

Capital Resource Conservation and Development Area Council

Letter of Credit Policy

Approved May 15, 2015

A Letter of Credit (LOC) is to be maintained in an amount not to exceed 3 months of “necessary” operating expenses. “Necessary” operating expenses are defined as salaries for staff, rent, utilities, and other expenditures required to maintain a minimum level of operation.

In the event that a drawing on the LOC is deemed to be necessary, the Executive Director will notify the Business Affairs Committee and Executive Committee as to the reason for the draw and the amount needed. The Business Affairs Committee shall recommend action, within 24 hours of notification, to the Executive Committee, which has final approval authority.

With Executive Committee approval, the Executive Director will have the authority to draw on the LOC and inform the Committee as to the amount of each drawing. Total drawings are not to exceed the current receivable amount. The receivable is defined as the amount actually due from a grantor for services provided and the appropriate administrative fees provided for by the grant(s). Appropriate measures are to be taken to minimize expenses during such an event.

Staff will be responsible for paying down individual draws on the line of credit as soon as updated cash flow requirements show there is no immediate need to retain the funds, with full repayment of all draws on the LOC not to exceed one year from the initial draw. Staff will update the Business Affairs and Executive Committees on a two-week basis as to the status of the line of credit, updated 2-week cash flow projections, interest accrued to date and plans for LOC retention or payment. If paid back in full, staff will report back to the Executive Committee and Business Affairs Committee within two working days of full repayment.

The Board will be informed of the all actions approved by the Committee and will be kept informed as to the amount of the draws.

¹ Staff includes program and administrative staff (including term employees) and independent contractors hired for specific grants.