



POLICY

POLICY NO:	350	APPROVAL DATE:	September 6, 2011
TITLE:	Fiscal Sustainability Model – Long Term Debt Management	REVISION DATE:	
SECTION:	Finance	PAGE	1 OF 2
DEPARTMENT:	Financial Services		

POLICY STATEMENT

To ensure the long term fiscal sustainability of the City of Grande Prairie, through conscientious management of the resources City's residents have entrusted in Council and Administration to provide municipal services.

REASON FOR POLICY

To set guidelines regarding the use of Long Term Debt funding by the City of Grande Prairie.

RELATED INFORMATION

Borrowing Philosophy/Guidelines

The City may borrow by debenture, mortgage or other acceptable debt instrument in order to purchase capital infrastructure with a value exceeding 1.5% of current debt limit as prescribed the by the Alberta Capital Finance Authority (ACFA).

The City may borrow by debenture, for local improvement levy purposes only for hard surfacing of streets, roads and lanes, and for curbs, gutters, and sidewalks; regardless of the total cost of the project.

The repayment terms in respect of long term borrowing by the City shall be equal to or less than the useful life of the resulting asset as reported in the audited financial statements. The maximum repayment terms for any project will be five (5) years less than the maximum guideline set by ACFA.

Maximum Debt Limit

The maximum total amount of debt will be limited to **80%** of the maximum debt limit prescribed by the ACFA. The maximum debt servicing charges will be limited to **70%** of the ACFA limit.

DEFINITIONS

Fiscal Sustainability - means the ability to manage expected fiscal requirements and withstand future financial shocks to ensure that the City of Grande Prairie can continue to deliver quality programs and services into the future.

Capital Infrastructure - means an asset that provides a benefit to the municipality in excess of one (1) year. For example, capital infrastructure includes the purchase of land; the construction, purchase or restoration of major facilities; roadways and bridges.

Alberta Capital Finance Authority - means the ACFA is an Alberta Provincial authority which acts only as an agent of the Alberta crown. Its business is to provide local entities with financing for capital projects.

Total Debt Limit - means it's set at a level 1.5 times municipal annual revenues as defined by Alberta Regulation No. 255/2000, where revenues exclude capital grants; and total debt equals the principal outstanding on borrowings made or guaranteed by the municipality (per Section 276(2) of the Municipal Government Act).

Debt Servicing Limit - means it's set at a level of 0.25 times municipal annual revenues as defined by Alberta Regulation No. 255/2000. This measure expresses the municipality's actual debt servicing costs as a percentage of the limits defined by the provincial regulations (per Section 276(2) of the Municipal Government Act).

RESPONSIBILITIES

Financial Services to ensure the guidelines for the City's long term debt management policy are followed and accurately reported.

City Council to approve the policy.