

**Purpose:**

To allow for the capitalization of interest on capital projects where construction financing is used during the construction of the project.

**Policy Statement:**

1. When interest only financing is used during the construction of capital projects the interest incurred will be capitalized as part of the cost of the project.
2. Capitalization of interest will cease when no construction or development is taking place or when the project is ready for producing goods or services.
3. The additional cost of a project due to capitalized interest will be reflected in the ten year capital plan presented to Council and all reports to Council.

**Definitions:**

Capitalization of interest: interest costs incurred will be included as part of the cost of the capital project instead of being expensed as part of the operating budget

**Scope/Application:**

This policy applies to all capital projects utilizing interest only financing.

**Authority/Responsibility to Implement:**

1. Authority is delegated to the City Manager to determine when interest only financing will be used for capital projects.
2. The City Manager is responsible to ensure that the policy requirements are met and updated as required.

**References/Links:**

- Public Sector Accounting Board - Tangible Capital Assets
- Municipal Government Act – Expenditure of Money
- 5322-CA Use of Construction Financing on Capital Projects
- Annual City of Red Deer Budget Guidelines

**Inquiries/Contact Person:**

Corporate Controller, Finance and Budgeting

**Document History:**

Approved: December 10, 2007
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