



Comprehensive Debt Policy

Purpose

The purpose of this comprehensive debt policy is to set the parameters for issuing new debt and managing the existing debt portfolio of the Town of Mahone Bay.

Policy Statements

Special Reserve Fund - Capital Section

The Town of Mahone Bay will pay all principal payments on outstanding debt from its special reserve fund - capital section. In accordance with the *Municipal Affairs Act*, no interest payments will be made from the special reserve fund - capital section.

Revenue contributions to the special reserve fund - capital section will be maintained at an annual amount sufficient to prevent the fund from falling below zero (\$0) in the current or future fiscal years.

Revenues from the Town's sewer and garbage by-laws, interest earnings from the special reserve fund - capital section, and a portion of the dividend paid to the Town by its electric utility will be used to pay the full interest charged on the Town's outstanding short and long-term debt. The balance of these funds, once all interest payments have been made, will be transferred to the special reserve fund - capital section. If revenues from these sources are inadequate to meet the Town's annual interest payments, the required balance will be paid out of general revenues.

The Town will transfer the full value of the unconditional capital grant from the Province of Nova Scotia, and any other funds transferred to the Town for the purpose of debt service cost sharing, to the special reserve fund - capital section.

Borrowing Limits

The Town will not borrow money if said borrowing will cause the balance of the special reserve fund - capital section to fall below zero in the current or future fiscal years.

The Town will not borrow money if said borrowing will cause the required revenue contribution to the special reserve fund - capital section to exceed 20 per cent of own-source revenue after fiscal year 1997/98.

Recognizing that funds borrowed in one year result in significant principal and

interest charges in future years, the Town will endeavour to limit future borrowing such that the required revenue contribution to the special reserve fund - capital section is less than 15 per cent of own-source revenue.

Short-Term Debt

All short-term debt should be retired or financed long-term within one year, and shall be retired or financed long-term within two years of completion of the project for which it was incurred.

Debt Term and Structure

Debentures of the Town will not be amortized over a period longer than the useful life of the project for which they were incurred and will not be amortized over a period exceeding twenty (20) years. The preferred amortization period for all debentures of the Town is ten (10) years or less.

Straight serial debentures with equal annual principal payments are preferred by the Town.

Pay-As-You-Go

The Town recognizes the financial benefit in funding capital projects out of general revenue as opposed to long-term debt. The Town will endeavour to pay a portion of the cost of any capital project from general revenues or reserves.

Operating and Maintenance Requirements

Design and planning for all future capital projects will include a projection of ongoing operating and maintenance requirements. Other than in exceptional circumstances, the maintenance of existing capital assets will take priority over the acquisition of new ones.

Long-Term Projections

The Town Clerk will include with the annual operating and capital budgets in each fiscal year, a projection of current and proposed debt service charges, contributions to the special reserve fund - capital section, the balance of the special reserve fund - capital section, and the ratio of contributions to the special reserve fund - capital section to own-source revenues. The last year of this projection will correspond with the last maturity date for outstanding debentures of the Town.

The above-described projection will be submitted to the Minister of Housing and Municipal Affairs with the Town's capital budget in each fiscal year.'

Amendments

All changes to this policy must be approved by the Minister of Housing and Municipal Affairs prior to taking effect.

This comprehensive debt policy has been approved by Council on the 12 day of November 1997.



Mayor (Signature)



Clerk/Treasurer (Signature)

This comprehensive debt policy has been approved by the Minister of Housing and Municipal Affairs on the ___ day of _____, 19____.

Minister (Signature)