

Town of Cape Elizabeth
Policy Short-Term Financing of Bonded Capital Projects
Approved May __, 2021

This policy permits the short-term use of Town cash resources to fund cash flow for Town capital projects when there is a Town Council approved bond order. The use of this policy will allow the Town to use its own cash resources in place of issuing a bond anticipation note (BAN) and allows the Town to delay the issuance of a permanent bond. This policy requires that the Town Council approve a bond order before using the policy. Without a bond order in place, the use of the Town resources would be an inter-fund loan and would not allow the Town to recover forgone interest from the capital project.

- A. The Town Council must have an approved bond order in place before undertaking the use of this policy.
- B. The project sponsor will present a request to the Council to approve self-funding the short-term cash flow of the project. The Town Manager or Finance Director will request such financing for Town sponsored projects. The School Superintendent or School Business Manager will request such financing for school sponsored projects.
- C. The Finance Director or the Town Manager shall make an affirmative statement to the Town Council that the use of the Town's cash to self-fund a project will not have a detrimental effect on the Town's finances. The party requesting such financing in section B above shall not be the same party that makes the affirmative statement in this section.
- D. The maximum amount that may be self-financed is \$500,000.
- E. The self-funded financing will not continue beyond a one-year term from the date of Council approval without re-approval of the Council for up to two additional years or until the Town receives the proceeds from a bond anticipation note or the permanent financing, whichever occurs first.
- F. The project will pay interest monthly based upon the disbursement amounts and disbursement dates.
- G. The interest rate will vary monthly and is set at 50 basis points over the Town's primary banker's monthly cash management rate.
- H. The Town Council Order approving such financing shall be binding on the project sponsor and the Town.
- I. The Town Council Order will include the following elements:
 1. The project being financed;
 2. The sponsor requesting the use of self-financed funding;
 3. An affirmative statement that extending this credit by the Town to the project will not have a detrimental effect on the Town's finances;
 4. The maximum amount of cash required, not to exceed \$500,000,
 5. The maturity date, which shall be one-year from the date the Council approves the order. The sponsor may request up to two one-year extensions under the same or amended terms, subject to Council approval;

6. The estimated date when the bond or bond anticipation note would be issued that would refund the amount borrowed;
7. The interest rate will vary monthly and is set at 50 basis points over the Town's primary banker's monthly cash management rate; and,
8. The project will pay interest costs monthly based upon disbursement amounts and disbursement dates.

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