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Department: Finance - 050
Policy No.: 002

LAC STE. ANNE COUNTY

Debt Management

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References:
Cancel:
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CAO Signature:

Purpose:

Lac Ste. Anne County is sustainable only if both its infrastructure assets and its financial assets can be maintained over the long term. It is the policy of the County to manage debt and administer capital financing in a manner that is affordable, sustainable, and in compliance with legislation and AFCA guidelines.

The purpose of this policy is to establish objectives, principles, and parameters to guide the debt management practices of the County. The debt management practices will ensure a favourable and sustainable financial position while supporting the ability to meet current and future infrastructure requirements.

Guidelines:

Debt is an ongoing component of the County's funding structure and is integrated into the County's long-term plans and strategies.

Debt must be affordable and sustainable.

The County must maintain flexibility to take debt in response to emerging financing needs.

Debt must be structured in a way that is fair and equitable to those who pay and benefit from the underlying assets acquired by taking the debt over time.

Debt decisions must contribute to a sustainable and vibrant community by balancing quality of life and financial considerations.

Tax supported and self-supporting debt will only be used to fund infrastructure and asset acquisition or construction projects; it will not be used to fund ongoing operating costs.

Long-term debt can only be used to fund projects with long-term community benefits, for infrastructure needed to support or in the anticipation of population growth, that advance Council priorities, are major rehabilitations of existing assets, or to refinance debt originally taken for these reasons.

The issuance of new debt must be approved by Council.

Debt must be managed, monitored and reported upon.

USE OF DEBT

TAX SUPPORTED DEBT

Council may enter into long-term, tax supported debt obligations to finance or refinance non-utility projects involving the construction or acquisition of infrastructure and other assets valued at over $150,000 in the following circumstances:

a. The project has long-term benefits,

b. The project benefits the community at large,

c. The project is for growth related infrastructure and/or other assets,

d. To fund emerging needs to support Council priorities and approved strategic and business plans,

e. To refinance existing tax supported debt, or

f. The project is on behalf of external agencies or authorities that support the goals and objectives of the County.

Internal financing will be used to finance tax supported capital projects valued at $150,000 or less.

SELF-SUPPORTING DEBT

Council may enter into long-term, self-supporting debt obligations to finance or refinance projects involving the construction or acquisition of infrastructure and other assets of any value as in the following circumstances:

a. The project has long-term benefits and non-tax funding,

b. It is a utility project,

c. It is an offsite levy funded project,

d. The project is growth related,

e. To fund emerging needs to support Council priorities and approved strategic and business plans,

f. To refinance existing self-supported debt, or

g. The project is on behalf of external agencies or authorities that support the goals and objectives of the County and have long-term benefits and non-tax funding sources.

SHORT TERM DEBT

Short-term debt may be used as:

a. Interim financing for capital project expenditures,

b. Financing for capital projects that result in the construction or acquisition of assets having a useful life of five years or less, or

c. Financing for capital projects where the debt term considerations indicate that a term of five years or less is appropriate.

TEMPORARY DEBT

Temporary debt may be utilized for the following:

a. As a source of funding to pay trade accounts payable, or

b. To temporarily fund cash flow shortages.

DEBT TERMS

All long-term debt obligations shall have a maximum term to maturity of either:

a. The estimated useful life of the infrastructure or other assets being financed, or

b. The maximum maturity allowed under ACFA Guidelines.

All short-term debt obligations shall have a maximum term to maturity of the lesser of:

a. The estimated useful life of the infrastructure or other assets being financed,

b. Five years, or

c. The maximum maturity allowed under ACFA Guidelines.

The following elements should be considered when establishing the debt term:

a. Cost minimization,

b. Availability of debt servicing funding,

c. Fair distribution of costs between periods, such that not more than 50% of all outstanding debt will mature within ten years,

d. Capital life cycle implications,

e. Sustainability, and

f. County's financial flexibility.

DEBT SERVICING LIMITS

The debt servicing limit shall be used to guide the issuance of debt.

On its total outstanding debt, the County shall not exceed total debt servicing costs of 70% of the County's debt servicing limit.

For tax supported debt, the County shall not exceed debt servicing costs of 15% of municipal tax revenue.

Where the debt servicing costs of a non-utility project will be fully funded by related grants, local improvement levies, user fees, rental revenue, or levies, up to 100% of these funds may be used to fund the debt servicing costs.

EXCEPTIONS

Council may exceed the limits set out here without need to amend this Policy under the following conditions:

a. There is an emergent need for an infrastructure or other asset project and alternative funding sources are not available, or

b. There is an opportunity to leverage grant dollars to help pay for an infrastructure or other asset project that requires a municipal contribution, but alternative funding sources are not available, and

c. In both cases, a plan for returning the debt and debt servicing costs to within limits will be provided at the time Council is considering approval of the debt that causes them to be exceeded.

RESPONSIBILITIES

Administration will annually provide Council with five-year debt requirement projections.

Administration will annually provide Council with the following debt reporting:

a. The most current, audited debt limit used,

b. The debt that will mature within ten years,

c. The most current, audited debt servicing limit used,

d. Percentage of municipal taxes being used to fund tax supported debt servicing costs.