



Meeting Date: October 1, 2025

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Submitted by: Tiffany Farrell, Director of Corporate Services

Report No: CPS-52-2025

Subject: Capital Financing and Debt Management Policy

Recommendation:

THAT Report CPS-52-2025 re: Capital Financing and Debt Management Policy be received;

AND THAT Council endorse the updated Capital Financing and Debt Management Policy attached as Appendix A1.

Purpose:

This report seeks Council's endorsement of the updated Capital Financing and Debt Management Policy, replacing the existing Issuance of Debt Policy (2017).

Background:

Debt serves as a vital instrument for businesses and governments, offering financing solutions for a range of initiatives. Middlesex Centre employs a combination of both external and internal debt sources, carefully managing repayments through its annual operating budget.

Like many municipalities, Middlesex Centre encounters infrastructure demands driven by growth and the need to renew assets approaching the end of their service life. To address these challenges and promote fiscal sustainability, especially during times of high interest rates, staff concentrated on borrowing internally and building reserve funds. This strategy has been positive for the financial position of the Municipality to date, with increased reserve fund contributions offsetting past shortfalls and building a resilient financial foundation. Since 2015, reserve funds have seen a net increase of approximately \$65 million. However, as Middlesex Centre continues to expand, as outlined in the long-range financial plan, debt financing will be required to support future infrastructure projects identified in the 2024 Development Charge Study.

The Municipality of Middlesex Centre recognizes the importance of formalized guiding principles regarding the approval, issuance, and administration of municipal debt, ensuring all statutory requirements are met.

The objectives of the capital financing and debt management policy include:

- Establishing clear financial guidelines and benchmarks for municipal debt issuance and usage
- Ensuring long-term financial flexibility and sustainability
- Minimizing financial vulnerability
- Integrating with broader long-term planning, financial, and management strategies
- Guaranteeing compliance with all statutory financial regulations

Analysis:

The overarching strategic objectives of the Capital Financing and Debt Management Policy are to effectively manage both current and anticipated debt levels, thereby minimizing the impact of debt servicing costs on taxpayers while achieving an optimal balance between leveraging debt and implementing a pay-as-you-go approach.

The Municipality adheres to a debt limit set at 17% of own-source revenues, ensuring that financial obligations do not compromise the long-term fiscal stability of the organization or create excessive burdens for current and future taxpayers. Current debt management practices have led to notable improvements in the Municipality's financial position. Recognizing the importance of continued proactive debt oversight, the comprehensive Capital Financing and Debt Management Policy has been updated to reflect changes in the Municipality's existing debt framework.

This policy is applicable to all capital financing and debt-related activities within the Municipality. Alongside administrative updates, it now provides enhanced detail in several key areas:

- Roles and responsibilities of all relevant staff and Council members
- Expanded reporting obligations
- Clear definitions
- Additional information regarding types of debt instruments and associated terms
- Augmented guiding principles

The revised policy establishes a robust framework for the approval, issuance, and regulation of capital financing and municipal debt. It ensures consistency with the Municipality's long-term financial planning and overall fiscal strategy, fostering responsible debt management that supports sustainable growth and prudent stewardship.

The policy emphasises the importance of maintaining necessary infrastructure and services, optimizing borrowing costs, and structuring debt to benefit both present and future stakeholders. In addition, it sets explicit financial guidelines and reporting requirements, specifies roles and responsibilities, and reinforces the Municipality's commitment to sound debt management practices and financial flexibility.

Financial Implications:

None.

Strategic Plan:

This matter aligns with following strategic priorities:

- Responsive Municipal Government

This report responds directly to Objective 5.3 – Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

Attachments:

A1 – Capital Financing and Debt Management Policy