

# “Drop the debt!” Option

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## **Reducing our debt**

### **The idea**

The \$52 million per year would be used to reduce The City’s debt.

### **The problem it solves**

Calgary currently has \$3.4 billion of debt. Fifty-two million dollars a year for five years would enable The City to pay down a portion of its existing debt or avoid taking on debt for infrastructure projects Council has previously approved.

Lower debt would create annual savings for The City in interest costs. The interest savings could be used to enhance the delivery of City services and/or to lower the amount of money The City needs from other sources, such as property taxes.

### **How it would work**

The City would either repay existing debt early, or avoid planned future borrowing. Since interest rates change over time, the amount of annual savings would vary depending on what interest rates are at the time that the debt is reduced or eliminated. There may also be penalty costs that would reduce the potential interest savings if existing debt is retired, similar to the penalties an individual may face if they try to retire a personal mortgage early.

With an interest rate of 3.0 per cent, The City would save an estimated \$1.56 million in interest per year. Overall, The City would save combined principal and interest annual payments (like a mortgage) of approximately \$3.0 million per year. For every additional year that debt is retired the combined annual savings grow.

For more information, please see The City’s [Long-Range Financial Plan](#).