POLICY 25-27	DEBT MANAGEMENT	
DATE OF ADOPTION:	December 16, 2025	**MOTION NUMBER:** #25/12/198
DATE OF AMENDMENT:		**DEPARTMENT:** Corporate Services

PURPOSE

To establish guiding principles and appropriate controls for the issuance and use of debt in accordance with annual capital plans to safeguard the Town's long-term financial position.

DEFINITIONS

Administration is the administrative Employees of the Town of Vermilion.

CAO is the Chief Administrative Officer for the Town of Vermilion.

Debenture is a medium to long term financial instrument that is used to issue debt. Debentures are for a fixed term with an established payment schedule for principal and interest for the term.

Member of Council an individual elected to office pursuant to the Municipal Government Act (MGA) RSA 2000, c M-26. who serves as an elected official for the Town of Vermilion.

Town is the Town of Vermilion in the Province of Alberta.

SCOPE

This policy applies to All Members of Council and Administration

TASK	TITLE OR DEPARTMENT OF PERSON RESPONSIBLE
APPROVAL OF POLICY & AMENDMENTS	Council
HANDLING INQUIRIES & COMMUNICATING POLICY	Chief Administrative Officer
MONITORING REVIEWS & IMPLEMENTATION	Chief Administrative Officer

GUIDING PRINCIPLES

Policy Direction

1) The Town may leverage debt as a financial tool to support the Town's long term financial plan.
2) Debt shall only be used for capital expenditures, and not for operating expenditures.
3) To maintain a sound debt position, the following shall be adhered to:
   a) The Town shall only consider debt to finance the construction, purchase, replacement or major restoration of infrastructure where the capital expenditure exceeds $500,000 unless otherwise approved by Council;
   b) The capital expenditure shall appear on the approved capital plan and budget as approved by Council;
   c) The capital expenditure and/or asset for which the debt is leveraged is owned by the Town;
   d) With the exception of specialized equipment with a useful life more than ten (10) years such as emergency equipment, the Town shall not finance the purchase of machinery or equipment such as vehicles through debt; and/or
   e) The term of debt financing shall not exceed the probable lifetime of the capital expenditure.

Debt Limit Restriction

4) The Town shall further restrict the debt limit of the municipality to seventy-five percent (75%) of the amount established by the Debt Limit Regulation established by the *Municipal Government Act*.
5) While Council may at its discretion approve debt beyond the 75% internal limit as prescribed in this Policy, these internal limits have been established for the following purposes:
   a) To ensure debt doesn't become a significant burden on the Town;
   b) To recognize the Province of Alberta has additional reporting requirements for municipalities within 25% of their provincially regulated debt or service limits; and
   c) To achieve the Town's objective of sustaining a financially viable municipality.

Debt Terms and Repayment

6) When establishing debt terms, consideration shall be given to the following factors:
   a) Cost minimization;
   b) Availability of debt servicing funding;
   c) Capital life cycle implications; and
   d) Long-term financial sustainability.
7) When a Debenture is fully paid and expired, the Town shall assess the viability of maintaining equivalent or a percentage of payments into capital reserves.
8) Administration will review and consider debt prepayment or refinancing of existing debt only where cost saving opportunities exist.
9) Debt may be prepaid early if approved by Council during the budget process, or by Council resolution if outside of the budget process.

Reporting

10) The Town's debt limits and total debt outstanding shall be reported in the annual audited financial statements.
11) A complete listing of all debt shall be provided through the annual budget process.