



GEORGINA _____

Policy No. – **NO. and NAME OF POLICY**

Prepared By:

Approved By:

Approved on

Effective Date:

Revision Date:

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NAME OF POLICY: CORPORATE DEBT MANAGEMENT POLICY

PURPOSE: The purpose of this policy is to introduce a policy that provides a general framework on the type and the terms of any borrowing for the Town of Georgina, to accommodate the future capital needs of the Town while maintaining a responsible and prudent fiscal management.

POLICY STATEMENT: The Corporation of the Town of Georgina strives to use any funding tools available to deliver its capital program in a manner that will provide the lowest degree of risk exposure while maintaining an adequate level of debt financing.

A debt policy sets forth the parameters for issuing debt and managing the debt portfolio and provides guidance to decision makers. As such, a debt policy is beneficial because it enhances the quality of decisions, rationalizes the decision-making process, identifies objectives for staff to implement, and demonstrates a commitment to long-term financial planning objectives.

In order to make the policy an effective financial tool, provisions of the debt policy must be compatible with the Town's goals pertaining to the capital program and budget, the financial plan, and the operating budget. A debt policy also should strike an appropriate balance between establishing limits on the debt program and providing sufficient flexibility to respond to unforeseen circumstances and new opportunities.

A debt policy should be formally adopted by Council and the debt program should be continuously monitored to ensure that it is in compliance with the debt policy.

1. DEFINITION OF DEBT

Debt includes any obligation for the payment of money over a period of time. Debt would normally consist of debentures from other levels of governments, as well as either notes or case loans from financial institutions and other entities; however, debt may also pertain to other financial obligations such as leases.

2. AUTHORITY TO ISSUE DEBT

A lower-tier municipality in a regional municipality or two tier governance, such as the Corporation of the Town of Georgina (Town), does not have the power to issue debentures as per Section 401 (3) of the new Municipal Act. The Town Council has to approve a by-law to make application to the Region of York to issue debentures on behalf of the Town.

3. PURPOSE OF DEBT



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- a) Capital expenditures for the purchase and/or construction of land or buildings, recreational, cultural, public works, libraries, fire stations and any other municipal facilities may be debt financed if other more effective sources of financing are not available;
- b) Capital replacement expenditures will not be debt financed unless the replacement value is more than 50% greater than the resources available for replacement and then only the overage may be debt financed ;
- c) Capital expenditures related to growth will not be debt financed unless the new costs exceeds the resources available for growth financing and then only the overage may be debt financed;
- d) Minimizing Costs through cost-effective innovative financing alternatives for capital projects will be actively considered, provided that a potential for economic benefit is apparent and the alternatives meet the requirements of the Town. The financial risk exposure to the Town must not exceed traditional financing vehicles. The form of financing selected will be as such that the overall costs to the Town are minimized.
- e) Local Improvements, a request for debenture financing may not be made until either:
 - i) the work undertaken has been completed or;
 - ii) a firm contract has been entered into whereby the cost of completing the undertaking has been established and construction of the work has commenced.

4. TERM OF DEBT

The Town may incur debt for a capital work or property/asset acquisition for a term having a minimum of one (1) year and a maximum of forty (40) years.

4.1) Limitation on the Term of Debt

The Town may borrow for various funds for a term limited to following any one or combination of the following restrictions:

- i) Development Charges Funds - Maximum of Ten (10) years , with maturity not surpassing the year 2031 ;
- ii) Tax Funds - Maximum of Twenty Five (25) years, but not exceeding the useful life of the financed asset;
- iii) Special Levy/Local Improvement - Maximum of Fifteen Years, but not exceeding the useful life of the financed asset;

5. TYPES OF CAPITAL FINANCING:

a) Short-Term Debt - Under 5 Years the Town may borrow from any one or combination of the following sources:

- i. Own reserves at market rates;
- ii. Bank line of credit;
- iii. Short-term promissory notes;
- iv. Bankers' Acceptances;



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- v. Any other form of short-term indebtedness to fund the needs for projects of less than five (5) years;

b) Medium-Term Debt- 5 to Under 10 Years

Medium-term financing requirements, for periods greater than five (5) year but less than ten (10) years will be financed through any one or combination of:

- i) Operating and/or capital lease/purchase;
- ii) Term loans;
- iii) Promissory notes;
- iv) Any other type of medium term indebtedness that may be available.

The financial commitments for existing and anticipated leases for the current fiscal year are to be included in the calculation of the Town's Debt and Obligation Limit.

c) Long-Term Debt - 10 Years or Greater to 40 Years Long-term debt consists of debentures or other form of debt issued to finance assets over a period of not less than ten (10) years and not more than forty (40) years in accordance with other sections of this policy.

d) Other - For short, medium or long-term debts, any available sources of borrowing from other levels of governments can also be used.

6. LIMITATION OF DEBT

- a) Unique to the Town of Georgina, the annual payments for the debentures cannot exceed a maximum of 15% use of Annual Repayment Limit
- b) At any point of time, if Town Council decided to surpass the limitations set in this policy, Council shall by resolution in an open Council waive the policy restriction to surpass the maximum capacity use as outlined in item "a" above;
- c) Under no circumstances, the payments for the Town indebtedness can exceed the Annual Repayment Limit (ARL) set annually by the Ministry of Municipal Affairs and Housing.

7. AUTHORITY

As allowed under the section 401 of the new Municipal Act, the Treasurer shall have the authority and responsibility to recommend to Council the most effective form of debt financing for any work/asset, in addition to the appropriate timing and duration.