


# POLICY

	Policy:	<b>Capital Project – Interim Financing</b>		
	Department:	Corporate Services		
	Division:	Financial Services	By-Law No.:	2024-083
	Administered By:	Treasurer	Approval Date:	Dec. 16, 2024
	Replaces:	Capital Project – Interim Financing -February 29, 2016		
	Attachment(s):	N/A		

## 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. This policy defines the circumstances that will warrant the application of financing charges to a capital project in the form of interest expenses.
- 2.2. This policy provides a consistent approach to determining interest rates applied.
- 2.3. This policy facilitates timely and accurate recording and reporting of financing charges.
- 2.4. This policy allows for appropriate capital project budgeting that includes accurate and realistic estimates for financing charges.

## 3. SCOPE

- 3.1. This policy applies to all Town capital projects in which financing has been arranged.
- 3.2. This policy shall be reviewed every five (5) years from the date it becomes effective, and/or sooner at the discretion of the CAO or designate.

## 4. DEFINITIONS

- 4.1. **Deficit Position** is the measure at a point in time where the cumulative, accrued expenditures exceed the cumulative funding sources available.
- 4.2. **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
- 4.3. **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.
- 4.4. **Interim Financing** refers to funds required to finance capital expenditures until such time as permanent financing becomes available.
- 4.5. **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.

- 4.6. **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.

Common definitions, acronyms, and terms are available in the Glossary located on the Town's Policies webpage.

## 5. **INTERPRETATIONS**

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.

## 6. **GENERAL CONDITIONS**

### 6.1. **Capital Financing**

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

### 6.2. **Internal Financing**

- 6.2.1. The Financial Services Division will, on the measurement date, obtain the necessary quotes and calculate an internal borrowing rate.
- 6.2.2. The internal borrowing rate will remain in effect until changed or confirmed on each measurement date.
- 6.2.3. The Financial Services Division 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.

### 6.3. **External Financing**

- 6.3.1. 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.
- 6.3.2. Arrangement for external financing shall be pre-approved by Council.

## 7. RESPONSIBILITIES

- 7.1. **Council** has the authority and responsibility to:
  - 7.1.1. Adopt the Capital Project – Interim Financing Policy
  - 7.1.2. Approve external financing, in whole or in part, based on recommendations as provided by the Director of Corporate Services/Treasurer.
- 7.2. The **CAO** has the authority and responsibility to:
  - 7.2.1. Ensure compliance with the Capital Project – Interim Financing Policy
- 7.3. The **Director of Corporate Services/Treasurer** has the authority and responsibility to:
  - 7.3.1. 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.
  - 7.3.2. Recommend to Town Council which capital projects require financing from external sources, in whole or in part.
  - 7.3.3. Provide communication, training and on-going support on the use of this Policy.
  - 7.3.4. Ensure that financing charges are included in project budget calculations.
  - 7.3.5.
- 7.4. The **Deputy Treasurer** has the authority and responsibility to:
  - 7.4.1. Assist in obtaining external financing for projects and to maintain related documents including terms and conditions.
  - 7.4.2. Calculate and provide the internal borrowing rate to be charged to applicable capital projects.
  - 7.4.3. In the absence of the Director of Corporate Services/Treasurer, the Deputy Treasurer shall assume the roles and responsibilities of the Treasurer.

## 8. LEGISLATIVE REFERENCES