

CASH MANAGEMENT AND CREDIT FACILITIES

Background:

The Division recognizes its responsibility to fund operations by effectively managing cash flow and credit facilities and maximizing investments to achieve the highest return on investment with the maximum security and appropriate liquidity.

Definitions:

Liquidity:

is the ability of an asset to be converted to cash.

Overdraft Lending Facility:

is an agreement with a banking institution allowing use of overdraft funds for a specified fee.

Procedures:

Unless explicitly stated otherwise, individual statements in this Administrative Procedure apply equally to schools and central operations.

1. Cash Management

- 1.1. Cash flow forecasts shall be prepared at the commencement of each school year and shall be revised as economic conditions fluctuate.
- 1.2. Cash flow forecasts shall be monitored daily to ensure sufficient cash is available for large operational or capital expenditures and to determine if surplus funds are available for investment.
- 1.3. Cash balances shall not fall below levels of any externally restricted funds, as these funds shall not be accessed for operational purposes.
- 1.4. The Secretary-Treasurer shall review the financial package available from financial institutions in the area on a regular basis. The best possible services shall be negotiated for the Division.
- 1.5. School Bank Accounts
 - 1.5.1. As payment processing and deposits are completed using a centralized bank account, the majority of schools do not require an independent bank account. Occasionally, it may be required for debit/credit payment processing or for other exceptional reasons. In this case, the Principal shall collaborate with the Director of Financial Services when establishing a school bank account. New account set-ups and account changes shall be submitted to the Division's chosen banking institution by the Secretary-Treasurer.
 - 1.5.2. As payments are issued centrally, school bank accounts will have the same signatories as central bank accounts, as outlined below.
 - 1.5.3. If applicable, school bank account reconciliations shall be completed monthly and reviewed monthly by the Principal. Principals are

responsible for providing bank statements and bank reconciliations to Financial Services as requested.

1.6. Central Bank Accounts

1.6.1. Central bank accounts shall have a minimum of four signing authorities on file. Accounts shall require two signatures for banking transactions, including signing cheques.

1.6.2. Central bank account reconciliations shall be completed monthly and reviewed by the Secretary-Treasurer.

2. Investments

2.1. Investments shall be made taking into consideration cash flow forecasts, payment schedules, current interest rates and predicted interest rate trends, with the goals of preserving capital, maintaining liquidity, and maximizing the rate of return and interest income.

2.2. Funds shall be invested in a manner and time horizon that maintains a positive cash flow and prevents the use of higher cost operating loans or overdraft lending facilities.

2.3. Funds shall be invested with the following objectives:

2.3.1. Investments shall be chosen from eligible securities with minimal risk to principal or interest as the Division is classified as a conservative investor and capital preservation is a primary goal.

2.3.2. For time horizons of less than one year, eligible securities shall include those with a rate of return corresponding to a one-year Government of Canada Treasury Bill.

2.3.3. For time horizons exceeding one year, eligible securities shall include those with a rate of return corresponding to a Government of Canada Bond of similar duration.

2.3.4. In order to reduce the portfolio risk, the Division shall limit investments to a maximum of \$2 million to any single issuer.

2.4. Central Investments

2.4.1. The Secretary-Treasurer shall maintain a contractual agreement with a qualified investment firm, which shall assist with selecting and maintaining suitable investments. Terms of investment practices shall be determined annually in the form of an Investment Policy Statement.

2.4.2. Initial purchases of investments from cash and redemption of investments for cash require two signatures (of the minimum four signing authorities on file).

2.4.3. The Secretary-Treasurer shall designate investment traders that will facilitate reinvestments and renewals to manage cash flow subject to the Investment Policy Statement. All reinvestments and renewals of investments shall be communicated, within two business days, in writing, to two of the four signing authorities on file.

2.4.4. The Secretary-Treasurer shall report the status of corporately held investments and related income quarterly to the Board.

2.5. Credit Facilities

- 2.5.1. Schools are not permitted to enter into any credit facilities.
- 2.5.2. The Secretary-Treasurer shall submit a borrowing resolution annually for the various credit facilities in place.
- 2.5.3. The Secretary-Treasurer may only enter into credit facilities as approved by the annual borrowing resolution.

Reference:

Section 52, 53, 68, 222 *Education Act*
Investment Policy Statement (BMO Nesbitt Burns)