

**Debt Update - September 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 September 30, 2023 debt update is provided through the following charts and tables in this attachment:

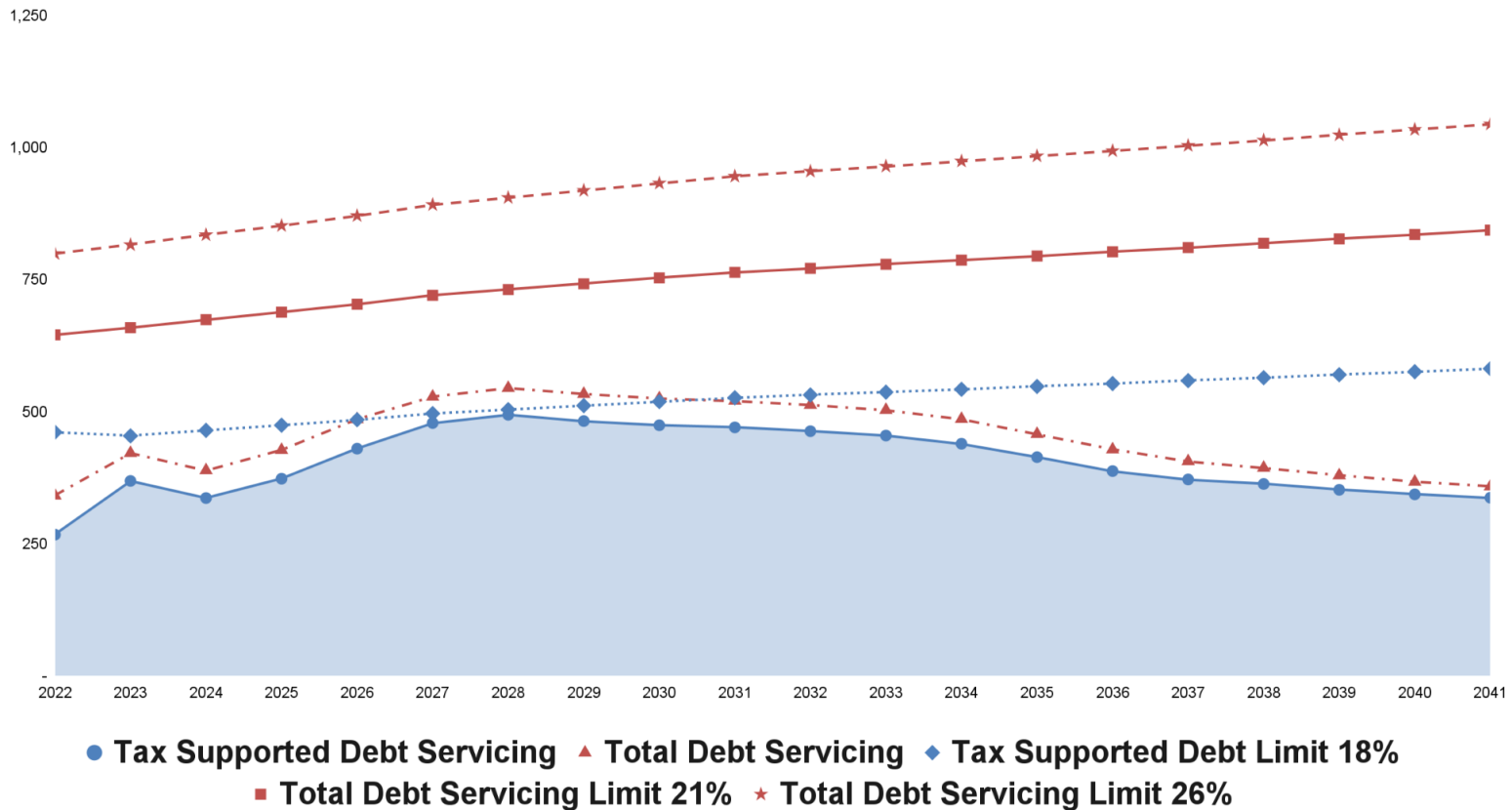
- Chart 1 - Debt Servicing Compared to Debt Servicing Limits (20 Years)
- Table 1 - Debt Servicing Forecasts Compared to Limits (10 Years)
- Table 2 - Debt Outstanding by Project

**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 anticipated to use 81.2% of its tax-supported debt servicing limit and 64.0% 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 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.

	Actual					Projections					
	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32
<b>Outstanding Debt (Note 3)</b>											
<b>Tax-Supported Debt</b>											
Long-Term	2,559	2,760	3,049	3,613	4,200	4,449	4,426	4,336	4,174	3,989	3,798
Self-Supporting Tax Guaranteed (Note 1)	895	850	831	812	761	677	596	530	472	415	359
	<b>3,454</b>	<b>3,610</b>	<b>3,881</b>	<b>4,425</b>	<b>4,960</b>	<b>5,127</b>	<b>5,022</b>	<b>4,866</b>	<b>4,646</b>	<b>4,404</b>	<b>4,157</b>
<b>Self-Liquidating Debt (net of EPCOR)</b>	<b>489</b>	<b>455</b>	<b>478</b>	<b>471</b>	<b>468</b>	<b>481</b>	<b>473</b>	<b>453</b>	<b>421</b>	<b>386</b>	<b>351</b>
<b>Total Outstanding Debt</b>	<b>3,942</b>	<b>4,065</b>	<b>4,359</b>	<b>4,896</b>	<b>5,428</b>	<b>5,608</b>	<b>5,495</b>	<b>5,319</b>	<b>5,067</b>	<b>4,790</b>	<b>4,509</b>
<i>Debt Limit (Note 2)</i>	13,169	13,445	13,754	14,043	14,352	14,696	14,917	15,140	15,367	15,583	15,738
<i>% used</i>	29.9%	30.2%	31.7%	34.9%	37.8%	38.2%	36.8%	35.1%	33.0%	30.7%	28.6%
<i>% available</i>	70.1%	69.8%	68.3%	65.1%	62.2%	61.8%	63.2%	64.9%	67.0%	69.3%	71.4%
	Actual					Projections					
	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32
<b>Debt Servicing (DMFP - Note 3)</b>											
<b>Tax-Supported Debt</b>											
Long-Term (Note 1)	189	266	231	263	319	372	400	408	410	410	406
Self-Supporting Tax Guaranteed (Note 1)	78	103	107	113	119	118	107	88	78	75	71
	<b>267</b>	<b>369</b>	<b>337</b>	<b>377</b>	<b>438</b>	<b>490</b>	<b>507</b>	<b>496</b>	<b>488</b>	<b>485</b>	<b>478</b>
<b>Self-Liquidating Debt (net of EPCOR) (Note 1)</b>	<b>74</b>	<b>53</b>	<b>53</b>	<b>56</b>	<b>58</b>	<b>53</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>54</b>
<b>Total Debt Servicing (DMFP)</b>	<b>341</b>	<b>422</b>	<b>390</b>	<b>433</b>	<b>496</b>	<b>543</b>	<b>562</b>	<b>551</b>	<b>544</b>	<b>539</b>	<b>532</b>
<i>DMFP Tax-supported Debt Servicing Limit (18%)(Note 2)</i>	461	454	464	474	485	496	504	511	519	526	531
<i>% used</i>	57.9%	81.2%	72.6%	79.5%	90.3%	98.7%	100.7%	97.0%	94.1%	92.1%	89.9%
<i>% available</i>	42.1%	18.8%	27.4%	20.5%	9.7%	1.3%	-0.7%	3.0%	5.9%	7.9%	10.1%
<i>DMFP Total Debt Servicing Limit (21%)(Note 2)</i>	645	659	674	688	703	720	731	742	753	764	771
<i>% used</i>	52.8%	64.0%	57.9%	62.9%	70.5%	75.4%	76.8%	74.3%	72.2%	70.6%	68.9%
<i>% available</i>	47.2%	36.0%	42.1%	37.1%	29.5%	24.6%	23.2%	25.7%	27.8%	29.4%	31.1%
<i>DMFP Total Debt Servicing Limit (26%)(Note 2)</i>	799	816	835	852	871	892	905	919	932	945	955
<i>% used</i>	42.7%	51.7%	46.7%	50.8%	57.0%	60.9%	62.1%	60.0%	58.3%	57.0%	55.7%
<i>% available</i>	57.3%	48.3%	53.3%	49.2%	43.0%	39.1%	37.9%	40.0%	41.7%	43.0%	44.3%

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 approximately 2% until 2027, 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:

September 30, 2023 Reporting	Projected Outstanding Debt Summary (\$ millions)				
	2022	2023	2024	2025	2026
<b>Tax supported</b>					
Valley Line Southeast	766	682	673	658	641
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	267	276	396	527
Walterdale Bridge	118	113	108	103	97
NLRT (Downtown to NAIT)	154	149	142	134	126
Yellowhead Trail Freeway Conversion	239	308	361	421	456
Whitemud Drive/Quesnell Bridge Rehab/Grw	91	85	79	73	67
Northwest Campus	89	86	84	81	77
Great Neighbourhoods	71	62	63	58	50
Terwillegar Community Recreation Centre	67	63	59	54	50
Lewis Farms Community Recreation Centre and Library	30	50	101	189	257
Capital Line South LRT: Century Park to Ellersie Road	25	35	79	157	269
Coronation Park Sports and Recreation Centre	31	98	129	141	139
Terwillegar Drive Expressway Upgrades - Alternate Staging	27	47	79	116	154
50 Street CPR Grade Separation	16	25	25	24	23
William Hawrelak Park Rehabilitation	0	28	74	112	121
New Transit Bus Garage	0	0	25	79	171
Active Transportation Implementation Acceleration - Appr	0	1	26	59	91
High Level Bridge Rehabilitation	0	1	6	22	82
Peter Hemingway Fitness & Leisure Centre Rehabilitation	2	2	3	5	6
LRV Replacements	0	0	-	29	51
Valley Zoo Animal Enclosure Renewal and Enhancement	0	0	3	16	23
Missing and Enhanced Sidewalk Connections	0	1	5	11	13
Balwin and Belvedere Revitalization	0	0	5	14	20
District Energy Network Strategy and District Energy Node	0	0	4	10	23
Climate Resilient City Facility Upgrades	0	1	3	19	46
Clean Energy Improvement Program	2	2	2	2	2
Other	265	253	253	267	274
<b>Total Tax-Supported</b>	<b>2559</b>	<b>2761</b>	<b>3,052</b>	<b>3,617</b>	<b>4,217</b>
<b>Self-Supported Tax Guaranteed</b>					
Arena	441	421	407	388	367
South LRT	221	186	150	112	73
Downtown Community Revitalization Levy	112	124	157	196	208
Quarters Community Revitalization Levy	61	63	62	60	54
Blatchford District Energy System [DES]	21	21	22	22	21
Energy Center #4 - Blatchford Renewable Energy	0	0	0	5	13
Other	39	35	33	29	25
<b>Total Self-Supported Tax Guaranteed</b>	<b>895</b>	<b>850</b>	<b>831</b>	<b>812</b>	<b>761</b>
<b>Self Liquidating</b>					
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	101	117	137
<b>Total Self Liquidating</b>	<b>488</b>	<b>455</b>	<b>478</b>	<b>471</b>	<b>468</b>
<b>Total Debt</b>	<b>3942</b>	<b>4066</b>	<b>4,361</b>	<b>4,900</b>	<b>5,445</b>