

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)

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 second and third readings.

Advertising and Signing

This Bylaw was 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

At the June 7, 2021 City Council meeting, Bylaw 19756 received first reading.

The petition period expired on Friday, July 2, 2021. No petitions were received, so this Bylaw may proceed.

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:

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- 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.

Corporate Outcomes and Performance Management

Corporate Outcomes: The City of Edmonton has sustainable and accessible infrastructure and the City of Edmonton has a resilient financial position			
Outcomes	Measures	Results	Targets
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.	<ul style="list-style-type: none"> • The City of Edmonton is subject to limits both for total debt and debt servicing both by the <i>Municipal Government Act</i> and by the City's internal Debt Management Fiscal Policy (C203C). <ul style="list-style-type: none"> • 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. • The internal Debt Management Fiscal Policy (C203C) sets more conservative debt service limits at 22% (total debt) of City revenues and 15% (tax-supported debt) of Tax Levy Revenues. 	<ul style="list-style-type: none"> • 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. • Based on the limits under the Debt Management Fiscal Policy, 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. 	Total debt and debt servicing are in line with the limits set by the <i>Municipal Government Act</i> and by the internal Debt Management Fiscal Policy (C203C).

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 Debt Management Fiscal Policy (C203C). 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 debentures in order to finance a capital project.	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 Debt Management Fiscal Policy (C203C). The City considers and models the impact to the debt position and debt servicing limits due to future unapproved borrowings and potential changes to interest rates.	Long term forecasts are used to determine the impact of approved and potential future unapproved projects and their impact on debt limits.

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. As required by the *Municipal Government Act*, guarantee bylaws are advertised.

Attachment

1. Bylaw 19756

Others Reviewing this Report

- K. Fallis-Howell, Acting City Solicitor