


# POLICY

	Policy:	<b>CAPITAL PROJECT – INTERIM FINANCING</b>		
	Department:	Corporate Services		
	Division:	Finance	By-Law No.:	2016-28
	Prepared By:	Justin Rousseau	Approval Date:	February 29, 2016
			Pages:	4
	Replaces:	N/A		

## INDEX

1. POLICY STATEMENT	PAGE 1
2. PURPOSE	PAGE 1
3. SCOPE	PAGE 1
4. DEFINITIONS	PAGE 2
5. INTERPRETATIONS	PAGE 2 to PAGE 3
6. GENERAL CONDITIONS	PAGE 3
7. RESPONSIBILITIES AND AUTHORITIES	PAGE 3 to 4
8. REFERENCES AND RELATED DOCUMENTS	PAGE 4
9. PROCEDURES	PAGE 4

## **1. POLICY STATEMENT**

- 1.1. The Corporation of the Town of Amherstburg is committed to ensuring that fees for financing are applied to capital projects in a consistent, concise, and appropriate manner.

## **2. PURPOSE**

- 2.1. To clearly define the circumstances that will warrant the application of financing charges to a capital project in the form of interest expenses.
- 2.2. To provide a consistent approach to determining interest rates applied.
- 2.3. To facilitate timely and accurate recording and reporting of financing charges.
- 2.4. To allow for appropriate capital project budgeting that includes accurate and realistic estimates for financing charges.

## **3. SCOPE**

- 3.1. This policy applies to all Town of Amherstburg capital projects in which financing has been arranged.
- 3.2. This policy shall be reviewed every two years from the date it becomes effective, and/or sooner at the discretion of the Director of Corporate Services/Treasurer.

#### 4. DEFINITIONS

- 4.1. **Chief Administrative Officer (CAO)** is the Chief Administrative Officer for the Corporation of the Town of Amherstburg, which includes the roles and responsibilities as laid out in Section 229 of the *Municipal Act, 2001*.
- 4.2. **Council** refers to the current elected Council for the Corporation of the Town of Amherstburg. This includes, as an entirety, the Mayor, Deputy Mayor and Councillors.
- 4.3. **Deficit Position** is the measure at a point in time where the cumulative, accrued expenditures exceed the cumulative funding sources available.
- 4.4. **Deputy Treasurer** is the Deputy Treasurer for the Corporation of the Town of Amherstburg, which includes the roles and responsibilities as laid out in Section 286 of the *Municipal Act, 2001*.
- 4.5. **Director** is the person responsible for direction and operational control of a division as defined on the Town's organizational structure.
- 4.6. **External Borrowing Rate** is the rate of interest to be charged when third party cash resources have to be obtained in order to provide funding to the project. The external borrowing rate will be equal to the interest prescribed by the terms of the contracted debt.
- 4.7. **Financial Position** is the measure at a point in time of a capital project's cumulative, accrued expenditures as compared to the cumulative accrued revenue.
- 4.8. **Interim Financing** refers to funds required to finance capital expenditures until such time as permanent financing becomes available.
- 4.9. **Internal Borrowing Rate** is the rate of interest to be charged when existing cash resources have been used to fund expenditures. The internal borrowing rate will be calculated on the variable Prime Rate.
- 4.10. **Manager** reports directly to a Director (or the CAO in some instances) and who is responsible for a department within a division of the Corporation, as defined on the Town's organizational structure.
- 4.11. **Measurement Date** refers to the date upon which quotes will be obtained by the Town's financial institution. For purposes of this policy, the measurement date will be the first business day of each calendar quarter.
- 4.12. **Town** is the Corporation of the Town of Amherstburg.
- 4.13. **Treasurer** is the Treasurer for the Corporation of the Town of Amherstburg, which includes the roles and responsibilities as laid out in Section 286 of the *Municipal Act, 2001*.

## **5. INTERPRETATIONS**

- 5.1. Any reference in this Policy to any statute or any section of a statute shall, unless expressly stated, be deemed to be reference to the statute as amended, restated or re-enacted from time to time. Any references to a By-law or Town policy shall be deemed to be a reference to the most recent passed policy or By-law and any replacements thereto.
- 5.2. Where the Treasurer is authorized to undertake any act pursuant to this policy, such act may be undertaken by the Treasurer's authorized designate.

## **6. GENERAL CONDITIONS**

- 6.1. Capital projects will be subject to financing charges, in the form of accrued interest expenses.
- 6.2. The Town will endeavour to provide interim financing for capital projects from internal cash flow sources, being the most economical financing methodology.
- 6.3. Financing expenses shall be calculated in the total projected cost of capital projects and included in associated budget figures.

### **6.4. Internal Financing**

- 6.4.1. The Financial Services Department will, on the measurement date, obtain the necessary quotes and calculate an internal borrowing rate.
- 6.4.2. The internal borrowing rate will remain in effect until changed or confirmed on each measurement date.
- 6.4.3. The Financial Services Department will calculate the financial position of each capital project, at the end of each quarter and apply the internal borrowing rate on any deficit position to arrive at an accrued interest expense.

### **6.5. External Financing**

- 6.5.1. Capital projects will be charged interest expense, equivalent to the interest as charged by the terms of the contracted debt, regardless of the monthly financial position.
- 6.5.2. Arrangements for external financing shall be pre-approved by Council.

## **7. RESPONSIBILITIES AND AUTHORITIES**

7.1. **Council** has the authority and responsibility to:

7.1.1. Approve external financing, in whole or in part, based on recommendations as provided by the Director of Corporate Services/Treasurer.

7.2. **Director of Corporate Services/Treasurer** has the authority and responsibility to:

7.2.1. Determine, based on analysis of projected cash flows and other relevant data, which capital projects cannot be financed from internal sources, in whole or in part.

7.2.2. Recommend to Town Council which capital projects require financing from external sources, in whole or in part.

7.2.3. Provide communication, training and on-going support on the use of this Policy.

7.2.4. Ensure that financing charges are included in project budget calculations.

7.2.5. Review this Policy every two years, or earlier if required, and update as necessary.

7.3. **Deputy Treasurer** has the authority and responsibility to:

7.3.1. Assist in obtaining external financing for projects and to maintain related documents including terms and conditions.

7.3.2. Calculate and provide the internal borrowing rate to be charged to applicable capital projects.

7.3.3. In the absence of the Director of Corporate Services/Treasurer, the Deputy Treasurer shall assume the roles and responsibilities of the Treasurer.

## **8. REFERENCES AND RELATED DOCUMENTS**

8.1. Tangible Capital Assets Policy

8.2. Investment Policy