Operating Borrowing Policy

Effective Date: June 7, 2007
Signature/Position: Assistant Vice-President, Finance and Services

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SUBJECT

In order to meet day to day operating cash disbursement requirements the University may at times be required to obtain external temporary financing. This requirement is due to potential timing differences between expenditures and receipt of revenues that create the need to provide temporary liquidity. These conditions normally will not last for more than several months in any fiscal year. This policy describes the conditions under which borrowing for non-capital purposes is permitted.

SCOPE

This policy applies to borrowing by the University for non-capital purposes. Capital borrowing is addressed in Policy FI17.0 Capital Debt Policy.

POLICY

1. Individual colleges/departments of the University are not legal entities and are therefore not permitted to borrow funds.
2. The University will seek to borrow funds from external financial organizations in an effective and competitive manner taking into consideration factors such as term, cost of funds, security required and repayment options.
3. When cash deficits are forecast for a few days, cash requirements may be funded by overdraft facilities with the University's bank. When timing gaps between expenditures and receipt of revenues are forecast for longer periods the University may issue bankers' acceptances, enter into lines of credit, short term loans or other forms of short term borrowing in order to provide additional liquidity and effective cost of funds.
4. The term of any borrowing under this policy will not exceed 1 year without Board approval. Under extraordinary circumstances the University may need to borrow for terms greater than 1 year for non-capital cash requirements. Borrowing under these circumstances will require a specific plan that will match forecast cash requirements with expected repayments.
5. An amount sufficient to meet the University's cash needs for a minimum of 30 days will be held in cash and cash equivalents. This may include an operating borrowing facility established through a line of credit. The maximum amount of borrowing including any line of credit facilities shall not exceed amount needed to maintain this minimum cash reserve without approval from the Board of Governors.

Structure

The University may issue bankers' acceptances, enter into lines of credit, short term loans, overdraft facilities or other forms of short term borrowing.

1. Lender Concentration

The University should not obtain all of its external financing from any one lender. Although no specific limits are set, the University should obtain funds from a number of different institutions in order to avoid undue influence of any single lending source.

2. Demand vs. Term

Term loans shall be used instead of demand loans wherever and whenever possible.

3. Security

Whenever possible, loans should be made on an unsecured basis. Security will only be granted with prior approval of the Board.

4. Financial Covenants

All borrowing is to be completed without financial covenants that impair or restrict University assets or revenue. Any borrowing which includes financial covenants shall require prior approval by the Board.

5. Reporting

The administration shall report at least annually through the Finance Committee to the Board of Governors on:

- Current and projected debt levels
- The amount of debt that is on a floating rate basis and on a fixed rate basis
- The term of each loan
- Status of any funds invested for repayment of debt.

Policy Review

This policy will be reviewed by the Board at least once per year. If any amendments are necessary, these amendments may be made only after approval by the Board of Governors of the University.

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