



# CAPITAL DEBT POLICY

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<b>CODE:</b>	D.008
<b>CATEGORY:</b>	FINANCE
<b>RESPONSIBILITY:</b>	ASSISTANT DIRECTOR OF EDUCATION
<b>APPROVAL:</b>	BOARD OF TRUSTEES
<b>APPROVAL DATE:</b>	JUNE 17, 2014
<b>ISSUE DATE:</b>	JUNE 17, 2014
<b>NEXT REVIEW:</b>	JUNE 2019

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## PURPOSE

The purpose of this policy is to define the responsibilities for the approval of capital debt, the maximum limits on the amount of capital debt and the system of accountability related to capital debt.

## SCOPE

This policy and the procedures associated with it apply to global administration of capital debt structure for Mamu Tshishkutamashutau.

## POLICY STATEMENTS

1. Capital borrowing will be undertaken by the administration only following approval of the capital project by the Board of Trustees by way of written Board resolution. Such approval shall include the total costs of the project, source(s) of funds for debt repayment and the period of time over which the debt is planned to be repaid.
2. Schools are not legal entities and are therefore not permitted to borrow funds without the approval of the Board of Trustees.
3. Individual schools and budget units are not permitted to restrict the use of future operating funds for external debt repayments related to capital projects without the approval of the Board of Trustees.
4. The Board will seek to borrow funds from the lowest-cost source of financing available. Surplus internal funds may be advanced to finance projects until external financing is obtained.
5. Term loans shall be used instead of demand loans wherever possible.
6. Whenever possible, loans shall be made on an unsecured basis.

7. No more than 80% of total debt should be obtained from any one lender.
8. Project loans shall be amortized with annual principal repayments.
9. The following key ratios are benchmarks for the maximum level of debt. Compliance with these ratios should ensure that MTIE maintains a strong credit rating and continuing access to new debt that may be required.
  - a. Ratio of Debt to Total Revenue: This ratio measures the amount of total capital debt as a percentage of total revenue. Total debt shall remain less than 35% of total revenue.
  - b. Debt Service Costs as a Percentage of Revenues: This ratio measures the percentage of total revenue that is allocated to debt principal and interest payments. The amount of obligatory debt principal and interest payments shall not exceed 4% of total MTIE revenues.
  - c. Ratio of Debt to Revenues that are Available for Debt Repayment: This ratio measures the amount of capital debt as a percentage of revenues that available to service debt. These revenues do not include Targeted Program revenues labelled by Federal or Other funding sources. Total debt shall remain less than 45% of revenues that are available to repay such debt.
10. Administration shall report annually to the Board of Trustees:
  - a. Current and projected debt levels
  - b. The amount of current debt that is on a floating rate basis and on a fixed rate basis
  - c. The term of each loan
  - d. Compliance with the debt ratios listed above.

**RELATED POLICIES**

FINANCE-3: Capital Asset Management Policy

FINANCE-4: Signing Authority Policy