



# POLICY

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<b>POLICY NO:</b>	350	<b>APPROVAL DATE:</b>	September 6, 2011
<b>TITLE:</b>	Fiscal Sustainability Model - Long Term Debt Management	<b>REVISION DATE:</b>	September 7, 2021
<b>SECTION:</b>	Finance	<b>PAGE 1 OF 3</b>	
<b>DEPARTMENT:</b>	Financial Services		

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## POLICY STATEMENT

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The City of Grande Prairie (“City”) is committed to ensuring the long term financial sustainability of the municipality through robust long term borrowing practices.

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## REASON FOR POLICY

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This Policy is established to regulate the borrowing of long term debt by the City.

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## RELATED INFORMATION

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Long term borrowing is a strategic funding source for major capital infrastructure projects as it allows for the tax implications of borrowing to be spread over the period of time that residents benefit from the underlying asset.

Prudent borrowing practices ensure the minimization of total borrowing costs, matching of debt servicing costs with the benefit of the underlying asset, and financial flexibility for future borrowings.

The City may borrow by debenture, mortgage or other acceptable debt instrument as a funding source for a capital project if the value of the capital project exceeds 1.5% of the City’s debt limit, as calculated in the most recent Audited Financial Statements. The City’s debt limit is calculated in accordance with Alberta Regulation 255/2000.

The City may borrow by debenture or other debt instrument 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 City may borrow by debenture or other debt instrument any amount necessary to finance a Clean Energy Improvement Tax, in accordance with Division 6.1 of the Municipal Government Act. In accordance with Section 252(2) of the Municipal Government Act, borrowings for Clean Energy Improvements do not count against the debt limit or debt service limit of the City.

The maximum repayment term will be the lesser of:

1. the useful life of the resulting asset, as outlined in [Procedure 351•3](#) Capital Asset Estimated Useful Lives, up to a maximum of thirty (30) years;
2. thirty (30) years for New Facility Construction, Facility Acquisition, or Major Facility Renovations;
3. twenty (20) years for Major Infrastructure Upgrade Projects; or
4. ten (10) years for Road Rehabilitation Treatments.

The maximum total amount of debt held by the City will not exceed **80%** of the maximum debt limit, as defined in Alberta Regulation 255/2000, and outlined in the most recent Audited Financial Statements of the City.

The maximum total amount of annual debt servicing charges, as defined in Alberta Regulation 255/2000, will not exceed **15%** of Net Municipal Property Taxes and Grants in Place as calculated in Schedule 9K of the most recent Financial Information Return of the City.

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## **DEFINITIONS**

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

**Debt Servicing Limit** - means it's set at a level of 0.25 times annual municipal revenues as defined in Alberta Regulation 255/2000 as total revenues excluding transfers from provincial and federal governments and contributed tangible capital assets.

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

**Road Rehabilitation Treatments** - means capital projects that scope fall within one (1) of three (3) types of road work:

1. **Road Reconstruction:** involves removing the existing road structure and replacing it with a new one.
2. **Road Overlay:** includes removing and replacing the existing asphalt pavement.
3. **Full-Depth Reclamation:** includes breaking apart the existing road pavement, recycling some materials, and mixing them into the road's lower levels and base structure. Cement and foamed asphalt are mixed into the structure and compacted. Then a new asphalt pavement structure is laid on top.

**Major Facility Renovation** - means it's classified as a major facility renovation, the costs must meet the definition of a betterment as outlined in [Procedure 351•1](#) - Managing Tangible Capital Assets.

**Major Infrastructure Upgrade** - means capital initiatives that consist of the following project elements:

1. Underground infrastructure improvements include sanitary, storm and water facilities; and
2. Above-ground improvements including roadways, intersections, curbs and gutters, sidewalks, etc.

**Total Debt Limit** - means it's set at a level 1.5 times annual municipal revenues as defined in Alberta Regulation 255/2000 as total revenues excluding transfers from provincial and federal governments and contributed tangible capital assets.

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## **RESPONSIBILITIES**

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City Council will review and approve any revisions to this Policy.

City Manager will review and approve any procedures related to this Policy.

City Administration will carry out the policy based on established procedures.