

Debt Update - September 30, 2024

The following attachment provides an update on the City's debt and debt servicing. It is not inclusive of any recommendations or decisions that have been made as a part of the Fall 2024 Supplemental Capital Budget Adjustment process for use of debt to finance capital projects.

The City's use of debt is guided through City Policy C203D - Debt Management Fiscal Policy (DMFP). 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.

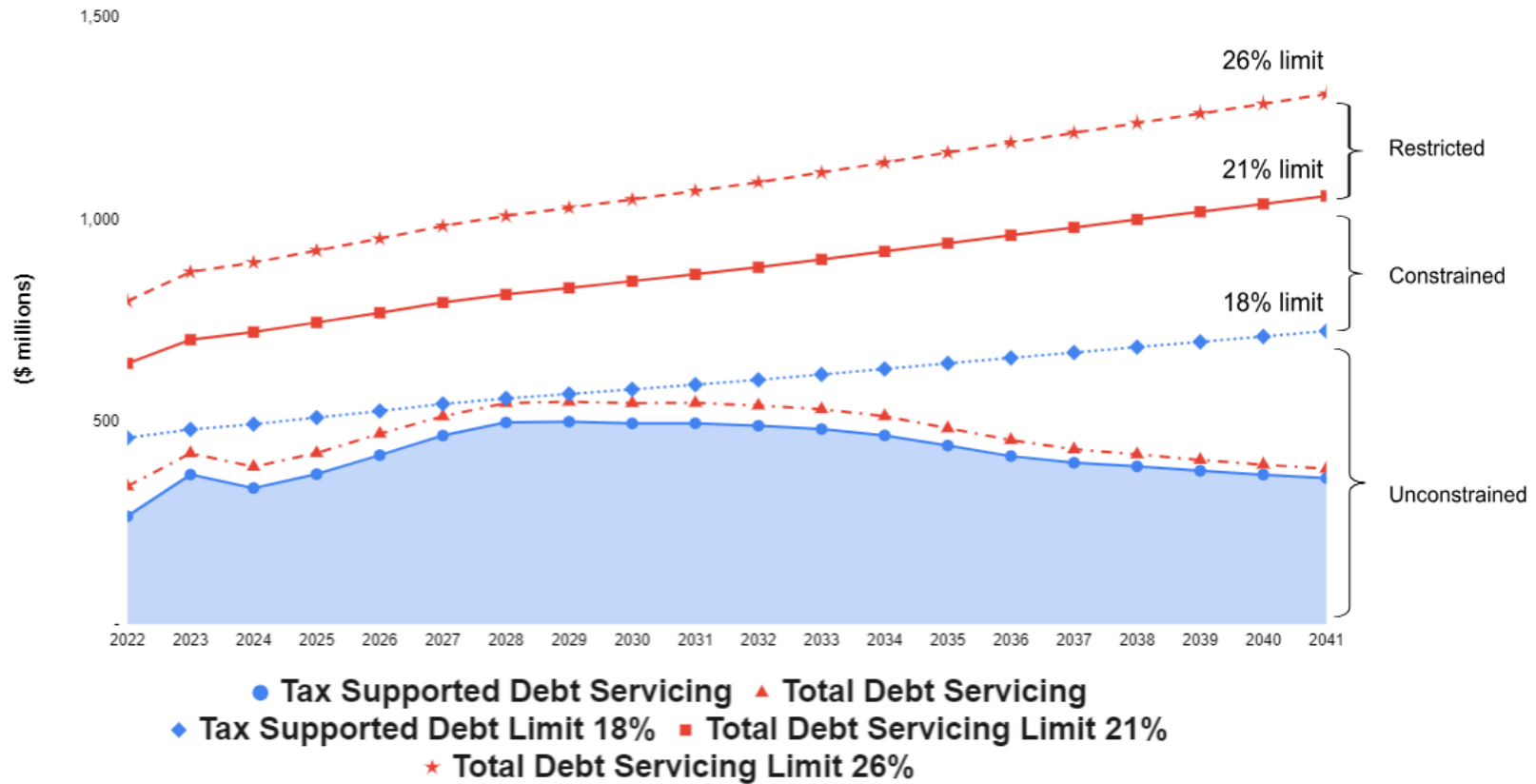
The September 30, 2024 debt update is provided through the following charts and tables in this attachment:

- 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 DMFP sets total debt service limits at 21 per cent and 26 per cent (for emergency purposes only) of consolidated City revenues and tax-supported debt service limits at 18 per cent of tax-supported net operating expenditures.

- The City is anticipated to use 68.4 per cent of its tax-supported debt servicing limit (18 per cent) and 54.1 per cent of its total debt servicing limit (21 per cent) by the end of 2024.
- The City is projected to reach its peak usage of the tax-supported debt servicing limit in 2028, with an anticipated utilization of 88.5 per cent of this limit. Based on this, tax-supported borrowing capacity of approximately \$915 million is currently available before the tax-supported debt servicing limit is reached in 2028.



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 DMFP limits.

Debt Servicing (DMFP - Note 3)	Actual		Projections							
	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)	267	231	258	298	345	387	406	412	416	413
Self-Supporting Tax Guaranteed (Note 1)	104	107	112	118	118	108	91	82	79	76
	370	339	370	416	462	494	497	494	495	488
Self-Liquidating Debt (net of EPCOR) (Note 1)	53	53	52	53	47	48	49	49	50	49
Total Debt Servicing (DMFP)	423	391	423	469	509	542	546	543	544	538
<i>DMFP Tax-supported Debt Servicing Limit (18%)(Note 2)</i>	482	495	511	527	545	558	570	581	593	604
<i>% used</i>	76.8%	68.4%	72.5%	78.8%	84.8%	88.5%	87.2%	84.9%	83.5%	80.8%
<i>% available</i>	23.2%	31.6%	27.5%	21.2%	15.2%	11.5%	12.8%	15.1%	16.5%	19.2%
<i>DMFP Total Debt Servicing Limit (21%)(Note 2)</i>	704	723	747	770	796	816	832	849	866	883
<i>% used</i>	60.1%	54.1%	56.6%	60.8%	64.0%	66.4%	65.6%	64.0%	62.9%	60.9%
<i>% available</i>	39.9%	45.9%	43.4%	39.2%	36.0%	33.6%	34.4%	36.0%	37.1%	39.1%
<i>DMFP Total Debt Servicing Limit (26%)(Note 2)</i>	871	895	924	954	985	1,010	1,030	1,051	1,072	1,093
<i>% used</i>	48.5%	43.7%	45.7%	49.1%	51.7%	53.6%	53.0%	51.7%	50.8%	49.2%
<i>% available</i>	51.5%	56.3%	54.3%	50.9%	48.3%	46.4%	47.0%	48.3%	49.2%	50.8%

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 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. The DMFP sets total debt service limits at 21 per cent and 26 per cent (emergency purposes) of consolidated City revenues and 18 per cent of tax-supported net operating expenditures for tax-supported debt servicing as reported in the prior year audited financial statements. Debt service limits for 2024 to 2032 assume annual increases to revenue and expenditures of approximately 3 per cent until 2027, and approximately 2 per cent 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 DMFP, 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:

Sep 30, 2024 Reporting	Projected Outstanding Debt Summary (\$ millions)				
	Actual 2023	2024	2025	2026	2027
Tax supported					
Valley Line Southeast	692	676	658	640	622
Multi-Purpose Recreation Centres	198	187	175	164	151
Kathleen Andrews Transit Garage	165	159	153	147	140
Valley Line LRT: Downtown to Lewis Farms	267	284	389	402	543
Walterdale Bridge	113	108	103	97	91
NLRT (Downtown to NAIT)	149	143	137	130	122
Yellowhead Trail Freeway Conversion	308	328	375	412	458
Whitemud Drive/Quesnell Bridge Rehab/Grw	85	79	73	67	60
Northwest Campus	86	83	80	77	73
Great Neighbourhoods	62	59	54	49	41
Terwilligar Community Recreation Centre	63	59	54	50	45
Lewis Farms Community Recreation Centre and Library	50	107	178	243	269
Capital Line South LRT: Century Park to Ellersie Road	35	128	155	328	416
Coronation Park Sports and Recreation Centre	98	123	129	129	143
Terwilligar Drive Expressway Upgrades - Alternate Staging	46	97	127	139	139
50 Street CPR Grade Separation	25	25	24	23	22
Downtown District Energy Initiative	1	1	12	20	20
William Hawrelak Park Rehabilitation	28	88	107	110	125
New Transit Bus Garage	37	43	76	152	241
Active Transportation Implementation Acceleration - Approach 3	1	20	51	79	90
High Level Bridge Rehabilitation	1	7	22	81	176
Peter Hemingway Fitness & Leisure Centre Rehabilitation	2	2	5	6	6
LRV Replacements	0	0	0	29	50
Valley Zoo Animal Enclosure Renewal and Enhancement	0	1	4	21	24
LRT Prelim Design: Metro Line: Blatchford to Campbell Rd	1	4	11	17	19
Missing and Enhanced Sidewalk Connections	1	6	10	12	14
Balwin and Belvedere Revitalization	0	3	13	19	20
District Energy Network Strategy and District Energy Nodes	0	0	5	19	22
Climate Resilient City Facility Upgrades	1	1	18	38	42
Kathleen Andrews Transit Garage Solar PV & Battery Projects	0	0	2	4	5
Other	247	249	267	277	261
Total Tax-Supported	2,764	3,068	3,470	3,981	4,450

Attachment 3

Sep 30, 2024 Reporting	Actual	Projected Outstanding Debt Summary (\$ millions)			
	2023	2024	2025	2026	2027
Self-Supported Tax Guaranteed					
Arena	421	404	384	363	341
South LRT	186	150	112	73	36
Downtown Community Revitalization Levy	124	144	186	208	197
Quarters Community Revitalization Levy	63	63	61	55	47
Blatchford District Energy System [DES]	21	27	26	26	25
Energy Center #4 - Blatchford Renewable Energy	0	0	5	13	14
Other	41	38	36	36	36
Total Self-Supported Tax Guaranteed	856	827	809	772	697
Self Liquidating					
Waste Management	202	184	163	141	128
Local Improvements Prop. Share	143	145	145	144	145
Blatchford Redevelopment Implementation	58	55	51	47	43
Clean Energy Improvement Program	6	6	6	5	5
Other	138	51	51	78	99
Total Self Liquidating	547	442	415	416	420
Total Debt	4,167	4,337	4,694	5,169	5,567