

**THE CORPORATION OF THE CITY OF WINDSOR
POLICY**

Primary Owner:	Finance	Policy No.:	TBD
Secondary Owner:	n/a	Approval Date:	February 26, 2018
		Approved By:	CR99/2018
Subject:	CAPITAL PROJECT - INTERIM FINANCING POLICY	Effective Date:	Immediate
		Procedure Ref.:	n/a
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1. PURPOSE

- 1.1. To clearly define the circumstances that will prompt the application of financing charges to a capital project in the form of interest expense.
- 1.2. To provide a consistent approach to determining interest rates to be applied.
- 1.3. To facilitate timely and accurate recording and reporting of financing charges.

2. SCOPE

- 2.1. This policy applies to all active City of Windsor capital projects.

3. RESPONSIBILITY

- 3.1. The **Chief Financial Officer/City Treasurer**, or designate, is responsible to:
 - 3.1.1. Provide communication, training and on-going support on the use of this Policy.
 - 3.1.2. Review this Policy every five years, or earlier if required, and recommend updates as necessary.
- 3.2. The **Deputy Treasurer-Taxation & Financial Projects**, or designate, is responsible to:
 - 3.2.1. Calculate and provide to the Manager of Capital Budgets & Reserves the internal borrowing rate to be charged to applicable capital projects on a regular basis.
- 3.3. The **Executive Directors (or ABC Equivalents)**, or designates, are responsible to:
 - 3.3.1. In consultation with Finance, ensure any anticipated internal financing costs associated with a capital project is considered and included in the project budget.
- 3.4. The **Manager of Capital Budget and Reserves**, or designate, is responsible to:
 - 3.4.1. Identify capital projects that are in a deficit position and allocate interest charges using rates as provided by the Deputy Treasurer - Taxation & Financial Projects.

4. DEFINITIONS

Deficit Position – the balance at a point in time where the cumulative expenditures exceed the cumulative revenues.

Interim Financing – refers to interest financing cost associated with a project in deficit position until such time as permanent financing becomes available.

Financial Position – the balance at a point in time of a capital project’s cumulative expenditures as compared to the cumulative revenue.

Internal Borrowing Rate – the rate of interest to be charged when existing cash resources have been used to fund expenditures. The internal borrowing rate will be calculated as the mid-way point between the investment rate and borrowing rate, as received from the City’s current financial institution on the prescribed measurement date and based upon the following parameters:

- The investment rate is based upon a \$1 million GIC invested for a 90-day term
- The borrowing rate is based upon a \$1 million, fixed rate loan, for a 90-day term

Measurement Date – the date upon which quotes will be obtained from the City’s financial institution. For purposes of this policy, the measurement date will be the first business day of each calendar quarter.

5. GOVERNING RULES AND REGULATIONS

- 5.1.** Capital projects will be subject to financing charges, in the form of an internal interest expense charge, when it is determined that the project is in a deficit position.
- 5.2.** The City’s normal policy is to provide interim financing for capital projects from internal cash flow sources, as this would normally be the most economical financing methodology.
- 5.3.** The Deputy Treasurer - Taxation & Financial Projects or designate will, on the measurement date, obtain the necessary quotes and calculate an internal borrowing rate and provide this to the Manager of Capital Budgets and Reserves or designate.
- 5.4.** The internal borrowing rate will remain in effect until changed or confirmed on each measurement date.
- 5.5.** The Manager of Capital Budgets and Reserves will calculate the financial position of each capital project, at the end of each month, and apply the internal borrowing rate on any deficit position to arrive at interest expense to be charged.

6. REFERENCES AND RELATED DOCUMENTS

- 6.1.** Investment Policy CS.A1.09