

Complete Policy Title:
Central Bank Borrowing Policy

Policy Number (if applicable):

Approved by:
Board of Governors

Date of Most Recent Approval:
March 10, 2016

Date of Original Approval(s):
May 7, 2009

Supersedes/Amends Policy dated:
May 7, 2009

Responsible Executive:
**Assistant Vice-President
(Administration) & CFO**

Enquiries:
University Secretariat

DISCLAIMER: *If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails*

Purpose

This policy governs the extension of internal loans for the purpose of financing approved projects. It does not provide a mechanism for project approval.

Eligible Projects will require complete approved business plans that include at a minimum:

- Capital funding sources
- Annual revenue and expense estimates including impact on operating, program and maintenance costs
- Cash flows available to service the debt
- A calculated value to loan ratio
- Internal Rate of Return calculation where applicable

Policy Objectives

The objectives of the Policy include the following:

- a. Describe the procedures for accessing, authorizing, granting and administering internal loans through the Central Bank for *approved* projects.
- b. Set guidelines for total internal loans that are consistent with the [Debt Management Policy](#) limits.
- c. Ensure that long-term costs are minimized consistent within the context of other strategic objectives and overall risk does not exceed acceptable levels.
- d. Ensure that financial plans and associated consequences for all projects are reviewed consistently and effectively.

- e. Ensure all sources of funding are available for the intended use, and that the total commitment can be effectively managed.
- f. Expand the funds available for internal loans through the Central Bank over the long term.
- g. Report on the financial status of the Central Bank to the Finance Committee on an annual basis

I. Access to the Internal Loan Fund (Applications)

The Central Bank offers internal loans to approved projects. Each request must reference the approved business plan.

1. AVP Administration & CFO determines whether the loan application complies with the policy and in consultation with the borrowing unit determines the required amount, term, applicable rate and repayment. If the application does not meet the requirements of the policy, the AVP Administration & CFO works with the applying unit toward appropriate resolution.
2. Once agreed to, AVP Administration & CFO prepares a *Loan Agreement* with the borrower unit outlining the terms of the loan and implements required financial entries.
3. Payment date of the first installment will be negotiated with the Director, Financial Services but will be within three months of loan approval.

II. Loans Administration

1. Maximum Amount Available: Total loans should not exceed the ‘available central bank sources’ disclosed in the Annual Central Bank Report’.
2. Maximum Loan Term and Amount: The loan will be repaid over a fixed period, normally not exceeding thirty years.
3. Interest Rate: Interest will be charged on project deficits during the construction phase. The interest rate charged on the deficit balance will be based on the University’s short term pool rate plus an amount for rate stabilization and administration. Once the project is completed, the formal loan will be established. The interest rate for the formal loan will be based on the University wide blended interest rate reflecting the University’s overall cost of capital plus an amount for rate stabilization and administration and will be applicable to all loans issued after the effective date of this policy.
4. Other Terms: Repayment is structured on an amortizing loan basis to provide level annual debt service payments at the time of takeout. Payment frequency is monthly. Repayment in advance of the maturity date will be permitted.
5. The University will finance the project from its own capital or external sources depending on the University’s financial strategy. Some projects may be financed by project specific external debt. All external borrowing will be undertaken in accordance with [Board of Governors By-laws](#).

III. Other

1. The Finance Committee will approve an annual report on the Central Bank flow of funds, net position, lending rate and “available central bank sources.”
2. Any exceptions to the Policy must be approved by the Vice President Administration and reported at the next Finance Committee meeting.