthly account analysis statements from the bank, pay the consolidated banking depository services on behalf of each of the campuses using interest earnings to pay for those services. If there is a shortfall between a campus' accumulated interest earnings and monthly services charges, the shortfall will be charged to the campus directly.

Each campus will write accounts/vendor payable checks from a designated Controlled Disbursement Account, one account for each campus, all established with the same Payable Bank (i.e. Union Bank or Wells Fargo). The Controlled Disbursement Accounts will zero balance into a Master Account controlled by CMO. Daily, CMO will transfer funds to the Master Account sufficient to cover the zero balance settlements from each of the campus Controlled Disbursement Accounts. Funds will not be transferred to campus Controlled Disbursement Accounts in anticipation of checks clearing. Instead, funding will be timed to pay all checks on the day that those checks are presented for payment at the Controlled Disbursement bank. CMO will, after thoroughly reviewing monthly account analysis statements from the bank, pay the consolidated banking disbursement services on behalf of each of the campuses, using interest earnings to pay for those services. If there is a shortfall between a campus' accumulated interest earnings and monthly services charges, the shortfall will be charged to the campus directly.

Pursuant to schedules agreed to with the STO, CMO will also transfer funds to the State University Trust Fund (SUTF) in the STO in amounts sufficient to cover payrolls. Funds held in the SUTF will earn the SMIF rate while on deposit.

¹ **Systemwide Investment Fund (SWIF)** – Investments of cash on an overnight and/or short-term basis, the funds representing the float on funds collected from all eligible sources prior to their use for payment of Accounts/Vendor Payables and Payroll. Excess cash over and above that needed to fund short term Payables and Payroll are transferred to medium or longer-term investments.

Each campus will conduct Electronic Funds Transfers (EFTs) from a designated Payable EFT Account, one account for each campus, all established with the same banking institution as the Controlled Disbursement Account (i.e. Union Bank or Wells Fargo). Campuses will be able to initiate wire and ACH transfers into and out of this EFT account. Each EFT account will have strict controls established to avoid having erroneous or fraudulent debits charged to the account. CMO will, after thoroughly reviewing monthly account analysis statements from the bank, pay the consolidated banking disbursement services on behalf of each of the campuses, using interest earnings to pay for those services. If there is a shortfall between a campus' accumulated interest earnings and monthly services charges, the shortfall will be charged to the campus directly.

Because the system-wide funds will be aggregated and transfers will be handled by the CMO, campuses will no longer need to monitor their actual cash balances, or transfer funds between their bank account and the investment manager, or make adjustments to ensure there is appropriate liquidity for the SUTF. Campuses will receive the SWIF rate earned on their actual daily balances. Campuses will also be charged the same rate if their use of funds exceeds their actual daily balances invested.

Campuses will be motivated to accelerate their cash collection and deposit techniques (get dollars into the depository account faster!) and tighten their cash expenditure techniques (schedule bill payments in order to pay bills "just in time"), because they will be rewarded through higher interest earnings while their funds are invested in SWIF. Campuses should receive significant savings in bank services fees and gain the efficiency and flexibility of taking advantage of electronic funds transfers for bill payment at discounted rates that have been negotiated for the system, rather than by an individual campus.

Financing & Treasury

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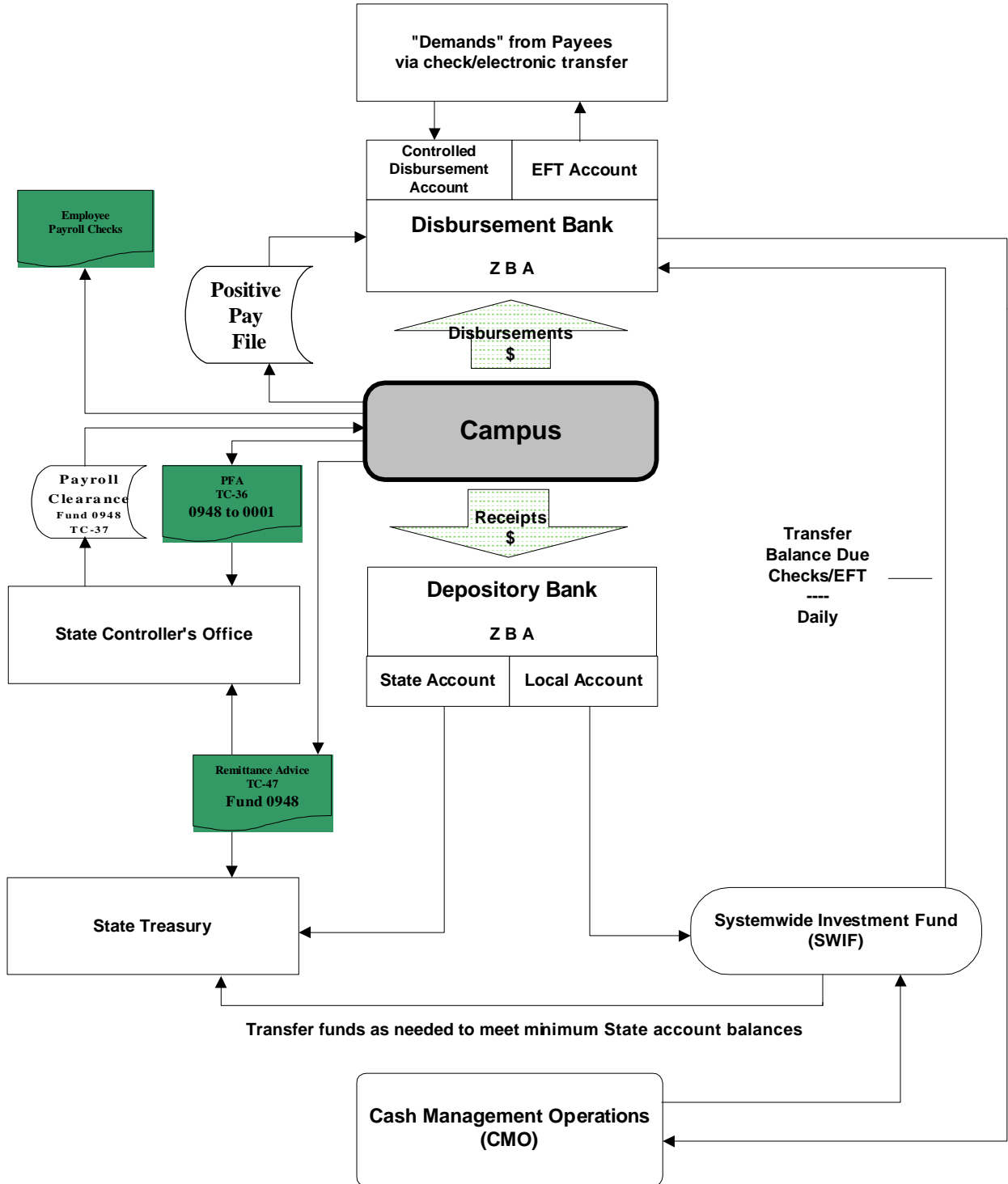
Global Payment Advisors

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Schedule of Implementation

Date	Action	Responsibility
5/22/06	Begin data collection for banking RFP's	Chancellor's Office/ Campuses
7/1/06	Issue RFP for Depository Accounts and Payable Accounts	Chancellor's Office
8/15/06	Banks respond to RFP's	Chancellor's Office
8/31/06	Interviews with responding banks	Chancellor's Office
9/15/06	Appoint Depository and Payable Banks	Chancellor's Office
10/15/06	Complete Contracts with Banks	Chancellor's Office
11/1/06	Begin Implementation of new Depository Banks – Programming And testing of ACH files	Chancellor's Office/ Campuses
11/15/06	Begin Implementation of new Payable accounts – Controlled Disbursement and EFT accounts	Chancellor's Office/ Campuses
1/1/07	Cut over to new Depository accounts - Leave Credit Card services with present Banks and providers	Campuses
2/1/07	Cut over to new Payable accounts	First wave Campuses
3/1/07	Cut over to new Payable accounts	Second wave Campuses
4/1/07	Cut over to new Payable accounts	Third wave Campuses

The California State University
 CSU Trust Fund
 Daily Cash Flow Schema



GLOSSARY OF TERMS

ACCOUNT ANALYSIS

A monthly report received from banks, which indicates the services used and charges assessed to a business customer. The statement provides in-depth balance information, a 12 month balance history, a detailed listing and pricing of services uses, and the degree to which the customer's actual balances offset fees for the services used.

AUTOMATED CLEARINGHOUSE – (ACH OR EFT)

ACH, electronic funds transfer, payments are both debits and credits that flow across an automated clearance and settlement system operated by the Federal Reserve Bank. Rules of the system are governed by the National Automated Clearinghouse Association (NACHA). All ACH payment transactions are processed in batches and settle in one or two business days. Very low cost, ACH entries support payroll, social security, tax payments and refunds, vendor payables, consumer bills, electronic checks and many other applications. ACH credit entries (payrolls and other outbound payments) are generally considered non-recourse and can be recovered only under very specific circumstances. ACH debit entries (bill payments) may be returned unpaid for account closed, non-sufficient funds, stop payment or lack of authorization.

CONTROLLED DISBURSEMENT ACCOUNT

A Controlled Disbursement account is a checking account for which the bank provides early morning presentment information via telephone, fax, web site or computer message. The bank is able to ensure the total amount is accurate because it receives only one presentment of checks daily and does not permit same day availability for electronic or physical presentments. The major advantage to the disbursement organization is the ability to maintain zero or minimal balances in the disbursement account.

POSITIVE PAY

An electronic check reconciliation service used by bank business customers to prevent fraud. A company transmits its daily check issue file to its disbursing bank. The bank electronically matches data from presented checks (serial number, dollar amount, date of issue and, in some cases, payee name) to the check issue file to obtain a "positive" authorization to accept and pay the check.

WIRE TRANSFER

A Wire Transfer (also known as a Real Time Gross Settlement) is a bookkeeping entry that simultaneously debits a payor's account and credits the payee's account. The only thing that is "wired" is an encoded message requesting the transfer, which is sent across telephone lines. Value is transferred immediately, which is the distinguishing feature of wire transfers. Once funds are transferred, the settlement is non-recourse and cannot be returned without the approval of

the payee. In the United States, wire transfers are executed through the Federal Reserve Bank and Fedwire is a linked network of the 12 Federal Reserve district banks that transfer funds for banks by debiting or credits the banks' reserve accounts.

ZERO BALANCE ACCOUNT

A checking account in which a balance of zero is maintained at the end of each business day by automatically transferring funds from a master account in an amount exactly sufficient to cover checks presented during the day. A zero balance account is used by corporations to eliminate excess balances in separate accounts and maintain greater control over disbursements