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Policy Owner:	Financial Services
Adopted By:	Council
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Purpose

- 1 The purpose of this policy is to establish financial guidelines and appropriate controls for the issuance and use of debt. Debt will be used prudently to finance infrastructure and capital projects while maintaining Rocky View County's long-term financial sustainability and minimizing the impact on future tax and utility rates.



Policy Statement

- 2 The County will acquire and manage debt in accordance with established guidelines to ensure that all borrowing is affordable, sustainable, and aligned with Council-approved strategic plans.
- 3 Debt will only be considered for capital projects with long-term community benefits, and all new debt must be approved by Council through a borrowing bylaw.
- 4 The County will maintain debt and debt servicing within the limits set by provincial legislation and County policy, and will regularly monitor and report on outstanding debt to ensure ongoing financial health.
- 5 The County's debt decisions will align with the following long-term goals:
 - (1) debt is to be used as a financing tool for large capital projects with long-term community benefits only after considering alternative funding sources;
 - (2) the County must ensure that debt and debt servicing remains affordable and within the legislated limits established in section 252 of the *Municipal Government Act* and the *Debt Limit Regulation*;

- (3) all new debt must be approved by Council and supported by a borrowing bylaw; and
 - (4) debt decisions will align with Council's *Strategic Plan* and maintain financial flexibility.
- 6 This policy supports the County's ability to address current and future infrastructure needs while maintaining a favourable and sustainable financial position.



Policy

Use of Debt

- 7 Alternative financing sources will be considered prior to making a decision about the use of debt.
- 8 Long term debt may be considered for capital expenditures for:
- (1) projects with significant funding requirements and with long-term benefits;
 - (2) projects which benefit the community at large;
 - (3) emerging needs to support the County's priorities and strategic plans;
 - (4) major rehabilitation of existing capital infrastructure to address significant emergency or disaster recovery situations; and
 - (5) other priorities as determined by direction of Council from time to time.
- 9 Short term debt may be considered for interim financing of capital expenditures.

Debt Approval

- 10 Debt financing is considered as part of the County's budget process.
- 11 New debts issued 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 financial planning and Council's *Strategic Plan*;
- (7) balance quality of life and financial considerations; and
- (8) be managed, monitored and reported upon on a regular basis.

Debt Limitations

- 12 The County will maintain debt levels to be below the legislated and internal debt limits.
- 13 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.
- 14 The Government of Alberta will be used as the lender of choice for capital borrowing unless a more beneficial arrangement is available from another acceptable lender.

Debt Planning and Management

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

Debt Structure

- 17 The following elements may be considered when establishing the debt structure:
 - (1) cost minimization;
 - (2) availability of debt servicing funds;
 - (3) capital life cycle implications;

- (4) debt term duration;
- (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

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

Debt Reporting

- 19 The County’s debt will be monitored and reported regularly to Council.
- 20 For benchmarking, the County’s debt will be monitored and reported regularly to Council 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, sections 241, 251, 252, 257, 258, and 259
- *Debt Limit Regulation*, AR 255/2000
- N/A
- N/A
- *Council’s Strategic Plan*
- Debt Management Policy, Government Finance Officers Association



Policy History

Amendment Date(s) – Amendment 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

Review Date(s) – Review Outcome Description

- 2018 December 18 – Update required to align with current practices and legislation
- 2025 June 03 – To align with the County’s Fiscal Management Strategy, the policy was amended to outline the acquisition and disposal of the County’s debt; the County’s lender of choice for debt; and amendments to align with the current policy template and standards.



Definitions

21 In this policy:

- (1) “affordability” means Rocky View 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 legislated by the *Debt Limit Regulation*;
- (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” or “the 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 lines of credit.