

The City of Calgary
Tax-Supported
Capital Financing Policy Review

Presentation to Finance and Budget Committee

5 February 2002

Francis Leong, City Treasurer

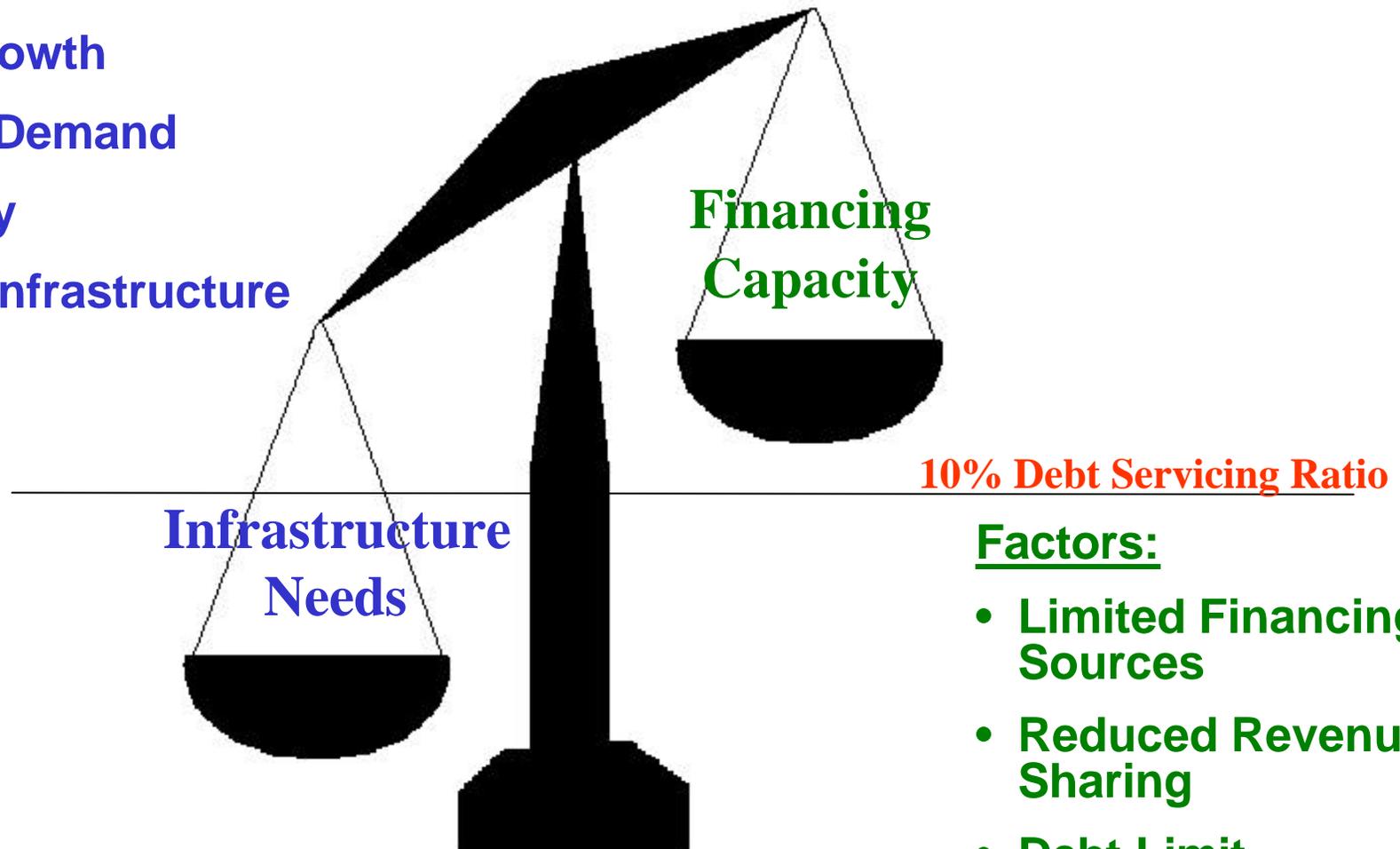
Presentation Outline

- Capital Needs Vs Financing Capacity
- Where We Have Come From
- Recommended Policy Changes
- Potential Financing Sources
 - Utilizing Debt Capacity
- Concluding Remarks

Balance

Factors:

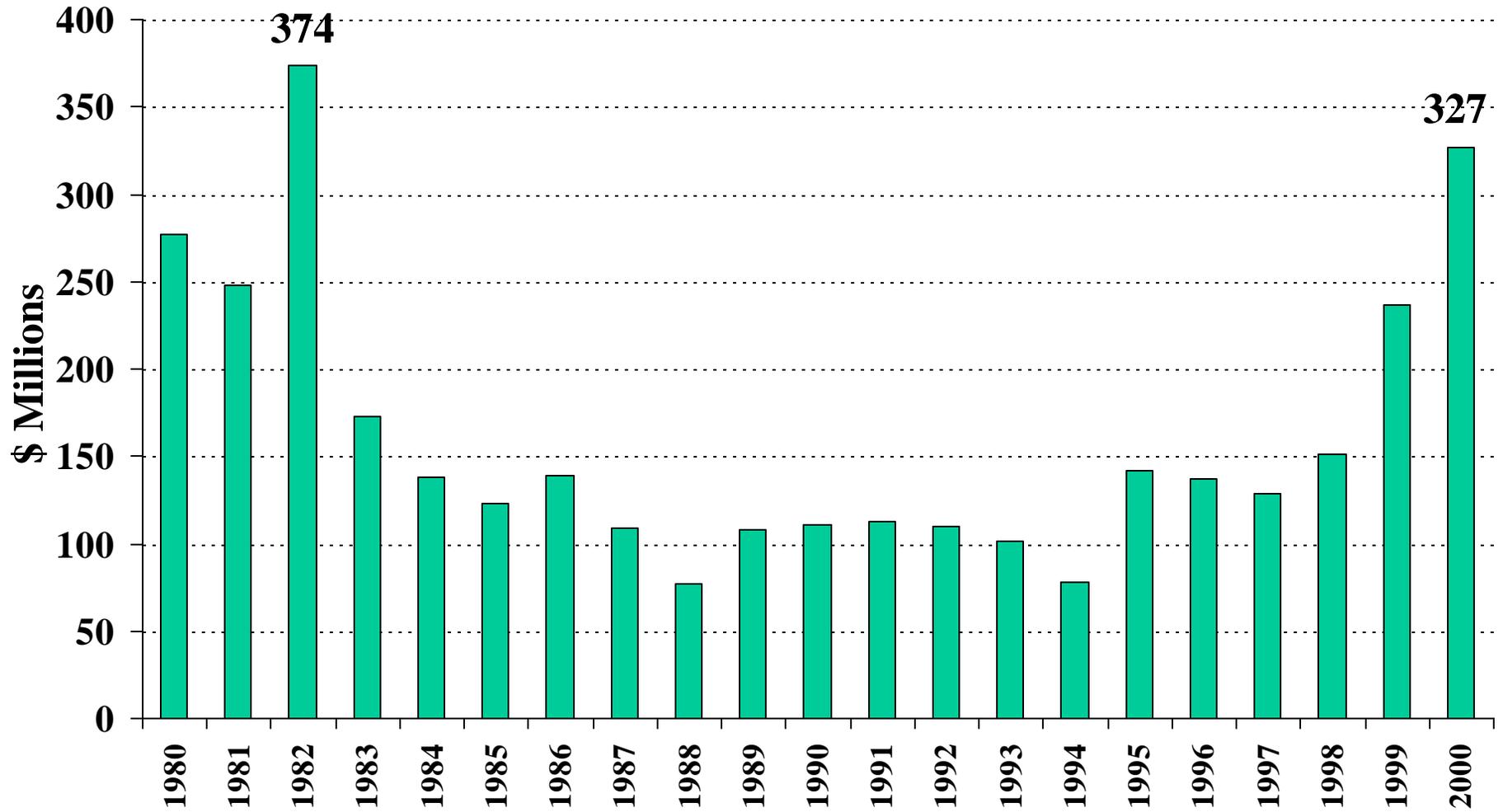
- City Growth
- Public Demand
- Mobility
- Aging Infrastructure



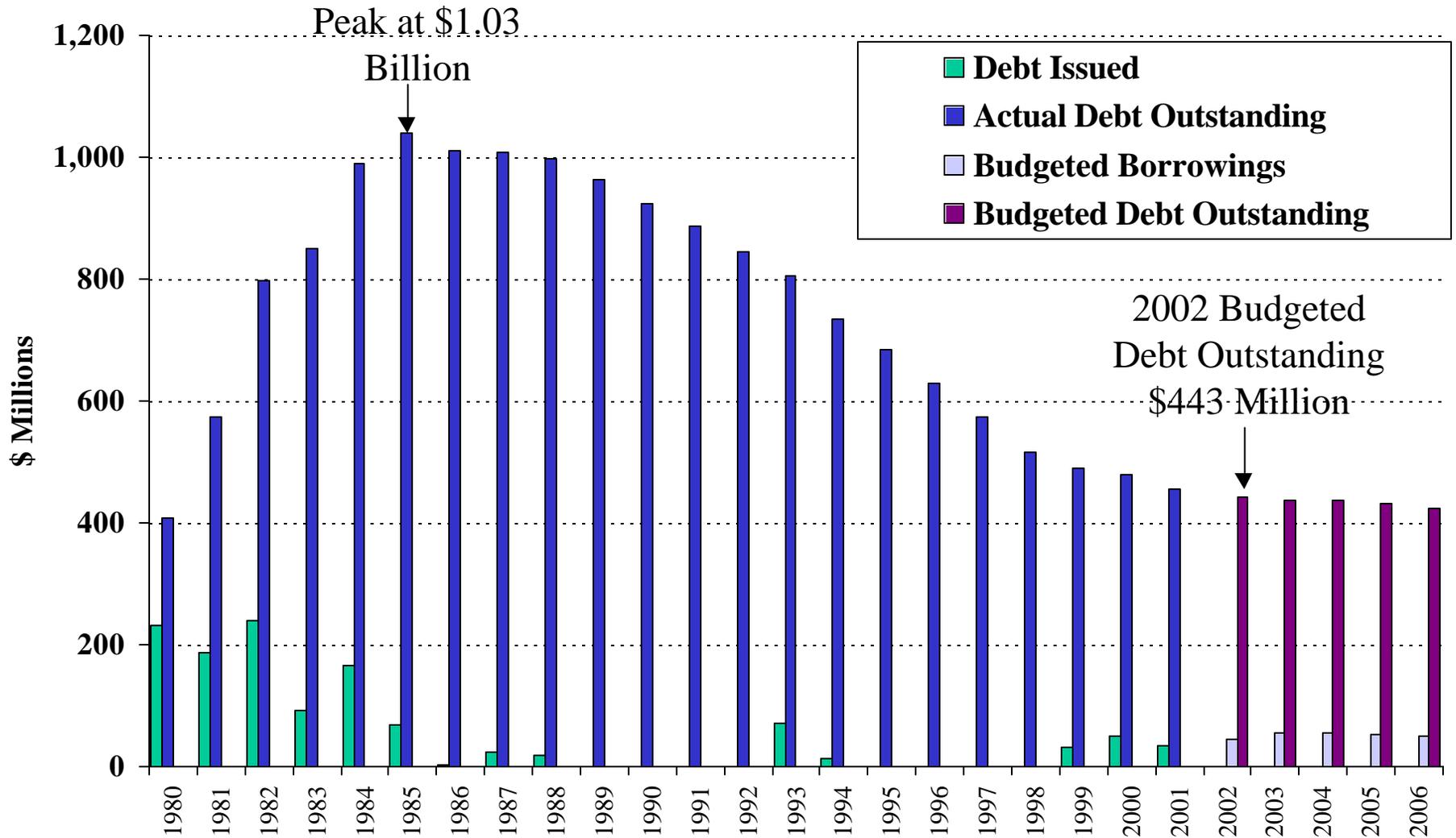
Factors:

- Limited Financing Sources
- Reduced Revenue Sharing
- Debt Limit
- Debt Term

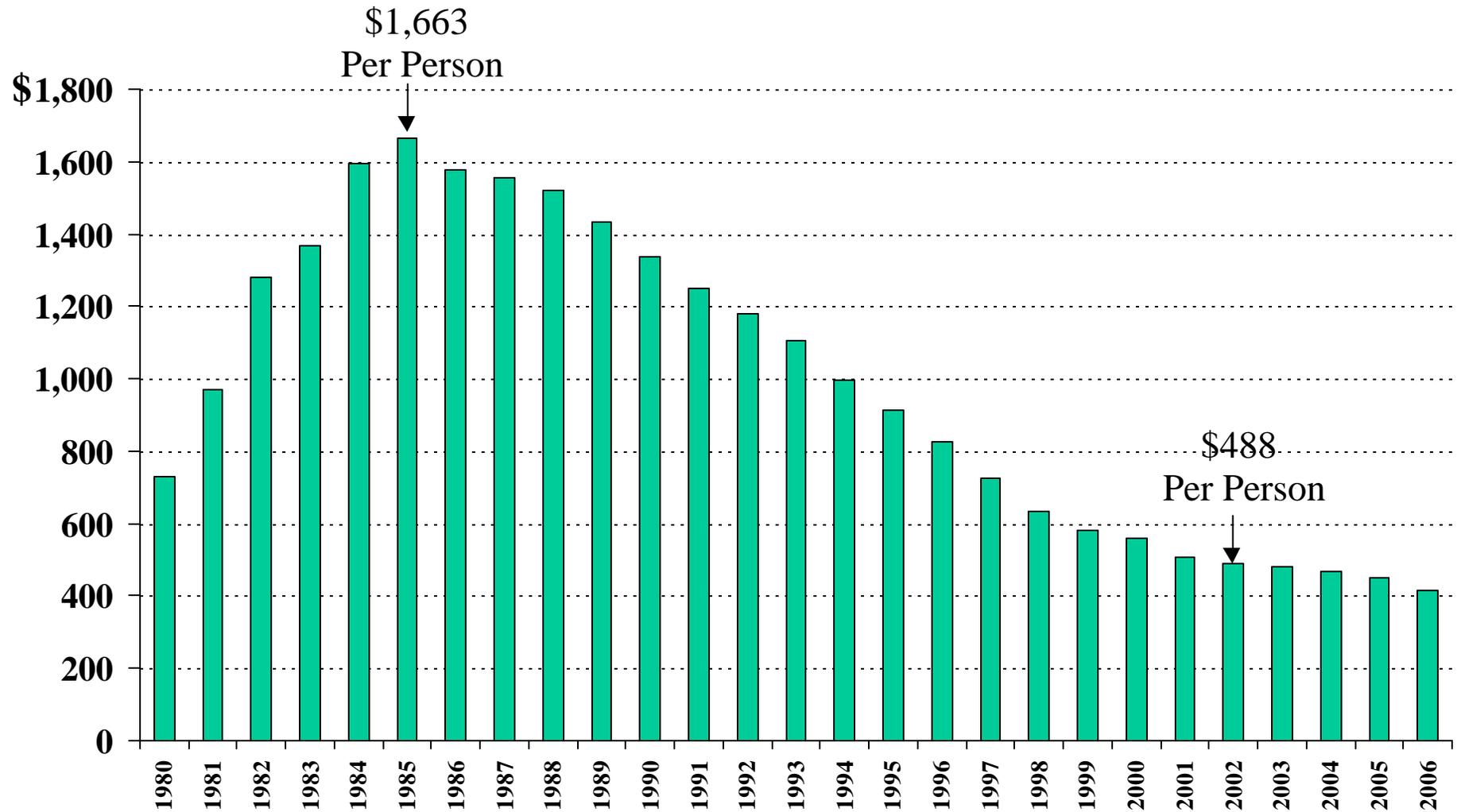
Tax Supported Capital Expenditures



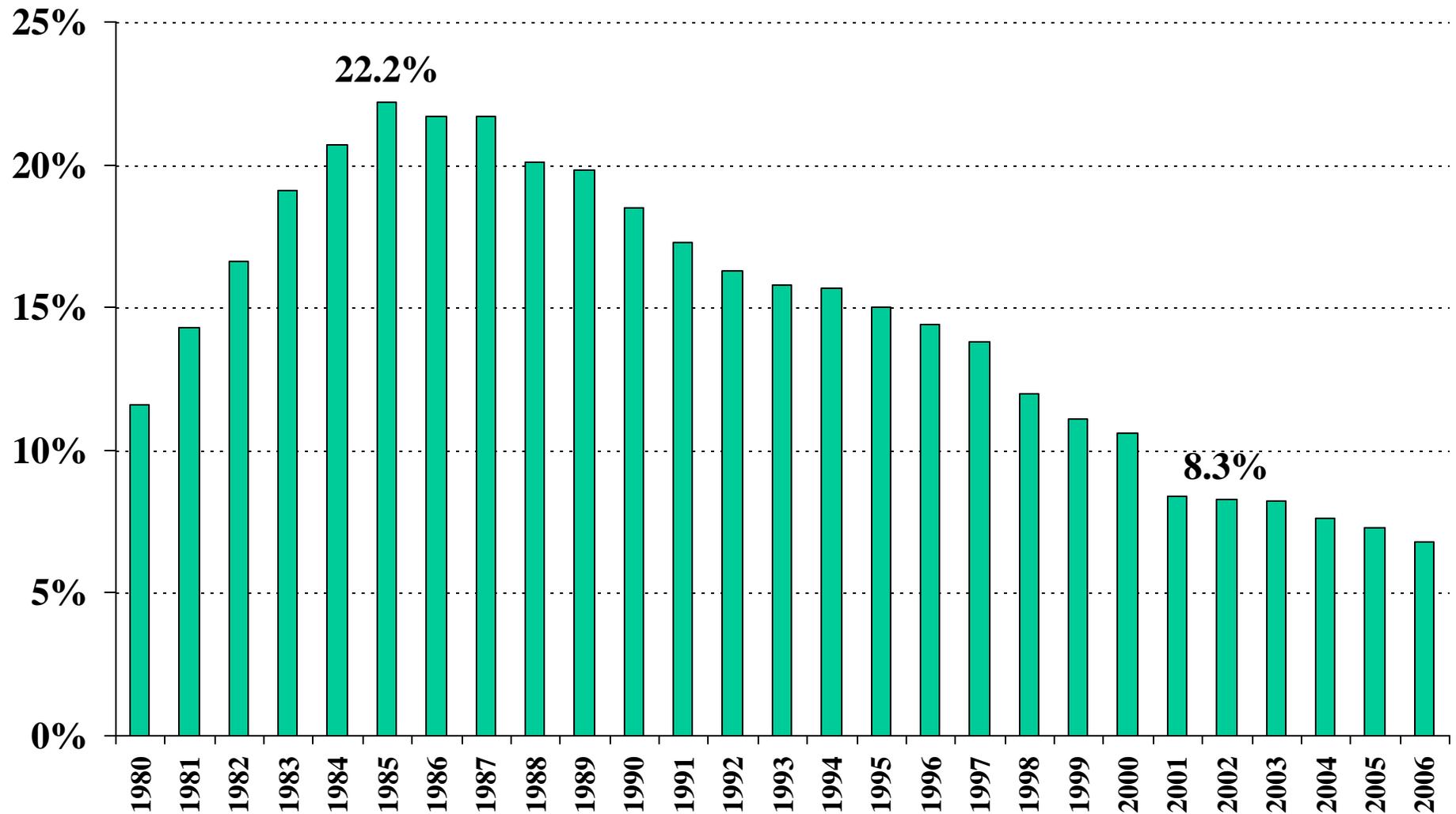
Tax Supported Outstanding Debt & Debt Issues



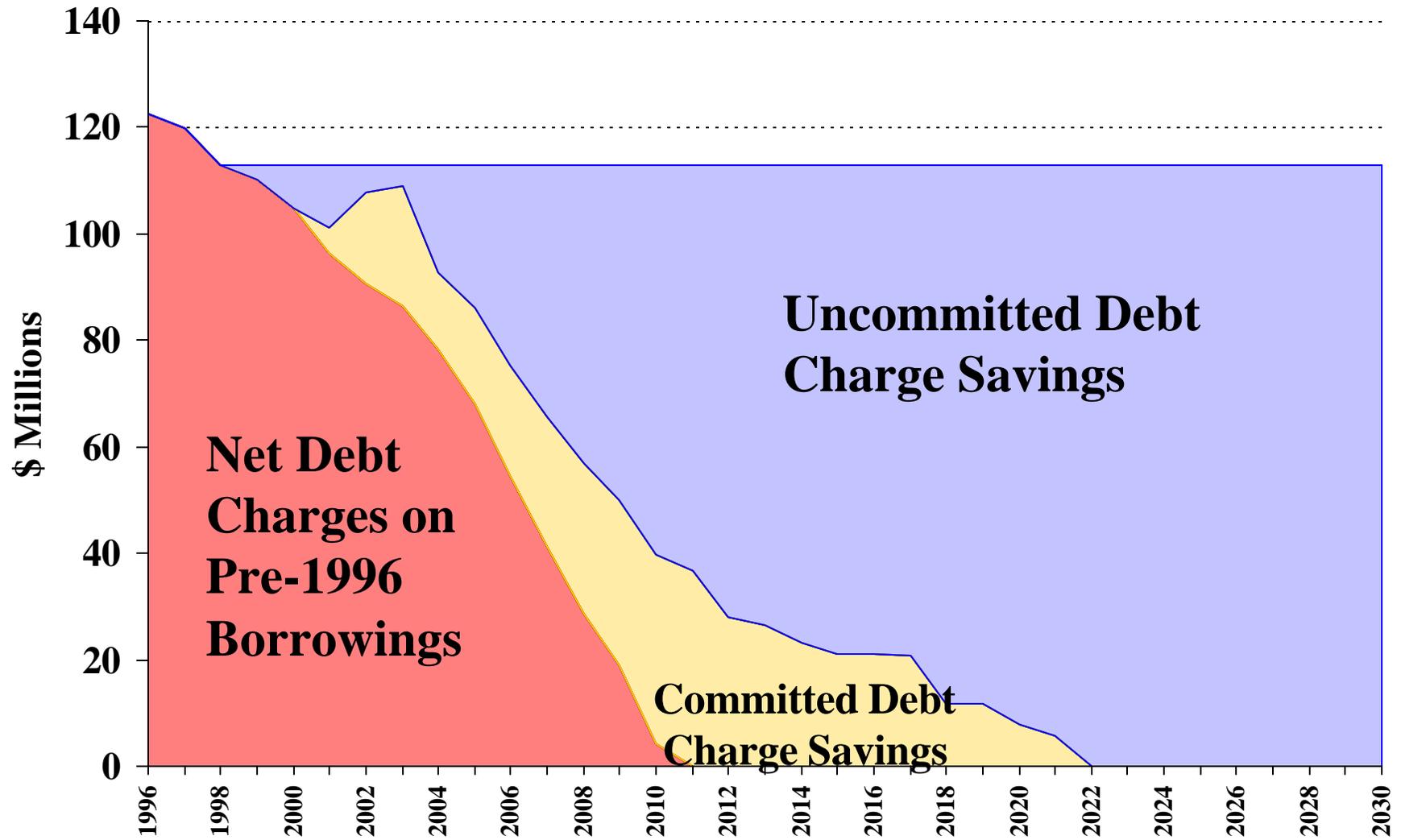
Tax Supported Debt Per Capita



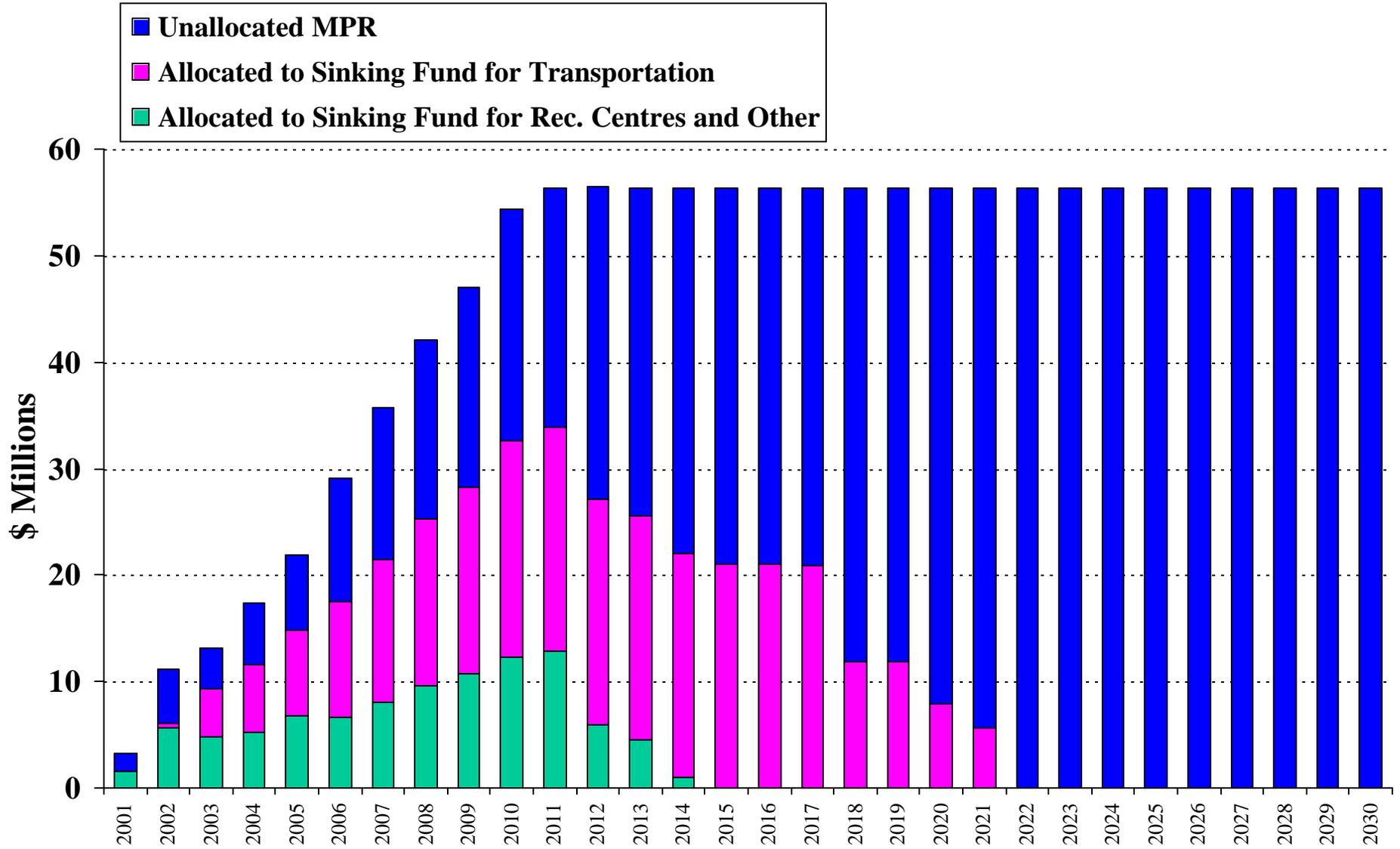
Tax Supported Debt Servicing as % of Operating Expenditure (Net of Recoveries)



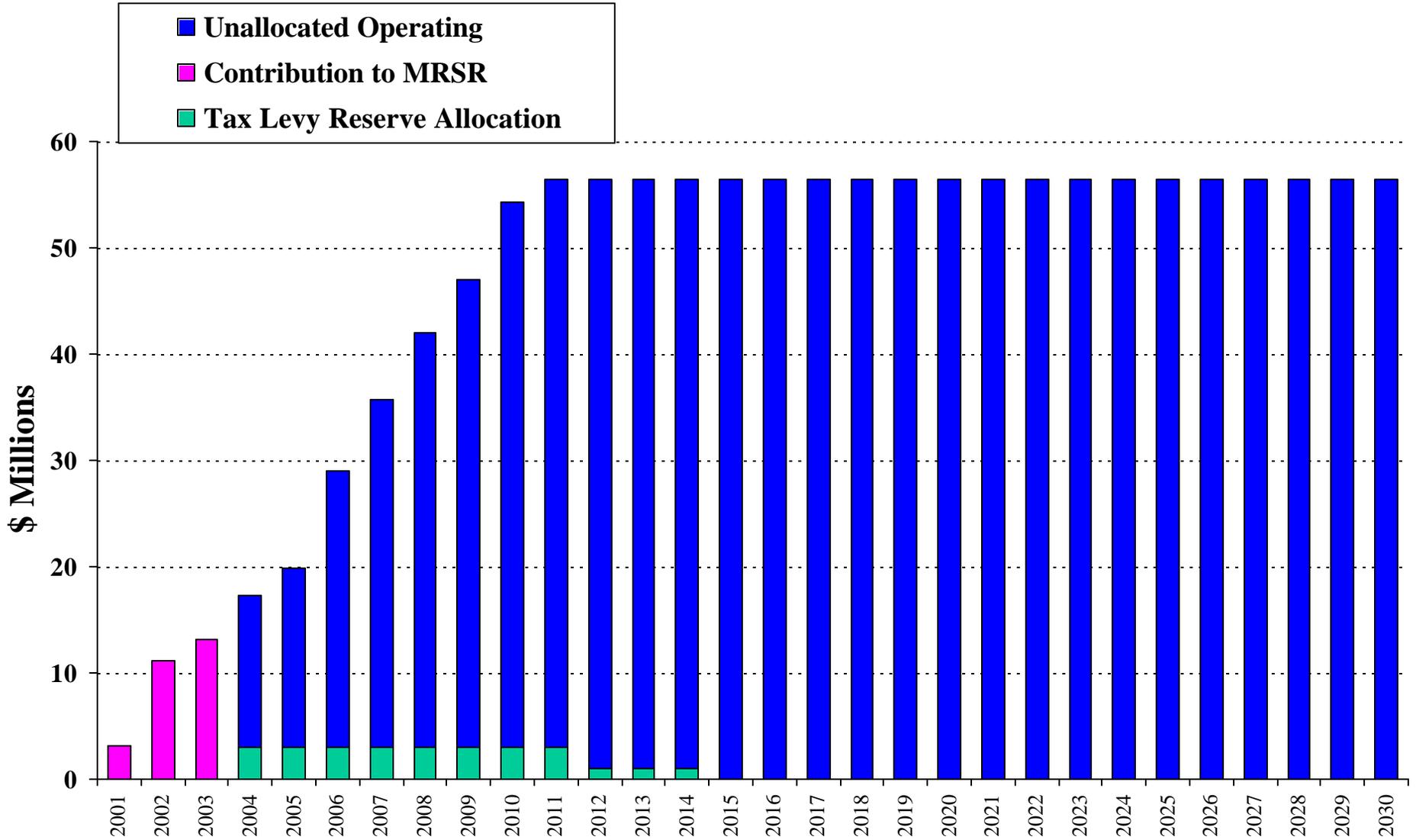
Debt Charge Savings (Annual)



Debt Charge Savings Use of Major Project Reserve (MPR)



Debt Charge Savings Use of Operating Initiatives Reserve



Recommendation 1

Financial Ratios

Recommended

- a. City tax-supported debt service cost as a percentage of City tax-supported gross expenditure (net of recoveries).**
- b. City tax-supported debt per capita.**
- c. City total debt per capita (including utilities).**

Existing (FB96-82)

- (1) a. Total debt as a percentage of total operating revenue (including utilities); [includes school boards]
- b. Total debt per capita. [includes school boards]
- (2) a. Tax-supported debt service costs (principal and interest) as a percentage of operating revenue (excluding utilities); [includes school boards]
- b. Tax-supported debt as a percentage of operating revenue (excluding utilities); [includes school boards]
- c. Tax-supported debt per capita. [includes school boards]
- (3) a. Own-sourced financing as percentage of total capital expenditures.

Recommendation 2

Target Maximum for Debt Servicing

Recommended

The target for the City tax-supported debt service as a percentage of City tax-supported gross expenditure (net of recoveries) is that it not exceed 10%.

Existing (FB96-82)

The target for the tax-supported debt service as a percentage of operating revenue is that it not exceed 10%. (The debt service and operating revenues include school boards)

Recommendation 3

Exceeding Debt Servicing Target

Recommended

If City tax-supported debt service as a percentage of City tax-supported gross expenditure (net of recoveries) exceeds 10%, the Administration will prepare a recommended plan for returning it to the 10% level

Existing

None

Recommendation 4

Allow Debt to Increase Within the Debt Service Limit

Recommended

The City of Calgary can increase its tax-supported total outstanding debt as long as debt servicing does not exceed 10% of gross expenditure (net of recoveries).

Existing (C98-16)

The trend in debt reduction is to continue on a downward slope.

Recommendation 5

Debt Term

Recommended

The maximum debt term is 20 years.

Existing (C98-16)

- 15-year term for LRT line extensions and major interchanges (\$20 million or greater cost).
- 10-year term for LRT cars.
- 10-year term for other Transportation infrastructure, including buses, unless AMFC restrictions require a shorter term on certain types of infrastructure.

Recommendation 6

Types of Debt Repayment

Recommended

Low-cost forms of debt are to be used whenever practical in order to minimize cost and maintain debt capacity.

Existing (C98-16)

For transportation and other specific major projects, The City will use “structured debt” whereby only interest is paid for a specified number of years (generally about half the term), after which the full debt is repaid as conventional annuity type debt over the remaining years. (C98-16).

Recommendation 7

Capital Deferrals

Recommended

Capital deferrals are permitted, and the Administration will include the amounts and percentages of deferrals for each of the previous five years in each year's capital budget.

Existing (C96-15)

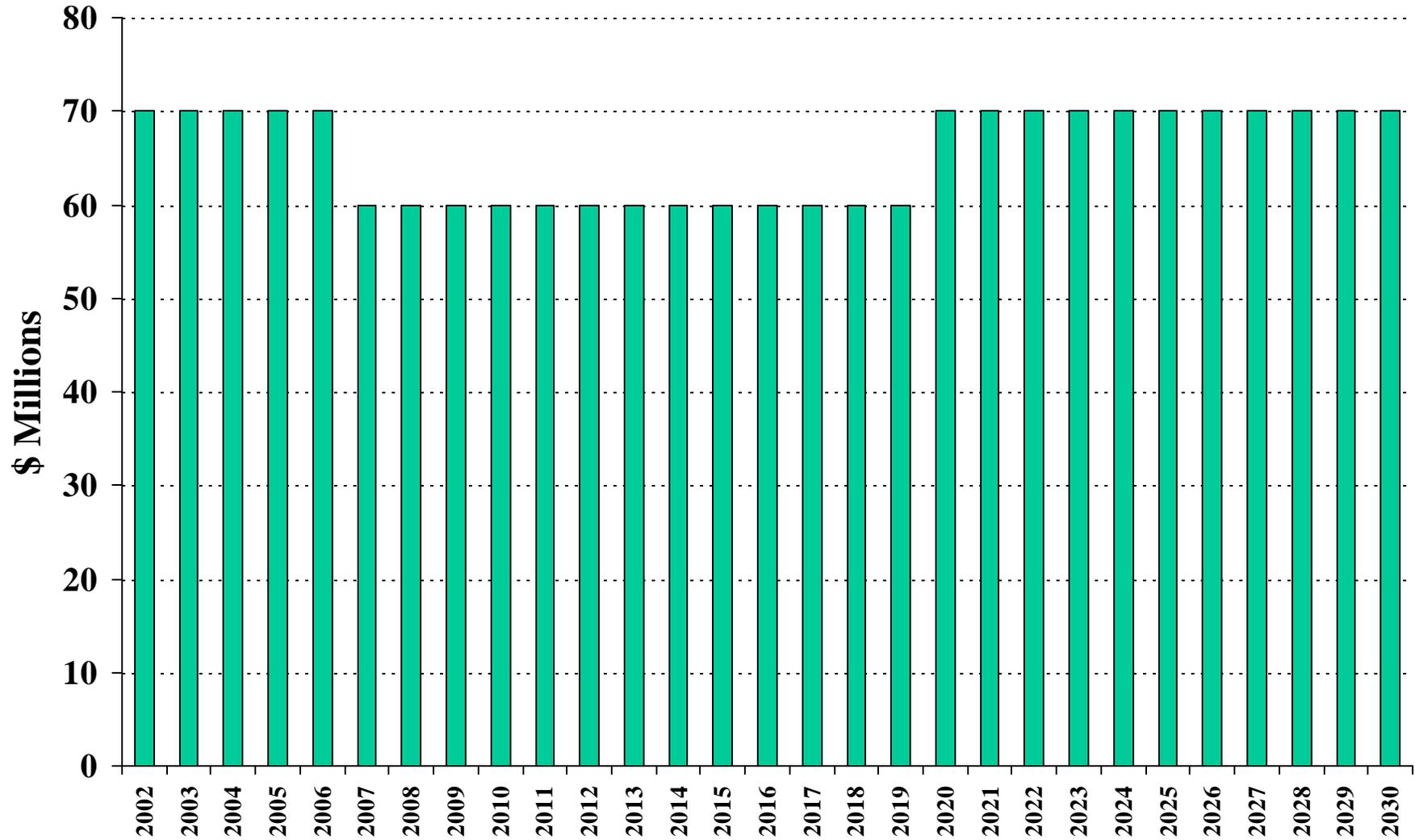
The deferral practice is to be phased out such that, for 2001 – 2005, annual capital budget appropriations will be limited to the annual funding available.

Potential Financing Sources

- **Utilizing Debt Capacity**
- Obtaining More Funding From Other Orders of Governments
- Reserves and Liabilities
- Transit Fare Surcharge
- Parking Charges at LRT Park & Ride Lots
- Development Potential Around LRT Stations
- Development Levies
- Downtown Parking Tax
- Emissions Trading
- Vehicle Registration
- Fuel Tax From Federal Government
- Congestion Pricing

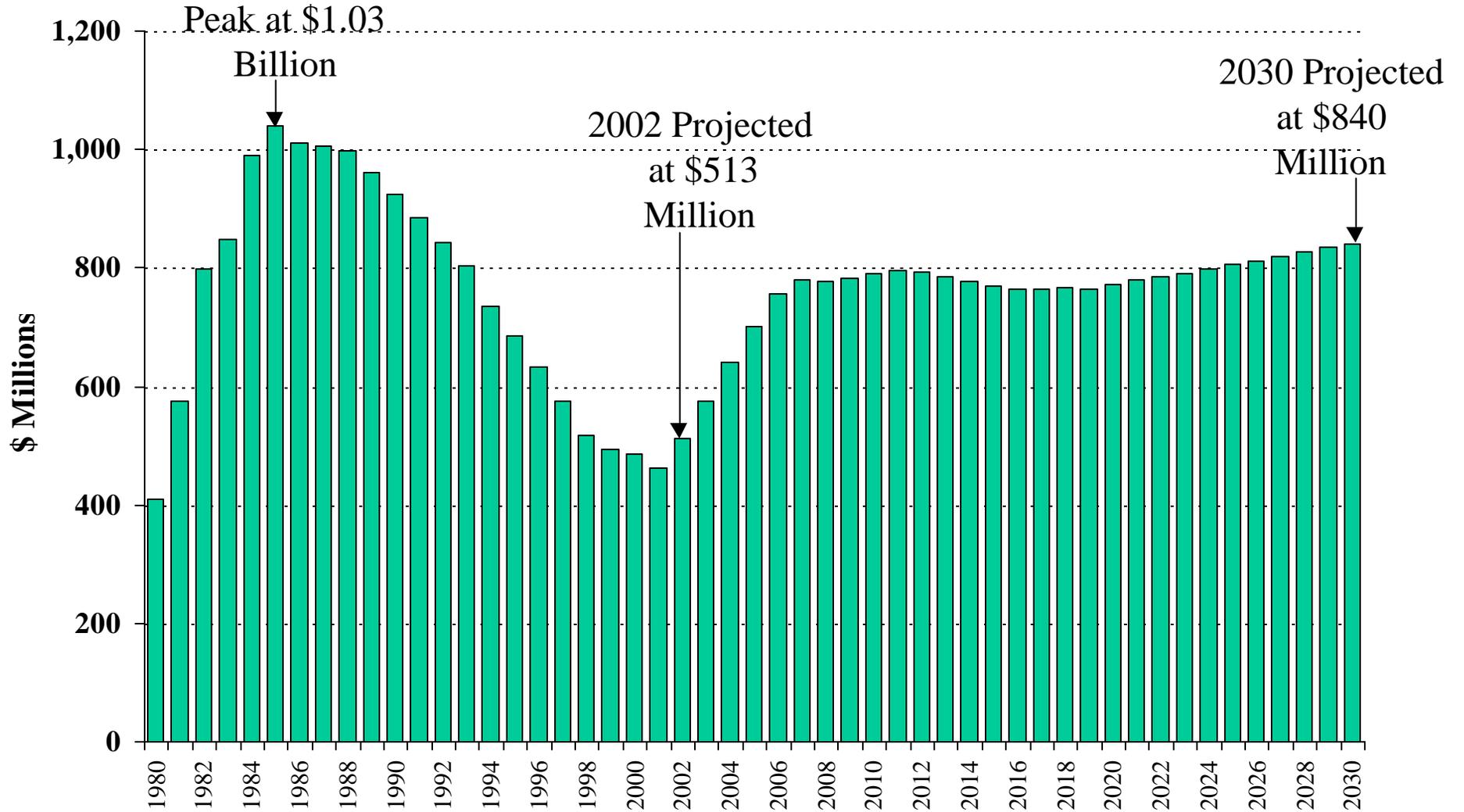
Tax Supported

Additional Borrowings Not Requiring Tax Increase
Debt Servicing Ratio Not Exceeding 10%



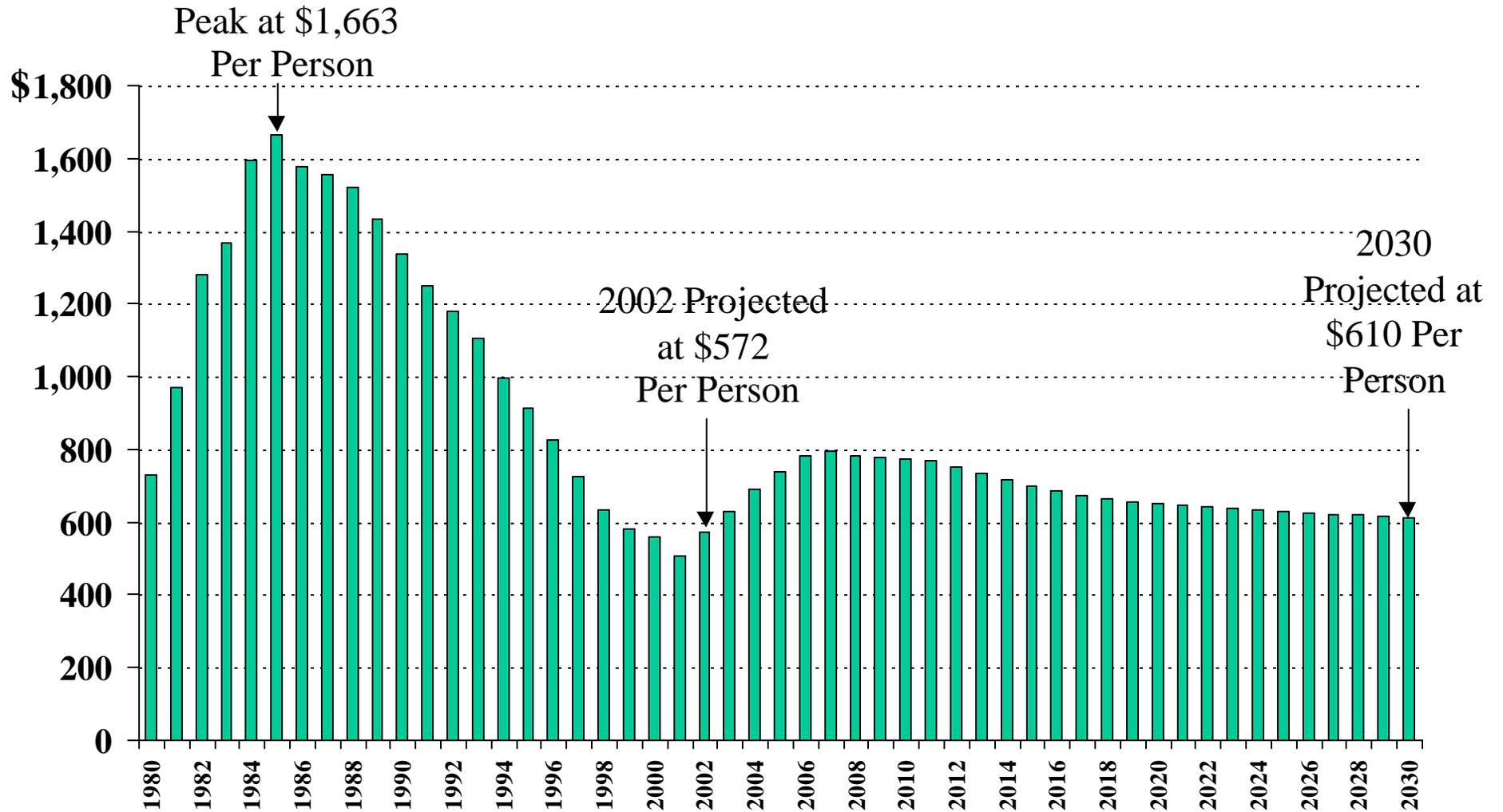
Tax Supported Debt Outstanding

With Additional Borrowings Not Requiring Tax Increase



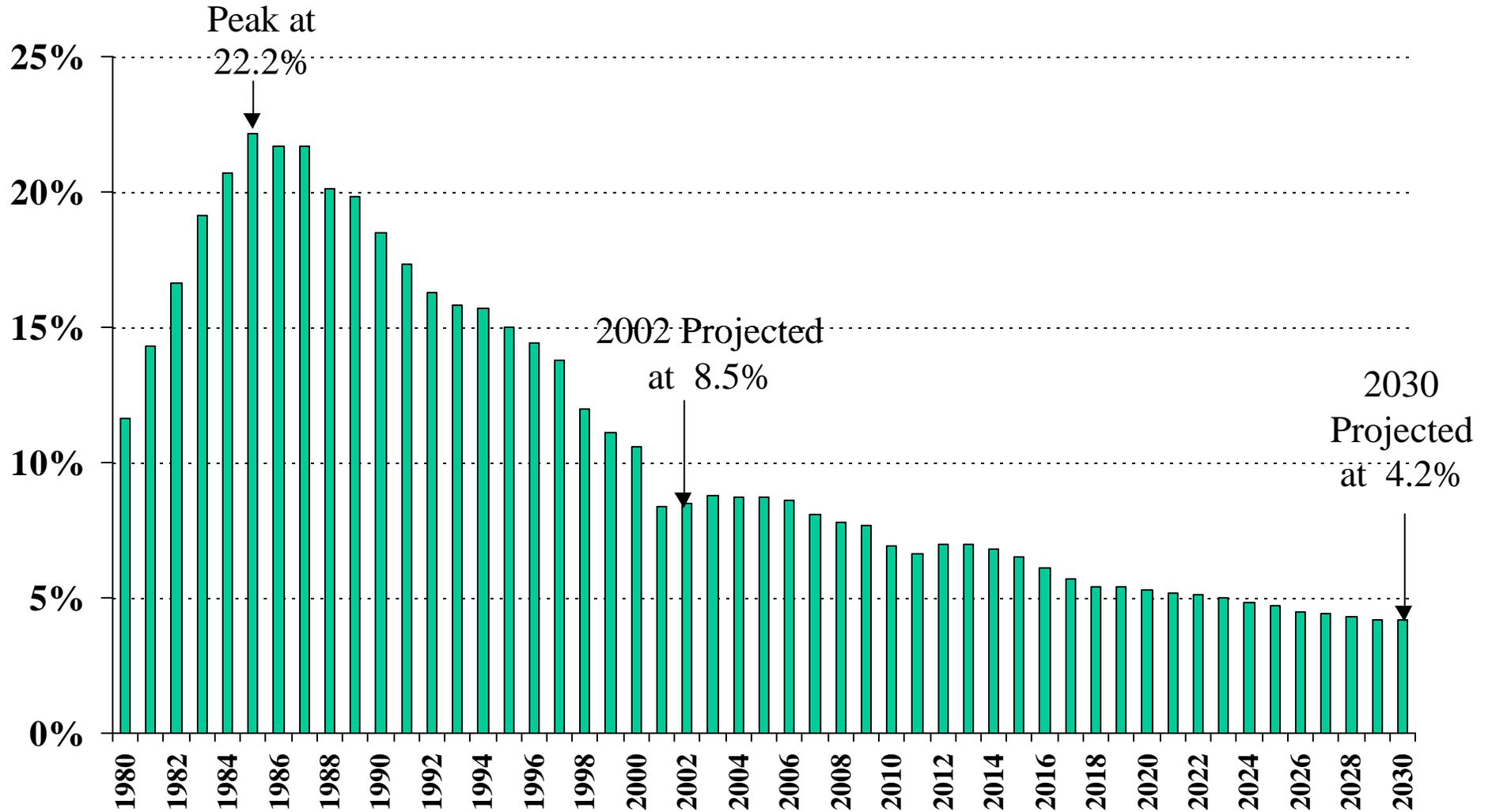
Tax Supported Debt Per Capita

With Additional Borrowings Not Requiring Tax Increase



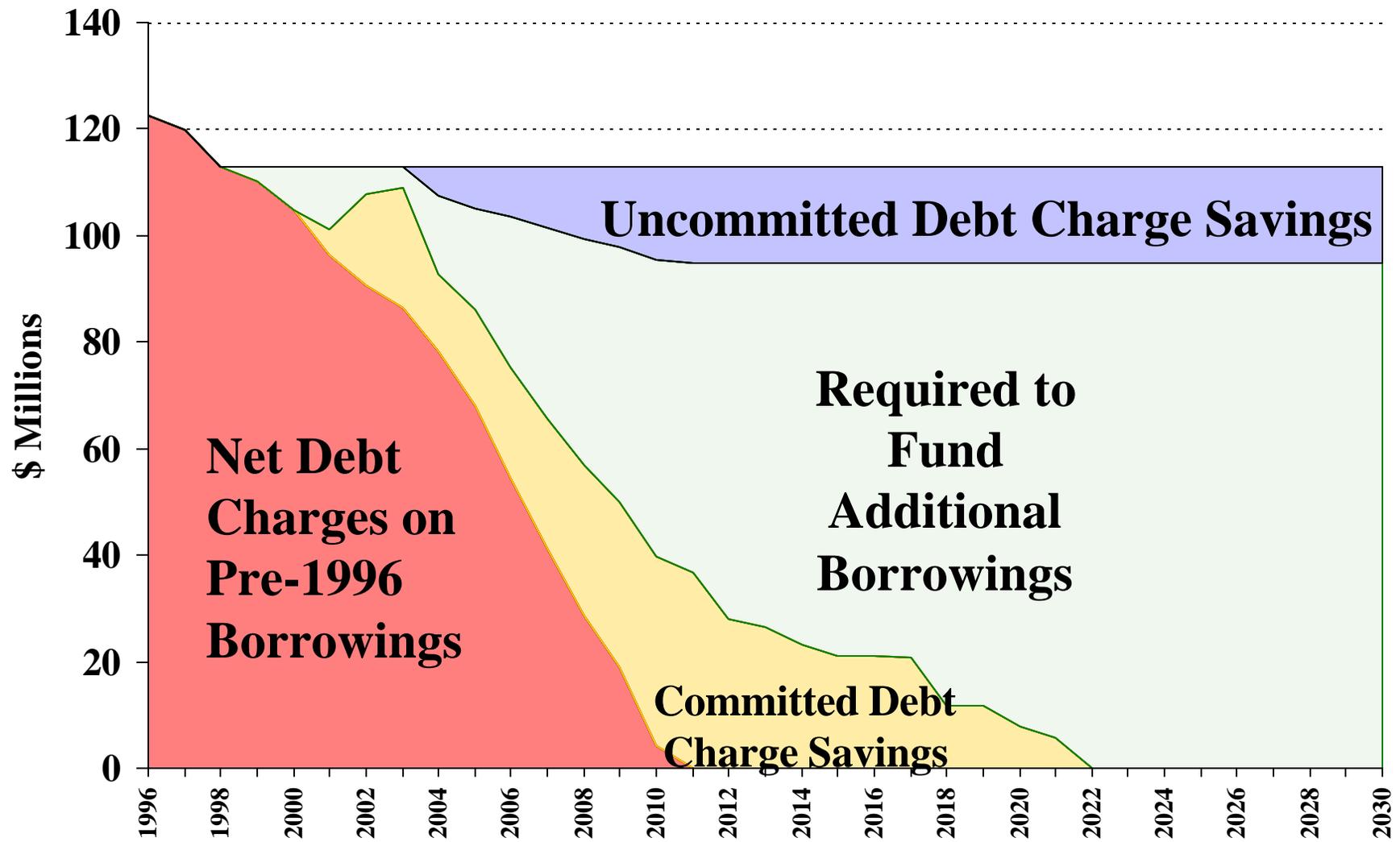
Tax Supported Debt Servicing as % of Operating Expenditure (Net of Recoveries)

With Additional Borrowings Not Requiring Tax Increase



Debt Charge Savings (Annual)

With Additional Borrowings Not Requiring Tax Increase



Concluding Remarks

- The recommended policy changes would give Council more financial flexibility.
- Borrowing capacity still limited by the requirement that debt servicing not exceed 10% of operating expenditure.
- Approval of policies does not increase borrowing. Council would need to approve any borrowing separately.