

# CORPORATE POLICY



Policy Title: **Debt Management Policy**  
Policy Category: **Financial Control**  
Policy No.: FC-009  
Department: Corporate Services  
Approval Date: April 20, 2009  
Revision Date: January 21, 2019  
Author: Brad Witzel  
Attachments:  
Related Documents/Legislation: Ontario *Municipal Act* Regulation 403/02

Key Word(s): Debt

## **POLICY STATEMENT:**

The Council for the City of Waterloo is committed to demonstrating financial leadership and sustainability. This policy assists in formalizing a defined and transparent process for managing debt.

## **PURPOSE:**

The purpose of this policy is to outline the procedures and steps undertaken to ensure the City of Waterloo plans for and uses debt appropriately.

## **DEFINITIONS:**

### **Municipal Act**

The *Municipal Act* is the statute governing the powers, duties, internal organization, and structure of Ontario municipalities.

### **Capital Reserve Fund (CRF)**

The capital reserve fund is the primary source of funding for the purchase, construction, or development of new capital assets and studies.

### **Capital Infrastructure Reinvestment Reserve Fund (CIRRF)**

The capital infrastructure reinvestment reserve fund is the primary source of funding for expenditures associated with the rehabilitation or replacement of all existing tax-based capital infrastructure.

**Mandatory Policy, *Municipal Act*: No**

**Policy Administration Team, Review Date: November 6, 2018**

**Corporate Management Team, Review Date November 14, 2018**

**Net Debt Charges (NDC)**

Net Debt Charges are calculated as existing debt charges, less recoveries from user rates.

**Annual Repayment Limit (ARL)**

Is the legislated limit that caps principal and interest payments for municipalities based on net operating revenues.

**Total Capital Charges**

Is the relationship between the financial support required from the capital reserve fund and the capital infrastructure reinvestment reserve fund compared to the total payments from Net Debt Charges. The calculation used to determine Total Capital Charges is

$$\text{Annual Net Debt Charges} + \text{The annual budgeted contribution to CRF and CIRRF} = \text{Total Capital Charges}$$

**User Rates**

Fees charges for services that can be measures and costs recovered.

**SCOPE:**

This policy applies to all members of the City's organization including members of Council, full, part-time and contract staff.

**POLICY COMMUNICATION:**

Council will receive this policy for approval. If approved, the policy will be posted on the city's intranet. Staff will be advised of the policy via distribution to the Operational Leadership Team and Corporate Management Team.

**POLICY:**

**Debt Limits**

1. ARL is limited to 25% of net operating revenues based on regulations established within the Municipal Act.
2. Annual NDC will not exceed the annual budgeted contribution to CRF and CIRRF.
3. Capital projects will have  $\leq$  30% of total funding, from debenture funding.

**Debenture Terms**

1. Amortization periods of debentures may not exceed 10 years.

**Policy Exemptions**

1. Projects included in the most recent approved Development Charges By-Law that have anticipated debenture financing that will be recoverable through Development Charges.
2. Projects included in the Council Approved Capital Budget that have anticipated debenture financing that will be recoverable from Enterprise Funding (examples include but are not limited to; City Utilities and Cemetery Services).

**COMPLIANCE:**

In cases of policy violation, the City may investigate and determine appropriate corrective action.