

Q 3. Do the Town's lease costs for this project fall within the Town of Ponoka's Debt Limit as legislated under the Municipal Government Act (MGA)?

- Calculations by the Town's Auditor to project the impact of the Community Learning Centre lease agreement on the Town of Ponoka's 'Debt Limit' show:
 - The Town remains in compliance with provincial Debt Limit regulations.
 - The Town's capital lease liability for the Community Learning Centre building – based on the current executed lease agreement and the Town's most recent audited financial statements (2016) – is well within the Town's 'Debt Limit' as defined by Alberta Regulation 255/00 in the Municipal Government Act (MGA). [\(See attached 'Executive Summary'\)](#).
- The Town Auditor's calculations, which factor in the Community Learning Centre capital lease liability, show the following:

○ The Town's Total Debt Limit: (per 2016 audited financial statements)	\$23,490,141
○ The Town's Total Projected Debt	<u>\$16, 567,946</u>
○ The Town's Projected Unused Debt Limit	\$6,922,195
○ The Town's Projected Amount of Unused Annual Debt Servicing	\$2,315,630
- A municipality's Debt Limit is defined as 1.5 times its annual revenue. As municipal revenues and the Town's property tax base increase, so does its Debt Limit.
- As a municipality pays down a percentage of its Debt every year, additional Debt Limit space is freed up.
- A municipality recalculates its current Debt Limit every year as part of the process of producing audited financial statements.
- A municipality's Debt Servicing Limit (the amount of money it is allowed to spend on loan payments) is 0.25 times its annual revenue.