

Debt Policy

PURPOSE

The purpose of this report is to request that Council approve the recommendations supporting the adoption of an amended Debt Policy for The City of Calgary (“The City”). The proposed amended Debt Policy outlines objectives and procedures for the use and issuance of debt to ensure that The City is continuing to use debt prudently, transparently and efficiently.

PREVIOUS COUNCIL DIRECTION

The *Municipal Government Act*, RSA 2000, c. M-26, as amended by the *City of Calgary Charter, 2018 Regulation*, Alta Reg 40/2018, (the “MGA”) requires Council to obtain an external credit rating and establish a debt limit and a debt servicing policy before The City is able to establish its own debt limit. This is an amendment of the existing Debt Policy which was adopted by Council on 2 November 2020, and which became effective on 1 January 2021.

RECOMMENDATIONS:

That the Executive Committee recommends that Council:

- 1) Approve the amended Debt Policy CP2020-05 in Attachment 2 following the public hearing; and
- 2) Direct that Attachment 5 remain confidential pursuant to Section 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed no later than 2027 April 15.

RECOMMENDATION OF THE EXECUTIVE COMMITTEE, 2025 MAY 13:

That Council:

1. Approve the amended Debt Policy CP2020-05 in Attachment 2 following the public hearing; and
2. Direct that Attachment 5 remain confidential pursuant to Section 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed no later than 2027 April 15.

Excerpt from the Minutes of the Regular Meeting of the Executive Committee, 2025 May 13:

“**Moved by** Councillor Mian

That with respect to Report EC2025-0269, the following be approved, **after amendment**:

That the Executive Committee:

1. **Forward this report to the 2025 September 9 Public Hearing Meeting of Council;**
and

...

MOTION CARRIED”

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CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

Les Tochor, Chief Financial Officer and General Manager of Corporate Planning & Financial Services, concurs with this report.

HIGHLIGHTS

- Well-defined financial policies combined with The City's ability to enact these prudent fiscal policies are recognized externally as a measure of The City's strong governance and financial management practices.
- The current version of The City of Calgary Debt Policy was adopted by Council on 2 November 2020 and became effective on 1 January 2021.
- The Council Policy Program policy recommends that all Council policies undergo a formal review every four years and to provide strategic direction on governance, programs and services.
- The amended Debt Policy incorporates changes to the corporation's borrowing strategy while reaffirming the current Council Debt Limits.
- There is no change to the role of Council in the approval and administration of Debt.
- The proposed amended Debt Policy is intended to be implemented by Administration in conjunction with a new *Debt Management & Issuance Administration Standard* (the "Administration Standard") which will address the more technical aspects of The City's debt issuances.

DISCUSSION

Background

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. On 2020 November 02, the existing Debt Policy was adopted by Council, and became effective on 2021 January 01. In accordance with the Council Policy Program policy, it is recommended that all Council policies undergo a formal review every four years.

During this period, significant changes occurred to the corporation's borrowing strategy to diversify its financing sources, including the establishment of a Debt Capital Markets and Private Placement Program as per bylaw 10B2023 with an inaugural issuance in March 2024, and new financings with the Canada Infrastructure Bank (CIB) and Federation of Canadian Municipalities (FCM). These new types of conventional and alternative forms of debt represent opportunities for The City to secure lower cost financing for Calgarians.

Formal Review

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. The policy reflects the existing legislative and regulatory framework and complements it with industry best practice recommendations. In writing this policy, the following resources were reviewed:

- debt policies of several comparable Canadian municipalities
- the Government Finance Officers Association's best practice recommendations;

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- credit rating agencies' guidelines;
- discussions with investment dealers and other municipalities;
- provincial legislation and other relevant publications such as municipal annual reports;
- budget documents or other finance policies.

This periodic review of the Debt Policy provided an opportunity assess and potentially amend the Council debt limits. The debt limits in The City's Debt Policy are more stringent limits than those set out for other local authorities in the MGA.

- Total Debt shall not exceed 1.6 times Revenue;
- Total Debt Service shall not exceed 0.28 times Revenue; and
- Tax-Supported Debt Service shall not exceed 10% of Tax-Supported Gross Expenditures (Net of Recoveries)

The City has remained within its debt limits utilizing an average of 43 per cent of its Total Debt limit capacity, and 50 per cent of its Total Debt Service limit capacity over the last 5-years. A long-term forecast of the Council debt limits is maintained by Treasury to assess the current and future impact on these limits of the use of debt for approved and prospective long-term capital plans of The City.

This financial capacity assessment was conducted as part of the formal review of the Debt Policy and concluded that there would be no proposed changes to the previously approved Council debt limits. Details to the financial analysis are included in Attachment 5.

Notable Updates

The introduction of a new Debt Management & Issuance Administration Standard is intended to address the changes to the corporation's borrowing strategy with debt issuance to be centrally managed by Treasury to improve communication, risk mitigation, compliance and efficiency. The Administration Standard will address the specific requirements associated with various financing sources as The City seeks to diversify its financing sources to improve its economic resiliency. The technical sections from the Debt Policy are now moved to the Administration Standards.

The amended Debt Policy provides transparency with respect to the establishment of a debt retirement account as referenced and approved in the New Capital Debt Borrowing Option report EC2023-067. A debt retirement account is common upon bond issuers, which typically requires all principal repayment to occur at debt maturity. This account accumulates funds each year to ensure sufficient funds to repay the bonds at maturity.

Next Steps

The Debt Policy will be open to comments through a public hearing process that will be advertised with all relevant information available to the public in accordance with the applicable provisions of the MGA. The proposed Debt Policy will be subject to further feedback arising through the public hearing process.

Approval of the proposed Debt Policy will allow The City to continue to set its own debt limit, separate and apart from requirements set out in the MGA.

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EXTERNAL ENGAGEMENT AND COMMUNICATION

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

A public hearing on the proposed amended Debt Policy is required in accordance with section 216.4 of the MGA following the advertisement of the proposed amended Debt Policy pursuant to section 606 of the MGA and the expiry of the 60-day petition period set out in section 231(4) of the MGA.

The following internal interested parties have been engaged: Law, Finance and The City's Policy Review Committee.

IMPLICATIONS

Social

Not Applicable

Environmental

Not Applicable

Economic

Not Applicable

Service and Financial Implications

No anticipated financial impact

The proposed Debt Policy seeks to provide greater efficiency through clarity of roles and responsibilities as The City diversifies financing sources.

RISK

Significant changes occurred to the corporation's borrowing strategy to diversify its financing sources, including the establishment of a Municipal Bond and Private Placement Program, and new financings with the Canada Infrastructure Bank (CIB) and Federation of Canadian Municipalities (FCM). While these new types of conventional and alternative forms of debt represent opportunities for The City to secure lower cost financing for Calgarians, they present different risks to The City.

The amended Debt Policy and new Administration Standards will address recent changes to the corporation's borrowing strategy and improve collaboration, risk management, and provide clarity to the roles and responsibilities between the Business Units, Law, Treasury and other Finance teams. The debt retirement account contemplated in the proposed Debt Policy is one risk mitigation strategy to ensure that The City is continually setting aside funds to repay the principal amount of any bond issuances due at the date of maturity. It is important for any investments made using the funds in the Debt Retirement Account to be of sufficient quality to

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minimize the risk of investment losses. Administration has drafted a *Debt Retirement Account Portfolio Policy* that contains investment guidelines intended to address this risk.

ATTACHMENTS

1. Previous Council Direction, Background
2. Proposed Debt Policy
3. Debt Management & Issuance Administration Standard
4. Amendments to the Debt Policy
5. Confidential - Debt Metrics and Forecasts
6. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor	CFPS	Approve

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