## Policy statement

This policy is to establish guidelines for the use of new debt financing as a funding source to ensure the County's ability to meet current and future financial obligations.

## Definitions

*Affordable* – The County's ability to pay for debt servicing costs.

*Capital asset* – Any object purchased for use by the county whose individual cost exceeds the threshold set out in the Tangible Capital Asset Policy and has a life span of greater than one year.

*Capital expenditure* – Costs incurred to acquire, develop, rehabilitate, or replace capital assets.

*County revenue* – Leduc County total revenue excluding contributed assets, developer' agreements and levies, insurance proceeds and government transfers.

*Debt* – Money that is owed.

*Debt limits* – The County's maximum debt limits and debt service costs.

*Debt servicing* – Annual debt repayments including interest and principal.

*Debt term* – The period of time during which debt payments are made.

*Long-term capital debt* – Borrowing made for the purpose of financing a capital property when the term of the borrowing exceeds five years.

*Long-term operating debt* – Borrowing made for long-term operating expenditure commitments.

*MGA revenues* – Revenues less contributed assets and capital government transfers.

*Probable lifetime* – The expected useful life span of an asset.

*Sustainable* – Meeting debt-servicing needs without compromising the ability to meet current and future financial obligations.

*Utilities* – Self-funded operations that provide a service to its customers.

## Policy authority

1. Use of Debt
    a. Capital debt

i. Alternative financing sources will be researched and considered before looking at debt as a funding source.

ii. Long-term debt will be considered for capital expenditures that meet one or more of the following parameters:

1. Projects with long-term benefits;
2. Projects with benefits to county residents;
3. Growth related projects;
4. Emerging needs to support corporate priorities and the strategic plan; and
5. Major rehabilitation of existing assets.

b. Operating debt

i. Long-term debt will be considered for operating expenditures that meet one or more of the following parameters:

1. Projects with long term benefits involving assets the County does not own; and
2. Projects with benefits to county residents.

ii. The county will not agree to long-term debt obligations to finance current operating expenditures with the exception of point 1.b.i. above.

2. Debt Approval

a. New debt will:

i. Be affordable and sustainable; and

ii. Align with the County's capital plans and strategies.

3. Debt Planning and Management

a. All new debt requires an authorized bylaw.

4. Debt Limits

a. County calculated debt limits

i. Considered when making decisions for new debt.

ii. Revenues for the purposes of determining debt limit and servicing will exclude MGA revenues as well as developer agreements and levies revenue, government operating transfers and insurance proceeds.

b. MGA calculated debt limits

i. Utilized for financial statement and financial information reporting purposes.

ii. Debt limits for the municipality are in accordance with guidelines set out by Alberta Regulation 255/2000 of the MGA.

iii. Maximum debt limit is calculated each year and is based on 1.5 times the MGA revenues.

iv. Maximum debt servicing is 25% of MGA revenues.

5. Debt amortization term
   a. Debt terms shall not exceed the probable lifetime of the asset.
   b. The following elements will be considered when establishing the debt term: cost minimization, availability of sustainable debt servicing funding and capital life cycle implications.
6. Debt Repayment Funding
   a. New indebtedness service costs will be funded by sustainable revenue.
   b. The funding source for new indebtedness service costs will be identified within the borrowing by-law.
7. Reporting
   a. The County's utilization of debt will be reported through annual audited financial statements.

## Policy standards

1. *Municipal Government Act, Sections 251, 252, 258; Alberta Regulation 255/2*
2. *Public Sector Accounting Standards, Section 3150*
3. *FS-03 – Tangible Capital Asset Policy*

## Policy responsibilities

*Council responsibilities:*

Council shall:

- approve a debt management policy.

*Administration responsibilities:*

The County Manager or designate shall:

- direct Administration to develop the necessary administrative procedures to implement this policy;
- approve those administrative procedures; and
- approve borrowing loan applications as needed.

Director of Finance shall:

- ensure appropriate resources are available to meet current and future debt obligations.
- review and evaluate cost saving opportunities through prepayment or refinancing of existing debt;
- oversee the daily operational obligations for debt management;
- monitor and review the MGA for changes at established intervals; and
- maintain and update this policy

## Monitoring and updating

- This policy shall be available for public inspection and will be posted on the Leduc County's website.
- This policy shall be reviewed at least once every 4 years.