

Report to Council

- For Council Decision For Council Direction
 For Council Information



TOPIC:	Debt Management and Investment Policy Update	August 29, 2024
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PURPOSE:

This report summarizes updates completed to both the Debt Management and Investment Policies. Revisions to both policies have been completed to ensure alignment with current organizational charts, related policies, current policy formatting and operational best practices.

RECOMMENDATION:

That Council approve the Debt Management Policy.

That Council approve the Investment Policy.

RATIONALE:

Both the Debt Management and Investment policies have reached their scheduled review date, requiring Administration to review the policies. The review focused on identifying areas requiring revision to ensure alignment with current Council direction, industry best practices, relevant regulatory changes, organizational charts, and current policy formatting. In completing the review, it was determined that both policies required updates.

REPORT INFORMATION:

Debt Management

The landscape for municipal borrowing has changed substantially since Morinville last incurred a debenture, particularly since the 2019 decision by the Government of Alberta to abolish the Alberta Capital Finance Authority (ACFA).

For decades, the ACFA served as a reliable and well-managed source of municipal lending, offering both term lengths and interest rates that private banking was unable to match. The ACFA accomplished this by pooling municipal and other public sector debt when accessing financing in the open markets. With the demise of the ACFA, municipalities have been left to source debentures privately from banks and credit unions.

Administration has worked to meet with potential lenders to understand borrowing options available to municipalities under the current landscape of municipal borrowing. Fortunately, some lenders have stepped in to fill the ACFA's void and developed lending products that once again provide 30+ year terms and competitive interest rates. This will aid in developing a lending plan for Morinville should any debenture-supported projects proceed. Administration has reviewed the current debt policy in light of

these new options and made minor adjustments to accommodate them. The policy has also been updated to use plain language and to reflect current operational practices.

The only significant policy change is the removal of the Internal Borrowing limit of 85% of the provincially regulated debt limit as it is unnecessary. The provincially regulated limit of 1.5 times annual revenue is already a very conservative limit on debt when compared to municipalities in other jurisdictions around the world or other levels of government. Furthermore, Council is required to pass a borrowing bylaw for each and every capital debenture undertaken, thereby giving Council complete control over how much of the regulated limit Council of the day is comfortable accessing. Current and planned debentures for Morinville do not approach either the total limit or the current self-imposed limit of 85%, again making the inclusion of the internal restriction a moot point. As such, Administration has recommended eliminating these provisions in the draft policy before Council.

Investment Policy

Investment policy updates do not include any substantive changes in policy direction. Administration sought the advice of our current investment advisors, CIBC Wood Gundy, in the review of the policy as well as reviewing internally. Updates are focused on refining and modernizing definitions, adherence to current policy formatting, and removing duplication with provincial legislation.

IMPACT:

There are no direct resource impacts from the updating of either the Debt Management or Investment Policies. That said, ensuring the policies are up to date, reflective of current regulatory requirements and in alignment with best practices provides Council and the public with assurance that when Morinville is making investment or securing debentures it is within the context of a modern, Council approved and expert reviewed policy framework.

NEXT STEPS:

Should Council approve the revisions put forward for both policies, the new policies will become the direction of Council and guide the actions of Administration in future borrowing or investing activities. The revised policies will also be posted on the website.

If, however, Council identifies areas of concern where changes are required, Administration will review and incorporate it into a new draft for second reading at a subsequent Regular Meeting of Council.

PREVIOUS COUNCIL ACTION:

N/A

ALIGNMENT:

Morinville 2022-2025 Strategic Plan:
Goal 3 - Financial Stewardship

Both the Debt Management and Investment Policies contribute to the municipality's financial policy framework. They provide Council the opportunity to review and approve the organization's approach to

key fiscal management activities and ensure those activities align with the overarching financial and strategic goals of Council.

CONSULTATION/ENGAGEMENT:

Administration consulted with the Municipality’s investment advisors, CIBC Wood Gundy, regarding the investment policy, and CIBC, ATB and Service Credit Union with respect to the current municipal lending landscape.

ALTERNATIVES:

- N/A

PRESENTER:	T. Nosko, Manager, Financial Services	ATTACHMENTS: <ul style="list-style-type: none">• Debt Management Policy• Debt Management Policy (Redline Version)• Investment Policy• Investment Policy (Redline Version)
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