



Title: Debt
Number: CP2020-05
Effective Date: 2025 September 16
Responsible Business Unit: Finance

1. PURPOSE

- 1.1 The purpose of this Council policy is to:
- a) Establish objectives and procedures for The City's use and issuance of Debt;
 - b) Ensure that The City of Calgary ("The City") uses Debt prudently and efficiently in accordance with industry best practices as applied in the context of municipal fiscal policy and treasury management; and
 - c) Ensure that The City maintains a sustainable debt position in accordance with the *Debt Management and Issuance Administration* standard, as may be amended, restated or replaced from time to time.

2. APPLICABILITY

- 2.1 This Council policy applies to all members of Council and City Administration. It does not apply to The City's subsidiaries.

3. POLICY STATEMENT

- 3.1 The City will use Debt as an ongoing component of its capital financing structure and incorporate it into The City's long-term plans and strategies.
- 3.2 The City will use Debt in a flexible, sustainable and fiscally prudent manner to finance ongoing needs for capital infrastructure and for loans approved by The City's municipal Council to non-profit organizations and controlled corporations.
- 3.3 The City will structure Debt in a way that can reasonably be considered fair and equitable to those who ultimately pay for and benefit from the underlying assets over time.
- 3.4 The City will strive to use consistent approaches and processes to govern The City's borrowing.

4. ROLES AND RESPONSIBILITIES

- 4.1 Council is responsible for:
- a) Approving Debt in accordance with the MGA;
 - b) Adhering to the Debt Limit when approving Debt;

- c) Adhering to the following Debt terms when approving Debt:
 - i. The term of any Debt for capital assets shall not exceed the probable lifetime of the asset being financed;
 - ii. Short-Term Debt shall not exceed a term of 365 days; and
- d) Ensuring The City maintains a Credit Rating of, at a minimum, investment grade when approving Debt.

4.2 City Administration is responsible for:

- a) Preparing a report and seeking Council approval with respect to any new Debt that has not otherwise been approved in accordance with the MGA;
- b) Reporting Debt levels to Council;
- c) Reporting on the Debt Retirement Account, at a minimum annually;
- d) Preparing and seeking Council approval for a plan to return to the approved Debt Limit if such Debt Limit is exceeded through a drop in Revenue subsequent to issuing Debt; and
- e) Maintaining a minimum of two Credit Ratings and reporting to Council on The City's Credit Rating.

5. DEFINITIONS

5.1 In this Council policy the following terms, when capitalized, have the following meanings:

- a) **Credit Rating** means quantitative and qualitative evaluation of a borrower's ability to meet current and future debt obligations, conducted by reputable agencies like Standard & Poor's, Moody's, Morningstar DBRS, or Fitch Ratings. For municipalities, this annual assessment typically covers economic structure, fiscal management, financial governance, and relationships with other levels of government. A higher credit rating indicates greater efficiency in issuing debt;
- b) **Debt** means money borrowed by The City from a third party under terms that require repayment including principal, interest, and fees within an agreed upon timeframe. It is primarily used when other funding sources are unavailable or less flexible in the period that funds are required for capital expenditures. For clarity, a third party may include the Canada Infrastructure Bank, Canada Mortgage and Housing Corporation, Federation of Canadian Municipalities, other financial institutions, the Province of Alberta, the debt capital markets and any other capital funding source that is not internal to The City;
- c) **Debt Limit** means:
 - i. Total Debt shall not exceed 1.6 times Revenue;
 - ii. Total Debt Service shall not exceed 0.28 times Revenue;

- iii. Tax-Supported Debt Service shall not exceed 10% of Tax-Supported Gross Expenditures (Net of Recoveries);
- d) **Debt Retirement Account** means an account to hold and invest funds specifically for Debt repayment. The only permitted use of funds held in a Debt Retirement Account will be for repayment of principal, interest and fees associated with The City's Debt Capital Markets and Private Placement Program. The account must be in a form acceptable to the City Treasurer;
- e) **MGA** means the *Municipal Government Act*, RSA 2000, c. M-26, as amended from time to time;
- f) **Revenue** means total revenue reported in The City's latest audited annual financial statement, net of any revenues from government transfers and contributed or donated tangible capital assets. Sources include, but are not limited to, property taxes, business taxes, levies, sales of goods and services, investment income, fines, licenses, permits, fees, and other miscellaneous income;
- g) **Self-Sufficient Tax-Supported Debt** means Debt issued to fund non-utility capital expenditures, operations, programs or activities whose operating costs, including Debt servicing, are completely self-funded by Tax Revenues;
- h) **Short-Term Debt** means the issue and sale of commercial paper in the form of short-term, unsecured promissory notes to raise funds in order to manage The City's cash flow needs, bridging gaps between inflows and outflows, with a maximum term of 365 days. Short-Term Debt cannot be used to finance capital projects or capital asset purchases;
- i) **Tax Revenues** means revenues generated to pay for Tax-Supported Operations, including, but not limited to, property taxes, business taxes, non-utility user fees, levies, investment income, fines, permits and other miscellaneous fees;
- j) **Tax-Supported Debt** means Debt issued for capital expenditures that is repaid in whole or in part from Tax Revenues;
- k) **Tax-Supported Debt Service** means all principal, interest and fees The City must pay on Tax-Supported Debt and Self-Sufficient Tax-Supported Debt within a calendar year, including guaranteed obligations;
- l) **Tax-Supported Gross Expenditures (Net of Recoveries)** means expenditures funded in whole or in part from Tax Revenues, calculated as total City expenditures (net of recoveries) less City fee-funded expenditures (net of recoveries);
- m) **Tax-Supported Operations** means City programs and services that are funded through Tax Revenues, including but not limited to, roads, transit and parks;
- n) **Total Debt** means all outstanding principal on The City's borrowings or guarantees. Debt may be in a form of a debenture, bond, commercial paper, promissory note, lease of capital property, financial liabilities associated with entering a Public Private Partnership (PPP), loan, guarantee or other form of contractual long-term financial commitment. Debt of ENMAX Corporation, a wholly owned subsidiary of

The City, is excluded from Debt Limit calculations. Other organizations that have fiscal relationships with The City but are not included in The City’s consolidated financial statements, such as City and civic partners, are also excluded from The City’s Debt Limit calculations; and

- o) **Total Debt Service** means all principal, interest and fees The City must pay on Total Debt within a calendar year, including guaranteed obligations.

6. ASSOCIATED GOVERNANCE

- 6.1 Pursuant to the MGA, as amended by the *City of Calgary Charter, 2018 Regulation, Alta Reg 40/2018*, Council must obtain an external Credit Rating and then establish a debt limit policy and debt servicing policy in order for The City to be able to establish its own debt limit.
- 6.2 The Debt policy is to be aligned with other pertinent sections of the MGA, such as those related to borrowing (sections 241, 251 to 263) and loans and guarantees (sections 264 – 268), all as may be subsequently amended.
- 6.3 The Debt policy should be read in conjunction with Council’s *Budget Spend Authorization and Delegation* policy (CP2025-03) that sets forth procedures on reporting of budget variances, adjustments and spending.

7. HISTORY

Action	Date	Approval	Description
Clerical Correction	2025 Sep 16	Policy Lead	Updated and formatted to the latest Council policy template. Corrected entries in history section and header table. Updated document names.
Amendment	2025 Sep 09	EC2025-0269	Updated to include best practices, diversify financing sources, and move administration tasks to the <i>Debt Management and Issuance</i> standard. <i>For certainty, any Bylaws of The City of Calgary that currently refer to Debt policy CP2020-05, which was adopted on 2020 November 2, and became effective on 2021 January 1, shall hereafter be deemed to refer to such Debt Policy as hereby amended.</i>
New	2020 Nov 02	PFC2020-1028	Policy adopted by Council.