

PURPOSE

The goal of the Municipality's debt policy shall be to set out the guiding principles for the approval, issuance and administration of any Municipality debt, which shall adhere to all statutory requirements.

GLOSSARY

Debt – Any obligation for the payment of money. The Municipality considers debt to consist of debentures, cash loans from financial institutions, capital leases, debenture financing approved through bylaw for which no debt has yet been issued, debenture financing approved through the capital budget for which no bylaw has yet been established, outstanding financial commitments, loan guarantees and any debt issue by, or on behalf of the Municipality, including mortgages, debentures or demand loans.

Debt and Financial Obligation Limit – The maximum amount of annual debt servicing costs that a municipality can undertake or guarantee without seeking the approval of the Ontario Municipal Board. The Debt and Financial Obligation Limit is calculated pursuant to *Ontario Regulation 403/02 – Debt and Financial Obligation Limits*.

Lease Financial Agreements – A financial agreement, in accordance with *Ontario Regulation 653/05 – Debt Related Financial Instruments and Financial Agreements*, that a municipality may enter into for the purpose of obtaining long-term financing of a capital undertaking of the municipality.

Long-term Debt – Any Debt for which the repayment of any portion of the principal is due beyond one year.

Material Impact – Under *Ontario Regulation 653/05 – Debt Related Financial Instruments and Financial Agreements*, a Lease Financing Agreement has a material impact on a municipality if the costs or risks associated with the agreement significantly affect the municipality's Debt and Financial Obligation Limit, or would reasonably be expected to have a significant effect on that limit.

POLICY STATEMENTS

1. The Municipality shall only enter into Long-term Debt, including Lease Financing Agreements, where the following conditions are met:
 - a. The Long-term Debt will be managed in a manner consistent with other long-term planning, financial and management objectives.
 - b. Consideration will be given to the impact on future taxpayers.
 - c. Long-term Debt will be managed in a manner to limit financial risk exposure.
 - d. The timing, type and term of Long-term Debt will be determined with a view of minimizing long-term cost to the extent possible.

- e. The term of Long-term Debt will not exceed the useful life of the particular asset.
 - f. The issuance of Long-term Debt will not result in the Municipality exceeding its Debt and Financial Obligation Limit.
 - g. A category of Lease Financing Agreements may be relied upon for non-material or operational leases where the agreements will not, in the opinion of the Treasurer as delegated by Council through this policy, result in a Material Impact for the Municipality.
2. All Debt shall be issued in Canadian dollars.
 3. It shall be the general practice to issue Debt where the interest rates will be fixed over its term. The Municipality may issue Debt in which the interest rate will vary where, in the opinion of the Treasurer, it is in the Municipality's best interest to allow the rate to float provided such Debt, in addition to any other Debt, does not exceed fifteen percent (15%) of the total outstanding Debt of the Municipality in accordance with *Ontario Regulation 276/02 – Bank Loans*.
 4. Upon the repayment of Long-term Debt, the amounts previously committed to annual debt servicing shall not be removed from the Municipality's budget but rather will be reallocated towards:
 - a. Debt servicing costs for new Debt issued by the Municipality; and/or
 - b. Contributions to reserves for capital purposes.
 5. The awarding of any contract under this Policy, unless otherwise authorized by Council, shall follow the requirements as set out in the Municipality's procurement policy.
 6. Council, in conjunction with staff, shall review the Municipality's outstanding Debt in conjunction with the annual budget process.

RELEVANT LEGISLATION

- Municipal Act, 2001
- Ontario Regulation 247/01 – Variable Interest Rate Debentures and Foreign Currency Borrowing
- Ontario Regulation 276/02 – Bank Loans
- Ontario Regulation 278/02 – Construction Financing
- Ontario Regulation 403/02 – Debt and Financial Obligation Limits
- **Ontario Regulation 653/05 – Debt Related Financial Instruments and Financial Agreements**