

Corporate Policies and Procedures			
SECTION: General Administration			POLICY #: GA-07
POLICY: Debt Management Policy			
DATE: MARCH 2011	REV. DATE:	COVERAGE: All Departments	PAGE #: 1 of 2

POLICY STATEMENT:

In certain special circumstances, the use of debt financing to fund the acquisition and construction of assets represents a viable funding strategy. However, excessive use of debt to finance capital works can seriously impair the ability of a municipality to provide the level of service that residents expect. This policy establishes guidelines for debt to be used in the context of long term capital planning and budgeting.

SCOPE:

This policy is intended to establish parameters around the use of tax supported long term debt to finance capital works.

DEFINITIONS:

Tax Supported Debt - Debt for which annual principal and interest payments are funded from the general tax levy.

PROCEDURE:

1. WHEN DEBT IS APPROPRIATE

- (a) Debt is a viable option for financing the acquisition or construction of an asset which is used to deliver municipal services provided the following conditions exist:
 - (i) The estimated useful life of the asset is greater than ten years;
 - (ii) The cost of the project is greater than \$1.5 million;
 - (iii) Funding cannot be accommodated within the current year's tax levy;
 - (iv) There are no other viable sources of funding such as special purpose reserves or grants from senior levels of government; and
 - (v) There is adequate debt capacity available to borrow.

2. GROWTH RELATED DEBT

- (a) Several areas within the County of Renfrew are subject to growth pressures and debt financing may be utilized for capital expenditures required in such areas. In addition to the criteria above, the following criteria should be considered in such areas:
 - (i) The capital costs related to growth exceed the growth financing currently available.
 - (ii) There is a long-term economic benefit to the County related to the growth.
 - (iii) Alternative sources of funding and partnership with local municipalities (**including any local development charges that may be associated with the project via a local development charges by-law**) or other external agencies are considered and utilized when available.

Corporate Policies and Procedures			
SECTION: General Administration			POLICY #: GA-07
POLICY: Debt Management Policy			
DATE: MARCH 2011	REV. DATE:	COVERAGE: All Departments	PAGE #: 2 of 2

3. TERM OF DEBT

- (a) The term of debt should be dependent on:
- (i) The nature of the asset;
 - (ii) The useful life of the asset;
 - (iii) The prevailing interest rate;
 - (iv) The user fee or other revenues which the asset itself may generate to offset any increased cost for the debt and reduce any set property tax impact arising therefrom; and
 - (v) The availability of funding for the asset from other sources (i.e. grants, accumulated surplus, etc.).

4. LEGISLATED DEBT CAPACITY

- (a) The annual debt and financial obligation limit for municipalities is described under Ontario Regulation 403/02.
- (b) The regulation provides a formula which limits annual repayment obligations to an amount equal to 25% of net own source revenues.
- (c) Council is not authorized to issue debt which would result in the annual repayment limit being exceeded.

5. CRITERIA TO LIMIT THE ISSUE OF TAX SUPPORTED DEBT

- (a) Notwithstanding the limits prescribed in the regulations, prudent financial management demands more stable criteria to limit debt.
- (b) A target tax supported debt per capita of \$260 is manageable.
- (c) A limit of \$20,000,000 in total outstanding tax supported debt is reasonable as a means for achieving the targets in sections 5 (a) and 5 (b).

6. AUTHORITY

The Treasurer shall have the authority and responsibility to recommend to Council the most effective form of debt financing for any asset, in addition to the most appropriate timing and duration.