

## **200 POLICY**

### **201 Borrowing Policy**

#### **201.1 Cities**

The committee takes into account the requirements of Section 23 of *The Municipal Board Act* when considering a request to establish a debt limit or when approving borrowing beyond the established debt limit.

#### **201.2 All Other Local Authorities**

The committee takes into consideration the requirements of Section 23 of *The Municipal Board Act* when considering individual applications to borrow from local authorities.

Maximum borrowing term to be approved is dependent on the nature and lifetime of the proposed work. However, the interest rate for loans must be fixed for terms greater than 4 years other than local improvements and fixed for terms greater than 5 years for local improvements. The committee encourages local authorities to repay outstanding debt in the shortest period of time possible.

When necessary, the committee proposes mill rate increases, and/or sewer/water rate increases in order to offset debt repayment.

All existing borrowing is included in the financial review with the exception of debt supported by frontage levy. In situations where outstanding debt is a concern, the local authority is advised of the impact of the debt being considered on any future debt applications.

Own source revenue for municipalities includes all revenue generated from ordinary operations and excludes grants and grants in lieu of taxes.

The board considers many factors when considering an appropriate debt level for a local authority. Some of these factors include;

- (a) provisions in current year budget such as deficit recovery and inclusion of current year contribution;
- (b) existing surplus;
- (c) nature of surplus (cash versus other assets such as taxes receivable, land for resale, equity in joint sponsored entities, etc.);
- (d) amount and term of existing debt;
- (e) deficit/surplus for current and from previous years;
- (f) ability to repay debt through existing mill rates and water and sewer rates or increases to either;
- (g) urgency of proposed work;
- (h) other sources of funds (grants, donations);
- (i) other proposed works as identified in the capital works plan, if available;
- (j) the economic conditions of the jurisdiction;
- (k) population trends over the past ten years.