

Appendix F - Debt Management

In accordance with policy FIN - 03 the following debt management appendix has been prepared.

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

('000s in millions)	2020	2021	2022	2023	2024	2025
Projected Year End Debt	\$30,270	\$28,831	\$27,411	\$26,123	\$24,968	\$23,777
Committed Capital Leases	\$ 50	\$ 25	\$ 1	\$ -	\$ -	\$ -
	<u>\$30,320</u>	<u>\$28,856</u>	<u>\$27,412</u>	<u>\$26,123</u>	<u>\$24,968</u>	<u>\$23,777</u>
Internal Financing	\$ 434	\$ 347	\$ 260	\$ 173	\$ 87	\$ -
	<u>\$30,754</u>	<u>\$29,203</u>	<u>\$27,672</u>	<u>\$26,296</u>	<u>\$25,055</u>	<u>\$23,777</u>
Interest	\$ 900	\$ 961	\$ 920	\$ 878	\$ 840	\$ 804
Principal	\$ 1,975	\$ 1,471	\$ 1,444	\$ 1,289	\$ 1,155	\$ 1,191
External Borrowing Charges	<u>\$ 2,875</u>	<u>\$ 2,432</u>	<u>\$ 2,364</u>	<u>\$ 2,167</u>	<u>\$ 1,995</u>	<u>\$ 1,995</u>
Illustrative In-Year ARL *		6.5%	6.0%	5.3%	4.7%	4.5%
City Self Imposed Max		15.0%	15.0%	15.0%	15.0%	15.0%
Provincial Imposed Max		25.0%	25.0%	25.0%	25.0%	25.0%
* This projection utilized a 4% increase in own source revenue (2% inflation, 2% infrastructure).						

At the present time there is no future borrowing planned for illustrative purposes. Staff are working on updating the Tangible Capital Asset Management Plan in accordance with Ontario Regulation 588/17. The timing of this project has been extended to June 30, 2022 and will align with the City's infrastructure needs work. A forecasted funding model will accompany the updated Tangible Capital Asset Management Plan.

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 no risk recognizing decisions to recommend borrowing are not interest

rate dependent.

Financial Services advises the parameters to borrowing as set out in the proposed Debt Management Policy along with the further development of financial policy, practices and guidelines along with continued effort to improve the Budgetary process and financial reporting to support a developing Strategic Plan will significantly improve the fiscal framework. The framework is the foundation from which lenders assess confidence in the fiscal health of an organization. In the absence of a strong assessment the ability to borrow when desired or required could be restrictive.

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 newly proposed borrowing threshold at the time the original debt was issued. Financial Services recommends no related action to be taken.