



Effective Date: June 12, 2018

DEBT MANAGEMENT

Definitions

- The following definitions apply to this Policy:
 - Borrowing Member** - a First Nation that has been accepted as a borrowing member under the *First Nations Fiscal Management Act* and has not ceased to be a borrowing member under that *Act*;
 - Capital Project** - the construction, rehabilitation or replacement of Cowichan Tribes' tangible capital assets and any other major capital projects funded by local revenues in which Cowichan Tribes (or its related bodies) are investors;
 - Debt** - is total debt obligation, or cumulative amounts borrowed or owed by Cowichan Tribes (or its related bodies), including long-term debt;
 - First Nations Finance Authority (FNFA)** - an organization which provides low-rate loans, investment options, and capital planning advice to First Nations governments;
 - Related Bodies** - an agency of Cowichan Tribes, corporation in which Cowichan Tribes has a material/controlling interest, partnership in which Cowichan Tribes or another related body is a partner with a material/controlling interest, or a trust;
- Please refer to Cowichan Tribes' "Definitions Guide for Policies and Procedures" for the definitions of other terms used in this Policy and the associated procedures.

Policy Directive:

Cowichan Tribes shall only borrow funds when necessary and properly authorized, and practice prudent and effective debt management.

Related Cowichan Teaching

"Take care of the Earth and take only what you need"

Applicable Legislation and Standards

- Cowichan Tribes' debt management related practices must comply with applicable legislation, standards, and Cowichan Tribes' laws, policies and procedures, including:
 - The *First Nations Fiscal Management Act* (the *Act*);
 - Cowichan Tribes First Nation Financial Administration Law (the *FAL*);
 - First Nations Financial Management Board (FNFMB) Standards; and
 - Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board.



Debt Management Policy

Effective Date: June 12, 2018

Reason for Policy

4. The objectives of this Policy include:
 - i) Providing guidelines and a framework for the establishment of a prudent, efficient and accountable borrowing, repayment and debt management control process for Cowichan Tribes;
 - ii) Clarifying the roles and responsibilities associated with Cowichan Tribes' debt management system;
 - iii) Ensuring Cowichan Tribes borrows fund only when necessary and properly authorized, and practices sound debt management; and
 - iv) Ensuring Cowichan Tribes' borrowing and debt management practices comply with all applicable requirements.

Consequences of Non-Compliance with Policy

5. Potential consequences of non-compliance with this Policy include:
 - i) Lack of directions and clarity regarding Cowichan Tribes' debt approval and management process;
 - ii) Risk of debt being incurred when unnecessary or alternatives to borrowing exist;
 - iii) Inappropriate debt management practices and the related impact on the accountability and integrity of Cowichan Tribes; and
 - iv) Breach of applicable legislation, standards, and Cowichan Tribes' laws, policies and procedures.

Policy Application

6. This Policy applies to or affects Cowichan Tribes':
 - i) Chief and Council;
 - ii) Finance and Audit Committee;
 - iii) General Manager, Comptroller, and Tax Administrator; and
 - iv) Any other person(s) or committee(s) with the authority to be involved in borrowing or the debt management process on behalf of Cowichan Tribes.

Policy Requirements

Authorization to Incur Debt

7. Cowichan Tribes may only borrow money, or grant security, if it:
 - i) Is specifically authorized in the FAL or in a local revenue law; and
 - ii) Has the prior written approval of Council.
8. Subject to the FAL and any other applicable Cowichan Tribes' law, Council may not delegate the approval of borrowing of Cowichan Tribes to any of its officers, employees, committees, contractors, agents, or any other person.



Debt Management Policy

Effective Date: June 12, 2018

9. Council shall only borrow funds when absolutely necessary and after considering the:
 - i) Need for Cowichan Tribes to incur debt obligations including reviewing all alternative options other than borrowing that are available to Cowichan Tribes;
 - ii) Evaluation of different potential debt arrangements; and
 - iii) Advice of the Finance and Audit Committee.

Debt Proposals

10. All debts proposed by Cowichan Tribes require a formal debt proposal.
11. The Finance and Audit Committee shall review all proposals for funding through debt obligations and make a recommendation to Council that is in the best interest of Cowichan Tribes.

Purpose and Use of Debt

12. Cowichan Tribes may only borrow funds from the FNFA as permitted under its local revenue law and the *Act*, and the monies from such debts may only be used for the purposes permitted under the *Act*.
13. Money borrowed by Cowichan Tribes from the FNFA that is secured by other revenues may only be used for the purposes set out in section 4 of the *Financing Secured by Other Revenues Regulations* made under the *Act*.
14. If Cowichan Tribes has borrowed funds from the FNFA that are secured by property taxes, Cowichan Tribes must not subsequently borrow funds secured by property tax revenues from any other source, unless all funds borrowed from the FNFA that are secured by property taxes are fully paid off.
15. Subject to sections 16 and 17 below and any local revenue law, money borrowed by Cowichan Tribes for a specific purpose must not be used for any other purpose.
16. All or some of the money borrowed for a specific purpose by Cowichan Tribes that is not required to be used immediately for that purpose may be temporarily invested until required for that purpose, in accordance with the FAL.
17. If some of the money borrowed for a specific purpose, as discussed in sections 15 and 16 above, is no longer required for that purpose, that money must be applied to repay the corresponding debt from the borrowing.

Types of Debt

18. Cowichan Tribes may incur trade accounts or other current liabilities payable within normal expenditures provided for in Cowichan Tribes' fiscal year budget if the debt will be repaid from money under an appropriation for the fiscal year or is in respect of an expenditure that may be made without the authority of an appropriation under the FAL.



Debt Management Policy

Effective Date: June 12, 2018

19. Cowichan Tribes may enter into agreements with financial institutions for overdrafts or lines of credit and, for the purpose of securing any overdrafts or lines of credit, may grant security to the financial institution in a form, amount and on terms and conditions approved by Council.
20. Cowichan Tribes may enter into a general security agreement or a lease for the use or acquisition of lands, materials or equipment required for the operation, management or administration of Cowichan Tribes.
21. If Cowichan Tribes' general account is not sufficient to meet the expenditures authorized to be made from it and the Comptroller recommends that money be borrowed to ensure that this account is sufficient for these purposes, Cowichan Tribes may borrow an amount not exceeding a maximum amount specified by Council which is to be repaid within a specified period of time.
22. Despite the repayment terms specified in the above section, if the money borrowed under that section is no longer required for the purpose for which it was borrowed, the money must be repaid as soon as possible.
23. Subject to the FAL and a local revenue law, Cowichan Tribes may borrow money that is required for the repayment or refinancing of any debt of Cowichan Tribes, other than a debt in relation to money borrowed to provide for expenditures authorized from Cowichan Tribes' general account.
24. Borrowing by Cowichan Tribes for new capital projects must be consistent with the approved fiscal year capital plan in the fiscal year budget.

Debt Management and Consultations

25. Cowichan Tribes must ensure that its debts are managed appropriately, including ensuring the timely payment of its debt obligations, in accordance with the related debt agreement.
26. Members of Cowichan Tribes must be informed about or involved in consideration of borrowing for new capital projects, as per Cowichan Tribes' Capital Asset Management Policy and Procedures.

Reconciling, Reporting, and Records Management

27. Cowichan Tribes' debt obligations shall be recorded, monitored, reconciled, and reported to the Finance and Audit Committee and Council on a quarterly and annual basis, and any exceptions or issues identified and resolved in a timely manner.
28. Proper records and documentation must be kept respecting all debts incurred by Cowichan Tribes, and any related records and documents must be maintained in accordance with applicable records management requirements.



Debt Management Policy

Effective Date: June 12, 2018

Procedures: Debt Management

Roles and Responsibilities

29. The responsibilities of Council include:
 - i) Reviewing and, if appropriate, approving borrowing by Cowichan Tribes, including the related terms and conditions, based on the recommendations of the Finance and Audit Committee;
 - ii) Ensuring Cowichan Tribes borrows funds only when necessary and practices sound debt management;
 - iii) Specifying purposes for which debt proceeds may be used and debt limits; and
 - iv) Informing Cowichan Tribes' members about or involving them in consideration of borrowing by Cowichan Tribes for new capital projects.
30. The responsibilities of the Finance and Audit Committee include:
 - i) Ensuring Cowichan Tribes borrows funds only when necessary and practices sound debt management;
 - ii) Reviewing debt proposals and debt management plans prepared for Cowichan Tribes and, if appropriate, recommending them to Council;
 - iii) Monitoring borrowings, loans and payments for each capital project; and
 - iv) Monitoring and overseeing the management of Cowichan Tribes' debt, including related risks, and recommending any necessary changes to Council.
31. The responsibilities of the General Manager include:
 - i) Reviewing Cowichan Tribes' debt proposals and debt management plans and recommending a course of action to the Finance and Audit Committee; and
 - ii) Ensuring Cowichan Tribes practices sound debt management.
32. The responsibilities of the Comptroller (in conjunction with the Tax Administrator for local revenue account related debts) include:
 - i) Preparing a debt proposal and debt management plan for each debt obligation proposed by Cowichan Tribes, and presenting them to the General Manager;
 - ii) Monitoring and managing Cowichan Tribes' debt obligations and related risks;
 - iii) Ensuring Cowichan Tribes practices sound debt management, including making timely payments, maintaining sufficient documentation, and performing regular reconciliations of debt transactions;
 - iv) Reporting to the Finance and Audit Committee with respect to Cowichan Tribes' debt, including borrowing and debt related to capital projects;
 - v) Reporting and disclosing debt obligations in the financial statements as per Cowichan Tribes' Financial Reporting Policy and Procedures; and
 - vi) Keeping and maintaining the appropriate records and documentation respecting each debt obligation incurred by Cowichan Tribes and the related debt management.



Debt Management Policy

Effective Date: June 12, 2018

Authority to Borrow

33. Subject to the FAL, if Cowichan Tribes is authorized by the FAL to borrow money or grant security, Council may authorize the Comptroller to borrow money or grant security in the name of Cowichan Tribes as follow:
 - i) As specifically approved by Council; or
 - ii) In accordance with Cowichan Tribes' policies, procedures or directions.
34. Council shall, as appropriate, approve the terms and conditions for all debt obligations incurred by Cowichan Tribes in accordance with the FAL, after consulting and considering the advice of the Finance and Audit Committee.
35. The authority to incur debt on behalf of Cowichan Tribes, including the reasons for borrowing, the approved amount, and the related terms and conditions must be approved by a Council resolution at a duly convened meeting, as per the FAL.

Borrowing Approval Process

36. The Comptroller shall prepare a debt proposal that includes debt financing options for each valid debt proposed by Cowichan Tribes, and present it to the General Manager.
37. The General Manager shall review and, if appropriate, endorse every debt proposal that is deemed valid and necessary for Cowichan Tribes.
38. The General Manager and Comptroller shall present each debt proposal endorsed as per the section above, along with their recommendations, to the Finance and Audit Committee for their review, in a timely manner.
39. The Finance and Audit Committee shall review each debt proposal and the accompanying information and make recommendations to Council on whether to incur the debt, and if so, which debt option is the most appropriate.
40. Council shall review each debt proposal and accompanying recommendations and, subject to the FAL, vote on whether to approve or reject the debt proposal.

Borrowing for New Tangible Capital Asset Projects

41. The General Manager must report on year to date borrowings, loans, and payments for each capital project at each Finance and Audit Committee meeting, in accordance with Cowichan Tribes' Financial Reporting Policy and Procedures.



Debt Management Policy

Effective Date: June 12, 2018

Debt Proposals Requirements

42. The Comptroller, when preparing a debt proposal, shall include the:
 - i) Purpose, use and application of the proposed borrowed funds;
 - ii) Need for the debt and the available debt financing alternatives considered;
 - iii) Evaluation of available debt financing options;
 - iv) Recommended debt financing option and the related proposed security;
 - v) Description of re-payment plans based on cash flow analysis;
 - vi) Linkage to Cowichan Tribes' planning, including the strategic plan, multi-year financial plan, and annual budget;
 - vii) Identification of any provisions in the FAL or in any other applicable law that limits debt which can be incurred by Cowichan Tribes or that imposes requirements which must be met before debt may be incurred; and
 - viii) Requirement for consultation with members of Cowichan Tribes before any capital project-related debt is incurred by Cowichan Tribes.
43. The Comptroller shall consider at least the following for each debt financing alternative identified in the debt proposal:
 - i) The cost to Cowichan Tribes;
 - ii) An analysis of the terms and conditions, and their impact on Cowichan Tribes;
 - iii) The impact on future budgets and projected cash flow;
 - iv) The level of risk involved (i.e. refinancing, interest rate risks, etc.); and
 - v) Cowichan Tribes' ability to service the debt and repayment schedules.

Execution of Security Documents

44. A security granted by Cowichan Tribes in respect of local revenues must be signed by a councillor designated by Council and by the Tax Administrator.
45. All other securities granted by Cowichan Tribes must be signed by a councillor designated by Council, and by the General Manager or Comptroller.

Debt Management and Monitoring

46. The Comptroller shall reconcile Cowichan Tribes' financial records with statements from the lender on a monthly basis.
47. If a debt related issue cannot be resolved by the Comptroller, the Comptroller shall bring the issue to the attention of the General Manager or the Finance and Audit Committee as soon as practicably possible.
48. The risks inherent in Cowichan Tribes' debt structure shall be monitored and evaluated by the Comptroller, who shall forward any recommendations to the General Manager and Finance and Audit Committee for mitigating such risks.



Debt Management Policy

Effective Date: June 12, 2018

Borrowing Member Requirements

49. Cowichan Tribes is a borrowing member as defined in the *Act*.
50. If Cowichan Tribes, as a borrowing member, has a loan from the FNFA that is secured by other revenues, the Comptroller must account for all other revenues of Cowichan Tribes separately from other moneys of Cowichan Tribes, and provide the FNFA or the FNFMB with accounting information for the other revenues as soon as practicable after receiving a request from the FNFA or FNFMB to do so.

Reconciling and Reporting Requirements

51. Cowichan Tribes' debt obligations and related transactions shall be recorded, monitored and reconciled quarterly and annually by the Comptroller, and any related issues identified and resolved in a timely manner.
52. The Comptroller shall ensure all debt obligations are reported to the Finance and Audit Committee and Council in the quarterly and annual financial statements, as per PSAS, the FAL, any agreements under which the debt obligations were incurred, and Cowichan Tribes' Financial Reporting Policy and Procedures.

Records Management

53. Cowichan Tribes shall keep proper records and documentation for every debt obligation of Cowichan Tribes, and shall ensure that all related records and documents are maintained in a secure and confidential manner, as per Cowichan Tribes' Financial Records Management Policy and Procedures, including records regarding the:
 - i) Authority under which each debt was incurred including related Council resolutions;
 - ii) The related debt proposal, loan agreement and any ancillary agreements;
 - iii) Amount of the debt and purpose for which the debt was incurred;
 - iv) The other revenues of Cowichan Tribes (if Cowichan Tribes has a loan from the FNFA secured by other revenues);
 - v) Cost of borrowing including interest payments and service or other charges;
 - vi) Interest and principal repayment schedule that includes the dates of all payments required under the debt agreement for extinguishing the debt; and
 - vii) Informing or involving of Cowichan Tribes' members of the proposed debt.

Related Cowichan Tribes' Policies

- Capital Asset Management Policy and Procedures;
- Financial Records Management Policy and Procedures;
- Financial Reporting Policy and Procedures;
- Risk Management Policy and Procedures;