

**Corporate Planning & Financial Services Report to
Executive Committee
2023 September 06
New Capital Debt Borrowing Option**

**ISC: UNRESTRICTED
EC2023-0673
Page 1 of 4**

PURPOSE

The purpose of this report is to request that Council approve the recommendations supporting the corporate borrowing strategy, which includes providing The City of Calgary ("The City") with an additional capital debt borrowing alternative by way of issuances of municipal bonds into the debt capital markets or by way of private placement.

PREVIOUS COUNCIL DIRECTION

On 2022 May 19, the item was presented to The City's Intergovernmental Affairs Committee and direction was given to Administration to continue to assess and implement additional forms of debt financing.

RECOMMENDATION(S):

That the Executive Committee:

- 1) Forward this report to the 2023 September 12 Regular Meeting of Council; and
- 2) Direct that Attachment 2 be held confidential pursuant to Sections 24 (Advice from officials), 25 (Disclosure harmful to economic and other interests of a public body), and 27 (Privileged information) of the Freedom of Information and Protection of Privacy Act, RSA 2000, c. F-25 until 2023 September 12.

That the Executive Committee recommend that Council:

- 1) Give first reading to the proposed bylaw authorizing The City of Calgary ("The City") to incur indebtedness by way of issuances of debt securities into the debt capital markets or by way of private placement;
- 2) Withhold second and third readings until the advertising requirements set out in the Municipal Government Act, RSA 2000, c. M-26, have been met; and
- 3) Direct that Attachments 3, and 4, be held confidential pursuant to Sections 24 (Advice from officials), 25 (Disclosure harmful to economic and other interests of a public body), and 27 (Privileged information) of the Freedom of Information and Protection of Privacy Act, RSA 2000, c. F-25 until 2025 September 15.

CITY MANAGER/GENERAL MANAGER COMMENTS

City Manager supports this innovative approach to help finance future capital projects in a cost-effective manner. This is just one of the many approaches we are working on to do more with the tools and resources we already have, so we can deliver more value to Calgarians.

HIGHLIGHTS

- In December 2021, the Province formally announced a change in the methodology for pricing loans to local authorities, together with a pricing increase to The City's capital borrowing cost under such loans of roughly 0.50 per cent to 0.75 per cent per annum. In addition, the Province signaled that additional restrictions, such as available tenors (the length of time to repay the loan), structures and loan features could also be expected.
- In response, Administration has developed a new corporate borrowing strategy which includes an alternative to current capital debt borrowing from the Province.
- This new capital debt option contemplates issuing municipal bonds into the debt capital markets or by way of private placement.
- Large municipalities such as Vancouver, Ottawa, Montreal, Toronto have incorporated similar borrowing strategies and have demonstrated continued success with such programs.

**Corporate Planning & Financial Services Report to
Executive Committee
2023 September 06
New Capital Debt Borrowing Option**

**ISC: UNRESTRICTED
EC2023-0673
Page 2 of 4**

-
- Pricewaterhouse Coopers LLP has been engaged to review and advise on the targeted future state of the strategy, and debt capital market advisory services, including dealer syndicate selection and lead dealer procurement.
 - A key prospective advantage of The City issuing its own municipal bonds is the access to capital debt at a lower interest rate than the rate being charged by the Province under the loans to local authorities program. If this lower interest rate is realized, it will provide greater value for Calgarians by reducing The City's interest rate expense. Preliminary analysis indicates that implementation of the corporate borrowing strategy could save The City up to 0.75 per cent/per annum in interest costs when compared to borrowing from the Province.
 - This strategy meets The City's strategic objectives to obtain the lowest cost option for financing as well as ensuring adequate capital through diversification of future financing to support future programs or projects.

DISCUSSION

LEGAL

- At the 2023 September 12 Council meeting, Administration will seek approval of an omnibus bylaw required for The City to issue its own municipal bonds into the debt capital markets or by way of private placement. The existing borrowing bylaws are still valid and the omnibus bylaw expands the authorities to ensure flexibility to access the debt capital markets.
- Administration has engaged McCarthy Tétrault LLP to support the development of this bylaw and the legal framework required for The City to issue its own municipal bonds.

ACCOUNTING

- The City's existing process for tracking, administering, and reporting the financing of capital projects will need to be adapted to accommodate the strategy.
- The revised process will be assessed, tested and piloted prior to The City's first municipal bond issuance to help ensure a seamless transition.

COMMUNICATIONS

- Collaboration with the communications team to ensure related messaging is targeted, concise and consistent when engaging with prospective investors.

Next steps will involve Administration finalizing the remaining project tasks associated with implementation of the corporate borrowing strategy including:

- Communication Strategy;
- Accounting Considerations;
- Legal and Governance;
- Best practice advisory (PwC);
- Lead dealer and syndicate procurement (PwC);
- Future state pilot; and
- Inaugural bond issuance.

Note: An Advisory Group chaired by The City's Treasurer has been established to ensure an effective implementation. Members include Directors from Law, Planning and Performance, Communications, City & Regional Planning, Climate and Environment, Capital Priorities and Investment and City Manager proxy.

**Corporate Planning & Financial Services Report to
Executive Committee
2023 September 06
New Capital Debt Borrowing Option**

**ISC: UNRESTRICTED
EC2023-0673
Page 3 of 4**

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | | | |
|-------------------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | Public engagement was undertaken | <input checked="" type="checkbox"/> | Dialogue with interested parties was undertaken |
| <input checked="" type="checkbox"/> | Public/interested parties were informed | <input checked="" type="checkbox"/> | Public communication or engagement was not required |

Engagement and Communication with the following internal and external interested parties.

<ul style="list-style-type: none"> • The City of Calgary - Council • Executive Leadership Team • Government Relations • Corporate Budget Office • Corporate Financial Reporting • Capital Priorities and Investment Legal • Communications • Community Services • Real Estate & Development Services (REDS), Waste & Recycling Services, Water Services 	<ul style="list-style-type: none"> • Fleet & Inventory, Transit, Parks & Open Spaces, Mobility, Facility Management • Corporate Finance, Other Major Projects (e.g. Green Line, Arts Commons Transformation) • ENMAX Corporation (Treasury) • Calgary Municipal Land Corporation • Climate and Environment • Ongoing City Initiatives <ul style="list-style-type: none"> - Rethink to Thrive - Long Range Financial Plan - Corporate Reorganization 	<p>External parties</p> <ul style="list-style-type: none"> • Prospective Investors • Prospective Dealers • Credit Rating Agencies • Alberta Municipalities (AUMA) • Building Industry and Land Development Association (BILD) • Alberta Treasury Board & Finance • Comparable Municipalities
--	---	--

IMPLICATIONS

Social

Social, Environmental and Economic Implications

Not Applicable

Environmental

Not Applicable

Economic

Economic

Not Applicable

Service and Financial Implications

Cost savings

Forecasted debt requirements suggest potential interest savings for The City of up to 0.75 percent per annum when compared to borrowing from the Province. Anticipated annual interest savings estimated at \$175 million in aggregate by 2032. The risks to realize the savings stated was assessed in Attachment 3.

**Corporate Planning & Financial Services Report to
Executive Committee
2023 September 06
New Capital Debt Borrowing Option**

**ISC: UNRESTRICTED
EC2023-0673
Page 4 of 4**

There is no assurance that the estimated interest savings will actually be realized and the ability of The City to realize such savings will be dependent on a number of factors including the amount borrowed, the terms on which the debt is to be issued, market dynamics and the ability of The City to maintain its current credit rating.

RISK

Organized and facilitated by The City's Service Improvement and Enterprise Risk Management teams in Corporate Planning & Performance, the corporate borrowing strategy working group completed a risk assessment exercise to inventory, assess and where appropriate, manage risk.

A confidential Risk Summary has been included within Attachment 4 for further reference.

In consideration of The City's Principal Corporate Risks (PCR) it's important to note that **Technological Disruption, Reputational, and Legal Risk** will need to be carefully considered throughout implementation. This stated, note that benefits of the corporate borrowing strategy are also likely to help temper other risks, including: **Capital Infrastructure, Financial Sustainability, Service Delivery, and Sustainable City Risk.**

ATTACHMENT(S)

1. Attach 1 – Previous Council Direction-EC2023-0673
2. Attach 2 – CONFIDENTIAL Proposed Bylaw-EC2023-0673
3. Attach 3 – CONFIDENTIAL PWC Treasury Advisory Support-EC2023-0673
4. Attach 4 – CONFIDENTIAL Corporate Borrowing Strategy Risk Summary-EC2023-0673
5. Attach 5 – Presentation New Capital Borrowing Option-EC2023-0673

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor, Acting CFO/General Manager	CPFS	Approve
Lynne Davies, Director	Law	Consult
Francois Bouchart, Director Capital Priorities, and Investment	Infrastructure Services	Inform
Krista Ring, Director	Communications	Inform
Carolyn Bowen, Director	Climate and Environment	Inform
Chris Stewart, Director	Corporate Planning and Performance	Inform
Josh White, Director	City and Regional Planning	Inform
Heather Domzal, Chief of Staff	CMO	Inform

Authors: David Levasseur and Jacky Lai