

Appendix E - Debt Management

In accordance with policy FIN - 03 the following debt management appendix has been prepared. The figures in this appendix are in '000s.

A multi-year forecast of internal and external borrowing and lease financing and the related cost of borrowing and lease financing:

('000s in millions)	2023	2024	2025	2026	2027	2028
External Debt - Known	26,123	24,968	23,777	22,859	21,912	20,971
External Debt - Forecasted			9,882	9,758	9,628	9,491
Internal Financing	2,319	2,074	1,853	1,753	1,653	1,553
Total Borrowing (External & Internal)	28,442	27,042	35,512	34,370	33,193	32,015
Interest - Known	878	841	805	767	736	705
Interest - Forecasted			397	391	385	378
Principal - Known	1,288	1,155	1,191	948	948	941
Principal - Forecasted			118	124	130	137
External Borrowing Charges	2,166	1,996	2,511	2,230	2,199	2,161
Illustrative In-Year ARL*	4.8%	4.1%	5.0%	4.2%	3.9%	3.7%
City Self Imposed Max	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Provincial Imposed Max	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

* This projection utilized a 5% increase in own source revenue (2% inflation, 3% infrastructure).

At the present time there is no approved future borrowing planned for illustrative purposes. Council has approved future debt issuances up to \$10 million for wastewater re-lining. This work has begun with debt issuance forecasted in 2025. This debt is reflected as forecasted in the table above. Council had previously approved debt issuance of \$12.4 million subject to approval of the City's Disaster Mitigation Adaptation Fund however the City has since learned the application was not successful. Staff are working on an update to Council that follows the approved AMP and INS for the fall. Council had also previously approved the issuance of \$6.5 million for east side employment lands subject to growth. The project with the recent announcement related to AK has grown substantially. Borrowing figures are being reviewed and will accompany a report to Council in the fall. These debt issuances have not been reflected as conditions for moving forward have not yet been achieved.

Presently the two primary risk associated with borrowing are the perceived opportunity cost associated with interest rate levels and the City itself maintain a strong fiscal framework to support on-going investments.

Financial Services advises that decision to borrow are based on matching project requirements to cash

flow needs and related funding requirements. These decisions are often made a year or more prior to borrowing is to occur. They are also subject to the borrowing windows allotted by the Niagara Region. Borrowing decisions are therefore not recommended based on trying to time interest rates and as such Financial Services advises while some may identify an opportunity cost associate with timing interest rates, Financial Services assesses minimal to no risk recognizing decisions to recommend borrowing are not interest rate dependent.

At the time of writing this report, borrowing is consistent with the Debt Management Policy except for the fact certain tangible capital assets would have been below the current borrowing threshold at the time the original debt was issued. Financial Services recommends no related action to be taken.