
	Debt	
	Policy Type:	Governance Process
	Number:	GP-F-2.0
	To be Reviewed:	Once per term
	Approval Date:	April 26, 2021
	Motion Number:	21.C.167
	Revised Date(s):	

Policy Statement:

The Town of Okotoks believes that well planned and prudently managed debt, in concert with pay-as-you-go financing to replenish, renew, and expand the Town's infrastructure constitutes sound financial management practice.

1. The Government of Alberta, under the *Municipal Government Act*, controls the level of debt of municipalities through the *Debt Limit Regulation*. This regulation states that the maximum level of debt for a municipality is 1.5 times the revenue of the municipality.
2. Council of the Town of Okotoks further restricts the maximum total debt level of the municipality to 1.125 times the annual revenue of the Town for the preceding year.
3. Except for a short term borrowing (six (6) months or less) to bridge operating expenses with forthcoming revenue, debt may only be incurred for the purpose of financing capital property of projects.
4. Debt funding for essential capital equipment, property and/or projects may not exceed 100% of the value of the equipment, property, and/or project. Essential capital includes Utilities, Transportation, Protective Services, and Corporate Governance (Financial, Administrative, Personnel, and Management interests and activities).
5. Debt funding for discretionary capital equipment, property, and/or projects may not exceed 50% of the value of the equipment, property, and/or project. Discretionary capital includes Recreation, Parks/Open Spaces, Culture, and Community Services and all other non-essential interests and activities.
6. The repayment of all loans shall be completed within the anticipated life of the capital asset or within 25 years of making the loan, whichever is least. Each debt application will identify the method of repayment, subject to the above-noted standards:
 - 6.1. User-Fees – Repayment through 100% user-fees through a dedicated cash flow from a Business Centre's revenue budget;
 - 6.2. Combined User-Fees and Tax Rate Support – Repayment will involve a cash flow from a Business Centre's revenue and tax support budget. The percentage of debt repayment from user-fees and tax rate support will be as represented in each annually approved operating budget;

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6.3. Tax Rate Support – Repayment through 100% Tax Rate involves a cash flow from a Business Centre’s approved tax support budget.

7. Definitions

7.1. Revenue

7.1.1. Revenue includes the total revenue reported in the last audited annual financial statement of the municipality. This amount does not include the following:

- 7.1.1.1. Transfers from the Governments of Alberta and Canada for the purposes of a capital property; and
- 7.1.1.2. Amounts reported as contributed or donated tangible capital assets.

7.2. Total Debt

7.2.1. Total debt includes the total principle outstanding at the calculation time on borrowings made by the municipality plus the loan amount that has been guaranteed by the municipality.

7.3 Capital Property

7.3.1 Capital Property is any property that can create capital gains or losses when you dispose of it. This includes depreciable property used to earn income and the eligible capital property. Common examples include land, buildings, eligible properties, vehicles and equipment.