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Title: Amendments to C-FS-03 Debt Management Policy
Presented by: Diane McMordie, Director of Finance & Utilities

Sponsors:

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Attachments: 1. C-FS-03 Debt Management (with changes incorporated), 2. C-FS-03 Debt Management (with changes highlighted)

Date	Ver.	Action By	Action	Result
12/12/2016	1	City Council	approved	Pass

TAMRMS#: B06

Amendments to C-FS-03 Debt Management Policy
Presented by: Diane McMordie, Director of Finance & Utilities

RECOMMENDATION(S)

That City Council Policy C-FS-03 Debt Management, provided as an attachment to the to the December 12, 2016 agenda report entitled "Amendments to C-FS-03 Debt Management Policy", be approved as amended.

PURPOSE OF REPORT

To provide for Council consideration, policy amendments which remove statements prohibiting the use of debt financing related to Utility Growth Infrastructure as well as provide amendments ensuring policy is consistent with prior practice in relation to increasing the Capital Funding Formula upon the issuance of debentures for tax-supported infrastructure.

COUNCIL DIRECTION

On April 4, 2016 Council passed the following resolution:

(C187-2016)

That the estimated \$40 million cost of the Phase 3 North Interceptor (Project 9) be financed using \$10 million from the Offsite Levy Recovery Fund (OLRF) with the balance of the final project budget of approximately \$30 million to be funded through debenture borrowing;

That the annual debt costs relating to the debenture be paid using funds remaining in the OLRF plus future offsite levy recoveries as described in the March 14, 2016 agenda report entitled "Project 9 Funding Options";

That a policy be developed for the OLRF that includes options for mitigating the inherent cash flow risks involved with this funding model until the completion of the debenture term;

That Administration prepare a borrowing bylaw for Council's consideration, in accordance with the provisions of the Municipal Government Act, the maximum value in the bylaw to be stated at \$40 million; and

That Administration propose to Standing Committee of the Whole in October 2016 amendments to all relevant Council policies to allow for the debt financing of Utility growth infrastructure.

BACKGROUND AND DISCUSSION

On November 7, 2016 Council was presented with amendments to three (3) policies to allow for the debt financing of Utility Growth Infrastructure. Council approved changes to C-FS-01 Financial Reserves and C-FS-14 Utility Fiscal Policy but deferred C-FS-03 Debt Management to a future date to allow for the debate of a motion with reference to the future of tax-supported debt within the Capital Funding Formula. If this motion passes, Administration recommends that Council move and debate the recommendation provided within the Alternatives and Implications section below rather than the motion recommended above with this agenda report.

Should the motion dealing with the Capital Funding Formula fail, Administration recommends approval of the policy as attached to this agenda report. Further work is being undertaken to develop a long-term financial plan for the City, which will include all financial policies and funding mechanisms. Until such time as this work is complete and recommendations approved by Council, the amendment proposed here relating to debt and the Capital Funding Formula will bring the policy in line with current practice.

IMPLICATIONS OF RECOMMENDATION(S)

Financial: In line with past practice, this policy amendment will see the capital funding formula increase in an amount equal the annual debt servicing requirements for any new tax supported debentures in the year that the first payment is due.

Legal / Risk: None at this time

Program or Service: This policy amendment ensures that the annual capital program (RMR & Growth) is not compromised through the rebalancing of the Capital Funding Formula when new debt is taken on.

Organizational: None at this time

ALTERNATIVES AND IMPLICATIONS CONSIDERED

That Council approve amendments to City Council Policy C-FS-03 Debt Management provided as an

attachment to the December 12, 2016 agenda report entitled "Amendments to C-FS-03 Debt Management Policy", with exception to the proposed changes in Service Standard 5".

Report Date (Council Meeting Date): December 12, 2016
Author(s): Diane McMordie, Director of Finance & Utilities
Committee/Department: Corporate Services
General Manager: Maya Pungur-Buick, General Manager of Corporate Services
Interim City Manager: Chris Jardine