

Corporate Planning & Financial Services Report to
Executive Committee
2025 December 09

ISC: UNRESTRICTED
EC2025-0940

Fleet and Inventory - Capital Borrowing Bylaw

PURPOSE

The purpose of this report is to seek Council approval of proposed borrowing Bylaw 8B2025. If approved, the borrowing authority will be used for financing the acquisition of vehicles and equipment for the Fleet and Inventory business unit of The City of Calgary (“The City”).

PREVIOUS COUNCIL DIRECTION

In the 2026 Budget Adjustments to 2023-2026 Services Plans and Budgets (C2025-0901) Council considered and approved an increase to Fleet and Inventory’s capital budget in the amount of \$52.5 million to acquire vehicles and equipment, for replacement and growth, used to deliver programs and services to Calgary residents.

RECOMMENDATION(S):

That Executive Committee:

1. Forward this Report and its Attachments to the 2025 December 15 Regular Meeting of Council;

That Executive Committee recommends that Council:

2. Give first reading to Bylaw 8B2025 (Attachment 2), being the proposed bylaw authorizing The City to borrow up to the maximum amount of \$52.5 million for financing the acquisition of vehicles and equipment; and
3. Withhold second and third readings of the attached proposed Bylaw 8B2025 until the advertising requirements set out in the *Municipal Government Act*, RSA 2000, c. M-26, have been met.

RECOMMENDATION OF THE EXECUTIVE COMMITTEE, 2025 DECEMBER 9:

That Council:

1. Give first reading to **Proposed Bylaw 8B2025** (Attachment 2), being the proposed bylaw authorizing The City to borrow up to the maximum amount of \$52.5 million for financing the acquisition of vehicles and equipment; and
2. Withhold second and third readings of **Proposed Bylaw 8B2025** until the advertising requirements set out in the *Municipal Government Act*, RSA 2000, c. M-26, have been met.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

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

HIGHLIGHTS

- A capital budget increase of \$52.5 million was approved by Council in the 2026 Budget Adjustments to the 2023–2026 Service Plans and Budgets to acquire vehicles and

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equipment, for replacement and growth, used to deliver programs and services to Calgary residents.

- The Fleet and Inventory business unit is requesting Council approval of authority for The City to borrow up to a maximum of \$52.5 million to finance the acquisition of these vehicles and equipment.
- The financing will be repaid through vehicle and equipment lease recoveries that are received from The City's service departments and business units. Service departments and business units obtain their funding from sources such as property taxes or user fees as approved in the November 2025 operating budgets.
- Approval of this borrowing authority request ensures The City's fleet will support increased operational service levels to ensure Calgary residents continue to receive the services they rely on.

DISCUSSION

Fleet and Inventory maintains over 4,500 vehicles and equipment for The City, external customers such as its wholly owned subsidiaries (e.g, ENMAX) and other collaborative partners (e.g, Alberta Health Services). These include approximately 1,400 light fleet vehicles, 1,450 medium and heavy fleet vehicles, and 1,200 motorized specialized equipment. Collectively, these vehicles travel approximately 23 million kilometers per annum.

A capital budget increase of \$52.5 million was approved by Council in the 2026 Budget Adjustments to the 2023–2026 Service Plans and Budgets to acquire vehicles and equipment, for replacement and growth, used to deliver programs and services to Calgary residents. This increase has been driven by unplanned growth of public facing business units, which is primarily attributed to The City's growing population. New fleet vehicles and equipment minimize service disruptions and repair costs due to the reduced maintenance required on new assets. All new vehicles acquired by The City will align with the City's Green Fleet Strategy.

The vehicle and equipment purchases by the Fleet and Inventory business unit are financed almost entirely through borrowing which is supported and repaid by their vehicle and equipment lease model. Virtually all of Fleet's costs, including depreciation of the capital assets purchased, interest and administration expenses are recovered from The City's service departments and business units through lease recoveries. Fleet and Inventory's vehicles and equipment are leased to The City's service providing business units which are primarily Mobility, Waste & Recycling, Water Services, Parks & Open Spaces, Emergency Management & Community Safety, and Recreation & Social Programs. It also provides maintenance services on light-duty vehicles for Calgary Transit and Calgary Fire. Service providing business units obtain their funding from sources such as property taxes or user fees as approved in the November 2025 operating budgets.

Fleet and Inventory has proposed to finance the Fleet and Inventory's capital budget increase of \$52.5 million by using debt. The debt requirement of \$52.5 million is proposed to be borrowed pursuant to authority provided under proposed Bylaw 8B2025 (Attachment 2). Borrowing terms may not be longer than the useful life of the asset(s) being financed with debt. The typical useful life for Fleet and Inventory's vehicles is 7 years, and the maximum borrowing term will be 15 years.

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EXTERNAL ENGAGEMENT AND COMMUNICATION

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

Public communication and engagement was not required as part of this Council report, however through the bylaw approval process set out in the *Municipal Government Act*, RSA 2000, c. M-26, The City will advertise the proposed Bylaw in the Calgary Herald and the proposed Bylaw will receive three readings in public by Council.

Internal engagement was completed with the Fleet and Inventory business unit.

IMPLICATIONS

Social

The proposed debt will finance investments in vehicle and equipment asset replacement and growth which will improve the efficiency, productivity, effectiveness, reliability, and safety associated with assets used to provide The City's high-quality services.

Environmental

Fleet and Inventory manages its operations and services to support long-term environmental resilience. Fleet and Inventory, through the debt used to finance its capital investment plans, seeks to provide reliable and sustainable low-carbon operations through safe and efficient vehicles and equipment that contribute to The City's economic and climate resiliency.

Economic

The proposed debt will be invested in assets that will help The City provide high-quality services to Calgary residents in a reliable and environmentally conscious manner. By investing in modern and efficient assets, The City can achieve significant savings in terms of service disruptions, maintenance expenses, and fuel consumption.

Providing safe, reliable, and high-quality municipal services can attract businesses and accommodate the rise in population, leading to increased revenues, job opportunities, and overall prosperity in The City.

Service and Financial Implications

Existing operating funding - base

Repayment of \$52.5 million of debt financing plus interest

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Inflationary pressures may cause price escalations which could erode the effectiveness of capital investment plans. This can result in inadequate budget to meet Fleet and Inventory's needs, which affects the quality and reliability of services provided to Calgary residents.

If interest rates rise, borrowing costs will increase, which impacts Fleet and Inventory's operating and capital budget. To finance higher interest costs, Fleet and Inventory might charge higher lease rates to The City's service providing business units to recover its costs, leading to higher overall operating costs of The City and potentially higher property taxes and user fees. The available tenors of debt from the province of Alberta may not align with the useful life of the asset resulting in less optimal debt structures and higher debt servicing, considering that The City is not permitted to borrow for the purpose of acquiring a capital asset for a term that exceeds the useful life of that asset

City Treasury continues to support and collaborate with the Fleet and Inventory business unit to identify risk associated with cash flow and lease recoveries to proactively adapt to changing economic conditions.

ATTACHMENT(S)

1. Background and Previous Council Direction
2. **Proposed Bylaw 8B2025**
3. Fleet and Inventory – Borrowing Bylaw Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor CFO/GM	Corporate Planning and Financial Services	Approve
Doug Morgan, GM	Operational Services	Inform
Majid Asefi, Director	Fleet and Inventory	Approve

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