 Town of CANMORE	Council Policy
Policy Title:	Debt Management
Policy Number:	FIN-003
Date in Effect:	May 17, 2016
Current as of:	July 6, 2021

POLICY STATEMENT

1. Canmore is sustainable only if both its capital infrastructure assets and its financial assets can be maintained over the long term. It is the policy of the Town of Canmore to manage debt and use and administer capital financing in a manner that is affordable, sustainable, and in compliance with local, provincial and federal legislation and guidelines.

176-2021

PURPOSE

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

176-2021

DEFINITIONS

3. In this policy:
 - a) *Repealed 176-2021*
 - b) "Affordable" means the ability to pay for debt servicing costs and life cycle expenditures for the underlying asset. The overall measure of affordable debt is the proportion of debt servicing costs and life cycle expenditures to supporting revenues.
 - c) "Debt" means:
 - i) debentures acquired through the Government of Alberta loans to local authorities, 176-2021
 - i.1) loans acquired through the Federation of Canadian Municipalities related to their program offerings, 176-2021
 - ii) debt acquired through a bank via a line of credit, an operating loan, or credit cards,
 - iii) debt acquired in the form of a lease of capital property, as set out in Section 241 of Alberta's Municipal Government Act (MGA), and
 - iv) loan guarantees taken under MGA Section 264.

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For greater certainty, “debt” does not include loans made by the Town to other entities, organizations, or individuals.

- a) “Debt Limit” means the Town’s debt limit as calculated from time to time in accordance with Alberta’s Debt Limit Regulation A.R. 255/2000, as amended.
- b) “Debt Servicing” means the annual required debt repayments including interest and principal.
- c) “Debt Servicing Limit” refers to the Town’s debt service limit as calculated from time to time in accordance with Alberta’s Debt Limit Regulation A.R. 255/2000, as amended.
- d) “Debt Term” means the period of time during which debt repayments are made. At the end of the debt term, the debt is repaid in full.
- e) “Flexibility” means the Town’s ability to take new debt in response to emerging financial needs.
- f) “Internal Financing” means from current year tax revenue or from draws from reserves.
- g) “Long-Term Debt” means debt with terms greater than five years as defined under MGA Section 258.
- h) “Self-Supporting Debt” means debt taken to fund capital or program expenditures, the repayment of which is wholly funded by non-tax levy sources, including, but not limited to, utility charges and levies, user fees, rental revenue, local improvement levies, and grants. The fact that financing conditions may require any debt servicing shortfalls be funded through general municipal tax levies does not preclude the debt from being self-supported, as long as the probability of requiring tax support is remote.
- i) “Short-Term Debt” means debt with terms of five years or less as defined under MGA section 257. For greater certainty it does not include a line of credit, operating loan, or credit cards.
- j) “Sustainable” means meeting present needs without compromising the ability to meet future needs.
- k) “Tax-Supported Debt” means debt that has been taken to fund capital expenditures, the repayment of which is funded by tax levy revenue. This includes, but is not limited to, revenue from property taxes, non-utility user fees and levies, fines, permit fees, and license fees that are not otherwise restricted. For greater certainty it does not include investment income, utility user fees and levies, transfers from Town reserves, and restricted developer contributions and levies.
- l) “Temporary Debt” means debt with a repayment term not exceeding one year that is used as an expenditure payment mechanism. It includes sources such as lines of credit, operating loans, and credit cards.

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- m) "Utilities" means self-funded Town operations providing a service to its customers at rates regulated by Council. These utilities include solid waste, recycling, water, and wastewater services.

PRINCIPLES

- 4. Debt is an ongoing component of the Town's funding structure and is integrated into the Town's long-term plans and strategies.
- 5. Debt must be affordable and sustainable.
- 6. The Town must maintain flexibility to take debt in response to emerging financing needs.
- 7. 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.
- 8. Debt decisions must contribute to a sustainable and vibrant Town by balancing quality of life and financial considerations.
- 9. 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.
- 10. 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.
- 11. The issuance of new debt must be approved by Council.
- 12. Debt must be managed, monitored and reported upon.

USE OF DEBT

- 13. Tax Supported Debt
 - a) 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 \$300,000 in the following circumstances:
 - i) The project has long-term benefits,
 - ii) The project benefits the community at large,
 - iii) The project is for growth related infrastructure and/or other assets,
 - iv) To fund emerging needs to support Council priorities and approved strategic and business plans,

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- v) To refinance existing tax supported debt, or
 - vi) The project is on behalf of external agencies or authorities that support the goals and objectives of the Town.
- b) Internal financing will be used to finance tax supported capital projects valued at \$300,000 or less.

14. Self-Supporting Debt

- a) 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:
- i) The project has long-term benefits and non-tax funding,
 - ii) It is a utility project,
 - iii) It is an offsite levy funded project,
 - iv) The project is growth related,
 - v) To fund emerging needs to support Council priorities and approved strategic and business plans,
 - vi) To refinance existing self-supported debt, or
 - vii) The project is on behalf of external agencies or authorities that support the goals and objectives of the Town and have long-term benefits and non-tax funding sources.

15. Short Term Debt

- a) Short-term debt may be used as:
- i) Interim financing for capital project expenditures,
 - ii) Financing for capital projects that result in the construction or acquisition of assets having a useful life of five years or less, or
 - iii) Financing for capital projects where the debt term considerations indicate that a term of five years or less is appropriate.

16. Temporary Debt

- a) Temporary debt may be utilized for the following:
- i) As a source of funding to pay trade accounts payable, or

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- ii) To temporarily fund cash flow shortages.

17. Taking Debt

- a) When taking debt, the Town will comply with:
 - i) *Repealed 176-2021*
 - ii) Sections of the Municipal Government Act governing borrowing bylaws, and
 - iii) Any other applicable statutory or legal requirements.

18. Retiring Debt


- a) When debt retires, and the debt servicing costs for tax supported debt falls below 5% of tax revenue. The related debt service funding will:
 - i) Be used to fund new debt service costs, and/or
 - ii) Be transferred to Town capital reserves

DEBT TERMS

- 19. All long-term debt obligations shall have a maximum term to maturity of the estimated useful life of the infrastructure or other assets being financed. 176-2021
- 20. All short-term debt obligations shall have a maximum term to maturity of the lesser of the estimated useful life of the infrastructure or other assets being financed, or five years. 176-2021
- 21. 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) Town's financial flexibility

DEBT LIMITS

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

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- 23. The Town shall not exceed 70% of the total debt limit based on total debt outstanding, plus available debt to borrow as per approved borrowing bylaws, plus loan guarantees, plus letters of credit.

DEBT SERVICING LIMITS

- 24. The debt servicing limit shall be used to guide the issuance of debt.
- 25. On its total outstanding debt, the Town shall not exceed total debt servicing costs of 70% of the Town's debt servicing limit.
- 26. For tax supported debt, the Town shall not exceed debt servicing costs of 15% of municipal tax revenue.
- 27. For self-supporting utility project debt, the Town shall not exceed debt servicing costs of 22% of utility user fees and levies.
- 28. 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

- 29. Council may exceed the limits set out in provisions 13. h) i) and 13. i) i) 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

- 30. Administration will annually provide Council with five-year debt requirement projections.
- 31. Administration will annually provide Council with the following debt statistics:
 - a) Percentage of the most current, audited debt limit used,
 - b) Percentage of debt that will mature within ten years,
 - c) Percentage of the most current, audited debt servicing limit used,

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- d) Percentage of municipal taxes being used to fund tax supported debt servicing costs,
- e) Percentage of utility user fees and levies being used to fund utility project debt servicing costs,
- f) Current and five year projected total annual debt servicing costs, and
- g) The amount of debt servicing cost reductions that have been allocated to new debt servicing costs and/or capital reserves.


POLICY REVIEW

32. This policy will be reviewed by Council on or before July 30, 2025.


RELATED DOCUMENTS

- 33. Municipal Government Act
- 34. Alberta’s Debt Limit Regulation A.R. 255/2000, as amended.
- 35. *Repealed 176-2021*
- 36. Reserves Policy

AUTHORIZATION:



 John Borrowman
 Mayor



 Cheryl Hyde
 Municipal Clerk

REVISION HISTORY

Action	Date	Council Motion	Notes
Approved	2016-05-17	159-2016	
Amended	2021-07-06	176-2021	General language update; removal of references to the Alberta Capital Finance Authority

Policy approved by: 