

Municipality of the District of Lunenburg POLICY

Title: Capital Debt Policy	
Policy No. MDL- 62	
Effective Date: February 12, 2013	Amended Date:

1.0 Purpose

The purpose of the Debt Management Policy is to outline the management methods for long-term borrowings and debt repayment. The Capital Debt Policy is intended to provide a framework for reducing the debt of the District in the long term financial context of the Municipality.

2.0 Strategies

- a) Reduce capital debt by restricting capital spending funded by debt to an amount less than the debt retirement in the current year.
- b) Develop a five year upper and lower limit for debt servicing.
- c) Produce a five year Debt Servicing Plan.

3.0 Policy Statement

- 1) Debt can only be issued in compliance with all appropriate provisions contained within the Municipal Government Act and with the CAO's recommendation and Council's approval.
- 2) The Municipal Treasurer will be responsible for administering capital debt and this policy.
- 3) The District will confine long-term borrowing to capital investments or projects that cannot be financed from current revenues, grants and reserves as deemed prudent.
- 4) The District will not use long-term debt to finance current operating expenditures.
- 5) Considerations will be made before borrowing funds as to the level of existing debt and the impact on current and future operating budgets.
- 6) A capital Debt Servicing Plan with a five year debt projection will form an integral part of the annual budget. The Debt Servicing Plan will include an upper and lower limit.
- 7) The CAO will provide Council with a report annually in conjunction with the capital budget as to the total capital debt issued and approved.
- 8) Debt funding will be restricted to items with a life expectancy of at least 10 years.

- 9) Debt for a specific capital project will be issued for a period not longer than the expected life of the asset.
- 10) The dollar amount of new issued debt funded from the general tax rate will be limited to the debt being retired in the current year less a reserve for debt retirement.
- 11) Capital Debt will be segregated in the Accounting records which shall ensure the maintenance of accurate information with respect to the purpose, issuance and retirement.
- 12) The capital debt policy will be reviewed annually in conjunction with the budgeting process.
- 13) Total annual payments of principal and interest for long term borrowings will not exceed 15% of the District's total annual own source generated operating revenue.
- 14) Where possible, the District may use a special tax assessment instead of long term borrowings.

Clerk's Annotation for Official Policy Book

Date of Notice to Council Members
of intent to consider

February 5, 2013

Date of Adoption:

February 12, 2013

Date of Notice to Council Members
Of intent to consider amendments

Date of Passage of Amendments

I certify that this "*Capital Debt Policy*" (MDL-62) was adopted by Council as indicated above.

Municipal Clerk

Date