SUBJECT: Debt policy review

TO: Corporate Services, Strategy, Risk & Accountability Cttee.

FROM: Finance Department

Report Number: F-15-20

Wards Affected: not applicable

File Numbers: 100-01

Date to Committee: June 11, 2020

Date to Council: June 22, 2020

Recommendation:

Approve the City of Burlington's amended debt policy as per Appendix A of finance department report F-15-20.

PURPOSE:

The purpose of this report is to address the staff direction approved on January 27, 2020.

Direct the Chief Financial Officer to review the city's debt policy taking into consideration commitments and other long-term obligations including those that are financially supported by community groups, partners and or stakeholders.

In addressing the above staff direction, staff will provide a detailed overview of the city's current debt portfolio including types of debentures, other long-term commitments, city's debt policy, current debt capacity and uses of debt. The recent pandemic has resulted in financial constraints, as all municipalities are faced with revenue and cost adjustments. As such the report will also address where warranted the pandemic's impact as it relates to the city's debt portfolio.

Vision to Focus Alignment:

- Support sustainable infrastructure and a resilient environment

Background and Discussion:

The city's debt levels are an important indicator of the city's overall financial health. Debt is not a revenue tool but an important capital financing tool. Debt is an appropriate means of financing new assets or capital works that have a longer life. Therefore, the benefit of those assets can be shared by current and future taxpayers as well as the costs through the city's payment of debt charges over time. Municipal debt, including long-term commitments are regulated by the Province. The Province of Ontario has a regulatory framework for municipal borrowing establishing regulations around our ability to borrow or enter other long-term obligations. The regulations are defined around two key areas.

1) **Long term borrowing** occurs when repayment extends beyond the term for which Council is elected. Long-term debt should be incurred to finance capital projects. General principle is that debt <u>cannot</u> be used over the long term to fund current operating expenses. This framework ensures long term financial health and service delivery.
    a. **Other Financial Commitments, Liabilities or Contractual Obligations** are for which payment may or will be required beyond the term for which Council was elected such as leases or commitments to hospitals.

2) An **Annual Repayment Limit** (ARL) summarizes the maximum amount a municipality can pay each year (*annual capacity*) in principal and interest payments for its long-term debt and other long-term financial commitments. The Province sets the ARL at 25% of a municipality's own source revenues less their annual debt servicing costs and obligations.

The City of Burlington has developed extensive internal debt policies, and policy goals that fit within the provincial framework, to commit towards long term financial planning principles. The following section of the report will provide an overview of the city's debt policy and supporting long-term financial plan.

City's Debt Policy

The city's debt policy (Appendix A) is continually reviewed and has evolved over time, more recently to better consider asset management principles, and strengthen parameters of when debt can be used. As well, to incorporate Responsible Debt Management a key component of the city's long-term financial plan. The city's debt policy and long-term financial plan work together to ensure financial sustainability and improve investment decisions as it pertains to the use of debt. The city employs debt financing for new capital projects that have a useful life greater than ten (10) years, and instances where projects are tied to third party matching funds. The following are policy guidelines that the City employs when using debt to most effectively manage the city's debt capacity;

- 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 years. Fifteen (15) years to the extent required.
- The minimum amount of issuance for any project is $100,000
- The current and forecasted interest rate environment.
- 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 City of Burlington's debt policy establishes its own ARL and limits the following;

- **12.5%:** Limits total debt charges including other long-term liabilities/ commitments as a percentage of net revenues to 12.5%, below the provincial legislated limit of 25%. (representing 50% of the provincial maximum)
- **10%:** Further restricts the tax supported debt charges to 10% of net revenue.

The City has three types of debts; tax supported debt (TSD), non-tax supported debt (NTSD) and special circumstances debt (SCD). The following section will provide a financial snapshot including debt outstanding, annual repayment, general description as well as a high-level summary of key principles for each of the three forms of debt. As well as a section on the city's current long-term obligations that are included within the provincial debt limits.

Tax Supported Debt

Tax supported debt (TSD) is integral to the city's capital program, it represents the largest form of debt employed by the city. All tax supported debt charges are funded by the tax base and repaid from the city's operating budget. Over time the City of Burlington has moved away from a period of capital expansion and new infrastructure into a period focused on renewing our current asset inventory and limited new infrastructure. As part of the city's debt policy, the focus over the last several years has been to reduce debt funding towards renewal projects as it is not a sustainable funding source for the lifecycle of our assets. The goal is to reduce and eventually eliminate the use of debt for renewal projects. Until such time the city's infrastructure levy is sufficient to build funding in reserves for the timely replacement of assets, we anticipate a baseline level of tax supported debt will be employed to supplement the renewal of our assets.

Joseph Brant Hospital

In addition to the tax supported debt for the city's infrastructure requirements, in 2012, Council approved $60 million of capital financing towards the expansion of Joseph Brant Hospital (JBH). In total, the city issued $35.9 million (2015, 2016) in tax supported debt which made up a significant portion of the city's debt capacity.

As a result, Council approved an allowance to temporarily exceed the city's overall debt limit of 12.5%. Through effective debt management, a favorable interest rate environment, staff were able to finance the hospital and the city's capital program with no resulting overage on the city's debt limit. This exception has now been removed from the city's debt policy. The remaining $24 million of the total contribution is paid through a series of cash payments. Since we have committed to the payments and they are being paid over time it becomes a financial commitment and part of our provincial debt limit which will be discussed later in the report.

The city's approved and issued tax supported debt is currently at 8.6% of own source revenues, (including hospital debt), within the city's 10% debt policy limit.

Special Circumstances Debt

Special Circumstances Debt (SCD) has been used for landmark community projects where a community need existed or supported the city's strategic planning. All SCD charges are repaid by the city's Hydro reserve fund. The city began issuing SCD in 2002, and since then issued four waves of SCD totaling $48 million.

No further SCD is being issued as the city's Hydro Reserve Fund will be constrained given the most recent Hydro Business Plan. Going forward the Hydro reserve fund will be focused towards the city's capital infrastructure renewal program. The city's debt policy has been amended to reflect this change. The city's approved and issued special circumstances debt are included within the city's total 12.5% debt policy limit.

Non-Tax Supported Debt

Non-tax supported debt (NTSD) is widely used to support infrastructure requirements of community groups, stakeholders and other community partners. Non-tax supported debt is repaid by user fees, surcharges or loans from community partners or business enterprises. Non-tax supported debt is reviewed and approved based on a set of criteria as outlined in the debt policy requiring that a viable business plan is in place to support the debt repayment and the project supports a community need. Non-tax supported debt also includes any debt issued for local improvements which are repaid by benefitting land owners. The city's approved and issued non-tax supported debt is included within the city's total 12.5% debt policy limit.

Home Retrofit Program

Climate change is a leading priority for Council and as part of the City's Climate Adaptation Plan, the Burlington Deep Energy Retrofit Program was recognized as a potential program to advance the goal of low carbon in which the city could assist. The program would involve the retrofit of existing buildings within our community (residential homes, commercial sectors). At this time a formal program or policy have not been developed, however, through this report we can address the option of non-tax supported debt as a source of financial support towards this initiative. The important note to consider is that the program would entail city investment towards a community asset that would not belong to the city and it would be a requirement of the property owner to initiate the retrofit.

The option exists to use non-tax supported debt similar to the city's historical use of the local improvement charge for new road amenities such as sidewalks. However, the debt would have to be issued with a minimum value of $100,000 as per the city's debt policy, must be used towards capital work and would be carried over a term of ten years. In a given year, to meet this criteria property owners would need to come forward with a combined value of work equating to the minimum dollar threshold for a debt issuance and would be accepting of the repayment pertaining to their respective retrofit work included on their property tax bill over a period of ten years. The issuance pertaining to such a program would fall within the city's debt policy limit. As the program is further developed and reviewed, clarity surrounding possible financing options will become clearer.

Other Liabilities and Long-Term Commitments

As described above other long-term commitments includes situations where a payment <u>may or will be</u> required beyond the term for which Council was elected. Examples include but are not limited to lease obligations and financial commitments to hospitals, universities, or other long-term payment obligations. The City of Burlington currently has the following long-term obligations that are reported within the city's overall debt capacity.

- Leases
- Hospital
- Randle Reef

The city's <u>lease</u> commitments average approximately $2 million annually, with the largest portion being the city's provincial offenses courthouse, the remainder being a variety of other building leases (Sims Square) and smaller items, such as leases of printers and copiers.

The Joseph Brant Hospital (JBH) expansion is the city's largest commitment to a community partner to date with the total $60 million commitment included in the city's 12.5% debt limit. As mentioned above, $35.6 million was included within the city's tax supported limit, and the remainder as part of a long-term commitment. The city is still repaying the hospital debt, approximately $3.5 million annually until 2026, as such the hospital will form part of the city's debt limit until that time.

Lastly, the City committed $2.3 million to the remediation of Randle Reef over a ten-year period. This represents an annual financial commitment of $230,000 and is set to end in 2022.

All of the above represent financial commitments with community partners providing for a community need and are included within the city's debt limit.

Strategy/process

In response to the staff direction to review the debt policy relative to debt for community groups, and partners as indicated above debt issued for this purpose generally falls into the category for non-tax supported debt and/ or other long-term financial commitments.

<u>Joint Venture Programs</u>

As it is pertaining to joint venture partners, the non-tax supported debt primarily covers renewal of city infrastructure available for general community benefit, but specific towards delivering a niche program in the community and as such is repaid by the group or partner and not supported by the broader tax base. Through revenues, and user fees, the community partner repays the debt. The debt is included within the city's overall 12.5% debt limit.

Over the last several years, non-tax supported debt has been issued primarily to assist in infrastructure improvements for our joint ventures supported by the city's joint venture financing policy. Other areas are for city operated infrastructure that are revenue producing, therefore do not impact the tax base (eg. Sims Square purchase) and historically for local improvements which are paid for by benefitting landowners. The following table lists the NTSD issued over the last ten years on behalf of community groups, including the amount issued and when the debt repayment ends.

Table A: NTSD Issuances

Joint Venture Partner	Approved Debt	Debt Retires
BYSC - Sherwood Forest Artificial Turf	$900,000	2019
BYSC - Indoor Soccer Dome	$738,000	2024
LaSalle Park Marina – Finger Docks	$250,000	2027
Boys Gymnastics - expansion	$105,000	2028
Drury Lane Theatre - Expansion (to be issued 2020)	$100,000	2030

The amount of non-tax supported debt for community groups has not been significant over the last number of years and therefore does not impact overall debt capacity, as the value is generally small, and the demand is not prevalent. As such staff do not recommend a separate debt limit be established that is specific to non-tax supported debt for our community groups/ partners. Furthermore, the capital financing to support community partners is related to city infrastructure. The city's infrastructure portfolio should be treated as one, and a separate limit may create an unequal distribution of debt funds toward infrastructure dedicated to community groups when in effect all infrastructure should be prioritized and funded in consideration of the city's overall delivery of service and asset management plan.

The option may exist for a community partner to obtain capital financing through a bank loan, provided the city guarantee the loan as it is the city's infrastructure. The interest rate on a bank loan may not be as favorable as the interest rate obtained through regional debentures, however, it may provide greater flexibility in structuring the term of the loan, also a more suitable option if the value of the loan is less than $100,000. The city's term is generally fixed to the term of the debt issuance (10 years). The ability to extend the term of the loan may ease the annual repayment. In this case, the city's role as guarantor does not impact the city's overall debt limit, unless there is a default on the loan.

Staff do not anticipate major changes to the trend experienced to date in terms of future issuances. Because of Covid-19, reduced capital expansion and/or improvements can be expected. The city's community partners provide a wide range of community service although niche in some cases, are still robust, and in demand programs. Operational finances may take time to recover and may defer any capital improvement projects. The city's Facilities Management work closely with all community partners to ensure that capital is renewed as required. Deferral of capital improvements if any, will not occur if it jeopardizes the service delivery of those assets. With regards to current outstanding debt obligations Council has been made aware of Covid-19 impact on loan repayment through confidential report (L-17-20). Currently the city has four (4) outstanding loans with joint venture groups they are as follows:

Joint Venture Partner	Debt Outstanding (rounded)	2020 Annual Payment (rounded)	Term remaining (years)
Burlington Youth Soccer Club	$422,000	$84,714	5
LaSalle Park Marina	$225,000	$28,208	8
Boys Gymnastics	$108,000	$12,019	9
Drury Lane Theatre (to be issued 2020)	$100,000	$11,600 (est.)	10

Other Potential Long-Term Commitments

Over the last ten years, we have had requests from other community partners to provide financial assistance. The requests met different needs of the community and varying types of work. The below table shows the projects in which the city approved financial resources and how the requests were funded.

2008	McMaster University	$5 million	Hydro Reserve Fund	2008-2018
2010	Randle Reef Remediation	$2.3 million	Operating Budget	2013-2022
2012	JBH Expansion	$60 million	Tax Levy/ Debt	2012-2026

There is a multitude of factors that determine whether debt is a suitable financing option when providing funding for community-led partner projects, as listed in the city's debt policy. In 2008, when funding was approved for McMaster University the city's debt capacity was very close to the limit as that period saw significant capital expansions in the city (BPAC, Appleby Ice). Debt was not the best option as our debt levels were already so heavily invested in the city's capital expansion program. At that time, the Hydro reserve fund had a healthy balance supported by the Business Plan and was intended to fund landmark community projects such as this, therefore, was a viable funding source.

Randle Reef Remediation Project is a project that is a multitude of capital and operating works. This project was supported by the operating budget as it is contrary to the debt policy objectives, the most significant is that debt funding will only be provided for capital works. However, due to the nature of the commitment extending over a ten-year period it forms part of the city's debt capacity under long-term commitments.

The Joseph Brant Hospital expansion was the largest funding commitment the city has made with a community partner. Due to the sheer size of the commitment, and the overall long-term community wide benefit of the project, debt was a suitable funding option. At the time the city's debt capacity was moderate, and there was room to include hospital debt however, there was concern that in certain years, the city's debt capacity would be exceeded. Council approved a temporary overage of the city's 12.5% debt limit to use debt financing to fund the JBH expansion. The city's debt policy was amended at that time, and as mentioned above with effective debt management and a favorable interest rate environment the city was able to remain within the limits.

The above are recent examples of long-term commitments that impact the debt limit and, in all cases, the minimum impact is ten years and beyond. Going forward, we anticipate community partners may continue to come forward with requests that will explore the use of debt financing and will have a resulting impact on the city's debt limits and overall capacity.

Recommendation

In anticipation of future commitments with community partners that will impact the city's debt limits, staff recommend amending the city's debt policy for an allowance to temporary exceed the city's total debt capacity. Staff recommend limiting the exception to a maximum overage of 2.5% sustained for a maximum of three (3) consecutive years. The corresponding recovery from the overage should also be sustained for a minimum of three years. This will create a more flexible and adaptable debt policy, while continuing to allow for quality investment decisions, meet legislative obligations and respond to community needs in a timely manner. It is important that the limit of 12.5% is maintained whenever possible, the additional room for unique long-term funding commitments is coupled with a maximum time period to ensure that future operating budgets are not constrained and there is not undue pressure on the tax base or other revenues.

Staff recommend that the city's debt policy be amended to include this allowance for temporary overage of the city's debt limit as it pertains to entering into long-term funding commitments with community partners.

Financial Matters:

Debt Reporting

As reported in the March 31, 2020 Financial Status report (F-22-20), the City's total debt charges as a percentage of own source revenue is estimated to be 10.6%, which is below the council approved guideline of 12.5%, and below the provincial limit of 25%. The city has an estimated $88.8 million in total principal debt outstanding. Taking into consideration principal debt repayments of $13.6 million, as well as $24.3 million in debt which has been approved and not issued, total city principal debt outstanding at year end 2020 is forecasted at approximately $99.5 million. The following table provides a breakdown by type of debt.

Table A: Summary of 2020 Outstanding Debt

Type of Debt	2019 Principal Outstanding	2020 Principal Repayments	Debt Approved to be Issued	2020 Total Outstanding Debt	Debt Capacity
TSD	$37.2	($6.6)	$20.6	$51.2	8.4%
NTSD	$14.9	($1.3)	$0.3	$13.8	2.0%
SCD	$11.8	($2.1)	$3.4	$13.1	
Hospital	$24.9	($3.5)	$0.0	$21.4	0.2%
TOTAL	**$88.8**	**($13.6)**	**$24.3**	**$99.5**	**10.6%**

Note: figures may not add up due to rounding (millions)

Looking forward, estimates of debt capacity are based on several projections and assumptions; such as interest rate, term of borrowing, future debt requirements, timing and amount of debt issuances among others. The projections assist in developing debt guidelines for the capital program that maximize the portfolio of debt funding available to the capital program and minimize overall financing costs. At this point in time, the debt forecast does not include the potential for increased debt beyond what we currently foresee for our capital program. The city's total debt limit in 2017, 2018, and 2019 were 10.5%, 10.1%, and 10.3%, respectively.

In addition, to continue support of quality investment decisions and demonstrate a long-term commitment to debt management the following reporting measure has been added to the city's debt policy and will be reported as an annual measure for the city's quarterly Financial Status report.

- Debt to reserve ratio (target will be 1:1, or better)

Based on year end 2019, the city's debt to reserve ratio is 0.83 (excluding the hospital). This measure provides a comparison of the amount of debt in relation to discretionary reserves. A ratio of 1:1 or lower reflects that the city has more reserves in relation to debt which is a positive indicator. As of 2019 for every dollar of reserves the city has $0.83 of debt.

Debt Issuances

Every year, in the Spring the city evaluates capital projects that are in progress and evaluates market conditions to determine the required debt issuance. The Region issues the debt in the market on behalf of the City and other local municipalities as required under the Municipal Act. On average, the city issues approximately $6 - $8M annually in debt, primarily consisting of tax supported debt.

Due to Covid-19, the spring debt issuance has been deferred to June 2020. The city is projecting an overall debt issuance of $6.8 million (10 year) primarily tax supported debt.

Tax Supported Debt Charges

The city's 2020 budget for tax supported debt charges is approximately $8.5 million. On average, the budget for tax supported debt charges has remained relatively stable between $8.5 to $9.5 million, annually. As part of the city's debt management our goal is to ensure that the city's debt charges remain relatively constant over time without great fluctuation. This contributes to long term financial planning by ensuring the city is managing its debt in a fiscally responsible manner, and that the amount of debt will not place an undue burden on the community.

Asset Management

As mentioned above city's debt policy is structured to use debt towards new capital projects and to reduce/ eliminate funding towards renewal projects as it is not a sustainable funding source for the lifecycle of the asset. Regarding Covid-19, there is a potential impact to debt capacity and debt charges should the city's 2021 operating budget be constrained, and the 1.25% infrastructure levy does not fully materialize. The city's infrastructure levy is pivotal to the city's financial sustainability and asset management plan. However, any reduction to the city's infrastructure levy may result in increased debt levels towards the capital program to sustain the city's assets, impacting future operating budgets with increased debt charges. The city's debt forecast as presented in this report does not include increased levels of debt beyond what our current needs are in the capital program as we anticipate the city's infrastructure levy will remain intact.

Climate Implications

As discussed above the City's Climate Adaptation Plan considers a Deep Retrofit Energy Program to transform the energy efficiency of existing buildings in Burlington, including neighborhoods, and commercial buildings. As the program develops and policies are clearly defined, the financing options available can be created. At this time based on the general principle of the program, debt could be a possible source to finance the program provided certain criteria are met and work within the city's debt policy.

Engagement Matters:

Not Applicable

Conclusion:

The city has a robust debt policy with debt limits that are suitable for a city of our size, where capital expansions are fewer and renewals/ replacements drive the city's capital program. Debt is frequently used and standard for most municipalities for new capital projects that are long term in nature, benefitting existing and future tax payers by spreading the costs across future years. Debt is not a source of funding to balance the city's operating budget. The city continues to apply the debt policy as part of the city's ten-year capital budget and will focus the city's debt capacity to eventually minimize the use of debt towards renewal projects.

The City does not anticipate any impact to the current debt levels or debt capacity as a result of Covid-19 as discussed in the report.

The City of Burlington's current debt profile is proportionate in size and growth to the city's tax base. The debt policy has been amended to reflect greater clarity around policy objectives, and parameters around the city's types of debts. The policy continues to be an effective management tool compatible with the city's goals, aligned with the capital program, operating budget, and the city's long-term financial plan.

The added provision to the city's debt policy to allow for temporary overages to the debt limit are in response to requests from community partners to renew city infrastructure supported by a viable business plan. The parameters are flexible but still provide the necessary measured constraint to ensure debt obligations do not pose an undue burden to the city's long-term sustainability.

Respectfully submitted,

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Appendices:

A. City of Burlington Debt Policy

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council. Final approval is by the City Manager.

Appendix A: City of Burlington Debt Policy

City of Burlington Debt Policy

Approved by Council on: June 22, 2020

Report Number: F-15-20

Effective: June 22, 2020

Reviewed on: June 11, 2020

Amended: 2020

Next Review: June 2021

Purpose:

The city's debt policy is established to ensure the City undertakes the principle of *Responsible Debt Management* in accordance with the city's long-term financial plan framework. The city will make every effort to minimize the impact of debt servicing costs on the taxpayer and manage existing and future debt levels, to ensure that the city demonstrates strong financial planning and fiscal responsibility.

Policy Statement:

The city's debt policy establishes parameters within which debt must be issued to meet legislative requirements as well as meet the city's financing needs and policy goals. Policy goals are in place to demonstrate the most effective and appropriate way to finance capital needs without compromising financial flexibility and sustainability.

Policy Goals:

- Adhere to statutory requirements of reporting
- Ensure long-term financial flexibility
- Minimize long-term cost of financing
- Limit financial risk

1.0 Policy Parameters:

1) Types of Capital Financing:
    a. **Tax Supported Debt (TSD) Financing**: All tax supported debt charges will be repaid through the allocation from the city's annual operating budget. Tax supported financing is only used in the city's capital program and not to be used to finance operations.

b. **Non-Tax Supported Debt (NTSD) Financing:** Non-tax supported debt financing is utilized for capital projects on behalf of community groups and is repaid through non-tax revenues or user fees from associated user groups.
c. **Special Circumstances Debt (SCD) Financing:** Special circumstances debt financing is primarily issued for new capital projects that are supported by a feasibility plan. All debt charges associated with SCD are to be repaid annually from the Hydro Reserve Fund.

The policy further expands on guidelines for non-tax supported and special circumstances debt in sections 4 and 5.

2) Debt Limits:
   a. **12.5%:** Limits total debt charges including other long-term liabilities/ commitments, as a percentage of net revenues to 12.5%, below the provincial legislated limit of 25%.
   b. **10%:** Further restricts the tax supported debt charges to 10% of net revenue.

   Non-tax supported debt and special circumstances debt are included in the city's total debt guideline and excluded from the city's tax supported limit.

2.0 Debt Financing Criteria

The following criteria has been established when considering use of debt as a funding source. The city should ensure that debt is employed in a fiscally responsible manner as such the following allow for the most efficient and strategic use.

- New capital projects, (non-reoccurring infrastructure) creating assets providing service 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
- Capital projects where the expected life of the asset exceeds the term of the debenture (useful life greater than 10 years)
- Minimum debenture amount of $100,000

The following items are to be considered for the most efficient use of debt;

- 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 ten (10) years. Maximum consideration of fifteen (15) years for a large capital project.
- The current and forecasted interest rate environment.

3.0 Financial Reporting of Debt

To continue support of quality investment decision and demonstrate a long-term commitment to debt management the following reporting measures will reported as part of the city's quarterly financial status report.

- Total Debt Charges as % of Net Revenue
- Debt to reserve ratio (target will be 1:1, or better)

4.0 Non-Tax Supported Debt Guidelines

Non-tax supported debt when issued on behalf of community groups shall be permitted based on meeting the following criteria, and the approval of the city's Chief Financial Officer.

- A 5-year viable business plan, incorporating an acceptable infrastructure capital renewal/ replacement provision to be submitted, and;
- The user group must demonstrate a revenue stream sufficient to support the debt repayment, and;
- All debt charges are repaid by user fees, surcharges or other non-tax supported means, and;
- Requests are reviewed as part of the annual capital budget process

5.0 Special Circumstances Debt Guidelines

No further waves of special circumstances debt may be approved, until 70% of the city's current SCD commitment is retired, and sustainable projections of revenue earned into the Hydro Reserve fund are maintained. This will be reviewed annually as part of the city's review and reporting on the annual Hydro Business Plan.

6.0 Temporary Allowance for Overages

The city be allowed to temporary exceed the total debt limit of 12.5% to a maximum of 15% over a maximum consecutive period of three (3) years. The allowance exists for the purpose of providing financial support to community partners in the form of a long-term financial commitment. The corresponding recovery from the overage should be sustained for a minimum of three years following.