

DATE OF MEETING | March 11, 2019 |

AUTHORED BY | LAURA MERCER, ACTING DIRECTOR, FINANCIAL SERVICES |

SUBJECT | **DRAFT DEBT MANAGEMENT POLICY** |

## **OVERVIEW**

### **Purpose of Report**

To provide Council with an understanding of the use of debt by the City of Nanaimo and an introduction to the draft Debt Policy.

### **Recommendation**

That the Draft Debt Policy report dated 2019-MAR-11 be received for information.

## **DISCUSSION**

Debt is one option available to Council for funding capital improvements. This report and the accompanying presentation is intended to help Council understand how debt fits into the City of Nanaimo's long term financial plans and the legislative and practical framework around borrowing.

Municipalities may utilize debt in compliance with the *Community Charter*. Borrowing may be short-term (five years or less) or long-term (usually 20 years) and is subject to a debt servicing limit where total borrowing cannot exceed 25% of controllable annual revenues. Debt can only be incurred for capital investment.

The Municipal Finance Authority of BC provides long-term, short-term and equipment financing to local governments in BC. The long-term borrowing process is facilitated through the Regional District of Nanaimo and must have Council's approval through adoption of a Loan Authorization Bylaw, approval from the Inspector of Municipalities and electoral approval. The City of Nanaimo has used long term borrowing to fund some new facilities, such as the Port of Nanaimo Centre, the Nanaimo Aquatic Centre, Fire Station #4 and the Water Treatment Plant.

The short-term borrowing process must have Council's approval through a resolution or bylaw. The City has used short term debt to implement automated solid- waste collection.

Municipalities may also use internal borrowing in compliance with the *Community Charter*. Borrowing from one Statutory Reserve to another Statutory Reserve is allowed as long as the lending reserve is able to fulfill its purpose. The 2019 – 2023 Financial Plan includes this borrowing.

The presentation provides some information on the amount the City's current debt and the proposed borrowing in the 2019 – 2023 Financial Plan.

The draft Debt Management Policy is attached to this report. The policy sets out basic objectives and principles of borrowing and provides some guidance for Staff in making future recommendations to Council.

A presentation for information will follow the introduction of the report. Staff are not seeking direction at this time.

### **SUMMARY POINTS**

- The City of Nanaimo may borrow money in compliance with the *Community Charter*.
- Long-term borrowing (more than 5 years) requires elector approval.
- The City has existing debt and more is included in the 2019 – 2023 Financial Plan.
- A draft Debt Policy is included with this report.

### **ATTACHMENTS**

Appendix A: Draft Debt Management Policy

**Submitted by:**

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