



Debt Management

Authority: Council

Effective Date: June 22, 2026

Date Approved by Council: June 22, 2026

Resolution No.: 104/06/26/SP

Future Review Date: 2030

Responsibility: Financial Services

References: *Municipal Government Act*, Debt Limit Regulation, Accumulated Surplus - Restricted (Reserves) C-FS-027, Corporate & Long Term Planning C-FS-019

Replaces: Debt Management C-FS-045 (2020)

1.0 Purpose: The purpose of this policy is to establish financial guidelines and appropriate controls for the issuance and use of new debt and borrowing capacity for future capital assets. To limit the impact that Debt Servicing will have on future tax and utility rates to ensure a sustainable financial position while supporting the Town's ability to meet current and future infrastructure challenges. This policy further establishes measurable limits, affordability thresholds, and reporting requirements to ensure prudent long-term financial management and alignment with the Town's long-range financial and capital plans.

2.0 Scope: This policy covers acquiring debt, repaying debt, and borrowing for all facets of the Town's operation.

3.0 Definitions:

- 3.1 **Affordable** – means ability to pay for Debt Servicing costs and life cycle expenditures for the underlying asset. The overall measure of Affordable debt is the burden of Debt Servicing costs and life cycle expenditures relative to Town revenues.
- 3.2 **Debt Servicing** – means the required annual debt repayments on account of principal and interest.
- 3.3 **Developer Supported Capital** – means projects within the offsite levy model requiring debenture that will be funded through offsite levy collected by developers.
- 3.4 **Flexibility** – means the ability of the Town to issue new debt in response to emerging financing needs
- 3.5 **Intergenerational Equity** – means the fair and equitable distribution of long term capital project costs across the generations that benefit from the underlying assets.
- 3.6 **MGA** – means *Municipal Government Act*, RSA 2000, c. M-26, and amendments thereto.

- 3.7 **Revenue** – means total revenue of the Town excluding government transfers for the purpose of capital and amount reported as contributed or donated tangible capital assets. Revenue shall be based on the financial statements for the fiscal year immediately preceding the date of calculation.
- 3.8 **Sustainable** – means meeting present needs without compromising the ability to meet future needs.
- 3.9 **Tax Supported Capital**– means civic programs and services offered to the community, including but not limited to, fire and protective services, roads, parks, and transit.
- 3.10 **Town** – means the municipality of the Town of Stony Plain
- 3.11 **Utilities Supported Capital** – means water distribution, wastewater collection, stormwater collection and solid waste/recycling/organic services with these specific services provided on a user pay basis, ensuring that users pay the full cost of utility services.

4.0 Statement:

- 4.1 Debt is an ongoing component of the Town's capital financing structure and is integrated into the Town's long term plans and strategies.
- 4.2 Debt must be Affordable and Sustainable. The Town must maintain Flexibility to issue Debt in response to emerging financing needs.
- 4.3 Debt must be structured in a way that is fair and equitable to those who pay and benefit from the underlying assets over time.
- 4.4 Debt decisions must contribute to a Sustainable and vibrant Town by balancing quality of life and financial considerations.
- 4.5 The issuance of new debt must be approved by Council through authorized borrowing bylaw.
- 4.6 Debt must be managed, monitored, and reported upon through Financial Services.

5.0 Standards:

5.1 Use of Debt

- 5.1.1 The Town of Stony Plain will only incur and carry long-term debt to support capital expenditures for which a business case has been prepared and pursuant to an approved capital budget.
- 5.1.2 The Town will not incur long term debt for operating purposes.
- 5.1.3 Long-term debt shall be borrowed after full consideration of alternative capital funding strategies and will typically only be considered when all other funding sources have been exhausted.
- 5.1.4 The use of debt shall be utilized in the context of the Town's long term fiscal

sustainability framework.

- 5.1.5 The Town may incur short term debt to bridge short term cash flow requirements or for smaller capital projects.
- a. For short term funds, internal borrowing will be used prior to external borrowing sources.
 - b. External short term borrowing may include a bank line of credit or debenture maturing in less than five years.

5.2 Responsibilities

- 5.2.1 Council is responsible for the approval of borrowing bylaws to authorize short and long-term debt.
- 5.2.2 The Chief Administrative Officer, or delegate, is responsible for:
- a. Completing a needs analysis and a financial feasibility analysis on each identified project prior to any proposed borrowing.
 - b. Preparation of borrowing by-laws and managing any advertising requirements as stipulated in the MGA.
 - c. Communicating to Council any tax and/or utility rate impacts and impact on debt limits.

5.3 External limits

Total debt outstanding shall not exceed the Province of Alberta Debt Limit Regulation as determined by the Province of Alberta. The current regulation provides that a municipality's total debt outstanding cannot exceed 1.5 times the revenue (as defined by the MGA) of the municipality.

Total annual debt service payments shall not exceed those indicated in the Province of Alberta Debt Limit Regulation determined by the Province of Alberta. The regulation provides that a municipality's total annual debt servicing payments cannot exceed 0.25 (25%) times the revenue (as defined by the MGA) of the municipality.

5.4 Internal limits

- 5.4.1 The Town shall maintain internal debt limits below the maximum allowable under the Alberta Debt Limit Regulation.
- 5.4.2 The ceiling for borrowing purposes and the target for debt reduction shall be 80% of the provincially regulated debt limit and 80% of the provincially regulated debt service limit.
- 5.4.3 While Council may at any time at its discretion approve debt beyond the 80% internal limits prescribed within this policy, these internal limits have been established for the following purposes:

- a. to direct Administration and set targets for the development of operating and capital budgets not to exceed the internal limits;
- b. to serve as an early warning signal that debt is becoming a burden on the Town and appropriate steps should be taken to manage the short, medium, and long-term implications,
- c. to achieve the Town's objective of sustaining a financially viable municipality; and
- d. to account for consolidated revenue from other sources that do not service debt on the financial statements.

5.5 Repayment

5.5.1 The repayment term in respect of long term debt shall not exceed the useful life of the capital project being financed.

5.5.2 When establishing debt terms, consideration shall be given to the following factors:

- a. cost minimization;
- b. availability of debt servicing funding;
- c. Intergenerational Equity;
- d. capital life cycle implications;
- e. long term financial sustainability; and
- f. financial flexibility.

5.5.3 The repayment term shall not exceed 20 years unless there are compelling factors which make it necessary to extend the term beyond that point. By financing over the shortest term possible, lower interest rates and reduced future costs of financing result. This also allows for a debt-free period for the capital asset useful life in which other financial policies such as contributions to reserves can be initiated.

5.5.4 New debt service costs will be funded by sustainable revenue.

5.5.5 The Town will take advantage of opportunities to retire outstanding debt early if it appears to be financially beneficial to do so and with consideration of the need for funding of future projects. High interest, municipal tax supported debt will be given priority consideration for debt prepayment.

5.6 Internal borrowing

When the Town's reserve position allows, and based on cash flow analysis, the Town may internally borrow from its reserve funds to provide for the financing of capital projects. Reserves will be repaid with interest (generally over a period of five years or less), with the interest rate equivalent to the average rate of return the Town receives on the Town's investments. This interest rate is intended to offset the investment interest not earned by the Town on funds utilized to interim finance capital projects.

5.7 Debt Categories

To support long term debt planning, management and reporting, long term debt is categorized into two groups based on the nature of the capital expenditure and funding source for debt servicing as follows:

- a. Tax Supported Capital debt - issued for capital expenditures related to Tax Supported

Operations; debt servicing payments shall be repaid using tax supported revenues such as property taxes, non-utility user fees, fines, licenses, permits and investment income.

- b. Utility Supported debt - issued for capital expenditures related to Utilities Operations; debt servicing payments shall be repaid using utility user rates.
- c. Developer Supported debt – issued for capital expenditures that are related to new development such as arterial roads or utility infrastructure; debt will be repaid, including interest, from current and future developer levies.
- d. Debt on behalf of other organizations – issued to support other organizations repaid through agreed contract.

6.0 Debt on behalf of other organizations

Debt may be issued by the Town for the benefit of other organizations. Organizations are limited to regional service organizations, intermunicipal partnerships, and municipally controlled boards or authorities. The Town will limit debt issued on behalf of other organizations to a prudent portion of the Town's debt capacity.

- a. Debt will be issued where there is clear municipal and regional benefit and Council approval is obtained.
- b. All such debt shall be included in the Town's total debt and servicing calculations and be evaluated against the Town's debt limits.
- c. A formal agreement must be in place that clearly assigns responsibility, payment terms and timing, and consequences for non-payment.
- d. The Town shall assess the financial capacity of the organization, the likelihood of repayment and the potential impact on the Town if the organization defaults.

7.0 Reporting

The Chief Administrative Officer or designate shall report to Council regarding the Town's compliance with this policy. Reporting on the Town's outstanding debt, debt servicing, debt limits, and long term projections shall be provided through the means of the annual corporate planning process, financial statements, or quarterly reporting.

8.0 Policy Review

This policy will be reviewed by Administration every four years with any changes being recommended to Council for approval.