

## **The City of Calgary Debt Policy**

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### **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
- current 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;

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- 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

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.

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### 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