

Function

The city of Spruce Grove recognizes that debt represents long-term obligations that must be met to ensure the sustainability of the community. The city further recognizes that there are appropriate uses of debt to accelerate capital projects determined by council to be necessary for the well-being of the community, giving consideration to the associated inherent financing costs. The city's practice is to utilize debt as a source of funding for capital infrastructure where sufficient funding from grants, reserves or other revenues cannot be secured.

Capacity to Pay

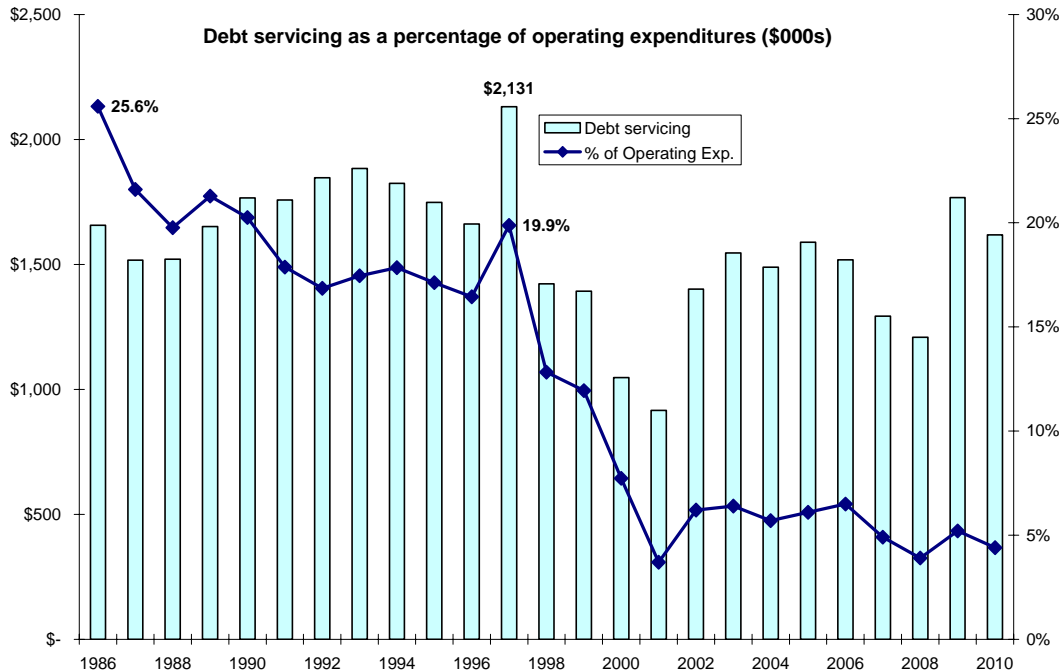
The City of Spruce Grove Debt Management Policy and provincial government legislation restrict the amount of total debt outstanding and debt servicing levels that the city can attain. The provincial limit set for total debt outstanding is based on 1.5 times total revenues net of government capital transfers. The provincial limit set for debt servicing (or annual repayment) is 0.25 times total revenues net of government capital transfers.

The city believes that the legislated debt limit provides too great of a potential tax burden on the community and is inconsistent with the city's financial goals and objectives. Council established a debt management policy that is more stringent than the legislated limit, with a debt servicing goal at eight per cent of total operating expenditures. There is an allowance of two per cent in order to give council the flexibility to deal with emerging community needs.

The city's debts outstanding and servicing are below the allowable limits set by provincial legislation and internal policy.

As indicated, debt limits have been benchmarked against revenues and expenditures. For the calculation of 10-year debt limit schedules, revenue and expenditure projections for 2007 to 2010 are based on the fiscal plan consolidated budgets. For 2011 to 2017, projections are based on an average change in revenues and expenditures over the 2006 to 2010 five-year period.

The city's debt servicing costs for the next three years are estimated at 3.9 and 5.2 per cent of operating expenditures. The city has sufficient capacity to pay its debt servicing costs.

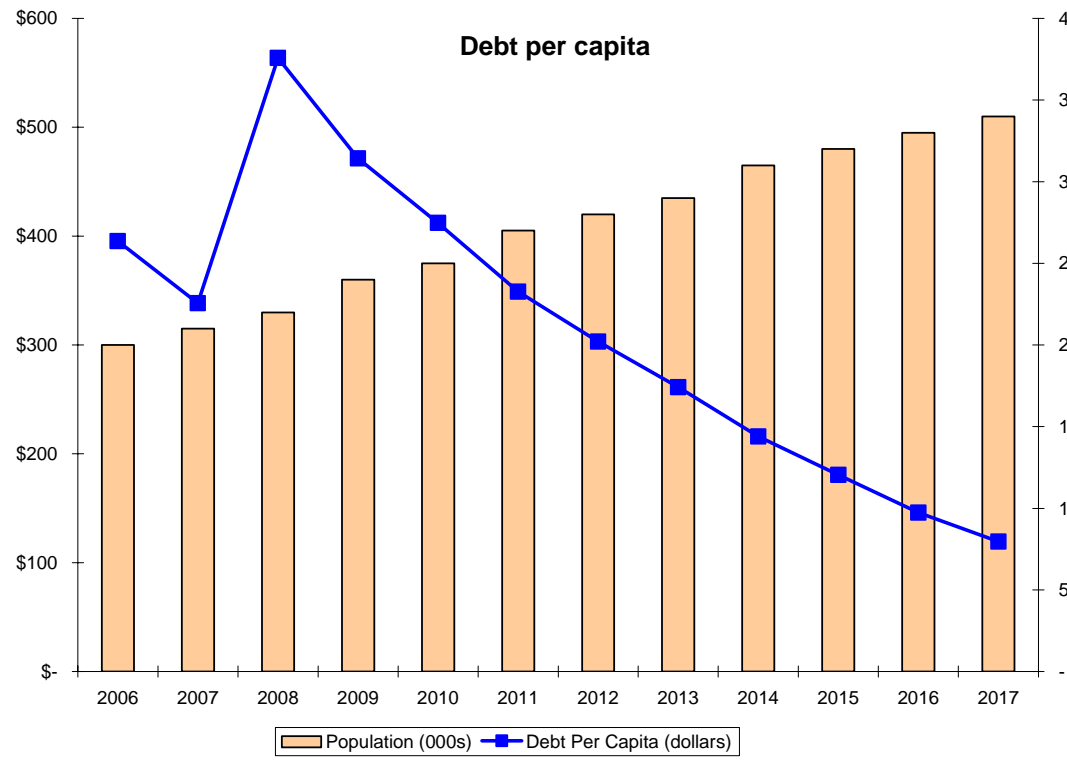


Financial Summary

- In the next three years, the city will reduce its existing debt by a total of \$2.3 million.
- By 2017, the city will have paid \$6 million (84 per cent) of the current \$7.1 million debt outstanding. With the new debt budgeted in 2008 plus the remaining \$1.1 million (\$7.1 million less \$6 million paid) in existing debt, the total debt outstanding is \$4 million.
- In 2008, the city is budgeting new debt of \$2.75 million for the Library facility and \$3.3 million for the Agrena facility. Annual debt servicing costs are \$258,000 and \$310,000 respectively.

Summary of debt outstanding (000's)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	ACTUAL	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
Provincial limit for debt outstanding	46,152	49,058	63,156	66,354	73,142	79,392	85,694	91,836	98,433	105,038	111,810	118,163
Debt outstanding - tax supported	7,185	6,521	11,940	10,985	10,129	9,267	8,353	7,464	6,609	5,717	4,776	4,038
Debt outstanding - utility supported	724	585	462	327	176	155	133	109	83	64	44	23
	7,909	7,106	12,402	11,312	10,305	9,422	8,486	7,573	6,692	5,781	4,820	4,061
Debt outstanding as a % of provincial limit	17.1%	14.5%	19.6%	17.0%	14.1%	11.9%	9.9%	8.2%	6.8%	5.5%	4.3%	3.4%



The city's outstanding debt is substantially less than the province's legislated debt limit. Based on provincial debt limits, the city has significant capacity to borrow. In 2008, the city's outstanding debt is less than 20 per cent of the provincial debt limit with this number drastically reduced to less than four per cent in 2017.

The outstanding debt per capita is steadily declining as the city's population continues to grow. This represents a healthy condition of the city's debt position.

Summary of debt servicing (000's)

	2006 ACTUAL	2007 BUDGET	2008 BUDGET	2009 BUDGET	2010 BUDGET	2011 BUDGET	2012 BUDGET	2013 BUDGET	2014 BUDGET	2015 BUDGET	2016 BUDGET	2017 BUDGET
Provincial limit for debt servicing	7,692	8,176	10,526	11,059	12,190	13,232	14,282	15,306	16,406	17,506	18,635	19,694
City policy limit for debt servicing	1,872	2,100	2,523	2,741	2,962	3,234	3,507	3,779	4,051	4,324	4,596	4,868
Debt servicing - tax supported	1,138	1,089	1,036	1,596	1,446	1,397	1,395	1,316	1,236	1,225	1,224	973
Debt servicing - utility supported	381	204	173	172	172	32	32	32	31	23	23	23
	1,519	1,293	1,209	1,768	1,618	1,429	1,427	1,348	1,267	1,248	1,247	996
Debt servicing as a % of provincial limit	19.7%	15.8%	11.5%	16.0%	13.3%	10.8%	10.0%	8.8%	7.7%	7.1%	6.7%	5.1%
Debt servicing as a % of city policy limit	81.1%	61.6%	47.9%	64.5%	54.6%	44.2%	40.7%	35.7%	31.3%	28.9%	27.1%	20.5%

The city believes that the legislated debt limit provides too great of a potential tax burden on the community and is inconsistent with the city's financial goals and objectives. Council established a debt management policy that is more stringent than the legislated limit, with a debt servicing goal at eight per cent of total operating expenditures.

Detailed debt outstanding (\$000s)

Description	2006 ACTUAL	2007 BUDGET	2008 BUDGET	2009 BUDGET	2010 BUDGET	2011 BUDGET	2012 BUDGET	2013 BUDGET	2014 BUDGET	2015 BUDGET	2016 BUDGET	2017 BUDGET
Water Reservoir	-	-	-	-	-	-	-	-	-	-	-	-
Water Reservoir	345	273	192	101	-	-	-	-	-	-	-	-
East Agrena	115	91	64	34	-	-	-	-	-	-	-	-
East Agrena	34	27	19	10	-	-	-	-	-	-	-	-
Water Reservoir	103	81	57	30	-	-	-	-	-	-	-	-
Public Works Building Addition	52	48	43	37	31	24	17	9	-	-	-	-
Library/Stage Relocation	-	-	-	-	-	-	-	-	-	-	-	-
Shenfield Renovation	64	-	-	-	-	-	-	-	-	-	-	-
Library/Stage Relocation	4	-	-	-	-	-	-	-	-	-	-	-
Grove Drive VI	51	45	37	29	20	10	-	-	-	-	-	-
Grove Drive V	12	11	9	7	5	2	-	-	-	-	-	-
Zone 1 Pumphouse	29	-	-	-	-	-	-	-	-	-	-	-
RCMP Building	295	256	213	166	116	60	-	-	-	-	-	-
RCMP Building	436	388	336	280	219	152	79	-	-	-	-	-
Schram Street Watermain	45	41	37	32	27	21	15	8	-	-	-	-
West Trunk Sanitary Sewer	202	190	177	164	150	134	118	101	83	64	44	23
Tri-Leisure Centre	425	407	388	368	346	324	299	273	246	217	186	153
Tri-Leisure Centre	760	702	641	577	509	436	359	277	190	99	-	-
Tri-Leisure Centre	756	698	637	573	504	432	355	274	188	96	-	-
Tri-Leisure Centre	852	816	778	738	695	650	601	550	495	437	375	309
Tri-Leisure Centre	376	346	316	283	249	213	175	134	92	47	-	-
Tri-Leisure Centre	1,270	1,216	1,158	1,096	1,031	963	889	812	730	643	551	453
Tri-Leisure Centre	441	423	405	386	365	344	321	297	271	243	215	184
Tri-Leisure Centre	809	754	696	635	571	502	429	353	272	186	96	-
ME First	433	293	149	-	-	-	-	-	-	-	-	-
Library Facility	-	-	2,750	2,621	2,485	2,343	2,195	2,039	1,875	1,704	1,524	1,336
Agrena	-	-	3,300	3,145	2,982	2,812	2,634	2,446	2,250	2,045	1,829	1,603
	7,909	7,106	12,402	11,312	10,305	9,422	8,486	7,573	6,692	5,781	4,820	4,061

Detailed debt servicing payments (\$000s)

Description	2006 ACTUAL	2007 BUDGET	2008 BUDGET	2009 BUDGET	2010 BUDGET	2011 BUDGET	2012 BUDGET	2013 BUDGET	2014 BUDGET	2015 BUDGET	2016 BUDGET	2017 BUDGET
Water Reservoir	70	-	-	-	-	-	-	-	-	-	-	-
Water Reservoir	109	109	108	108	107	-	-	-	-	-	-	-
East Agrena	37	37	37	37	37	-	-	-	-	-	-	-
East Agrena	11	11	11	11	11	-	-	-	-	-	-	-
Water Reservoir	104	33	33	33	33	-	-	-	-	-	-	-
Public Works Building Addition	10	10	10	10	10	10	10	10	10	-	-	-
Library/Stage Relocation	30	-	-	-	-	-	-	-	-	-	-	-
Shenfield Renovation	73	64	-	-	-	-	-	-	-	-	-	-
Library/Stage Relocation	4	4	-	-	-	-	-	-	-	-	-	-
Grove Drive VI	11	11	11	11	11	11	11	-	-	-	-	-
Grove Drive V	13	3	3	3	3	3	3	-	-	-	-	-
Zone 1 Pumphouse	36	31	-	-	-	-	-	-	-	-	-	-
RCMP Building	65	65	65	65	65	65	65	-	-	-	-	-
RCMP Building	83	83	83	82	82	82	81	81	-	-	-	-
Schram Street Watermain	21	8	8	8	8	8	8	8	8	-	-	-
West Trunk Sanitary Sewer Extension	42	24	23	23	23	23	23	24	24	24	23	23
Tri-Leisure Centre	44	44	44	44	44	44	44	44	44	43	44	43
Tri-Leisure Centre	103	103	103	103	103	102	102	102	102	102	102	-
Tri-Leisure Centre	101	101	101	101	101	101	101	101	101	100	100	-
Tri-Leisure Centre	89	89	89	89	89	89	89	89	89	89	89	89
Tri-Leisure Centre	50	50	50	50	50	50	49	50	50	50	49	-
Tri-Leisure Centre	130	130	130	130	130	130	130	130	130	130	130	130
Tri-Leisure Centre	43	43	43	43	43	43	43	43	43	43	43	43
Tri-Leisure Centre	100	100	100	100	100	100	100	100	100	99	99	99
ME First	140	140	144	149	-	-	-	-	-	-	-	-
Library Facility	-	-	6	258	258	258	258	258	258	258	258	258
Agrena	-	-	7	310	310	310	310	310	310	310	310	310
	1,519	1,293	1,209	1,768	1,618	1,429	1,427	1,348	1,267	1,248	1,247	996

Detailed debt principal payments (\$000s)

Description	2006 ACTUAL	2007 BUDGET	2008 BUDGET	2009 BUDGET	2010 BUDGET	2011 BUDGET	2012 BUDGET	2013 BUDGET	2014 BUDGET	2015 BUDGET	2016 BUDGET	2017 BUDGET
Water Reservoir	63	-	-	-	-	-	-	-	-	-	-	-
Water Reservoir	65	72	81	90	101	-	-	-	-	-	-	-
East Agrena	22	24	27	30	34	-	-	-	-	-	-	-
East Agrena	7	7	8	9	10	-	-	-	-	-	-	-
Water Reservoir	85	22	24	27	30	-	-	-	-	-	-	-
Public Works Building Addition	4	5	5	6	6	7	7	8	9	-	-	-
Library/Stage Relocation	29	-	-	-	-	-	-	-	-	-	-	-
Shenfield Renovation	66	64	-	-	-	-	-	-	-	-	-	-
Library/Stage Relocation	4	4	-	-	-	-	-	-	-	-	-	-
Grove Drive VI	6	7	7	8	9	10	10	-	-	-	-	-
Grove Drive V	11	2	2	2	2	2	3	-	-	-	-	-
Zone 1 Pumphouse	32	29	-	-	-	-	-	-	-	-	-	-
RCMP Building	36	39	43	47	51	55	60	-	-	-	-	-
RCMP Building	44	47	52	56	61	67	73	79	-	-	-	-
Schram Street Watermain	14	4	4	5	5	6	6	7	8	-	-	-
West Trunk Sanitary Sewer Extension	29	12	13	14	14	15	16	17	18	19	20	22
Tri-Leisure Centre	17	18	19	20	22	23	24	26	27	29	31	33
Tri-Leisure Centre	54	57	61	65	69	73	77	82	87	92	98	-
Tri-Leisure Centre	54	58	61	65	69	73	77	81	86	91	96	-
Tri-Leisure Centre	33	36	38	40	43	45	49	52	55	58	62	66
Tri-Leisure Centre	28	29	31	32	34	36	38	40	42	45	47	-
Tri-Leisure Centre	51	55	58	61	65	69	73	77	82	87	92	98
Tri-Leisure Centre	16	17	18	19	20	22	23	24	26	27	29	31
Tri-Leisure Centre	52	55	58	61	65	68	72	77	81	86	91	96
ME First	135	140	144	149	-	-	-	-	-	-	-	-
Library Facility	-	-	-	129	135	142	149	156	164	171	180	188
Agrena	-	-	-	155	162	170	179	187	196	206	215	225
	957	803	754	1,090	1,007	883	936	913	881	911	961	759

Detailed debt interest expenditures (\$000s)

Description	2006 ACTUAL	2007 BUDGET	2008 BUDGET	2009 BUDGET	2010 BUDGET	2011 BUDGET	2012 BUDGET	2013 BUDGET	2014 BUDGET	2015 BUDGET	2016 BUDGET	2017 BUDGET
Water Reservoir	7	-	-	-	-	-	-	-	-	-	-	-
Water Reservoir	44	36	27	17	6	-	-	-	-	-	-	-
East Agrena	16	13	10	7	3	-	-	-	-	-	-	-
East Agrena	5	4	3	2	1	-	-	-	-	-	-	-
Water Reservoir	19	11	9	6	3	-	-	-	-	-	-	-
Public Works Building Addition	6	5	5	4	4	3	2	2	1	-	-	-
Library/Stage Relocation	1	-	-	-	-	-	-	-	-	-	-	-
Shenfield Renovation	6	-	-	-	-	-	-	-	-	-	-	-
Library/Stage Relocation	-	-	-	-	-	-	-	-	-	-	-	-
Grove Drive VI	5	4	4	3	2	2	1	-	-	-	-	-
Grove Drive V	2	1	1	1	1	-	-	-	-	-	-	-
Zone 1 Pumphouse	4	2	-	-	-	-	-	-	-	-	-	-
RCMP Building	29	26	22	18	14	10	5	-	-	-	-	-
RCMP Building	39	35	31	26	21	15	8	1	-	-	-	-
Schram Street Watermain	7	5	4	4	3	2	2	1	1	-	-	-
West Trunk Sanitary Sewer Extension	13	11	11	10	9	8	7	6	5	4	3	2
Tri-Leisure Centre	27	26	25	24	22	21	20	18	16	15	12	11
Tri-Leisure Centre	49	45	42	38	34	30	25	20	15	10	4	-
Tri-Leisure Centre	47	44	40	36	32	28	24	20	15	9	4	-
Tri-Leisure Centre	56	54	51	49	47	44	41	38	34	31	27	23
Tri-Leisure Centre	22	21	19	17	15	14	11	9	7	5	2	-
Tri-Leisure Centre	79	76	72	69	65	61	57	53	48	43	38	32
Tri-Leisure Centre	27	26	25	24	23	21	20	19	17	15	14	12
Tri-Leisure Centre	48	45	42	39	35	31	27	23	18	14	9	3
ME First	4	-	-	-	-	-	-	-	-	-	-	-
Library Facility	-	-	5	129	123	116	110	102	95	87	79	70
Agrena	-	-	7	155	148	140	131	123	114	104	94	84
	562	490	455	678	611	546	491	435	386	337	286	237