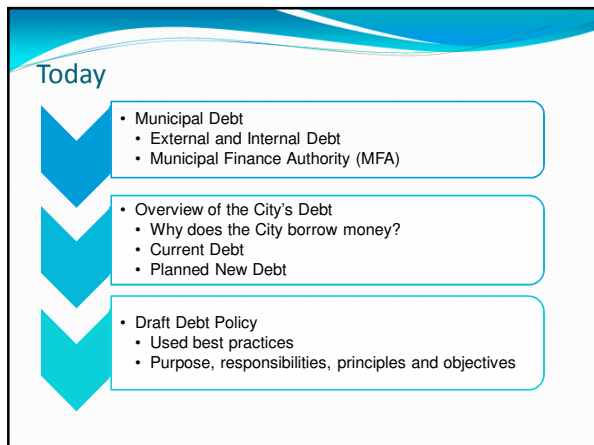




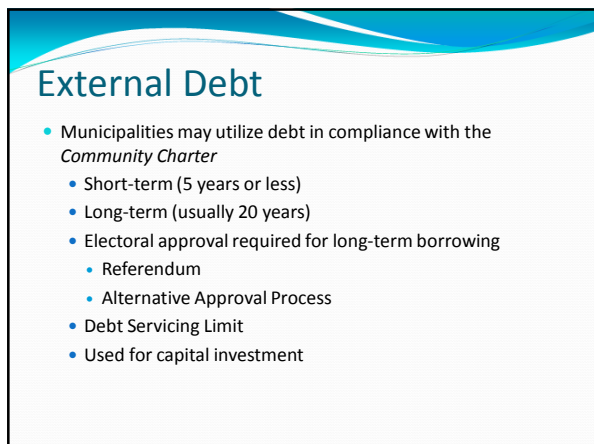
Draft Debt Policy

March 11, 2019



Today

- Municipal Debt
 - External and Internal Debt
 - Municipal Finance Authority (MFA)
- Overview of the City's Debt
 - Why does the City borrow money?
 - Current Debt
 - Planned New Debt
- Draft Debt Policy
 - Used best practices
 - Purpose, responsibilities, principles and objectives



External Debt

- Municipalities may utilize debt in compliance with the *Community Charter*
 - Short-term (5 years or less)
 - Long-term (usually 20 years)
 - Electoral approval required for long-term borrowing
 - Referendum
 - Alternative Approval Process
 - Debt Servicing Limit
 - Used for capital investment

Internal Debt

- Municipalities may utilize internal borrowing under specific conditions in compliance with the *Community Charter*, Section 189
 - May borrow from one Statutory Reserve to another Statutory Reserve
 - Allows the municipality to meet short-term funding needs as long as lending reserve can fulfill its purpose
 - Must be repaid with interest

Municipal Finance Authority of BC

- Provides long-term, short-term and equipment financing to local governments in BC
- Long-term borrowing process:
 - Facilitated through the RDN
 - City follows specific steps which include Council's approval and adoption of a Loan Authorization Bylaw, approval from the Inspector of Municipalities and Electoral Approval
- Short-term and equipment borrowing process:
 - Council resolution and/or bylaw

Overview of the City's Debt

Why does the City borrow money?

Reserves or other funding sources not adequate for total cost of capital investment

- External long-term Debt has primarily been used for new facilities
 - Port of Nanaimo Centre
 - Nanaimo Aquatic Centre
 - Fire Station #4
 - Water Treatment Plant

Why does the City borrow money?

Debt has also been used to implement service delivery changes.

The City has utilized external short-term Debt to implement automated solid-waste collection:

- Purchase of carts
- Purchase of automated collection trucks

Why does the City borrow money?

Under specific circumstances, where statutory reserves are not adequate for needed capital investment the City utilizes internal borrowing.

- The 2019 – 2023 Financial Plan includes:
 - Borrowing from the Drainage DCC Reserve to the Sewer DCC Reserve
 - Repayment of borrowing with appropriate interest

Current Borrowing - \$ million

Asset	Amount Borrowed	Outstanding at Dec 31 2018	Year Borrowing Repaid
Fire Station #1	\$3.2	\$3.2	2038
Fire Station #4	\$3.8	\$2.1	2027
NAC	\$8.6	\$1.3	2020
Sanitation	\$5.7	\$5.2	2022
VICC	\$30.0	\$15.6	2027
Water Treatment Plant	\$22.5	\$18.8	2034
Total	\$69.6	\$46.2	

Provisional 2019 – 2023 Financial Plan New Borrowing - \$ million

excludes proposed borrowing for Port Theatre

	2019	2020	2021	2022	2023	Total
External Borrowing (MFA)						
Fire Station #1	\$ 6.0	\$ 7.2	\$ 0.2			\$13.4
Waterfront Walkway	\$ 5.2	\$ 3.4	\$ 8.3	\$ 8.5	\$ 3.7	\$29.1
Sanitation (5 Year Term)	\$ 0.4			\$ 0.5		\$ 0.9
Total External Borrowing	\$11.6	\$10.6	\$8.5	\$9.0	\$3.7	\$43.4
Internal Borrowing						
Sewer DCC Projects	5.3	\$ 1.7	\$ 0.9	\$ 2.0	\$ 2.8	\$ 12.7
Total Borrowing	\$16.9	\$12.3	\$ 9.4	\$11.0	\$ 6.5	\$56.1

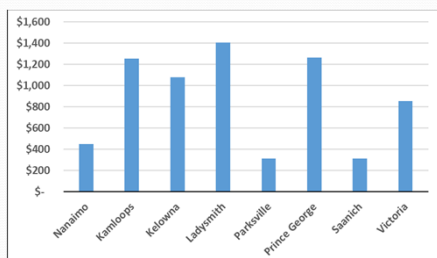
Debt Servicing Limit

- The Liability Servicing Limit is defined as 25% of municipality's controllable and sustainable revenues for the year
- City of Nanaimo limit at September 10th is \$40.1 million for annual principle and interest payments
- At September 10th the City was at 14.3% of current limit

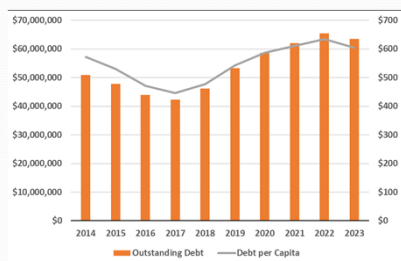
Municipal Comparison % of Debt Servicing Limit Utilized

	Debt Servicing Cost % of limit				
	2013	2014	2015	2016	2017
Kamloops	30.5%	28.4%	29.5%	28.4%	29.0%
Kelowna	38.1%	34.7%	27.2%	34.9%	34.6%
Ladysmith	17.1%	16.7%	16.5%	20.1%	44.8%
Nanaimo	9.9%	12.7%	13.1%	14.8%	11.1%
Parksville	9.7%	9.6%	9.4%	8.7%	8.1%
Prince George	43.5%	38.6%	37.3%	43.5%	32.2%
Saanich	8.0%	8.7%	7.4%	6.6%	7.6%
Victoria	11.1%	10.9%	11.2%	9.4%	9.3%

Municipal Comparison Debt per Capita



City of Nanaimo Debt Outstanding and Debt per Capita



Draft Debt Policy

Purpose

The purpose of the Debt Policy is to:

- Establish responsible governance for the City's Debt Management
- Establish roles and responsibilities
- Define principles and objectives for Debt Management
- Ensure the City's Debt Management is compliant with statutory and legal requirements and in accordance with Canadian public sector accounting standards

Principle Statements and Objectives

The City's Debt Management will follow these principles:

- Affordability
- Debt Management and Decision Making
- Transparency and Accountability
- Debt Approval
- Statutory and Legal Requirements
- Accounting Standards

Debt Policy - Administration

- Key Administrative Processes:
 - Business Cases
 - Proposed investment requires external debt financing
 - Utilize best practices
 - Robust analysis, recommendation and decision criteria
 - Internal Borrowing
 - Prudent repayment plan
 - Reporting

Debt Limit Discussion

- Draft Debt Policy debt limit would comply with Community Charter – limit is 25% of controllable annual revenues
- Council may wish to consider a lower debt limit and direct staff to provide additional information on options and impacts

Next Steps

Next Steps

- Staff to review and provide information on a recommended debt servicing limit
- Review by external auditors
- Finalize Debt Policy
- Council adoption of Debt Policy