

## 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)	2022	2023	2024	2025	2026	2027
External Debt	27,411	26,123	24,968	23,777	22,859	21,912
Internal Financing	1,841	1,641	1,441	1,241	1,041	841
<b>Total Borrowing (External &amp; Internal)</b>	<b>29,252</b>	<b>27,764</b>	<b>26,409</b>	<b>25,018</b>	<b>23,900</b>	<b>22,753</b>
Interest	920	878	841	805	767	736
Principal	1,419	1,288	1,155	1,191	948	948
<b>External Borrowing Charges</b>	<b>2,339</b>	<b>2,166</b>	<b>1,996</b>	<b>1,996</b>	<b>1,715</b>	<b>1,684</b>
Illustrative In-Year ARL*	5.9%	5.2%	4.6%	4.5%	3.7%	3.5%
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 4% increase in own source revenue (2% inflation, 2% infrastructure).

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At the present time there is no approved future borrowing planned for illustrative purposes. While Council approved report 2023-39 in April 2023 and 2023-109 in June 2023, any future debt requirements coming out of this project will require additional Council approval. Staff are working on updating the Asset Management Plan in accordance with Ontario Regulation 588/17 for non-core assets. The timing of this project is June 30, 2024. A forecasted funding model will accompany the updated 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.

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.