

<b>Policy Number:</b>	<b>C-220</b>
<b>Policy Owner:</b>	<b>Financial Services</b>
<b>Adopted By:</b>	<b>Governance and Priorities Committee</b>
<b>Adoption Date:</b>	<b>2011 November 1</b>
<b>Effective Date:</b>	<b>2011 November 1</b>
<b>Date Last Amended:</b>	<b>2019 May 07</b>
<b>Date Last Reviewed:</b>	<b>2019 May 07</b>

## Purpose

- 1 This policy establishes guidelines and controls for Rocky View County's (the County) issuance, use and management of debt.



## Policy Statement

- 2 Debt is an ongoing component of the County's capital financing structure and is integrated into the County's long-term plans and strategies.
  - (1) Debt must be affordable and sustainable in terms of compliance with debt limit (1.5 times revenue) and debt service limit (0.25 times revenue) as regulated by section 252 of the *Municipal Government Act*, RSA 2000, c M-26 [*Municipal Government Act*], and *Debt Limit Regulation*, AR 255/2000 [*Debt Limit Regulation*], as may be amended from time to time. The County must maintain flexibility to issue debt in response to emerging financing needs.
  - (2) Debt must be structured in a way that is fair and equitable to those who pay and benefit to the underlying assets over time.
  - (3) Debt decisions must contribute to a sustainable and vibrant County by balancing quality of life and financial considerations.
  - (4) Debt must be managed, monitored and reported upon.
- 3 This policy supports the County's ability to meet current and future infrastructure challenges while maintaining a favourable and sustainable financial position.



## Policy

### Use of Debt

- 4 When making a decision about the use of debt, alternative financing sources shall be considered.
- 5 Long term debt may be considered for capital expenditures for:
  - (1) large projects with long-term benefits;
  - (2) projects with benefits for the community at large;
  - (3) emerging needs to support the County's priorities and approved strategic plans;
  - (4) major rehabilitation of existing assets; and
  - (5) other priorities as determined by direction of Council from time to time.
- 6 Short term debt may be considered for interim financing of capital expenditures.

### Debt Approval

- 7 Debt financing is considered as part of the County's budget process.
- 8 New debt issues must:
  - (1) be approved by Council;
  - (2) have an approved borrowing bylaw;
  - (3) be affordable, sustainable and maintain the County's financial flexibility;
  - (4) be structured in a way that is fair and equitable;
  - (5) identify sources of funding for debt repayments;
  - (6) align with the County's long-term plans and strategies;
  - (7) balance quality of life and financial considerations; and
  - (8) be managed, monitored and reported upon on a regular basis.

## Debt Limits

- 9 The County must comply with both criteria under the *Debt Limit Regulation* in regard to Debt Limit Calculation, including:
- (1) in respect of the County's total debt, 1.5 times the revenue of the County; and
  - (2) in respect of the County's debt service, 0.25 times the revenue of the County.

## Debt Planning and Management

- 10 All issuance of debt requires an authorized bylaw and shall be subject to the specific provisions of the *Municipal Government Act* and other regulations.
- 11 Internal processes and systems shall be developed and maintained to ensure sound debt management.

## Debt Structure and Term

- 12 The following elements may be considered when establishing the debt term:
- (1) cost minimization;
  - (2) availability of debt servicing funds;
  - (3) capital life cycle implications;
  - (4) debt term;
  - (5) affordability of debt load over proposed term;
  - (6) impact of debt term on the County's financial flexibility; and
  - (7) other case specific considerations.

## Debt Prepayment or Refinancing

- 13 Cost saving opportunities through prepayment or refinancing of existing debt shall be considered whenever possible.

## Debt Reporting

- 14 The County’s debt shall be monitored and reported on to Council and the public on a quarterly basis. For benchmarking, the County’s debt shall be monitored and reported in the annual report, at a minimum, against the limits and guidelines in this policy.



## References

Legal Authorities
Related Plans, Bylaws, Policies, etc.
Related Procedures
Other

- *Municipal Government Act*, RSA 2000, c M-26, including sections 241, 251, 252, 257, 258 and 259;
- *Debt Limit Regulation*, AR 255/2000; and
- *Debt Management Policy*, GFOA Government Finance Officers Association
- n/a
- n/a



## Policy History

Amendment Date(s) – Amendment Description
Review Date(s) – Review Outcome Description

- 2019 May 07 – Limitation of debt usage for operation funding eliminated, defined and quantified debt types, added borrowing requirement, updated monitoring and reporting requirements
- 2018 December 18 – Update required to align with current practices and legislation



## Definitions

- 15 In this policy:
- (1) “Affordability” means the County’s ability to pay for debt servicing costs and life cycle expenditures for the underlying asset. The overall measure of affordable debt is the burden of debt servicing costs and life cycle expenditures relative to municipal revenues;
  - (2) “Capital Expenditure” means expenditures incurred to acquire, develop, renovate or replace capital assets;
  - (3) “Council” means the duly elected Council of Rocky View County;

- (4) “Debt” means borrowing as defined under section 241(a.1) of the *Municipal Government Act*;
- (5) “Debt Limits” means the County’s maximum allowable debt service costs as set out in this policy;
- (6) “Debt Servicing” means annual required debt repayments including interest and principal;
- (7) “Debt Term” means the period of time during which debt payments are made. At the end of the debt term, the debt must be paid in full;
- (8) “Interim Financing” means borrowing made for the purpose of temporarily financing a capital project as defined under section 259 of the *Municipal Government Act*;
- (9) “Long Term Debt” means debt with terms greater than or equal to five years as defined under section 258 of the *Municipal Government Act*;
- (10) “Revenue” means the total revenue reported in annual financial statement, less transfers from the governments of Alberta and Canada for the purposes of a capital property reported in that statement if those transfers are included in the total revenue, and less amounts reported as contributed or donated tangible capital assets if those amounts are included in the total revenue;
- (11) “Rocky View County” means Rocky View County as a municipal corporation and the geographical area within its jurisdictional boundaries, as the context requires; and
- (12) “Short Term Debt” means debt with terms less than five years as defined under section 257 of the *Municipal Government Act*. Short term debt excludes a line of credit.