Appendix D - 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)	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	$ 58	$ 25	$ 1	$ -	$ -	$ -
	$ 30,328	$ 28,856	$ 27,412	$ 26,123	$ 24,968	$ 23,777
Internal Financing	$ 368	$ 292	$ 216	$ 140	$ 64	$ -
	$ 30,696	$ 29,148	$ 27,628	$ 26,263	$ 25,032	$ 23,777
Interest	$ 915	$ 961	$ 920	$ 878	$ 840	$ 804
Principal	$ 1,975	$ 1,471	$ 1,444	$ 1,289	$ 1,155	$ 1,191
External Borrowing Charges	$ 2,890	$ 2,432	$ 2,364	$ 2,167	$ 1,995	$ 1,995
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 is 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 advices 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 advices 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.