



Date: August 18, 2020  
To: Navigator Schools Board  
From: Ami Ortiz, Director of Business & Finance  
Subject: Cash Management Policy

### **Background**

While Navigator was going through the due diligence process of gathering information for a line of credit, it came to light that we do not currently have a Cash Management Policy. A Cash Management Policy will establish sound management practices to ensure efficient utilization of cash in a manner consistent with the overall financial goals of Navigator Schools.

The purpose of the Cash Management Policy is to provide written guidelines regarding the management of the organization's deposit accounts. The policy is also established to ensure appropriate asset levels are maintained, remain accessible, and retain liquidity to be used for the organization's expenses and initiatives.

### **Recommendation**

It is recommended that the Board approve a Cash Management Policy for Navigator Schools.

# Cash Management Policy for Navigator Schools

## Board Responsibility

- Protect all assets of the charter school and organization
- Insure sufficient funds for organizational operations and sustainability
- Manage unrestricted surplus funds to the best advantage for organization and charter schools
- Maintain fidelity to donor cash investment restrictions
- Set policy for asset allocation

## Asset Allocation Priority

1. Liquidity
2. Capital Preservation
3. Return on investment

## Operating Capital Account:

Operating capital will be maintained in a demand deposit account (DDA) with a bank that provides FDIC insurance. Bank balances in excess of operating capital will be transferred to an investment account. Bank balances below operating capital ceiling balances will require a transfer in from the investment account. Balances will be monitored weekly and transfers will occur as needed.

## Operating capital is defined as:

- expected disbursements in the coming seven days (i.e AP, payroll or other)
- plus/minus net of outstanding checks and deposits
- plus a cushion of 2x FDIC insurance (\$500K).

Transfers will be made by the Director of Finance and monitored by the CEO.

## Investment Account:

The investment account will be established with a brokerage firm separate and not affiliated with the same organization that provides demand deposit account services, that offers SIPC and Excess insurance for invested funds. Funds transferred to the investment account will be invested based on the following list of approved investments:

- Government security backed mutual funds (SPAXX or fund with similar liquidity and investment portfolio)

Funds in this account will be invested based on forecasted liquidity needs, any philanthropic requirements, and the best interest of the organization.

- Investment in money market funds will cover two months of operating expenses
- Excess of that will be laddered out into treasury bills (4week and 13week positions).

Investments will be monitored weekly to account for any funds transferred in/out of this account. Longer term investment strategies will be analyzed and presented at a future date.

	<b>Location</b>	<b>Ceiling Amount</b>	<b>Review</b>
<b>Operating Capital</b>	Demand Deposit Account	Based on operating capital definition	Weekly
<b>Investment Account</b>	Brokerage Account	Funds above operating capital	As needed
<b>Liquidity Investments</b>	SPAXX or government backed money market fund	3 months budgeted non-school/philanthropic expenses, including payroll	Weekly



Date: August 18, 2020  
To: Navigator Schools Board  
From: Ami Ortiz, Director of Business & Finance  
Subject: Line of Credit Request

## **Background**

The state budget will hold Local Control Funding Formula (LCFF) levels to the 2019-20 levels with a 0% cost-of-living adjustment (COLA). This is different from the original plan to cut revenues by 7.9%. The caveat to this is that, instead, we will be faced with large deferrals in our state revenues, at times reaching up to 9 months.

This has the potential to create cash flow issues for Navigator. While we set a goal to always have at least two months cash on hand, which we have been exceeding, these deferrals may still strain our ability to maintain a healthy cash flow.

Due to the uncertainty of the deferrals, it was recommended to us that we look into obtaining a line of credit as a safety net. Navigator has been researching lines of credit and has met with three vendors. Out of the three options, we feel Umpqua Bank best fits our financial needs.

## **Recommendation**

It is recommended that the Board approve Navigator Schools to move forward with obtaining a line of credit through Umpqua Bank.

## Navigator Schools – ‘draft’

Umpqua Bank (“Umpqua”) would like to express its interest in underwriting and obtaining credit approval for the following loan (the “Credit Facility”) for the Navigator Schools (the “Navigator”) on the terms and conditions outlined below.

**Preface:** Umpqua’s expression of interest in underwriting and obtaining credit approval for the Credit Facility is for discussion purposes only and does not constitute a commitment from Umpqua. Any commitment to lend that we might make is subject to the fulfillment of a number of conditions that include, but are not limited to, our normal credit approval process, an in-depth investigation of the purpose of the purpose of the loan, the Agency, and collateral the results of which are deemed satisfactory to Umpqua in our sole discretion.

**Confidentiality:** Except as required by law, neither this expression of interest nor its contents will be disclosed publicly or privately except to those individuals who are your officers, employees or advisors who have a need to know as a result of being involved in the proposed financing. The foregoing confidentiality provisions shall not apply to the disclosure of the federal income tax structure or treatment of the proposed financing.

Loan Amount:	\$4,000,000 <i>(as requested)</i>
Loan Purpose:	Cash flow for operations
Structure/Security:	Intercept of LCFF funds
Term:	1-yr term, maturity estimated October 2021, with the ability to extend to another year term
Maximum Advance:	Not to exceed 50% of LCFF funds, as verified by the CDE website
Interest Rate:	Indicative taxable rate, Prime + 1.00% - 4.250%, as of 8/4/2020 Floor 4.00%
Loan Fee:	\$0.00 – waived, due to the current banking relationship with Umpqua Bank <i>(typical loan fee is 0.25% of total loan amount)</i>
Financial Covenants:	30 – consecutive days out of
Repayment Terms:	Interest only, Principle and Interest due at maturity
Relationship Discount:	The above rates include a relationship discount that assumes the ‘Navigator Schools’ will maintain its current deposit relationship with Umpqua Bank. <i>(utilizing the ICS product to insure the deposit balances)</i>
COI Fees:	Documents to be prepared/reviewed by bank counsel – Rudy Salo, Nixon Peabody LLP. Legal fees and expenses of Nixon Peabody, LLP shall not exceed <b>\$10,000.</b>
Reporting:	Annual Audited Financials Annual Approved Budget P1 & P2 verification of LCFF

**Vanessa Ryan**  
SVP/ Corporate Relationship Manager  
Tel: 916.724-1214  
Email: vanessaryan@umpquabank.com



**Additional Conditions**

Periodic financial and collateral reporting by the Agency, as well as representations and warranties of the Agency regarding its status and ability to repay and related matters and covenants and conditions that are appropriate for a Credit Facility of the scope and nature proposed herein will be determined as part of Umpqua Bank's normal underwriting and approval process. The proposed facility will be subject to a default rate equal to the proposed interest rate + 3.0%.

*PDFs of all executed and other documents listed on the Closing Index shall be provided to the Bank no later than 24 hours before the time of the requested wire; provided, that if any documents can only be signed after receipt of the wire those documents shall be provided immediately after receipt of the wire.*

Sincerely,

Vanessa Ryan  
SVP, Sr. Corporate Relationship Manager  
Charter School Specialist

Please pursue underwriting and approval of a commitment for the described Credit Facility.

**Borrower**

**By:** \_\_\_\_\_

**Printed Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_