

BARCALDINE REGIONAL COUNCIL POLICY

SYSTEM: Finance
POLICY TITLE: Debt
ADOPTED: 27 June 2018

PURPOSE: To outline Council's plans for new loan borrowings for the next ten years, the purpose of those borrowings and the repayment terms for new and existing borrowings.

1. Principles

- (a) *Existing Loans:* Council will, within budgetary limits, reduce the level of debt by continuing repayments as per adopted schedules set by Council's lending institution.
- (b) *New Loans:* Council will restrict the purpose of new loans to funding infrastructure assets only. The service provided by infrastructure assets benefits both present and future generations. Debt provides a mechanism for sharing the cost of that infrastructure between present and future generations.

The appropriate mix of debt to internal funding is intended to provide the lowest long-term level of rates which does not over-commit the future and which provides adequate flexibility of funding in the short term.

The term of any new loan will not exceed the life of the asset funded, up to a maximum term of 20 years.

2. Legislative Requirements

Section 192 of the *Local Government Regulation 2012* states that a Council must prepare a debt policy each financial year and that the Policy must state the following:

- (a) new borrowings planned for the current financial year and for the next nine financial years; and
- (b) The period over which it is planned to repay existing and proposed borrowings.

The Qld Treasury Corporation report *Financial Sustainability in Queensland Local Government* recommends that "local governments should consider an optimal funding mix for capital investment programs and borrow where appropriate. The prudent use of debt, particularly for commercialized activities, will provide financial discipline, flexibility and leverage to enable local governments to meet strategic objectives."

3. New Borrowings

a. New borrowings planned for the 2019 financial year: \$4,000,000

Council proposes to borrow the following pending approval:-

- 1. **\$500,000** Storm water Drainage Acacia Street Barcaldine- 10 years
 - 2. **\$300,000** Refuse Tip commissioning Barcaldine – 10 years
 - 3. **\$750,000** Water Mains Replacement Aramac, Muttaborra, Barcaldine – 10 years
 - 4. **\$750,000** Sewer Relining Barcaldine – 10 years
 - 5. **\$1,700,000** Barcaldine Recreation Park – 10 years
- Total \$4,000,000**

b. New borrowings planned for the period 2018-19 to 2027-28

There are no new borrowings currently planned for the foreseeable future however this will be reviewed annually in association with the preparation of the annual budget preparation and with reference to the long term asset management plans.

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4. Loan Balances as at 30 June 2018 and estimated Repayment Periods

<i>Purpose</i>	<i>Lender</i>	<i>Interest Rate</i>	<i>Loan Balance</i>	<i>Remaining Term</i>
Barcaldine Water (Water Mains)	QTC	7.747%	\$ 823,737.76	10 years
Barcaldine Sewerage Extension	QTC	4.646%	\$ 495,474.60	10 years
Barcaldine Stormwater Drainage	QTC	4.512%	\$ 218,470.35	3 years
Muttaburra Bore	QTC	4.512%	\$ 62,420.10	3 years
Aramac Sewerage	QTC	4.512%	\$ 60,547.51	3 years
Alpha Pool	QTC	3.442%	\$ 732,695.24	8 years
Aramac Pool	QTC	3.212%	\$ 700,000.00	10 years
TOTAL LOAN BALANCES			\$ 3,093,345.56	

5. Estimated Repayments for 2018-19:

<i>Purpose</i>	<i>Interest Payment</i>	<i>Principal Repayment</i>	<i>Total Repayment</i>	<i>Balance as at 30 June 2019</i>
Barcaldine Water (Water Mains)	\$ 61,927.26	\$ 66,033.62	\$ 127,960.88	\$ 757,704.14
Barcaldine Sewerage Extension	\$ 22,235.66	\$ 45,441.26	\$ 67,676.92	\$ 450,033.34
Barcaldine Stormwater Drainage	\$ 8,067.47	\$ 106,785.05	\$ 114,852.52	\$ 111,685.30
Muttaburra Bore	\$ 2,304.99	\$ 30,510.01	\$ 32,815.00	\$ 31,910.09
Aramac Sewerage	\$ 2,235.84	\$ 29,594.72	\$ 31,830.56	\$ 30,952.79
Alpha Pool	\$ 24,011.89	\$ 94,221.95	\$ 118,233.84	\$ 638,473.29
Aramac Pool	\$ 22,372.80	\$ 60,359.26	\$ 82,732.06	\$ 639,640.74
New Borrowings – 30 June 2019	0	0	0	\$ 4,000,000.00
TOTAL	\$ 143,155.91	\$ 432,945.87	\$ 576,101.78	\$ 6,660,399.69

6. Future Expected Loan Balances:

Year	Expected Balance
30 June 2019	\$ 6,660,399.69
30 June 2020	\$ 5,380,120.53
30 June 2021	\$ 4,835,355.26
30 June 2022	\$ 4,070,979.71
30 June 2023	\$ 2,086,004.37
30 June 2024	\$ 1,679,381.72
30 June 2025	\$ 1,250,002.53
30 June 2026	\$ 816,460.59
30 June 2027	\$ 361,917.72
30 June 2028	\$ 285,791.08
30 June 2029	0.00