

	Policy:	Debt Management Policy
	No.:	FIN-12
	Effective Date:	9 September 2025
	By-Law No.:	2025-1991
	Review Date:	(4 years from effective date)

1.0 POLICY STATEMENT

This policy sets out the strategy, methods, goals and controls for the management of debt requirements and commitments while ensuring compliance with the Municipal Act, 2001, as amended, and its related regulations.

This policy provides a framework and guidelines for minimizing debt servicing costs and significant budget impacts.

This policy ensures that repayments of debt are structured in such a manner that is fair and equitable to those who pay and benefit from the underlying assets over time. The servicing of long-term debt must be both affordable and sustainable, while allowing flexibility to respond to emerging needs in order to support corporate priorities and approved strategic plans.

2.0 SCOPE

This policy applies to the issuance of all debt and the resulting repayment terms, including capital lease financing agreements entered into by the Township or any Boards consolidated as part of the Township's annual financial statements.

3.0 DEFINITIONS

In this policy:

Act shall mean the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended.

Annual Repayment Limit (ARL) shall mean the maximum amount of annual debt servicing costs that the Township can undertake or guarantee without seeking approval of the Ontario Municipal Board. The ARL is generally 25% of own-source revenues less existing debt servicing costs.

CAO shall mean the Chief Administrative Officer of the Township.

Council shall mean the duly elected Council members of the Township.

Debt shall mean any obligation for the payment of money. The Township considers debt to consist of debentures, loans from financial institutions, capital leases, debenture financing approved by by-law but for which debt has yet to be issued, debenture financing through the capital budget but for which no by-law has yet to be established, outstanding financial commitments, loan guarantees, and any debt issued by or on behalf of the Township,

including mortgages, debentures and demand loans.

Debt Servicing Costs shall mean principal and interest paid on debt.

Lease financing arrangements shall mean a financial agreement in accordance with Ontario Regulation 653/05, Debt Related Financial Instruments and Financial Agreements, that the Township may enter into for the purpose of obtaining long-term financing of a capital undertaking of the Township.

Long-Term Debt shall mean any debt for which the repayment term of any portion of the principal extends beyond one year.

Own Source Revenues shall mean the total Township consolidated revenues, less grants from other levels of government, less revenues from other municipalities, less gains or losses on the disposal of assets, less development charges (if applicable). These revenues also do not include donations of tangible capital assets.

Reeve or Deputy Reeve shall mean the Head or Deputy Head of Council.

Tax Supported Debt shall mean debt that is to be recovered from general tax revenues.

Temporary Borrowing shall mean debt for which the repayment of the entire principal is due within one year or in the case of funding for capital projects, borrowing until long-term debt to cover the costs is obtained or issued.

Township shall mean The Corporation of the Township of Lanark Highlands.

Treasurer shall mean the Treasurer of the Township.

User-Supported Debt shall mean debt that is to be recovered from user-fee revenues (waste, building department, etc.).

4.0 ROLES AND RESPONSIBILITIES

- 4.1 The Treasurer shall provide financing options to Council for consideration after researching the lowest possible rates and terms.
- 4.2 The Treasurer shall ensure compliance with this policy.
- 4.3 Council shall approve all temporary borrowing and long-term debt or financing by-laws.
- 4.4 Council in conjunction with the Treasurer shall review the Township's outstanding debt as part of the annual budget process.
- 4.5 The Treasurer or CAO and Reeve or Deputy Reeve shall be authorized to enter into any financing agreements on behalf of the Township.

5.0 SPECIFIC DIRECTIVES

- 5.1 The Township shall only enter into long-term debt, including lease financing agreements, under the following conditions:
- a) Long-term debt shall only be issued for the acquisition of tangible capital assets and shall not be used to finance operating costs.
 - b) Long-term debt shall be managed in a manner consistent with other long-term planning, financial and management objectives, with consideration given to the impact on future taxpayers and on financial risk.
 - c) The timing, type and term of long-term debt shall be determined with a view to minimizing the long-term servicing costs to the greatest extent possible.
 - d) The term of long-term debt shall not exceed the useful life of the particular asset, unless otherwise directed by Council.
- 5.2 The Township's annual debt servicing costs shall not exceed 15% of the Township's own source revenues in order to maintain up to 10% flexibility to address emergency issues.
- 5.3 Temporary borrowing per Section 405 of the Act is permitted to be used to meet cash flow requirements during the construction of infrastructure. Temporary borrowing shall be no greater than 3 years and long-term debt shall be secured as soon as possible after the completion of a project or 3 years, whichever is less to replace the temporary borrowing. All temporary borrowing servicing costs shall form part of the costs of the project and the long-term debt requirements.
- 5.4 Temporary borrowing for operational purposes by Section 407 of the Act is permitted to meet current obligations of the Township until taxes or other revenues are collected. Any temporary borrowing of this nature shall be repaid as soon as the Treasurer has determined adequate cash balances are available to do so.
- 5.5 Following the total principal repayment of long-term debt, the amounts included in the annual budget for debt servicing costs shall not be removed but reallocated towards the servicing costs of new long-term debt or allocated to capital reserves to support future capital replacements or major maintenance.
- 5.6 All debt shall be in Canadian Dollars.

6.0 REFERENCE DOCUMENTS

[Municipal Act, 2001, S.O. 2001, c. 25](#)

[Ontario Regulation 247/01-Variable Interest Rate Debentures and Foreign Currency Borrowing](#)

[Ontario Regulation 276/02-Bank Loans](#)

[Ontario Regulation 278/02-Construction Financing](#)

[Ontario Regulation 403/02-Debt Financial Obligation Limits](#)

[Ontario Regulation 653-05-Debt Related Financial Instruments and Financial Agreements](#)