Corporate Policy

CP.7.1.4

Section: Financial

Subsection: General

Subject: Debt Management

Approval Authority: 2026.06.24-CR-02

Effective Date: June 24, 2026

1. Policy Statement

The Town is committed to the prudent and strategic use of debt as a financing tool to support the acquisition and development of capital infrastructure required to meet the needs of current and future residents, businesses, and stakeholders. Debt will be used in a manner that balances affordability, sustainability, and financial risk, while maintaining the Town's long-term fiscal health and flexibility.

2. Purpose

The purpose of the Debt Management policy is to ensure:

- that the Town maintains a sound financial position
- long-term financial flexibility and sustainability
- that the parameters for debt issuance, the type and amount of debt and the financial processes for managing debt are applied consistently
- integration with the Town's Long Range Financial Plan
- that the Town's financial practices comply with statutory requirements

3. Definitions

Annual Repayment Limit (ARL) - Statutory: is a calculation provided annually to a municipality by the Ministry of Municipal Affairs and Housing that determines the maximum amount of additional annual debt servicing costs that a municipality can undertake or guarantee without seeking approval of the Ontario Land Tribunal. Regulation 403/02 provides a formula which limits the annual debt servicing costs to an amount equal to 25% of Own-Source Revenue.

Annual Repayment Limit (ARL) - Town: is an internal debt limit set by this policy. It is calculated as 20% of Own-Source Revenue.

Own-Source Revenue: Direct municipal revenues such as property taxes, user fees and charges, but excluding:

- Grants from senior levels of government or from other government bodies or from another municipality
- Proceeds from the sale of real property

- Contributions or net transfers from a reserve or reserve fund
- Increase/decrease in government business enterprise equity

Reserve: An allocation from net revenue at the discretion of Council, after the provision for all known expenditures, as part of an overall strategy for funding programs or projects that are set out in annual budgets or budget forecasts and is authorized under the provisions set out in the Municipal Act. Reserves have no reference to a specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund.

Reserve Fund: is a fund set aside for a specific purpose as required by legislation, by-law, or agreement and consists of obligatory (externally restricted) and discretionary (internally restricted) reserve funds. Reserve funds are held in a separate bank account.

4. Responsibility

4.1 Council shall:

- Approve external debt
- Evaluate and approve Debt Management Policy

4.2 CFO/Director of Corporate Services shall:

- Have overall responsibility for the management of debt and the financing of the capital program.

4.3 Treasurer shall:

- Calculate the Annual Repayment Limit – Town, in accordance with this policy.
- Review the need for debt and recommend the amount, type and term of debt to Council.
- Coordinate the preparation of debt issue by-laws for Council
- Execute and sign documents on behalf of the Town and perform all other related acts with respect to the issuance of debt, including the payment of principal, interest and other fees.
- Ensure all reporting requirements identified within this policy are met.
- Review and update this policy as required, but no less than with each new Council term.

4.4 Directors, Departments and/or Designates shall:

- Provide the Treasurer with capital project information that will be used to update the Long-Range Financial Plan model in assessing the requirement for debt; and used to inform the development of the Capital Budget.

5. Application

This policy applies to all debt, including Lease Financing Agreements and long-term commitments, entered into by the Town, its boards or commissions. All debt and long-term commitments must have Treasurer and Council approval prior to being entered into.

6. Administration

6.1. Debt Limits

6.1.1. The statutory limitation for debt is set by the Province through the annual ARL calculation. It is limited to 25% of the Town’s Own Source Revenues.

6.1.2. Notwithstanding the statutory limitations, prudent financial management calls for more stringent criteria to limit debt. As such, the Annual Repayment Limit - Town has been set as 20% of Own Source Revenues in order to maintain up to 5% flexibility to address emergency issues.

6.1.3. In addition to the Annual Repayment Limit - Town, the Town will establish Key Performance Indicators (KPIs) and metrics to effectively assess and monitor the fiscal health of the Town. Relevant and informative KPIs will be developed through the budget process, and results will be reported to Council on an annual basis. Examples of some KPIs may include:

- Total Debt to Own Source Revenues: This measure identifies the percentage of annual own source revenues that would be required to retire the Town's total debt.
- Debt Service Cost to Own Source Revenues: This ratio is a measure of the principal and interest payable annually as a proportion of own source revenues.
- Debt per Capita: this is the amount owing per person and is useful in comparing to other municipalities and in determining tax burden to property owners
- Debt to Reserve Ratio: This indicator provides a measure for financial prudence by comparing total debt to the total reserve balances.
- Development Charge (DC) debt assessment: This assessment will be used to ensure that each approved DC service that requires debt is able to provide sustainable cash flows and the ability to collect sufficient funds to retire the debt.

6.2. Long-term Borrowing

6.2.1. The term of debt will be limited to the lessor of the useful life of the particular asset or 20 years.

6.2.2. The timing and type of debt will be determined with a view to minimizing long-term cost while ensuring affordability for tax and user rate payers. Subject to current and projected interest rates, the issuance of long-term debt may be considered in advance of works being completed.

6.2.3. Upon retirement of the long-term debt that is funded through the property tax levy, the annual budgeted principal and interest amount will continue as a transfer to a capital reserve fund to be available when required for major life-cycle repair and eventual replacement of the acquired asset.

6.3. Short-term Borrowing

6.3.1. Temporary borrowing as per section 405 of the Municipal Act, 2001 as amended is permitted to be used to meet cash flow requirements during the construction of infrastructure. Temporary borrowing will be no greater than two years and long-term debt will be secured as soon as possible after the completion of the project or two years, whichever is less, to replace the short-term borrowing. All temporary borrowing costs will be charged as part of the project costs and form part of the long-term debt requirement.

6.3.2. Temporary borrowing for operational purposes as per section 407 of the Municipal Act, 2001 as amended are authorized to meet the current expenditures of the Town until taxes or other revenues is received. Any temporary borrowing of this nature is to be repaid as soon as the Treasurer has determined that adequate cash balances are available to do so.

6.4. Internal Borrowing

6.4.1. The municipality may elect to borrow from internal sources using reserve funds, provided that excess funds are available and the use of these funds will not adversely impact the original purpose or funding requirements of the source reserve fund.

6.4.2. The Development Charges Act permits inter-fund borrowing between DC reserve funds, but amounts borrowed must be repaid with interest at a rate not less than the prescribed rate.

6.4.3. Other inter-fund borrowing must be repaid with interest in accordance with the Town's Reserve and Reserve Fund policy.

6.5. Reporting

The following reports will be prepared with respect to the Debt Management policy:

6.5.1. Budget: As part of the multi-year budget, a long-term debt forecast.

6.5.2. Annual Debt Report: Through the year-end results report to Council, information will be provided on total debt, annual debt servicing costs, ARL, and performance targets and metrics. It will also identify risks and emerging issues.

6.5.3. Annual Audited Financial Statements: Shall be prepared in accordance with Public Sector Accounting Standards which includes annual debt charges and total debt obligations.

6.5.4. Annual Financial Information Return (FIR): Information related to annual debt charges and outstanding debt is included in the FIR that is reported to the Ministry of Municipal Affairs and Housing. This information is used by the Ministry in calculating the ARL.

6.6. Policy Review

This policy shall be reviewed at least once every Council term, or earlier as required by legislative changes, financial conditions, or Council direction.

7. Exceptions

There are no exceptions to this policy.

8. References

Municipal Act, 2001
Ontario Regulation 403/02 – Debt and Financial Obligation Limits

9. Revision History

Revision No.	Date	Summary of Changes	Approval Authority

V1	2014.05.07	Adoption	CR-068-11
V2	2026.06.24	Update	2026.06.24-CR-02