



## Corporate Policy

### Finance - Budget - Debt Policy

Approved by:	Council	on	September 24, 2001
Report No.:	F-45-01 (BP-43-01-2)	Effective:	September 24, 2001
Reviewed:	October, 2012	Amended:	July 18, 2011 F-24-11 February 21, 2012 F-6-12 Nov 13, 2012 F-22-12
Next Review:	2017	Note:	

### Purpose:

The city's debt limit ensures that the city demonstrates strong financial planning and fiscal responsibility; so that long term commitments can be repaid without undue pressure on the tax base.

### Policy Statement:

The city's debt policy limits the total debt charges and other long term liabilities as a percentage of net revenues to 12.5% (provincial legislated limit is 25%). This allows the city to continue to support issuances of special circumstances debt as well as non-tax supported debt.

The policy further restricts the tax supported debt charges to not exceed 10% of net revenues and allows for a temporary overage of the 12.5% council-approved limit, in order to use debt financing to fund the Joseph Brant Memorial Hospital expansion as per the contribution schedule provided by the hospital.

The following should be considered when using debt financing:

- Increased/ new capital projects providing services to residents
- Projects tied to third party matching funds



- Project costs not recoverable from Development Charges
- Projects where the cost of deferring expenditures exceeds debt servicing costs
- Projects that have a useful life greater than ten years

The following items are to be considered to use debt efficiently;

- As debt charges decline through the retirement of debt, the city will apply savings towards achievement of full lifecycle costing of the city's infrastructure
- The term of debt will be structured for the shortest period to reduce overall financing costs while considering current and future taxpayer benefit. The preferred term is 10 or 15 years to the extent possible.
- The current and forecasted interest rate environment

## **Tax Supported Debt Financing**

### **Debt Charge Repayment**

All tax supported debt charges will be repaid from capital from current dollars allocated from the city's annual operating budget.

## **Non-Tax Supported Debt**

### **Criteria**

Non-tax supported debt shall be permitted based on the following criteria, and the approval of the Director of Finance:

1. A 5 year viable business plan, incorporating an acceptable infrastructure capital renewal/ replacement provision, be submitted; and
2. The user group(s) must demonstrate a revenue stream sufficient to support the debt repayment; and,
3. That all debt charges be repaid by user fees, surcharges or other non-tax supported means; and,
4. Includes debt for local improvements, which are repaid by benefiting landowners (no business plan required).

### **Exclusion from Debt Guideline**

All non-tax supported debt shall be excluded from the City's tax supported debt financing guideline.



## **Review Process**

Non-tax supported debt financing requests shall be reviewed as part of the annual capital budget process.

## **Debt Charge Repayment**

All debt charges shall be fully repaid to the City from operating revenues and associated fees from the user groups.

## **Terms for Debt Financing**

Non-tax supported debt financing shall be utilized only for capital projects where the expected life of the asset exceeds the term of the debenture with a minimum debenture amount of \$100,000 (excluding local improvements)

The City will issue debt on behalf of itself or community groups/stakeholders when the debt and any associated charges are to be repaid by non-tax revenues such as user fees or charges. Examples of such financing are the Appleby Ice Arena and the Downtown Parking Garage.

## **Special Circumstances Debt (SCD)**

### **Criteria for Special Circumstances Debt**

Special Circumstance Debt be permitted based on all of the following criteria:

- i. Project initiated from the corporate strategic plan (Future Focus) and,
- ii. Facilitates or develops a landmark feature in the community; and,
- iii. A community need exists for the capital project and the project is supported by a feasibility plan

### **Exclusion from Tax Supported Debt Guideline**

All special circumstances debt be excluded from the city's tax-supported debt guideline

### **5 Year Issuance**

Special circumstance debt may be issued once every 5 years to a maximum amount of \$12.5 million; with a holiday to be taken in 2017 with no issuance of SCD.



The option of advancing the debt issuance for SCD be permitted earlier than the five year interval which will result in a reduction of the IRRF funding.

### **Debt Charge Repayment**

All special circumstance debt charges will be repaid annually from the Hydro Reserve Fund.

### **Terms for Debt Financing**

Debenture financing shall be utilized only for capital projects where the expected life of the asset exceeds the term of the debenture with a minimum debenture amount of \$2,500,000.

The maximum financing term for any debenture be limited to the life of the asset or 15 years.

## **Scope:**

Annual Capital Budget

## **References:**

- Council Resolution BP-43-01-2, F-45-01 (September 24, 2001)
- Council Resolution BP-20-04-1, F-59/04 (October 25, 2004),
- Council Resolution BP-18-05-1, F-39-05 (August 8, 2005)
- Council Resolution BP-24-06-1, F-48-06 (July 10, 2006)
- Council Resolution BP-44-07-1, F-40-07 (July 12, 2007)
- Council Resolution BP-25-08-1, F-29/08 (July 14/08),
- Council Resolution EBC-03-11 and F-24-11 (July 18 2011)
- Council Resolution F-64-11 (December 1-, 2011)
- Council Resolution EBC-01-12 and BCS-2-12, F-6-12 (February 21, 2012)

## **Roles**

### **Accountable:**



Manager of Budgets and Policy is answerable for the timely review, updating and dissemination of the policy

**Responsible:**

Manager of Budgets and Policy