

**Chief Financial Officer's Report to
Priorities and Finance Committee
2020 October 13**

**ISC: UNRESTRICTED
PFC2020-1028
Page 1 of 3**

The City of Calgary Debt Policy

RECOMMENDATION(S):

That the Priorities and Finance Committee recommends that Council:

1. Hold a public hearing on the proposed The City of Calgary Debt Policy (Attachment 2); and
2. Approve The City of Calgary Debt Policy.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2020 OCTOBER 13:

That Council hold a Public Hearing; and

1. Approve The City of Calgary Debt Policy.

HIGHLIGHTS

- The City of Calgary Charter (AR 40/2018) requires Council to obtain an external credit rating and establish a debt limit and a debt servicing policy.
- Having an approved municipal debt policy reflects widely applied best practice in fiscal policy and treasury management and is established in most other comparable municipalities in North America.
- The policy aggregates relevant processes and previous Council approvals in a formal Council Policy and thus contributes to the transparency of City's financial management.
- The City's debt limit and debt servicing limits, as well as other debt-related provisions, are currently governed under the Municipal Government Act (MGA) and related Debt Limit Regulation (AR 255/2000) that expires on 2020 December 31. This policy will effectively replace this regulation.
- Having an approved debt policy will set the stage for further work that will help align the borrowing framework to City's longer-term goals and priorities.
- Background and Previous Council Direction is included as Attachment 1.
- Strategic Alignment to Council's Citizen Priorities: A well-run city

DISCUSSION

- The Debt Policy outlines objectives, standards and appropriate controls for the use and issuance of debt to ensure that The City utilizes debt prudently and efficiently.
- Attachment 2 consolidates The City's current processes, including a number of elements the Council has approved in the past, into a formal Council policy. A formal review of the policy elements (e.g. policy statements, procedures, etc.), including the debt limits, will occur by the end of 2022.
- The policy reflects the existing legislative and regulatory framework and complements it with industry best practice recommendations.
- Certain provisions of the Debt Policy that have not yet been formally approved by Council include but are not limited to:
 - striving to maintain or improve The City's credit rating;

**Chief Financial Officer's Report to
Priorities and Finance Committee
2020 October 13**

**ISC: UNRESTRICTED
PFC2020-1028
Page 2 of 3**

The City of Calgary Debt Policy

- reporting the level of indebtedness as measured by tax-supported debt as a percentage of taxable assessment
 - allowing for a prudent use of derivatives for risk hedging purposes.
- In writing this policy, the following resources were reviewed:
 - debt policies of several comparable North-American municipalities
 - the Government Finance Officers Association's best practice recommendations;
 - credit rating agencies' guidelines;
 - provincial legislation and other relevant publications such as municipal annual reports, budget documents or other finance policies.
- This policy was presented to and endorsed by the Executive Leadership Team on 2020 October 6.
- The Debt policy will be open to comments through a public hearing process that will be advertised with all relevant information in accordance with the applicable provisions of the Municipal Government Act.
- Approval of a Council Debt Policy will exempt The City from the legislated debt limits contained in the MGA.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☐ Public Communication or Engagement was not required
- ☒ Public/Stakeholders were informed
- ☐ Stakeholder dialogue/relations were undertaken

IMPLICATIONS

Social

This policy has no direct impact on the social well-being of Calgarians.

Environmental

There is no environmental impact as a result of approving this policy.

Economic

Approving this policy positively contributes to promoting The City's fiscal responsibility in line with The City's long-term goals and priorities by reinforcing its commitment to use borrowing transparently, prudently and efficiently so as to enhance the well-being of Calgarians in a fair and financially sustainable manner.

Service and Financial Implications

**Chief Financial Officer's Report to
Priorities and Finance Committee
2020 October 13**

**ISC: UNRESTRICTED
PFC2020-1028
Page 3 of 3**

The City of Calgary Debt Policy

There are no direct service or financial implications as a result of approving this policy as it reflects the legislative framework that already governs The City's borrowing.

Choose an item.

Include actual figure

There is no direct quantifiable opportunity cost from pursuing this recommendation.

RISK

A clear Debt Policy mitigates the risks associated with debt and borrowing. Approving this policy decreases the risk that The City would fail to utilize debt in a prudent and sustainable manner in accordance with best practice by removing some elements of discretion that are inherent in any debt issuance and replacing it with a formal and transparent framework.

ATTACHMENT(S)

1. Background
2. The City of Calgary Debt Policy

Department Circulation

General Manager (Name)	Department	Approve/Consult/Inform (Pick-one)
Carla Male	CFOD	Approve