

THE CORPORATION OF THE CITY OF IQALUIT, NUNAVUT

BY-LAW No. 802

DEBT MANAGEMENT BY-LAW

A By-law of the Municipal Corporation of the City of Iqaluit in Nunavut to provide for the debt management of the Municipal Corporation of the City of Iqaluit.

PURSUANT to Part IV (Financial Affairs) at sections 135 to 156.1 of the *Cities, Towns and Villages Act*, S.Nu.2003, c. 2, the City is provided authority to formalize a debt management program which sets forth the parameters for issuing debt and managing outstanding debt and to provide guidance to decision makers regarding the timing and purposes for which debt may be issued and the types of debt and structural features that may be incorporated for the City to ensure long-term financial viability, growth, and stability within the City;

WHEREAS the City recognizes that the foundation of a well-managed debt program is a comprehensive debt plan and that the adherence to this Debt Management By-law assists to ensure that the City maintains a sound debt position and that credit quality is protected.

NOW, THEREFORE, the Council of the Municipal Corporation of the City of Iqaluit, in regular session, duly assembled, enacts as follows:

SEVERABILITY

If any provision of this by-law is declared invalid because of any word, phrase, clause, sentence, paragraph or section of this by-law or any documents which may form part of this by-law or an application thereof to any person or circumstance is declared invalid, the remaining provisions shall not be affected thereby but shall remain in force.

SECTION 1 – TITLE

This By-law may be cited as the “Debt Management By-law.”

SECTION 2 – INTERPRETATION

In this By-Law the following terms (unless the context specifically requires otherwise) shall have the following meaning:

1. “*Act*” means the *Cities, Towns and Villages Act*, S.Nu.2003, c. 2
2. “Annual Debt Servicing Cost” means the aggregate cost each year to pay principal and interest on the long-term debt.
3. “City” means the Municipal Corporation of the City of Iqaluit.

4. “Council” means Council of the City of Iqaluit.
5. “Debt Management” means the debt management program set out in this By-law.
6. “General Fund” means the accounting entity used to track resources used for all activities other than water, sewer, land sanitation, gravel, etc.
7. “Long Term Debt” means the obligation to repay funds borrowed over a period exceeding one year as defined by section 150 of the *Act*.
8. “Per/Capita Debt” means the total long-term debt divided by population estimates.
9. “Taxable Assessment” means that portion of total assessment from which tax revenue is calculated.
10. “Water and Sewer Fund” means a separate accounting entity used to track resources segregated for water and sewer activities.

SECTION 3 - PURPOSE

That Council formalize and establish financial guidelines and appropriate controls for the issuance and use of new debt and to ensure a favourable financial position while supporting the City’s ability to meet current and future infrastructure challenges.

SECTION 4 - POLICY

1. The debt capacity analysis is premised on the idea that resources, as well as needs, should drive the City’s debt issuance program and will link projected long-term financing with economic, demographic and financial resources expected to be available to pay for that debt.
2. The decision to use debt to finance capital needs should be weighed against the ability to manage debt over time to achieve the City’s goals.
3. The concept of debt capacity or affordability recognizes that the City has a finite capacity to issue debt at a given taxation or fee for service level that is significantly less than the maximums allowed under existing legislation.
4. The City’s ability to meet future debt obligations will depend on the financial and other economic resources available at that time. This analysis assumes, at a minimum a continuation of the City’s tax structure, population and assessment growth. An additional source from which the City can obtain debt capacity is through the retirement of currently outstanding debt. As the City retires debt this amount becomes available as a resource for new debt issuance without adding to the City’s existing debt position. A Change in Debt

Servicing analysis may be used to illustrate the effect of debt retirement on costs based on the Capital plan.

SECTION 5 - APPLICATION

1. This policy will apply to all long-term financial commitments proposed by the City. Debt incurred for utilities will, as a matter of policy, be compensated for by example, through the Water and Sewer rate structure.
2. The City will analyze the rationale for any additional long term borrowing in accordance with the following guidelines that fall within the debt restrictions outlined in sections 148 to 156 of the *Act*.

SECTION 6 - DEBT TERM AND STRUCTURE

1. Debt should be structured to provide for level annual debt servicing costs. Deferring payment of principal should be avoided except in select instances where it will take a period of time before project revenues are sufficient to service the debt.

SECTION 7 - PROCEDURE

1. In accordance with the *Act* and City By-laws, a Capital Plan will be developed indicating anticipated projects, their cost, and how they will be financed.
2. Once it is determined that borrowed funds would be required to finance a project, the following analyses, which include the proposed borrowing, are completed:
 - a) Five or Ten Year Debt Analysis
 - b) Statutory Borrowing Limits Analysis
 - c) Change in Debt Servicing Cost Analysis
 - d) Debt Load Statistical Analysis.
3. If it is determined that the proposed borrowed funds would:
 - a) exceed 50% of the total debt allowed under section 149 of the *Act*; or
 - b) cause the General Operating Fund per capita debt to exceed \$500; or
 - c) cause the General Operating Fund annual gross debt servicing costs to exceed 10.0% of the annual tax levy; or
 - d) cause General Operating Fund gross debt servicing costs per capita to exceed \$70; or

- e) cause Water and Sewer Fund gross debt servicing costs to exceed 20% of water sales, the project or purchase would not be included in the plan unless otherwise directed by Council.

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4. Should the guidelines be met, the project is included in the capital plan and subsequently included in the appropriate annual capital budget subject to the same review.
5. Authorization to bring forward the borrowing of the funds will be made as part of the adoption of the annual budget.
6. Timing of the borrowing and the prerequisite borrowing by-law will be determined based on optimizing cash flow projections.
7. This By-law will be reviewed annually by the Chief Administrative Officer and the Finance Department in consideration of meeting City debt management goals, the capital markets and associated market conditions, technology, and industry best practices. Any required changes shall be submitted to Council for consideration and approval.
8. This By-law should be reviewed during each term of Council to ensure its continued effectiveness.

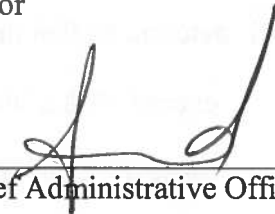
This by-law is subject to any specific provisions of the *Act*, other relevant legislation and City By-laws.

This by-law shall come into effect on its Third and Final Reading.

THIS BY-LAW READ a First Time this **24** day of **November**, 2015.



Mayor



Chief Administrative Officer

THIS BY-LAW READ a Second Time this 24 day of November, 2015.



Mayor



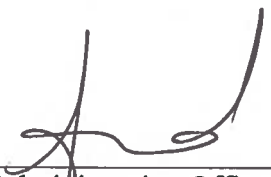
Chief Administrative Officer

THIS BY-LAW READ a Third and Final Time this 8 day of December, 2015.





Mayor



Chief Administrative Officer

