City of Pitt Meadows
THE Natural PLACE

COUNCIL POLICY C095

Debt Management Policy

Effective Date:	September 19, 2017
Last Revised:	June 23, 2026

1. Purpose

The purpose of this policy is to establish financial guidelines and appropriate controls for the issuance and management of debt, ensuring the City maintains a sound financial position while supporting its ability to meet current and future infrastructure needs.

2. Policy Framework

The use of debt commits future revenues and may limit flexibility to respond to changing priorities, revenue conditions, or cost structures. Adherence to a formal debt policy ensures that borrowing is undertaken prudently, transparently, and in a manner that sustains long-term financial health and protects creditworthiness.

The City shall manage debt in accordance with:

- The Community Charter, applicable regulations and Local Government Act
- Municipal Finance Authority (MFA) requirements
- Government Finance Officers Association of BC (GFOABC) framework
- The City's Financial Plan and Asset Management Plan

Debt decisions must align with long-term financial sustainability, intergenerational equity, and responsible risk management.

3. Objectives of Debt Financing

The primary objectives of debt use are to:

a) Provide Funding for the Capital Plan

Debt will be used to finance capital projects and infrastructure investments. Debt shall not be used to fund operating expenditures, except for short-term borrowing required to address temporary cash flow needs or unforeseen financial emergencies where reserves are insufficient.

b) Promote Fairness and Stability for Taxpayers

Debt financing supports intergenerational equity by aligning the cost of infrastructure with those who benefit from its use over time. Long-term assets with extended useful lives justify longer-term financing.

The City will balance:

- Stable and predictable tax rates
- Sustainable debt levels
- Adequate reserve contributions

Consistent with the principles of "pay-as-you-use" and asset lifecycle funding, the City may simultaneously fund:

- Debt servicing for new assets; and
- Reserve contributions for future replacement

c) Maintain Service Levels

Ongoing investment in infrastructure and facilities is required to maintain and enhance municipal service levels. Debt financing supports timely upgrades, rehabilitation, and replacements of assets to avoid service disruptions and escalating repair costs.

4. Permitted Uses of Deb

Debt shall only be used after consideration of alternative funding sources, including grants, reserves, and pay-as-you-go financing.

a) Replacement and Renewal of Core Assets

The primary use of long-term debt is to fund the replacement, renewal, and rehabilitation of essential infrastructure and capital assets, including:

- Roads and transportation systems
- Water, sanitary, and stormwater systems
- Facilities, equipment, and technology

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b) Growth-Related Infrastructure

Debt may also support capital investments required to accommodate growth and development where:

- Development Cost Charges (DCCs) are insufficient
- Reserve funding is inadequate
- Timely infrastructure delivery is required

5. Definitions

- Alternative Approval Process (AAP): A form of electoral approval under the Community Charter allowing Council to adopt a loan authorization bylaw unless sufficient opposition is received.
- Capital Assets: Physical assets used in service delivery with useful lives beyond one year.
- Debt Servicing Costs: Annual principal and interest payments funded through taxation, user fees, or reserves.
- Electoral Approval: Approval of electors through referendum or AAP as required by legislation.
- Long-Term Debt: Borrowing exceeding five years, subject to loan authorization bylaws and legislative limits.
- Referendum: Approval of electors through a vote under the Community Charter.
- Temporary Borrowing: Short-term borrowing used during capital project construction phases.

6. Roles and Responsibilities

Council

- Approves all borrowing through bylaws and the Financial Plan
- Provides strategic oversight of debt levels and use

Director of Financial Services / Chief Financial Officer is responsible for:

- Ensuring all proposed debt is affordable over its term;
- Maintaining compliance with legislation and this policy;
- Managing and monitoring outstanding debt;
- Reporting annually to Council on debt levels and performance;
- Recommending policy updates as required.

7. Debt Management Guidelines

a) Debt Approval

- All debt-funded projects must be approved through the Financial Plan Bylaw.
- Long-term external debt requires elector approval.
- Borrowing is undertaken through the Metro Vancouver Regional District and Municipal Finance Authority (MFA).

b) Borrowing Source

- Long-term debt must be issued through the MFA.

c) Interest and Risk Considerations

- Debt will typically be issued at fixed interest rates through MFA
- Consideration will be given to:

  (1) Market conditions
  (2) Interest rate risk
  (3) Timing of borrowing

d) Internal Borrowing

Internal borrowing from statutory reserves is permitted where:

- A defined repayment plan is in place.
- Foregone interest is accounted for.
- Reserve integrity and future obligations are not compromised.

Internal borrowing terms must be:

- Clearly defined
- Reviewed annually

e) Borrowing Limits

The City will maintain debt within sustainable limits based on:

- Financial flexibility
- Long-term affordability
- Revenue stability

The legislated limit for debt servicing is 25% of revenue, as defined under the *Community Charter* and associated regulations.

Debt capacity and limits shall be reviewed annually.

f) Decision Packages

Any capital project proposed for debt financing must include a comprehensive business case, including:

- Problem or opportunity statement
- Analysis of alternatives (financial and non-financial)
- Financial impact and affordability
- Recommendation and implementation plan

g) Debt Term

Debt shall be structured as follows:

- The term shall not exceed the lesser of:
  (1) The estimated useful life of the asset; or
  (2) Thirty (30) years
- Where feasible, shorter terms will be used to reduce long-term interest costs
- Debt servicing must be supported by:
  (1) Stable long-term revenue sources; or
  (2) Appropriate reserves

h) Debt Retirement

The early retirement of debt shall be considered within the context of the City's overall financial plan. The City must consult with the Municipal Finance Authority to assess:

- Feasibility
- Timing
- Financial implications

Factors to consider include:

- Net financial benefit or cost
- Impact on reserves and capital planning
- Interest rate conditions

Use of Retired Debt Capacity

Where debt is retired, the City will, where feasible:

- Redirect debt servicing capacity toward reserves or capital funding
- Support long-term financial sustainability
- Maintain stable taxation levels

8. Related Policies and Plans

- Asset Management Plan
- Corporate Asset Management Policy A034
- Financial Plan Bylaw
- Surplus Policy C094