



Debt Management Policy

Department:	Corporate & Legislative Services
Division:	Financial Services Capital
Section/Function:	Financing and Debt
Approval Level:	Council
Effective Date:	2021-07-27
Revision #:	3

1.0 Purpose

- 1.1. This Policy establishes:
- .1 The goals that must be adhered to before entering into any Debt.
 - .2 The Annual Debt Repayment Limits for the Corporation of the City of Peterborough.
 - .3 The authority for Temporary Borrowing.
- 1.2. This Policy facilitates compliance with the **Municipal Act, 2001**, s.401-s.417 and related Ontario Regulations, as listed in Section 5.1 of this Policy

2.0 Application

- 2.1. This Policy and its related Procedure apply to all Debt, including Lease Financing Agreements, and Debt payments entered into by the City.
- 2.2. This Policy and its related Procedure apply to all persons responsible for overseeing, developing, administering, processing, and/or entering into Debt agreements on behalf of the City, its agencies, boards, or commissions.

3.0 Definitions/Acronyms

Act - The Municipal Act, 2001, as amended.

All Inclusive Tax Increase - The annual increase in the combined municipal and education tax, plus the sewer surcharge rates.

Annual Debt Repayment Limit - The maximum amount of annual Debt servicing costs that a municipality can undertake or guarantee without seeking the approval of the Ontario Municipal Board.

Capital Levy - The amount of money raised through taxation that appears in the current year Operating Budget that is transferred to the capital fund to be used to help pay for capital projects.

City - The Corporation of the City of Peterborough, its agencies, boards and commissions, and in accordance with the City's Consolidated Financial Statements, those organizations accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City.

Debenture - A formal written obligation to repay specific sums of money on certain dates. Debentures are direct, unsecured and unsubordinated obligations of a municipality and must rank equally in respect of payment of principal and interest.

Debt - Any obligation for the payment of money. The City considers Debt to consist of Debentures, cash loans from financial institutions, capital leases, Debenture financing approved through by-law but for which no Debt has yet been issued, Debenture financing approved through the Capital Budget but for which no by-law has yet been established, outstanding financial commitments, loan guarantees, and any Debt issued by, or on behalf of the City, including mortgages, Debentures or demand loans.

Lease Financing Agreement - A financial agreement, in accordance with Ontario Regulation 653/05 of the Act, that a municipality may enter into for the purpose of obtaining long-term financing of a capital undertaking of the municipality.

Long-Term Debt - Any Debt for which the repayment of any portion of the principal is due beyond one year.

Material Impact - Under Ontario Regulation 653/05 of the Act, a Lease Financing Agreement has a Material Impact on a municipality if the costs or risks associated with the agreement significantly affect the municipality's Debt and financial limit determined in accordance with Ontario Regulation 403/02 made under the Act, or would reasonably be expected to have a significant effect on that limit.

Net Revenues - Total City consolidated revenues less grants from other levels of government less sales of land less development charges earned. These revenues also do not include donations of tangible capital assets.

Tax-Supported Debt - Debt that is to be recovered from general tax revenues.

Temporary Borrowing - Debt for which the repayment of the entire principal is due within one year or in the case of funding for a capital project, borrowing until Long-Term Debt to cover the costs is obtained or issued.

4.0 Policy Statement(s)

- 4.1.** Before entering into any Debt, including Lease Financing Agreements, the following goals must be adhered to:
- .1 The Debt will be managed in a manner consistent with other long-term planning, financial and management objectives.
 - .2 Consideration will be given to its impact on future ratepayers as a means to achieve an appropriate balance between Debt and other forms of funding.
 - .3 Debt will be managed in a manner to limit financial risk exposure.
 - .4 The timing, type, and term of Debt will be determined with a view to minimizing long-term cost.
 - .5 The term of Debt will be limited to the term of the useful life of the particular asset, but no greater than 40 years.
 - .6 Debt will be managed in a manner to maintain the best possible credit rating by a bond-rating agency used by the City.
 - .7 A category of Lease Financing Agreements may be relied upon for non-material or operational leases where in the opinion of the Treasurer, as delegated by Council through this Policy, will not result in a Material Impact for the City.
- 4.2.** The City's maximum Annual Debt Repayment Limit will be 16.5% of the City's Net Revenues.
- .1 Further, the City's total annual amount of new Tax-Supported Debt charges and any increase in the Base Capital Levy provision will be limited so that the impact of the All Inclusive Tax Increase does not exceed 1%.
- 4.3.** City Council authorizes the Mayor and Treasurer to borrow funds on a temporary basis, in accordance with the definition for Temporary Borrowing under this Policy and section 405-407 of the Act, under the following conditions:
- .1 To meet the current expenditures of the City until taxes are collected or other revenues received.
 - .2 To meet expenditures of a project until Long-Term Debt has been secured.

5.0 Appendix, Related Documents & Links

Note: All references refer to the current version, as may be amended from time to time.

5.1. Pertinent Resources:

- Municipal Act, 2001
<https://www.ontario.ca/laws/statute/01m25>
- Ontario Regulation 247/01 – Variable Interest Rate Debentures and Foreign Currency Borrowing
<https://www.ontario.ca/laws/regulation/r01247>
- Ontario Regulation 276/02 – Bank Loans
<https://www.ontario.ca/laws/regulation/020276>
- Ontario Regulation 278/02 – Construction Financing
<https://www.ontario.ca/laws/regulation/020278>
- Ontario Regulation 403/02 – Debt and Financial Obligation Limits
<https://www.ontario.ca/laws/regulation/020403>
- Ontario Regulation 653/05 – Debt Related Financial Instruments and Financial Agreements
<https://www.ontario.ca/laws/regulation/050653/v3>
- Procurement By-law 18-084

5.2. Related Policies:

- N/A

5.3. Related Procedures:

- Debt Management Procedure

5.4. Related Forms:

- N/A

5.5. Miscellaneous:

- N/A

6.0 Amendments/Reviews

Date (yyyy-mm-dd)	Section # Amended	Comments
2012-04-04		Budget Committee Report No. 1 of a Meeting April 4, 2012 recommending: a) That the current Financing Policy, as set out in Appendix A to Report CPFS12-011 dated April 4, 2012, be rescinded. b) That the Debt Management Policy, which will increase the maximum amount of debt the City of Peterborough can issue, as set out in Appendix B to Report CPFS12-011 dated April 4, 2012, be approved.
2013-01-01	N/A	Revision #1 – No changes were made to the content of the Policy. Policy was revised to move to new Policy Template (i.e. Policy Statements moved to Section 2.0, Application Section moved to Section 3.0, Definitions moved to Section 4.0) and to move to new protocol for showing defined terms (i.e. capitalizing the first letters).
2021-07-26	4.2	Revision #2 – General Committee Report of a meeting of July 5, 2021 – Report CLSFS21-024 recommending: i. Increase the City’s Maximum Annual Debt Repayment Limit from 15% to 16.5% of the City’s consolidated own-purpose Net Revenues; and ii. Eliminate the distinguishment between tax-supported and non-tax supported Debt.
2021-12-01		Revision #3 – No changes were made to the content of the Policy. Policy moved to updated Policy Template; (Section 2.0 moved to Section 4.0, Section 3.0 moved to Section 2.0, Section 4.0 moved to Section 3.0). Links in Section 5.1 - Pertinent Resources have been updated. Policy document format has been updated to become compliant with the Accessibility for Ontarians with Disabilities Act (AODA) Regulation 191/11 Integrated Accessibility Standards.

Next Review Date:	2025-01-01
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