

## COUNCIL POLICY

<b>NAME:</b> Debt Management	
<b>ISSUED:</b> August 11, 2014	<b>INDEX REFERENCE:</b>
<b>AMENDED:</b> May 6, 2024	<b>COUNCIL REFERENCE:</b> 14/CNCL

### SECTION 1 - OBJECTIVES AND GUIDING PRINCIPLES

#### 1.1 Objectives

The District's objectives in terms of its debt management are set out in this Debt Management Policy. By reaching a clear understanding of its debt objectives, and by continually measuring achievement of those objectives, the District can attain greater accountability and fiscal stability.

#### 1.2 Guiding Principles

The following principles form the basis for this Policy:

- A debt management policy improves the quality of decisions and provides justification of fiscally responsible debt levels;
- Debt management principles need to be consistent with and supportive of realistic longer term financial plans;
- Debt Management needs to conform to the statutory/legal requirements of the *Local Government Act* and the *Community Charter*, generally accepted accounting principles (GAAP) and public sector accounting board (PSAB) recommendations.

### SECTION 2 - POLICY

#### 2.1 Debt Servicing Levels

Debt servicing levels for any year as established in the Financial Plan are restricted to:

General operating fund - 14% of Property Tax Revenue levied in the previous year.

Sewer operating fund - 10% of sewer user fees billed in the previous year.

Water operating fund – 10% of sewer user fees billed in the previous year.

These limits are further restricted by the overall borrowing limits established under the *Community Charter*.

#### 2.2 Borrowing Term

Borrowing terms should be no longer than the estimated useful life of the asset for which the funds are borrowed. The general guideline for borrowing terms shall be:

Machinery and equipment with an expected life of less than 10 years	1 to 5 years
Machinery and equipment with an expected life of 10+ years	5 to 10 years
Replacement of infrastructure (roads, sewers, drains, water systems)	10 to 15 years
Civic buildings	15 to 20 years

### **2.3 Debt Surpluses**

Any debt surpluses returned to the District by the Municipal Finance Authority shall be transferred to a capital reserve fund aligned with the original purpose of the debt (e.g. general capital, water, sewer, facilities) on January 1<sup>st</sup> of the year following the year of receipt of the debt surplus.

### **2.4 Internal Borrowing**

Internal borrowing from specific Reserve Funds, Unappropriated Surplus and Statutory Reserve Fund balances shall be permissible as allowed for by legislation, if a clearly defined and attainable payback plan, including payment of foregone interest, is in place. Paybacks shall be executed according to plan. Internal borrowing payments are to be included in the calculation of the annual debt servicing level.

### **2.5 Responsibilities**

The District's Financial Officer shall be responsible for:

- Recommending changes to the debt servicing levels shown in this Policy; and,
- Recommending any revisions or amendments to this Policy, as may be required from time to time, as a result of changes in applicable statutes, accounting standards, economic conditions, etc.

## **Section 3 - GLOSSARY**

The following terms used in this Policy and are defined as follows:

**(1) Debt servicing limit** – annual debt payments (actual and contingency) provided for in the Saanich Financial Plan for long and short term debt (does not include debt payments made by the Capital Regional District on behalf of the District - e.g. Regional Sewer Debt).

**(2) Property tax revenue** includes property taxes levied under section 197 (1) of the Community Charter and any monies received from the Provincial and Federal Government in lieu of property taxes.

**(3) Sewer user fees** includes all fees collected for the purpose of operating the District's sewer utility.

**(4) Water user fees** includes all fees collected for the purpose of operating the District's water utility.