

Debt Update - June 30, 2023

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

The City's use of debt is guided through City Policy C203D - Debt Management Fiscal Policy. Under the 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.
- Total debt servicing is permitted up to 26 per cent of City revenues, but only for emergency purposes as defined in Policy C203D.

The June 30, 2023 debt update is provided through the following charts and tables in this attachment:

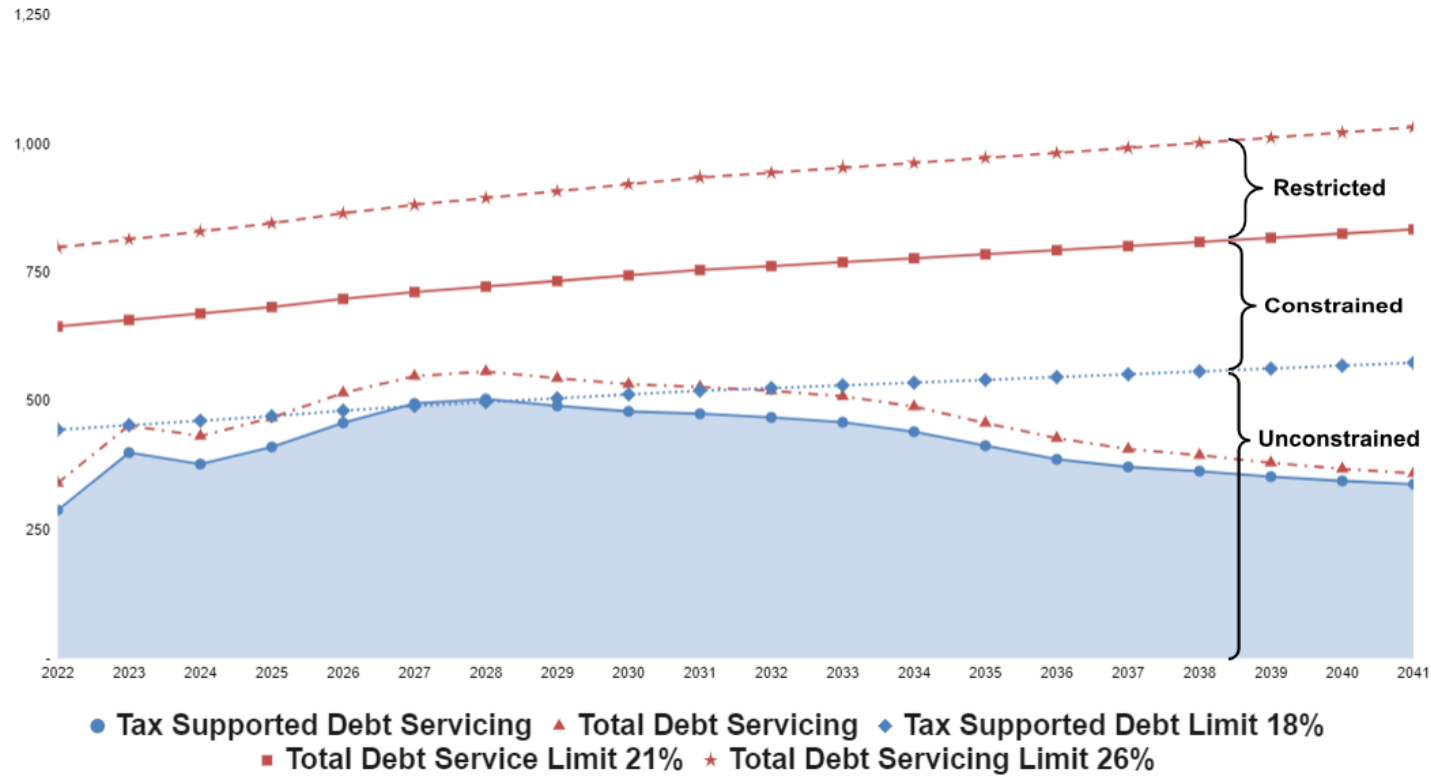
- Chart 1 - Debt Servicing Compared to Debt Servicing Limits (20 Years)
- Table 1 - Debt Servicing Forecasts Compared to Limits (10 Years)
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Chart 1: Debt Servicing Compared to Debt Servicing Limits (20 Years)

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 anticipated to use 86.5% of its tax-supported debt servicing limit and 67.6% of its total debt servicing limit by the end of 2023.
- 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, self-supported tax guaranteed debt, 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 3) | Actual | | | | Projections | | | | | | | |
|--------------------------------------------------------------|--------|--------|--------|--------|-------------|--------|--------|--------|--------|--------|--------|--|
| | Dec-22 | Dec-23 | Dec-24 | Dec-25 | Dec-26 | Dec-27 | Dec-28 | Dec-29 | Dec-30 | Dec-31 | Dec-32 | |
| Tax-Supported Debt | | | | | | | | | | | | |
| Long-Term (Note 1) | 189 | 288 | 257 | 286 | 336 | 377 | 397 | 402 | 401 | 400 | 396 | |
| Self-Supporting Tax Guaranteed (Note 1) | 78 | 105 | 111 | 118 | 122 | 119 | 108 | 89 | 79 | 76 | 72 | |
| | 267 | 392 | 368 | 404 | 457 | 496 | 504 | 491 | 480 | 476 | 469 | |
| Self-Liquidating Debt (net of EPCOR) (Note 1) | 74 | 53 | 55 | 57 | 58 | 53 | 54 | 54 | 53 | 52 | 52 | |
| Total Debt Servicing (DMFP) | 341 | 445 | 422 | 461 | 516 | 549 | 558 | 545 | 533 | 528 | 520 | |
| <i>DMFP Tax-supported Debt Servicing Limit (18%)(Note 2)</i> | 461 | 454 | 462 | 471 | 482 | 491 | 498 | 506 | 513 | 521 | 526 | |
| <i>% used</i> | 57.9% | 86.5% | 79.6% | 85.8% | 95.0% | 101.0% | 101.2% | 97.1% | 93.6% | 91.4% | 89.1% | |
| <i>% available</i> | 42.1% | 13.5% | 20.4% | 14.2% | 5.0% | -1.0% | -1.2% | 2.9% | 6.4% | 8.6% | 10.9% | |
| <i>DMFP Total Debt Servicing Limit (21%)(Note 2)</i> | 645 | 658 | 671 | 683 | 699 | 712 | 723 | 734 | 745 | 755 | 763 | |
| <i>% used</i> | 52.8% | 67.6% | 63.0% | 67.4% | 73.8% | 77.0% | 77.2% | 74.2% | 71.6% | 69.9% | 68.2% | |
| <i>% available</i> | 47.2% | 32.4% | 37.0% | 32.6% | 26.2% | 23.0% | 22.8% | 25.8% | 28.4% | 30.1% | 31.8% | |
| <i>DMFP Total Debt Servicing Limit (26%)(Note 2)</i> | 799 | 815 | 830 | 846 | 866 | 882 | 895 | 909 | 922 | 935 | 945 | |
| <i>% used</i> | 42.7% | 54.6% | 50.9% | 54.5% | 59.6% | 62.2% | 62.3% | 60.0% | 57.8% | 56.5% | 55.1% | |
| <i>% available</i> | 57.3% | 45.4% | 49.1% | 45.5% | 40.4% | 37.8% | 37.7% | 40.0% | 42.2% | 43.5% | 44.9% | |

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 servicing 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 Debt Management Fiscal Policy (C203D) 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. The Debt Management Fiscal Policy (C203D) sets total debt service limits at 21% and 26% of consolidated City revenues and 18% of tax-supported net operating expenditures for tax-supported debt servicing as reported in the prior year audited financial statements. Debt service limits for 2023 to 2041 assume annual increases to revenue and expenditures of 2% until 2030, and 1% thereafter.
3. Forecasted debt servicing includes financing for capital projects approved by Council through the 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. 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.

Table 2: Debt Outstanding by Project

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

| Projected Outstanding Debt Summary (\$ millions) | 30-Jun-23 | | | | |
|-----------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| Tax supported | | | | | |
| Valley Line Southeast | 766 | 679 | 663 | 646 | 629 |
| Multi-Purpose Recreation Centres | 208 | 198 | 187 | 175 | 164 |
| Kathleen Andrews Transit Garage | 206 | 202 | 197 | 190 | 182 |
| Valley Line LRT: Downtown to Lewis Farms | 152 | 411 | 401 | 421 | 528 |
| Walterdale Bridge | 118 | 113 | 108 | 103 | 97 |
| NLRT (Downtown to NAIT) | 154 | 148 | 142 | 134 | 126 |
| Yellowhead Trail Freeway Conversion | 239 | 347 | 399 | 438 | 458 |
| Whitemud Drive/Quesnell Bridge Rehab/Grw | 91 | 85 | 79 | 73 | 67 |
| Northwest Campus | 89 | 86 | 84 | 81 | 77 |
| Great Neighbourhoods | 71 | 62 | 53 | 44 | 36 |
| Terwillegar Community Recreation Centre | 67 | 63 | 59 | 54 | 50 |
| Lewis Farms Community Recreation Centre and Library | 30 | 65 | 103 | 169 | 244 |
| Capital Line South LRT: Century Park to Ellersie Road | 25 | 45 | 44 | 107 | 216 |
| Coronation Park Sports and Recreation Centre | 31 | 107 | 134 | 146 | 144 |
| Terwillegar Drive Expressway Upgrades - Alternate Staging | 27 | 49 | 89 | 123 | 151 |
| 50 Street CPR Grade Separation | 16 | 26 | 25 | 24 | 23 |
| William Hawrelak Park Rehabilitation | - | 51 | 90 | 126 | 130 |
| New Transit Bus Garage | - | 9 | 16 | 73 | 215 |
| Active Transportation Implementation Acceleration - Appr | - | - | 5 | 27 | 58 |
| High Level Bridge Rehabilitation | - | 2 | 7 | 24 | 88 |
| Other | 266 | 259 | 275 | 358 | 424 |
| Total Tax-Supported | 2,557 | 3,008 | 3,160 | 3,538 | 4,106 |
| Self-Supported Tax Guaranteed | | | | | |
| Arena | 441 | 424 | 408 | 388 | 367 |
| South LRT | 221 | 186 | 150 | 112 | 73 |
| Downtown Community Revitalization Levy | 112 | 127 | 151 | 191 | 203 |
| Quarters Community Revitalization Levy | 61 | 71 | 66 | 60 | 53 |
| Blatchford District Energy System [DES] | 21 | 20 | 20 | 19 | 18 |
| Energy Center #4 - Blatchford Renewable Energy | - | - | - | 0 | 5 |
| Other | 39 | 37 | 33 | 29 | 24 |
| Total Self-Supported Tax Guaranteed | 895 | 866 | 827 | 798 | 742 |
| Self Liquidating | | | | | |
| Waste Management | 222 | 202 | 181 | 159 | 138 |
| Local Improvements Prop. Share | 141 | 143 | 142 | 144 | 146 |
| Blatchford Redevelopment Implementation | 62 | 58 | 55 | 51 | 47 |
| Other | 64 | 52 | 91 | 100 | 120 |
| Total Self Liquidating | 488 | 455 | 468 | 454 | 451 |
| Total Debt | 3,940 | 4,329 | 4,456 | 4,791 | 5,300 |