



### BACKGROUND

The purpose of this procedure is to establish guidelines which will facilitate effective management of the Division's cash balances. During the course of operations, the Division accumulates cash balances which fluctuate in size during the fiscal year. The objective is to gain the highest possible return, without unnecessary risk, during periods when excess funds are not being used.

Regular cash flow and cash balance forecasts will be generated by the Business Manager to determine the cash requirements of the Division in both the immediate and longer term. These forecasts will serve as a guide in determining the levels and time periods of excess cash balances. The excess cash balances will be invested to enhance yield within the constraints of the Investment Objectives while ensuring sufficient cash resources are maintained to meet upcoming obligations.

### Investment Objectives

The investment of excess cash balances must satisfy the following investment objectives:

- Maturity terms are selected which ensure that sufficient cash resources are available to meet obligations as they become due;
- Security of the invested funds must be a prime consideration in selection of any investment;
- Investment yield, while an important factor, will be subordinate to security and liquidity considerations;
- Given that the Division has limited staff resources, the investment strategy must be manageable without a requirement for day to day management.

### Minimum Cash Balances

The minimum cash balance required in the Division bank account to meet payroll and other ongoing obligations is \$5 million plus any adjustments as a result of the annual operating and capital budgetary cash requirements.

Only the cash balance in excess of the minimum specification shall be invested.

### Permitted Investments

Investments may include deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments. Investments must be issued or guaranteed by:

- The Government of Canada or a Province or Territory of Canada;
- A bank listed in Schedule I of *The Bank Act (Canada)*
- A bank listed in Schedule II of *The Bank Act (Canada)*, provided that pre-authorization from the Superintendent of Business Administration is obtained prior to the quotation of rates process;
- A loan corporation or trust corporation; or
- A credit union

The eligibility of institutions for the placement of investments will be determined on the basis of legislation and commercial paper ratings established by the Dominion Bond Rating Service (DBRS). Where an institution is not rated by DBRS, the eligibility of institutions for the placement of investments will be determined on the basis of the existence of a deposit guarantee by the Government of Canada or a Province or Territory of Canada.

Investments may be placed only with institutions rated at the R-1 level by DBRS. Where an institution is not rated by DBRS, investments may be placed only with institutions that are covered by deposit guarantees by the Government of Canada or a Province of Canada (for example, the Credit Union Deposit Insurance Corporation



(CUDIC) in British Columbia or the Credit Union Deposit Guarantee Corporation (CUDGC) in Alberta and Saskatchewan.

### **Investment Terms**

The term of the investment can be fluid and variable depending on the needs of the Division.

### **Responsibilities and Approvals**

Responsibility for investment management of short-term investments has been delegated to the Business Manager, under the direction of the Superintendent of Business Administration.

The Business Manager will:

- Invest the excess cash funds in accordance with this procedure;
- Provide reports regarding past performance and compliance with the procedure;
- Manage cash flow to meet liquidity needs; and
- Liaise with the Investment Managers/Agent and Custodian

### **Performance Measurement**

The primary objective is to earn a rate of return, net of fees, that exceeds the rate of return offered through the standard business account at the approved financial institution.

### **Opportunities for Improving Cash Management Practices**

Cash management policies and procedures cannot be viewed as separate functions. Rather, cash management policies reflect desirable principles and standards while cash management procedures provide the practical application of those principles and standards to ongoing financial management activities. The success of the program depends on the actual practices used from day-to-day.

To achieve cash management objectives, Financial Services of the school division should explore and continuously pursue opportunities in which they can:

- a. Improve billing, collection, and deposit services;
- b. Streamline and better control disbursement systems and activities;
- c. Maximize the use of electronic funds transfers in preference to paper cheques;
- d. Maximize the use of purchase cards, and
- e. Design payment systems for “just in time” disbursements.

### **PROCEDURES**

1. The Business Manager will prepare and maintain a current cash flow position for the school division. The cash flow information will be used to determine the amount and duration of investment placements.
2. A request for quote will be issued to determine investment placement.
3. The amount and term of the investment shall be established prior to quotations being sought and shall remain unchanged upon receipt of quotations. Within the limits specified in this Administrative Procedure, the quotation with the highest interest rate shall be accepted. In the event of equal rates, the Superintendent of Administration along with the Business Manager shall determine which institution the investment will be made.

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