



Title: DEBT MANAGEMENT	Policy: CP 014
Section: Corporate	

ACCOUNTABILITY TO VISION STATEMENT

Flagstaff County is committed to establishing financial guidelines and controls for the issuance and use of new debt and to ensure a favorable financial position while supporting the County's ability to meet current and future infrastructure requirements including replacement, new growth, and emergent capital initiatives.

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; as well as unforeseen events that may arise. Debt must be affordable and support the sustainability of the municipality.

DEFINITIONS

Capital Expenditure: means expenditures incurred to acquire, develop, renovate or replace capital assets as defined by Public Sector Accounting Board section 3150 and CP006 Tangible Capital Assets Policy.

Debt: means borrowing as defined under MGA section 241(a.1.). In the case of the County, this is usually in the form of a debenture varying Debt Terms. Other forms of Debt include but are not limited to; leases of capital property as defined under MGA section 241 (c); other long-term financial commitments; Public Private Partnerships (PPP); Community Revitalization Levy Financing; and loans and load guarantees issued under section 264 & 265 of the MGA.

Debt Limit: means the debt limit for the County, in respect to the County's total Debt outstanding as determined in accordance with the MGA Debt Limit Regulation Alberta Regulation 255/2000, as amended.

Debt Servicing: means annual required debt repayments for principal plus the interest amount to be paid on the outstanding debt.

Debt Term: the period during which debt payments are made. At the end of the Debt Term, the debt is paid in full.

Long-Term Debt: Debt with a term greater than five years, as defined under MGA section 258(1).

Short-Term Debt: Debt with a term of five years or less, as defined under MGA section 257(1)

Sustainable: means meeting the needs of the present without compromising the ability of future generations to meet their needs.

Utilities: are self-funded operations providing a service to its customers, including Water, Wastewater and Solid Waste

GUIDELINES

Use of Debt

- a) Flagstaff County will only incur and carry long-term debt when it is consistent with the Strategic Plan direction and objectives to support priority capital projects pursuant to an approved capital budget.
- b) The County will not incur long-term debt to fund current operating expenditures.
- c) The County may incur short-term debt to cover short-term cash flow requirements.

Debt Limits

As outlined in Section 2(1) of Debt Limited Regulation A.R. 255/200:

- a) Total debt limit is calculated at 1.5 times revenue of the municipality; and
- b) Total annual debt service limit is calculated at 0.25 times the revenue of the municipality.

Debt Categories

To support Debt planning, management and reporting, Debt is categorized into three groups based on the nature of the Capital Expenditure and the financing source for Debt Servicing as follows:

- a) Tax-Supported Debt
 - Issued for Capital Expenditures related to tax supported operations.
 - This Debt will be repaid, including interest, using tax supported revenues such as property tax, fines, permits and investment income.
- b) Utility User-Rate Debt
 - Issued for Capital Expenditures related to Utilities.
 - This Debt is repaid, including interest using utility user rates.
- c) Non-Tax-Supported Debt
 - Issued to fund Capital Expenditures by activities or programs which are self-funded, including but not limited to:
 - Local Improvement Support Debt as outlined in Section 391 of the MGA
 - Developer Levy Supported Debt related to new development such as arterial roadways or utilities and will be repaid, including interest from current and future developer levies.

Debt Term

- a) The debt term shall not exceed the estimated life of the capital project being financed and consider the following items:
 - Availability of Debt Servicing funding,
 - Capital cycle implications,
 - Sustainability,
 - Financial flexibility

Debt Approval

- Capital expenditures that require debt financing will be approved by Council through the Business Plan and Budgeting process.
- As outlined in section 251(1) of the Municipal Government Act R.S.A. 2000, an issuance of debt must be authorized by a corresponding borrowing bylaw.

Reporting

- The County’s utilization of debt will be reported through annual audited financial statements.

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Reference: Municipal Government Act	
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Review Cycle:	Next Review Year:
Every three (3) years	2025