

## Appendix J - 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)	2024	2025	2026	2027	2028	2029
External Debt - Known	24,968	23,777	22,860	21,912	20,971	20,037
External Debt - Forecasted		14,445	14,217	13,979	13,727	13,463
Internal Financing	1,200	1,570	1,440	1,340	1,240	1,140
<b>Total Borrowing (External &amp; Internal)</b>	<b>26,168</b>	<b>39,792</b>	<b>38,517</b>	<b>37,231</b>	<b>35,938</b>	<b>34,640</b>
Interest - Known	841	805	767	736	705	675
Interest - Forecasted		728	717	705	693	680
Principal - Known	1,155	1,191	917	948	941	934
Principal - Forecasted		216	227	239	251	264
<b>External Borrowing Charges</b>	<b>1,996</b>	<b>2,940</b>	<b>2,628</b>	<b>2,628</b>	<b>2,590</b>	<b>2,553</b>
Illustrative In-Year ARL*	4.1%	5.5%	4.6%	4.0%	3.6%	3.3%
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 5.5% increase in own source revenue (2% inflation, 3.5% infrastructure).

Forecasted debt represents Council approved debt through the 2024 budget process or proposed in the 2025 Capital and Related Project Budget. Debt needs past the 2024 and 2025 Capital and Related Project Budgets will be incorporated into the 2026 Capital and Related Project Budget process. Debt needs for the East Service Lands, Dredging and childcare centre will be presented in future reports to Council.

Presently the two primary risks 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 decisions 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 associated 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 (known) debt was issued. Financial Services recommends no related action to be taken.