



DRUMHELLER

COUNCIL POLICY



COUNCIL POLICY # C-02-04

DEBT MANAGEMENT

POLICY STATEMENT:

The Town of Drumheller will annually review and modify, if considered necessary, a Long-Term Capital Financing Strategy. Such a Strategy will include such things as the acquisition of debt, the orderly repayment of debt, “pay as you go” philosophy, and other alternatives for capital project funding other than debt, while achieving financial stability for the Municipality’s annual operating requirements.

PROCEDURE:

The Council should, as part of its annual Strategy review, establish a maximum debt and debt service limit that is lower than the debt and debt-servicing limit established under the Municipal Government Act. This lower level should evaluate the overall financial situation of the municipality and the strategic plans that are in place. Possible limits are:

- Total debt will not exceed 60% of the debt limit established in the Municipal Government Act and regulations
- Total debt service costs will not exceed 60% of the debt service limit established in the Municipal Government Act and regulations
- Debt service costs for tax-supported debt will not exceed 20% of the taxes available for municipal purposes

The Municipality will maximize the use of alternative sources of funding such as grants, donations, user fees or reserves, for capital projects to minimize the requirement for debt.

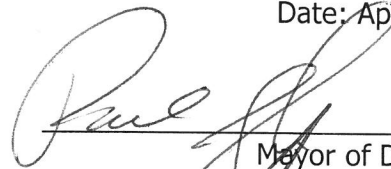
Utility operations will operate as enterprise functions (financially self-sustaining) and all debt incurred for the utility functions will be repaid from utility rates.

The repayment term of the debt should try and match the expected life of the asset acquired; however, in no case will the maximum amortization period exceed the expected life of the asset. The maximum amortization period of the debt will not exceed thirty years unless authorized by the Council. The Corporate Services Director may recommend, to the CAO, a repayment term shorter than the expected life of the asset if it is financially advantageous to the Municipality.

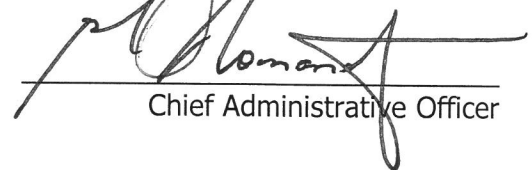
The Corporate Services Director will set budget guidelines for the amount of debt and debt service costs that will be allowed in each year's financial plan.

Adopted by Council

Date: April 5, 2004



Mayor of Drumheller



Chief Administrative Officer