



TOWN OF SHELBURNE

Debt Management Policy

1. Introduction

Municipalities in Nova Scotia are restricted from running operating deficits. However, they may incur debt for capital purposes provided they have statutory authority.

The Town of Shelburne recognizes that the foundation of any well-managed debt program is a comprehensive Debt Management Policy. This document provides guidelines for the Town to manage its debt program within available resources in three sections: Incurring Debt, Managing Outstanding Debt, and the Timing and Purpose of Debt.

2. Purpose

The purpose of the Debt Management Policy is to:

- a) Ensure adherence to statutory requirements.
- b) Enhance long-term financial flexibility and sustainability.
- c) Minimize the long-term cost of borrowing.
- d) Ensure the term of capital financing is no longer than the useful life of the related asset.
- e) Ensure consistency and continuity in long-term debt decision making.

3. Policy Principles

3.1 Incurring Debt

The Town of Shelburne has many competing spending priorities for revenues collected each year. The Town's capacity to incur debt is directly related to its ability to service the payments required on the debt. These include both annual interest and principal payments. Furthermore, the Town's ability to service the payment required is directly linked to the ability of the Town to raise sufficient funds from either taxes or fees.

The Town incurs debt for two main purposes related to capital expenditures: tax-supported debt which is for capital projects that will be serviced from the tax-supported operating budget and self-supported debt which is for capital projects that will be serviced from revenue generating capital projects.

This policy shall be reviewed every three (3) years.

Before changes to this policy can be made a full review of the Town of Shelburne's finances must be presented to Council.

3.2 Managing Outstanding Debt

The Town's long-term debt is owed to the Municipal Finance Corporation (MFC). When MFC issues debentures to the Department of Finance or capital markets, the Corporation is locked

into the same maturity schedule, including principal and interest payments, as the assets it holds from clients. As a result, MFC does not allow for the early redemption of debentures.

The Town of Shelburne will continue to service its outstanding debt according to the schedules agreed upon with the MFC at the time the debt was incurred.

3.3 Timing & Purpose of Debt

The Town of Shelburne will not incur additional long-term debt except when the capital project:

- Maintains current service levels affecting public health, safety or welfare.
- Is a legal or regulatory requirement.
- Is no net cost to the Town of Shelburne
- Alleviates an emergency service disruption, and;
- When the implication of deferring the project is more expensive than the project itself.

4. **Application**

This policy applies to all long-term capital borrowing of the Town of Shelburne.

Passed by Town Council: December 2nd, 2019