

## Operating Borrowing

Approved:

Board of Governors

Effective Date:

June 7, 2007

Signature/Position:

Assistant Vice-President, Finance and Services

---

### Table of Contents

---

SUBJECT  
SCOPE  
POLICY

---

#### SUBJECT

University borrowing for non-capital purposes.

#### 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

In order to meet day to day operating cash requirements the University may at times be required to borrow funds. 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.

### **Operating Borrowing**

Due to timing gaps between expenditures and receipt of revenues the Expendable Funds Portfolio may from time to time need to borrow funds. The term of operating borrowing is typically less than 1 week under normal circumstances and will not exceed 1 year without Board approval.

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.

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 only be undertaken with prior approval of the Board of Governors and will be matched to forecasted cash requirements.

### **Authority**

1. Individual colleges/departments of the University are not legal entities and are therefore not permitted to borrow funds.
2. University management is authorized to borrow up to 1 year to meet EFP cash requirements

3. Borrowing for longer than 1 year for non-capital expenditures purposes (for capital expenditure borrowing see Policy FI 17.0) requires board approval. Borrowing in excess of 1 year will be matched to forecasted cash requirements.

**Structure**

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

**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.

**Demand vs. Term**

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

**Security**

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

**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.

**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 AVP, Finance and Services 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.