

**Debt Update - December 31, 2022**

The following attachment provides an update on the City's debt and debt servicing.

C203D: Debt Management Fiscal Policy was approved by City Council on November 14, 2022. Under the new policy, tax-supported debt servicing is limited to 18 per cent of tax-supported net operating expenditures.

Tax-supported debt servicing can exceed the 18 per cent limit for the following reasons:

- to provide City match-funding required to leverage external funds, where the external amounts fund at minimum one-third of total project costs,
- where the debt is self-supporting tax guaranteed debt, or
- where the tax-supported debt is required for emergency purposes.

Total debt servicing is allowed up to 21 per cent of City revenues. Debt servicing is permitted up to 26 per cent of City revenues, but only for emergency purposes as defined in Policy C203D.

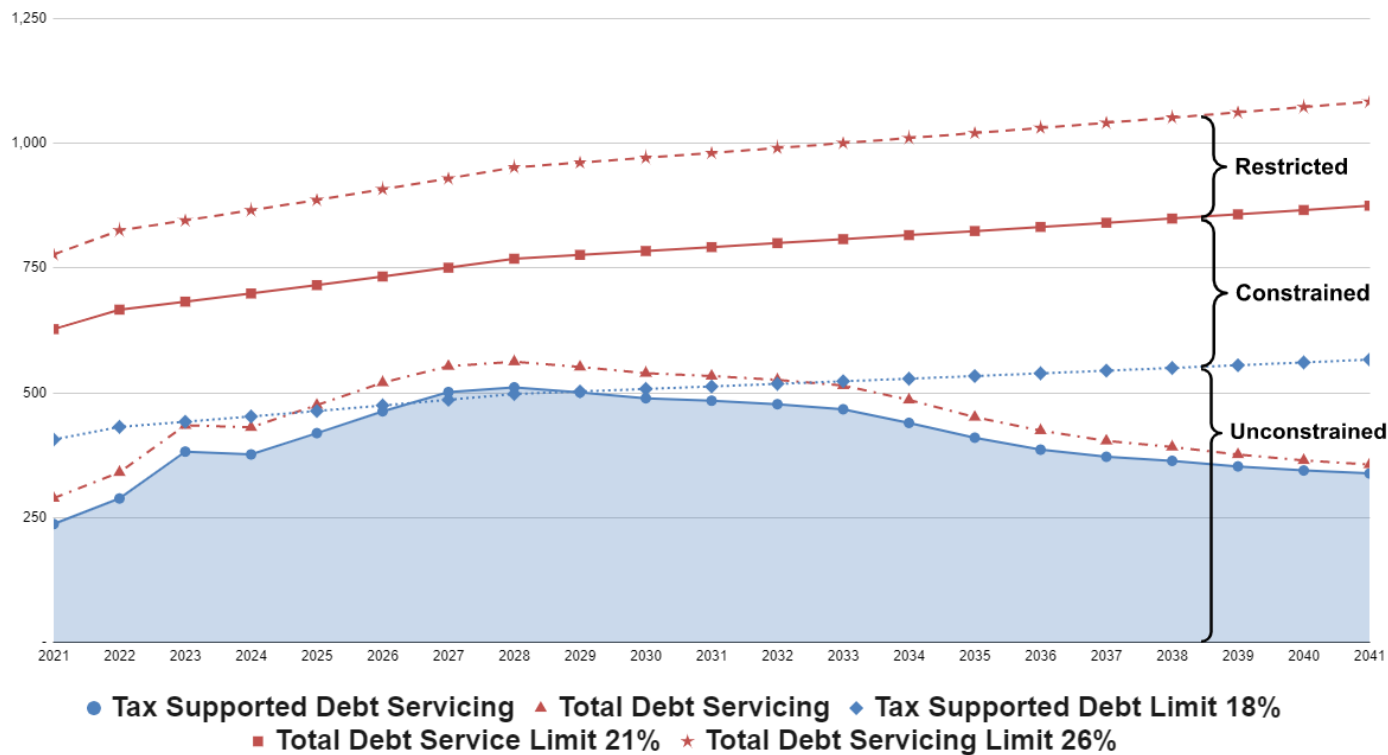
The December 31, 2022 debt update is provided through the following charts and tables in this attachment:

- Chart 1 - Debt Servicing Compared to Debt Servicing Limits (20 Years)
- Table 1 - Debt Servicing Forecasts Compared to Limits (10 Years)
- Table 2 - Debt Outstanding by Project

**Chart 1: Debt Servicing Compared to Debt Servicing Limits (20 Years)**

The Debt Management Fiscal Policy - C203D sets total debt service limits at 21 per cent and 26 per cent of consolidated City revenues and tax-supported debt service limits at 18 percent of tax-supported net operating expenditures. The City is projecting to briefly exceed the tax-supported debt servicing limit in 2027 and 2028, meaning any future debt financing considerations will be restricted to projects that have a minimum of one-third external funding sources, self-supporting tax guaranteed debt financed projects, self-liquidating debt financed projects or borrowing for emergency purposes.

**Debt Management Fiscal Policy - Debt Servicing Limits (\$M)**



Unconstrained borrowing is related to when the City is under the tax-supported debt servicing limit. Constrained borrowing permits tax-supported borrowing when the 18 per cent tax-supported debt servicing limit has been exceeded, but is limited to projects with at least one-third funding from external sources or borrowing for emergency purposes. Restricted borrowing is permitted only for emergency purposes as defined in the policy.

**Table 1: Debt Servicing Forecasts Compared to Limits (10 Years)**

The following table provides a forecast of debt servicing compared to the Policy C203D debt servicing limits.

Debt Servicing (DMFP - Note 4)	Actual		Projections									
	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32
<b>Tax-Supported Debt</b>												
Long-Term	142	189	277	256	290	332	374	395	403	402	400	397
Self-Supporting Tax Guaranteed (Note 1)	96	100	105	120	130	131	128	116	98	87	84	81
	<b>237</b>	<b>289</b>	<b>382</b>	<b>377</b>	<b>419</b>	<b>463</b>	<b>502</b>	<b>511</b>	<b>501</b>	<b>489</b>	<b>484</b>	<b>477</b>
<b>Self-Liquidating Debt (net of EPCOR)</b>	<b>52</b>	<b>52</b>	<b>53</b>	<b>54</b>	<b>56</b>	<b>57</b>	<b>52</b>	<b>51</b>	<b>51</b>	<b>50</b>	<b>49</b>	<b>49</b>
<b>Total Debt Servicing (DMFP)</b>	<b>289</b>	<b>341</b>	<b>435</b>	<b>431</b>	<b>476</b>	<b>521</b>	<b>553</b>	<b>562</b>	<b>552</b>	<b>539</b>	<b>534</b>	<b>526</b>
<i>DMFP Tax-supported Debt Servicing Limit (18%)(Note 5)</i>	<i>407</i>	<i>432</i>	<i>442</i>	<i>453</i>	<i>464</i>	<i>475</i>	<i>486</i>	<i>498</i>	<i>503</i>	<i>508</i>	<i>513</i>	<i>518</i>
<i>% used</i>	<i>58.4%</i>	<i>66.8%</i>	<i>86.5%</i>	<i>83.2%</i>	<i>90.5%</i>	<i>97.5%</i>	<i>103.2%</i>	<i>102.7%</i>	<i>99.6%</i>	<i>96.4%</i>	<i>94.4%</i>	<i>92.1%</i>
<i>% available</i>	<i>41.6%</i>	<i>33.2%</i>	<i>13.5%</i>	<i>16.8%</i>	<i>9.5%</i>	<i>2.5%</i>	<i>-3.2%</i>	<i>-2.7%</i>	<i>0.4%</i>	<i>3.6%</i>	<i>5.6%</i>	<i>7.9%</i>
<i>DMFP Total Debt Servicing Limit (21%)(Note 5)</i>	<i>628</i>	<i>667</i>	<i>683</i>	<i>699</i>	<i>716</i>	<i>733</i>	<i>751</i>	<i>769</i>	<i>776</i>	<i>784</i>	<i>792</i>	<i>800</i>
<i>% used</i>	<i>46.1%</i>	<i>51.1%</i>	<i>63.7%</i>	<i>61.7%</i>	<i>66.4%</i>	<i>71.0%</i>	<i>73.7%</i>	<i>73.2%</i>	<i>71.1%</i>	<i>68.8%</i>	<i>67.4%</i>	<i>65.8%</i>
<i>% available</i>	<i>53.9%</i>	<i>48.9%</i>	<i>36.3%</i>	<i>38.3%</i>	<i>33.6%</i>	<i>29.0%</i>	<i>26.3%</i>	<i>26.8%</i>	<i>28.9%</i>	<i>31.2%</i>	<i>32.6%</i>	<i>34.2%</i>
<i>DMFP Total Debt Servicing Limit (26%)(Note 5)</i>	<i>777</i>	<i>825</i>	<i>845</i>	<i>866</i>	<i>886</i>	<i>908</i>	<i>929</i>	<i>952</i>	<i>961</i>	<i>971</i>	<i>981</i>	<i>990</i>
<i>% used</i>	<i>37.2%</i>	<i>41.3%</i>	<i>51.5%</i>	<i>49.8%</i>	<i>53.7%</i>	<i>57.4%</i>	<i>59.5%</i>	<i>59.1%</i>	<i>57.4%</i>	<i>55.6%</i>	<i>54.4%</i>	<i>53.1%</i>
<i>% available</i>	<i>62.8%</i>	<i>58.7%</i>	<i>48.5%</i>	<i>50.2%</i>	<i>46.3%</i>	<i>42.6%</i>	<i>40.5%</i>	<i>40.9%</i>	<i>42.6%</i>	<i>44.4%</i>	<i>45.6%</i>	<i>46.9%</i>

Notes:

- 1) **Long-Term Tax Supported Debt** debt is issued to fund capital expenditures for tax-supported operations funded by tax levy revenues.  
**Self-Supporting Tax Guaranteed** debt is issued to fund capital expenditures for tax-supported operations, with the debt obligation being repaid through other non-tax-levy revenue sources. Any funding shortfall to repay the debt will be funded through tax-levy revenues. Other Self-Supporting Tax Guaranteed debt includes debt to be repaid through user fees, reserves, property sales and community revitalization levies.  
**Self-Liquidating** debt is issued to fund capital expenditures for programs which are self-funded, including but not limited to Utilities and local improvements.
- 2) For purposes of calculating debt limits, City Revenues are net of capital government transfers and developer contributed tangible capital assets as reported in the prior year audited financial statements. Tax-Supported Net Operating Expenditures are defined in the DMFP as expenditures for Tax-Supported Operations less amortization of tangible capital assets and loss (gain) on disposal, impairment and transfer of tangible capital assets as reflected in the most recent audited financial statements.
- 3) Forecasted debt includes financing for capital projects approved by Council through the Capital Budget with current and future cash flows as well as projects being proposed in the 2023-2026 Capital Budget. Borrowing forecasts assume borrowing in the second and fourth quarters, using the approved term for the project and the assumed interest rates per term.
- 4) For purposes of monitoring compliance with the City's internal Debt Management Fiscal Policy (C203D), debt servicing is assumed to be actual debt principal and interest paid in the year.
- 5) The internal Debt Management Fiscal Policy (C203D) sets debt service limits at 21% and 26% of consolidated City revenues and 18% (tax-supported debt) of tax-supported net operating expenditures as reported in the prior year audited financial statements.
- 6) Debt and debt service limits for 2022 are based on budgeted revenues, and 2023 to 2041 assume annual increases to revenue and expenditures of 2% until 2028, and 1% thereafter.

**Table 2: Debt Outstanding by Project**

The following table provides a breakdown of projected outstanding debt by major project:

Projected Outstanding Debt Summary (\$ millions)	31-Dec-22				
	2022	2023	2024	2025	2026
<b>Tax supported</b>					
Valley Line Southeast	766	647	631	615	597
Multi-Purpose Recreation Centres	208	198	187	175	164
Kathleen Andrews Transit Garage	206	202	196	189	181
Valley Line LRT: Downtown to Lewis Farms	152	329	365	426	527
Walterdale Bridge	118	113	108	103	97
NLRT (Downtown to NAIT)	154	148	141	133	125
Yellowhead Trail Freeway Conversion	239	327	408	452	470
Whitemud Drive/Quesnell Bridge Rehab/Grw	91	85	79	73	67
Northwest Campus	89	88	86	82	79
Great Neighbourhoods	71	65	59	57	49
Terwillegar Community Recreation Centre	67	63	59	54	50
Lewis Farms Community Recreation Centre and Library	30	62	109	175	251
Capital Line South LRT: Century Park to Ellersie Road	25	41	108	272	346
Coronation Park Sports and Recreation Centre	31	70	107	139	151
Terwillegar Drive Expressway Upgrades - Alternate Staging	27	91	133	152	171
50 Street CPR Grade Separation	16	42	62	81	91
William Hawrelak Park Rehabilitation	-	40	89	118	121
New Transit Bus Garage	-	37	52	109	251
Bike Plan Implementation Acceleration - Approach 3	-	5	27	59	91
High Level Bridge Rehabilitation	-	2	7	23	82
Other	268	290	359	463	533
<b>Total Tax-Supported</b>	<b>2,559</b>	<b>2,948</b>	<b>3,373</b>	<b>3,951</b>	<b>4,494</b>
<b>Self-Supported Tax Guaranteed</b>					
Arena	441	427	409	388	367
South LRT	221	186	150	112	73
Downtown Community Revitalization Levy	112	214	271	269	253
Quarters Community Revitalization Levy	61	69	67	61	53
Blatchford District Energy System [DES]	21	20	20	19	18
Energy Center #4 - Blatchford Renewable Energy	-	-	0	5	13
Other	39	38	38	34	29
<b>Total Self-Supported Tax Guaranteed</b>	<b>895</b>	<b>955</b>	<b>955</b>	<b>887</b>	<b>806</b>
<b>Self Liquidating</b>					
Waste Management	222	202	181	159	138
Local Improvements Prop. Share	141	130	130	132	135
Blatchford Redevelopment Implementation	62	58	55	51	47
Other	61	90	122	127	147
<b>Total Self Liquidating</b>	<b>487</b>	<b>480</b>	<b>488</b>	<b>470</b>	<b>467</b>
<b>Total Debt</b>	<b>3,940</b>	<b>4,383</b>	<b>4,816</b>	<b>5,308</b>	<b>5,767</b>