

## Bylaw 19756

### A Bylaw to authorize the City of Edmonton to provide a guarantee on a line of credit for Edmonton Metropolitan Transit Services Commission (EMTSC)

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#### Recommendation

1. That the terms of the guarantee agreement between the City of Edmonton and Edmonton Metropolitan Transit Services Commission, for an amount not to exceed \$3.3 million, as outlined in Attachment 2 of the June 7, 2021, Financial and Corporate Services report FCS00642, be approved, and that the agreement be in form and content acceptable to the City Manager.
2. That \$3.3 million be appropriated from the Financial Stabilization Reserve in the event that the guarantee is called upon.

#### Purpose

To authorize the City of Edmonton to provide a guarantee of \$3,300,000 for a line of credit for Edmonton Metropolitan Transit Services Commission (EMTSC), a non-profit organization.

#### Readings

Bylaw 19756 is ready for first reading only.

#### Advertising and Signing

This Bylaw will be advertised in the Edmonton Journal on Thursday, June 10, 2021, and Thursday, June 17, 2020. The Bylaw cannot be signed and thereby passed prior to Monday, July 5, 2021.

#### Position of Administration

Administration supports this Bylaw.

## **Report Summary**

This Bylaw provides a guarantee on a line of credit for Edmonton Metropolitan Transit Services Commission (EMTSC), a non-profit organization, for up to three years ending July 31, 2024.

## **Report**

In January 2021, the Alberta government approved the formation of the new regional services commission that currently has eight municipal members with the option for others to become members in the future. The purposes of the commission are to:

- provide integrated transit services for the member municipalities that is fast, convenient, simple, reliable, efficient and affordable and that is coordinated with other modes of transportations; and
- enhance those transit services by combining the strengths of the member municipalities and implementing new technologies and approaches to the provision of transit services.

EMTSC requires an operating line of credit during the first few years of operation and will not yet have transit assets transferred to them to use as security on the line of credit. At the commission's April 22, 2021 board meeting, the board passed a motion to request security for the line of credit from the City of Edmonton and City of St. Albert. The form of the security may be either a letter of credit or guarantee, with \$3.3 million being requested from the City of Edmonton. EMTSC anticipates transit asset transfers to occur by late 2022, at which point the security on the line of credit could be transferred to the commission's assets. The proposed guarantee in Bylaw 19756 would provide a guarantee for three years until mid-2024. The motion included a commitment by the commission to reimburse the City of Edmonton and City of St. Albert for any direct costs incurred to provide and maintain the security.

Bylaw 19756 will be resubmitted for second and third readings after the advertising and the expiration of the associated petition period.

## **Corporate Outcomes and Performance Management**

<b>Corporate Outcomes: The City of Edmonton has sustainable and accessible infrastructure and the City of Edmonton has a resilient financial position</b>			
<b>Outcomes</b>	<b>Measures</b>	<b>Results</b>	<b>Targets</b>

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<p>Ensure transparent, conservative and reasonable debt financing as a source of funding to support the City's long-term capital plans and strategies while maintaining long-term financial affordability, flexibility and sustainability.</p>	<ul style="list-style-type: none"> <li>The City of Edmonton is subject to limits both for total debt and debt servicing by the <i>Municipal Government Act</i> and by the City's internal <i>Debt Management Fiscal Policy (C203C)</i>. <ul style="list-style-type: none"> <li>The <i>Municipal Government Act</i> debt limit is two times the revenue of the City and the debt servicing limit is 35% of City revenues. For this calculation, revenues are net of capital government transfers and contributed tangible capital assets.</li> <li>The internal <i>Debt Management Fiscal Policy (C203C)</i> sets more conservative debt service limits at 22% (total debt) of City revenues and 15% (tax-supported debt) of Tax Levy Revenues.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Based on the limits set under the <i>Municipal Government Act</i>, as of December 31, 2020, the City had used 58.2% of its debt limit and 30.6% of its debt servicing limit.</li> <li>Based on the limits under the <i>Debt Management Fiscal Policy</i>, as of December 31, 2020, the City had used 59.4% of its tax-supported debt servicing limit and 45.3% of its total debt servicing limit.</li> </ul>	<p>Total debt and debt servicing are in line with the limits set by the <i>Municipal Government Act</i> and by the internal <i>Debt Management Fiscal Policy (C203C)</i>.</p>
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### Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score	Current Mitigations	Potential Future Mitigations
Exceeding regulated debt and debt servicing limits.	Exceeding debt and debt servicing limits regulated by the <i>Municipal Government Act</i> and the internal <i>Debt Management Fiscal Policy (C203C)</i> . Exceeding the <i>Debt Limit Regulation</i> requires approval from the minister. Failure by a municipality to fall within the <i>Debt Limit Regulation</i> may result in the refusal of an application to the Provincial lender to purchase the City's	1-Rare	4-Severe	4-Low	Quarterly monitor the City's debt borrowings, debt positions and debt servicing to ensure compliance with the debt and debt servicing limits regulated by the <i>Municipal Government Act</i> and the internal <i>Debt Management Fiscal Policy (C203C)</i> . The City considers and models the impact to the debt position and debt servicing limits due to future unapproved	Long term forecasts are used to determine the impact of approved and potential future unapproved projects and their impact on debt limits.

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	debentures in order to finance a capital project.				borrowings and potential changes to interest rates.	
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**Public Engagement**

Guarantee bylaws reflect a legislative requirement of the guarantee process. As a result, no public engagement is undertaken with respect to the guarantee bylaw process. Where required by the *Municipal Government Act* guarantee bylaws are advertised.

**Attachments**

1. Bylaw 19756
2. Terms of Guarantee between the City of Edmonton and Edmonton Metropolitan Transit Services Commission

**Others Reviewing this Report**

- K. Fallis-Howell, Acting City Solicitor