

**TOWN OF LOCKEPORT  
POLICY STATEMENT**

**Policy #GG-024**

**Debt Management  
Policy**

**Effective Date:  
June 11, 2018**

**Revision Date:**

**Statement**

1. Municipalities in Nova Scotia are restricted from running operating deficits. However, they may incur debt for capital purposes provided they have statutory authority.
  
2. The Town of Lockeport recognizes that the foundation of any well-managed debt program is a comprehensive Debt Management Policy. This document provides guidelines for the Town to manage its debt program within available resources in three sections: Incurring Debt, Managing Outstanding Debt, and the Timing and Purpose of Debt.

**Policy Objectives**

The objectives of the Debt Management Policy are to:

- a. Ensure adherence to statutory requirements
- b. Enhance long-term financial flexibility and sustainability
- c. Minimize the long-term cost of borrowing
- d. Ensure the term of capital financing is no longer than the useful life of the related asset
- e. Ensure consistency and continuity in long-term debt decision making.

**Policy Principles**

3. Incurring Debt
  - a. The Town of Lockeport has many competing spending priorities for revenues collected each year. The Town's capacity to incur debt is directly related to its ability to service the payments required on the debt. These include both annual interest and principal payments. Furthermore, the Town's ability to service the payments required is directly linked to the ability of the Town to raise sufficient funds from either taxes or fees.

- b. The Town incurs debt for two main purposes related to capital expenditures: tax-supported debt which is for capital projects that will be serviced from the tax-supported operating budget and self-supported debt which is for capital projects that will be serviced from revenue generating capital projects (debt incurred on behalf of fire departments).
- c. This policy shall be reviewed in three years.
- d. Before changes to this policy can be made a full review of the Town of Lockeport's finances must be presented to Council.

#### 4. Managing outstanding debt

- a) The Town's long-term debt is owed to the Municipal Finance Corporation (MFC). When MFC issues debentures to the Department of Finance or capital markets, the Corporation is locked into the same maturity schedule, including principal and interest payments, as the assets it holds from clients. As a result, MFC does not allow for the early redemption of debentures.
- b) The Town of Lockeport will continue to service its outstanding debt according to the schedules agreed upon with the MFC at the time the debt was incurred.

#### 5. Timing & Purpose of Debt

- a) The Town of Lockeport will not incur additional long-term debt except when the capital project:
  - i. maintains current service levels affecting public health, safety or welfare;
  - ii. is a legal or regulatory requirement;
  - iii. is no net cost to the municipality;
  - iv. alleviates an emergency service disruption, and;
  - v. when the implication of deferring the project is more expensive than the project itself.

**Application**

- 6. This policy applies to all long-term capital borrowing of the Town of Lockeport.

<u>Town Clerk/Treasurer's Annotation For Official Policy Book</u>	
Date of Passage of Current Policy: <u>June 11, 2018</u>	
I certify that this Policy was adopted by Council as indicated above.	
_____	<u>June 11, 2018</u>
Town Clerk/Treasurer	Date