

CORPORATE POLICY



Policy Title: **Debt Management Policy**
Policy Category: **Financial Control**
Policy No.: FC-009
Department: Corporate Services
Approval Date: April 20, 2009
Revision Date: May 12, 2014
Author: Cassandra Pacey
Attachments:
Related Documents/Legislation: Ontario *Municipal Act* Regulation 403/02

Key Word(s): Debt

POLICY STATEMENT:

The Council for the City of Waterloo is committed to demonstrating financial leadership and sustainability. This policy assists in formalizing a defined and transparent process for managing debt.

PURPOSE:

The purpose of this policy is to outline the procedures and steps undertaken to ensure the City of Waterloo plans for and uses debt appropriately.

DEFINITIONS:

Municipal Act

The *Municipal Act* is the statute governing the powers, duties, internal organization, and structure of Ontario municipalities.

Capital Reserve Fund (CRF)

The capital reserve fund is the primary source of funding for capital projects.

Net Debt Charges (NDC)

Net Debt Charges are calculated as existing debt charges, less recoveries from user rates.

Annual Repayment Limit (ARL)

Is the legislated limit that caps principal and interest payments for municipalities based on net operating revenues.

Mandatory Policy, *Municipal Act*: No

Policy Administration Team, Review Date: April 23, 2014

Corporate Management Team, Review Date April 16, 2014

Total Capital Charges

Is the relationship between the financial support required from the capital reserve fund and the total payments from Net Debt Charges. The calculation used to determine Total Capital Charges is

- The CRF available balance
- Plus: Recoverable Debt Charges
- Less: Operating Budget Debt Charges

User Rates

Fees charges for services that can be measures and costs recovered.

SCOPE:

This policy applies to all members of the City’s organization including members of Council, full, part-time and contract staff.

POLICY COMMUNICATION:

Council will receive this policy for approval. If approved, the policy will be posted on the city’s intranet. Staff will be advised of the policy via distribution to the Operational Leadership Team and Corporate Management Team.

POLICY:

Debt Limits

1. ARL is limited to 25% of net operating revenues based on regulations established within the Municipal Act.
2. NDC will not exceed 50% of Total Capital Charges.
3. Capital projects will have ≤ 30% of total funding, from debenture funding.

Debenture Terms

1. Amortization periods of debentures may not exceed 10 years.

Policy Exemptions

1. Projects included in the most recent approved Development Charges By-Law that have anticipated debenture financing that will be recoverable through Development Charges.
2. Projects included in the Council Approved Capital Budget that have anticipated debenture financing that will be recoverable from Enterprise Funding (examples include but are not limited to; Water, Sanitary and Cemetery).

COMPLIANCE:

In cases of policy violation, the City may investigate and determine appropriate corrective action.