

Passed By Council on:08/08/1994

Purpose

To ensure that prudence and fiscal responsibility are exercised in all matters of borrowing by the City of St. John's.

Policy Statement

1. The City of St. John's will not use long-term debt to finance current operations.
2. The City of St. John's will utilize long-term borrowing only for capital improvement projects that :
 - (a) cannot be financed from current revenue sources; and
 - (b) will receive at least 50% of the required funding from third parties; or
 - (c) will be financed from new revenue to be dedicated specifically to the projects approved.
3. The total general obligation debt service of the City of St. John's will not exceed 17.5 percent of the net operating revenue of the City of St. John's for any given year. Net revenue is defined as total revenue less the Provincial or Federal contribution to debt charges.
4. When the City finances capital projects by issuing bonds, it will pay back the bonds in a period not exceeding the expected life of those projects. However, the maximum term of any bond issue shall be 20 years.
5. The City will seek level or declining debt repayment schedules and will avoid issuing debt that provides for balloon principal payments reserved at the end of the term of the issue.
6. The City will avoid over-reliance on variable-rate debt due to the potential volatility of such instruments. Therefore, the City will avoid the use of variable-rate debt for its general obligation bond issues. However, the City will permit its officials to consider the use of variable-rate debt on a case-by-case basis.
7. The City will maintain good communications with its fiscal agent and current and prospective bond purchasers about its financial condition and will follow a policy of full disclosure on financial reports and bond prospectus.

Application

Responsibilities

Department of Finance.

Definition

References/Appendix

Monitoring and Contravention

Approvals

Finance Committee July 19, 1994; Regular Meeting of Council August 8, 1994. Finance and Administration Standing Committee report - April 20, 2005; Regular Meeting of Council - May 2, 2005.

Review Period

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