

#47. TOWN OF LUNENBURG POLICY

DEBT CHARGES

I. PURPOSE

The objective of the following Policy is to provide a base guideline for use by Town Council each year to determine the maximum amount of Capital Borrowing with respect to measuring the impact on total debt charges within subsequent years' Operating Budgets.

II. POLICY STATEMENT

1. It is desirable that funding of capital projects be done on a rational and prudent basis.
2. It is recognized that from time to time it would be feasible to finance certain capital budgets by a long term borrowing.
3. The amount of funds borrowed for capital budgets in one year results in a significant impact on subsequent years' operating budgets in terms of principal and interest payments and that debt charges also restricts the amount of funds available for general operating expenses.
4. That it be the established policy of the Town Council of the Town of Lunenburg that no capital expenditures be financed by a capital borrowing in any given year if the projected debt charges, including both principal and interest when added to the previously incurred debt charges results in a total debt servicing charge in the following year of an amount greater than 12% (twelve percent) of the tax levy for that particular year.
5. The Director of Finance/Treasurer shall include with the annual operating and capital budgets in any given year a schedule of projected debt charges for the current and subsequent year including the projected ratio of debt charges to tax revenue for the current and subsequent year.